Clal Insurance Enterprises Holdings Ltd.
Financial Statements as of September 30, 2023

2023

Clal
Insurance Enterprises Holdings Ltd.

IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of the September 30, 2023, financial report of Clal Insurance Enterprises Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on November 30, 2023.

The Hebrew version submitted to the TASE and the Israeli Securities Authority shall be the sole legally binding version.

”We will live to see those other days,
We will see them much sooner than we may imagine.
And when the quiet shall come, and it shall prevail in the gateways
And all the deeds of our days shall be engraved in the books,
We shall then gaze at each other with those strange looks,
And then we will recall that we strode together on towards those other days...”

(Haim Hefer)

On October 7 - perhaps the most ill-fated day in the history of the State of Israel, which will go down in the annals of history - we woke up to a nightmare, in which the cream of our youth was forced to stand up and fight with outstanding bravery; they put everything aside and made the ultimate sacrifice, faced with barbaric terrorists and their horrific, monstrous acts, that will be eternally remembered as one of the darkest chapters in modern history.
There are so many acts of bravery, the anguish is so deep, and our hearts are heavy with the tremendous loss and unfathomable suffering.
Our hearts go out to those families who have lost their loved ones and are now wrapped in grief.
We pray for the safety of all the hostages and their swift return home, and stand by their families.
We salute all the IDF soldiers and the security forces for their ceaseless efforts to defend us and ensure our safety, and are profoundly touched by the unwavering spirit of the people here in Israel.
As ever, it is from the very dark depths of mourning and the terrible sense of shock that the genuine resilience and special virtue of our nation shine through in all their splendor.
We shall rise from the dust like the phoenix - we shall build, restore and grow stronger than ever before, we shall plow the earth to the very last furrow and continue to turn the wonderful, unique and unshakable vision of the Jewish state into the reality of our modern homeland, one that has remained standing tall for 75 years and shall continue to do so forever!

We will live to see those other days,
and our wish is that we get to see them much sooner than anybody might imagine.

Haim Samet
Chairman, Clal Insurance
Enterprises Holdings Ltd.

Clal

Insurance Enterprises Holdings Ltd.

Financial Statements as of September 30, 2023

Report of the Board of Directors

Condensed Consolidated Interim Financial Statements

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Clal Insurance Enterprises Holdings Ltd.

Report of the Board of Directors

September 30, 2023

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Report of the Board of Directors on the State of the Corporation’s Affairs for the Period ended September 30, 2023 (hereinafter - the “**Report of the Board of Directors**”) reviews the key changes in the activity of Clal Insurance Enterprises Holdings Ltd. (hereinafter - the “**Company**”) in the first nine months of 2023 (hereinafter - the “**Reporting Period**”) and in the three months ended September 30, 2023 (hereinafter - the “**Quarter**”).

The Report of the Board of Directors was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970. The Report of the Board of Directors, with respect to the insurance business, was drawn up in accordance with the Supervision of Insurance Business Regulations (Reporting), 1998, and in accordance with the circulars of the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the “**Commissioner**"); the Report of the Board of Directors, with respect to the credit cards business, was drawn up in accordance with the reporting directives of the Banking Supervision Department (hereinafter - the “**Banking Supervision Department**”) bearing in mind that the reader also has on hand the full periodic report of the Company for the year ended December 31, 2022 (hereinafter - the “**Periodic Report**” and/or “**Annual Financial Statements**”).

Forward-looking information

The following report of the Company may contain, in addition to data relating to the past, also forward-looking information, as defined in the Securities Law, 1968. Forward-looking information, to the extent that it is included, is based, among other things, on estimates and assumptions of the Group’s management and on forecasts regarding the future in connection with economic and other developments in Israel and across the world, legislative and regulatory provisions, competition in the sector, accounting and taxation changes and technological developments. Although the Company’s consolidated companies believe their assumptions to be reasonable as of the report date, by nature they are not certain, and actual results may materially differ from those predicted; therefore, the readers of the report should treat this information with due cation.

1. The Group's Structure, its Areas of Activity, and Developments Therein

1.1 Group structure

The Company’s shareholders

In the Commissioner’s letter of December 8, 2019, it was stated that no entity holds, whether directly or indirectly, the means of control in the Company.

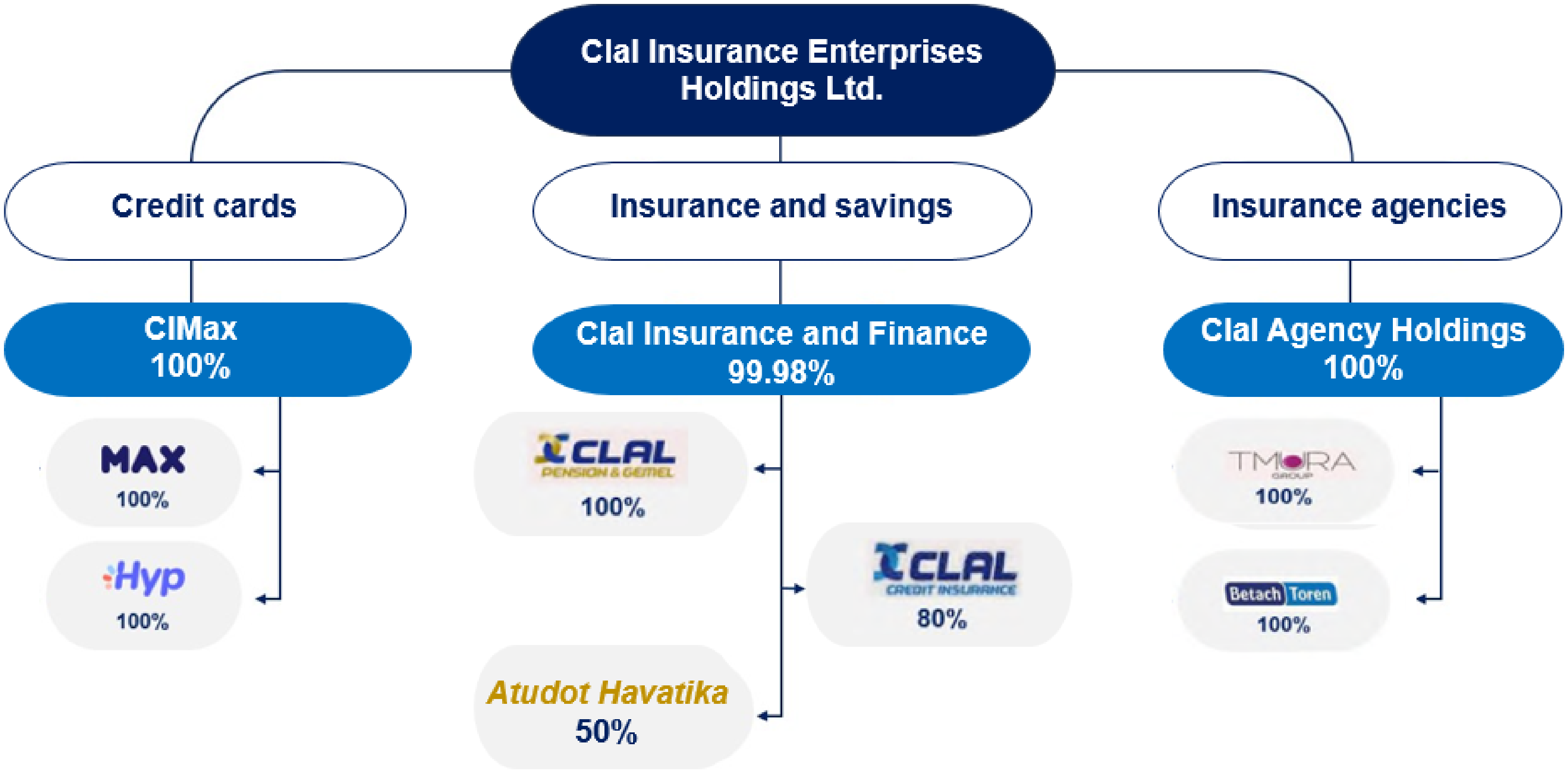
For further information regarding shareholdings in the Company and changes during the Reporting Period, see Note 1 to the financial statements. Furthermore, for details regarding the allocation of the Company’s shares as part of the completion of the Max transaction, see Note 7 to the Financial Statements.

1.2 The Group's Areas of Activity and Developments Therein

1.2.1 For a description of the Group’s areas of activity and its holding structure through the completion date of the Max transaction in March 2023, please see Section 1.1 in the chapter entitled Description of the Corporation's Business in the 2022 Periodic Report.

1.2.2 Further to what is stated in Note 11 to the Financial Statements, on March 27, 2023 the Company completed the acquisition of CIMax Holdings Ltd. (hereinafter - “**CIMax**”). Set forth below are the Group’s areas of activity and holding structure accordingly.

1.2.3 Set forth below is the holdings structure:



1.2.4 As from March 31, 2023, upon the completion of the Max transaction, the Company has four material areas of activity:

A. Long-term savings

This segment includes the Group's activity in the life insurance subsegment, pension funds subsegment and provident funds subsegment.

Pension insurance in Israel is composed of three key tiers: **a mandatory tier, which is managed by the state** - The National Insurance Institute; **a mandatory tier, which is managed by institutional entities** - as from 2008, as part of mandatory pension to salaried employees in respect of benefits and severance pay deposited with institutional entities, and as from 2017 also a mandatory pension for the self-employed, and **a voluntary tier** - pension saving beyond the mandatory tier managed by institutional entities, and individual savings channels.

The segment's products mainly provide retirement savings products (hereinafter - the "**Saving**"). Furthermore, insurance coverages regarding various risks are incorporated, or may be incorporated, into most of the segment's products, such as: life, disability, long-term health and critical illness insurance (hereinafter - the "**Risk**").

In the reporting year, the activity in the life insurance subsegment was carried out through Clal Insurance. In the reporting year, the activity in the pension funds and provident funds subsegments was carried out through Clal Insurance's holdings in the following companies:

Clal Pension and Provident Funds - a wholly-owned subsidiary of Clal Insurance (100%), which operates, among other things, as the management company of annuity-paying provident funds (new pension funds and savings provident funds), and various types of equity-based provident funds: personal benefits and severance pay provident funds, advanced education funds, central severance pay funds, investment provident fund and central provident fund for participation in budgetary pension.

Atudot Havatika - a subsidiary of Clal Insurance (50%), which manages an old balanced pension fund (Atudot Pension Fund).

B. Property and casualty insurance (P&C)

This segment comprises the Group's activity in the property and casualty insurance **subsegments**.

Property and casualty insurance comprises the property insurance subsegments, liability insurance subsegments, and other subsegments, that include various types of insurance.

Property insurance - as part of which coverage is provided in respect loss or physical damage caused to the policyholder's insured property as a result of the materialization of the risks specified in the policy, in a format of "specific risks", which are listed in the policy, or in a format of "all risks" (coverage for any loss or sudden and unanticipated damage due to an accident, other than loss or damage that were expressly excluded).

Liability insurance - as part of which coverage is provided in respect of the policyholder's financial liability under law vis a vis a third party other than the policyholder, up to the liability limit specified in the policy.

The Company's activity in this segment includes the compulsory motor insurance subsegment, the motor property insurance subsegment, the liability insurance subsegments, the property insurance subsegments, and other.

In the reporting period, the activity of the credit and foreign trade risk insurance subsegment was carried out through Clal Credit Insurance, a subsidiary in which Clal Insurance is a controlling shareholder (80%).

C. Health insurance

This segment includes the Group's health insurance activity in the illnesses and hospitalization subsegment (comprising, among other things, illnesses and hospitalization, and travel insurance), and in the long-term care and personal accidents subsegments in relation to insurance policies sold in the past. This segment includes insurance plans aimed at individual policyholders, and insurance plans aimed at collectives. Furthermore, the activity in this segment includes personal accidents insurance (for up to one year), which is marketed to collectives.

Most of the Group's activity in this segment is coordinated by Clal Insurance's Health Division.

D. Credit cards

Through Max IT Finance Ltd. (hereinafter - "Max") is engaged in the issuance, acquisition and operation of debit cards, and in the provision of payments solutions and financial products, including credit to private and business customers. Max was established on February 15, 2000, and commenced its business operations on May 15, 2000. Some of the services provided by Max are rendered through the subsidiaries: Max It Credit Ltd., Max It Deposits Ltd., Max It Discounting Ltd., and Max Insurance Agency (2020) Ltd.

In addition, this segment includes Milo Ltd., which holds Hyp Payment Solutions Ltd. (hereinafter - "**Hyp**"), which provides payment solutions, which include, among other things, physical terminals and technological solutions (connectivity services for credit card acquisition, payment gateway) for e-commerce websites and merchants, which are used for payment through credit cards and other means of payment, as well as POS software (hereinafter - "**Checkout**") software. Hyp also provides credit card adjustment services through a system which allows monitoring the business activity of merchants vis a vis credit card companies and discounting companies. Hyp also provides a bookkeeping management and digital invoice generation system;

In addition, Milo also holds Max EVS Ltd. (a 51% stake) - a joint technological venture in the field of charging systems and other services relating to electric vehicles and solar roofs.[1]

[1] A service provider of Max EVS Ltd. was awarded an option to acquire up to 10% of its shares, which is subject to the fulfillment of agreed conditions.

2. The Board of Directors' Explanations for the State of the Corporation's Business

The Group companies' operations are affected by constant changes in regulations and regulatory reforms. In addition, Clal Insurance's operations and results are significantly affected by changes in capital markets, including, among other things, by changes in the interest rate that has implications for Clal Insurance's insurance liabilities and financial assets portfolios, and consequently - for management fees and financial margins from investments as well.

2.1 Significant Events During and Subsequent to the Reporting Period:

A. Completion of a transaction for the acquisition of CIMax Holdings Ltd.

Further to what is stated in Note 42(J) to the 2022 Financial Statements, on March 27, 2023 the Company completed the acquisition of CIMax Holdings Ltd. In its financial statements as of March 31, 2023, the Company consolidated for the first time the assets and liabilities of CIMax and companies under its control. For further details, see Note 5 to the Consolidated Interim Financial Statements.

B. The capital markets and the increase in the interest rate curve

In the Reporting Period, the results were mainly affected by financial effects; on the one hand, capital markets in which liquid investments are traded exhibited mixed trends, which affected revenues from investments in the nostro portfolio; in addition, variable management fees were not collected during the Reporting Period in respect of participating insurance policies (the Company has a pre-tax liability of approx. NIS 729 million to policyholders, and until it meets this undertaking it will not collect variable management fees; as of December 31, 2022, the balance amounted to approx. NIS 753 million). On the other hand, during the Reporting Period, there was an increase in the risk-free interest rate curve, which caused a decrease in actuarial reserves. For further details about the impact of the above on the results, see the special items table in Section 2.2 below. For further details regarding the Company's sensitivity to changes in interest rates, see Note 38 to the Annual Financial Statements.

C. Rating and issuance of bonds by the Company

In February 2023, the Company issued NIS 249.1 thousand par value of Bonds (Series A) and NIS 150 thousand par value in convertible Bonds (Series B) pursuant to the Company's shelf offering report dated February 9, 2023, published under the Company's shelf prospectus. The issuance expenses amounted to approx. NIS 3 million; the annual effective interest rate of Bonds (Series A) and (Series B) is approx. 4.9%, and the net issuance consideration amounts to approx. NIS 397 million.

In January and February 2023, Maalot announced an (AA-) rating with a stable outlook for the Company and the bonds it issued as stated above.

In June 2023, the Company issued NIS 250 million par value of Bonds (Series A) by way of a private placement and an expansion of an existing series in consideration for approx. NIS 244.6 million pursuant to the Company's shelf offering report dated February 9, 2023, published under the Company's shelf prospectus. The issuance expenses amounted to approx. NIS 592 thousand; the annual effective interest rate is 5.6%, and net consideration amounted to approx. NIS 244 million.

The Company used the consideration of the issuances to pay the consideration for the acquisition of Max and to create a liquidity cushion.

In August 2023, the Company issued NIS 400 million par value in Bonds (Series A) by way of an additional expansion of an existing series in consideration for approx. NIS 404.4 million pursuant to the Company's shelf offering report dated February 9, 2023, published under the Company's shelf prospectus. The issuance expenses amounted to approx. NIS 3.2 million and the annual effective interest rate is 5.3%. The entire consideration of the issuance will be used for early repayment of the part of the loan taken by CIMax Holdings Ltd. For further details, see Note 6 to the Financial Statements and Section 2.5.4 below.

On November 12, 2023, the Company's board of directors approved, with in principle approval, a review of a public offering of a new series of non-convertible bonds (hereinafter, jointly - the “Bonds (Series C)") by virtue of the Company's shelf prospectus dated July 25, 2022. The scope of the issuance and the terms and conditions of the Bonds (Series C) will be as set out in the shelf offering report to be published by the Company, under which the Bonds (Series C) will be issued. It should be noted that if the Bonds (Series C) are issued as set out above, all proceeds of the issuance will be used for early repayment of part of the loan taken by CIMax Holdings Ltd. in 2019, from a syndicate of lenders that are institutional entities (hereinafter - the “**Syndicated Loan**") by exercising the early loan repayment option and paying an early repayment penalty that is amortized over life of the loan, all in accordance with the terms and conditions of the Syndicated Loan, as part of the financial organization of the Group's obligations planned for the coming year with the aim of reducing the finance expenses and extending the average duration on the Syndicated Loan. For details regarding the syndicated loan, see Note 6(c)(1)(b) to the Company's Financial Statements.

D. Monitoring the Group’s rating

Clal Insurance and notes issued by Clalbit Finance

In July 2023, rating agencies Midroog Ltd. and S&P Maalot published rating reports that reiterated the existing rating of Clal Insurance Ltd. and of the subordinated notes issued by Clalbit Finance. The rating outlook remained stable. For further details, see Note 12(h) to the Consolidated Interim Financial Statements.

The Company

In July 2023, S&P Maalot published a rating report that affirmed an AA- rating with a stable outlook to the Company and bonds it issued.

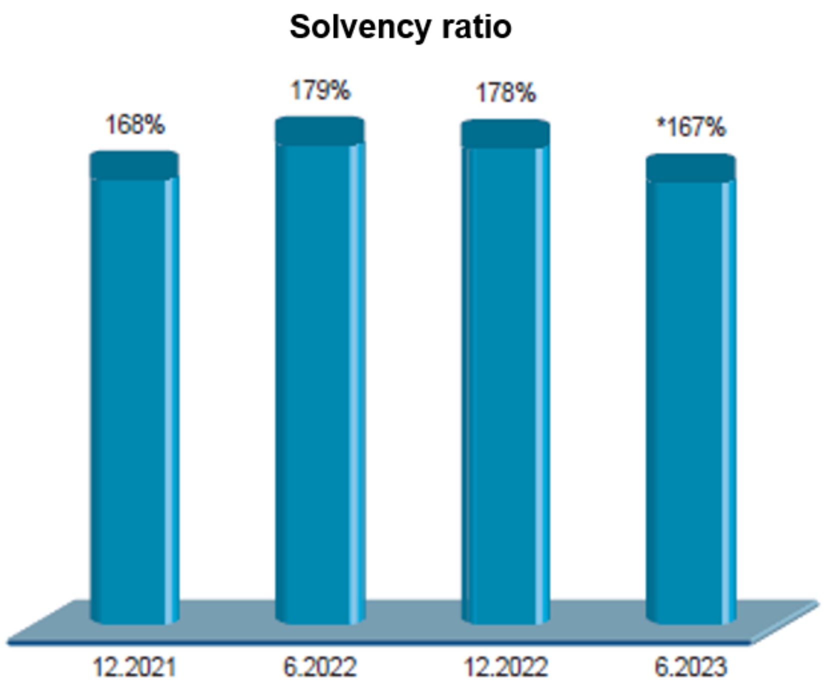
Max

In October 2023, the rating agency Midroog Ltd. reiterated Max’s rating of Aa3.il, and the rating’s stable outlook.

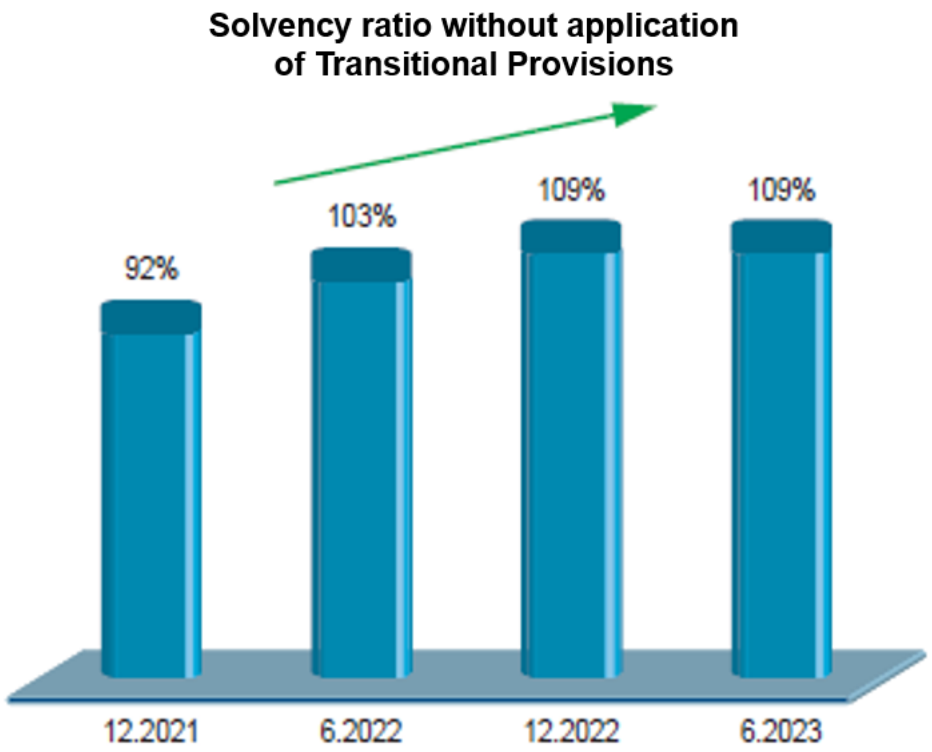
E. Economic solvency ratio in Clal Insurance

Clal Insurance published an Economic Solvency Ratio Report as of June 30, 2023, where under the ratio without applying the Transitional Provisions is 109% compared with a ratio of 109% as of December 31, 2022.

Taking into consideration the Transitional Provisions, the solvency ratio is 167%* as of June 30, 2023, compared with 178%, respectively, as of December 31, 2022. For further details, please see Section 2.4 below, Note 7 to the Financial Statements, and the Economic Solvency Ratio Report attached to the Financial Report.



* Taking into account transactions subsequent to June 30, 2023.



F. Dividend distribution policy at Clal Insurance

In June 2023, the Board of Directors of Clal Insurance approved a policy for the distribution of a dividend at a rate of 30%-50% of Clal Insurance's comprehensive income. The distribution is subject to the Company's complying with a minimum equity target of 110% in accordance with the economic solvency regime, without implementing the Transitional Provisions.

It is hereby clarified that this policy should not be viewed as an undertaking by Clal Insurance to distribute dividends, and that any actual distribution shall be individually subject to the Board of Directors' approval, at its sole discretion; the Board of Directors may decide on actual distribution at different rates, or not to distribute any dividend. In addition, the actual execution of any distribution shall be subject to compliance with the legal provisions that apply to dividend distribution.

G. Issuance of Subordinated Notes (Series M) in the subsidiary Clal Insurance

On July 16, 2023 Clalbit Finance Ltd. issued to the public Bond (Series M) at the total amount of approx. NIS 300 million par value; for further details, see Note 12(I) to the Financial Statements.

H. Consolidation entry upon the acquisition of Max

In accordance with accounting standards, when it acquired Max the Company recorded a pre-tax provision for credit default of approx. NIS 220 million, which was included in the results of the first quarter of 2023. For further details, see Note 3(b)(2)(b) to the Consolidated Interim Financial Statements.

I. Issuance of bonds by Max

On July 16, 2023, Max issued a new series of subordinated notes (Series D) with a contractual loss absorption mechanism, in the total amount of NIS 250 million par value, which are recognized as Tier 2 capital from the date of their issuance. The Notes (Series D) bear annual interest of 7.33%, and are repayable in one installment on October 16, 2033, and Max was given an option for early redemption between October 16, 2028 and November 16, 2028 in accordance with the terms set in the Deed of Trust. If Max will not exercise its early redemption option, the interest shall be revised on October 16, 2028, such that its annual rate will be equal to the benchmark interest rate on the date of the interest rate change as stated above, plus the margin above the benchmark interest rate on the issuance date, all in accordance with the definitions as per the Deed of Trust. The Notes (Series D) were issued to qualified investors in a private placement to accredited investors, and were listed on the TACT Institutionals system of the Tel Aviv Stock Exchange.

Subsequent to the reporting date, on November 16, 2023, the board of directors of Max resolved to make full early redemption of the Subordinated Notes (Series B) in the amount of approx. NIS 138.9 million issued in December 2018, constituting part of the Tier 2 capital of Max. The date set for early redemption is December 31, 2023. The expected effect of redemption of the notes is a decrease of approx. 0.8% in the total capital ratio.

J. Repayment of the liquid portion of the loan to CIMax

In the second and third quarters of 2023, CIMax received a dividend in the amount of approx. NIS 40 million from Max, and in addition, an amount of approx. NIS 57 million from the Company, in consideration for the issuance of capital notes to the Company. The said amounts were used for repayment in full of the liquid portion of the loan to CIMax, such that as of September 30, 2023, the outstanding loan balance amounts to approx. NIS 874 million, of which approx. NIS 1 million are in respect of interest and the remaining balance is in respect of the loan principal. For further details, see Note 6(C)(1)(b) to the Consolidated Interim Financial Statements.

K. Effects subsequent to the report date - Iron Swords War

On October 7, 2023, subsequent to the report date, the terrorist organization Hamas launched a murderous attack on communities in southern Israel. The attack included massive barrages of rockets targeting communities in the south, Jerusalem, the Sharon plain, and Gush Dan (the Tel Aviv metropolitan area), and thousands of Hamas terrorists from the Gaza Strip infiltrated Israeli cities and communities near the Gaza border.

On the same day, the Ministerial Committee on National Security Affairs (the Political-Security Cabinet) decided to take military action, under Section 40 of the Basic Law: The Government, and the IDF declared the Iron Swords War (hereafter - the "War"), calling up more than 300 thousand reserve soldiers.

Since the outbreak of the War, the State of Israel has been fighting in a number of arenas, with focus on the Gaza Strip.

The War resulted in a series of ramifications and restrictions, among other things, the evacuation of hundreds of thousands of people from their homes, the temporary closure of many businesses, restrictions on gatherings at workplaces and events, and the suspension of studies or reduction of frontal studies and transition to online studies in schools throughout the country.

These measures reduced activity in Israel, which resulted in a decline in economic activity. In addition, shortly after the outbreak of the War, there were sharp declines in the financial markets in Israel, which were partially moderated as set out below.

The effect of the War is also evident on the credit rating of the State of Israel. Moody's and Fitch moved Israel to the negative watch list, and S&P moved Israel’s debt rating outlook to negative. As a result, returns on of State of Israel bonds started to trade at the level of returns of countries in a lower rating group.

The Group is exposed to declines on the financial markets and to slowdown, as well as to other risks arising from the War. For further details on sensitivity and exposure to risk factors, please see also Note 38 to the financial statements as of December 31, 2022, which were published on March 30, 2023 (hereinafter - the “Annual Report”), and developments in the Company’s 2023 quarterly financial statements.

At this stage, there is significant uncertainty as to the development of the War, its scope and duration. Therefore, at this stage it is not possible to assess the full effect of the War on the Company and its results in the immediate and medium term.

The Group engaged in a series of extensive activities for the national effort, including by way of granting expedients for customers, increasing the donation budget, and setting up a dedicated support fund at Clal Insurance, to support policyholders for war damages as detailed below.

Set forth below are data regarding the effect of the War through the report publication date:

1. The Group’s activity

A. Business continuity

Clal Insurance - With the transition to a wartime routine, Clal Insurance gradually began to return to hybrid office and remote work,

while supporting employees and their families and ensuring the continuity of services to customers and agents, across all operating segments.

Max - In the first week of the War, Max worked remotely in a reduced format, with emphasis on a quick response to urgent customer inquiries and essential services, such as inquiries **about** credit cards of victims of terrorist acts and missing persons. With the transition to a wartime routine, Max gradually began to return to hybrid work in the office and from home.

B. Adjustments in the Group's activities due to the War

Clal Insurance

In view of the Iron Swords War and the government's declaration of a special situation on the home front, Clal Insurance prepared a comprehensive package of support and services, with the aim of providing optimum service to policyholders and agents in diverse areas, including extending and renewing insurance policies, some of which are free of charge, underwriting, collection, and claims.

To provide a response and support the Company's policyholders who were impacted by the War, to cover damages that are not paid for by the state and are not insured under the policies of its customers, and for restoration of damage, the Company's board of directors approved a fund of up to approx. NIS 10 million, which will be used, among other things, to cover damages that are not paid for by the state and are not covered under the insurance policies sold by the Company, and for restoring damages and providing insurance coverage. The fund will pay damages incurred by the Company's policyholders in a range of insurance areas, for direct damages of the War with the aim of responding to the needs of policyholders affected by the War, among other things, by increasing insurance amounts or providing interim solutions. The fund will be managed by a committee chaired by the director of the claims division at Clal Insurance, which will prioritize the applications and the level of response at its discretion.

Furthermore, Clal Insurance increased the donation budget by an additional NIS 1 million, to meet current needs.

Clal operates in accordance with the supervisory highlights that were given to it, including from Insurance Commissioner and the Israel Money Laundering and Terror Financing **Prohibition** Authority related to the War. For further details, please see Section 4.2.3 below.

Max

Shortly after the start of the War, the Company prepared a list of expedients to support residents living near the Gaza border, in the south of Israel, northern communities in the line of conflict, and IDF reserve soldiers, including expedients in accordance with the outline defined by the Bank of Israel, which came into effect on October 31, 2023. The expedients were compiled for private and business customers. In addition, an outline for dedicated service was also drawn up for populations that were affected.

As part of these expedients, Max grants eligible populations (upon request), the following, among other things:

- Interest-free deferral of loan payments for three months;
- Loans, payment rescheduling, and deferral of payments;
- Exemption from various fees for three months, including exemption from card fees;
- Advance credits for business customers.

In addition - Max initiated expedients and benefits for all its customers, including extending travel insurance policies free of charge for customers who remained abroad, and suspending the deletion of expired benefits.

Below are details about deferred loan payments, as of November 16, 2023:

	No. of loans	Recorded outstanding debt	Amount of payments deferred
		NIS million	
Private customers	3,600	110	9
Commercial	705	161	17
Total	**4,305**	**271**	**26**

Payments are deferred for all loans for up to three months.

2. Effect on the business activity and financial results

A. Life insurance and long-term savings

The exposure is mainly from life insurance in the event of death, permanent health insurance, and disability insurance marketed by Clal Insurance, if claims are compiled in these areas. That said, a significant part of the permanent health insurance and disability cases arising from the Iron Swords War are either not covered by the insurance policies marketed by the Company, or the Company's liability for them supplements the state's payments, and is therefore a reduced liability. It should be noted that Clal Insurance has a non-proportional reinsurance contract, which protects against liabilities arising for the Company due to loss of life, disability, and health insurance cases of its policyholders, due to catastrophic event, which limits the exposure of Clal Insurance for these insurance cases to approx. NIS 60 million, under the terms and conditions of the policy. As of this date, in accordance with the data received at Clal Insurance and its estimates, the effect of the Iron Swords War on its results in this area is expected to exceed NIS 60 million. It should be noted that the reinsurance for a catastrophe event does not cover all the costs of Clal Insurance for payment of insurance compensation arising from the Iron Swords War, but which are not a result of the first days of the War (depending on the characteristics of the coverage and the date the specific insured event of each policyholder occurred), and accordingly, these are expected to exceed NIS 60 million, however according to the current assessment of the Company, this is an immaterial amount.

In the pension funds managed by the Group, there is exposure to death and disability cases due to the War. Since the pension fund is a product that is essentially the mutual responsibility of the fund members, the exposure to the payment of residual and disability claims in the pension fund is expected to affect the demographic return in the fund, however, the Company believes that this will not have a material effect on the Group's results.

The contributions for the savings products are expected to be negatively impacted by the economic downturn in Israel, an increase in unemployment, and employees who were sent on unpaid leave. Up to the approval date of the financial statements, there has been no material change in the scope of withdrawals and redemptions, however these can and will be affected by the continuation of the situation.

B. Health insurance (including long-term care)

Clal Insurance is of the opinion that the exposure in the health insurance and long-term care insurance subsegments as a result of the war is not expected to be material.

C. Property and casualty insurance (P&C)

Generally, damage to property due to a war event is not covered under a property insurance policy, and therefore the exposure as a result of the War is not expected to be material. In addition, as a result of the War, there may be temporary changes in the level of claims in the various subsegments.

Credit insurance - As of the approval date of the financial statements, Clal Credit Insurance does not see a substantial increase in the level of claims or applications for deferring/rescheduling payments.

As part of the state's plan to address the increase in credit risk in Israel, in November 2023, the Accountant General approved the issuance of a state guarantee in the amount of USD 500 million for all local credit insurance companies with the aim supporting local suppliers, whose credit facility may be impaired due to the Iron Swords War and to prevent the materialization of a payment default risk by the customers of those suppliers, by providing a state guarantee to increase the existing credit limits in the credit insurance companies for local suppliers, which are insured through Israeli credit insurance companies, subject to the application of the policyholder for an increase in the credit limit. As of the reporting date, Clal Credit Insurance and the Accountant General are negotiating the terms and conditions of the guarantee.

Clal Credit Insurance is unable to assess, at this stage, the effect of the guarantee on its business results, and this depends on various developments, including changes in the state of the economy and developments in the fighting.

D. Credit card activity

Max operates in accordance with all the supervisory highlights that were published and that it received, including from the Banking Supervision Department and the Israel Money Laundering and Terror Financing Prohibition Authority. Max submits daily emergency reports in the format defined by the Bank of Israel. For further details, see Section 4.6.11 below.

1. The effects of the War on the financial statements of Max

The results of the first nine months of 2023 refer to the period prior to the War and reflect the continued growth in the activity of Max. The effects of the War are reflected in the financial results, only at the level of the loan loss provisions, which increased due to the Company's assessment of possible impairment to the solvency of borrowers, both in private and business credit.

In a forward-looking view, it can be assumed that the security situation, the continuation of the War, and measures taken by the state affect businesses and the population and, consequently, the economic activity in the country, which are reflected in the business activity of Max subsequent to the report, as follows:

Since the outbreak of the War, the business activity of Max, as a company with a significant scope of issuance and acquiring activity, was impaired. There was a decrease in the issuance and acquiring turnover of Max due to the decrease in leisure and entertainment activities (including restaurants and coffee shops), clothing and footwear, and the aviation and tourism industry. The decrease in the volume of activity led to a decrease in the revenues of Max from interchange, acquiring, and foreign transaction fees starting in October 2023. In addition, in this period, the volume of credit and credit card sales were affected.

In view of the uncertainty regarding the development of the War, its duration, and its ramifications on the economy in Israel, as of the approval date of the financial statements, Max is unable to estimate the effect on its financial results.

In addition, the cost of the main measures implemented by Max to support the needs of the population at this time, which include implementation of the expedients outline adopted by the Company, donations, and support for employees, may reach approx. NIS 20-30 million, which will have an affect by way of a decrease in revenue from income and interest, as well as an increase in expenses. The board of directors of Max is authorized to limit or change the scope of these activities at any time.

2. Effects on the loan losses of Max

The Iron Swords War has many ramifications on the economy in Israel, reflected, among other things, in the impairment of private consumption and business activity in general, and in the south and north of the country in particular, as well as in a high rate of reserve soldiers who were called up. These ramifications may have a significant effect on the business activity of Max and the risk of credit provided to its private and business customers.

On November 9, 2023, the Banking Supervision Department published highlights for preparation of third quarter reports, including an instruction to include the expected impact of the War in the calculation of expected credit losses in the third quarter reports and to increase the loan loss provision accordingly.

Max believes that the War is likely to have an adverse effect on the situation of the borrowers, however, at this stage, there is significant uncertainty regarding the intensity of the War, its duration and scope. The economic ramifications depend on the duration of the fighting, the intensity of the measures to be taken for recovery of the economy and the affected population, and the pace of recovery and return to full economic activity.

As of the reporting date, the consequences of the War on loan losses have not yet been reflected in the Company's financial results as damages, however, to reflect the potential increase in loan losses due to the increase in credit risk, as of the reporting date, Max increased the collective provisions for loan losses, in accordance with the directives of the Banking Supervision Department.

Max believes that the increase in the level of credit risk of its business customers is related to the market sector in which it operates. The decline in economic activity throughout the country since the outbreak of the War is reflected in a decline in the volume of activity of merchants, particularly in a number of sectors that experienced a more significant decline, such as tourism, leisure and entertainment, restaurants and coffee shops, furniture, and clothing and footwear. This decrease may affect, among other things, the risk of some of the merchants included in Max's business credit portfolio.

Regarding the credit risk of the private customers of Max, at this stage, Max estimates that the increase in the potential credit risk is mainly among customers living in the southern region and along the northern border, who are directly affected by the War. That said, Max believes that it is likely that the possible impairment of the solvency of all borrowers and of populations directly affected by the War in particular, will be moderated by government aid plans and other expedients granted to these populations by all the financial entities in the country, and also due to a decrease in household expenses. This may allow many customers to continue with the required economic activity, including debt repayment.

To reflect the current estimate of expected loan losses following the situation and with a forward-looking view, Max assessed the potential effects of the War on the various risk circles as detailed above, both in private credit and in business credit, and accordingly significantly increased the loan loss provision.

Max believes that an additional increase in populations included in the risk circles for which the provision was increased, amounting to 10% of the credit portfolio of Max, would have resulted in an additional increase of approx. NIS 15 million in the loan loss provision as of September 30, 2023.

As aforesaid, at this stage, it is not yet clear how the War will affect the financial situation of Max's customers and their ability to repay their debt. Due to the difficulty in assessing the developments of the War and its impact on economic activity throughout the country, and the level of damage to the private and business customers of Max on the one hand and the moderating effects of aid programs and other expedients on the other, the estimated loan loss provision is based on judgment and estimates and involves significant uncertainty at this stage. Accordingly, it is highly likely that future loan losses may be substantially higher or lower than the current estimate. As the effects of the War, the government aid, and the expedients on the macroeconomic situation and the activity in the economy become clear, and as Max gathers more information on the activities and economic situation of the borrowers and the actual effects of the War on them, Max will update the loan loss provision.

3. Risk management

A. Market risks

1. Financial assets managed by Clal Insurance Group

Since the outbreak of the War until shortly before the publication date of the financial statements, there was no material change in the Group's total assets under management. The estimated management fees that will not be collected for yield-dependent insurance policies sold between 1991-2003 due to a cumulative negative real return, until a positive cumulative return is achieved, amounted to approx. NIS 729 million as of the publication date of the financial statements, without any material change from the reporting date up to the report publication date.

2. Changes in the risk-free interest rate and the illiquidity premium

The War resulted in a significant increase in the risk-free interest rate curve above its level on September 30, 2023, as well as in the illiquidity premium, which may lead to a reduction in insurance liabilities. On the other hand, the increase in the interest curve and the declines in the capital markets may have an adverse effect the values of financial assets and other assets in a way that could moderate the effect. A preliminary estimate indicates that impact on the nostro portfolio since the outbreak of the War until the publication date of the financial statements is immaterial. It should be noted that the information described above does not constitute an assessment of the Company's financial results. This information is only partial and does not include other components of gains or losses from investments and other effects.

3. **Market risks at Max** - As of the report publication date, all the market risks to which Max is exposed are adequately managed and hedged under the set of financial risk management processes set out in this chapter. That said, as the War continues and/or expands and/or the credit rating of the State of Israel is downgraded, it is possible that the cost of financing sources available to Max from the banks and/or from the local capital market will increase in a way that may affect its revenues in the short term.

The exposure of Max to exchange fluctuations is immaterial.

When the War started, the Company increased the frequency of monitoring the financial risk index. In addition, Max analyses scenarios that express various assumptions regarding the effects of the War on the business activities of Max, and as a result, the possible effects of the war on the Company's exposure to liquidity and market risks. Max continues to track and monitor a range of indicators and scenarios with the aim of monitoring global and local macroeconomic trends and assessing the potential effect on its activities and the activities in the market.

B. Liquidity, financial position and funding sources

The Company and Clal Insurance - An assessment carried out by the Company led to the conclusion that the War has had no material effect on the Company's liquidity and Clal Insurance, its financial strength and funding sources available to it. The companies comply with the contractual restrictions and financial covenants set out in the deeds of trust. For further details about the financial covenants of the bonds and delaying circumstances of the notes, please see Note

25 of the Annual Financial Statements and Section 2.5.4 of the Report of the Board of Directors.

Max - As of the report publication date, Max believes that it has stable and sufficient sources of funding to support the continuation of its operating activities; the Company's access to additional funding sources at this stage is extensive and the cost of the funding sources remains unchanged.

That said, as the War continues and/or expands and/or the credit rating of the State of Israel is downgraded, it is possible that the supply of financing sources in the market may decrease and the Company's exposure to liquidity risk will increase. Max believes that these extreme scenarios may affect the cost of available sources, however, it is still expected that it will have sufficient available funding sources for the continuation of its business activities.

C. Cyber and information security risks

Clal Insurance - Following the War, there was an increase in open antisemitism around the world with anti-Israel activities and demonstrations by organizations; in addition, there has been an increase in cyber-attacks against organizations and against the financial sector in Israel, including the Company. As part of the Company's overall preparation, the Company applied several measures to limit exposure to the cyber-attacks that are characteristic in this period, in accordance with the recommendations of the Israel National Cyber Directorate and the Capital Market, Insurance and Savings Authority, including higher alertness of the technical teams, refreshing emergency orders and operating a situation room, checking the integrity of security measures, restricting access from Israel only in favor of remote connection and connecting agents, creating a range of anomaly laws, increasing technological controls, increasing controls and revalidating the classification of job sensitivity, and issuing instructions to all users for the purpose of increasing the awareness of the Company's employees; the Company is continuing the strict and continuous management of the cyber risk according to the changing threats.

Max - For details about the increase in cyber-attacks in view of the Iron Swords War, see above. To date, no hacking **attacks** on the Company’s network have been **detected**. That said, in view of the above, the Company is preparing for potential attacks by tightening and reinforcing controls in this area, while raising awareness among employees.

4. Motions to certify class actions

In view of the limitation of business activity during the War, subsequent to the balance sheet date, a motion for certification of a class action was filed against Clal Insurance and four other insurance companies, the main allegation being that the pricing of premiums in life, health, and P&C insurance policies do not include "catastrophe events", which reduce the risk and exposure of the defendants; that in view of the Iron Swords War, the defendants are expected to experience a sharp decrease in the risk in policies in which the risk components have been significantly reduced, therefore premiums for these policies must be refunded or reduced. See Note 8 to the Financial Statements.

All of the above is based on the information available to the Group as of the report publication date, and is based on preliminary and partial information, which has not undergone control and auditing. It should be noted that War’s impact on the scope of business activity in Israel as a whole and on the Group in particular is yet to be determined; therefore, the Group’s results may be further impacted in the future, including due to exogenous effects, such as financial market results and the interest rate curve.

It should also be clarified that the Company's assessments of the potential implications of the War on its operations are uncertain and constitute forward-looking information. These assessments are based, among other things, on the relevant information available to the Company as of the approval date of the report, and there may be additional future effects depending, among other things, on the duration of the fighting, its intensity, scope and results, on the

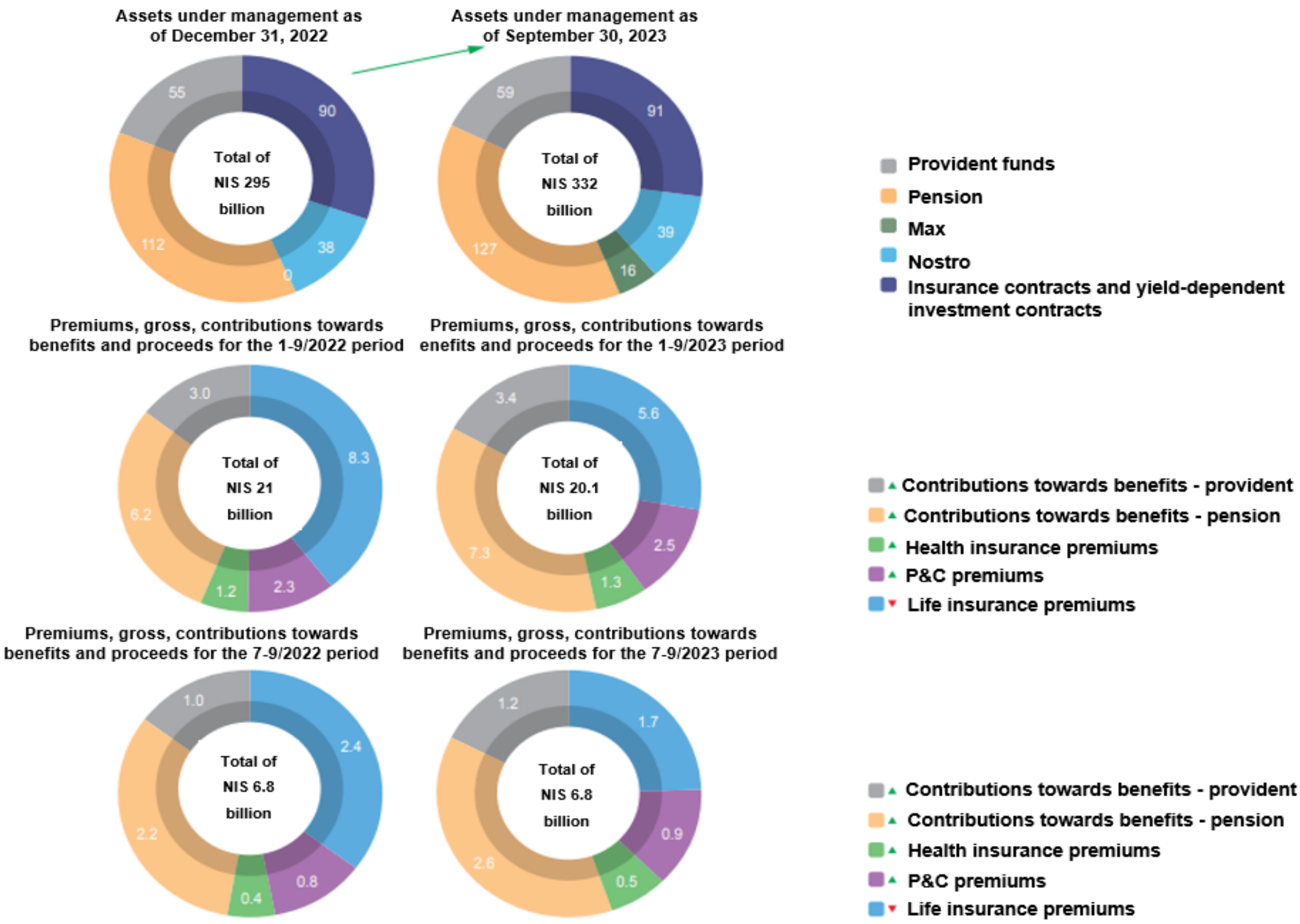
state's preparedness for addressing the ramifications of the War and its economic support for the population, taking into account, among other things, limitations (existing or omitted) on the Group's ability to address such effects, and accordingly, it is uncertain whether they will materialize. These assessments may not materialize, in whole or in part, or may materialize in a different manner, including in a materially different manner, from that which is expected.

The Group continues to monitor developments on an ongoing basis, and will continue to report, as required, on material effects of the War on the Group's operations, if any.

2.2 *Financial Information by Area of Activity (for details about the operating segments, see Note 4 to the Financial Statements).*

In the Reporting Period, Clal Insurance achieved an increase in assets under management and in sales in all products, other than life insurance investment contracts, which were affected by the market situation.

Summary of data from the Group's consolidated Financial Statements



Total assets under management by provident funds, excluding guaranteed return provident fund tracks, pension funds, ETFs, and customers' investment portfolios are not included in the Company's Financial Statements. Proceeds in respect of investment contracts are not included in premiums; rather, they are charged directly to liabilities in respect of insurance contracts and investment contracts.

For further details on the premiums in the various operating segments, please see Note 4 to the Consolidated Interim Financial Statements.

Set forth below are key components of comprehensive income; it should be noted that in view of the completion of the acquisition of CIMax on March 27, 2023, CIMax's operating results were consolidated in the Company's financial statements as from April 1, 2023, except for the provision for credit default following the acquisition of Max, which was included in the financial statements for the first quarter of 2023, as stated below:

In NIS million		Item	1-9 2023 Unaudited	1-9 2022 Unaudited	7-9 2023 Unaudited	7-9 2022 Unaudited	For 2022 Audited
Insurance and savings	Life insurance	2.2.1.1	**105**	(183)	**100**	116	(96)
	Pension	2.2.1.4	**38**	17	**18**	5	18
	Provident funds	2.2.1.3	**8**	(1)	**4**	-	(2)
	Total long-term savings		**151**	(168)	**122**	121	(81)
	P&C insurance	2.2.2	**258**	(130)	**126**	10	(91)
	Health	2.2.3	**(3)**	315	**(15)**	42	353
	Total income (loss) in respect of insurance and savings		**406**	17	**233**	173	181
Credit cards	Total income in respect of credit cards	2.2.4	**179**	-	**80**	-	-
Other and unallocated	Finance expenses	2.2.7	**(211)**	(144)	**(79)**	(47)	(194)
	Other	2.2.5	**58**	(263)	**(40)**	(66)	(341)
Total income (loss) before consolidation entries	Total comprehensive income (loss), pre-tax before the Max consolidation entries		**431**	(390)	**193**	62	(354)
	Taxes (tax benefit) payable on comprehensive income before the Max consolidation entries		**141**	(143)	**59**	21	(121)
	Total comprehensive income (loss), post-tax for the period before the consolidation entries		**290**	(247)	**135**	41	(233)
Adjustments and offsets	Provision for credit default following the acquisition of Max *)		**(220)**	-	**-**	-	-
	Amortization of excess cost in respect of the Max transaction		**80**	-	**24**	-	-
	Tax expenses (tax benefit) in respect of the consolidation entries		**(55)**	-	**9**	-	-
	Total adjustments and offsets		**(85)**	-	**15**	-	-
Total income (loss)	Total comprehensive income (loss), post-tax for the period		**205**	(247)	**150**	41	(233)
	Attributable to Company's shareholders		**203**	(248)	**151**	40	(237)
	Attributable to non-controlling interests		**2**	2	**(1)**	1	3
	Return on equity in annual terms (in percentages) **)		**3.4**	(4.3)	**7.2**	2.0	(3.1)

*) As part of the consolidation of Max in accordance with accounting standards, the Company recognized a provision for credit default in excess of the fair value, following the acquisition of Max. For further details, see Note 3(b)(2)(b) to the Consolidated Interim Financial Statements.

**) The return on equity is calculated based on the income for the period attributable to the Company's shareholders divided by the equity attributable to the Company's shareholders as of the beginning of the period.

A. The Company's results in 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 its financial statements as of March 31, 2023, the Company consolidated for the first time the assets and liabilities of CIMax and companies under its control.

The operating results of CIMax and the companies under its control and the adjustments made in connection with the acquisition were included in the results of the Company's financial statements as from April 1, 2023, except for a provision for credit default in the acquisition of Max, which was recognized in the first quarter of 2023, as described below:

The results of Max and Milo and companies under its control were included in the credit cards segment as from April 1, 2023.

CIMax's results, which mainly include the finance expenses in connection with the purchase loan, were included in the segment whose results were not allocated to the other segments (unallocated).

The provision for credit default in the acquisition of Max and the amortization of excess cost (hereinafter - "**Max Consolidation Entries**") were included in adjustments and offsets as described below:

According to accounting standards, when acquiring a loans portfolio as part of the acquisition of a company, the acquirer is required to create a provision for credit default for the acquired portfolio in respect of the unimpaired portfolio. The Company recognized a pre-tax provision of approx. NIS 220 million for credit default in respect of the above (approx. NIS 146 million after tax), in addition to the expense recognized in Max's financial statements. Such a provision was included in adjustments and offsets in the first quarter of 2023.

The amortization of excess cost in the acquisition of CIMax was included in adjustments and offsets as from April 1, 2023.

The post-tax comprehensive income in the Reporting Period amounted to approx. NIS 203 million, compared with a comprehensive loss of approx. NIS 248 million in the corresponding period last year.

Set forth below are the key reasons for the differences in results compared with the corresponding period last year:

Insurance and savings

In the Reporting Period, total pre-tax income in respect of the insurance and savings segments amounted to approx. NIS 406 million compared with an income of approx. NIS 17 million in the corresponding period last year.

Underwriting results:

In the Reporting Period, there was an improvement in the P&C insurance subsegments due to an increase in the average premium as well as due to improvement in the development of claims; there was also an improvement in the profitability of the provident funds activity and pension funds activity; on the other hand, there were losses in the individual health subsegment and long-term care insurance, compared with the corresponding period last year, as set out in Sections 2.2.1-2.2.3 below.

In the Reporting Period, the Company improved the estimate of its insurance liabilities in the Sale Law guarantees subsegment, such that there is an estimate that reflects the adjusted credit risks of the policyholders. For further details, please see Section 2.2.2 below.

The results in the corresponding period last year were affected by an increase in the life insurance reserve in the amount of approx. NIS 627 million due to revised actuarial assumptions following the Commissioner's update of the default assumptions for mortality and mortality improvements ("**Revised Mortality Tables for Pensioners**").

In the Reporting Period, there was an increase in contributions towards benefits received from the provident funds and pension funds subsegments; on the other hand, there was a decrease in proceeds from investment contracts that stem, among other things, from volatility in capital markets, such that the total gross premiums earned, the contributions towards benefits, and proceeds from investment contracts amounted to approx. NIS 20.1 billion, compared with approx. NIS 21.0 billion in the corresponding period last year - a decrease of approx. 4%. The decrease stems mainly from a decrease in proceeds from investment contracts as stated above.

Financial effects, investment income and the capital markets:

It should be noted that in view of the negative returns in the capital markets last year, in the Reporting Period and in the corresponding period last year the Company did not collect variable management fees; the Company has a liability of approx. NIS 729 million to policyholders in respect of negative returns on the portfolio of life insurance participating policies, and until it meets this undertaking Clal Insurance will not collect variable management fees (as of December 31, 2022 - approx. NIS 753 million).

In the Reporting Period there was a decrease of approx. NIS 344 million in insurance reserves due to changes in the risk-free interest rate curve and other financial effects, compared with a decrease of approx. NIS 674 million in insurance reserves in the corresponding period last year, as described in the table below.

As part of the above, from time to time the Company's Investment Committee and Board of Directors approved and updated the investment policy, and the corresponding allocation of assets under management against capital and insurance liabilities in the life, health and property and casualty insurance segments, bearing in mind the return and average duration of the liabilities, the required liquidity, the effects of the interest rate environment on LAT, and the determination of the discount rate.

Following the revision, in the Reporting Period insurance liabilities in the property and casualty insurance segment declined by approx. NIS 76 million before tax as a result of excess fair value over the carrying amount of assets that were previously allocated to long-term care in the health insurance segment, and are currently allocated to property and casualty insurance.

On the other hand, during the reporting period, capital markets recovered, which affected the returns achieved by the Company, such that a financial margin of approx. NIS 474 million was recorded in life insurance, compared with a financial margin of approx. NIS 260 million in life insurance in the corresponding period last year.

Credit cards

Total pre-tax income from credit cards included in these financial statements as from April 1, 2023 amounted to approx. NIS 179 million in the Reporting Period.

Max's income in this period amounted to approx. NIS 1,104 million. This reflected the continued growth in Max's activities. Of which Max's total income from credit card transactions totaled approx. NIS 703 million. Income from credit card transactions include issuer fees and commissions, service fees and commissions in respect of the activity of cardholders, fees and commissions from transactions carried out abroad, acquisition fees and commissions and other income from merchants net of fees and commissions to other issuers. The Company's turnover, both from activity in Israel and from activity abroad, and its acquisition turnovers continue to grow, both in terms of issuance and in terms of acquisition. On the other hand, revenues from credit card transactions were affected by continued decline in the interchange fee (issuer fee); further to reductions in the rate of the interchange fee in Israel in 2019 to 2022 from 0.7% to 0.525%, on January 1, 2023 there was a further reduction, to 0.5%, which had an adverse effect on revenues from credit cards.

Max's net interest income amounted to approx. NIS 398 million; income was mainly affected by an increase in the average private individuals credit portfolio compared with prior periods, and by an increase in the business credit portfolio. Furthermore, in 2022 and since the beginning of 2023, the Bank of Israel interest rate has increased, which resulted in an increase both in terms of interest income and in terms of interest expenses, arising mainly from credit advanced and from sources based on Prime interest.

Loan loss expenses amounted to approx. NIS 133 million, compared with an expense of approx. NIS 25 million only in the corresponding period last year. The increase in the expense compared with the corresponding period last year is mainly due to the fact that, during the third quarter, the Company increased the collective provision in respect of the potential credit risk arising from the War (for further details, see Section 2.1(k) above). In addition, there was an increase in write-offs as well as an increase in provisions calculated in accordance with the current expected credit losses (CECL) calculation methodology, which was first applied in 2023, as well as due to an increase in the balance of troubled debts, compared with a decrease in the balance of troubled debts in the corresponding period last year. In addition, in the corresponding period last year and in view of the ongoing improvement in Max's risk indicators, Max reduced the collective provision in respect of the qualitative adjustments, which was increased as soon as the Covid-19 crisis started.

Return on equity

In the Reporting Period, the return on equity in annual terms was a positive 3.4%, compared with a negative 4.3% in the corresponding period last year.

Assets under management

During the Reporting Period, Clal Pension and Provident Funds' assets under management increased as a result of an increase in the transfers to this company. This increase was offset mainly be a negative impact of the returns on assets in the Reporting Period. In addition, there was a significant increase in income from management fees, both in pension funds and in provident funds compared with the corresponding period last year. For further details, please see Section 2.2.1.3 and 2.2.1.4 below.

Furthermore, in view of the completion of the acquisition of CIMax, as from March 31, 2023 the Group consolidates CIMax's assets, which comprise mainly approx. NIS 16 billion in receivables in respect of credit card transactions (for further details, see Note 5 to the Consolidated Interim Financial Statements).

Such that the Group's assets under management as of September 30, 2023 totaled approx. NIS 332 billion compared with approx. NIS 295 billion on December 31, 2022 - an increase of approx. 13% (of which an increase of approx. 7% without the consolidation of Max's data).

Of said total assets, approx. NIS 115 billion in assets under management are managed by the new pension fund.

The results in the Reporting Period and in the corresponding periods last year, respectively, include, among other things, the special items listed below.

	1-9		7-9		For
	2023	2022	2023	2022	2022
In NIS million	Unaudited				Audited
Life insurance -					
Change in discount rate used in calculation of pension reserves	**62**	407	**20**	193	505
Income (loss) in respect of changes to reserves for pension following a decrease in expected revenues (K factor)	**159**	444	**209**	98	637
Total effect of the changes in interest rates on the liability to supplement reserves for annuity and paid pensions	**221**	851	**229**	291	1,142
Loss in respect of changes to the mortality assumptions in the calculation of the liabilities to supplement reserves for pension	**-**	(627)	**-**	-	(627)
Changes to other assumptions in the calculation of the liabilities to supplement the reserve for annuity	**-**	-	**-**	-	(155)
Total special items life insurance	**221**	224	**229**	291	360
Financial effects on P&C insurance reserves	**123**	176	**36**	91	219
Total special items property and casualty insurance	**123**	176	**36**	91	219
Financial effects in the Liability Adequacy Test (LAT) reserve	**-**	274	-	14	279
Total long-term care in the health insurance segment	**-**	274	-	14	279
Total special effect prior to consolidation	**344**	674		14	858
Consolidation entry - Max's loan loss expenses	**(220)**	-	**-**	-	-
Total special items before tax	**124**	674	**265**	396	858

B. Company's results in the quarter

The post-tax comprehensive income to Company's shareholders in the quarter amounted to approx. NIS 151 million, compared with a comprehensive income of approx. NIS 40 million in the corresponding period last year.

Insurance and savings

In the current quarter, total pre-tax income in respect of the insurance and savings segments amounted to approx. NIS 233 million compared with an income of approx. NIS 173 million in the corresponding period last year.

Set forth below are the key reasons for the differences in results compared with the corresponding period last year:

Underwriting results:

In the quarter, there was an improvement in the P&C insurance subsegments due to an increase in the average premium as well as due to improvement in the development of claims; there was also an improvement in the profitability of the provident funds activity and pension funds activity; on the other hand, there were losses in the individual health subsegment and long-term care insurance, compared with the corresponding period last year, as set out in Sections 2.2.1-2.2.3 below.

The Company improved the estimate of its insurance liabilities in the Sale Law guarantees subsegment, such that there is an estimate that reflects the adjusted credit risks of the policyholders. For further details, please see Section 2.2.2 below.

In the quarter, there was an increase in contributions towards benefits received from the provident funds and pension funds subsegments, which was offset be a decrease in proceeds from investment contracts that stem, among other things, from volatility in capital markets, such that the total gross premiums earned, the contributions towards benefits, and proceeds from investment contracts amounted to approx. NIS 6.8 billion, compared with approx. NIS 6.8 billion in the corresponding period last year.

Financial effects, investment income and the capital markets:

In the quarter, there was a decrease of approx. NIS 265 million in insurance reserves due to changes in the risk-free interest rate curve and other financial effects, compared with a decrease of approx. NIS 396 million in the insurance reserves due to the increase in the risk-free interest rate curve in the corresponding period last year, as described in the table below.

Credit cards

The total income from credit cards in the quarter amounted to approx. NIS 80 million before tax.

Max’s income in this period amounted to approx. NIS 567 million. This reflected the continued growth in Max’s activities. Of which Max’s total income from credit card transactions during the quarter totaled approx. NIS 364 million. Revenues from credit card transactions include issuer fees and commissions, service fees and commissions in respect of the activity of cardholders, fees and commissions from transactions carried out abroad, acquisition fees and commissions and other income from merchants net of fees and commissions to other issuers. The Company’s turnover, both from activity in Israel and from activity abroad, and its acquisition turnovers continue to grow, both in terms of issuance and in terms of acquisition. On the other hand, revenues from credit card transactions were affected by continued decline in the interchange fee (issuer fee); further to reductions in the rate of the interchange fee in Israel in 2019 to 2022 from 0.7% to 0.525%, on January 1, 2023 there was a further reduction, to 0.5%, which had an adverse effect on revenues from credit cards.

Max’s net interest income during the quarter amounted to approx. NIS 202 million; income was mainly affected by an increase in the average private individuals credit portfolio compared with prior periods, and by an increase in the business credit portfolio. Furthermore, in 2022 and since the beginning of 2023, the Bank of Israel interest rate has increased, which resulted in an increase both in terms of interest income and in terms of interest expenses, arising mainly from credit advanced and from sources based on Prime interest.

Loan loss expenses in the quarter amounted to approx. NIS 86 million, compared with an expense of approx. NIS 34 million only in the corresponding period last year. The increase in the expense compared with the corresponding period last year is mainly due to the fact that, during the third quarter, the Company increased the collective provision in respect of the potential credit risk arising from the War (for further details, see Section 2.1(k) above). In addition, there was an increase in write-offs as well as an increase in provisions calculated in accordance with the current expected credit losses (CECL) calculation methodology, which was first applied in 2023, as well as due to an increase in the balance of troubled debts, compared with a decrease in the balance of troubled debts in the corresponding period last year. In addition, in the corresponding period last year and in view of the ongoing improvement in Max’s risk indicators, Max reduced the collective provision in respect of the qualitative adjustments, which was increased as soon as the Covid-19 crisis started.

Amortization of excess cost at Max

The amortization of excess cost in the acquisition of Max was carried out based on a temporary excess cost allocation work. For details regarding the balance of excess costs in respect of acquired identifiable assets and liabilities, the manner of their depreciation, and their effect on the Company's results in the quarter, see Note 5 to the Financial Statements.

Return on equity

In the quarter, the return on equity in annual terms was a positive 7.2%, compared with a negative 2% in the corresponding period last year.

2.2.1. Long-term savings

2.2.1.1. Life insurance activity

Life insurance	1-9		7-9	
	2023	**2022**	**2023**	**2022**
Premiums earned, gross	**4,681**	5,177	**1,483**	1,704
Comprehensive income (loss)	**105**	(183)	**100**	116

Reporting Period - the income in the Reporting Period compared with the loss in the corresponding period last year is mainly due to an increase in the period in the financial margin and the management fees to a total of NIS 474 million compared with NIS 260 million in the corresponding period last year. In addition, in the corresponding period last year, an increase of approx. NIS 627 million was recorded in the reserve due to the Commissioner's revision of the default assumptions regarding mortality and mortality improvements on the basis of which insurance companies will calculate the liabilities in respect of life insurance policies, which allow the receipt of an annuity according to guaranteed conversion rates, without a similar effect in the Reporting Period. The effect of the said increase in the reserve was offset, due to the fact that, in the Reporting Period, there was a NIS 221 million decrease in reserves due to the increase in interest and other financial effects compared with the NIS 851 million decrease in reserves in the corresponding period last year, and a deterioration in profit from life insurance in an individual life insurance product.

Quarter - the decrease in the income in the current quarter is mainly due to an decrease in the financial margin and the management fees to a total of NIS 93 million compared with NIS 100 million in the corresponding quarter last year and from a deterioration in the income from individual life insurance, as outlined above.

The redemption rate of the life insurance policies out of average reserve in annual terms:	**1.8%**	1.8%	**1.9%**	1.7%

Investment income (losses) credited to policyholders in participating policies - set forth below are details regarding the estimated amount of investment income (losses) credited to policyholders in life insurance and participating investment contracts calculated based on the return and balances of the insurance reserves in the Company's business reports (in NIS million):

1-9		7-9	
2023	2022	2023	2022
2,986	(7,348)	**87**	(1,847)

2.2.1.2 Data regarding premiums earned, management fees and financial margin in life insurance:

In NIS million	1-9 2023	1-9 2022	Q3 2023	Q3 2022	For 2022
Variable management fees*)	**-**	-	**-**	-	-
Fixed management fees	**446**	457	**148**	151	605
Total management fees	**446**	457	**148**	151	605
Total financial margin and management fees	**474**	260	**93**	100	461
Current premiums	**3,860**	4,013	**1,266**	1,356	5,352
Non-recurring premiums	**821**	1,164	**217**	348	1,492
Total premiums earned, gross	**4,681**	5,177	**1,483**	1,704	6,844
Current premiums	**67**	35	**24**	15	53
Non-recurring premiums**)	**866**	3,132	**177**	702	3,621
Total premiums in respect of pure savings	**933**	3,167	**201**	717	3,674

*) As of September 30, 2023, the liability to policyholders in respect of negative returns on the portfolio of life insurance participating policies amounts to approx. NIS 729 million (as of December 31, 2022 - approx. NIS 753 million).

**) The decrease in the saving products is mainly due to capital market effects as stated above.

2.2.1.2 Details regarding the rates of return on participating policies

Policies issued in 1992-2003 (Fund J)

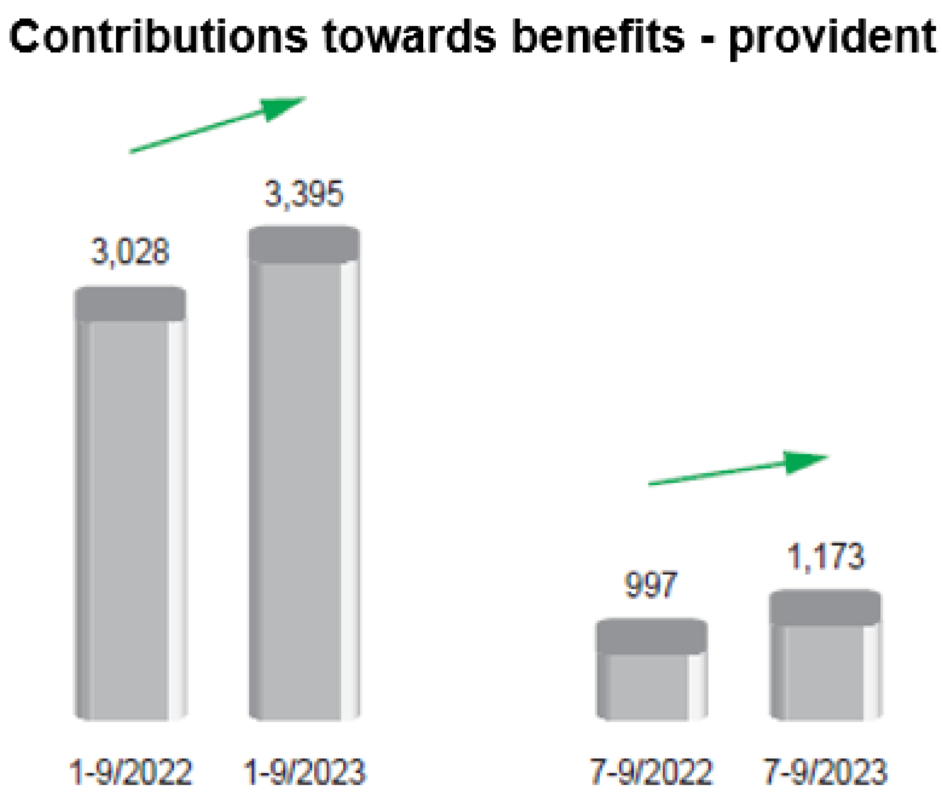
In NIS million	1-9 2023	1-9 2022	Q3 2023	Q3 2022	For 2022
Real return before payment of management fees	**0.81**	(11.14)	**(0.38)**	(3.05)	(10.96)
Real return after payment of management fees	**0.38**	(11.52)	**(0.52)**	(3.19)	(11.47)
Nominal return before payment of management fees	**4.09**	(7.23)	**0.39**	(1.86)	(6.26)
Nominal return after payment of management fees	**3.63**	(7.63)	**0.24**	(2.00)	(6.80)

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

In NIS million	1-9 2023	1-9 2022	Q3 2023	Q3 2022	For 2022
Real return before payment of management fees	**1.14**	(11.94)	**(0.46)**	(3.19)	(11.74)
Real return after payment of management fees	**0.44**	(12.55)	**(0.69)**	(3.41)	(12.55)
Nominal return before payment of management fees	**4.42**	(8.07)	**0.30**	(2.00)	(7.09)
Nominal return after payment of management fees	**3.70**	(8.70)	**0.07**	(2.22)	(7.93)

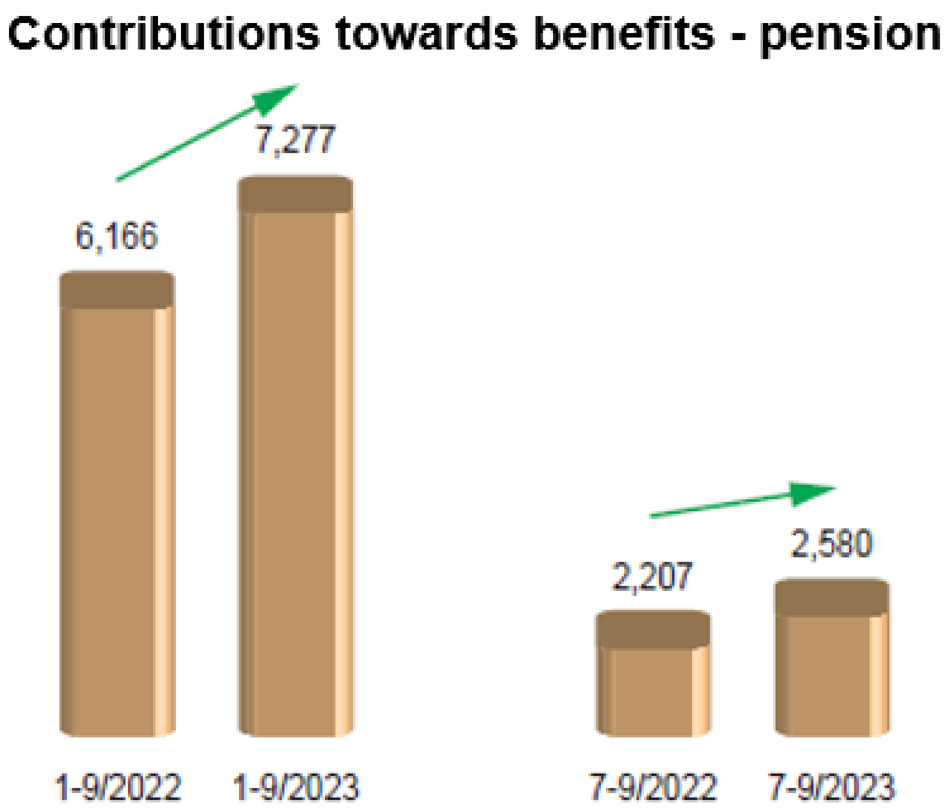
2.2.1.3 Provident funds subsegment

	1-9		7-9		
	2023	**2022**	**2023**	**2022**	**Comment**
Comprehensive income (loss)	**7**	(1)	**4**	-	In the Reporting Period and in the quarter there was an increase in income from management fees as a result of the increase in the managed portfolio. In addition, there was an increase in investment income as a result of the effects of the capital markets, including, among other things, on supplementation of yield to planholders in guaranteed-return provident fund, compared with investment losses last year.
Contributions towards benefits	**3,395**	3,028	**1,173**	997	The increase stems mainly from an increase in contributions in the advanced education fund.



2.2.1.4 The pension subsegment

	1-9		7-9		
	2023	**2022**	**2023**	**2022**	**Comment**
Comprehensive income	**38**	17	**18**	5	In the Reporting Period and in the quarter there was an increase in income, mainly in respect of management fees from contributions and an increase in management fees on accrual as a result of an increase in the managed portfolio. The increase is also explained by investment income in the Reporting Period and the quarter, compared with investment losses in the nostro portfolio last year.
Contributions towards benefits	**7,277**	6,166	**2,580**	2,207	The increase in the Reporting Period and the quarter stems mainly from an increase in the new business and active planholders in the pension funds.



2.2.1.5 As from the beginning of 2023, there has been an increase in redemptions from short and medium-term savings products, which are managed by the institutional entities (financial savings policies, investment provident funds, and advanced education funds). In the Company's opinion, this increase stems from a number of factors, including the interest rate environment and the conditions in the markets in Israel and across the world, customers' needs, the cost of living, and investment alternatives arising from the high interest rate environment. At this stage, the Company is unable to estimate whether the said growth trend is persistent or temporary. Furthermore, there was an increase in funds transferred from the Company's savings products, specifically from executive insurance (for further details on the effects that the cap on contributions to executive insurance has on transfer of funds from the Company's executive insurance products, see Section 4.3.3 below) and the provident funds. For further details on the effect of various factors on the markets, see Section 3 below.

2.2.2 P&C - set forth below is a breakdown of the premiums and the comprehensive income

	1-9		Q3		
	2023	2022	2023	2022	Comment
P&C insurance					
Gross premiums	**2,859**	2,561	**954**	829	**Reporting period and quarter** - the increase in premium arises mainly from the increase in average premium in compulsory motor insurance, motor property insurance and an increase in insurance of corporations.
Comprehensive income (loss)	**258**	(130)	**126**	10	**Reporting Period** - the income in the reporting period compared with the loss last year is mainly due to an improvement in underwriting in all sectors, among other things, an increase in the average premium and an improvement in the development of claims in the liability sectors and in the activity of the Sale Law guarantee subsegment, as detailed below, compared with last year and an increase in investment income compared with the corresponding period last year. Both in the Reporting Period and in the corresponding period last year, reserves were reduced due to the approx. NIS 123 million effect of the interest rate environment compared with a corresponding approx. NIS 176 million reduction of reserves, respectively. Furthermore, in the Reporting Period, reserves were reduced, mainly in the compulsory motor and liability subsegment, by approx. NIS 76 million before tax, as a result of excess fair value over the carrying amount of assets due to the revision of the investment policy, see Note 12(F)3 to the Financial Statements. **Quarter** - the increase in income is due to an improvement in motor property and compulsory motor underwriting, mainly due to stabilization of the increase in the prevalence of accidents, the frequency of thefts, and the average claim, alongside an increase in the average premium and an improvement in property and other underwriting subsegments and an increase in investment income and in the activity of the Sale Law guarantee subsegment as set out below compared with last year. On the other hand, reserves were reduced due to the approx. NIS 36 million effect of the interest rate environment compared with a reduction of approx. NIS 91 million in reserves in the corresponding quarter last year.
Motor property					
Gross premiums	**877**	730	**324**	264	**Reporting period and quarter** - the increase in premiums stems mainly from an increase in the average premium.

	1-9		Q3		
	2023	**2022**	**2023**	**2022**	**Comment**
Comprehensive loss, before tax	**(64)**	(150)	**5**	(40)	**Reporting period** - the decrease in loss stems from an improvement in underwriting income mainly due to the increase in the average premium as stated above, as well as due to a stabilizing of the cost of claims and an increase in investment income as well as a reduction of reserves due to the effect of the interest rate environment and revision of the investment policy, as stated above, at the total amount of approx. NIS 18 million. **Quarter** - the decrease in the loss and transition to profit is mainly due to an improvement in underwriting as set out above.
Gross LR	**88%**	102%	**77%**	97%	
LR- retention	**86%**	97%	**76%**	92%	
Gross CR	**113%**	129%	**102%**	124%	
CR - retention	**113%**	126%	**101%**	121%	
Compulsory motor insurance					
Gross premiums	**565**	544	**205**	204	**Reporting period and quarter** - the increase in premiums stems mainly from an increase in the average premium.
Comprehensive income (loss)	**67**	(52)	**28**	17	**Reporting period** - the income in the Reporting Period compared with the loss last year is mainly due to an increase in the underwriting income, among other things, from the increase in the average premium as described above and an increase in investment income. On the other hand, reserves were reduced due to the effect of the interest rate environment and the revision of investment policy amounting to approx. NIS 48 million compared with a reduction of approx. NIS 73 million in reserves in the corresponding period last year. **Quarter** - the increase in income compared with last year is due to an increase in underwriting as set out above and an increase in investment income. On the other hand, reserves were reduced by approx. NIS 19 million compared with a reduction of approx. NIS 47 million in reserves due to the effect of the interest rate environment in the corresponding quarter last year.

	1-9		Q3		
	2023	**2022**	**2023**	**2022**	**Comment**
Property and other					
Gross premiums	**904**	793	**281**	229	**The Reporting Period and quarter** - the increase in premiums stems mainly from an increase in large businesses, and the Sale Law guarantee subsegment.
Comprehensive income	**133**	59	**77**	20	**Reporting Period and quarter** – the increase in income is mainly due to an increase in underwriting from the activities of the Sale Law guarantee subsegment, mainly due to the reduction of insurance liabilities in the amount of approx. NIS 39 million; for further details see Note 12(F) to the financial statement, and an increase in investment income.
Gross LR	**16%**	57%	**(2)%**	37%	
LR- retention	**3%**	24%	**(38)%**	19%	
Gross CR	**37%**	78%	**18%**	59%	
CR - retention	**34%**	57%	**(12)%**	57%	
Credit insurance					
Gross premiums	**102**	99	**34**	33	
Comprehensive income	**30**	15	**7**	4	**Reporting period and quarter** - the improvement in results is mainly due to an increase in investment income.
LR- retention	**24%**	24%	**32%**	31%	
CR - Retention	**49%**	39%	**58%**	49%	
Liability subsegments					
Gross premiums	**411**	395	**110**	99	**Reporting period and quarter** - the increase in premiums stems mainly from an increase in the average premium.
Comprehensive income (loss)	**92**	(3)	**10**	9	**Reporting period** - the transition from loss to profit is mainly attributable to an increase in underwriting income, due to, among other things, the increase in the average premium as described above and an increase in investment income over last year. Furthermore, reserves were reduced due to the effect of the interest rate environment and the revision of investment policy amounting to approx. NIS 57 million compared with a reduction of approx. NIS 97 million in reserves in the corresponding period last year. **Quarter** - the increase in income is due to an increase in investment income offset by a decrease in reserves in the amount of approx. NIS 14 million against the decrease in reserves due to the effect of the interest rate environment in the amount of approx. NIS 42 million in the corresponding quarter last year.

2.2.3. Health Insurance

	1-9		7-9		
	2023	**2022**	**2023**	**2022**	**Comment**
Premiums earned, gross	**1,306**	1,181	**457**	419	**In the Reporting Period and the quarter** - in the Reporting Period and the quarter there was an increase in premiums in the individual insurance activity and the travel insurance subsegment.
Comprehensive income (loss)	**(3)**	315	**(15)**	42	**Reporting period -** the decrease in income in the Reporting Period and transition to loss is mainly due to a decrease of approx. NIS 274 million - in the corresponding period last year - in the liability adequacy testing (LAT) reserve; no change in the Reporting Period. In addition, from the negative development in collective health maintenance organizations. **Quarter** - the decrease in income and the transition to loss is mainly due to a negative development in the individual health subsegment and collective insurance - health maintenance organizations. As well as a result of a decrease of approx. NIS 14 million - in the corresponding quarter last year - in the liability adequacy testing (LAT) reserve; no change in the current quarter.

Long-term care subsegment - Comprehensive income (loss)	1-9 2023	1-9 2022	7-9 2023	7-9 2022	Comment
Individual	**(2)**	279	**4**	11	**Reporting period -** the transition to loss in the Reporting Period is mainly due to a decrease of approx. NIS 273 million - in the corresponding period last year - in the liability adequacy testing (LAT) reserve (no change in the Reporting Period). **Quarter** - the decrease in income in the current quarter stems mainly from a decrease of NIS 14 million - in the corresponding quarter last year - in the liability adequacy testing (LAT) reserve; no change in the current quarter.
Collective insurance - including health maintenance organizations	**(7)**	46	**(11)**	5	**Reporting period and quarter** - the decrease in income in the Reporting Period and quarter stems mainly from a negative development in collective insurance - health maintenance organizations.
Illnesses and hospitalization subsegment - comprehensive income (loss)					
Long-term	**(4)**	(12)	**(20)**	16	**Reporting Period** - the decrease in loss in the Reporting Period is mainly due to a decrease in losses from investments compared with the corresponding period last year. This effect was offset by a negative development in individual subsegment activity. **Quarter** - The transition to a loss in the current quarter is due to negative development in individual subsegment activity.
Short-term	**10**	2	**12**	10	**Reporting Period and quarter** - the increase in income in the Reporting Period and quarter is mainly attributable to improvement in the travel insurance subsegment.

Information regarding investment income credited to holders of health insurance policies of the participating long-term care type:

	Individual and collective participating long-term care insurance policies				
	1-9		7-9		For the year
In NIS million	2023	2022	2023	2022	2022
Investment income (losses) credited to policyholders	**44**	(82)	**4**	(20)	(70)

2.2.4. Credit cards

	7-9 2023	(* 7-9 2022	Comment
Total revenue credit cards segment	**567**	497	
Total pre-tax income	**80**	89	
Credit card transactions (Max) (see also Section 2.2.4.1)			
Income			
Income from credit card transactions	**364**	346	The increase in the quarter compared with the corresponding period last year is attributable to the increase in Max's turnover, which led to an increase in its revenues from credit card transactions, both in terms of issuance and in terms of acquisition. On the other hand, revenues from credit card transactions were affected by continued decline in the interchange fee (issuer fee); further to reductions in the rate of the interchange fee in Israel in 2019 to 2022 from 0.7% to 0.525%, on January 1, 2023 there was a further reduction to 0.5%. This reduction had an adverse effect on revenues from credit card transactions.
Interest income, net	**202**	151	The increase in the quarter is mainly due to a approx. 26% increase in the average private individuals credit portfolio compared with the corresponding period last year, and to an increase in the business credit portfolio compared with the corresponding period last year.
Other income (expenses)	**1**	-	
Total income	**567**	**497**	
Expenses			
Loan loss expenses	**86**	34	The increase in the expense in the third quarter of 2023 compared with the corresponding period last year is mainly due to the fact that, during the third quarter, the Company increased the collective provision in respect of the potential credit risk arising from the War (for further details, see Section 2.1(k) above), an increase in write-offs and to an increase in provisions calculated in accordance with the current expected credit losses calculation methodology, the implementation of which started in 2023, and also due to an increase in the balance of troubled debts, compared with a decrease in the balance of troubled debts in the corresponding period last year. In addition, in the corresponding period last year and in view of the ongoing improvement in Max's risk indicators, Max reduced the collective provision in respect of the qualitative adjustments, which was increased as soon as the Covid-19 crisis started.
Operating expenses	**219**	207	The expenses increased in the third quarter of 2023 compared with the corresponding period last year mainly as a result of an increase in Company's turnover in Israel and abroad, which led to an increase in expenses that are affected by the scope of business activities, and as a result of an increase in salary expenses due to the collective agreement.
Selling and marketing expenses	**104**	88	See Section 2.2.6 below.
General and administrative expenses	**19**	20	See Section 2.2.6 below.
Payments to banks	**59**	61	
Total expenses	**487**	410	
Pretax income	**80**	87	
Technological activity (Milo)			
Income	**28**	26	
Pretax income	**-**	2	

*) The Company consolidated Max's results for the first time starting on April 1, 2023, such that the 2022 data are presented for comparison purposes only and were not consolidated in the Company's financial statements.

2.2.4.1 Data by areas of activity - Max

Total credit card transactions (Max)	7-9 2023	(* 7-9 2022	Rate of change
Income	**567**	**497**	**14%**
Comprehensive income	**80**	**89**	**(10%)**
Of which - issuance activity			
Operating income from credit cards	293	275	7%
Interest income	146	124	18%
Total income	**440**	**401**	**10%**
Operating, marketing and general and administrative expenses	277	251	10%
Loan loss expenses	68	31	119%
Payments to banks	59	61	(3%)
Comprehensive income, before tax	**36**	**58**	**(38%)**
Of which - acquisition activity			
Operating income from credit cards	71	71	-
Interest income	56	27	107%
Total income	**127**	**96**	**32%**
Operating, marketing and general and administrative expenses	65	64	2%
Loan loss expenses	18	3	500%
Comprehensive income, before tax	**44**	**31**	**42%**

*) The Company consolidated Max's results for the first time starting on April 1, 2023, such that the 2022 data are presented for comparison purposes only and were not consolidated in the Company's financial statements.

2.2.4.2 Quantitative data regarding credit card transactions

Definitions:

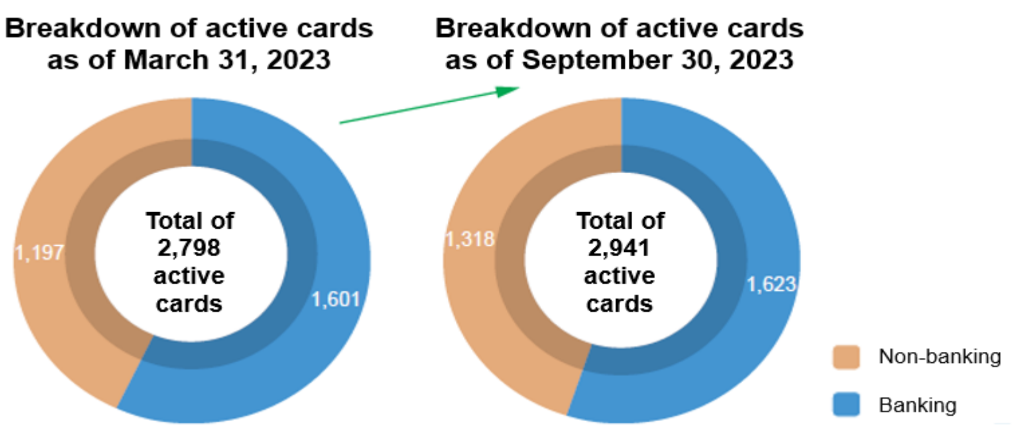
Valid cards - valid issued cards, excluding blocked cards and pre-paid cards.

Active cards - valid cards with which at least one transaction was carried out during the last quarter.

Issuance turnover - the turnover of transactions involving all of the Company's cards, excluding cash withdrawals in Israel and net of cancellations of transactions.

Bank cards - cards issued jointly by the Company and banks to their customers.

Non-bank cards - cards issued by the Company to customers of all banks, sometimes in collaboration with business entities such as organizations and customer-loyalty clubs.



Turnover of transactions in respect of valid credit cards (active and inactive) (in NIS million):

	For the three-month period ended September 30
Banking cards	**19,531**
Non-banking cards	**13,478**
Total	**33,009**

2.2.4.3 Key credit quality indicators

	September 30, 2023	June 30, 2023	March 30, 2023
Main credit quality indicators (in %)			
Rate of balance of provision for loan losses of the balance of receivables for credit card transactions	**2.53%**	**2.32%**	**2.23%**
Rate of non-accruing receivable balance of receivables for credit card transactions	**1.16%**	**1.01%**	**0.81%**
Rate of net write-offs in respect of receivables for credit card transactions of the average balance of receivables for credit card transactions	**0.97%**	**0.86%**	**0.70%**

2.2.5 Other and items not included in the insurance and credit cards segments

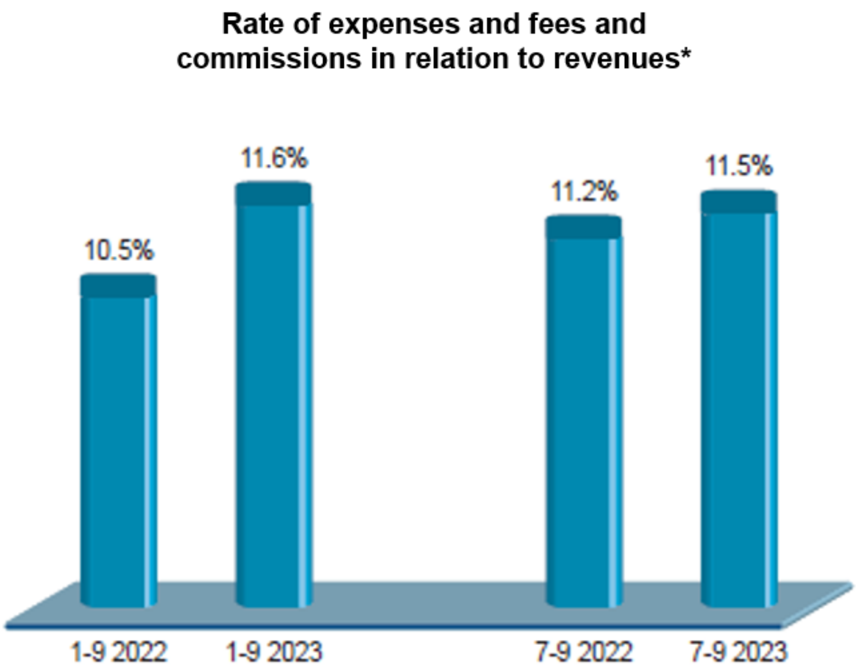
	1-9		7-9	
In NIS million	2023	2022	2023	2022
Total comprehensive income (loss) before tax	**58**	(263)	**(40)**	(66)

Reporting period - the transition to profit in the reporting period stems mainly from approx. NIS 82 million in investment income compared with approx. NIS 243 million in investment losses in the corresponding period last year.
Quarter - the loss is mainly due to investment losses in the amount of approx. NIS 32 million in the quarter and from investment losses in the amount of approx. NIS 54 million in the corresponding period last year.

2.2.6 Operating and general and administrative expenses and fees and commissions

Insurance and savings

In the Reporting Period, there was a relative increase in the level of expenses compared to revenues, premiums and contributions towards benefits, mainly due to a decrease in contributions in the financial savings products in view of the conditions in the markets, in addition to increase in expenses due to inflationary effects, the increase in the business activity, and a non-recurring expense of approx. NIS 10 million in the first quarter. Total general and administrative, operating and fees and commissions expenses totaled approx. NIS 2,341 million in the Reporting Period, compared with a total of approx. NIS 2,193 million last year. In the quarter they amounted to approx. NIS 782 million, compared with a approx. NIS 763 million in the corresponding period last year.



* Revenues include premiums and contributions towards benefits.

Credit cards

In NIS million	For the three months ended September 30			
	2023	2022 *)	Change	
	NIS million		NIS million	In %
Selling and marketing expenses	104	88	16	18%
General and administrative expenses	19	20	(1)	(5%)
Total	**123**	**108**	**15**	**13%**

In NIS million	For the three months ended September 30			
	2023	2022*)	Change	
	NIS million		NIS million	In %
Operating expenses for credit cards	219	207	12	6%

*) The Company consolidated Max's results for the first time starting on April 1, 2023, such that the 2022 data are presented for comparison purposes only and were not consolidated in the Company's financial statements.

The sales and marketing expenses of Max increased in the third quarter of 2023 compared with the corresponding period last year, mainly due to the increase in its business activity, which resulted in an increase in the costs of benefits for cardholders and the costs of retaining and acquiring customers, and an increase in salary expenses compared with the corresponding period last year, mainly due to payroll increments under the collective agreement.

Max's **operating expenses** increased in the third quarter of 2023 compared to the corresponding period last year as a direct result of the increase in its scope of activity, both as a result of the increase in the turnover of the credit card transactions in Israel and abroad, and as a result of an increase in the credit activity. In addition, its salary expenses increased compared with the corresponding periods last year, mainly as a result of pay rises given as part of the collective agreement.

2.2.7 Finance expenses in activity not allocated to segments

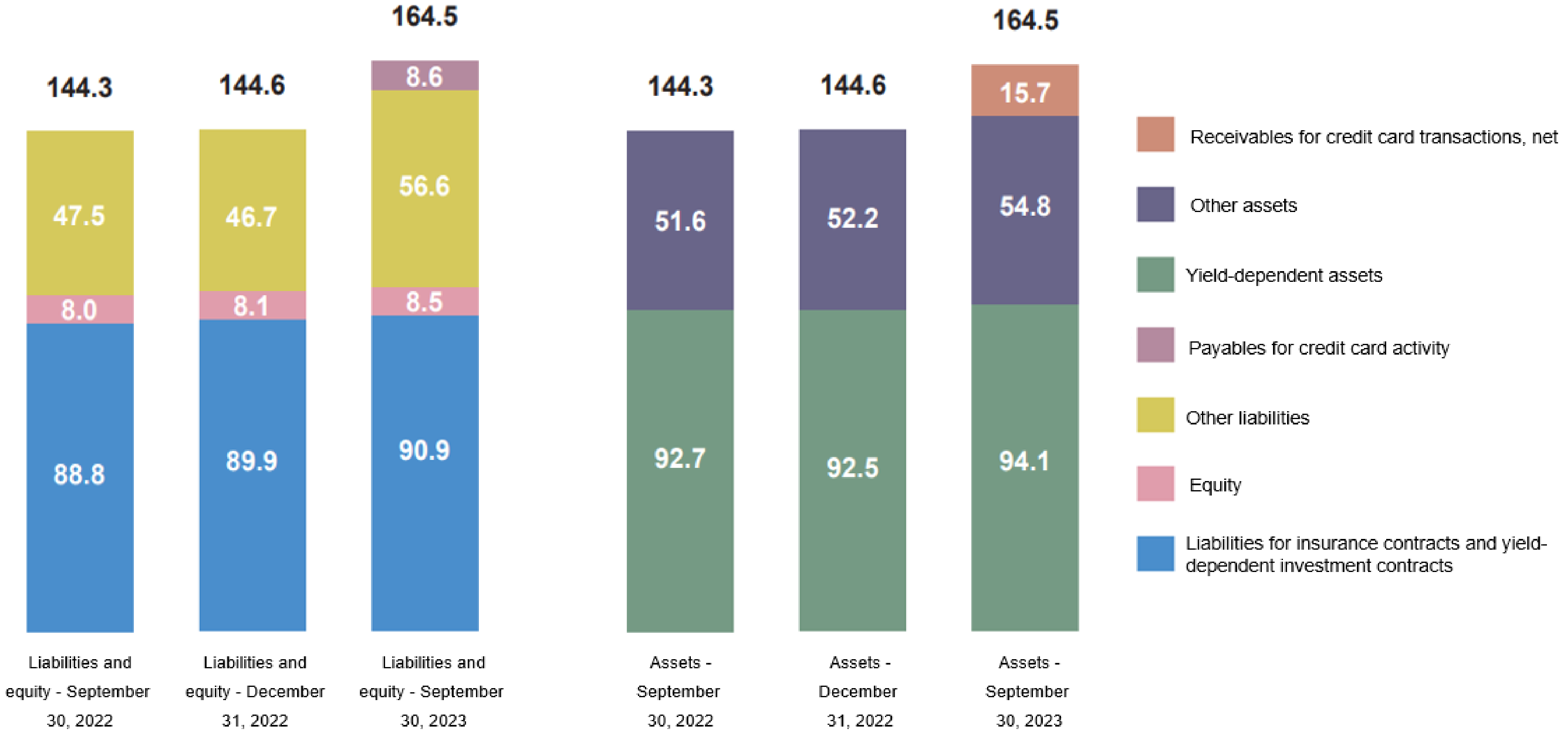
In the Reporting Period, finance expenses amounted to approx. NIS 211 million, compared with approx. NIS 144 million in the corresponding period last year. The increase in the Reporting Period is mainly attributable to the raising of debt in the Company at a total amount of approx. NIS 1,046 million in the form of bonds, and a NIS 874 million debt included in consolidation as part of the Max transaction.

In the quarter expenses amounted to approx. NIS 79 million, compared with a approx. NIS 47 million in the corresponding period last year. The increase arises from debt raising by the Company and a debt consolidated as part of the Max transaction as stated above. For further details, please see Section 2.1(c) above.

In NIS million	1-9		7-9	
	2023	2022	2023	2022
Clal Insurance - Tier 1 capital notes	**137**	130	**46**	42
Clal Holdings - Bonds	**18**	-	**10**	-
CIMax	**43**	-	**20**	-
Other (mainly IFRS 16)	**13**	14	**3**	5
Total	**211**	**144**	**79**	**47**

2.3 Key Consolidated Statements of Financial Position Data

Set forth below are key data from the consolidated balance sheets (in NIS billion):



2.3.1 Assets

Total assets as of September 30, 2023 amounted to approx. NIS 164.5 billion, compared with approx. NIS 144.3 billion as of September 30, 2022 and approx. NIS 144.6 billion as of December 31, 2022.

As stated above, most of the increase arises from the consolidation of Max's data as of March 31, 2023.

Set forth below are key asset line items for Max:

In NIS million	As of September 30	As of March 31
	2023	
Receivables for credit card transactions	**15,061**	14,380
Of which: Credit balance not guaranteed by banks	**14,491**	13,781
Of which: Receivables in respect of credit cards to private individuals	**3,806**	3,854
Of which: balance of credit to private individuals	**9,418**	8,796
Amounts receivable from banks for credit card transactions, net	**1,114**	1,122

2.3.2 Liabilities

Total liabilities as of September 30, 2023 amounted to approx. NIS 156 billion, compared with approx. NIS 136.3 billion as at September 30, 2022 and approx. NIS 136.6 billion as of December 31, 2022.

The increase stems mainly from an increase in financial liabilities as a result of the funding of the CIMax acquisition and the consolidation of its data.

Set forth below are the changes in liabilities as stated above (in NIS million):

Balance sheet line item	As at September 30, 2023	Issuance of Bonds by the Company	Comment
Payables for credit card transactions	8,552	-	See Note 10 to the Financial Statements.
Financial liabilities:			
Bonds issued by the Company – liability component	-	1,017	See Section 2.5.4 below.
Bonds and subordinated notes at Max	736	-	See Note 6 to the Financial Statements.
Liabilities to banks in Max	5,339	-	
Loan in CIMax and subsidiaries excluding Max	884	-	
Total financial liabilities	6,959	1,017	
Total	15,511	1,017	

2.3.2.1 Set forth below is a breakdown of Max's off-balance-sheet items:

	As of September 30, 2023
Balance of unutilized credit card credit facilities	**31,954**
Of which: Under Max's responsibility	**19,914**
Of which: Under the banks' responsibility	**12,037**

Significant developments in sources of financing

Further to the financing section in the Report of the Board of Directors for 2022, until September 30, 2023, Max's secured credit facilities increased by NIS 1.45 billion. In addition, the Company was granted 4 variable interest loans for a 6-year term each in a total amount of NIS 1.3 billion.

Subsequent to the reporting date, the Company renewed credit facilities at two banks totaling NIS 6.2 billion.

2.4 Capital and capital requirements

A. Capital requirements in accordance with the provisions regarding the implementation of the 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 Circular “Amendment to the Consolidated Circular Concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies”, which was published on October 14, 2020.

On November 30, 2023, the Company approved and published its Economic Solvency Ratio Report as of June 30, 2023, which is attached as an appendix to the financial report in accordance with the provisions of the Consolidated Circular.

It should be noted that the calculation of the economic solvency ratio is based on data and models that may differ from those used by the Company as part of financial reporting, and which are based, among other things, on forecasts and assumptions that rely mainly on past experience. Specifically, and as described in the Economic Solvency Regime Circular, the calculation of the economic solvency ratio is based, to a large extent, on the model used to calculate the embedded value. For further details regarding the capital requirements that apply to Group companies, see Note 16(E) to the annual financial statements.

In accordance with the principles for the calculation of Deduction during the Transitional Period in an economic solvency regime based on Solvency II, and the provisions for the application of an economic solvency regime, the deduction amount will be recalculated every two years, and if there is a material change in key exogenous variables, the risk profile or the business structure of the insurance company, and in accordance with the Commissioner’s requirements, if he believed that circumstances changed since then.

Following the change in the risk-free interest rate curve compared to the previous month’s calculation date (June 2022), the Company recalculated the deduction value as of June 30, 2023. The said deduction is amortized linearly for 13 years up to December 31, 2032, so that amortized balance that reflects 10 years as at June 30, 2023 is NIS 4,572 million.

For further details, including a general description of the economic solvency regime, the general underlying principles of the regime, the calculation methodology of the economic balance sheet and of the capital required for solvency purposes, Provisions for the Transitional Period, general review of the directives of the Commissioner’s Directives relating to the Economic Solvency Ratio Report, definitions of key terms, comments and clarifications, please also read Sections 3.1.1, 4.1 and 5.1 to the Economic Solvency Ratio Report of Clal Insurance as of June 30, 2023.

The solvency ratio as of June 30, 2023 does not include the effect of the business activity of the Company in the period subsequent to June 30, 2023 and through this report’s publication date; for a description of other events in the Reporting Period and thereafter, see Note 2.1 above.

The Company’s calculation was reviewed by its independent auditors in accordance with the principles of the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

Set forth below are data regarding Clal Insurance’s solvency ratio and minimum capital requirement (MCR) according to the Solvency II regime.

1. Economic solvency ratio

In NIS million	As of June 30, 2023 Unaudited *	As of December 31, 2022 Audited**
Shareholders equity in respect of SCR	**14,346**	14,341
Solvency capital requirement (SCR)	**8,669**	8,076
Surplus	**5,677**	6,265
Economic solvency ratio (in %)	**165%**	178%
Effect of material capital-related measures taken in the period between the calculation date and the publication date of the Company's Economic Solvency Ratio Report		
Raising of capital instruments	**300**	-
Shareholders equity in respect of SCR	**14,511**	14,341
Surplus	**5,841**	6,265
Economic solvency ratio (in %)	**167%**	178%

(*) The term "unaudited" refers to a review conducted in accordance with the principles of the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

(**) "Audited" refers to an audit held in accordance International Standard on Assurance Engagement (ISAE) 3400 – "The Examination of Prospective Financial Information".

For details regarding the solvency ratio without applying the Provisions for the Transitional Period, and without adjusting the stock scenario, and regarding the target solvency ratio and restrictions applicable to the Company in connection with dividend distribution, see Section 3 below.

For events during the Reporting Period and subsequent to the report date, and their potential effect on the solvency ratio, see Section 2.1 and 2.2 above.

2. Minimum capital requirement (MCR)

In NIS million	As of June 30, 2023 Unaudited	As of December 31, 2022 Audited
Minimum capital requirement (MCR)	**2,167**	2,019
Shareholders equity for MCR	**10,609**	10,706

3. Solvency ratio without applying the Provisions for the Transitional Period, and without adjusting the shares scenario

According to the letter published by the Authority, in October 2017, (hereinafter - the "**Letter**") an insurance company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio - according to the Economic Solvency Regime - of at least 100%, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the insurance company's Board of Directors. The aforesaid ratio shall be calculated without the relief granted in respect of the original difference attributable to the acquisition of the provident funds and management companies. In addition, the letter set out provisions for reporting to the Commissioner.

The following are data on Clal Insurance's economic solvency ratio, calculated without taking into account the Provisions for the Transitional Period and adjusting the stock scenario.

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

In NIS million	As of June 30, 2023 Unaudited	As of December 31, 2022 Audited
Shareholders equity in respect of SCR	**11,321**	10,984
Solvency capital requirement (SCR)	**10,384**	10,099
Surplus (deficit)	**937**	884
Economic solvency ratio - in %	**109%**	109%
Effect of material capital-related measures taken in the period between the calculation date and the publication date of the Company's Economic Solvency Ratio Report		
Raising of capital instruments	**300**	-
Shareholders equity in respect of SCR	**11,321**	10,984
Surplus (deficit)	**936**	884
Economic solvency ratio - in %	**109%**	109%
The surplus capital in view of capital-related measures taken in the period between the calculation date and the publication date of the Economic Solvency Ratio Report, in relation to the Board of Directors' target (see Section B below):		
The Board of Directors' economic solvency ratio target (percentages) *)	**110%**	-
Capital shortfall in relation to the target	**(102)**	-

*) For 2020 capital targets were set as described in Section b below. No targets were set for the solvency ratio without applying the transitional Provisions for the Transitional Period; this ratio will be set in accordance with these targets by the end of 2032.

4. Update regarding the stochastic model when calculating the economic solvency ratio of Clal Insurance

According to the economic solvency regime, the insurance liabilities were calculated in accordance with the Provisions of the Economic Solvency Regime, which in general, in relation to SLT life and health insurance, is calculated in accordance with the EV calculation practice in Israel[2]. Determination of the optimal value is supposed to be based on the distribution of the estimated possible outcomes (hereinafter - "**Stochastic Models**") and in the absence of clear statistical data suitable for estimating the optimal estimated distribution, Clal Insurance used the expectancy of each relevant factor (hereinafter - "**Deterministic Models**").

As part of continued development and upgrade of the calculations, in the reporting period Clal Insurance simultaneously calculated the best estimate of asymmetric insurance liabilities (including recognition of future variable management fees[3]), which if it had been included in the calculation of the economic solvency ratio as of June 30, 2023, its effect is estimated by adding approx. 15%, without taking into consideration the transitional provisions, and by adding approx. 6% taking into consideration the transitional provisions.

In accordance with the framework received from the Commissioner in November 2023, the Stochastic Model will not be applied in the solvency ratio calculation without application of the transitional provisions, for 3 reporting dates, but Clal Insurance will add disclosure of its effect in the Economic Solvency Ratio Report. At this stage, Clal Insurance chose not to include this in the calculation that takes into consideration the transitional provisions either.

It should be noted that this figure is unaudited and unreviewed, and is sensitive to changes in the interest rate curve and other financial and demographic assumptions, and will be recalculated in each reporting period.

As aforesaid, Clal Insurance completed the stochastic calculation based on application of the Economic Generator Scenario[4], including completion of tests and control processes for accuracy, robustness and market compatibility, as is customary in companies abroad that apply Stochastic Models to calculate economic solvency ratio. The Stochastic Model is used to calculate the optimal actuarial estimate of asymmetric insurance liabilities (including recognition of future variable management fees). With the Stochastic Model, the return used

[2] The calculation of the embedded value (EV) was made according to the rules and principles prescribed by the Commissioner, which was set by a joint committee of insurers and the Commissioner, aided by Israeli and foreign consultants.
[3] See Section 6.1.2.3 in the Description of the Corporation's Business Report of Clal Insurance.
[4] According to their meaning in the provisions of Section B to Chapter 5 (Part 2, Section 2) of the Solvency Regime.

as a basis for the calculation remains unchanged compared to the Deterministic Model. However, the calculation of cash flows in the Stochastic Model takes into account fluctuations in the returns of the relevant assets in accordance with their composition and characteristics, including the investment channels, duration, and exposure to index and foreign currency exchange rates and their effect on recognition of the variable management fees. For the purpose of building the Stochastic Model, Clal Insurance chose appropriate economic models for its types of assets. In choosing, calibrating and testing these economic models, Clal Insurance used international consulting companies. In addition, the independent auditors reviewed the calculation and internal auditing process.

5. Clal Insurance's Dividend Distribution Policy and Capital Target

It is management’s policy to maintain a strong capital base in order to ensure its solvency, and its ability to fulfill its undertakings to policyholders and other interested parties, retain Clal Insurance's ability to continue its activities such that it will be able to generate returns to its shareholders and support future business activities. Clal Insurance is subject to capital requirements set by the Commissioner.

In June 2023, the Board of Directors of Clal Insurance approved a policy for the distribution of a dividend at a rate of 30%-50% of Clal Insurance’s comprehensive income. The distribution is subject to the Company’s complying with a minimum equity target of 110% in accordance with the economic solvency regime, without implementing the Transitional Provisions.

This is further to setting a capital management policy whereby the target range for Clal Insurance’s economic solvency ratio shall be 150%-170%, as approved in June 2021. In addition, a minimum economic solvency ratio target of 135% was set. These targets relate to a solvency ratio taking into account the Deduction Amount during the Transitional Period until the end of 2032 and thereafter.

It is hereby clarified that this policy should not be viewed as an undertaking by Clal Insurance to distribute dividends.

B. Capital requirements and capital adequacy in Max

1. Equity and capital adequacy

As of September 30, 2023, Max’s reported shareholders’ equity amounted to NIS 1,808 million; it is composed of NIS 26 million in share capital, NIS 376 million in share premiums, a NIS 83 million capital reserve, NIS 12 million in accumulated other comprehensive loss, and NIS 1,335 million in retained earnings.

At the end of the third quarter of 2023, Common Equity Tier 1 capital amounted to NIS 1,816 million.

At the end of the third quarter of 2023, total capital amounted to NIS 2,420 million.

The capital adequacy ratios are calculated as the ratio of capital to the risk-weighted assets. The CET1 capital ratio is calculated as the ratio of CET1 capital to the risk-weighted assets. The total capital ratio is calculated as the ratio of total capital to the risk-weighted assets.

CET1 capital ratio - As of September 30, 2023, the CET1 capital ratio amounted to 10.6%. As of September 30, 2023, the total capital to risk-weighted components ratio amounted to 14.1%.

In accordance with Proper Conduct of Banking Business Directive No. 203, “Measurement and Capital Adequacy - Credit Risk - the Standardized Approach”, the weight of the risk of part of Max’s exposure to Israeli banks derives from Israel’s rating. Since Max uses the ratings of the international credit rating agency Standard and Poor’s, if this agency downgrades Israel’s rating, the Company’s capital ratio is expected to decrease by approx. 0.3%.

Max’s leverage ratio as of September 30, 2023 is 8.7%.

For further details regarding regulatory directives on capital adequacy and the leverage ratio, see Note 5 to Max’s financial statements, which are attached as an appendix.

2. The Bank of Israel's capital adequacy targets

According to Proper Conduct of Banking Business Directive No. 472 "Merchant Acquirers and Acquiring Payment Card Transactions", an acquirer whose receivables balance in its latest annual financial statements exceeds NIS 2 billion — the capital requirement will be calculated in accordance with Proper Conduct of Banking Business Directives Nos. 201-211 (Capital Adequacy and Measurement). It was also stipulated that despite what is stated in Section 40 to Proper Conduct of Banking Business Directive No. 201, the Common Equity Tier 1 capital ratio shall not fall below 8%, and the total capital ratio shall not fall below 11.5%.

As from April 1, 2015, Max has been implementing Proper Conduct of Banking Business Directive No. 218 on leverage ratio (hereinafter - the "Directive"). Pursuant to the Directive, entities are required to have a consolidated leverage ratio of no less than 5%. Proper Conduct of Banking Business Directive No. 250 regarding Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Covid-19 Pandemic prescribes, including in the temporary order published on November 15, 2020, an expedient whereby entities will be able to have a consolidated leverage ratio of no less than 4.5%. A circular published by the Banking Supervision Department on May 15, 2022 stipulates that the expedient regarding the leverage ratio shall apply through June 30, 2024, provided that the leverage ratio shall not fall below the lower of the leverage ratio as of December 31, 2023, or the minimum leverage ratio that applied to the banking corporation prior to the temporary order. On November 16, 2023, the Banking Supervision Department published a draft circular amending Proper Conduct of Banking Business Directive No. 218 "Leverage Ratio", according to which the above relief will be extended as a temporary order until June 30, 2026, provided that the leverage ratio does not fall below that as of December 31, 2025 or the minimum leverage ratio applicable to the banking corporation prior to the temporary order, whichever is lower.

3. Max's capital adequacy targets

Max's capital is designed to support all the risks embodied in its activity as well as its multi-year business activity, including supporting its lines of business, expanding the activity and entering into new areas of activity and complement and supplement its operations.

Furthermore, Max analyzes its performance in a stress scenario, and has targets it will wish to meet upon the materialization of a stress scenario.

Max's policy, which was approved by its Board of Directors is to maintain a capital adequacy ratio, which is higher than the minimum threshold that was set by the Bank of Israel, and which is greater from the capital requirements needed to cover the risks in accordance with the results of its Internal Capital Adequacy Assessment Process (ICAAP).

Max's Board of Directors approved an internal CET1 capital ratio target of 10%, a target which is 200 basis points (2 percent point) higher than the minimum CET1 capital ratio set by the Banking Supervision Department, and an internal total capital ratio target of 12%.

4. **Total capital adequacy to risk components ratio in Max (*):**

Set forth below is a breakdown of the risk-weighted assets and capital requirements in respect thereof:

In NIS million	As of September 30, 2023 Unaudited	
	Risk-weighted assets	Capital requirements
Credit risks - standardized approach		
of banking corporations	648	75
of corporations	1,446	166
Retail to individuals	10,162	1,169
of small businesses	1,231	142
Other assets	859	99
Credit valuation adjustment (CVA)	1	-
Total credit risk	14,347	1,651
Market risk - standardized approach	53	6
Operational risk - standardized approach	2,777	319
Total risk-weighted assets and capital requirements	17,177	1,976
Capital base	2,420	
Total capital ratio (1)	14.1%	
CET1 capital ratio	10.6%	

* Calculated in accordance with Proper Conduct of Banking Business Directives Nos. 201-211 on “Capital Adequacy and Measurement”, and Proper Conduct of Banking Business Directive No. 472 “Merchant Acquirers and Acquiring Payment Card Transactions”, which came into effect on September 1, 2016.

(1) Including Subordinated Notes (Series B), which constitute part of the Tier 2 capital of Max and which on November 16, 2023, the board of directors of Max resolved to redeem early in full on December 31, 2023.

2.5. *Analysis of cash flow development, sources of financing and liquidity*

2.5.1. *Cash flow for the Reporting Period and the quarter*

The consolidated cash flows used in operating activities in the reporting period amounted to approx. NIS 4,650 million; most of the amount was used in net acquisitions of financial investments. In the Reporting Period, the consolidated cash flow used in investing activities amounted to approx. NIS 1,403 million, and mainly included approx. NIS 294 million as part of first-time consolidation of CIMax, constituting the difference between the cash expensed in the transaction and the cash consolidated for the first time, and approx. NIS 566 million in respect of credit advanced in Max. The consolidated cash flow provided by financing activities in the Reporting Period amounted to approx. NIS 1,376 million; the cash flows included, among other things, a total of approx. NIS 1,572 million arising from the issuance of bonds by the Company, and on the other hand a total of approx. NIS 301 million used to repay financial liabilities. The Group's cash and cash-equivalent balances decreased from a total of approx. NIS 12,050 million at the beginning of the Reporting Period to approx. NIS 7,603 million at the end of the Reporting Period.

The consolidated cash flows provided by operating activities in the quarter amounted to approx. NIS 9 million; most of the amount was used in net acquisitions of financial investments. In the quarter, the consolidated cash flow used in investing activities amounted to approx. NIS 823 million, and mainly included approx. NIS 349 million in respect of credit advanced in Max. The consolidated cash flow provided by financing activities in the quarter amounted to approx. NIS 936 million; the cash flows included, among other things, a total of approx. NIS 928 million arising from the issuance of bonds by the Company by way of a series expansion (Series A), as well as from the issue of Subordinated Notes (Series M) by Clal Insurance. The Group's cash and cash-equivalent balances increased from a total of approx. NIS 7,299 million at the beginning of the quarter to approx. NIS 7,603 million at the end of the Reporting Period.

Set forth below is the cash flow from the first-time consolidation of CIMax; for further details, see the statement of cash flow in the Financial Statements:

In NIS million	
Consideration paid	(790)
Acquired company’s cash	496
Total cash flow used for investment in the acquisition of consolidated companies that were consolidated for the first time	**(294)**

2.5.2. Sources of financing and liquidity

The Company attaches great importance to maintaining sufficient cash balances, in a manner that will allow it to repay its obligations, and support, where required, the capital needs of Clal Insurance, and liquidity needs in respect of the activity of other Group investees. Other funding sources include, among other things, dividend distributions from investees, and the option of selling stakes in investees, debt raising from the banking system and/or the public, utilization of credit facilities and capital raising.

It is hereby clarified that some of the investees are subject to regulatory provisions in addition to the distribution restrictions set in the Companies Law, 1999:

A. **Clal Insurance** - the dividends from Clal Insurance depend on the solvency ratio target set by the Board of Directors, which is higher than the minimum target set by the Banking Supervision Department; the dividends also depend on the policy set by the Board of Directors of Clal Insurance, see Section 2.1 above. The Company considers interest proceeds received from its holding in a Restricted Tier 1 capital instrument of Clal Insurance as a source of liquidity, and classifies this holding as a financial investment.

B. **Max** - the dividend distribution in Max is subject to the directives of the Banking Supervision Department, including compliance with capital adequacy restrictions under the Basel directives. A dividend distribution is allowed subject to the provisions of the Companies Law, 1999, which stipulates, among other things, that the Company may make a distribution out of its earnings, provided that there are no reasonable concerns that the distribution will prevent the Company from fulfilling its existing and future undertakings, when they fall due.

Circulars that were published by the Banking Supervision Department on July 26, 2021 and September 30, 2021 stipulate that in view of the improvement in economic activity and the increasing trend of a gradual return to the levels of activity that existed before the Covid-19 crisis, banks and credit card companies will be allowed to distribute dividends but at a limited scope, since the consequences of the crisis have not yet been fully realized. The Banking Supervision Department's position was that a distribution higher than 30% of the earnings of 2020-2021 is not deemed as a prudent and conservative planning.

On December 27, 2021, the Banking Supervision Department published a circular canceling the restriction placed in the circulars on dividend distribution.

For further details regarding the restrictions placed on dividend distributions in Clal Insurance and Max, see Note 7 to the Consolidated Interim Financial Statements.

Furthermore, the Company controls the following entities which are not subject to special Regulatory Restrictions in addition to the Companies Law:

A. **Clal Agency Holdings** - the Company presents the net financial assets of Clal Agency Holdings within the net financial assets of Clal Agency Holdings. These assets include a short-term loan extended by Clal Agency Holdings or agencies under its control to Clal Insurance for the purpose of central management of the net financial assets.

B. **Clal Finance** - as described in Note 9 to the 2022 Annual Financial Statements, Clal Finance holds a 24.9% stake in Michlol Finance Ltd. Michlol Finance is a company whose share is listed on the Tel Aviv Stock Exchange; the market value of its shares, based on the share price on the TASE, is approx. NIS 65 million. Clal Finance also has an option to acquire further approx. 7%.

This investment is presented among investment in investees based on equity value, and was not included in the financial investments in this section.

As of the reporting date, following the consolidation of Max's data and the preparations made to finance its acquisition, the Group has 3 types of financial liabilities, subordinated notes that were issued to raise capital and balances used in Clal Insurance's operating activities, bonds issued to raise capital and balances used in Max's operating activities, and undertakings as part of the Max acquisition transaction: approx. NIS 1,017 million in bonds issued by the Company, and a loan of approx. NIS 874 million in CIMax.

On November 12, 2023, the Company's board of directors approved, with in principle approval, a review of a public offering of a new series of non-convertible bonds (hereinafter, jointly - the "**Bonds (Series C)**") by virtue of the Company's shelf prospectus dated July 25, 2022. The scope of the issuance and the terms and conditions of the Bonds (Series C) will be as set out in the shelf offering report to be published by the Company, under which the Bonds (Series C) will be issued. It should be noted that if the Bonds (Series C) are issued as set out above, all proceeds of the issuance will be used for early repayment of part of the loan taken by CIMax Holdings Ltd. in 2019, from a syndicate of lenders that are institutional entities (hereinafter - the "**Syndicated Loan**") by exercising the early loan repayment option and paying an early repayment penalty that is amortized over life of the loan, all in accordance with the terms and conditions of the Syndicated Loan, as part of the financial organization of the Group's obligations planned for the coming year. For details regarding the syndicated loan, see Note 6(c)(1)(b) to the Company's Financial Statements.

Set forth below is a table providing a breakdown of 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 subject to Regulatory Restrictions in addition to the distribution restrictions set out in the Companies Law, 1999):

NIS million	As of September 30 2023
Financial assets	
Cash and cash equivalents	5
Other financial investments, mainly money market fund and Israeli T-Bills by the Company	508
Restricted Tier 1 capital instrument of Clal Insurance *)	481
Total assets	**994**
Less current maturities	
Current financial liabilities	30
Current financial assets net of current maturities	**964**
Non-current financial liabilities	
Non-current financial liabilities: Bonds issued by the Company - liability component	1,017
Other liabilities - loan in CIMax excluding interest	873
Total liabilities	**1,890**
Net financial debt	**926**
Unutilized credit facility **)	**250**

*) The other financial investments include an investment in a Restricted Tier 1 capital instrument of Clal Insurance amounting to NIS 501 million (fair value as of September 30, 2023 is approx. NIS 481 million).

**) On June 14, 2023, an Israeli banking corporation approved a credit facility to the Company at the total amount of up to NIS 250 million for the purpose of providing it with another liquidity buffer, by no later than June 12, 2024. For further details, see Note 6(C)(1)(d) to the Financial Statements.

As of the report date and its approval date, the above-mentioned credit facility has not been utilized.

2.5.3. Financing characteristics

A. In its capacity as a holding company, the Company assesses the value of its assets against its liabilities in the context of funding and liquidity; it also assesses whether it has liquid means that are reasonably accessible to allow it to conduct its activities.

B. The Company's activity (investments, general and administrative expenses, debt service and dividends) is normally funded by dividends it receives, capital raising from investees, loans from banking corporations and proceeds from disposal of assets.

C. For details regarding key financial movements in the Company (separate basis), see the data on cash flow attributable to the Company itself (separate basis), which are included in the interim report.

D. For details regarding the Company's distributable profits, adjusted to reflect the Company's capital requirements, and regarding capital and capital requirements in the consolidated institutional entities and other Group companies, see Note 16 to the Annual Financial Statements.

2.5.4 Dedicated disclosure for the Company's bondholders

A. Bonds' data

Series/issuance date	Bonds (Series A)	Bonds (Series A) (expansion)	Bonds (Series A) (Second extension)	Bonds (Series B) (Convertible bonds)
Issuance date	February 2023	June 2023	August 2023	February 2023
Par value on issuance date (in NIS)	249,100,000	244,625,000	404,400,000	150,900,000
Carrying amount as of September 30, 2023 (in NIS)	Approx. NIS 247 million	Approx. NIS 241 million	Approx. NIS 391 million	Approx. NIS 138 million **)
Market value as of September 30, 2023 *)	Approx. NIS 251 million	Approx. NIS 251 million	Approx. NIS 402 million	Approx. NIS 135 million
Interest type	Fixed, non-linked	Fixed, non-linked	Fixed, non-linked	Fixed, non-linked
Nominal interest rate	4.7%	4.7%	4.7%	2.8%
Effective interest rate on issuance date	4.9%	5.6%	5.3%	4.9%
Listed on the TASE	Yes	Yes	Yes	Yes
Principal payment dates	February 28, 2028	February 28, 2028	February 28, 2028	February 28, 2028
Interest payment dates	The interest shall be paid in a single annual installment on February 28 of each of the years 2024-2028	The interest shall be paid in a single annual installment on February 28 of each of the years 2024-2028	The interest shall be paid in a single annual installment on February 28 of each of the years 2024-2028	The interest shall be paid in a single annual installment on February 28 of each of the years 2024-2028
Interest payable as of September 30, 2023 (increase after the interest rate)	Approx. NIS 7.3 million	Approx. NIS 7.4 million	Approx. NIS 11.8 million	NIS 2.6 million
Are the bonds convertible	No	No	No	Yes
Linkage base and terms	Bonds (principal and interest) are not linked to the CPI and/or to any currency	Bonds (principal and interest) are not linked to the CPI and/or to any currency	Bonds (principal and interest) are not linked to the CPI and/or to any currency	Bonds (principal and interest) are not linked to the CPI and/or to any currency
Pledged assets	None	None	None	None
Company's right to execute early redemption or forced conversion	The Company may execute full or partial early redemption of its bonds no more than once a quarter. The payment in respect of early redemption to bondholders shall amount to the higher of: market value; b. the liability value; c. the balance of cash flow (principal and interest) discounted using the return on government bonds plus a 1% interest.	The Company may execute full or partial early redemption of its bonds no more than once a quarter. The payment in respect of early redemption to bondholders shall amount to the higher of: market value; b. the liability value; c. the balance of cash flow (principal and interest) discounted using the return on government bonds plus a 1% interest.	The Company may execute full or partial early redemption of its bonds no more than once a quarter. The payment in respect of early redemption to bondholders shall amount to the higher of: market value; b. the liability value; c. the balance of cash flow (principal and interest) discounted using the return on government bonds plus a 1% interest.	The Company may execute full early redemption of its bonds starting 30 days from their listing on the TASE, and no later than 180 after such a listing. The payment to bondholders in respect of early redemption shall be the liability value of the bonds (principal and accrued interest) plus one-off early redemption fee of 2% of the liability value. The Company does not have the right to execute a forced conversion of the bonds.
Series' materiality	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970
A cross-default clause is in place ***)	Yes	Yes	Yes	Yes

*) The market value includes interest accrued as of September 30, 2023.

**) Of which approx. NIS 13 million represents the equity component presented under equity.

***) For further details, see Section 8.1.14 to the deeds of trust of Bonds (Series A) and (Series B) that were attached to the shelf offering report of February 9, 2023.

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

Criteria	Bonds Series B (convertible bonds)
Details of the security into which the bonds may be converted	The bonds are convertible into ordinary shares of the Company
Conversion ratio	Every NIS 85 p.v. of the bonds will be convertible into one ordinary Company share
Key terms of conversion, including conditions precedent for the execution of a conversion and any distribution adjustments	The bonds are convertible on each day on which trading takes place on the Stock Exchange through February 18, 2028; If during the conversion right period the Company will distribute bonus shares and/or dividend and/or offer shares by way of offering rights, the number of shares arising from the conversion will be adjusted. For further details, see Section 6.3.3 to the deed of trust attached to the shelf offering report of February 9, 2023.

C. Details regarding rating

	Bonds (Series A)	Bonds Series B (convertible bonds)
Rating agency	Maalot	Maalot
Rating on issuance date	ILAA-	ILAA-
Current rating	ILAA-	ILAA-

The trustee for the Bonds (Series A and Series B) is Hermetic Trust (1975) Ltd. The names of the individuals in charge of the bonds are Adv. Dan Avnon and/or Adv. Meirav Ofer, Tel: 073-2171000, Fax: 03-5271451, email: hermetic@hermetic.co.il, postal address: Champion Tower, 13th Floor, 30 Derech Sheshet HaYamim, Bnei Brak.

D. Contractual restrictions and financial covenants

As part of the deed of trust of the Bonds (Series A) and (Series B Bonds, the Company undertook not to place a floating charge on all of its assets as long as the Bonds (Series A and B) are not repaid in full, unless it has obtained the bondholders' consent in advance or placed a floating charge of the same rank in favor of the bondholders. Furthermore, with respect to the expansion of the Series A and Series B, the Company assumed restrictions on dividend distribution; it also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 3.2 billion, and its net financial debt to total assets ratio will not exceed 50%.

For further details, see Section 6.3.1 to the deeds of trusts of Bonds (Series A) and (Series B) that were attached to the shelf offering report of February 9, 2023.

In addition, an adjustment mechanism was set whereby the interest rate will increase as a result of failure to comply with any of the financial covenants.

The financial covenants will be adjusted if - as a result of the first-time application of accounting standards - they will undergo a change, whose effect is not negligible. For further details, see Section 6.4 to the deeds of trusts of Bonds (Series A) and (Series B) that were attached to the shelf offering report of February 9, 2023.

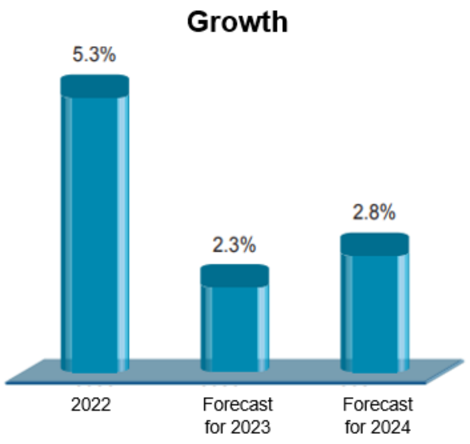
An adjustment mechanism was also set whereby the interest rate will increase if the Company's rating will be downgraded. For further details, see Section 6.3.5 to the deeds of trusts of Bonds (Series A) and (Series B) that were attached to the shelf offering report of February 9, 2023.

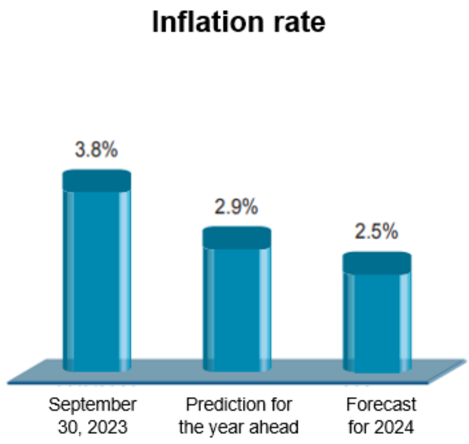
As of the reporting date, the Company complies with the covenants described above. As of September 30, 2023, the net financial debt ratio is 11%, and shareholders' equity amounts to approx. NIS 9.5 billion. In addition, as of the reporting date and the publication date of this report, and during the period starting on the bonds' issuance date, the Company has complied and continues to comply with all the conditions and undertakings as per the deeds of trusts, and no circumstances have arisen which establish grounds for immediate repayment of the bonds. Furthermore, the Company did not receive notice from the trustee for the bonds regarding its failure to comply with the conditions and undertakings as per the deeds of trusts.

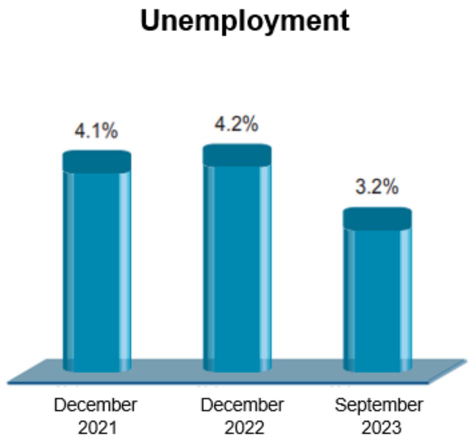
The key points of the deeds of trust of Bonds (Series A and Series B), that were signed between the Company and the trustee, are attached to the shelf offering report of February 9, 2023, and the full text of the deed of trust is available for perusal by appointment at the Company's registered office on any business day during normal working hours.

3. Developments and material changes in the macroeconomic environment in the Reporting Period

3.1 Key Economic Data:







3.2 Set forth below are key trends and material changes in the macroeconomic environment in the Reporting Period and thereafter:

The first nine months of 2023 were characterized by a rise of uncertainty in Israel due to the political tension and surrounding the legal system legislation. This planned legislation sparked a wave of protest, which according to market assessments adversely affected the relative performance of the financial markets in Israel.

Since October 7, 2023, Israel is at war, which is currently focused against the terrorist organizations in the Gaza Strip, but with the potential to flare up in the north and other areas. Hundreds of thousands of reserves were mobilized and the residents of the Gaza Envelope and northern confrontation line were evacuated. For further details, please see Section 2.1(k) above.

Criteria	Data for the period
Development in the market and employment in Israel	According to Bank of Israel estimates (as of October 2023), the growth forecast for 2023 stands at 2.3%, and 2.8% for 2024, having previously predicted a growth of 3% for each of these years. The forecast assumes that the War will concentrate on the southern front and during the last quarter of the year. Therefore, most of the direct effect of the War on the economy will be centralized in the fourth quarter of 2023. The expected slowdown in growth arises from the decrease in consumption and absenteeism of employees due to mobilization of reserves and closing of educational institutions, as well as damage to the physical capital and the ability to work in the combat zones and threatened areas. It should be noted that the Bank of Israel's forecast is based on initial information from the beginning of the fighting. As a result, the forecast is characterized by particularly high uncertainty, and it should be noted that other entities, primarily the rating agencies S&P and Moody's, estimated in the latest reports published that the growth rate of Israel in 2024 might be affected more significantly. Deficit - the Bank of Israel expects the damage to local activity from the War to lead to an increase in the deficit in the government budget, which will amount to 2.3% GDP and 3.5% GDP in 2023 and 2024, respectively. As a result, the debt-to-GDP ratio at the end of 2024 is expected to be approx. 65%. Here is should also be noted that the market estimates are characterized by high volatility, and according to them, the deficit in 2023-2024 will probably be significantly higher than the Bank of Israel's initial assessment. The employment market - the unemployment rate declined from 4.2% at the end of 2022 to 3.2% in September 2023 (after neutralizing the effect of seasonality). The number of available positions in Israel continued to be high, but decreased in the past few months. Average pay in Israel increases at an annual rate of approx. 5.5%, which is higher than the inflation rate. The housing market started experiencing a decline in demand for apartments in 2022, with a decline in the number of transactions due to the increase in interest rates. This trend continued in the first half of 2023 as well, even to a broader extent. A noticeable slowdown in the rate of increase in the housing prices index was recorded, with the annual rate of increase falling to 0.8% in July-August 2023, compared with a record annual rate of 20%. Israel's credit rating (as of the end of October 2023) - the rating agency S&P affirmed Israel's credit rating at AA-, but downgraded the credit rating outlook from stable to negative. According to the key scenario presented by S&P, although the War will make it difficult for the economy and increase the deficit, the Israeli economy will continue to grow back again at the end of the event. The rating agency Moody's affirmed Israel's credit rating at a1, but announced it was placing the rating under review for downgrading, further to an extraordinary report to investors regarding the Israeli economy in view of developments in the local environment. The rating agency Fitch affirmed the credit rating at A+, but placed it on "rating watch negative" due to changes in the perception of the risks in view of the Iron Swords War.
Inflation data	In the reporting period, the global economy was characterized by a slowdown in the inflation rate compared to 2022. Also in Israel, the inflation rate has cooled down so that at the end of the quarter it was 3.8%. The Bank of Israel expects that during the next 12 months inflation will reach a level of 2.9% (3.5% in the previous forecast), and 2.5% in 2024, and notes that the inflation is still above the target and is greatly affected by the development of the exchange rate.

Exchange rates

During the first nine months of the year, the NIS has devalued by approx. 8.7% against the USD; in 2022 it was devalued by approx. 13%. Compared to the EUR, the NIS has devalued by approx. 8% since the beginning of the year. This is mainly due to the developments in the local environment. Since the outbreak of the War, there has been another significant devaluation, following the devaluation from the beginning of the year. Due to the effects of the War and the need to stabilize the markets, the Bank of Israel announced a plan to sell foreign currency in the amount of USD 30 billion and a plan to carry out swap transactions in the foreign currency market in an amount of up to USD 15 billion.

Changes in interest rates and returns

Having effected 6 interest rate hikes in 2022 from 0.1% to 3.25%, the Bank of Israel continued with the trend with 3 further increases since the beginning of the year, reaching a level of 4.75%, in order to curb inflation. As of October, the Bank of Israel expects that in a year's time the interest rate will stand at 4%-4.25%.

Developments in capital markets in Israel and across the world (in terms of local currency)

In %	1-9		7-9		For 2022
Share indices in Israel	**2023**	**2022**	**2023**	**2022**	
Tel Aviv 35	**2.7**	(7.1)	**5.5**	0.5	(9.2)
Tel Aviv 90	**4.5**	(11.2)	**5.1**	(1.7)	(18.2)
Tel Aviv 125	**3.4**	(8.4)	**5.6**	0.0	(11.8)
TA-Growth	**0.1**	(19.8)	**0.6**	(4.4)	(32.3)
Bond indices in Israel					
General	**1.5**	(7.7)	**-0.4**	(2.2)	(8.3)
Tel Bond-CPI Linked	**3.4**	(7.3)	**0.4**	(2.1)	(8.4)
Tel Bond-Shekel	**1.5**	(7.1)	**0.4**	(2.2)	(7.0)
CPI-Linked Government Bonds	**(0.9)**	(9.1)	**(2.5)**	(2.5)	(9.8)
Government - NIS	**(0.6)**	(8.6)	**(1.0)**	(2.3)	(8.8)
Share indices across the world					
Dow Jones	**1.6**	(20.3)	**(1.2)**	(5.2)	(9.1)
NASDAQ	**26.6**	(32.5)	**(2.7)**	(2.8)	(34.0)
Nikkei Tokyo	**22.1**	(8.2)	**(4.1)**	0.1	(9.4)
CAC Paris	**8.3**	(21.4)	**(2.7)**	(4.6)	(8.5)
FTSE London	**1.2**	(7.8)	**1.7**	(4.5)	1.3
DAX Frankfurt	**9.0**	(25.1)	**(3.9)**	(6.8)	(11.5)
MSCI WORLD	**10.3**	(24.8)	**(2.9)**	(5.3)	(20.6)
S&P 500	**12.0**	(24.4)	**(2.0)**	(4.0)	(19.9)

For further details regarding the effects on the financial results, see Section 2 above and Note 6 to the Financial Statements.

Global economic developments

The third quarter of 2023 was characterized by concerns regarding a global economic downturn as well as a slower rate of inflation, and the dilemma facing the central banks as to the steps they should take. I.e., whether to continue fighting the relatively high inflation by further interest rate hikes, or to stop the hikes and support economic growth, while beginning to lower the interest rate. The geopolitical tensions in the world continue to have an effect together with the War between Russia and Ukraine, whose end is nowhere in sight. Added to this is the War between Israel and the Hamas and concern of a regional flare up and expansion of the battle; while the effects of the war between Russia and Ukraine on the global economy have cooled down in recent months, now concern of an energy crisis has arisen again due to events in the Middle East. In addition, restrictions the USA imposed on the export of semiconductors to China continue to expand.

USA - during the third quarter of 2023, the US economy grew at a higher rate than expected despite concerns of an economic slowdown, with inflation cooling off; GDP grew by 4.9% in the second quarter (higher than the expected 4.5%) - an annual rate of 2.9% in 2023. During the third quarter, the Fed continued its cycle of interest rate hikes, and increased its interest rate by 25 BP to a level of 5.25%-5.5%, in response to inflation, which stands at 3.7% (in annual terms) as of the end of the quarter, and core inflation that stands at 4.1%. Markets expect that we are heading towards a halt in interest rate hikes in the USA as well, and according to most market estimates interest rate cuts will commence at the beginning of 2024. In addition to interest rate hikes, the Fed continues trimming its balance sheet. The US labor market remains strong, with unemployment rate remaining low at 3.8% (as of the end of the third quarter of 2023), and there is a continuous increase in the number of new positions that become available every month.

During the third quarter, the Fitch rating agency downgraded the USA's credit rating from AAA to AA+; it its report, Fitch pointed out the large fiscal expansion and the size of the deficit, two months

after the USA faced a debt limit impasse, which was temporarily resolved by increasing the deficit.
Europe - in the second quarter of 2023, the economy in the Eurozone grew by 0.5% in annual terms and 0.1% in quarterly terms. The ECB continued its trend of quick sequence of interest rate hikes, and increased the interest rate to 4.5% in response to the increase in inflation in the EU (annual inflation rate of 4.3% as of September 2023); as of the end of the third quarter, the ECB is expected to end the interest rate hikes and continue to reduce its bond purchase programs. The unemployment rate stabilized, standing at 6.4% as of September.
China - although China has in fact lifted the Covid-19 restrictions completely (substantially later than other countries worldwide), there were expectations for strong growth; however, in practice, the Chinese economy grew by 4.9% in annual terms (lower than the expected 6.3%), and the government and the central bank continue using fiscal and monetary tools to support the recovery of the economy.

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

In this chapter, we will review in a condensed form laws, regulations, circulars and very material position papers, or drafts of laws, regulations, circulars and very material position papers, that apply to the activity of the Group's institutional entities, and which are material to the Group's activity, as published by the Knesset, the government or the Commissioner of the Capital Market, Insurance and Savings, as the case may be, subsequent to the publication date of the annual financial statements.

We will also review - in a condensed form - laws, regulations, Proper Conduct of Banking Business Directives (hereinafter - "**PCBBD**") and very material position papers, or drafts of laws, regulations, PCBBD and very material position papers, that apply to the activities of issuance, acquisition and operation of payment cards and credit to private individuals and businesses (hereinafter - "**Max's Activity**"), and which are material to the Group's activity, as published by the Knesset, the government or the Banking Supervision Department, as the case may be, subsequent to the publication date of the Annual Financial Statements.

4.1 General

4.1.1 Institutional entities' holdings in payment card companies

The recommendations of the Team for Assessing Institutional Entities' Holdings in Payment Card Companies (hereinafter - the "**Assessment Team**") were published in May 2023. The team concluded that the acquisition of stakes in payment card companies by institutional entities may be beneficial for the competition in the credit market. Alongside the benefits it has identified, the Assessment Team also identified potential risks; however, it believed that it was not proven that there is a significant likelihood that those risks will materialize. Since the Assessment Team did not reach a clear-cut conclusion that precluded the acquisition of stakes in payment card companies by institutional entities but, at the same time, did not conclude that such acquisitions will be significantly beneficial, the Assessment Team recommended not to set new restrictions in connection with this matter. However, and in order to moderate potential negative effects and to encourage the competition in financial and non-financial markets, the Assessment Team recommended the following with an eye to the future:

A. To cancel the prohibition on large institutional entities to purchase means of control in a payment card company from a bank with large-scale operations (i.e., allowing the sale of Israel Credit Cards Ltd. to institutional entities);

B. To achieve clear-cut structural separation between a payment card company and an institutional entity that has holdings therein, both in terms of corporate governance and in terms of transfer of information between the credit card company and the institutional entity that holds a stake therein; it is also suggested that the Ministry of Finance and the Capital Markets Authority will set restrictions regarding material interfaces between the activities of institutional entities that will have a stake in the payment card company and those of banks, which may result in conflict of interest;

C. Setting up a monitoring team that will assess the effects of institutional entities' holdings in the credit card companies.

D. Prohibition on banks to hold a controlling stake in a payment card company.

E. Assessing the economy-wide effects of institutional entities' concentration in view of the scope and distribution of the assets under their management. The Assessment Team remained divided as to the date on which such an assessment will take place.

Following on the above, in November 2023, a memorandum of the Banking (Licensing) (Legislative Amendments) Law, 2023 was published recommending cancelation of the ban on the acquisition by an institutional entity from a bank with extensive activity of the means of control of a credit card company, and also recommending to specify that a bank with medium-scale activity (a bank whose assets have a value of between 5%-10% of the value of assets of all banks in Israel) cannot control a credit card company.

At this stage, it is impossible to assess the meaning of the Assessment Team's recommendations. However, if the memorandum of the Banking Law is adopted as a final version, so as to grant the option of selling Israel Credit Cards Ltd. to institutional entities, this may increase the competition in the credit market.

The recommendation regarding structural separation will limit the collaboration between the companies. Any directives that may be published in the future following the assessment of the effect of institutional entities' holdings in credit card companies, and a recommendation to assess the institutional entities' concentration, may lead to potentially material structural changes in the markets, which are relevant to the Group's activity.

The information pertaining to the recommendations of the review team and memorandum of law constitute forward-looking information, which is based on the Company's estimates and assumptions as of the report publication date. The actual implementation may be materially different than that predicted and depends, among other things, on the final version of the law if and when passed, on recommendations that will be adopted, and the manner of their implementation, the resolutions that will be made in the future following a review regarding the concentration of institutional entities and structural separation, if any, and the behavior of competitors in all of the Group's activities.

4.1.2 Class Actions Law

In May 2023, the Inter-Ministerial Team on Assessing the Arrangements Set in the Class Actions Law, 2006 (hereinafter - "**Inter-Ministerial Team**") published its report. In its report, the inter-ministerial team recommended, among other things, to add a mechanism to the Law requiring that advance contact be made with a defendant prior to filing a certification motion, regarding those specific types of causes of action and claims to be determined; cancellation of certain exemptions from fee payment subsequent to filing a class action certification motion; the obligation of determining court expenses in the case of dismissal of a class action certification motion/class action, unless special reasons exist that should be listed, with the default being imposing the costs on the class plaintiff's attorney; imposing a requirement to mention the number of class actions filed by a specific class plaintiff; the establishment of a mechanism enabling the filing of additional motions on the same issue in order for the court to select the claim along with the leading attorney; establishing mechanisms pertaining to granting relief in kind; establishing an orderly mechanism to approve a settlement arrangement by a mediator; providing organizations with the ability to file class actions.

At this preliminary stage, and before the Inter-Ministerial Team's suggestions are formulated into a coherent bill, the Company is unable to assess the effect of the recommendations described above, which may have opposing and offsetting effects on the Company's financial results, and which - in the Company's opinion - cannot materially change Group companies' exposure to class action proceedings.

4.1.3 Prohibition on money laundering

The Draft of the Prohibition on Money Laundering Ordinance (Identification, Reporting and Record-Keeping Obligations of Financial Services Providers to Prevent Money Laundering and Financing of Terrorism), 2023 (hereinafter - the "**Draft Prohibition on Money Laundering Ordinance**") was published in May 2023; it replaces a previous draft that was published regarding this matter in October 2021.

The purpose of the draft is to set provisions regarding the prohibition of money laundering, that will apply to all financial entities and supersede the specific orders currently in place, including the Prohibition on Money Laundering Ordinance (Identification, Reporting and Record-Keeping Obligations of Insurers, Insurance Agents and Management Companies to Prevent Money Laundering and Financing of Terrorism), 2017, which applies to the Group's institutional entities, and will set basic, identical and uniform provisions for all financial entities reporting to the Israel Money Laundering and Terror Financing Prohibition Authority. As part of the draft ordinance, it is proposed to vest in the financial regulators the power to establish detailed complementary arrangements, through circulars and directives, including arrangements which will address the unique characteristics of certain financial entities.

The draft ordinance includes changes regarding the way the Group's institutional entities conduct themselves compared to the ordinance currently in place, the most important of which are changes in the "know your customer" procedures (that will be named, among other things, "due diligence"), identification and authentication; specific provisions in connection with electronic transfer and transfers involving virtual assets; and the expansion of the ordinary reporting requirements to the Israel Money Laundering and Terror Financing Prohibition Authority.

The Group's institutional entities believe that if the Draft Prohibition on Money Laundering Ordinance will be published as a binding ordinance, it may have certain effects on the process of selling insurance and provident funds products, both through the direct sale channels and through the agents. Max believes that if the Draft Prohibition on Money Laundering Ordinance will be published as a binding ordinance, it may affect Max's activity, mainly in connection with the signing-on processes of Max's customers to the different services, and its implementation will also involve operational preparations.

In June 2023, the Bank of Israel published a document referring to the issue of division of responsibilities between the banking corporations and the acquirers in connection with the "know your customer" procedures conducted as part of the "operation of an issuance" and a "joint issuance arrangement", in which it noted, among other things, that the banking corporations and the acquirers should defined the information that they obtain about the customer as part of the "know your customer" procedure, which is conducted upon the issuance of a debit card, in accordance with a risk-based approach and the principles set in the ordinance and in Proper Conduct of Banking Business Directive No. 411. Furthermore, the Bank of Israel instructed the internal auditors of the banking corporations and the acquirers to verify the appropriateness and adequacy of the information they obtained as part of that activity, through June 30, 2024.

The information pertaining to the said provisions regarding the prohibition on money laundering constitutes forward-looking information, which is based on the Group's estimates and assumptions as of the report publication date. Actual implementation may vary materially than that expected, and depends, among other things, on the final wording of any Prohibition on Money Laundering Ordinance that may be published, the operational preparations for the implementation of such provisions, and the interpretation of the provisions that will be issued thereunder in the future by the competent organs, the behavior of the customers, insurance agents and the competitors.

4.1.4 Assessment of institutional entities' holdings in insurance agencies

Further to what is stated in Section 10.8.2.4 to Description of the Corporation's Business chapter in the Company's 2022 Financial Statements, and to the work of a team set up under a government resolution to assess the effect of institutional entities' holdings in corporations that are insurance agencies on the activity of those agencies and their objectivity in the process of marketing products, the measures that should be applied to deal with those effects and the desired arrangements as to existing holdings of institutional entities in insurance agencies - in July 2023, the inter-ministerial team for the assessment of institutional entities' holdings in insurance agencies published a call for proposals from the public regarding the said issue. The team is required to submit its recommendations, including required operational measures and legislative amendments, by the end of 2023.

At this stage and before the publication of the inter-ministerial team's conclusions and recommendations, the Company is unable to assess the effects of the said assessment, that may affect the structure of institutional entities' holdings in insurance agencies, including insurance agencies within the Group.

4.1.5 Corporate governance in publicly-traded companies without a controlling shareholder

Further to what is stated in Section 10.2.2 to the Description of the Corporation's Business chapter in the Company's 2022 Financial Statements, in July 2023, the Ministry of Justice published the Companies Law Bill (Amendment No. 37) (Corporate Governance in Publicly-Traded Companies without a Controlling Shareholder), 2023.

In view of the fact that in recent years there has been an increase in the number of companies traded in Israel, whose ownership structure is decentralized, it is suggested in the bill to change and update the corporate governance rules that apply to companies without a controlling shareholder. Among other things, the proposed amendments deal with the definition of control, such that a rebuttable presumption was added whereby in a company where none of the shareholders holds more than 50% of its means of control, a holding of 25% or more of the means of control shall be deemed as control in that company; the requirement to appoint external directors in a company that does not have a controlling shareholder was replaced with a requirement to appoint a majority of independent directors in its board of directors and its committees; the 'prohibition on interest' applied to an external director was expanded to also cover a prohibition on an interest of the external director in "any director" in the Company, and not only in the chairman of the board of directors; it is suggested to allow the payment of compensation to a chairman of a board of directors who is an independent director above the cap on compensation paid to an external director; it is suggested to regulate the process of putting forward candidates for service as directors on behalf of the board of directors by an independent appointments committee; it is suggested to regulate the process of approving transactions with directors and the process of approving extraordinary transactions with substantial shareholders, who hold 10% or more of a certain type of means of control in a company without a control core.

As of the date of this report, the Company is unable to assess the effects of the bill and draft regulations, due to, among other things, the fact that Clal Holdings is subject to strict provisions by virtue of its status as a controlling shareholder of an insurer. For details about the status of control in Clal Holdings, see Notes 1(A)-(C) to the Financial Statements.

4.1.6 A Draft Circular - Revision of the Consolidated Circular - The Independent Auditor Chapter

In August 2023, a final revision to the Consolidated Circular regarding the independent auditor was published, that integrates various directives of the Commissioner, which were included in other previously-published circulars. Furthermore, among other things, a directive was added by virtue of which a review of an independent auditor will be required in respect of the Economic Solvency Ratio Report as of June 30, in accordance with the procedures set out in the Consolidated Circular.

Furthermore, the provisions regarding the independent assessment of the pension liabilities of a pension fund were revised such that such an assessment will be carried out by the actuary every five years (instead of every three years).

4.1.7 Adjudication of Interest and Linkage

In November 2023, Amendment No. 9 to the Adjudication of Interest and Linkage Law was published revising the interest and linkage mechanisms applicable to amounts ruled in judgments of judicial authorities. (hereinafter - the “**Adjudication of Interest and Linkage Law**”).

The amendment to the Adjudication of Interest and Linkage Law sets out, among other things, two base interest calculation alternatives - shekel interest and linked interest, and sets shekel interest as the default for linkage of amounts ruled in legal proceedings; splitting of the arrears interest into two components - interest and arrears fees, due to the different purposes of the interest mechanism and the debt payment incentive mechanism, and setting out circumstances in which each component will be required; it also specifies that arrears fees will be added to a debt once every quarter instead of daily and application of the “compound interest” mechanism on arrears fees was cancelled.

Following publication of the Adjudication of Interest and Linkage Law, draft Adjudication of Interest and Linkage Regulations (Setting of Interest Rate and Manner of Its Calculation) 2023, which were published in February 2023 were passed, recommending the establishment of new mechanisms for calculation of the base interest (shekel interest and linked interest) and arrears fees (hereinafter - the “**Draft Interest and Linkage Regulations**”).

The Adjudication of Interest and Linkage Law and the regulations thereunder are expected to lead to an increase in the interest component paid in claims filed against the Company (due to the consequence of the amendment on the Insurance Contract Law, which refers to the interest mechanism in the Adjudication of Interest and Linkage Law) and in connection with making of payments in legal proceedings, enforcement proceedings and certain agreements to which the Company is party, and as a result, in cases that require payment of interest, the Company’s liabilities are expected to increase. The said provisions are also expected to have operational implications due to the significance of the changes included in them on various work processes.

The Company’s estimate regarding the possible consequences of the law and draft regulations is forward-looking information, based on information in the Company’s possession on the reporting date. The actual outcomes may be different than expected and depend, among other things, on how the Company acts in relation to transactions that are subject to payment of interest and on market conditions.

4.2 Industry-Wide Directives for Institutional Entities

4.2.1 International Financial Reporting Standard (IFRS) 17

For details regarding a Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts, see Note 3 to the Financial Statements.

4.2.2 Directives to Financial Information Sources which are Institutional Entities

Further to what is stated in Section 10.2.6(B) to the Description of the Corporation's Business chapter in the Company's 2022 Financial Statements, the "Directives to Financial Information Sources which are Institutional Entities" Circular was published in June 2023; the circular will apply to all institutional entities which hold customers' credit information as defined in the Financial Information Service Law, and which are required by law to give access to financial information. The circular prescribes provisions that regulate the activity of the institutional entities which are sources of information in accordance with the law, including a reference to corporate governance aspects; access to financial information about credit, architecture, information and cyber security; customer's access authentication; rules regarding the level of service for Financial Information Service Providers; reporting policy and the publication of directives regarding the standard on the transfer of the information.

Most of the circular's provisions will come into force on the day on which the Financial Information Service Law will come into force in relation to an institutional entity, that is to say - November 2023 for individuals and November 2024 for corporations.

The Company is of the opinion that the implementation of the provisions of the Financial Information Service Law and the Circular "Provision for Financial Information Sources that are Institutional Entities" will have operational implications on the one hand, and business opportunities on the other, alongside boosting competition in the financial market.

The information pertaining to the provisions of the Circular on Directives to Financial Information Sources which are Institutional Entities constitutes forward-looking information, which is based on the Group's estimates and assumptions as of the report publication date. Actual implementation may vary materially than that expected, and depends, among other things, on the operational preparations for the implementation of such provisions, and the behavior of the customers and various players in the financial market.

4.2.3 Legislative changes due to the Iron Swords War

Following Hamas' terror attack against the Gaza Envelope communities on October 7, 2023 in which thousands of Israeli citizens were murdered, injured and abducted, a state of emergency and the Iron Swords War were declared in Israel. Many communities on Israel's northern and southern borders have been evacuated of residents and extensive mobilization of reserves was declared.

Due to the above security situation, several bills and legislative amendments were published as follows:

- **Commissioner's Directives**

  1) In October 2023, the Commissioner's Emergency Directives were published postponing the effective dates of several directives included in the Commissioner's circulars. In addition, the dates for reporting to the public, the Commissioner, planholders and policyholders in respect of the third quarter of 2023 were postponed.

     Furthermore, the Commissioner's Directives included various relief in view of the security situation:

     - The provisions of the consolidated circular on long-term care insurance were amended, and it was determined that due to the format of activity of medical facilities in the present security situation and due to the difficulty in collecting the materials required to investigate long-term care claims by the insurance companies, an insurance company may - if it is unable to obtain the information required using a confidentiality waiver form - contact the policyholder with a request to attach information relevant to the claim, without derogating from its obligation to continue trying to obtain the information using the confidentiality waiver form.
     - The insurance renewal circular was amended to specify that a policyholder will be entitled to request partial or full suspension of insurance coverage, based on the nature of the policy and the insurance company will be entitled to suspend the policy at upon such request, for the period of the special home front situation, at the end of which it will clarify the customer's need to resume the coverage. In addition, the insurance company may extend the renewal term beyond the days indicated in the notice regarding the end of the insurance term, if it is unable to contact the policyholder; however, the policyholder will be required to pay insurance premiums

in respect of such additional term, if seeking to renew the extended coverage, or upon the occurrence of an insured event during the extended coverage term.

- Investment rules were amended to allow institutional entities greater flexibility with investments in the bond market during the combat period, and relief was granted in respect of the reporting requirements of an institutional investor to the Commissioner on a material active or passive deviation.

Furthermore, in November 2023 the Commissioner published the "Non-enforcement Position - Pension Advice by a Banking Corporation Outside the Bank Branches to Existing Customers in the Pension Advice Segment", according to which the authority will not take any enforcement measures against banking corporations that provide pension advice digitally or by telephone to existing customers in the pension advice segment as long as there is a home front emergency.

2) In October 2023, the Postponement of Deadlines (Temporary Order - Iron Swords) (Contract, Judgments or Payment to the Authority) Law 2023 (hereinafter - the "**Deadline Postponement Law**") was published, which was amended in November 2023, allowing eligible parties (who are defined in the law, hereinafter - "**Eligible Parties**") to postpone, by 60 days or until December 31, 2023, whichever is earlier, the date of performance of an action under a contract, the date of execution of a judgment or decision of another authority and a payment date to the authority, if such date falls between October 7, 2023 and December 7, 2023 (hereinafter - the "**Effective Period**"). Dates in a contract will be postponed by notice by the Eligible Party to the other party; postponement of a judgment or decision of another authority will apply if the date set falls within the Effective Period; a payment to the authority will be postponed, in general, in respect of any payment applicable in the Effective Period, and with respect to some of the Entitled Parties, subject to provision of notice to the authority. The arrangement does not apply to contracts signed during the Effective Period, when all parties to the contract are eligible by law, payments made before the entry into effect of the law (October 18, 2023), installment transactions, cash payments and liabilities under an employment contract.

- **Prohibition on money laundering and financing of terrorism**

  In October 2023, the Israel Money Laundering and Terror Financing Prohibition Authority published a call to the financial and public sector due to the War, to increase their vigilance to illegal financial activity in view of the War and to inform the authority immediately of any activity with a potential risk of financing terror; the call included guidelines to the financial sector regarding reports to the authority.

For further directives published due to the Iron Swords War that affect Max's activity, see Section 2.1(K) above.

For the consequences of the Iron Swords War on the Company's business results, see Note 12(L) of the Company's financial statements.

4.3 Long-term savings

4.3.1 Discounts in insurance premiums and agents compensation

Further to what is stated in Section 6.1.4.1 to the Description of the Corporation's Business chapter regarding the new mechanism for refunding fees and commissions upon the cancellation of life insurance policies, and in Section 2.A.10.8.2.2 to the Description of the Corporation's Business chapter in the Company's 2022 Periodic Reports regarding The Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2023 and 2024) bill (hereinafter - the "2023 Economic Arrangements Law Bill") regarding the requirement - applicable to all insurance products - to refund a proportionate share of the fees and commissions, which will apply to insurance agents, including pension insurance agents, if the policy is canceled or if the accrual is transferred or withdrawn -

In April 2023, a Draft Circular regarding "Discounts and Cancellations in Life Insurance" and a draft of the Supervision of Financial Services Regulations (Provident Funds) (Direct Distribution Fee to a Pension Insurance Agent), 2023, were published, which suggest to stipulate that -

A. an insurance company will be allowed to offer a life insurance policyholder a discount in insurance premiums, provided that the discount rate will not be reduced throughout the insurance period.

B. A management company will be allowed to pay a pension insurance agent a one-off fee only if the distribution agreement between them stipulates that the agent will be required to refund the said fee to the management company in accordance with the mechanism described in Section C below.

C. An institutional entity will receive from an insurance agent the proportionate share of a one-off or a current fee or commission that is considered a replacement for a one-off fee or commission, that was paid to it in respect of marketing life insurance policies, or the proportionate share of a distribution fee paid in respect of the signing-on of a planholder to a provident fund, in relation to the remaining period until the end of 6 years following the signing-on of a planholder to the insurance plan or provident fund, when one of the following occurs: (a) All or some of the funds are transferred from the provident fund to another provident fund, or all of the funds are withdrawn from the provident fund; (b) the insurance contract was canceled; and (c) another license holder was appointed to deal with the provident fund or insurance plan, or a notice was received from the policyholder to the effect that he/she no longer wishes to receive services from the insurance agent, starting from the appointment date of the new license holder or the date of the policyholder's notice that he/she no longer wishes to receive the service from the agent.

D. An insurance company will not compensate the agent, whether directly or indirectly, in respect of such refund of fees and commissions.

The purpose of the said provisions is to curb the "twisting" phenomenon in the insurance and pension market, as part of which policies are canceled and new policies are purchased with another company for the same customer; and therefore, this mechanism may extend the average duration of life insurance polices and savings products.

The information pertaining to the consequences of the said provisions regarding restrictions on discounts in insurance premiums and the refund of fees and commissions constitutes forward-looking information, which is based on the Group's estimates and assumptions as of the report publication date. Actual implementation may materially vary than that predicted, and depends, to a large extent, on the final mechanism that will be set; license holders' behavior and preferences; the behavior of competing entities; and the behavior of the planholders and policyholders in relation to the products in their possession.

4.3.2 Engagement with a pension advisor

Further to what is stated in Section 10.8.2.3 to the Description of the Corporation's Business chapter to the Company's 2022 Periodic Report regarding the Economic Arrangements Law Bill 2023 in connection with an engagement with a pension advisor -

Iin June 2023, the Economic Plan Law (Legislative Amendments for Implementing Economic Policies for Budget Years 2023 and 2024 (2023) (hereinafter - the "**Economic Arrangements Law 2023**") was published, amending the Advice Law and added to it provisions, the main point of which is that an institutional entity will not unreasonably refuse to engage with a pension advisor in an agreement for the execution of a transaction, and will not request to end such an engagement. In accordance with the amended bill, a refusal shall not be deemed unreasonable, if it is based on an agreement which does not generate profits to the institutional entity in connection with: the rate and terms of the distribution fee; the service rendered thereunder; its duration in relation to a certain pension product, and provided that no agreement with similar terms is in place with another license holder.

In addition, the said amendment stipulates that the Commissioner's Directives in connection with circumstances in which a refusal to engage with a pension advisor shall be deemed unreasonable beyond the circumstances set in the regulations; and the setting of criteria for providing services to license holders, any deviation from which will be considered discrimination in connection with the above-mentioned mater - will be subject to the approval of the Finance Committee.

The Company is unable to assess the effect of the said requirement applicable to institutional entities not to refuse engagements with pension advisors, nor can it assess the effect of the terms of such engagements, due to, among other things, the uncertainty as to the interaction between such engagements and existing distribution agreements with banks, and with the terms set in the Supervision of Financial Services Regulations (Provident Funds) (Distribution Fees), 2006 regarding the rate of distribution fee that a pension advisor may receive from an institutional entity.

The information relating to the potential consequences of the said provisions is forward-looking information, which is based on Company's assessments and assumptions, and actual results may vary materially, due to, among other things, the fact that actual implementation may vary from that predicted, and depends, among other things, on the behavior of the institutional entities and the alternatives they will be able to opt for, the behavior of the distributing entities, and customers' preferences.

4.3.3 Cap on contributions to executive insurance

Further to what is stated in Section 6.1.2.1 to the Description of the Corporation's Business chapter in the Company's 2022 Financial Statements in connection with the proposal to cap contributions to executive insurance, in July 2023 amendments were published to the Income Tax Regulations (Rules for the Approval and Management of Provident Funds) (Amendment), 2023 (hereinafter - the "**Provident Funds Management Regulations**") and to the Supervision of Financial Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds) (Amendment), 2023. The key changes:

A. Contributions to new insurance funds (that will be opened after the provision comes into effect) will only be made in respect of that portion of the wage that exceeds the monthly cap of the guaranteed wage as defined in the Provident Funds Management Regulations, that is to say - a contribution of up to 20.5% of twice the average wage in Israel (hereinafter - the "**Contribution Cap**").

B. Transfer of funds from a provident fund, which is not an insurance fund to a provident fund, which is an insurance fund will be subject to the condition whereby after the transfer of funds to the insurance fund, the outstanding balance of accumulated funds, which were not transferred to the insurance fund will amount - at the very least - to the Contribution Cap multiplied by the number of months that elapsed since the first payment was made into the provident fund.

C. The amendment to the Provident Funds Management Regulations is expected to enter into force on September 1, 2023.

D. Furthermore, under a government resolution of March 2023, institutional entities will be required to inform active policyholders in an insurance fund of the Contribution Cap as stated above, in accordance with the Commissioner's directives. As of the date of this report, the Commissioner's directives in connection with this matter have not yet been published.

E. The regulations may increase the trend of signing-up to the pension funds, and may also affect transfers from executive insurance to pension products. In that context, it should be noted that in recent months there has been an increase in funds transferred from executive insurance products that were sold since 2004 and thereafter, and specifically executive insurance products that were sold since 2013 and thereafter.

The information pertaining to the consequences of the said Provident Funds Management Regulations constitutes forward-looking information, which is based on the Group's estimates and assumptions as of the report publication date. Actual implementation may materially vary than that predicted, and depends on the behavior and preferences of policyholders and planholders in connection with the products in their possession; the behavior of competing entities; and the behavior of the distributing entities.

4.3.4 The manner of presentation of annual expected cost to planholders or policyholders

Further to what is stated in Section 10.5.5.1.A to the Company's 2022 Periodic Report regarding the amendment to the Direct Expenses Regulations and the disclosure and reporting requirements regarding the expected total cost in a pension product, in July 2023, the Circular on the "Manner of Presentation of Annual Expected Cost to Planholders or Policyholders" was published, which prescribes provisions in connection with the manner of the presentation of the annual expected cost when signing-on to a provident fund or investment track, when switching investment track, and the periodic reports sent to planholders.

In the opinion of the Group's institutional entities, the publication of the "Manner of Presentation of Annual Expected Cost to Planholders or Policyholders Circular" may intensify the competition in connection with signing-on new planholders to the institutional entities and retaining them.

The information relating to the potential consequences of the Manner of Presentation of Annual Expected Cost to Planholders or Policyholders Circular is forward-looking information, which is based on Company's assessments and assumptions, and actual results may vary materially from those predicted, and depend, among other things, on the behavior of the distributing entities, and customers' preferences.

4.3.5 Call for Proposals - A Central Pension Clearing System

A call for proposals was published in August 2023 regarding the desired structure of the market for the transfer of information in the pension savings market, whereby as part of the Capital Markets Authority's assessment of the desired structure of the market for transfer of information in the pension savings market, entities engaged in this area of activity were required to consider the option of transitioning from the existing model whereby a central clearing system is operated by a single supplier to a model whereby licenses are given to multiple suppliers.

At this stage the Company is reviewing the questions raised as part of the call for proposals.

At this preliminary stage, before the Capital Markets Authority has reached a conclusion as to its position regarding the desired structure of the market for the transfer of information in the pension savings market, and before any provisions have been published in connection with the transitioning to an alternative model as stated above, the Company is unable to assess the consequences of structural changes as stated above.

4.3.6 Investment tracks

Following the investment track reform, some provisions of which became effective in January 2023, under which the range of specialized investment tracks which an institutional entity may manage was revised and expanded, in September 2023 an amendment to the list of permitted investment tracks was published, mainly cancelling the possibility of offering a flexible specialization track (that was originally intended to be a "general" track), and simultaneously differentiating between the investment tracks specializing in bonds and tracks specializing in bonds with limited exposure to shares - by providing the option of opening credit and bond tracks with shares (up to 20% shares), as part of an ordinary track (hereinafter - "**Active Management**"), a commercial track only and an index tracking track; this is along with the credit and bond tracks (that do not include exposure to shares).

In October 2023, following the Iron Sword events, the effective date of the main provisions of the investment track circular was postponed from January 2024 to July 2024.

4.4 Health Insurance

4.4.1 Update in connection with reduction of the incidence of overlapping insurance

Further to what is stated in Section 8.1.2.1 to the Description of the Corporation's Business chapter to the Company's 2022 Periodic Report regarding the Ash Committee's report and the bill regarding overlapping insurance in the surgical procedures subsegment between Supplementary Healthcare Services ("SHABAN") and private health insurance policies, in May 2023, an amendment to the Financial Services Supervision Law (Insurance), 1981 was approved as part of the Economic Arrangements Law, 2023. According to the amendment, starting on October 1, 2023, or a later date for a 6-month period set by the Ministry of Finance in an order (hereinafter - the "**Effective Date**") where a policyholder has an health insurance policy that includes insurance coverage that is not dependent on the exercise of the policyholder's rights under the SHABAN Plan (hereinafter - "**First Shekel Insurance**"), and such policyholder filed a claim to cover a private surgical procedure in Israel under his/her rights by virtue of the SHABAN Plan, and this surgical procedure is also covered by the policyholder's insurance policy, the insurer shall pay the health maintenance organization through which the surgical procedure was carried out a total equal to the price of the surgical procedure paid by the health maintenance organization as per the Ministry of Health's price list, or an amount equal to the price of the insurance arrangement as paid by the insurer, if it is decided by the Minister of Finance - the lower of the two, net of any deductible amount that the policyholder paid to the health maintenance organization in respect of the surgical procedure. It is suggested that the amendment will apply to "First Shekel Insurance" surgical procedures insurance plans that will be taken out or renewed as from the Effective Date.

It was also decided that on the next renewal date of a “First Shekel Insurance” individual surgical procedure policy that was taken out in 2016 and thereafter (hereinafter - the “**Original Policy**”), the insurer will add the policyholders of the said policy, who also have SHABAN plans in place, to a surgical procedures policy with SHABAN coverage (hereinafter - **“SHABAN Insurance**”) instead of the original policy. This will be the case unless the policyholder informed the insurer that he/she does not wish to be transferred to the surgical procedure policy under the SHABAN Insurance.

The amendment also includes provisions that will apply in connection with the lists of surgeons with whom the insurance has an arrangement for the provision of surgical procedures coverage in Israel (hereinafter -the “**Surgeons List**”). According to the amendment, it is suggested to prescribe that an insurance company shall put in place a single Surgeons List that will apply to all insurance plans it markets that include surgical procedures coverage, and that at least half of the active surgeons in the list will be active surgeons included in the Surgeons Lists of health maintenance organizations.

It was also decided that an insurance company will not change or cancel a surgical procedures arrangement with a surgeon if a result of such change or cancellation the ratio between the number of surgeons included in the insurance company’s Surgeons List, who are also included in a Surgeons List of a certain health maintenance organization, and the number of surgeons included in the Surgeons List of the insurance company will decline, unless the Commissioner approved the change or cancellation.

The Company believes that the changes regarding the reduction of the incidence of overlapping surgical procedures insurance may affect demand, sales and profitability of the relevant insurance products. This includes an expectation whereby the imposition of the requirement that insurance companies indemnify SHABAN in respect of a surgical procedure under the bill regarding overlapping surgical procedures insurance between private insurance companies and SHABAN shall trigger an increase in claims settlement costs, and consequently the relevant policies will have to be repriced, which may affect the sales and demand mix of this product. The imposition of the requirement whereby insurance companies will transfer existing policyholders, whose policies due for renewal, to a surgical procedures policy with SHABAN coverage, as stated above, may cause a decline in revenues from those policies. The imposition of conditions with regard to the insurance company’s Surgeons Lists might limit its ability to select the surgeons, the engagement with whom it wishes to change or terminate.

At this preliminary stage, the Company is unable to assess the long-term effects of the provisions of the Economic Arrangements Law, 2023 regarding overlapping insurance in the surgical procedures subsegment between SHABAN and private health insurance policies, which may be material; these effects depend, among other things, on the price set for the new policies, taking into account, among other things, the fact that SHABAN’s scope of services may change from time to time, the approval of the tariffs that will be set, the scope of sales, the retention of the various types of policies, and the terms of engagement with suppliers.

The information pertaining to the consequences of the said steps constitutes forward-looking information, which is based on the Group’s estimates and assumptions as of the report publication date. Actual implementation may vary from that predicted, and it depends on an array of factors, including the behavior of competing players, the prices of policies, customers’ preferences, and the behavior of the health maintenance organizations and SHABAN, regarding, among other things, the scope of services they will provide and the cost of those services, as they will be from time to time, and accordingly their indemnification demands from the insurance companies, over time.

4.4.2 The health insurance reform

Further to what is stated in Section 8.1.2.1 to the Description of the Corporation's Business chapter to the Company’s 2022 Periodic Report regarding the Health Insurance Reform, amendments to the provisions of the health insurance reform were published in May 2023, which postponed the effective date of the reform’s provisions to October 1, 2023, due to, among other things, a corresponding reform regarding overlapping insurance in the surgical procedures subsegment between SHABAN and private health insurance policies as part of the Economic Arrangements Law, 2023.

4.4.3 The Requirement to Offer Supplementary Healthcare Coverage

Further to what is stated in Section 4.4.1 above in connection with the bill regarding overlapping insurance in the surgical procedures subsegment between SHABAN and private health insurance policies, a Draft Amendment to the Consolidated Circular regarding "the requirement to offer a surgical procedures policy with supplementary coverage" (hereinafter - the "**SHABAN Insurance Plan Circular**") was published in July 2023, whose key points are as follows:

The insurance benefits in policies with SHABAN coverage polices shall only be paid under the following circumstances -

1. Indemnification of a policyholder for a private surgical procedure held in Israel, including the expenses covering the costs of the surgical procedure; such indemnification is paid only if the policyholder's SHABAN plan does not cover the expenses arising from the surgical procedure, or if the surgeon is not part of a surgical procedures arrangement with the health maintenance organization, but is a part of an arrangement with the insurance company;
2. Indemnification in respect of the deductible amount paid by the policyholder in respect of a surgical procedure that was financed through the SHABAN plan, even if the surgeon is not included in the arrangement with the insurance company;
3. Indemnification in respect of the purchase of a medical aid, where a medical aid is not covered by the SHABAN plan, but is covered by the insurance company's policy, and the surgical procedure is funded through the SHABAN plan.

It is also suggested that where a policyholder wishes to switch from a SHABAN supplementary insurance policy to a 'First Shekel' insurance policy, the terms of this policy will include, at the very least, the terms offered by the insurer on the transfer date under a 'First Shekel' insurance coverage. This is stipulated instead of the current provision, which prescribes that the insurance company will offer the policyholder the terms offered when he/she joined the SHABAN supplementary healthcare insurance.

According to the draft, the amendment will come into force on October 1, 2023, and its provisions will apply to SHABAN insurance policies (individual and collective) that will be taken out or renewed from the said effective date and thereafter.

At this stage, the Company is unable to assess the effects of the SHABAN Insurance Plan Circular, should its current wording is accepted as the binding wording, due to, among other things, the uncertainty as to its final provisions, and the effects of various regulatory provisions of health insurance policies.

4.5 P&C insurance

4.5.1 Riders

Further to what is stated in Section 10.2.7(C) to the Description of the Corporation's Business chapter in the Company's 2022 Periodic Report regarding amendments to the Riders Circular of September 2022 and February 2023 - in May 2023 a draft amendment was published, which postpones to December 15, 2023 the date on which the two said amendments will come into force, in accordance with the suggestion to postpone the coming into force of the provisions of the health insurance reform as stated in Section 4.4.2 above.

4.5.2 Reduced insurance compensation in motor (property) insurance

In September 2023, a decision in-principal deals with a practice implemented by some insurance companies regarding motor property insurance policies, as part of which the insurance companies deducted some of the insurance benefits based on the difference between the price list of the spare parts' importer (quoted in the appraisal), and the amount the insurance company would have paid for those parts had they been purchased from spare parts suppliers, with whom the insurance company entered into engagement.

The decision specified that an insurance company may make the said deduction subject to several conditions, including clear disclosure regarding the conduct required from the policyholder upon the occurrence of an insured event, both at the insurance offer stage and on the date of the notice of the insured event by the policyholder. It also specifies that because of the lack of clarity before publication of the decision, the insurance company has the option of giving such notice to the existing policyholders in the middle of the insurance term. With respect to insurance cases that occurred up to publication of the decision, it was stipulated that an insurance company that followed this practice is required to examine whether the reduction was made after providing clear disclosure to the policyholder to enable them to act to reduce the damage and to ensure that the policyholder received the Company’s notice when filing the claim or before the vehicle was repaired. If no such disclosure was provided, the insurance company must refund the difference to the policyholder.

The said decision may lead to a reduction in the cost of settlement of motor claims, either by way of redirecting claims to an arrangement track in lieu of repair at a private garage, by way of offset in respect of unwillingness of policyholders and/or private garages to have the insurance companies supply the spare parts, or by the insurance companies supplying the spare parts themselves at a lower cost than specified in the assessor’s report.

In November 2023, the Commissioner published a call for proposals to receive information that could assist in examining whether, further to the said decision, it is fitting to change the terms and conditions of the deductible in motor policies.

The information pertaining to the consequences of the decision constitutes forward-looking information, which is based on the Group’s estimates and assumptions as of the report publication date. Actual implementation may be different to than expected and depends on a range of factors, including competition, the conduct of the competing companies, customer preferences, and the agreements and conduct of the suppliers and assessors.

4.6 Max’s activity

4.6.1 Proper Conduct of Banking Business Directive No. 501 - Customer Service and Support Function

Proper Conduct of Banking Business Directive - Customer Service and Support Function (Directive No. 501) regarding the management of a customer service and support function was published in March 2023.

The directive sets principles regarding the management of such a function in the different service channels in the banking system, and prescribes, among other things, corporate governance requirements; regarding the Board of Directors’ responsibility, provisions were set regarding the formulation of a customer service and support strategy; monitoring the implementation of the strategy that was outlined, and approval of the customer service and support policy; and setting requirements as to reports to the Board of Directors, and discussing this issue at least once a year. As to the responsibilities of senior management, provisions were set regarding the responsibility for the implementation of the customer service and support strategy; setting powers and areas of responsibility for effective management of the different service channels; allocation of the resources required to implement the policy; setting supervision and monitoring mechanisms; and a requirement to maintain an ongoing process of changes and adjustments in the customer service and support function.

The directive also includes principles for the provision of services and support to customers, which banking corporations are required to follow, and applies a requirement to publish a Service Level Agreement (SLA) and details about the customer service and support function.

Most of the directive's provisions will come into force a year after its publication date.

Max if of the opinion that the Proper Conduct of Banking Business Directive - Customer Service and Support Function - is expected to have operational consequences in relation of the service and support procedures in connection with Max’s customers, such that those procedures comply with the provisions set in the directive and with the principles for the provision of services and support to customers, and Max is making preparations for their implementation.

The information pertaining to the implementation of the said provisions regarding Proper Conduct of Banking Business Directive - Customer Service and Support Function constitutes forward-looking information, which is based on Max’s estimates and assumptions as of the report publication date. Actual implementation may vary materially than that expected, and depends, among other things, on the operational preparations for the implementation of such provisions, and the interpretation of the Proper Conduct of Banking Business Directive by the Bank of Israel and/or competitors.

4.6.2 Regulation of Engagement in Payment Services and Payment Initiation Law, 2023

The Regulation of Engagement in Payment Services and Payment Initiation Law, 2023 was published in June 2023. The law provides for a licensing requirement or regulatory approval and the terms and conditions for receiving such a license or approval, including terms and conditions regarding the requirement to obtain a control permit, minimum equity requirements, information security, business continuity and other mechanisms that will apply to those engaged in the provision of payment services and initiation of payments, and regulation of permitted activities for the licensees and related provisions.

The law includes, among other things, the reorganization of the responsibilities of financial regulators, including a provision whereby entities engaged in the provision of payment services (management of a payment account, issuance of means of payment, acquisition of payment transactions, and provision of payment services) shall be regulated by the Israel Securities Authority, whereas banks and credit card companies (including Max) shall remain under the supervision of the Bank of Israel subject to the Minister of Finance having the power - in consultation with the Israel Securities Authority, the Governor of the Bank of Israel, and the Competition Commissioner - to transfer those powers too to Israel Securities Authority.

In addition, the law includes provisions regarding the regulation of payment initiation activities; provisions regarding the licensing and regulation of the activity of foreign payment services providers; provisions allowing payment companies to hold customers' funds with systemically important providers of payment services (including Max), subject to the directives of the Israel Securities Authority; adjustments to the Payment Services Law, 2019, including regarding consumer protections in connection with payment initiation services; and provisions regarding connectivity between service providers for transfer of funds between individuals (P2P services).

The law lays the regulatory infrastructure for the expansion of Max's business activity in the future to areas regulated under the bill. Furthermore, it may bring about changes in the competition landscape in the payments market, facilitate the penetration of innovative payment services and affect the regulation of the activity of entities that compete (currently or in the future) with Max's activity, and encourage the entry of foreign service providers into Israel. The structure of the suggested regulation and the fact that there are a number of entities regulating financial services in the field of credit, might lead to inconsistency between the different entities in relation to the conditions of their activity in the market.

The information pertaining to the Regulation of Engagement in Payment Services and Payment Initiation Law constitutes forward-looking information, which is based on Max's estimates and assumptions as of the report publication date. Actual implementation may vary materially than that expected, and depends, among other things, on the competent organs' interpretation of the provisions of the Regulation of Engagement in Payment Services and Payment Initiation Law, the behavior of the various service providers, and business decisions that will be made in the future.

4.6.3 Duty to report to the Israel Tax Authority

As part of the Economic Arrangements Law, a number of bills and legislative amendments that are relevant to Max were put forward, including amendments to the Income Tax Ordinance, whose objective is to impose on financial entities (including Max) a duty to report on the activity of their business customers on a semi-annual basis, and the prescription of provisions regarding the Israel Tax Authority's right to contact credit card companies with specific information requests. These bills were not approved as part of the Economic Arrangements Law.

At this preliminary stage, Max is unable to assess the effect of these legislative amendments. However, if the current text of the amendments is enshrined in law, credit card companies (including Max) will be subject to a reporting duty, that will have operational consequences.

4.6.4 Bill and Legislative Amendments included in the "Economic Arrangements Law"

In May 2023, the Economic Arrangements Law, 2023 was approved, which prescribed, among other things:

A. Provisions that expand the Banking Supervision Department's powers to impose monetary sanctions in the case of breaches pertaining to collection of fees and commissions in accordance with the price list set by the Governor of the Bank of Israel, such as in the case of deviation from Max's published price list, or the collection of an amount higher than that agreed with the customer;

B. The provisions set in the Increasing Competition and Reducing Concentration in the Banking Market Law (Legislative Amendments), 2017 (hereinafter - the "Strum Law"), which limits the period during which banks may contact customers in connection with the renewal of a credit card to the 45 days prior to the end of the term of the credit card contract, shall continue to apply for further two years, subject to the Economic Affairs Committee's power to extend the term of these provisions by further two years;

C. The protection given to the credit card companies under the Strum Law in the form of restricting the total amount of credit facilities in credit cards held by customers of a bank with large-scale operations that issues payment cards, has been canceled as from February 1, 2024.

D. The provision set in the Banking Law (Service to Customer), 1981, which prohibits the prevention of competition and access to information, was amended in the Strum Law. According to the amendment, the banking corporation will be required to allow the operating entity (the financial entity engaged in operating the issuance of payment cards issued by the bank) to receive the customer's consent to use information about the customer that was obtained by the operating entity, as part of the issuance or the operation of the issuance, in order to provide the customer with financial services, in respect of which it is regulated.

At this preliminary stage, Max is unable to assess the effect of these legislative amendments. However, the extension of the term of protections given to Max under the Strum Law may help it to deal with the competition in the market.

The information pertaining to the provisions under the Economic Arrangements Law 2023 as described above constitutes forward-looking information, which is based on Max's estimates and assumptions as of the report publication date. Actual implementation may vary materially than that expected, and depends, among other things, on the behavior of competing market players and the behavior of the customers.

4.6.5 Draft PCBBD regarding Management of Information Technology Risks, Information Security and Cyber Security

A draft Proper Conduct of Banking Business Directive, which will replace existing provisions on information technology was distributed in February 2023. The directive aims to change the current mitigation of information technology risks, including information security, such that it complies with international regulation on this subject. Among other things, the directive includes provisions focusing on corporate governance and risk management framework, the work framework for management of information technology risks, provisions regarding the management of information technology risks, and information security and cyber security risks, events management, reporting on these issues, outsourcing, management of business continuity, and a chapter dealing with outsourcing, and constitutes and addition to and expansion of the existing provisions on this matter.

At this preliminary stage, Max is studying the draft, and is therefore unable to assess the effect of the draft directive on its activity, in light of the fact, among other things, that due to its complexity, it is still being discussed between the Banking Supervision Department and the regulated entities. However, should the draft become a binding directive, Max's activity may be subject to operational and automation changes.

The information relating to the potential consequences of the directives on the management of information technology, information security and cyber security risks is forward-looking information, which is based on Max's assessments and assumptions, and actual results may vary materially from those predicted, among other things, in accordance with the final text of the directive, if it is published.

4.6.6 Proper Conduct of Banking Business Directive No. 473 - Distribution of Credit Cards of Issuers Contracted in a Distribution Agreement with a Banking Corporation

Proper Conduct of Banking Business Directive No. 473 - Distribution of Credit Cards of Issuers Contracted in a Distribution Agreement with a Banking Corporation - was published in July 2023, and deals with the distribution of non-bank credit cards by banking corporations. Among other things, the directive sets the terms of the distribution agreement, the distribution method, the details that the banking corporation is required to disclose to the customer regarding such credit cards, as well as provisions regarding reports to be submitted to the Banking Supervision Department. The directive's effective date was set for its publication date, and it was decided that distribution agreements that were signed before the directive came into force shall be revised within 6 months.

In the opinion of the Company, the said provision is not expected to have a material effect on the market focusing on the issuance of non-bank credit cards.

The information pertaining to the provisions of Proper Conduct of Banking Business Directive No. 473 constitutes forward-looking information, which is based on Max's assessments and assumptions as of the report publication date. Actual implementation may be materially different than expected, and depends, among other things, on the behavior of the distributing banks and market competition conditions.

4.6.7 Revision of Proper Conduct of Banking Business Directive No. 313 - Restrictions on the Indebtedness of a Borrower and a Group of Borrowers

PCBB 313 sets restrictions on the indebtedness of a borrower and a group of borrowers vis a vis a banking corporation (including an acquirer), including the stipulation that a liability of a group of borrowers and of a banking group of borrowers shall not exceed 15% of the lender's shareholders' equity. In August 2018, an exemption was issued, whereby a liability of a banking group of borrowers vis a vis a credit card company shall not be subject to the "banking group of borrowers" restriction, and shall not be included in the aggregate restriction of single-name corporate borrowers. In July 2023, the Banking Supervision Department published an update to the above-mentioned directive, which provides for an extension of the said exemption through December 31, 2024.

The extension of the exemption, maintains the existing status in connection with a banking group of borrowers.

4.6.8 Draft Payment Services Regulations (Exemption from the Provisions of the Law)(Amendment No. 1), 2023

In October 2023, the Ministry of Justice published draft regulations according to which the exemption regarding some of the provisions of the Payment Services Law, regarding payment transactions and regarding certain means of payment, such as gift cards and gift vouchers, will be extended by three years (the existing arrangement is valid until October 2023). This exemption will apply to means of payment issued by the Company that are included under it, such as certain gift cards.

4.6.9 Banking (Customer Service)(Amendment No. 67)(Notice of Termination of a Banking Benefit) Bill, 2023

In July 2023, a bill passed the first reading obliging a banking corporation to send its customers notice of termination of a banking benefit granted to them 21 days before its termination date, and regarding a card fee benefit, it is recommended to specify that such notice should indicate the way in which the customers may terminate the engagement regarding the debit card.

5. *Exposure to Market Risks and Management Thereof*

The effect of market risks on the business results

A. In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, disclosure on Exposure to Market Risks and Management Thereof relates to exposures of the Company and its consolidated companies, except for Mivtachim in Israel and an acquirer.

Following the completion of the Max transaction and the preparations made by the Company in connection with funding, set forth below are the exposure and sensitivity to changes in the risk factors as of September 30, 2023 and in 2022 (NIS million):

As at September 30, 2023:

Risk factor - linked interest

	Profit and loss from changes				Profit and loss from changes		
Risk factor	Maximum increase in relevant market factor	10% increase in market factor	5% increase in market factor	Fair value of financial instruments exposed to risk factor	5% decrease in market factor	Decrease of 10% in market factor	Maximum decrease in relevant market factor
Capital note to the insurance company	**(54.8)**	**(4.5)**	**(2.3)**	**481**	**2.3**	**4.5**	**63.9**
Total	**(54.8)**	**(4.5)**	**(2.3)**	**481**	**2.3**	**4.5**	**63.9**

Risk factor - NIS-based interest

	Profit and loss from changes				Profit and loss from changes		
Risk factor	2% absolute increase in market factor	10% increase in market factor	5% increase in market factor	Fair value of financial instruments exposed to risk factor	5% decrease in market factor	Decrease of 10% in market factor	2% absolute decrease in market factor
Bonds (Series A)	68.3	15.2	7.7	(904)	(7.7)	(15.6)	(76.0)
Bonds (Series B)	11.8	2.7	4.1	(135)	(1.4)	(2.8)	(14.2)
Syndication loan in CIMax	4.3	0.1	0.1	(874)	(0.1)	(0.1)	(4.4)
Total	**84.5**	**18.1**	**9.1**	**(1,913)**	**(9.2)**	**(18.5)**	**(94.6)**

As of December 31, 2022:

Risk factor - linked interest

	Profit and loss from changes				Profit and loss from changes		
Risk factor	Maximum increase in relevant market factor	10% increase in market factor	5% increase in market factor	Fair value of financial instruments exposed to risk factor	5% decrease in market factor	Decrease of 10% in market factor	Maximum decrease in relevant market factor
Capital note to the insurance company	(62)	(3)	(1)	489	1	3	74
Total	(62)	(3)	(1)	489	1	3	74

* As of December 2022, there was no material exposure to a NIS-based interest risk factor

The Company conducted sensitivity tests for the different risk factors in the relevant activity. The assessment of the risk factors and the financial assets and liabilities were carried out in accordance with the Securities Regulations based on the materiality of the exposure.

Key working assumptions:

A. Cash and cash equivalents, and short-term assets and liabilities (up to one year) were not included in the assessment of the exposure to changes in interest rate curves.

B. The maximum and minimum values taken into account regarding the volatility of the market factors are the maximum and minimum daily changes in the past 10 years. The stress scenario for interests as of December 31, 2022 and interest rates as of June 30, 2023 was an absolute change of 2% in the interest rate, which is the minimum stress scenario in accordance with the Israel Securities Authority's regulations, and which was selected since the test did not detect a higher daily change in the relevant interest rate curves in the past 10 years.

The fair value calculation

For liquid assets the fair value was determined based on market price. For illiquid assets, the fair value was calculated using generally accepted models for the calculation of fair value, which are based on discounted cash flows.

Events subsequent to the balance sheet date

Subsequent to the reporting date, on November 12, 2023, the Company's board of directors approved, with in principle approval, a review of a public offering of a new series of non-convertible bonds (hereinafter, jointly - the "**Bonds (Series C)**") by virtue of the Company's shelf prospectus dated July 25, 2022. For further details, see Note 12(a) to the Financial Statements.

Linkage base report as of September 30, 2023

In NIS million	NIS		Foreign currency				Other non-monetary items	Credit card company in Israel	Israeli insurance company	Total
	Non-linked	CPI-linked	USD	EUR	GBP	Other				
Intangible assets	-	-	-	-	-	-	808	-	1,078	1,885
Deferred tax assets	-	-	-	-	-	-	12	115	4	132
Deferred acquisition costs	-	-	-	-	-	-	5	-	2,561	2,565
Property, plant & equipment	-	-	-	-	-	-	104	342	170	616
Right-of-use asset	-	-	-	-	-	-	91	189	399	679
Investments in associates	-	-	-	-	-	-	113	-	80	193
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	-	-	3,842	3,842
Investment property - other	-	-	-	-	-	-	-	-	1,501	1,501
Reinsurance assets	-	-	-	-	-	-	-	-	4,542	4,542
Current tax assets	-	3	-	-	-	-	-	1	383	387
Receivables for credit card transactions, net	-	-	-	-	-	-	-	15,650	-	15,650
Receivables and debit balances	27	21	0	-	-	-	1	56	3,190	3,295
Premiums collectible	4	-	-	-	-	-	-	-	972	976
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	-	-	82,866	82,866
Other financial investments										
Liquid debt assets	-	401	4	-	-	-	-	-	6,082	6,487
Illiquid debt assets	-	0	-	-	-	-	-	-	24,424	24,425
Shares	-	-	-	-	-	-	34	-	1,675	1,709
Other	86	-	-	-	-	-	0	3	5,113	5,202
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	-	-	4,552	4,552
Other cash and cash equivalents	69	-	0	0	-	-	-	629	2,354	3,052
Total assets	185	425	4	0	-	-	1,168	16,985	145,787	164,555

Linkage bases report as of September 30, 2023 (cont.)

In NIS million	NIS Non-linked	NIS CPI-linked	Foreign currency USD	Foreign currency EUR	Foreign currency GBP	Foreign currency Other	Other non-monetary items	Credit card company in Israel	Israeli insurance company	Total
Liabilities										
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	-	-	-	-	-	-	-	-	34,849	34,849
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	-	-	90,897	90,897
Deferred tax liability	-	-	-	-	-	-	14	-	630	644
Liabilities for employee benefits, net	22	-	-	-	-	-	-	26	47	95
Lease liabilities	-	107	-	-	-	-	-	189	479	775
Payables for credit card transactions	-	-	-	-	-	-	-	8,552	-	8,552
Payables and credit balances	129	-	-	-	-	-	1	422	3,213	3,764
Current tax liabilities	-	4	-	-	-	-	-	50	4	58
Financial liabilities	1,901	-	-	-	-	-	-	6,080	8,400	16,382
Total liabilities	2,052	111	-	-	-	-	15	15,319	138,519	156,015
Total exposure	(1,866)	314	4	0	-	-	1,154	1,666	7,268	8,540

6. *Review of Risks in Max*

For an extensive description of the effect of the Iron Swords War on Max's risks and how they are managed, see Section 2.1(K) above. For an extensive description of the Company's risks and their management, see Max's 2022 Financial Statements (pp. 56-75).

General description of the risks and their management

Max is engaged in a wide range of financial activities that involve the taking of risks, including: credit risk, market risk and liquidity risk. Those risks are accompanied by other risks, such as: operational risks, including information security and cyber risks, compliance risks, strategic risk, reputational risk and ESG risks arising from the business activities. Intelligent and in-depth risk management encompassing all areas of Max's activity is part of Max's strategy and a necessary condition for the fulfillment of its long-term goals.

For additional information about the risks, see Pillar 3 - Disclosure of Additional Information about Risks, which was posted on Max's website.

Credit risk

In accordance with Directive No. 311 regarding the management of credit risks, the risk is defined as a risk that a borrower or a counterparty of Max will fail to meet its obligations to Max, as they were agreed upon.

Credit risk management

In accordance with Directive No. 311, the objective of the management of credit risks is to maximize the return adjusted to Max's risk appetite, by ensuring that the exposure to credit risk is in line with Max's policy on this topic.

The credit policy

Max operates according to a credit policy, which is approved by the Board of Directors once a year, and which constitutes one of the main pillars through which Max's credit strategy and risk appetite are reflected. The credit risks policy stipulates, among other things, the principles for provision of credit, including guidelines for the marketing of retail and business credit, the methods of control and the management of the credit risks and restrictions on the provision of credit, in order to monitor and mitigate the credit risk in the portfolio in accordance with the risk appetite.

The credit policy serves as a framework for setting procedures for identifying, measuring, monitoring and placing controls on the credit risk, which is derived from Max's risk appetite.

As a leading company in its area of activity, Max developed a professional function that implements an informed and efficient risk management processes in its business activities in the field of credit, in accordance with the customers' needs.

The three lines of defense

- First line of defense - This responsibility of the first line of defense includes identifying, assessing, measuring, monitoring, mitigating, and reporting the risks embodied to the products, activities, processes, and systems for which they are responsible, and for managing a proper control environment in the risk management context. Among other things, the first line of defense checks compliance with internal and regulatory restrictions, monitors economic indicators, checks the powers of each function, and assesses the credit that was provided on a case-by-case basis.
- Second line of defense - the Credit Control Unit, headed by the Chief Risk Officer, is in charge, among other things, of setting the work methodology and challenging the first line of defense. Its roles include: formulating the risk appetite restrictions, formulating the credit policy, assessing the restrictions that were set in the policy, applying independent controls regarding the credit risk, including issuing opinions regarding high-amount credit requests, monitoring risk trends and risk centers, and delivering appropriate reports to Max's management and Board of Directors.
- Third line of defense - the internal audit function conducts an independent review and challenges the Company's risk management processes and systems, as well as various credit-related audits in accordance with the work plan.

In addition to Directive No. 311 that was referred to above, Max takes action to implement the relevant directives of the Banking Supervision Department, including Proper Conduct of Banking Business Directive No. 313 regarding the restrictions on the indebtedness of a borrower and a group of borrowers in order to reduce the concentration of risk of borrowers, Proper Conduct of Banking Business Directive No. 312 regarding the restrictions on liability of related parties, aimed at limiting the scope of liability of parties related to the Company and minimize the risks stemming from those transactions, and Proper Conduct of Banking Business Directive No. 450 regarding debt collection proceedings aimed at regulating the actions that should be taken in order to increase fairness and transparency when collecting debts from customers. Max also made preparations for the implementation of Proper Conduct of Banking Business Directive No. 311A on consumer credit management, which was published in February 2021 and integrated into Max's credit policy.

Max operates in accordance with dedicated rules regarding the marketing and initiation of retail loans. Max has in place scenarios for conversations it initiates with customers, which include: Fair disclosure to the customer in accordance with the Banking Rules (Service to Customer, Fair Disclosure and Delivery of Documents), and they were written in accordance with its code of ethics, the principles for management of the conduct risks, and the guidelines in connection with the marketing of credit to customers, while providing full disclosure to the customer.

Credit risk in respect of credit to private individuals

The credit risk in respect of credit to private individuals arises mainly from the exposure to current transactions involving credit cards and credit products.

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

- Non-interest-bearing credit - a credit facility for making acquisitions using credit cards.
- Interest-bearing credit - loans, revolving credit, loans to finance vehicles and credit transactions involving the spreading of payments. Credit is mainly provided at variable interest and for different periods in accordance with the product.

  Most of the portfolio is composed of credit without collaterals, except for loans for the financing of vehicles, in which the vehicles serve as collaterals.

Model-based underwriting

Most of the consumer credit that is advanced by Max, is provided through a model-based underwriting process, which is based on statistical scoring models, that include various scoring scales, and an additional score in case of default, in combination with business rules.

The decision regarding the amount of credit and the interest rate set for a customer is based on the model in combination with business rules, that constitute another method for assessing the risk level.

The models are based on internal and external information sources that might indicate negative developments in the customer's financial position, such as: payment default, exceeding credit limits, and warnings from external sources of information.

Max develops and improves the models for new and existing customers on an ongoing basis and as required, and also validates them independently on a periodic basis, based on generally accepted practices, and in accordance with the Bank of Israel's guidance, such that it is possible to estimate the risk level of customers included in the credit portfolio at any given time.

Max has in place a credit underwriting model for new customers, and a separate underwriting model for existing customers:

- The Application Scoring model (AS) - a statistical model, that determines a new customer's risk level; it is used to determine eligibility and credit terms (facility amount and interest rate).
- The Behavior Scoring model - a statistical model, that determines existing customers' risk score, based on the customer's behavior; it is used to manage the credit and make the required adjustments in relation to the credit facility, loans and the interest rate set for borrowers.

Underwriting of credit to private individuals

The process of underwriting of credit to private individuals, and the monitoring of changes in an existing customers risk level is mostly carried out using a model-based process, which is based on statistical credit scoring models, as described above.

Max has in place control and monitoring processes that routinely monitor the development of the scores assigned to customers in the models, and monitors the portfolio's risk profile on an ongoing basis. In addition to its model-based underwriting, Max uses manual underwriting in cases where further checks are required in addition to the score issued based on the model.

Among other things, the credit is managed based on constraints derived from Max's risk appetite and credit policy.

Credit advanced to private individuals for the purpose of purchasing vehicles

Credit advanced to private individuals for the purpose of purchasing vehicles based on a structured underwriting process and in accordance with the restrictions placed by the Company. All of the said vehicles are pledged in favor of Max. Data about the development of the portfolio and the monitoring of the risk indicators are provided on an ongoing basis.

Marketing of credit to private individuals

In accordance with its strategy, Max operates to expand its private individuals' credit portfolio, while maintaining a high level of diversification. Among other things, the Company defines the mix of credit products, the growth rate and the offers made to customers in accordance with internal economic parameters, and developments in macroeconomic indicators.

Max defined a policy and work processes that are suitable for marketing of credit to customers, while modifying the offer in accordance with the customer's needs and characteristics. The process of marketing the credit and its approval is implemented in accordance with the principles set out in the Company's Code of Ethics, which reflects the core principles adopted by Max: fairness, transparency, customer experience, initiative, partnership and excellence.

The marketing process also includes a strict assessment of the conduct risk while ensuring that the credit matches the customer's needs and maintaining transparency and fairness. This includes, among other things, providing full disclosure regarding all credit products at the time of sale, removing customers from sales lead lists, at their request, and more.

Max maintains ongoing control over the implementation of the policy and the processes set in the different distribution channels. The policy sets qualitative and quantitative principles, according to which credit will be advanced, managed and monitored, in order to improve the credit portfolio, and mitigate the risk involved in its management. Max monitors alerts and up-to-date information regarding customers in its credit portfolio, as well as risk parameters and economic indicators, in order to monitor changes in the risk profile. Where needed, Max takes action to mitigate the risk, including by reducing credit limits, while making fair disclosure to the customer. Max has set internal limits in connection with the diversification of the different credit products that have different risk levels. Among other things, Max has set limits regarding the credit facility offered to borrowers in accordance with various parameters and thresholds it has put in place, including in relation to the mix of the risk levels based on internal scoring models and external information. During the Reporting Period, there were no material changes in those characteristics.

Max has set an authorization hierarchy regarding credit decisions, and holds periodic discussions - at least once a quarter - on the mix of risk in the portfolio, including monitoring of risk indicators, and reports on compliance with limits to Max's top risk management committee, its Board of Directors' Risk Committee and its Board of Directors.

In recent years, regulation is characterized with pro-consumer regulations, that affect Max's ability to receive repayments from its customers; in recent years, there has also been a deterioration in individuals/private borrowers' repayment capacity. Those changes are reflected in the number of bankruptcy applications, receivership orders applications, receivership orders that are issued, bankruptcy orders, and discharge orders. Max takes action to achieve optimal and efficient collection of debts in order to reduce the amounts of debts written-off.

Commercial credit

The risk arises from the exposure in respect of different credit products undertaken by the merchants in accordance with their needs. Max offers a range of credit products to business customers, mainly loans with various periods, and facilities for business credit card purchases, alongside autonomous guarantees to merchants aimed at securing rent payments, and an expanding range of products that addresses businesses' working capital, establishment and other needs.

In the first quarter of 2023, Max started advancing loans as part of a new fund for state-backed loans, which offers loans to all companies.

Underwriting commercial credit

This credit is advanced to small and micro merchants and limited liability companies. Max operates based on a tight credit policy that integrates internal restrictions on underwriting and on the management of the credit activity. A large portion of the credit advanced to merchants is aimed at merchants for which the Company serves as an acquirer. The acquisition does not serve as a collateral against credit advanced to the merchants; however, it does serve as a source for debt settlement. Alongside with its activities with customers that use its acquisition services, the Company also advances credit to customers, which are not involved in its acquisition activities, including, among other things, as part of state-backed funds, and short-term loans to fund suppliers' procurement, backed by a policy of an external insurance company.

Troubled credit

Max has set procedures for identifying troubled credit and for classifying debts as troubled. In accordance with these procedures, Max classifies all of its troubled debts and off-balance sheet credit items as: performing credit and non-performing credit.

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

	As of September 30, 2023			
	Commercial	Private individuals	Others	Total
In NIS million	Unaudited			
Credit risk with credit performance rating (1)				
On-balance-sheet credit risk	1,182	12,249	2,307	15,737
Off-balance-sheet credit risk	510	19,461	12,028	31,999
Overall credit risk in credit performance rating	1,692	31,710	14,336	47,737
Credit risk not in credit performance rating:				
Non-troubled	11	351	-	362
Troubled performing	15	356	-	371
Troubled non-performing	23	145	-	168
Total on-balance-sheet credit risk	49	852	-	901
Off-balance-sheet credit risk	2	29	-	31
Credit risk not in credit performance rating	51	881	-	932
Overall credit risk incl. of the public	1,743	32,591	14,336	48,669
More information on total non-performing assets:				
Non-performing debts	23	145	-	168
Total non-performing assets	23	145	-	168

(1) Credit risk whose credit rating at the reporting date matches the credit ratings for granting new credit in accordance with the Company's policy.

Note: Credit risk is stated before the effect of loan loss provision and the effect of collateral that is deductible for the purpose of specific and collective borrower indebtedness.

Changes in non-performing debts in respect of receivables for credit card transactions[1]

In NIS million	For the nine-month period ended September 30 Commercial	Private individuals	Total
	Unaudited		
Outstanding non-performing debts - first-time consolidation upon the acquisition of Max	9	105	114
Loans classified as non-performing during the period	24	183	207
Non-performing debts written-off from the books of accounts	(6)	(84)	(90)
Repaid non-performing debts	(4)	(59)	(63)
Balance of non-performing as at end of the period	23	145	168

(1) Of which: Change non-performing credit under restructuring

In NIS million	For the nine-month period ended September 30 Commercial	Private individuals	Total
	Unaudited		
Balance of troubled debts under restructuring - first-time consolidation upon the acquisition of Max	2	36	38
Restructurings carried out during the period	2	23	25
Written off restructured debts	(1)	(7)	(8)
Repaid restructured debts	-	(10)	(10)
Balance of troubled debts under restructuring as at the end of the period	3	42	45

Changes in non-performing debts in respect of receivables for credit card transactions[1]

In NIS million	For the three-month period ended September 30 Commercial	Private individuals	Total
	Unaudited		
Outstanding balance of non-performing debts at the beginning of period	17	124	141
Loans classified as non-performing during the period	12	103	115
Non-performing debts written-off from the books of accounts	(3)	(45)	(48)
Repaid non-performing debts	(3)	(37)	(40)
Balance of non-performing as at end of the period	23	145	168

(1) Of which: Change non-performing credit under restructuring

In NIS million	For the three-month period ended September 30 Commercial	Private individuals	Total
	Unaudited		
Balance of troubled debts under restructuring as at the beginning of the period	2	39	41
Restructurings carried out during the period	1	10	11
Written off restructured debts	-	(3)	(3)
Repaid restructured debts	-	(4)	(4)
Balance of troubled debts under restructuring as at the end of the period	3	42	45

Indicators of analysis of credit quality, expenses and loan loss provisions:

	As of September 30		
	Commercial	Private individuals	Total
	%		
Credit quality analysis			
Rate of non-accruing receivable balance of receivables for credit card transactions	1.82	1.10	1.16
Rate of non-accruing or 90 days or more in arrears receivable balance of receivables for credit card transactions	1.82	1.10	1.16
Rate of troubled credit of receivables for credit card transactions	3.00	3.79	3.72
Rate of credit not in credit performance rating of the balance of receivables for credit card transactions	3.87	6.44	6.22
Analysis of expenses for loan losses for the reporting period			
Rate of expenses in respect of credit losses of the average balance of receivables for credit card transactions	3.47	1.65	1.80
Rate of net write-offs of the average balance of receivables for credit card transactions	0.69	1.00	0.97
Analysis of loan loss provision			
Rate of balance of provision for loan losses of the balance of receivables for credit card transactions	4.58	2.33	2.53
Rate of balance of provision for loan losses of the balance of non-performing receivables for credit card transactions	252.17	212.41	217.86
Rate of the balance of provision for loan losses of the balance of non-accruing or 90 days or more in arrears receivables balance for credit card transactions	252.17	212.41	217.86
Rate of net write-offs of the balance of provision for loan losses for receivables for credit card transactions	13.79	41.56	37.16

Credit Exposure to Foreign Financial Institutions

Max has an immaterial exposure involving the international organizations Visa and Mastercard in respect of the balance of transactions executed by tourists in Israel, net of the balance of transactions executed by Israelis abroad, in respect of which Max has not yet been credited by the international organizations. In the first quarter of 2023, there was no material change in the Company’s exposure to foreign financial institutions.

For additional information about the credit risk, see Pillar 3 - Disclosure of Additional Information about Risks, which was posted on the Company’s website.

Market risks

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

Max has a policy for the management of market risks, which is approved by the Company's management and Board of Directors. The policy paper includes a reference to the risk appetite limits, and the hedging processes in respect of the different exposures. The Company also monitors all financial risks, exposure amounts, results of sensitivity analyses, and material current and expected changes that take place on a current basis and discussed as part of the forum for the management of financial risks, which is headed by the CEO and convenes every month.

Exposure to interest rate risk

Proper Conduct of Banking Business Directive No. 333 regarding management of interest rate risk defines the interest rate risk as the risk to earnings or capital arising from fluctuating interest rates. Changes in interest rates affect Max's income by changing its net interest income (including changes in non-interest income/expenses). Changes in interest rates 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 interest rates change.

Max's exposure to changes in interest rates arises from a number of sources:

- Repricing risk - arises from timing differences in repayment periods (at fixed interest) and the repricing dates (at variable interest) of Max's assets, liabilities and off-balance sheet positions. Discrepancies in repricing dates might expose the income and the economic value to unexpected fluctuations due to changes in the interest rates.

  Changes in interest rates might cause an increase in prices of sources, and an erosion in profitability.
- Basis risk - a risk arising from imperfect correlation between interest rate changes in different financial markets, or different instruments with similar repricing characteristics. Alongside the Company's interest-bearing credit assets, most of which bear variable interest (a spread added to the Prime interest), the Company raises liabilities in the form of funding sources which include, among other things, bonds (at fixed interest).
- Fair value exposure - Max's assets include balances that do not bear interest. When interest rates are changed, an exposure might arise that will lead to a decrease in Max's fair value. The exposure even increases if the average duration of the financial assets vary from that of the financial liabilities.
- Yield curve risk - a risk in which Max's profits will be adversely affected by a parallel shift of the yield curve or by a change in its shape.

Interest rate risk management

The assessment of the exposure to the interest rate risk is carried out by analyzing the effect of the change in interest rates on the fair value and on net interest income. The risk arises from the exposure to future changes in interest rates, their potential effect on the value of assets and liabilities in accordance with the economic value approach, and their effect on profits in accordance with the profits approach. The exposure arises, among other things, from the difference between the repayment dates and interest calculation dates of the assets and liabilities in each of the linkage bases. The mitigation of the interest rate risk also includes an assessment of the differences between the assets and the liabilities in accordance with the linkage bases, where most of Max's exposure lies in the shekel linkage base.

Max has put in place exposure monitoring indicators, upon the materialization of any of which courses of action will be set in order to mitigate the risk; among other things, and where needed, Max will use hedging instruments, as approved by Max's management and Board of Directors.

Derivative financial instruments

Generally, it is Max's policy to use derivative financial instruments for economic and accounting hedges only.

Set forth below are the fair value data of financial instruments and the effect of changes in interest rates on the fair value:

1. Fair value of the financial instruments of Max and its consolidated companies, except for non-monetary items:

	September 30, 2023				
	NIS		Foreign currency *		
In NIS million	Non-linked	CPI-linked	USD	Other	Total
Financial assets	16,050	61	97	61	16,269
Financial liabilities	14,693	63	90	15	14,861
Net fair value of financial instruments	1,357	(2)	7	46	1,408

* Including foreign-currency linked NIS.

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

	September 30, 2023				
	NIS		Foreign currency **		
In NIS million	Non-linked	CPI-linked	USD	Other	Total
Concurrent changes					
Concurrent increase of 1%	**(1)**	*	*	*	**(1)**
Concurrent decrease of 1%	**1**	*	*	*	**1**
Non-concurrent changes					
Steepening	**3**	*	*	*	**3**
Flattening	**(4)**	*	*	*	**(4)**
Short-term interest rate increase	**(7)**	*	*	*	**(7)**
Short-term interest rate decrease	**7**	*	*	*	**7**

* Amount less than NIS 1 million.

** Including foreign-currency linked NIS.

3. Effect of scenarios of interest rate changes on net interest income and noninterest finance income:

	September 30, 2023	
In NIS million	Interest income	Total
Concurrent changes		
Concurrent increase of 1%	**43**	**43**
Concurrent decrease of 1%	**(43)**	**(43)**

Foreign exchange rate risk

The exposure to the foreign exchange rate risk is reflected in a loss as a result of changes in exchange rates or the consumer price index as part of Max's routine business activities. Max's exposure to the foreign exchange rate risk arises from currency exposure as a result of the effect of changes in exchange rate on foreign-currency denominated assets and liabilities in Max's balance sheets, mainly the USD and the EUR. The currency exposure is a by-product of Max's routine business activities; it does not involve a deliberate exposure by the Company in order to increase profits.

Most of Max's exposure to changes in exchange rates arises from its activities, that is to say, acquisition and issuance, in which an international organization is involved (Visa or Mastercard). Since Max has business activities that are linked to foreign currencies, changes in exchange rates expose it to losses due to exchange rate differences.

Max's foreign exchange rate risk management mainly focuses on mitigating and minimizing the general exposure, and also to sub-exposures arising from cash flow activities and the accounting exposure.

Management of foreign exchange rate risk

Max defined a maximum exposure limit for foreign currency balances after hedging actions. The hedging of the exposure is carried out for each exposure type in accordance with Max's policy through, among other things, selling and buying of foreign currency and using financial derivatives, while maintaining the limit set and acting in accordance with the decision of the management and the Board of Directors.

Max has put in place monitoring indicators for each exposure type, upon the materialization of any of which courses of action will be set in order to mitigate the risk.

Max's exposure to the risk as a result of CPI-linked activities is immaterial. Max will continue to monitor the exposure to CPI-linked activities; if the extent of the exposure will change, the steps required to mitigate it will be considered.

Liquidity and financial risk

In accordance with Proper Conduct of Banking Business Directive No. 342 regarding liquidity risk management, the liquidity risk is defined as a risk to Max's income and stability stemming from its inability to meet its liquidity needs.

Max has a number of activities that affect its liquidity:

- Cash flows from core activities, that is to say, issuance, acquisition and credit activities.
- Outflows in respect of use of liquidity sources, including: Repayment of and interest on bonds, and Max's operating activities.
- Timing differences between the inflows arising from payments from customers, and the outflows from amounts credited to merchants in respect of the acquisition activities.
- Changes in Max's cash flows arising from the behavior of Max's customers or from a significant change in other players in the financial and non-financial system.

Management of liquidity and financial risk

Among other things, Max mitigates the liquidity risk using a liquidity model that takes into account all of Max's sources and uses derived from its current and anticipated operating activities, which affect Max's cash flows. The liquidity model calculates the expected liquidity ratio; its aim is to issue an alert regarding situations where liquidity pressures may be detected. The mitigation of Max's liquidity risk takes into consideration the liquidity needs of all of the subsidiaries.

As part of its liquidity risk policy, Max defined a minimum liquidity ratio limit and performance indicators in the normal course of business and under various scenarios, that were approved by the management and Board of Directors. In addition, Max has set a methodology that assists the identification and management of a liquidity crisis in order to ensure Max's ability to meet the challenges that arise from its operating activities, and which might arise due to pressures in financial markets.

As part of the management of its current assets and liabilities, Max uses diverse funding sources, in order to diversify the risk. Max's funding sources include its shareholders' equity, secured credit facilities with a number of banks, and debt raising through various financial instruments.

On July 1, 2021, a directive entered into effect regarding a daily acquisition arrangement, by virtue of the Israel Competition Authority's decision to exempt, subject to conditions, the cross-acquisition arrangement between the credit card companies. As from that date, transfers of funds between an issuer and an acquirer (in respect of single-payment transactions and immediate or deferred payment transactions) are carried out on a daily basis. Consequently, there was a decrease in Max's funding needs, due to a decrease in the average utilization of the credit facilities compared with periods prior to the date on which the arrangement came into effect. The development of this trend depends on the conditions in the acquisition market.

In the Reporting Period, Max fulfilled its obligations and met all the conditions in connection with the financing agreements to which it is a party.

Max has a forum for the management of financial risks, which is headed by its CEO; Max's CFO, Chief Risk Officer and Internal Auditor attend the forum's meetings. Among other things, the forum discusses exposures and hedging actions.

In October 2023, the rating agency Midroog Ltd. reiterated Max's rating of Aa3.il, and the rating's stable outlook. In March 2023, Max terminated its engagement with the rating agency S&P Maalot. Upon the termination of the engagement, Max's rating was ilAA-, and the outlook was stable.
For additional information regarding liquidity and financial risk, see the Financing chapter in the Company's Report of the Board of Directors for 2022 and Disclosure of Additional Information about Risks, which have been posted on Max's website.

Operational risk

Proper Conduct of Banking Business Directive No. 350 regarding operational risks defines an operational risk as "the risk of a loss as a result of the inadequacy or failure of internal processes, personnel, and systems, or as a result of external events. This definition includes legal risk, but does not include strategic risk and reputational risk". There are situations where other risks materialize, such as: credit risk, compliance risk, and reputational risk are caused as a result of an operational failure.

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

- The issuance activity - as part of its issuance activity, Max is exposed to fraudulent transactions, both in Israel and abroad, involving the credit cards it issues.
- The acquisition activity - as part of the acquisition activity, Max provides payment spreading and factoring services. The exposure in respect of these services arises from the risk that a merchant will not supply the goods it had undertaken to supply, and which might lead customers to complain about “failure to deliver”. The scope and period of exposure was derived from the type of service provided by the merchant in accordance with the product supply date.

In addition, operational risks are naturally present in all of Max’s processes, and arise, among other things, from the use of various technologies and IT systems.

For additional information about the operational risk, see Disclosure of Additional Information about Risks, which was posted on Max’s website.

Other risks

Information security and cyber risk

According to Proper Conduct of Banking Business Directive No. 361, Cyber Defense Management, the cyber risk is defined as the potential for damage resulting from an occurrence of a cyber event, taking into account its probability and its severity of its impact. A cyber event is an event during which the Company’s IT and/or computer-embedded systems and infrastructures are attacked by, or on behalf of, opponents (whether external or internal to the Company), and such attack may result in the materialization of the cyber risk.

It is capacity as a financial organization, Max is an attractive target for various attackers. The computer systems and communication networks that serve Max’s customers are a target for cyber-attacks, the introduction of malwares, malicious code, phishing attacks, and other exposures aimed to damage Max’s services, steal information or damage its database.

Max’s business activities relies - to a large extent - on technology-based systems. Therefore, the availability of the systems, the reliability of the data, and maintaining the confidentiality of the data are essential for an orderly business activity. Furthermore, Max views business and customer information stored on its systems and on its suppliers’ systems as a key asset, and invests many efforts and resources in implementing advanced information security control and defense mechanisms and processes.

Max’s information security and cyber security strategy paper defines its approach and objectives regarding information security and cyber security in accordance with Max’s business strategy. The paper aims to constitute a framework for the information security and cyber security policy and work procedures in this field, which define the management and implementation principles, areas of responsibility, the relevant officers and their powers, and the operations and technologies used by Max. As part of the preparations it makes to deal with the different cyber threats, Max has in place and leads internal and external processes to mitigate the cyber threats posed against it and its customers. As part of the above, cyber security risks are mitigated through a number of security and control cycles, on several levels, in order to mitigate the potential exposures in respect of this threat.

The transition to a hybrid work environment that combines remote working with on-site working, triggered a change in the Company’s exposure to cyber risks. When the Covid-19 crisis started, Max took action to adapt its defenses and controls against those risks, and took steps to implement additional controls in order to enhance its defenses as part of the hybrid work environment.

Compliance risk

Compliance risk is the risk of a legal or regulatory sanction being imposed, and/or a material financial loss and/or a reputational damage incurred by Max as a result of failing to comply with the laws and regulations. According to Proper Conduct of Banking Business Directive No. 308 on compliance, Max is required to mitigate all compliance risks arising from all the laws, regulations, guidance and circulars applicable to its activities. The management of the compliance risk is an integral part of Max’s business activities, and does not fall exclusively within the remit of the compliance function. The lines of business bear significant responsibility to the issue of compliance, and play an active role in the management and mitigation of Max’s exposure to compliance risks.

Legal risk

The risk arising from an activity of Max regarding which there is a concern that it is not in line with legal provisions (whether primary or secondary legislation), directives and guidance issued by competent authorities, regulation, or case law, a risk arising from legal proceedings conducted against Max, and the risk arising from a concern that Max will breach contractual obligations. Legal risk is also defined as a deficient legal opinion, including drawing up agreements that do not adequately protect the Company's rights, or failure to give appropriate guidance due to changes in legislation, regulatory directives, case law, or Max's contractual obligations.

Max's risk management approach was that the management of the legal risk is an integral part of the business environment. Consequently, decisions regarding the legal policy are made jointly by the business functions and by the legal counsels.

Max has a legal risks officer, whose job is to mitigate the company's legal risk while reaching optimal correlation between Max's activities and the legal risks, such that the decision making will correspond to Max's risk appetite.

Legal counseling is provided to the Company by its legal department in collaboration with the external attorneys Max works with.

Regulatory risk

Regulatory risk is the risk of loss due to the effect of future expected regulation, including legislation and/or directives issued by various regulators. Max is exposed to a regulatory risk in relation to all of its areas of activity.

The business environment in which Max operates is a dynamic environment, on which regulators and legislators currently focus. These regulatory changes were designed, among other things, to encourage competition in the field by reducing entry barriers and cutting costs to the customers, and protecting customers in the context of fair disclosure, etc. This regulatory framework mostly tightens the restrictions on activity in the subsegment, and sometimes leads to a regulatory mismatch between Max and its competitors. However, a number of expected regulatory changes are expected to serve as a source of new business opportunities.

The management of the regulatory risk is carried out by regularly identifying new regulatory initiatives and referring them to the relevant function in Max, and continuously reporting them to Max's management.

For further details regarding the new regulatory provisions relevant to Max's activities, see the corporate governance report, additional details and appendices.

Strategic Risk

A strategic risk is the risk of adversely affecting the Company's profits, capital, reputation or position as a result of erroneous business decisions, inappropriate implementation of decisions or lack of response to industry-specific, economic, regulatory and technological changes.

Strategic risks may be divided into 3 types:

- External environment - risks arising from changes in the political, economic and social environment.
- Competition environment - risks arising from changes in the competition environment in which Max operates.
- Internal environment - risks arising from decisions, processes or actions Max has taken or avoided taking.

Max currently faces significant challenges in all areas of activity, multiple threats in its core businesses alongside opportunities and dealing with material regulatory changes.

Strategic risk management in Max is based on continuously assessing its strategy, including, among other things, the following activities:

- Formulating a long-term strategic plan, that includes a review and assessment of various events in the work environment (regulation, competition, technology, and more), and assessment of the anticipated changes in relation to Max's each and every lines of business.
- Regular discussions by Max's management and Board of Directors, as part of which those changes are presented, and the need to revise the strategy is considered.
- The Risk Management Department challenges the assessments of the strategic trends as identified by Max on a regular basis; it also raises topics, which are relevant to the strategic risk where necessary.

Reputational risk

Reputational risk is the potential that negative publications, market rumors, or the public perception regarding the operating methods of Max and its employees, will have an adverse effect on its reputation, and lead to a decline in its customer base, or result in high legal costs, or a decrease in revenues. The reputational risk is a natural part of Max's activities, and is a company-wide risk. All of Max's products, activities, processes and systems entail a potential risk, whether as part of its business activities or as part of its administrative-internal activities, whether done maliciously or in good faith.

The management of the risk in Max is composed, first and foremost, of a process for identifying reputational exposures (any action that might be associated with the brand and lead to negative media coverage or discourse). Monitoring and response are carried out continuously. The management of the reputational risk is regulated as part of a dedicated policy.

Macroeconomic risk

Macroeconomic risk is the risk that Max's profit and capital may be adversely affected by a deterioration in the macroeconomic environment in Israel and across the world. Max's business strategy and capital planning include assumptions, that are derived, among other things, from the macroeconomic environment, and Max assesses and evaluates the effect of the changes in the macroeconomic environment on its business results and capital planning.

The interest rate hikes that have been introduced by the Bank of Israel over the past year are onerous for consumers and might affect the consumer credit risk. Max continuously monitors and mitigates the risk of loan defaults, as well as the overall consumer credit risk. At this stage, there is no material increase in the materialization of the potential risk.

Max is making preparations for the option that the macroeconomic risk will increase, due to, among other things, interest rate hikes, the rate of increase in inflation rate, and rating agencies' announcements as to the stability of the State of Israel's rating on the back of potential legislative measures.

Max assesses its ability to withstand negative developments in the macroeconomic environment through systemic stress scenarios. Furthermore, Max continuously monitors various risk indicators, including macroeconomic indicators, and material changes in those indicators are discussed in the forum for the management of financial risks, which is headed by its CEO, in its top risk management committee, and the Board of Directors' Risk Committee.

Environmental and climate risks (ESG)

The definition of environmental risk is the risk of loss resulting from environmental protection directives and enforcement thereof; in recent years, the definition of environmental risk has expanded, and now also includes the organization's effect on the environment even if not related directly to a financial loss. Furthermore, the risk is currently viewed as a global risk arising from the potential adverse effects of environmental changes, including on people, ecological systems, and economic and financial activities. Environmental risks arise not only due the pollution of air, water and land, but also due to damage to economic and social infrastructures, mainly due to climate change.

The climate risk is an evolving risk arising, among other things, from the impact of the materialization of environmental risks and from regulatory developments, developments in the business environment, and technological developments relating to the adaptation to climate change.

Max's management decided to implement environmental responsibility values and adapt its activities in order to protect the environment. As a basis for this activity, Max's management decided to implement the international standard regarding environmental management systems.

As from 2009, Max has ISO 14001:2015 certification, and is assessed once a year by the IQC Institute of Quality & Control for compliance with the standard's requirements; inter alia, the environmental risk survey is revised and improved. As part of its implementation of the standard's provisions, Max takes action to increase awareness among its employees, and to invest the required resources.

The Banking Supervision Department's directives regarding this issue are currently being formulated, and Max learned from the risk management processes, which are industry-leading practices. Max monitors developments in the regulation and the relevant requirements, and will work accordingly to implement the directives.

7. Disclosure regarding financial reporting of the corporation

7.1. Reporting critical accounting estimates

For details on the use of estimates and judgments in the preparation of financial statements, see Note 2(B) to the Financial Statements.

7.2. Contingent liabilities

The independent auditors' report to the shareholders' of the Company includes an emphasis of matter paragraph regarding what is stated in Note 8 to the Financial Statements regarding exposure to contingent liabilities.

7.3. Internal Control over Financial Reporting and Disclosure

7.3.1. The Securities Regulations

In December 2009, **the Securities Regulations (Periodic and Immediate Reports (Amendment No. 3), 2009** were published, which deal with the corporation's internal control over financial reporting and disclosure function; their aim is to improve the quality of financial reporting and disclosure in reporting corporations.

An amendment of July 7, 2011 prescribes that a corporation that consolidates a banking corporation or an institutional entity or carries out proportionate consolidation of a banking corporation or an institutional entity, may opt to implement - only with regard to the internal control in that banking corporation or institutional entity - the format of assessing the effectiveness of internal control prescribed in the other laws applicable thereto in that respect, if such a format is in place regarding the quarterly report.

Accordingly, in addition to the managers' statements and the report on the effectiveness of internal control provided in the periodic report, certifications and disclosure are attached in connection with the internal control in the consolidated institutional entities to which the Commissioner's Directives apply.

7.3.2 Commissioner's Directives regarding Internal Control over Financial Reporting and Disclosure

In recent years, the Commissioner published a number of circulars (hereinafter - the "**Commissioner's Circulars**"), which are designed to implement the requirements of Section 302 and Section 404 of the SOX Act in insurance companies, in management companies of pension and provident funds, and in pension and provident funds (hereinafter - the "**Institutional Entities**").

Accordingly, Clal Insurance and the consolidated institutional entities included the information in accordance with the provisions of the law and the reporting provisions on the dates as set in those directives.

7.3.3 Section 302 and 404 of the SOX Act - Management's Responsibility for Internal Control over Financial Reporting and Disclosure

According to the Commissioner's circulars, which are based on Section 302 and Section 404 of the SOX Act, and as stated in previous Reports of the Board of Directors of Clal Insurance, Clal Insurance has worked continuously to implement the required procedure in accordance with the said provisions, which includes an assessment of the work processes and the internal controls being implemented, in accordance with the stages and the dates set in the circulars. As part of this process, Clal Insurance adopted the internal control model of COSO - the Committee of Sponsoring Organization of the Treadway Commission - which is a generally accepted framework for assessment of internal controls.

The management of Clal Insurance (the institutional entity), in collaboration with its CEO, Deputy CEO and Deputy CEO and Head of the Finance Division, have evaluated the effectiveness of Clal Insurance's disclosure controls and procedures as at the end of the Reporting Period. Based on this assessment, the CEO, Deputy CEO and Head of the Finance Division of Clal Insurance concluded that, as of the end of this period, the controls and procedures as to Clal Insurance's disclosure are sufficiently effective for recording, processing, summarizing, and reporting the information that Clal Insurance is required to disclose in its quarterly report in accordance with the provisions of the law and the reporting provisions set by the Commissioner, and on the date set out in these provisions.

During the quarter ending September 30, 2023, no changes took place in the internal control over financial reporting of the Group’s institutional entity that had a material effect, or is expected to have a material effect, on the institutional entity’s internal control over financial reporting.

Managers’ statements on the effectiveness of internal control over financial reporting and disclosure, in relation to the relevant processes, in accordance with the Banking Commissioner’s circulars are attached to the report.

7.3.4 The Banking Supervision Department’s directives regarding internal controls over financial reporting and disclosure

The Banking Supervision Department’s directives impose the requirements of Sections 302 and 404 of the SOX Act on credit card companies.

These sections, set by the SEC and Public Company Accounting Oversight Board, have established provisions with regard to the abovementioned sections, on management's responsibility for instating and maintaining disclosure controls and procedures and for exercising internal control over financial reporting and the opinion of the independent auditors on the audit of internal control over financial reporting.

Among other things, the Banking Supervision Department’s directives prescribe that banking corporations shall apply the provisions of Sections 302 and 404 and the SEC directives issued thereunder. In addition, adequate internal control requires an auditing function that follows a predefined, recognized framework, and the COSO (Committee of Sponsoring Organizations of the Treadway Commission) meets these requirements and can be used to evaluate the internal controls.

Max It Finance Ltd. (hereinafter - “Max”) implements the provision in accordance with the Banking Supervision Department's directives as stated above.

7.3.5 Management’s Responsibility for Internal Controls over Financial Reporting (SOX Act 404)

Evaluation of disclosure controls and procedures:

Max's management, with the cooperation of its CEO and Chief Accountant, have evaluated the effectiveness of Max's disclosure controls and procedures as at the end of the reporting period. Based on this evaluation, Max’s CEO and the Chief Accountant have concluded that, as at the end of the reporting period, Max’s disclosure controls and procedures are effective for the purpose of recording, processing, summarizing and reporting the information that Max is required to disclose in its quarterly financial statements pursuant to the Banking Supervision Department’s Reporting to the Public Directives and as at the date prescribed by the Directives.

Internal controls over financial reporting:

During the third quarter ended September 30, 2023, no changes took place in Max’s internal control over financial reporting that had a material effect, or is expected to have a material effect, on Max’s internal control over financial reporting.

Managers’ statements on the effectiveness of internal control over financial reporting and disclosure, in relation to the relevant processes, in accordance with the Banking Supervision Department’s circulars are attached to the report.

The Board of Directors wishes to thank the employees, managers and agents of Group companies for their contribution to the Group’s achievements.

Haim Samet	**Yoram Naveh**
Chairman of the Board	**CEO**

Tel Aviv, November 30, 2023

Clal Insurance Enterprises Holdings Ltd.

Condensed Consolidated Interim Financial Statements

as of September 30, 2023

(Unaudited)

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Review Report of the Independent Auditors for the Shareholders of Clal Insurance Enterprises Holdings Ltd.

Introduction

We have reviewed the accompanying financial information of Clal Insurance Enterprises Holdings Ltd. and its subsidiaries (hereinafter - the “**Group**"), including the condensed consolidated statement of financial position as of September 30, 2023 and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine and three-month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of financial information for these interim periods in accordance with the Israel 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. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

We did not review the condensed interim financial information of an equity-accounted investees, the investment in which amounted to approx. NIS 81 million as of September 30, 2023, and the Group's share in the profits of which amounted to approx. NIS 7 and 2 million for the nine and three-month periods then ended, respectively. The condensed interim financial information of the company was audited by other independent auditors, whose review report was furnished to us, and our conclusion, insofar as it relates to financial information in respect of the company, is based on the review report of the other independent auditors.

Scope of the Review

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

Conclusion

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

Emphasis of matter

Without qualifying the above conclusion, we draw attention to that which is stated in Note 8 to the consolidated interim financial statements regarding exposure to contingent liabilities.

Tel Aviv, November 30, 2023	Somekh Chaikin Certified Public Accountants	Kost Forer Gabbay & Kasierer Certified Public Accountants

Joint Independent Auditors

Consolidated Interim Statements of Financial Position

		As of September 30		As of December 31
		2023	2022	2022
In NIS million	**Note**	**Unaudited**		**Audited**
Assets				
Intangible assets		**1,885**	1,244	1,241
Deferred tax assets		**132**	16	17
Deferred acquisition costs		**2,565**	2,390	2,456
Property, plant & equipment		**616**	198	192
Right-of-use asset		**679**	486	483
Investments in equity-accounted investees		**193**	164	168
Investment property in respect of yield-dependent contracts		**3,842**	3,511	3,778
Investment property - other		**1,501**	1,400	1,475
Reinsurance assets		**4,542**	4,565	4,524
Current tax assets		**387**	349	293
Receivables for credit card transactions, net	9	**15,650**	-	-
Receivables and debit balances		**3,295**	2,617	3,294
Collectible premium		**976**	896	853
Financial investments in respect of yield-dependent contracts	6	**82,866**	76,836	77,131
Other financial investments:	6			
Liquid debt assets		**6,487**	6,526	6,999
Illiquid debt assets		**24,425**	22,953	23,024
Shares		**1,709**	1,914	1,852
Other		**5,202**	4,332	4,786
Total other financial investments		**37,823**	35,725	36,661
Cash and cash equivalents for yield-dependent contracts		**4,552**	9,952	8,458
Other cash and cash equivalents		**3,052**	3,961	3,591
Total assets		**164,555**	144,308	144,616
Total assets in respect of yield-dependent contracts	6	**94,139**	92,702	92,463

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

Consolidated Interim Statements of Financial Position (cont.)

		As of September 30		As of December 31
		2023	2022	2022
In NIS million	Note	Unaudited		Audited
Equity				
Share capital		**167**	162	162
Share premium		**2,390**	2,127	2,127
Capital reserves		**1,084**	948	921
Retained earnings		**4,833**	4,738	4,785
Total equity attributable to the Company's shareholders		**8,474**	7,976	7,995
Non-controlling interests		**66**	64	65
Total equity		**8,540**	8,040	8,061
Liabilities				
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts		**34,849**	33,732	33,814
Liabilities in respect of insurance contracts and yield-dependent investment contracts		**90,897**	88,769	89,853
Deferred tax liabilities		**644**	617	573
Liability for employee benefits, net		**95**	67	65
Lease liabilities		**775**	584	582
Payables for credit card transactions	10	**8,552**	-	-
Payables and credit balances		**3,764**	3,127	3,520
Current tax liability		**58**	13	17
Financial liabilities	6	**16,382**	9,360	8,131
Total liabilities		**156,015**	136,268	136,555
Total equity and liabilities		**164,555**	144,308	144,616

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

November 30, 2023			
Approval date of the financial statements	**Haim Samet Chairman of the Board of Directors**	**Yoram Naveh CEO**	**Eran Cherninsky Executive Vice President Finance Division Director**

Consolidated Interim Statements of Income

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
In NIS million	Unaudited				Audited
Premiums earned, gross	**8,533**	8,617	**2,826**	2,903	11,509
Premiums earned by reinsurers	**1,288**	1,238	**434**	425	1,665
Premiums earned - retention	**7,244**	7,378	**2,391**	2,478	9,844
Income from credit card transactions	**760**	-	**393**	-	-
Income (loss) from investments, net and finance income	**6,049**	(5,564)	**981**	(1,209)	(4,097)
Income from management fees	**940**	897	**317**	301	1,198
Income from fees and commissions	**281**	275	**98**	91	383
Other income	**3**	1	**1**	1	-
Total income	**15,277**	2,988	**4,180**	1,661	7,329
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**11,653**	1,162	**2,630**	814	4,749
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**(589)**	(793)	**(184)**	(225)	(1,008)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**11,064**	369	**2,446**	588	3,741
Loan loss expenses, see Note 3(b)(2)(b)	**353**	-	**86**	-	-
Credit card operations	**496**	-	**238**	-	-
Payments to banks	**115**	-	**59**	-	-
Fees and commissions, marketing expenses and other purchase expenses	**1,943**	1,620	**706**	568	2,196
General and administrative expenses	**763**	691	**252**	236	941
Impairment of intangible assets	**-**	-	**-**	-	8
Other expenses	**25**	14	**11**	4	18
Finance expenses	**481**	177	**212**	53	235
Total expenses	**15,241**	2,871	**4,010**	1,449	7,139
Share in results of equity-accounted investees, net	**8**	1	**3**	2	3
Income before income tax	**44**	118	**173**	214	194
Taxes on income	**3**	31	**53**	73	68
Net income for the period	**41**	86	**120**	141	126
Attributable to:					
Company's shareholders	**39**	82	**121**	140	121
Non-controlling interests	**2**	4	**(1)**	1	6
Net income for the period	**41**	86	**120**	141	126
Earnings per share attributable to the Company's shareholders:					
Basic earnings per share (in NIS)	**0.50**	1.11	**1.53**	1.89	1.63
Diluted earnings per share (in NIS)	**0.49**	1.10	**1.53**	1.88	1.62
No. of shares used to calculate earnings per share (in thousand):					
Basic	**77,478**	73,707	**79,031**	74,061	73,796
Diluted	**79,036**	74,397	**79,038**	74,299	74,327

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

Consolidated Interim Statements of Comprehensive Income

	For the nine month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
In NIS million	Unaudited				Audited
Net income for the period	**41**	86	**120**	141	126
Other comprehensive income:					
Other comprehensive income items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss:					
Foreign currency translation differences in respect of foreign operations carried to capital reserve	**13**	15	**4**	(1)	19
Net change in fair value of financial assets classified as available for sale carried to capital reserve	**487**	(272)	**80**	(72)	(299)
Net change in fair value of available for sale financial assets carried to the income statement	**(300)**	(367)	**(63)**	(143)	(393)
Impairment loss of available-for-sale financial assets carried to the income statement	**47**	106	**23**	62	114
Other comprehensive income (loss) for the period carried or to be carried to profit and loss, before tax	**247**	(518)	**44**	(154)	(559)
Tax (tax benefit) in respect of available-for-sale financial assets	**80**	(181)	**14**	(52)	(196)
Tax for other components	**3**	3	**1**	-	4
Tax (tax benefit) for items of other comprehensive income carried or to be carried to profit and loss	**83**	(178)	**15**	(52)	(192)
Other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss, net of tax	**164**	(340)	**29**	(102)	(367)
Items of other comprehensive income not transferred to profit and loss:					
Actuarial gains from a defined benefit plan	**-**	11	**-**	2	11
Other comprehensive income for the period, before tax	**-**	11	**-**	2	11
Tax for items of other comprehensive income not transferred to profit and loss	**-**	3	**-**	-	4
Other comprehensive income not transferred to profit and loss, net of tax	**-**	7	**-**	1	8
Other comprehensive income (loss) for the period	**164**	(333)	**29**	(100)	(359)
Total comprehensive income (loss) for the period	**205**	(247)	**150**	41	(233)
Attributable to:					
Company's shareholders	**203**	(248)	**151**	40	(237)
Non-controlling interests	**2**	2	**(1)**	1	3
Total comprehensive income (loss) for the period	**205**	(247)	**150**	41	(233)

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

Consolidated Interim Statements of Changes in Equity

In NIS million	Share capital	Share premium	Translation reserve	Capital reserve in respect of available-for-sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to Company's shareholders									
For the nine-month period ended September 30, 2023 (unaudited)										
Balance on January 1, 2023 (audited)	162	2,127	(7)	788	180	(39)	4,785	7,995	65	8,061
Effect of first-time application of IFRS 9 (see Note 3)	-	-	-	(1)	-	-	1	-	-	-
Net income for the period	-	-	-	-	-	-	39	39	2	41
Other comprehensive income (loss) items:										
Foreign currency translation differences in respect of foreign operations carried to capital reserve	-	-	13	-	-	-	-	13	-	13
Net change in fair value of financial assets classified as available for sale carried to capital reserve	-	-	-	488	-	-	-	488	(1)	487
Net change in fair value of available for sale financial assets carried to the income statement	-	-	-	(301)	-	-	-	(301)	1	(300)
Impairment loss of available-for-sale financial assets carried to the income statement	-	-	-	47	-	-	-	47	-	47
Actuarial gains from a defined benefit plan	-	-	-	-	-	-	-	-	-	-
Tax benefit for items of comprehensive income	-	-	(3)	(80)	-	-	-	(83)	-	(83)
Other comprehensive income for the period, net of tax	-	-	10	154	-	-	-	164	-	164
Total comprehensive income for the period	-	-	10	154	-	-	39	203	2	205
Transactions with shareholders carried directly to equity:										
Issuance of share capital (less issuance expenses)	5	249	-	-	-	-	-	253	-	253
Share-based payments	-	-	-	-	-	-	9	9	-	9
Issuance of convertible bonds (net of tax) - capital component (see Note 6)	-	13	-	-	-	-	-	13	-	13
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(1)	(1)
Balance on September 30, 2023	167	2,390	3	941	180	(39)	4,833	8,474	66	8,540

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

Consolidated Interim Statements of Changes in Equity (cont.)

In NIS million	Share capital	Share premium	Translation reserve	Capital reserve in respect of available-for-sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to Company's shareholders									
For the nine-month period ended September 30, 2022 (unaudited)										
Balance on January 1, 2022 (audited)	155	1,642	(21)	1,167	180	(39)	4,642	7,725	62	7,787
Net income for the period	-	-	-	-	-	-	82	82	4	86
Other comprehensive income (loss) items:										
Foreign currency translation differences in respect of foreign operations carried to capital reserve	-	-	15	-	-	-	-	15	-	15
Net change in fair value of financial assets classified as available for sale carried to capital reserve	-	-	-	(269)	-	-	-	(269)	(4)	(272)
Net change in fair value of available for sale financial assets carried to the income statement	-	-	-	(367)	-	-	-	(367)	-	(367)
Impairment loss of available-for-sale financial assets carried to the income statement	-	-	-	106	-	-	-	106	-	106
Actuarial losses from a defined benefit plan	-	-	-	-	-	-	11	11	-	11
Tax benefit (tax) for comprehensive income (loss) items	-	-	(3)	180	-	-	(3)	173	1	175
Other comprehensive income (loss) for the period, net of tax	-	-	12	(349)	-	-	7	(330)	(2)	(333)
Total comprehensive income (loss) for the period	-	-	12	(349)	-	-	89	(248)	2	(247)
Transactions with shareholders carried directly to equity:										
Issuance of share capital (less issuance expenses)	6	486	-	-	-	-	-	492	-	492
Share-based payments	-	-	-	-	-	-	7	7	-	7
Balance on September 30, 2022	162	2,127	(10)	817	180	(39)	4,738	7,976	64	8,040

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

Consolidated Interim Statements of Changes in Equity (cont.)

In NIS million	Share capital	Share premium	Translation reserve	Capital reserve in respect of available-for-sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to Company's shareholders									
For the three-month period ended September 30, 2023 (unaudited)										
Balance as of July 1, 2023	167	2,389	-	914	180	(39)	4,705	8,316	68	8,384
Income (loss) for the period	-	-	-	-	-	-	121	121	(1)	120
Other comprehensive income (loss) items:										
Foreign currency translation differences in respect of foreign operations carried to capital reserve	-	-	4	-	-	-	-	4	-	4
Net change in fair value of financial assets classified as available for sale carried to capital reserve	-	-	-	80	-	-	-	80	(1)	80
Net change in fair value of available for sale financial assets carried to the income statement	-	-	-	(63)	-	-	-	(63)	-	(63)
Impairment loss of available-for-sale financial assets carried to the income statement	-	-	-	23	-	-	-	23	-	23
Actuarial gains (losses) from a defined benefit plan	-	-	-	-	-	-	-	-	-	-
Tax benefit for items of comprehensive income	-	-	(1)	(14)	-	-	-	(15)	-	(15)
Other comprehensive income for the period, net of tax	-	-	3	27	-	-	-	29	-	29
Total comprehensive income (loss) for the period	-	-	3	27	-	-	121	151	(1)	150
Transactions with shareholders carried directly to equity:										
Share-based payments	-	-	-	-	-	-	8	8	-	8
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(1)	(1)
Balance on September 30, 2023	167	2,390	3	941	180	(39)	4,833	8,474	66	8,540

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

Consolidated Interim Statements of Changes in Equity (cont.)

	Attributable to Company's shareholders								Non-controlling interests	Total equity
In NIS million	Share capital	Share premium	Translation reserve	Capital reserve in respect of available-for-sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total		
For the three-month period ended September 30, 2022 (unaudited)										
Balance as of July 1, 2022	162	2,127	(9)	917	180	(39)	4,594	7,933	64	7,997
Net income for the period	-	-	-	-	-	-	140	140	1	141
Other comprehensive income (loss) items:										
Foreign currency translation differences in respect of foreign operations carried to capital reserve	-	-	(1)	-	-	-	-	(1)	-	(1)
Net change in fair value of financial assets classified as available for sale carried to capital reserve	-	-	-	(71)	-	-	-	(71)	(1)	(72)
Net change in fair value of available for sale financial assets carried to the income statement	-	-	-	(143)	-	-	-	(143)	-	(143)
Impairment loss of available-for-sale financial assets carried to the income statement	-	-	-	62	-	-	-	62	-	62
Actuarial losses from a defined benefit plan	-	-	-	-	-	-	2	2	-	2
Tax benefit for items of comprehensive income	-	-	-	52	-	-	-	51	-	52
Other comprehensive income (loss) for the period, net of tax	-	-	(1)	(100)	-	-	1	(100)	(1)	(100)
Total comprehensive income (loss) for the period	-	-	(1)	(100)	-	-	141	40	1	41
Transactions with shareholders carried directly to equity:										
Share-based payments	-	-	-	-	-	-	3	3	-	3
Balance on September 30, 2022	162	2,127	(10)	817	180	(39)	4,738	7,976	64	8,040

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

Consolidated Interim Statements of Changes in Equity (cont.)

In NIS million	Share capital	Share premium	Translation reserve	Capital reserve in respect of available-for-sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to Company's 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
Net income for the period	-	-	-	-	-	-	121	121	6	126
Other comprehensive income (loss) items:										
Foreign currency translation differences in respect of foreign operations carried to capital reserve	-	-	19	-	-	-	-	19	-	19
Net change in fair value of financial assets classified as available for sale carried to capital reserve	-	-	-	(294)	-	-	-	(294)	(4)	(299)
Net change in fair value of available for sale financial assets carried to the income statement	-	-	-	(393)	-	-	-	(393)	1	(393)
Impairment loss of available-for-sale financial assets carried to the income statement	-	-	-	114	-	-	-	114	-	114
Actuarial gains from a defined benefit plan	-	-	-	-	-	-	11	11	-	11
Tax benefit (tax) for comprehensive income (loss) items	-	-	(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 (loss) for the period	-	-	14	(379)	-	-	128	(237)	3	(233)
Transactions with shareholders carried 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 attached notes to the consolidated interim financial statements are an integral part thereof.

Consolidated Interim Statements of Cash Flow

		For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
		2023	2022	2023	2022	2022
In NIS million	**Appendix**	**Unaudited**				**Audited**
Cash flows from operating activities before income tax	(a)	**(4,494)**	(607)	**131**	(680)	(2,175)
Income tax received (paid)		**(156)**	(404)	**(32)**	5	(412)
Net cash provided by (used in) operating activities		**(4,650)**	(1,011)	**99**	(675)	(2,587)
Cash flows provided by investing activities						
Gains on disposal of investments in other investees		**-**	29	**-**	29	29
Credit provided to cardholders and merchants, net		**(566)**	-	**(349)**	-	-
Proceeds from the disposal of an investment in financial assets by companies other than insurance and finance companies		**106**	7	**20**	-	7
Investment in financial assets by companies other than insurance and finance companies		**(413)**	-	**(401)**	-	(181)
Investments in shares and loans in investees		**(4)**	(19)	**-**	(19)	(9)
Acquisition of a company consolidated for the first-time net of cash received	(f)	**(294)**	-	**-**	-	-
Investment in property, plant and equipment		**(71)**	(19)	**(35)**	(3)	(22)
Investment in intangible assets		**(162)**	(127)	**(58)**	(39)	(190)
Net cash used for investing activities		**(1,403)**	(129)	**(823)**	(32)	(366)
Cash flows provided by financing activities						
Issuance of share capital (less issuance expenses)		**-**	492	**-**	-	492
Credit from banking corporations, net		**182**	-	**172**	-	-
Proceeds from issue of bonds and subordinated notes (see Note 6)		**1,572**	495	**928**	495	495
Costs of issuing and replacing subordinated notes and bonds		**(11)**	(7)	**(7)**	(7)	(7)
Repayment of lease liability		**(66)**	(56)	**(23)**	(19)	(75)
Interest paid on bonds, subordinated notes, and credit from banking corporations		**(301)**	(121)	**(134)**	(55)	(121)
Net cash provided by financing activities		**1,376**	804	**936**	415	785
Effect of exchange rate fluctuations on balance of cash and cash equivalents		**231**	132	**92**	21	100
Net increase (decrease) in cash and cash equivalents		**(4,446)**	(204)	**304**	(272)	(2,067)
Cash and cash equivalents at the beginning of the period	(b)	**12,050**	14,117	**7,299**	14,185	14,117
Cash and cash equivalents at end of the period	(c)	**7,603**	13,913	**7,603**	13,913	12,050

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

Consolidated Interim Statements of Cash Flow (cont.)

	For the nine month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
In NIS million	Unaudited				Audited
(a) Cash flows from operating activities before income taxes [1] [2]					
Net income for the period	**41**	86	**120**	141	126
Items not involving cash flows:					
The Company's share in profits of equity-accounted investees	**(8)**	(1)	**(3)**	(2)	(3)
Change in liabilities in respect of insurance contracts and non-yield-dependent investment contracts	**1,035**	956	**222**	(345)	1,039
Change in liabilities in respect of insurance contracts and yield-dependent investment contracts	**1,044**	(4,685)	**(1,192)**	(893)	(3,601)
Change in deferred acquisition costs	**(110)**	(196)	**(23)**	(59)	(261)
Change in reinsurance assets	**(18)**	(147)	**43**	29	(106)
Depreciation of property, plant, and equipment and right-of-use asset	**140**	68	**60**	23	91
Amortization of intangible assets	**182**	173	**61**	58	231
Loan loss expenses	**353**	-	**86**	-	-
Amortization of excess cost for credit card receivables	**(92)**	-	**(30)**	-	-
Impairment of intangible assets	**-**	-	**-**	-	8
Interest and linkage differences accrued for subordinated notes and a lease liability	**188**	144	**80**	47	194
Accrued interest and revaluation of liabilities to banking and other corporations	**(64)**	2,938	**400**	586	1,996
Change in fair value of investment property in respect of yield-dependent contracts	**(7)**	(90)	**-**	(32)	(174)
Changes in fair value of other investment property	**7**	(36)	**6**	(25)	(47)
Share-based payment transactions	**9**	7	**8**	3	15
Investment losses (income), net on financial investments in respect of insurance contracts and yield-dependent investment contracts	**(3,942)**	5,778	**69**	2,178	5,980
Taxes on income	**3**	31	**53**	73	68
Losses (gains), net on other financial investments:					
Liquid debt assets	**(15)**	(128)	**4**	(21)	(116)
Illiquid debt assets	**(897)**	(1,121)	**(350)**	(479)	(1,441)
Shares	**(101)**	(79)	**34**	(37)	(55)
Other	**(247)**	(92)	**(25)**	39	7
Financial investments and investment property in respect of yield-dependent contracts:					
Acquisition of investment property	**(57)**	(280)	**(18)**	(65)	(463)
Sales (acquisitions), net of financial investments	**(1,792)**	(869)	**1,302**	(1,684)	(1,366)
Proceeds (investments) from the sale of available-for-sale financial assets and investment property in insurance businesses:					
Liquid debt assets	**898**	(598)	**159**	(92)	(1,115)
Illiquid debt assets	**(509)**	249	**(341)**	(50)	498
Shares	**163**	84	**6**	73	61
Other	**91**	623	**(7)**	113	294
Acquisition of other investment property	**(21)**	(100)	**(9)**	(28)	(163)

1) Cash flows from operating activities include cash flows in respect of acquisition and sale of financial investments and investment property arising from insurance contracts and investment contracts activities.

2) Cash flows from operating activities include cash flows in respect of dividend and interest received, as described in Appendix D.

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

Consolidated Interim Statements of Cash Flow (cont.)

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
In NIS million	Unaudited		Unaudited		Audited
(a) Cash flows from operating activities before income taxes (cont.)					
Changes in other items in the statement of financial position, net					
Securities held for trading by consolidated companies that are not insurance companies	**(7)**	(1)	**(4)**	-	4
Receivables for credit card transactions, net	**60**	-	**(210)**	-	-
Receivables and debit balances	**66**	(2,087)	**(471)**	(112)	(2,764)
Premiums collectible	**(123)**	(148)	**(5)**	31	(105)
Payables and credit balances	**(670)**	(1,087)	**17**	(142)	(1,003)
Payables for credit card transactions	**(97)**	-	**87**	-	-
Liabilities for employee benefits, net	**3**	(2)	**2**	(6)	(3)
Total cash Flows from operating activities before income taxes	**(4,494)**	(607)	**131**	(680)	(2,175)
(b) Cash and cash equivalents at the beginning of the period:					
Cash and cash equivalents in respect of yield-dependent contracts	**8,458**	9,993	**3,910**	9,725	9,993
Other cash and cash equivalents	**3,591**	4,124	**3,389**	4,460	4,124
Balance of cash and cash equivalents at beginning of period	**12,050**	14,117	**7,299**	14,185	14,117
(c) Cash and cash equivalents at end of the period:					
Cash and cash equivalents in respect of yield-dependent contracts	**4,552**	9,952	**4,552**	9,952	8,458
Other cash and cash equivalents	**3,052**	3,961	**3,052**	3,961	3,591
Balance of cash and cash equivalents at end of period	**7,603**	13,913	**7,603**	13,913	12,050
(d) Cash flows for interest and dividend received, included in operating activity:					
Interest received	**1,418**	1,266	**217**	341	1,423
Dividend received	**382**	532	**129**	169	668
Included in investing activity by Max:					
Interest received	**623**	-	**320**	-	-
(e) Transactions not involving cash flows:					
Payables - unpaid declared dividend	**1**	-	**1**	-	-
Payables - acquisition of an associate	**6**	-	**6**	-	10
Payment of deferred deposits against payables and credit balances	**-**	-	**-**	-	264
(f) First-time consolidation of an acquired company:					
Excess cost upon acquisition (see Note 5 below)	**(240)**	-	**-**	-	-
Goodwill upon acquisition (see Note 5 below)	**(471)**	-	**-**	-	-
Deferred tax assets	**(61)**	-	**-**	-	-
Current tax assets	**(1)**	-	**-**	-	-
Property, plant & equipment	**(386)**	-	**-**	-	-
Right-of-use asset	**(198)**	-	**-**	-	-
Receivables for credit card transactions, net	**(15,407)**	-	**-**	-	-
Receivables and debit balances	**(52)**	-	**-**	-	-
Other financial investments	**(3)**	-	**-**	-	-
Issuance of Company shares (see Note 7 below)	**253**	-	**-**	-	-
Investments in investees	**(7)**	-	**-**	-	-
Liability for employee benefits, net	**27**	-	**-**	-	-
Lease liability	**198**	-	**-**	-	-
Deferred tax liabilities	**8**	-	**-**	-	-
Liabilities for current taxes	**22**	-	**-**	-	-
Payables for credit card transactions	**8,649**	-	**-**	-	-
Payables and credit balances	**463**	-	**-**	-	-
Deferred payment in the CIMax acquisition (presented under payables and credit balances)	**377**	-	**-**	-	-
Liabilities to banking corporations and others	**6,535**	-	**-**	-	-
Total investment in acquisition of consolidated companies consolidated for the first time	**(294)**	-	**-**	-	-
Consideration paid	**(790)**	-	**-**	-	-
Cash of the acquired company	**496**	-	**-**	-	-
Total investment in acquisition of consolidated companies consolidated for the first time	**(294)**	-	-	-	-

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

NOTE 1 - GENERAL

A. The reporting entity

Clal Insurance Enterprises Holdings Ltd. (hereinafter - the "**Company**") is an Israeli resident company incorporated in Israel, whose official address is 36 Raoul Wallenberg Street, Tel Aviv. The securities of the Company are listed for trading on the Tel Aviv Stock Exchange Ltd..

Clal Insurance Enterprises Holdings Ltd. (hereinafter - the "**Company**") is a holding company. Its main holdings are mainly in the insurance, pension, and provident sectors as well as in the credit card sector.

The consolidated financial statements as of September 30, 2023 (hereinafter - the "**Financial Statements**") include those of the Company and its subsidiaries (hereinafter, jointly - the "**Group**"), as well as the Group's interests in joint ventures and associates.

The Group operates in insurance, credit card transactions (issuance, acquiring, and processing of debit cards, as well as providing payment solutions and financial products, including credit to private and business customers), pension and provident insurance holding agencies, credit and financial services.

For further details, please see Note 1 to the consolidated financial statements for 2022.

B. Below is a description of developments in the reporting period for the control of and holdings in the Company and in Clal Insurance

As of the publication date of the report, the Company does not have a core controlling interest.

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

Further to Note 1(b)1 to the financial statements for 2022, Alrov reported in its financial statements for 2022 that it is continuing to review its investment in Clal, including with regard to 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 application for a permit for control of Clal Insurance, which was submitted to the Commissioner of the Capital Market Authority. On July 23, 2023, Alrov reported that it was assessing another plan that has not yet been presented to the Commissioner, according to which it would not be considered a tier company for the purpose of the Law to Promote Competition and Reduce Market Concentration, 2013, without dismissing the other plans under consideration. Subsequently, it reported that on July 25, 2023, it received a letter from the Capital Market Authority according to which, among other things, in view of the prolonged period that has gone by and the additional information that is required, and to allow the Capital Market Authority to address the application for the permit, a new application for a permit for control of Clal Insurance is required. Alrov clarified that it is continuing to move forward with this matter, as set out above.

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

Alrov sent the Company several letters, dated October 9, 17, and 19, 2022, in which it clarified that it objects to the Max transaction (for further information see Note 42 to the 2022 financial statements), for reasons which it had specified, and that it would consider the Company and its board members to be directly responsible for any damages that Alrov may incur, and that it will adopt all possible measures for exercising its rights. Alrov's letters further claimed that, as a shareholder of the Company, it is not possible to force Alrov and its controlling shareholders to obtain the permit from the Banking Supervision Department and to cause it to incur proprietary damages.

On November 19, 2022, Alrov filed a motion for disclosure and review of documents with the District Court in Tel Aviv-Yafo, prior to filing 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 - the "**Motion**"). Regarding the engagement in the Max transaction, on June 1, 2023, the parties filed with the court a consensual motion to dismiss the petition without waiver and with mutual retention of all arguments and rights, and subject to allowing Alrov's counsel to review (only) certain documents relating to the approval of the Max transaction. On June 4, 2023, the court gave the agreements between the parties the validity of a judgment and consequently the petition was struck (see Note 42 to the financial statements for 2022).

NOTE 1 - GENERAL (cont.)

B. Below is a description of developments in the reporting period for the control of and holdings in the Company and in Clal Insurance (cont.)

B.2. Alrov's objection to the Max transaction and actions it took (cont.)

It should be noted that on February 23, 2023, the Company received a permit to hold means of control in 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, which, on the closing date, will hold more than 5% of the Company's share capital (hereinafter - the "**Relevant Shareholders**"), if, within seven days of the date of closing of the transaction, the Relevant Shareholders will notify the Banking Supervision Department regarding their holdings of the Company's shares that require a permit. In such notice, the Relevant Shareholders will indicate whether they intend to submit, within 30 days after the closing date, an application for a permit to hold the means of control in an acquirer or whether they intend to reduce their holdings in this period, to a rate that will not exceed 5% of the means of control in the Company, and will act in accordance with its notice. Further to the above, on February 26, 2023, Alrov reported that it was reviewing the notice with its advisors, clarifying that it is operating and will continue to operate in compliance with the law.

The transaction for the acquisition of Max was completed on March 27, 2023. For further details, please see Note 12.

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

C. Implications

As of the reporting date, the Company is unable to assess the full effect of the outcome of the above events, among other things, due to the fact that the Company is the controlling shareholder of Clal Insurance and in view of the restrictions imposed under the outline for exercising the means of control in Clal Insurance, which significantly limit the extent of the Company's influence over the conduct of Clal Insurance and the appointment of officers in Clal, and the Company is still evaluating its implications and applicability over time. This uncertainty also applies in view of additional changes that are taking place in the Company and that may occur in the future, due to its holdings structure, the fact that it is a company without a control core with a substantial shareholder, and due to the fact that the provisions of the Supervision Law for insurers without a controlling shareholder do not apply to it, and due to the different corporate structure of the large insurance companies in Israel compared with 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 due to the effective impact of the holders of non-controlling interests on the conduct of the Company under the above circumstances.

Furthermore, the set of changes and events described above, if they continue, may and will affect, among other things, the reputation of the Company and the Group companies. It should be noted that a future transfer of control of the Company to a third party may affect clauses in certain agreements of Group companies with third parties (including reinsurers) and may require, once circumstances involving such change of control exist, negotiations with such third parties for the agreements to remain in effect.

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

A. Financial reporting framework

The consolidated interim financial statements of the Group as of September 30, 2023, and for the nine- and three-month periods then ended, were prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, which refer to holding companies of insurers and credit-card companies.

Up to December 31, 2022, the Group's consolidated financial statements were prepared in accordance with IFRS, including information related to consolidated subsidiaries meeting the definition of an insurer, as defined in the Supervision of Financial Services Supervision Law (Insurance), 1981 (hereinafter - the "**Supervision Law**").

In accordance with the provisions of the Israel Securities Regulations (Preparation of Annual Financial Statements), 2010 (hereinafter - the "**Preparation of Financial Statements Regulations**"), together with Accounting Staff Position 99-10: Adoption Issues Regarding the Adoption of IFRS 17, issued by the Israel Securities Authority's staff (hereinafter - "**Staff Position 99-10**"), the information in the Group's condensed interim consolidated financial statements as of September 30, 2023 and for the nine- and three-month periods then ended, referring to consolidated subsidiaries that meet the definition of an insurer, as defined in the Supervision Law, were prepared in accordance with the provisions set out by the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") in accordance with the Supervision Law (see also Note 3 below).

In addition, on March 27, 2023, the Company completed the acquisition of CIMax, which consolidates the Max credit card company in its financial statements. In accordance with the Regulations for Preparation of Financial Statements, the information in the Group's consolidated financial statements relating to Max from the completion date of the acquisition of CIMax was prepared in accordance with the guidelines and directives of the Banking Supervision Department; for further information see Notes 3 and 5 below. In most topics, the directives are based on US GAAP for banks. In other, less material, topics, the directives are based on IFRSs and on Israeli GAAP. When IFRSs allow for several alternatives, or do not include a specific reference to a particular situation, the directives provide specific application guidance that are usually based on US GAAP for Banks.

In addition, for the other issues, including regarding the information in the financial statements that does not refer to consolidated subsidiaries meeting the definition of an insurer, the consolidated interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting.

The information presented under comparative results of the condensed consolidated interim financial statements is information published by the Group in those periods.

The condensed consolidated interim financial statements do not include all the information required in the full annual financial statements. They should be read together with the consolidated financial statements as of and for the year ended December 31, 2022 (hereinafter - the "Annual Financial Statements"). In addition, these reports have been prepared in accordance with the provisions of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation consolidating insurance companies and a credit card company.

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

B. Use of estimates and judgments

The preparation of the Group's said condensed interim financial statements requires that the Group's management use judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. It is clarified that the actual results may differ from those estimates.

The judgment of management, when applying the Group's accounting policy and the principal assumptions used in assessments that involve uncertainty, are consistent with those used in the annual financial statements. The estimates and their underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates were adjusted and for any future affected period, except as follows:

In this context, see Note 12(f) below, regarding revised actuarial estimates, among other things, in view of the interest rate environment and its effect on the discount rate in the calculation of insurance reserves.

NOTE 2 - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont.)

B. Use of estimates and judgments (cont.)

Further to Note 42(j) to the Annual Financial Statements for 2022, upon completion of the CIMax acquisition, as from March 31, 2023, the Company consolidates the information of Max in its financial statements; below is a description of the main critical accounting issues in addition to the estimates described in Note 2(e) to the Annual Financial Statements following the consolidation of Max:

Loan loss provision in credit cards - Max has established procedures for credit classification and for measuring the loan loss provision, to maintain the provision that it believes is adequate to cover expected credit losses referring to its credit portfolio. In addition, Max has established the procedures required to maintain the provision that it believes is adequate to cover current expected credit losses related to off-balance sheet credit instruments (unutilized credit facilities).

The provision to cover the expected loan losses arising from the loan portfolio is estimated through one of two tracks: “Specific provision” and “collective provision”. The Company also reviews the overall adequacy of its credit loss provision.

For information about generally accepted accounting principles for US banks regarding the provision for current expected credit losses (CECL), see Note 3(C) below.

The liability for legal and contingent claims at Max - the accounting treatment of contingent liabilities at Max is carried out in accordance with US standard FAS-5 and the related provisions and in accordance with the provisions and clarifications of the Banking Supervision Department, including the Reporting to the Public Directives regarding Accounting for Contingent Claims. Provisions for legal and contingent claims against Max, including motions to certify class actions, are determined in accordance with management's assessment and are based on legal opinions. These legal opinions are issued by the external legal counsel according to the best of their judgment, based on the facts presented to them by Max and based on the legal position (set out in law and case law) as known on assessment date, and which are quite often subject to interpretation and to potential conflicting arguments.

Assessment of the risks embodied in the certification of class actions involves even greater difficulty, as this is a legal issue in which the court rulings, in key and principle matters as well, are still under consideration and have not yet been formulated. Furthermore, in view of the preliminary stage of some legal claims, the legal counsel are unable to assess the risk arising therefrom, even under the aforesaid limitations.

In view of the above, the actual outcomes of the claims and contingent claims may be different than the estimates made for them. For further information about legal and contingent claims, see Note 8 below.

C. Details of rates of change in the consumer price index and in the representative exchange rates of the euro, US dollar, and pound sterling:

	In lieu CPI	Known CPI	EUR representative exchange rate	USD representative exchange rate	GPB representative exchange rate
			%		
For the nine-month period ended					
September 30, 2023	**2.9**	**3.2**	**8.0**	**8.7**	**10.5**
September 30, 2022	4.3	4.4	(1.0)	13.9	(5.7)
For the year ended December 31, 2022	5.3	5.3	6.6	13.2	0.8

	EUR representative exchange rate	USD representative exchange rate	GPB representative exchange rate
As of September 30, 2023	**4.053**	**3.824**	**4.678**
As of September 30, 2022	3.486	3.543	3.962
As of December 31 2022	3.753	3.519	4.235

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The Group's accounting policy applied in the interim financial statements is the same accounting policy applied in the Annual Financial Statements, other than as set out in Sections A and B below.

A. First-time application of IFRS 9 - Financial Instruments to some of the financial instruments presented in the Condensed Consolidated Interim Financial Statements

As from January 1, 2023 (hereinafter - the “**First-Time Application Date**”), the Group applies IFRS 9, Financial Instruments (hereinafter - “**IFRS 9**” or the “**Standard**”) instead of IAS 39, Financial Instruments: Recognition and Measurement (hereinafter - "IAS 39"), for information that does not relate to subsidiaries that meet the definition of an insurer as defined under the Supervision Law and for information that does not refer to subsidiaries that meet the definition of a credit card company as defined under the Israel Securities Regulations (Annual Financial Statements) 2010 (hereinafter - the “**Financial Instruments in the Scope of IFRS 9**”). Regarding information about subsidiaries that meet the definition of an insurer as aforesaid, which are prepared in accordance with the Commissioner’s directives under the Supervision Law as set out in Note 2(A) above, the Group continues to implement the provisions of IAS 39 (see also Section 3 below regarding standards that have not yet been adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority). Regarding information referring to a subsidiary that is a credit card company, the Group applies the directives and guidelines of the Banking Supervision Department (see also Section C below).

As described below regarding the first-time application of IFRS 9 - Financial Instruments, the Company opted to apply the provisions of the Standard retrospectively, without restating comparative figures.

For information about the accounting policy that was applied up to December 31, 2022 for all financial instruments and applied for the financial instruments attributable to the insurance companies, see Section F in Note 3 to the consolidated annual financial statements.

The accounting policy applied as of January 1, 2023 regarding financial instruments in the scope of IFRS 9 is as follows:

1. Financial assets

Financial assets under the scope of the standard are measured on initial recognition at fair value plus transaction costs that are directly attributable to the purchase of the financial asset, except for financial assets that are measured at fair value through profit or loss, for which transaction costs are carried to profit or loss.

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

(a) The Company's business model for managing financial assets, and

(b) Contractual cash flow characteristics of the financial asset.

1a) The Company measures debt instruments at amortized cost when:

The Company’s financial model is to hold the financial assets in order to collect contractual cash flows; furthermore, the contractual terms and conditions of the financial asset provide entitlement, at specified dates, to cash flows that are only principal and interest payments in respect of the outstanding principal amount.

Subsequent to initial recognition, instruments included in this group shall be presented according to their terms at cost, plus direct transaction costs, using the amortized cost method.

In addition, an entity may irrevocably designate a debt instrument for measurement at fair value through profit or loss at the initial recognition date, if such designation eliminates or significantly reduces a measurement or recognition inconsistency, for example, when the liabilities underlying the asset are also measured at fair value through profit or loss.

1b) Debt instruments that will be measured at fair value through other comprehensive income:

The Company’s business model is both to hold the financial assets in order to collect contractual cash flows and to sell the financial assets; furthermore, the contractual terms and conditions of the financial asset provide entitlement, at specified dates, to cash flows that are only principal and interest payments in respect of the outstanding principal amount.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. First-time application of IFRS 9 - Financial Instruments to some of the financial instruments presented in the Condensed Consolidated Interim Financial Statements (cont.)

1. Financial assets (cont.)

1b) Debt instruments that will be measured at fair value through other comprehensive income: (cont.)

Subsequent to initial recognition, instruments in this group are measured at fair value. Gains or losses arising from fair value adjustments, except for interest and exchange rate differentials are recognized in other comprehensive income.

1c) Debt instruments to be measured at fair value through profit and loss (in addition to that stated in B(1)(a) above):

A financial asset that constitutes a debt instrument does not comply with the criteria for measurement at amortized cost or at fair value through other comprehensive income, including a financial asset that constitutes a debt instrument, which, under certain conditions, is designated to be subsequently measured at fair value through profit or loss. Subsequent to initial recognition, the financial asset is measured at fair value; gains or losses arising from fair value adjustments are charged to profit or loss.

1d) Equity instruments

Financial assets that constitute investments in equity instruments are measured at fair value through profit or loss. This is other than investments not held for trading that the Group chooses to designate to fair value through other comprehensive income for which the amounts that will be recognized in capital will not be classified in profit and loss, even in the event of the sale of the investment (other than in the event of a distribution of dividends that do not constitute a return of the investment). The Group did not choose this designation.

1e) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt instruments at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset has occurred. For credit-impaired financial assets - interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset (for unimpaired assets, the effective interest rate is applied to the gross value of the financial asset).

2. Impairment of financial assets

At each reporting date, the Company tests the provision for loss in respect of financial debt instruments that are not measured at fair value through profit or loss should be estimated.

The Company differentiates between two situations of recognition of a provision for loss;

(a) Debt instruments with no significant increase in credit risk since initial recognition - the provision for loss recognized for this debt instrument will take into account current expected credit losses in the 12 months period after the reporting date; or

(b) Debt instruments with significant deterioration in credit quality since their initial recognition, in which the provision for loss to be recognized will take into account the current expected credit losses - over the balance of the useful life of the instrument. The Company applies the relief provided in the standard, according to which it assumes that the credit risk of a debt instrument has not increased significantly since its initial recognition if it is determined, at the reporting date, that the instrument has low credit risk, for example - if the instrument has an external "investment grade" rating.

The impairment in respect of debt instruments measured at amortized cost shall be recognized in profit or loss against a provision, whereas the impairment in respect of debt instruments measured at fair value through other comprehensive income shall be recognized in profit and loss against capital reserve, and will not reduce the carrying amount of the financial asset in the statement of financial position.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. First-time application of IFRS 9 - Financial Instruments to some of the financial instruments presented in the Condensed Consolidated Interim Financial Statements (cont.)

2. Impairment of financial assets (cont.)

The Company has financial assets with short credit periods, to which it may apply the expedient set forth in the model, i.e., the Company measures the impairment provision at an amount equal to expected credit losses throughout the entire life of the instrument. The Company opted to apply the expedient available in respect of these financial assets.

current expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. Current expected credit losses are discounted at the effective interest rate of the financial asset.

Following the application of the model, the amount of the provision for impairment for all the financial assets that require measurement of the provision for current expected credit losses, as of January 1, 2023, increased by an insignificant amount.

3. Derecognition of financial assets

The Company derecognizes a financial asset if and only if:

(a) The contractual rights to the cash flows from the financial asset have expired, or

(b) The Company transfers substantially all the risks and rewards arising from the contractual rights to receive the cash flows from the financial asset or when some of the risks and rewards upon the transfer of the financial asset remain in the hands of the entity but the Company can be said to have transferred control over the asset.

(c) The Company retains the contractual rights to receive the cash flows arising from the financial asset, but assumes a contractual obligation to pay these cash flows in full to a third party, without any substantial delay.

Transactions for the sale of financial assets are accounted for as derecognition when the terms and conditions set out above are fulfilled.

If the Company transfers its rights to receive cash flows from an asset but neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, a new asset is recognized to the extent of the Company's continuing involvement in the asset. When continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay (the guarantee amount).

When the Company continues to recognize an asset to the extent of its continuing involvement, the entity also recognizes an associated liability. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

(a) The amortized cost of the rights and obligations retained by the entity, if the transferred asset is measured at amortized cost; or

(b) Equal to the fair value of the rights and obligations retained by the Company when measured on a stand-alone basis, if the transferred asset is measured at fair value.

4. Financial liabilities

At initial recognition, the Company measures the financial liabilities that fall within the scope of the standard at fair value net of transaction costs that are directly attributable to the issue of the financial liability, except for financial liability measured at fair value through profit or loss, for which transaction costs are recognized in profit or loss.

Upon initial recognition, the Company designated a financial liability as a liability measured at fair value through profit or loss. Changes in the fair value of the financial liability that are attributable to changes in the Company’s credit risk are presented in other comprehensive income.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. First-time application of IFRS 9 - Financial Instruments to some of the financial instruments presented in the Condensed Consolidated Interim Financial Statements (cont.)

4. Financial liabilities (cont.)

Subsequent to initial recognition, the Company measures all financial liabilities at amortized cost, except for:

(a) Financial liabilities measured at fair value through profit or loss, such as: derivatives;

(b) Contingent consideration recognized by an acquirer in a business combination that falls within the scope of IFRS 3. Please see Note 5 below.

5. Derecognition of financial liabilities

The Company derecognizes a financial liability if and only if it is extinguished - that is to say, when the obligation established in a contract is repaid or canceled or expires.

A financial liability is extinguished when the debtor repays the liability by a cash payment, other financial assets, goods or services, or is legally released from the liability.

If the terms of an existing financial liability change, the Company assesses whether the terms of the liability are materially different than the existing terms.

When a material change has been made to the terms of an existing financial liability, the change is accounted for as a derecognition of the original liability and a recognition of a new liability. The difference between the balance of the above two liabilities in the financial statements is recognized in profit or loss.

In the event that the change is immaterial, the Company is required to update the liability amount, that is to say, to discount the new cash flows at the original effective interest rate, and the differences will be recognized in profit or loss.

When determining whether a change has occurred in the substantive terms and conditions of an existing liability, the Company takes qualitative and quantitative considerations into account.

6. Netting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set-off the recognized amounts, and when there is an intention to settle the asset and the liability on a net basis or realize the asset and settle the liability simultaneously. The right to offset must be legally enforceable not only in the ordinary course of business of the parties to the contract but also in the case of bankruptcy or insolvency of one of the parties; or the right of offset to be immediately available, it cannot be contingent on a future event, there must be no periods during which the right is not available, or there must be no events that will cause the right to expire.

7. Compound financial instruments

Convertible bonds, that include an equity conversion component and a liability component are split into two components. Such a split is calculated by first determining the value of the liability component based on the fair value of a similar liability without a conversion option; the value of the equity conversion component is determined as residual value. Direct transaction costs were allocated between the equity component and the liability component based on the allocation of the consideration between the equity component and the liability component.

Following the first-time application of IFRS 9 as set out above, some of the Group's financial assets that were classified under 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 for available-for-sale assets as of January 1, 2023 in the amount of approx. NIS 1 million was reclassified to retained earnings at this date. As from this date, these assets continue to be measured at fair value and net profits or losses, including interest or dividends, are recognized in profit and loss.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. First-time application of IFRS 9 - Financial Instruments to some of the financial instruments presented in the Condensed Consolidated Interim Financial Statements (cont.)

7. Compound financial instruments (cont.)

The table below presents the original measurement groups in accordance with IAS 39 and the new measurement groups in accordance with IFRS 9, for all financial assets in the scope of IFRS 9, as of January 1, 2023:

In NIS million	Original classification under IAS 39	Reclassification under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	529	529
Money market funds	Fair value through profit and loss	Fair value through profit and loss	180	180
Investment in marketable bonds	Available-for-sale	Fair value through profit and loss	4	4
Other investments in liquid shares	Available for sale	Fair value through profit and loss	11	11

For the financial liabilities in the scope of IFRS 9 – there was no change in their classification in the transition to IFRS 9 and they continue to be classified at amortized cost.

In view of the aforesaid regarding first-time application of IFRS 9, there were no material effects on the Group's consolidated financial statements.

B. First-time application of the directives of the Banking Supervision Department to data in the Group's consolidated financial statements relating to the credit card company from ClMax's acquisition completion date:

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

Income and expenses are stated on accrual basis, except as described below:

A. Finance income and operating fees for collection of debts are recognized in the statement of income on the basis of actual collection.

B. Derivative financial instruments are presented at fair value.

C. Incremental costs to obtain a contract are capitalized as an asset if it is expected that Max will recover these costs.

D. Fees charged in respect of issuing the loan, except for loans for a period of up to three months, are not recognized immediately as income in the income statement, but rather deferred and recognized as interest income over the life of the loan as an adjustment of the return.

E. In cases of refinancing or restructuring of non-troubled debts, Max assesses whether the changes made to the terms of the loan are material. Accordingly, it is assessed whether the present value of cash flows under the new loan terms differs by at least 10% from the present value of the remaining cash flows under the current terms. In such cases, all unamortized fees as well as early repayment fees that were collected from the customer in respect of changes to the loan terms recognized in profit and loss; otherwise, these fees are included within the net investment in the new loan and recognized as adjustment of return as stated above.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. First-time application of the directives of the Banking Supervision Department to data in the Group's consolidated financial statements relating to the credit card company from ClMax's acquisition completion date: (cont.)

2. Loan loss provision at Max - measurement

A. Max applies US GAAP for Banks for measuring credit losses arising from financial instruments as set out in ASC 326, Financial Instruments - Credit Losses.

When applying the standard, Max established methodology for measuring the loan loss provision, to maintain an adequate provision to cover current expected credit losses referring to its credit portfolio and for certain off-balance sheet credit exposures. In accordance with the updated methodology, the estimate of current expected credit losses and the provision for these losses include both a quantitative and a qualitative layer.

As a rule, the quantitative layer is based on historical data and past losses, and the qualitative layer adjusts this data for the variance of the characteristics of the credit portfolio and for the current economic conditions and reasonable and substantiable forecasts for macroeconomic conditions. The estimate of a current expected credit losses provision is calculated over the contractual period of the financial asset, taking into account an estimate of early repayments.

The estimates of Max include assessments that reflect, among other things, conditions of uncertainty, and by nature, they may change from time to time.

As a rule, the calculation of the provision for expected credit losses is assessed collectively when the assets have similar risk characteristics. These include: (1) the type and nature of the financial asset (2) credit ratings (3) debt classification.

For each class of financial assets with similar risk characteristics, Max calculates the provision for current expected credit losses according to one of the methods for measuring the provision as permitted under the standard, which Max's believes is expected produce the best estimate of the provisions for credit losses.

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

To estimate the current expected credit losses throughout the contractual period of the assets, Max takes into account historical information while assessing the need to adjust such historical data to reflect the extent to which the current conditions and the reasonable and substantiable forecasts will differ from the conditions that prevailed in the period in which the historical data was assessed.

Loan loss provision - consumer credit

Regarding the consumer credit portfolio that includes credit to private individuals, Max measures the provision for current expected credit losses based on the PD/LGD method while adjusting it to historical data and segmenting the credit portfolio into segments with similar risk characteristics such as the customer's internal rating, and the type of financial asset.

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

Loan loss provision - commercial credit

Regarding the commercial credit portfolio, Max measures the provision for current expected credit losses based on 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 data to current economic conditions and for expectations regarding future economic conditions, Max determined that the reasonable and substantiable period is one year.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. First-time application of the directives of the Banking Supervision Department to data in the Group's consolidated financial statements relating to the credit card company from ClMax's acquisition completion date: (cont.)

2. Loan loss provision at Max – measurement (cont.)

A. (cont.)

Loan loss provision - off-balance sheet credit exposures

Off-balance sheet credit exposures include credit exposures for an obligation to provide credit, and financial guarantees.

The loan loss provision for off-balance sheet credit exposure is based on the rates of the provision established for balance sheet credit (as set out above), taking into consideration the rate of recovery for the expected credit of off-balance-sheet credit risk. Max calculates the expected default realization rate for each type of off-balance sheet exposure, based on past experience indicating the realization rates for default credit.

Loan loss provision - exposure to banks and acquirers

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

Assessment of the overall adequacy of the provision

Max also reviews the overall adequacy of the loan loss provision. The adequacy assessment is based on management's judgment, which takes into account the risks associated with the credit portfolio, trends in the portfolio, and the limits of the valuation methods applied by the Company when determining the provision.

The entire process, including its different components, as set out above, is sometimes accompanied by the judgment and estimates of an expert, to reflect management's best expectations and estimates regarding expected credit losses.

B. Provision for credit default following the acquisition of Max

The credit portfolio that 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 as part of the paper regarding the allocation of excess costs according to the discounted cash flow method (DCF).

The provision that was recognized in the financial statements of Max for the Credit Portfolio Upon Acquisition was not recognized as is under the business combination itself, and was recognized in the Credit Portfolio Upon Acquisition divided into 2 main groups:

1. Debt assets that were acquired following the occurrence of a more significant deterioration in their credit quality since the date they were provided to the borrower.

   The Company determines which assets have incurred a more significant deterioration in credit quality based on the status of the number of days in arrears, changes in credit rating, and other relevant issues.

   The Company measures a loan loss provision with respect to these assets according to the same methodology as applied by MAX in its financial statements, but with no effect on profit or loss, and instead against the carrying amount for such assets that was recognized as part of the business combination after they were measured at provisional fair value as set out above (hereinafter - the "**Provision for Credit Default Recognized at First-Time Consolidation**").

   Accordingly, the amortized cost of these assets is measured at the amount of the provisional fair value attributable to them in the business combination as set out above, with the addition of the amount of the credit loss provision as established at the time of acquisition against recognition of this provision. Accordingly, the net amount at which the assets were recognized at the time of acquisition is equal to the provisional fair value as set out above.

   Any changes in the above credit loss provision subsequent to the date of acquisition will be recognized in profit or loss.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. First-time application of the directives of the Banking Supervision Department to data in the Group's consolidated financial statements relating to the credit card company from ClMax's acquisition completion date: (cont.)

2. Loan loss provision at Max – measurement (cont.)

B. Provision for credit default following the acquisition of Max (cont.)

2. Debt assets that were acquired that have not incurred any more significant deterioration in credit quality -

The amortized cost of these assets was measured at the amount of the provisional fair value attributable to them in the business combination as set out above, which reflected the change in market conditions since the date they were provided to the borrower. In addition, the Company calculated a credit default provision for these assets immediately after acquisition (Day 2), according to the same methodology described above, which was recognized in profit and loss, in addition to the fair value that was calculated as set out above (hereinafter - the "**Post-Acquisition Provision**").

The expenses for the Provision After Acquisition amounted to a total of approx. NIS 220 million before tax (approx. NIS 146 million after tax).

It should be further noted that the accounting treatment set out above is for the Credit Portfolio Upon Acquisition only. For the new debt assets established after acquisition date, a provision will be calculated according to the methodology described above, by Max only.

Below is a description of the components of receivables for credit card transactions, net, immediately subsequent to the acquisition:

In NIS million	As of March 31, 2023
	Unaudited
Receivables for credit card transactions in Max's books of accounts	15,750
Fair value adjustment of the credit portfolio	(240)
Total receivables for credit activity consolidated for the first time	15,510
Provision for credit default recognized under first-time consolidation	(102)
Receivables for credit card transactions, net consolidated for the first time	15,408
Post acquisition provision	(220)
Receivables for credit card transactions, net, immediately subsequent to the acquisition	15,188

C. Disclosure requirements at Max

The disclosures regarding the credit quality of debts and the loan loss provision, as required under the new rules included in Note 9, Credit Risk, Receivables for Credit Card Transactions, and Provision for Credit Losses below in the financial statements below.

Identification and classification of non-performing debts (instead of impaired debt) at Max

Max has established procedures for identifying troubled credit and for classifying debts as non-performing. In accordance with these procedures, Max classifies all of its troubled debts and off-balance sheet credit items as troubled performing and non-performing. A debt is classified as non-performing when, based on up-to-date information and events, it is probable that Max will be unable to collect the full amount due in accordance with the contractual terms of the debt agreement. Decisions regarding the classification of the debt are based, among other things, on the debt's delinquency status, an assessment of the borrower's financial position and solvency, the existence and status of the collateral, the financial position of the guarantors, and their commitment to support the debt, and the borrower's ability to obtain financing from a third party.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. First-time application of the directives of the Banking Supervision Department to data in the Group's consolidated financial statements relating to the credit card company from CIMax's acquisition completion date: (cont.)

2. Loan loss provision at Max – measurement (cont.)

C. Disclosure requirements at Max (cont.)

Identification and classification of non-performing debts (instead of impaired debt) at Max (cont.)

In any case, a debt is classified as non-performing based on the arrears status of the principal or interest, except if the debt is both well secured and is also in collection proceedings. For this purpose, Max monitors the position of the days in arrears, which is determined according to its contractual repayment terms. Debts are considered delinquent if their principal or interest were not paid after becoming due. In addition, a renewable debt without a clear end date, such as a credit card debt, will be defined as debt in arrears of 30 days or more when the customer does not pay the required monthly contractual payment.

Moreover, any debt in which the terms have been changed in the course of troubled debt restructuring is classified as non-accrual debt.

D. Determining fair value of financial instruments in Max

Fair value is defined as the price that would be received when selling an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Among other things, the standard requires to maximize the use of observable inputs and minimize the use of unobservable inputs in fair value measurement. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect Max's assumptions. Subtopic 820-10 established a hierarchy of valuation techniques, which are based on whether the inputs used to measure fair value are observable or unobservable. The following types of inputs create a fair value hierarchy:

- Level 1 inputs: (Unadjusted) quoted prices in active markets for identical assets or liabilities, which are accessible to Max at measurement date.
- Level 2 inputs: inputs that are observable for an asset or liability, either directly or indirectly, other than quoted prices included in Level 1.
- Level 3 inputs: Unobservable inputs for the asset or liability.

This hierarchy requires the use of observable market inputs, where such inputs are available.

Most of the financial instruments of Max (such as receivables for credit card transactions, credit from banks, and payables for credit card transactions) do not have a quoted "market price" since they are not traded in an active market. Accordingly, fair value is measured using generally accepted pricing models, such as the present value of future cash flows discounted at an interest rate reflecting the level of risk implicit in the financial instrument. For this purpose, future cash flows in respect of impaired debts and other debts were calculated after deducting the effect of charge-offs and loan loss provisions in respect of the debts.

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

Max applies the measurement and disclosure principles prescribed in Subtopic 860-10 – Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, for the purpose of dealing with transfers of financial assets and extinguishment of liabilities.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. First-time application of the directives of the Banking Supervision Department to data in the Group's consolidated financial statements relating to the credit card company from ClMax's acquisition completion date: (cont.)

2. Loan loss provision at Max – measurement (cont.)

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

According to those rules, the transfer of a financial asset will be accounted for as a sale, if and only if, all of the following conditions are met: (1) the transferred financial asset has been isolated from the transferor, even in bankruptcy or other receivership; (2) any transferee or any third-party holder of its beneficial interests) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee or holder from taking advantage of its right to pledge or exchange and provides more than a benefit to the transferor; (3) the transferor does not maintain effective control over the transferred financial assets or beneficial interests relating to those transferred assets.

If the transaction meets the criteria for accounting it as a sale, the transferred financial assets are derecognized from Max's balance sheet. The assets received and the liability arising from the sale are recognized in the financial statements of Max at fair value. The difference between the fair value of the net proceeds received and the carrying amount of the financial assets that were sold is recognized in the statement of income. If the transaction does not meet the criteria for accounting it as a sale, the transfer is accounted for as a secured debt. The sale of part of a non-participating financial asset is accounted for as secured debt, meaning the transferred assets continue to be recorded in the balance sheet of Max without any change in their measurement and the proceeds from the sale will be recognized as a liability of Max.

Max derecognizes a liability if and only if the liability was extinguished, i.e. one of the following conditions was met: (a) Max paid the lender and was released from its obligation in respect of the liability, or (b) Max was legally released, through legal proceedings or by obtaining the lender's consent, from being the principal debtor in respect of the liability.

F. Employee rights at Max

Retirement benefits – defined contribution plans at Max

A defined contribution plan is a plan which pays retirement benefits for services rendered, provides an individual account for each participant in the plan and defines how employee's contributions will be determined instead of determining the benefits amount the employee will receive. In the defined contribution plan, the benefits paid to a participant depend solely on the amounts contributed into the participant's account and the returns accumulated from investing those contributions.

Max liabilities for severance pay under Section 14 of the Severance Pay Law is accounted for as a defined contribution plan. The contributions of a defined contribution plan that are deposited into an employee's account are the amount recognized in the period as the contribution payable in exchange for service rendered during the period, so that the net cost of pension or net cost of other post-employment benefit will be the contribution required for that period.

Retirement benefits - pension, severance pay and other benefits - defined benefit plans at Max

Max accrues the liability over the relevant period that was determined, based on the full amount payable, assuming that all of the employees will conclude their employment with conditions that 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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. First-time application of the directives of the Banking Supervision Department to data in the Group's consolidated financial statements relating to the credit card company from CIMax's acquisition completion date: (cont.)

2. Loan loss provision at Max – measurement (cont.)

F. Employee rights at Max (cont.)

Paid leave at Max - vacation and sick leave

Max accrues the liability over the relevant period that was determined.

To calculate the liability, actuarial assumptions and discount rates are not taken into account. All the cost components of the benefit for the period are immediately recognized in the statement of income.

Max does not accrue a liability for sick leave.

G. Contingent Liabilities in Max

The financial statements include adequate provisions for lawsuits, in accordance with the management's assessment and based on the assessments of its legal counsel. The disclosure format is in accordance with the directives of the Banking Supervision Department, and the claims filed against Max are classified into three categories:

- Probable risk – the probability that the risk will materialize exceeds 70%. For a claim in this risk category, a provision is included in the financial statements.
- Reasonably possible risk – the probability that the risk will materialize ranges from 20% to 70%. For a claim in this risk category, a provision is not included in the financial statements, and only disclosure is made, see Note 20.C.
- Remote risk – the probability that the risk exposures will materialize is lower than or equal to 20%. For a claim in this risk category, a provision is not included in the financial statements, and no disclosure is made.

A legal claim in respect of which the Banking Supervision Department determines that Max is required to make refunds is classified as "probable" and a provision is made in respect of the amount Max is required to refund.

In certain cases, where in the opinion of Max's management, based on the opinion of its legal counsel, it is not possible to assess the materialization prospects of exposure to risk arising from an ordinary legal claim and from a motion that was approved as class action, no provision was made.

Note 8, Contingent Liabilities and Claims, includes quantitative disclosures of the total exposure for contingent claims with a probability of materialization that is not remote, 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) exceeds a total of NIS 1 million, according to the statement of claim.

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

H. Income tax expenses in Max

The financial statements of Max include current and deferred taxes. The provision for income tax by Max's consolidated companies, which are financial institutions for Value Added Tax purposes include a provision for profit tax levied on the income pursuant to the Value Added Tax Law.

Current taxes

Current taxes are the total taxes on income that were paid or which will be paid (or refunded) on the taxable income for current period, as determined by implementing the provisions of tax laws enacted or substantively enacted. Current tax expenses also include the changes in the tax payments related to previous years.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. First-time application of the directives of the Banking Supervision Department to data in the Group's consolidated financial statements relating to the credit card company from ClMax's acquisition completion date: (cont.)

2. Loan loss provision at Max – measurement (cont.)

H. Income tax expenses in Max (cont.)

Deferred taxes

Deferred taxes are recognized for temporary differences between the book value of assets and liabilities as reported in the financial statements and those taken into account for tax purposes. However, Max does not recognize deferred taxes for the following temporary differences:

- Initial recognition of goodwill.
- Initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.
- Differences that are due to an investment in subsidiaries and associates, if Max controls the reversal date of the difference and, they are not expected to reverse in the foreseeable future, whether by way of disposal of the investment or by way of distribution of dividends in respect of the investment.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which Max expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets in respect of carryforward losses, tax benefits and deductible temporary differences are recognized in the books of accounts when it is more likely than not that the Group will have future taxable income against which it will be able to utilize its deferred tax assets or if there are opportunities for tax planning.

Deferred tax assets are examined on every reporting date, and if the attributable tax benefits are not expected to materialize, they are amortized.

To determine that a deferred tax asset can be recognized, Max takes into account all the available evidence - 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 deferred tax assets and liabilities

Max offsets all deferred tax liabilities and assets, as well as the entire allowance valuation (provision for a deferred tax asset), 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 set out in ASC 740. In accordance with these directives, Max Recognizes the effect 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 at the highest amount that has a greater than 50 percent likelihood of materializing. Changes in recognition or measurement of deferred taxes are reflected in the period in which the circumstances leading to a change in judgment occurred.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. First-time application of the directives of the Banking Supervision Department to data in the Group's consolidated financial statements relating to the credit card company from CIMax's acquisition completion date: (cont.)

2. Loan loss provision at Max – measurement (cont.)

I. Receivables and payables for credit card transactions at Max

Receivables for credit cards - without a charge for interest, including balances for ordinary transactions, transactions in payments at the expense of the merchant, and other transactions.

Credit for cardholders - with a charge for interest - including loans granted to cardholders, credit transactions, revolving credit card transactions, and other transactions.

Credit card transactions are recognized at the processing date of the transaction in the systems of Max. On the transaction processing date, the cardholder's debt to the Company is created if it is the issuing company, or to another issuing company, against an undertaking of payment towards the merchant. If the merchant does not receive acquiring services from Max, an undertaking of payment to another acquirer is created for the Company.

The balance of the merchants is presented net of accelerated payments to merchants that acquire with Max and that meet the conditions for settlement of the liability.

J. Damages due to misuse at Max

Expenses due to damages from misuse of a credit card include damages from forgery, fraud, theft, and loss, and are recognized in the financial statements as incurred.

K. Provision for loyalty plans (airline points)

The financial statements include a provision for loyalty plans (airline points) for cardholders, calculated according to historical data, based on the usage rate of points accrued by cardholders and their cost.

L. Customer clubs

Max recognizes amounts paid when signing agreements with customer loyalty clubs as marketing and selling expenses in profit and loss throughout the agreement period and accordingly, as prepaid expenses for the period which have not yet been recognized in profit and loss.

C. Following are the line items in the condensed consolidated financial statements that derive solely from the financial statements of the Group's Israeli insurance companies in the consolidated statements of financial position:

Deferred acquisition costs

Investment property in respect of yield-dependent contracts

Investment property - other

Reinsurance assets

Premium collectible

Financial investments in respect of yield-dependent contracts

Cash and cash equivalents in respect of yield-dependent contracts

Liabilities in respect of insurance contracts and non-yield-dependent investment contracts

Liabilities in respect of insurance contracts and yield-dependent investment contracts

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Following are the line items in the condensed consolidated financial statements that derive solely from the financial statements of the Group's Israeli insurance companies in the consolidated statements of financial position: (cont.)

Following are the line items in the condensed consolidated financial statements that derive solely from the financial statements of the credit card company (Max) in the consolidated statements of financial position:

Receivables for credit card transactions

Payables for credit card transactions

Income from credit card transactions

Credit card operations

Payments to banks

Loan loss expenses

Provision for credit default following the acquisition of Max

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

The operating results of Max were consolidated as from April 1, 2023, and were not consolidated in the financial statements of the first quarter of the year, except for a provision for credit default created upon the acquisition of Max, which was reflected in the consolidated statements of income under the item for provision for credit default; the effect of the tax was reflected under the taxes on income line item. For further information see Note 3(B)(2)(b).

With regard to accounting policies in respect of financial instruments at the credit-card company, see Note 6 below.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. New standards and interpretations not yet adopted:

D.1. Standards adopted by the Israeli insurance companies in the Group in accordance with the directives of the Capital Market, Insurance and Savings Authority:

Standard / Interpretation / Amendment	Topic	Effective date and transitional provisions	Expected main effects
IFRS 17 - Insurance Contracts and IFRS 9 Financial Instruments	IFRS 17 sets principles for the recognition, measurement, presentation and disclosure of insurance contracts (including reinsurance contracts) and supersedes the current guidance on this issue. In accordance with the new standard, an entity will recognize and measure groups of insurance contracts in accordance with a risk-adjusted present value of the future cash flows from the contracts that incorporates all of the information available regarding the cash flows in a way that is consistent with observable market inputs; with the addition of (for a liability) or net of (for an asset) the amount representing the unrealized profit from the group of contracts (the contractual service margin). Revenue from insurance contracts, for each reporting period, is derived from changes in the liability for future coverage relating to the different components of the consideration that the insurer is entitled to in respect of the contract, such as: insurance contract acquisition costs, risk adjustment, allocation of the contractual service margin to the period, expected claims and expenses for the period. Nevertheless, an entity may simplify the measurement model applied to certain contracts (e.g. contracts with insurance coverage of up to one year), under which the amount allocated to services that have not yet been provided will be measured according to the premium allocation approach.	Up to December 31, 2022, the Group's consolidated financial statements were prepared in accordance with IFRS, including information related to consolidated subsidiaries meeting the definition of an insurer, as defined in the Supervision Law. Further to what is stated in Note 3 to the Company's annual financial statements - disclosure of the new IFRSs in the period prior to their application - IFRS 17 - "Insurance Contracts" (hereinafter - "IFRS 17") and IFRS 9 - "Financial Instruments" (hereinafter - "IFRS 9"), on June 1, 2023, the Commissioner of the Capital Market, Insurance and Savings Authority published a third revision of the "Roadmap for the Adoption of International Accounting Standard (IFRS) 17 - Insurance Contracts" (hereinafter - the "Third Revision"), which includes a number of amendments compared with the "Roadmap - Second Revision", that was published on December 14, 2022. Under the Third Revision, the date for first-time application of IFRS 17 and IFRS 9 for insurance companies in Israel (for which the binding date for their implementation by these companies under IFRS was planned for January 1, 2023) was postponed to the quarterly and annual periods beginning on January 1, 2025 (accordingly, the transition date will be January 1, 2024). According to the Third Revision, 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 insurance companies in Israel, as set out above, insurance companies in Israel will continue applying the provisions of IFRS 4, Insurance Contracts, and IAS 39, Financial Instruments: Recognition and Measurement, which have been applied by them thus far, and which were superseded by IFRS 17 and IFRS 9, respectively. Other IFRSs are applied by the insurance companies in Israel in accordance with the dates set out in the standards.	As part of the standards' adoption process, the Company is implementing and integrating IT systems that are necessary for the application of Standard 17's provisions. In addition, the Group is testing and mapping the required controls and the flow of information to the financial statements. The Group continues to assess the effects of the adoption of the said standards on its financial statements, and is preparing for their implementation according to said schedule.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. New standards and interpretations not yet adopted: (cont.)

D.1. Standards adopted by the Israeli insurance companies in the Group in accordance with the directives of the Capital Market, Insurance and Savings Authority: (cont.)

Standard / Interpretation / Amendment	Topic	Effective date and transitional provisions	Expected main effects
IFRS 17 - Insurance Contracts and IFRS 9 Financial Instruments (cont.)		Consequently, and in accordance with the provisions for the preparation of financial statements together with the provisions of Legal Staff Position 99-10, starting in January 1, 2023, the Group's consolidated financial statements are not fully compliant with IFRS, however the information in the Group's consolidated financial statements referring to consolidated subsidiaries that meet the definition of an insurer, as defined in the Supervision Law, are prepared in accordance with the Commissioner's directives under the Supervision Law. In addition, as set out in Note 2 above, the information in the Group’s consolidated financial statements referring to the credit card company from the closing date of the acquisition of CIMax was prepared in accordance with the provisions and directives of the Banking Supervision Department. However, the information in the Group's consolidated financial statements that do not refer to the subsidiaries continue to be prepared in accordance with IFRS.	

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. New standards and interpretations not yet adopted: (cont.)

D.1. Standards adopted by the Israeli insurance companies in the Group in accordance with the directives of the Capital Market, Insurance and Savings Authority: (cont.)

Standard / Interpretation / Amendment	Topic	Effective date and transitional provisions	Expected main effects
IFRS 17 - Insurance Contracts and IFRS 9 Financial Instruments (cont.)		In addition to the above, in accordance with the Third Revision, in 2024, as part of the financial statements for the third quarter, the companies will be required to include, as part of a dedicated note in the financial statements, only a pro forma statement of financial position as of January 1, 2024 (opening balances data as of the transition date, without comparative figures), drawn up in accordance with the provisions of IFRS 17 and IFRS 9. In their 2024 Annual Financial Statements, companies will be required to include key proforma statements (statement of financial position as of January 1, 2024 and selected line items from the statement of comprehensive income for 2024 at the very least, and without comparative figures), that will be prepared in accordance with the provisions of IFRS 17 and IFRS 9 according to the disclosure format attached to the Third Revision. Furthermore, as part of the Third Revision, the milestones for the implementation of the standards in 2023 and 2024 were amended in line with the postponement of the first-time application date of IFRS 17 and IFRS 9, and in order to ensure the preparedness of Israeli insurance companies for a fair and reliable high-quality application of the standards. The key amendments pertain to the reporting requirements to the Capital Market, Insurance and Savings Authority before the first-time application date, the time table for adapting the IT systems, the completion of the formulation of the accounting policy, the preparations for the calculation of the risk adjustment for a non-financial risk, the involvement of the independent auditors, and the disclosure of high-quality supplementary information for the dedicated note as from the financial statements for the first quarter of 2024.	

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. New standards and interpretations not yet adopted: (cont.)

D.2. New accounting standards and directives issued by the Banking Supervision Department prior to their application by credit card company Max:

Standard / Interpretation / Amendment	Topic	Effective date and transitional provisions	Expected main effects
ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures	On March 31, 2022, the Financial Accounting Standards Board (FASB) published ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures (hereinafter - the "ASU"). The ASU revokes the provisions relating to restructuring of troubled debts by lenders, while improving disclosure requirements regarding borrowers in financial difficulties. The ASU also adds a disclosure requirements of gross write-offs, by credit granting year.	The provisions of ASU 2016-13 will be applicable to entities which have adopted it as of the annual and interim periods commencing after December 15, 2022. Other entities will apply the provisions of ASU at the date of first-time application of ASU 2016-13. At this stage, a date has not yet been set for the start of implementation by banks and acquirers in Israel.	Max is examining the effect of the new provisions on its financial statements.

NOTE 4 - SEGMENT REPORTING

A. General

The Group operates in the following operating segments:

1. Long-term savings

The long-term savings segment comprises life insurance, related coverages (appendices), and management of pension and provident funds. The segment comprises long-term savings (under various types of insurance policies, pension funds and provident funds, including advanced education funds), and insurance coverages for various risks, such as: death, disability, long-term health, and health insurance sold as appendices to life insurance policies, and more. According to the Commissioner's Directives, the long-term savings segment is described in accordance with the following subsegments: provident, pension and life insurance.

2. Health Insurance

The health insurance segment comprises the Group's activity in the health insurance subsegments. The segment comprises long-term care insurance, medical expenses insurance, surgery, transplants, personal accidents (long-term health subsegment), travel, dental insurance, foreign employees insurance and more.

3. P&C insurance

The P&C insurance segment comprises the liability and property subsegments, credit insurance, personal accidents insurance and other.

In accordance with the Commissioner's Directives, the property and casualty insurance segment is broken down into compulsory motor insurance, motor property, property and other subsegments and liability and other subsegments, as follows:

- **Compulsory motor subsegment**

  The compulsory motor subsegment focuses on coverage, the purchase of which by the vehicle owner or driver is mandatory, in respect of bodily injury caused as a result of the use of a motor vehicle (to the driver, passengers, or pedestrians).

- **Motor property subsegment**

  The motor property subsegment focuses on coverage against property damage to the policyholder's vehicle and third-party property damage caused by the insured vehicle.

- **Property and other subsegments**

  All remaining property insurance subsegments other than the motor and liability insurance subsegments and other insurance subsegments, such as guarantees and personal accidents (short-term health insurance).

- **Credit insurance through a consolidated company**

  The credit insurance and foreign trade insurance subsegments.

- **Other liability subsegments**

  The liability subsegments provide coverage in respect of the policyholder's liability for any third-party damage he/she may cause. These subsegments include: third-party liability, employers' liability, professional liability and product liability.

4. The credit card segment

Including the operating results of the credit card company; the Company engages in two main operating segments: the issuance segment and acquiring segment.

Issuance subsegment

The issuance subsegment focuses on 2 main activities:

1. Solutions for financial institutions - joint credit card issuance and processing with banks, for their customers (B2B2C); hereinafter - bank debit cards.
2. Private customers - sale and marketing of non-bank credit cards, consumer credit and other products directly to private customers, i.e., consumers (B2C), including through joint loyalty programs.

NOTE 4 - SEGMENT REPORTING (cont.)

A. General (cont.)

4. The credit card segment (cont.)

Issuance subsegment (cont.)

Within the issuance subsegment, Max issues its customers debit cards, which are used as a means of payment for transactions and cash withdrawal at merchants in Israel and worldwide that accept the brands issued by the Company. The Company's revenue from card holders is from fees and commissions collected from the card holders and issuing fees collected from the credit card companies (as acquiring companies) as well as from international organizations (acquirers outside Israel). In addition, interest is collected from Max customers for transactions and credit products provided by Max.

Acquiring subsegment

This subsegment includes mainly the following activities:

1. Acquiring services - Payment guarantees against vouchers of transactions carried out using credit cards in exchange for a fee collected from the merchant.
2. Related services and complementary products to the acquiring services.
3. Financial solutions - Products and services offered to merchants, such as loans, voucher discounting, early payments and guarantees, in respect of which interest, fees and commissions are collected from the merchants.

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

A. Hyp Payment Solutions Ltd. (hereinafter - "Hyp"), which provides payment solutions to e-commerce websites and merchants, used for payment by credit cards and other means of payment, and provides credit card reconciliation services through a system that enables monitoring merchants' business activity with credit card companies and factoring companies. Hyp also provides a bookkeeping management and digital invoice generation system;

B. Max EVS Ltd. (held at 51%) - is a technological joint venture in the field of charging systems and other services relevant to electric vehicles and solar roofs.

The Company was initially consolidated as from March 31, 2023, such that the quantitative segment information below includes only the results of the second and third quarter of 2023 for this operating segment, other than a provision for credit default according to CECL at the time of the CIMax acquisition; for further details, see Note 3(b)(2)(b).

5. Other

Includes operating segments that do not meet the quantitative thresholds for reporting, mainly in respect of the insurance agencies.

6. Activity not allocated to segments

This activity includes the Group's headquarters, which is mainly the capital, the liabilities not in the insurance business and the assets held against them by Clal Insurance rather than by the credit card company's business, as well as the Company's separate balances and results.

As of April 1, 2023, the results also include the finance expenses for the Syndicated Loan in respect of the Max acquisition transaction. For further details, please see Note 6(c).

NOTE 4 - SEGMENT REPORTING (cont.)

B. Seasonality

1. Long-term savings segment

Generally, the revenues from life insurance premiums, and management fees revenues from pension and provident funds are not affected by seasonality, and therefore claims are also not affected by seasonality.

However, since the tax year ends in December, there is a certain effect of seasonality in that month in terms of payment of premiums/contributions towards benefits for pension saving products, since significant amounts are deposited in this month by salaried employees and self-employed persons, who make contributions independently outside their payroll in order to fully utilize the tax benefits, and also by employers that pay outstanding debts in respect of the relevant tax year or make non-recurring contributions, normally in respect of severance pay-related debts. Furthermore, the amounts of premiums/contributions towards benefits may be higher in certain months, which vary from one year to another, mainly due to one-off payments made by employers to employees, and in respect of which contributions towards benefits are made.

2. Property and casualty insurance segment

As a general rule, revenues earned from premiums in the property and casualty insurance segment are not affected by significant seasonality. However, the premium revenues in the first quarter of the year are higher than premium revenues in the other quarters, mainly due to renewal of insurance agreements of business policyholders and large car fleets at the beginning of the calendar year, which reflects a certain degree of seasonality. The effect of this seasonality on the reported profit is neutralized through the provision for unearned premium.

There is no significant seasonality in other components of expenses, such as claims, and in components of revenues, such as investment income. However, it should be noted that during the winter season - in the first quarter or fourth quarter of the year, or both - there is sometimes an increase in claims, mainly in the property insurance subsegments, and consequently the reported profit for the period decreases.

NOTE 4 - SEGMENT REPORTING (cont.)

C. Operating segments reporting

	Long-Term Savings											
	Provident funds			Pension			Life insurance [1]			Total		
	For the nine-month period ended September 30		For the year ended December 31	For the nine-month period ended September 30		For the year ended December 31	For the nine-month period ended September 30		For the year ended December 31	For the nine-month period ended September 30		For the year ended December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
In NIS million	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Premiums earned, gross	**-**	-	-	**-**	-	-	**4,681**	5,177	6,844	**4,681**	5,177	6,844
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**128**	124	162	**128**	124	162
Premiums earned - retention	**-**	-	-	**-**	-	-	**4,552**	5,053	6,683	**4,552**	5,053	6,683
Investment income, net and finance income	**179**	195	248	**1**	2	3	**4,851**	(6,130)	(4,783)	**5,031**	(5,934)	(4,532)
Income from management fees	**217**	186	252	**275**	252	339	**446**	457	605	**938**	896	1,196
Income from fees and commissions	**-**	-	-	**-**	-	-	**19**	30	36	**19**	30	36
Other income	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Total income	**397**	381	501	**276**	254	342	**9,868**	(590)	2,540	**10,541**	46	3,383
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**176**	198	249	**-**	-	-	**9,108**	(1,068)	1,742	**9,283**	(870)	1,991
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**-**	-	-	**-**	-	-	**(109)**	(71)	(110)	**(109)**	(71)	(110)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**176**	198	249	**-**	-	-	**8,999**	(1,138)	1,632	**9,175**	(941)	1,881
Fees and commissions, marketing expenses and other purchase expenses	**106**	83	117	**87**	80	111	**548**	558	729	**740**	720	957
General and administrative expenses	**104**	92	123	**149**	141	193	**262**	274	371	**516**	507	688
Impairment of intangible assets	**-**	-	2	**-**	-	1	**-**	-	3	**-**	-	6
Other expenses	**5**	4	6	**3**	6	7	**-**	-	-	**8**	10	13
Finance expenses	**-**	-	-	**-**	-	-	**13**	-	3	**13**	-	4
Total expenses	**390**	377	497	**239**	227	313	**9,822**	(307)	2,738	**10,452**	297	3,548
Share in results of equity-accounted investees, net	**-**	-	-	**-**	-	-	**-**	(3)	(3)	**-**	(3)	(3)
Income (loss) before taxes on income	**7**	4	4	**37**	27	28	**46**	(286)	(201)	**90**	(254)	(168)
Other comprehensive income (loss) before taxes on income	**1**	(6)	(6)	**1**	(10)	(11)	**59**	103	104	**61**	87	87
Total comprehensive income (loss) before income tax	**8**	(1)	(2)	**38**	17	18	**105**	(183)	(96)	**151**	(168)	(81)
	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		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 in respect of insurance contracts and non-yield-dependent investment contracts	**2,471**	2,421	2,441	**-**	-	-	**21,437**	20,665	20,798	**23,908**	23,086	23,239
Liabilities in respect of insurance contracts and yield-dependent investment contracts	**-**	-	-	**-**	-	-	**89,779**	87,707	88,780	**89,779**	87,707	88,780
1) Total premiums (including pure savings premiums (investment contracts) recognized directly in the reserve)							**5,613**	8,344	10,518	**5,613**	8,344	10,518

NOTE 4 - SEGMENT REPORTING (cont.)

C. Operating segments reporting (cont.)

	Health			P&C			Credit cards			Other		
	For the nine-month period ended September 30		For the year ended December 31	For the nine-month period ended September 30		For the year ended December 31	For the nine-month period ended September 30		For the year ended December 31	For the nine-month period ended September 30		For the year ended December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
In NIS million	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Premiums earned, gross	**1,306**	1,181	1,599	**2,547**	2,260	3,068	**-**	-	-	**-**	-	-
Premiums earned by reinsurers	**69**	62	84	**1,091**	1,053	1,420	**-**	-	-	**-**	-	-
Premiums earned - retention	**1,237**	1,119	1,515	**1,456**	1,207	1,648	**-**	-	-	**-**	-	-
Income from credit card transactions	**-**	-	-	**-**	-	-	**760**	-	-	**-**	-	-
Investment income, net and finance income	**190**	110	180	**170**	158	202	**629**	-	-	**2**	1	(3)
Income from management fees	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Income from fees and commissions	**8**	5	11	**166**	158	225	**-**	-	-	**160**	149	201
Other income	**-**	-	-	**-**	-	-	**3**	-	-	**-**	-	-
Total income	**1,435**	1,234	1,707	**1,792**	1,523	2,075	**1,392**	-	-	**161**	150	198
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**954**	469	746	**1,417**	1,564	2,013	**-**	-	-	**-**	-	-
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**(65)**	(72)	(105)	**(415)**	(650)	(793)	**-**	-	-	**-**	-	-
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**889**	396	641	**1,002**	914	1,220	**-**	-	-	**-**	-	-
Loan loss expenses, see Note 3(b)(2)(b)	**-**	-	-	**-**	-	-	**133**	-	-	**-**	-	-
Credit card operations	**-**	-	-	**-**	-	-	**496**	-	-	**-**	-	-
Payments to banks	**-**	-	-	**-**	-	-	**115**	-	-	**-**	-	-
Fees and commissions, marketing expenses and other purchase expenses	**478**	419	578	**490**	438	613	**190**	-	-	**116**	109	139
General and administrative expenses	**68**	62	83	**60**	60	80	**48**	-	-	**11**	9	16
Impairment of intangible assets	**-**	-	1	**-**	-	1	**-**	-	-	**-**	-	-
Other expenses	**-**	-	-	**-**	-	-	**-**	-	-	**5**	4	5
Finance expenses	**3**	7	9	**21**	26	27	**232**	-	-	**-**	1	1
Total expenses	**1,439**	884	1,312	**1,573**	1,438	1,940	**1,214**	-	-	**133**	123	161
Share in results of equity-accounted investees, net	**-**	-	-	**-**	(3)	(3)	**1**	-	-	**8**	4	6
Income (loss) before taxes on income	**(4)**	349	394	**219**	82	132	**179**	-	-	**36**	31	43
Other comprehensive income (loss) before taxes on income	**1**	(35)	(41)	**39**	(212)	(224)	**-**	-	-	**-**	2	2
Total comprehensive income (loss) before income tax	**(3)**	315	353	**258**	(130)	(91)	**179**	-	-	**36**	33	45

	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		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 in respect of insurance contracts and non-yield-dependent investment contracts	**2,777**	2,583	2,614	**8,165**	8,064	7,963	**-**	-	-	**-**	-	-
Liabilities in respect of insurance contracts and yield-dependent investment contracts	**1,136**	1,081	1,092	**-**	-	-	**-**	-	-	**-**	-	-

NOTE 4 - SEGMENT REPORTING (cont.)

C. Operating segments reporting (cont.)

	Not allocated to segments			Adjustments and offsets			Total		
	For the nine month period ended September 30		For the year ended December 31	For the nine month period ended September 30		For the year ended December 31	For the nine month period ended September 30		For the year ended December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022
In NIS million	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Premiums earned, gross	**-**	-	-	**(1)**	(1)	(2)	**8,533**	8,617	11,509
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**1,288**	1,238	1,665
Premiums earned - retention	**-**	-	-	**(1)**	(1)	(2)	**7,244**	7,378	9,844
Income from credit card transactions	**-**	-	-	**-**	-	-	**760**	-	-
Investment income, net and finance income	**(65)**	102	57	**93**	-	-	**6,049**	(5,564)	(4,097)
Income from management fees	**-**	-	-	**1**	1	1	**940**	897	1,198
Finance income (expenses) from fees and commissions	**-**	-	-	**(72)**	(67)	(90)	**281**	275	383
Other income	**-**	-	-	**-**	-	-	**3**	1	-
Total income	**(65)**	102	57	**21**	(67)	(90)	**15,277**	2,988	7,329
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**-**	-	-	**(2)**	(1)	(1)	**11,653**	1,162	4,749
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**-**	-	-	**-**	-	-	**(589)**	(793)	(1,008)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**-**	-	-	**(2)**	(1)	(1)	**11,064**	369	3,741
Loan loss expenses, see Note 3(b)(2)(b)	**-**	-	-	**220**	-	-	**353**	-	-
Credit card operations	**-**	-	-	**-**	-	-	**496**	-	-
Payments to banks	**-**	-	-	**-**	-	-	**115**	-	-
Fees and commissions, marketing expenses and other purchase expenses	**-**	-	-	**(72)**	(67)	(90)	**1,943**	1,620	2,196
General and administrative expenses	**61**	51	74	**-**	1	1	**763**	691	941
Impairment of intangible assets	**-**	-	-	**-**	-	-	**-**	-	8
Other expenses (income)	**-**	-	(1)	**13**	-	-	**25**	14	18
Finance expenses	**211**	144	194	**-**	-	-	**481**	177	235
Total expenses	**272**	195	267	**159**	(66)	(90)	**15,241**	2,871	7,139
Share in results of equity-accounted investees, net	**(1)**	3	3	**-**	-	-	**8**	1	3
Income (loss) before taxes on income	**(338)**	(90)	(207)	**(139)**	-	(1)	**44**	118	194
Other comprehensive income (loss) before taxes on income	**147**	(352)	(374)	**-**	2	2	**247**	(507)	(547)
Total comprehensive income (loss) before income tax	**(191)**	(441)	(581)	**(139)**	2	2	**291**	(390)	(354)

	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	**-**	-	-	**(1)**	(1)	(1)	**34,849**	33,732	33,814
Liabilities in respect of insurance contracts and yield-dependent investment contracts	**-**	-	-	**(18)**	(19)	(19)	**90,897**	88,769	89,853

NOTE 4 - SEGMENT REPORTING (cont.)

C. Operating segments reporting (cont.)

	Long-Term Savings							
	Provident funds		Pension		Life insurance [1])		Total	
	For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30	
	2023	2022	2023	2022	2023	2022	2023	2022
In NIS million	Unaudited							
Premiums earned, gross	-	-	-	-	1,483	1,704	1,483	1,704
Premiums earned by reinsurers	-	-	-	-	45	43	45	43
Premiums earned - retention	-	-	-	-	1,438	1,661	1,438	1,661
Income from credit card transactions	-	-	-	-	-	-	-	-
Investment income, net and finance income	53	61	1	-	506	(1,421)	561	(1,360)
Income from management fees	73	64	96	86	148	151	316	300
Income from fees and commissions	-	-	-	-	10	8	10	8
Other income	-	-	-	-	-	-	-	-
Total income	126	125	97	86	2,103	398	2,326	609
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	49	60	-	-	1,811	34	1,860	94
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	-	-	-	-	(35)	(23)	(35)	(23)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	49	60	-	-	1,776	11	1,825	71
Fees and commissions, marketing expenses and other purchase expenses	38	31	30	29	185	191	252	251
General and administrative expenses	33	31	47	49	83	93	163	173
Other expenses	2	1	1	1	-	-	3	3
Finance expenses	-	-	-	-	1	-	1	1
Total expenses	122	124	78	79	2,045	296	2,244	499
Income before income tax	5	1	19	7	57	102	81	110
Other comprehensive income (loss) before taxes on income	-	(1)	(1)	(2)	42	14	41	11
Total comprehensive income before income tax	4	-	18	5	100	116	122	121
1) Total premiums (including pure savings premiums (investment contracts) recognized directly in the reserve					1,684	2,421	1,684	2,421

NOTE 4 - SEGMENT REPORTING (cont.)

C. Operating segments reporting (cont.)

	Health		P&C		Credit cards		Other		Not allocated to segments		Adjustments and offsets		Total	
	For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
In NIS million	Unaudited													
Premiums earned, gross	**457**	419	**887**	781	**-**	-	**-**	-	**-**	-	**(1)**	-	**2,826**	2,903
Premiums earned by reinsurers	**25**	21	**365**	361	**-**	-	**-**	-	**-**	-	**-**	-	**434**	425
Premiums earned - retention	**432**	398	**521**	420	**-**	-	**-**	-	**-**	-	**(1)**	-	**2,391**	2,478
Income from credit card transactions	**-**	-	**-**	-	**393**	-	**-**	-	**-**	-	**-**	-	**393**	-
Investment income, net and finance income	**46**	28	**58**	72	**323**	-	**1**	-	**(38)**	51	**30**	-	**981**	(1,209)
Income from management fees	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**317**	301
Income from fees and commissions	**3**	2	**56**	54	**-**	-	**55**	50	**-**	-	**(26)**	(22)	**98**	91
Other income	**-**	-	**-**	-	**1**	-	**-**	-	**-**	-	**-**	-	**1**	1
Total income	**481**	427	**635**	546	**717**	-	**56**	50	**(38)**	52	**4**	(22)	**4,180**	1,661
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**327**	249	**443**	471	**-**	-	**-**	-	**-**	-	**(1)**	(1)	**2,630**	814
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**(28)**	(23)	**(122)**	(179)	**-**	-	**-**	-	**-**	-	**-**	-	**(184)**	(225)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**300**	226	**322**	292	**-**	-	**-**	-	**-**	-	**(1)**	(1)	**2,446**	588
Loan loss expenses, see Note 3(b)(2)(b)	**-**	-	**-**	-	**86**	-	**-**	-	**-**	-	**-**	-	**86**	-
Credit card operations	**-**	-	**-**	-	**238**	-	**-**	-	**-**	-	**-**	-	**238**	-
Payments to banks	**-**	-	**-**	-	**59**	-	**-**	-	**-**	-	**-**	-	**59**	-
Fees and commissions, marketing expenses and other purchase expenses	**165**	140	**167**	158	**109**	-	**39**	40	**-**	-	**(26)**	(22)	**706**	568
General and administrative expenses	**23**	21	**17**	20	**24**	-	**4**	1	**21**	21	**-**	-	**252**	236
Other expenses	**-**	-	**-**	-	**-**	-	**2**	1	**-**	-	**6**	-	**11**	4
Finance expenses	**1**	2	**8**	3	**122**	-	**-**	-	**79**	47	**-**	-	**212**	53
Total expenses	**488**	390	**514**	474	**638**	-	**45**	42	**100**	68	**(21)**	(23)	**4,010**	1,449
Share in results of equity-accounted investees, net	**-**	-	**-**	-	**1**	-	**2**	2	**-**	1	**-**	-	**3**	2
Income (loss) before taxes on income	**(8)**	38	**121**	72	**80**	-	**13**	9	**(138)**	(16)	**24**	1	**173**	214
Other comprehensive income (loss) before taxes on income	**(8)**	5	**6**	(63)	**-**	-	**-**	-	**5**	(106)	**-**	-	**44**	(152)
Total comprehensive income (loss) before income tax	**(15)**	42	**126**	10	**80**	-	**13**	10	**(133)**	(122)	**24**	1	**217**	62

NOTE 4 - SEGMENT REPORTING (cont.)

D. Additional data regarding key insurance subsegments included in the P&C insurance segment

	Liability subsegments					
	Compulsory motor			Liability and other subsegments [1]		
	For the nine month period ended September 30		For the year ended December 31	For the nine-month period ended September 30		For the year ended December 31
	2023	2022	2022	2023	2022	2022
In NIS million	Unaudited		Audited	Unaudited		Audited
Gross premiums	**565**	544	695	**411**	395	486
Reinsurance premiums	**135**	216	275	**218**	220	251
Premiums - retention	**431**	328	419	**193**	176	236
Change in unearned premium balance, retention	**(73)**	(57)	(43)	**(12)**	(5)	(7)
Premiums earned - retention	**358**	271	376	**181**	171	229
Investment income, net and finance income	**63**	61	80	**58**	58	76
Income from fees and commissions	**18**	27	36	**17**	16	22
Total income	**440**	359	492	**256**	245	327
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**436**	373	484	**154**	118	135
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**(133)**	(127)	(164)	**(63)**	(33)	(42)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**303**	245	320	**92**	85	93
Fees and commissions, marketing expenses and other purchase expenses	**73**	69	97	**76**	73	101
General and administrative expenses	**10**	11	14	**5**	6	8
Impairment of intangible assets	**-**	-	-	**-**	-	-
Finance expenses (income)	**3**	3	4	**5**	6	6
Total expenses	**388**	329	435	**178**	170	208
Share in results of equity-accounted investees, net	**-**	(1)	(1)	**-**	(1)	(1)
Income (loss) before taxes on income	**51**	29	56	**78**	74	118
Other comprehensive income (loss) before taxes on income	**16**	(81)	(86)	**13**	(77)	(83)
Total comprehensive income (loss) before income tax	**67**	(52)	(30)	**92**	(3)	36
	As of September 30		As of December 31	As of September 30		As of December 31
	2023	2022	2022	2023	2022	2022
Liabilities in respect of insurance contracts	Unaudited		Audited	Unaudited		Audited
Gross	**2,930**	2,877	2,843	**2,916**	3,003	2,941
Reinsurance	**1,243**	1,313	1,297	**1,577**	1,585	1,551
Retention	**1,687**	1,565	1,546	**1,339**	1,418	1,390

1) Other liability subsegments mainly include results from the third-party liability, officers liability and employers liability insurance subsegments, the activity of which in the reporting period, the corresponding period last year and the year ended December 31, 2022 constitutes approx. 80%, 81% and 80% of total premiums in these subsegments, respectively.

NOTE 4 - SEGMENT REPORTING (cont.)

D. Additional data regarding key insurance subsegments included in the P&C insurance segment (cont.)

	Property subsegments									Total		
	Motor property			Credit insurance			Property and other subsegments [1]					
	For the nine month period ended September 30		For the year ended December 31	For the nine-month period ended September 30		For the year ended December 31	For the nine-month period ended September 30		For the year ended December 31	For the nine-month period ended September 30		For the year ended December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
In NIS million	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums	**877**	730	942	**102**	99	132	**904**	793	1,019	**2,859**	2,561	3,275
Reinsurance premiums	**50**	89	114	**53**	54	72	**706**	615	792	**1,161**	1,193	1,503
Premiums - retention	**827**	641	829	**49**	45	60	**199**	179	228	**1,698**	1,368	1,772
Change in unearned premium balance, retention	**(137)**	(89)	(70)	**(2)**	(1)	(1)	**(18)**	(10)	(3)	**(242)**	(161)	(124)
Premiums earned - retention	**690**	552	758	**46**	45	59	**180**	169	225	**1,456**	1,207	1,648
Investment income, net and finance income	**21**	16	20	**8**	11	9	**20**	12	16	**170**	158	202
Income from fees and commissions	**6**	5	8	**14**	17	21	**110**	94	138	**166**	158	225
Other income	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Total income	**716**	572	786	**69**	72	90	**311**	275	379	**1,792**	1,523	2,075
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**668**	638	862	**34**	32	35	**124**	403	497	**1,417**	1,564	2,013
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**(78)**	(105)	(140)	**(23)**	(21)	(23)	**(118)**	(363)	(423)	**(415)**	(650)	(793)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**590**	533	722	**11**	11	11	**6**	41	74	**1,002**	914	1,220
Fees and commissions, marketing expenses and other purchase expenses	**179**	151	212	**9**	9	12	**152**	136	191	**490**	438	613
General and administrative expenses	**15**	15	20	**16**	15	20	**13**	13	18	**60**	60	80
Impairment of intangible assets	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	1
Finance expenses (income)	**1**	2	2	**3**	4	4	**9**	10	11	**21**	26	27
Total expenses	**786**	701	956	**39**	38	47	**181**	200	294	**1,573**	1,438	1,940
Share in results of equity-accounted investees, net	**-**	-	-	**-**	-	-	**-**	-	-	**-**	(3)	(3)
Income (loss) before taxes on income	**(69)**	(129)	(169)	**29**	34	42	**129**	75	85	**219**	82	132
Other comprehensive income (loss) before taxes on income	**5**	(21)	(21)	**1**	(18)	(17)	**3**	(15)	(17)	**39**	(212)	(224)
Total comprehensive income (loss) before income tax	**(64)**	(150)	(190)	**30**	15	26	**133**	59	68	**258**	(130)	(91)

	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31	As of September 30		As of December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
Liabilities in respect of insurance contracts	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross	**871**	774	784	**90**	99	100	**1,359**	1,310	1,294	**8,165**	8,064	7,963
Reinsurance	**73**	115	117	**49**	57	58	**1,103**	1,037	1,014	**4,044**	4,106	4,037
Retention	**798**	659	667	**41**	42	42	**256**	274	280	**4,121**	3,957	3,926

1) Property and other subsegments mainly include results from the business, home and engineering property insurance subsegments, the activity of which in the reporting period, the corresponding period last year and the year ended December 31, 2022 constitutes approx. 77%, 77% and 76% of total premiums in these subsegments, respectively.

NOTE 4 - SEGMENT REPORTING (cont.)

D. Additional data regarding key insurance subsegments included in the P&C insurance segment (cont.)

	Liability subsegments				Property subsegments							
	Compulsory motor		Liability and other subsegments [2]		Motor property		Credit insurance		Property and other subsegments [1]		Total	
	For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30		For the three-month period ended September 30	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
In NIS million	Unaudited											
Gross premiums	**205**	204	**110**	99	**324**	264	**34**	33	**281**	229	**954**	829
Reinsurance premiums	**50**	85	**47**	45	**15**	33	**18**	18	**216**	170	**346**	351
Premiums - retention	**155**	119	**62**	54	**309**	231	**16**	15	**65**	59	**608**	479
Change in unearned premium balance, retention	**(28)**	(25)	**1**	4	**(58)**	(37)	**-**	-	**(1)**	-	**(87)**	(58)
Premiums earned - retention	**127**	94	**63**	58	**251**	194	**16**	15	**64**	59	**521**	420
Investment income, net and finance income	**18**	29	**19**	27	**6**	8	**4**	2	**11**	6	**58**	72
Income from fees and commissions	**5**	9	**6**	6	**1**	2	**5**	5	**38**	33	**56**	54
Total income	**151**	132	**88**	91	**259**	203	**24**	22	**114**	98	**635**	546
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**153**	101	**72**	51	**208**	215	**16**	13	**(6)**	91	**443**	471
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**(49)**	(29)	**(25)**	(25)	**(18)**	(38)	**(11)**	(8)	**(19)**	(80)	**(122)**	(179)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**104**	71	**47**	27	**190**	178	**5**	5	**(24)**	11	**322**	292
Fees and commissions, marketing expenses and other purchase expenses	**23**	25	**28**	25	**62**	54	**3**	3	**51**	51	**167**	158
General and administrative expenses	**3**	4	**1**	2	**4**	5	**6**	5	**4**	4	**17**	20
Finance expenses (income)	**(4)**	(9)	**4**	6	**-**	-	**1**	1	**7**	6	**8**	3
Total expenses	**126**	91	**80**	59	**255**	237	**15**	13	**38**	73	**514**	474
Share in results of equity-accounted investees, net	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Income (loss) before taxes on income	**25**	41	**7**	31	**3**	(34)	**9**	9	**76**	25	**121**	72
Other comprehensive income (loss) before taxes on income	**3**	(24)	**2**	(22)	**1**	(6)	**(2)**	(5)	**1**	(5)	**6**	(63)
Total comprehensive income (loss) before income tax	**28**	17	**10**	9	**5**	(40)	**7**	4	**77**	20	**126**	10

1) Property and other subsegments mainly include results from the business, home and engineering property insurance subsegments, the activity of which in the three-month period ended on the report date and in the corresponding period last year constitute approx. 76% and approx. 74%, respectively, of total premiums in these subsegments.

2) Other liability subsegments mainly include results from the third-party liability, employers' liability and executive liability and professional liability insurance subsegments, the activity of which in the three-month period ended on the report date and in the corresponding period last year constitutes approx. 86% and approx. 88% of total premiums in these subsegments, respectively.

NOTE 4 - SEGMENT REPORTING (cont.)

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

Data for the nine-month period ended September 30, 2023 (unaudited)

In NIS million	Life insurance policies which include a savings component (including appendices) by policy issuance date				Life insurance policy without a risk component sold as a single policy		
			From 2004				
	Until 1990 [1)]	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
Gross premiums:	105	1,186	-	2,697	638	55	4,681
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	933	-	-	933
Financial margin including management fees [2)]	30	189	-	255	-	-	474
Payments and change in liabilities in respect of insurance contracts, gross	1,285	3,083	-	3,893	350	45	8,656
Payments and change in liabilities in respect of investment contracts	-	-	-	452	-	-	452
Total comprehensive income (loss)	36	140	1	(87)	10	5	105

Data for the nine-month period ended September 30, 2022 (unaudited)

In NIS million	Life insurance policies which include a savings component (including appendices) by policy issuance date				Life insurance policy without a risk component sold as a single policy		
			From 2004				
	Until 1990 [1)]	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
Gross premiums:	116	1,204	-	3,224	581	52	5,177
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	3,167	-	-	3,167
Financial margin including management fees [2)]	(197)	195	-	262	-	-	260
Payments and change in liabilities in respect of insurance contracts, gross	1,309	(2,394)	-	636	256	46	(147)
Payments and change in liabilities in respect of investment contracts	-	-	-	(921)	-	-	(921)
Total comprehensive income (loss)	(62)	(144)	-	33	2	(12)	(183)

Data for the three-month period ended September 30, 2023 (unaudited)

In NIS million	Life insurance policies which include a savings component (including appendices) by policy issuance date				Life insurance policy without a risk component sold as a single policy		
			From 2004				
	Until 1990 [1)]	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
Gross premiums:	35	391	-	820	218	19	1,483
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	201	-	-	201
Financial margin including management fees [2)]	(55)	64	-	84	-	-	93
Payments and change in liabilities in respect of insurance contracts, gross	380	395	-	830	118	15	1,738
Payments and change in liabilities in respect of investment contracts	-	-	-	73	-	-	73
Total comprehensive income (loss)	(63)	199	-	(32)	(3)	(1)	100

NOTE 4 - SEGMENT REPORTING (cont.)

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

Data for the three-month period ended September 30, 2022 (unaudited)

In NIS million	Life insurance policies which include a savings component (including appendices) by policy issuance date				Life insurance policy without a risk component sold as a single policy		
			From 2004				
	Until 1990 [1]	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
Gross premiums:	38	406	-	1,038	202	20	1,704
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	717	-	-	717
Financial margin including management fees [2]	(51)	64	-	87	-	-	100
Payments and change in liabilities in respect of insurance contracts, gross	263	(505)	-	412	81	14	265
Payments and change in liabilities for investment contracts	-	-	-	(231)	-	-	(231)
Total comprehensive income (loss)	138	(5)	-	(18)	3	(2)	116

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

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

Comments:

(1) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.

(2) The financial margin comprises gains (losses) on investments recognized in other comprehensive income, excludes other revenues of the Company, which are collected as a percentage of the premium, and calculated before the deduction of investment management expenses. The financial margin in guaranteed return policies is based on actual investment income, for the reporting year, less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In yield-dependent contracts, the financial margin is composed of the total amount of the fixed and variable management fees calculated as a reduction of the amounts credited to the savings balances in the Company's systems

NOTE 4 - SEGMENT REPORTING (cont.)

F. Additional data regarding the health insurance segments

Data for the nine-month period ended September 30, 2023 (unaudited)

	Long-term care		Health - other **)		
In NIS million	Individual	Collective	Long-term	Short-term	Total
Gross premiums	**209**	**17**	**(*952**	**(*130**	**1,308**
Payments and changes in liabilities in respect of insurance contracts, gross	**313**	**39**	**520**	**82**	**954**
Other comprehensive income	**-**	**-**	**1**	**-**	**1**
Total comprehensive income (loss)	**(2)**	**(7)**	**(4)**	**10**	**(3)**

*) Of which, individual premiums in the amount of NIS 917 million and collective premiums in the amount of NIS 165 million.
**) The most substantial coverage included in other long-term health is medical expenses and in short-term health insurance - travel.

Data for the nine-month period ended September 30, 2022 (unaudited)

	Long-term care		Health - other **)		
In NIS million	Individual	Collective	Long-term	Short-term	Total
Gross premiums	202	18	(*871	(*96	1,187
Payments and changes in liabilities in respect of insurance contracts, gross	(49)	25	436	57	469
Other comprehensive loss	-	-	(31)	(4)	(35)
Total comprehensive income (loss)	279	46	(12)	2	315

*) Of which, individual premiums in the amount of NIS 827 million and collective premiums in the amount of NIS 140 million.
**) The most substantial coverage included in other long-term health is medical expenses and in short-term health insurance - travel.

Data for the three-month period ended September 30, 2023 (unaudited)

	Long-term care		Health - other **)		
In NIS million	Individual	Collective	Long-term	Short-term	Total
Gross premiums	**70**	**6**	**(*322**	**(*58**	**456**
Payments and changes in liabilities in respect of insurance contracts, gross	**91**	**21**	**184**	**31**	**327**
Other comprehensive loss	**-**	**-**	**(7)**	**(1)**	**(8)**
Total comprehensive income (loss)	**4**	**(11)**	**(20)**	**12**	**(15)**

*) Of which, individual premiums in the amount of NIS 316 million and collective premiums in the amount of NIS 64 million.
**) The most substantial coverage included in other long-term health is medical expenses and in short-term health insurance - travel.

Data for the three-month period ended September 30, 2022 (unaudited)

	Long-term care		Health - other **)		
In NIS million	Individual	Collective	Long-term	Short-term	Total
Gross premiums	68	6	(*297	(*50	421
Payments and changes in liabilities in respect of insurance contracts, gross	72	11	141	25	249
Other comprehensive income	-	-	5	-	5
Total comprehensive income	11	5	16	10	42

*) Of which, individual premiums in the amount of NIS 285 million and collective premiums in the amount of NIS 62 million.
**) The most substantial coverage included in other long-term health is medical expenses and in short-term health insurance - travel.

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

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

*) Of which, individual premiums in the amount of NIS 1,120 million and collective premiums in the amount of NIS 188 million.
**) The most substantial coverage included in other long-term health is medical expenses and in short-term health insurance - travel.

NOTE 5 - SUBSIDIARIES

A. Business combination that occurred during the first quarter of 2023 - The acquisition of CIMax Holdings Ltd. (formerly WPI)

Further to Note 42(j) to the 2022 Financial Statements, on March 27, 2023 the Company completed the acquisition of the entire issued and paid-up share capital of CIMax Holdings Ltd.

CIMax is a holding company incorporated in Israel that holds Max IT Finance Ltd. and other companies, which, prior to completion of the transaction, were controlled by investment fund Warburg Pincus (approx. 70%).[1] The rest of WPI shares were held by Menora Mivtachim Group (approx. 9%), planholders of Clal Insurance Group (approx. 9%), Allied Holdings Ltd. (approx. 5%), as well as several individual shareholders, including Max consultants and employees.

CIMax's main activity is holding of the entire issued capital of Max IT Finance Ltd. (hereinafter - "Max"). Max's activity constitutes approx. 95% of the revenues in CIMax's consolidated financial statements. Max engages in the issuance, acquiring and processing of debit cards, as well as the provision of payments solutions and financial products, including credit to private and business customers.

Max is defined as an acquirer and holds a permanent acquiring license pursuant to the Banking (Licensing) Law, 1981.

Accordingly, Max's activity is subject to a set of laws, orders and regulations, the provisions and guidelines of the Banking Supervision Department and the terms of the acquiring license.

Max's activity focuses on two operating segments:

The issuance segment focuses on activities for two main types of customers:

A. Solutions for financial institutions - Joint credit card issuance and processing with banks, for their customers (B2B2C).

B. Private customers - Sale and marketing of non-bank credit cards, consumer credit and other products directly to private customers - consumers (B2C), including through joint loyalty programs established by third parties.

Within the issuance subsegment, Max issues debit cards to its customers, which are used as a means of payment for transactions and cash withdrawal by merchants in Israel and worldwide that accept the brands issued by the Company. Max also provides various types of credit to private customers. Max's revenue from card holders is from fees collected from the card holders, and issuing fees (interchange fee) collected from the credit card companies (as acquirers) and international organizations (acquirers outside Israel). In addition, Max collects interest from its customers for transactions and credit products which it provides.

The acquiring subsegment, which includes the following activities:

A. Acquiring services - Payment guarantee for merchants, against vouchers of transactions carried out using credit cards in exchange for a fee collected from the merchant.

B. Related services and complementary products for the acquiring services.

C. Financial solutions - Products and services offered to merchants, such as loans, voucher factoring, early payments and guarantees.

Max is regulated mainly by the Banking Supervision Department and therefore, in addition to the provisions of Proper Conduct of Banking Business Directives, is also subject to the Banking Supervision Department's letters and circulars and the terms and conditions of the acquiring license. In this context, among other things, the above Max fees and commissions collected from credit card holders are subject to the Banking Rules (Customer Service) (Fees and Commissions) and are regulated by the Banking Supervision Department. Max may revise the fees and commissions subject to notifying or obtaining the approval of the Banking Supervision Department, as the case may be.

In addition, Max's subsidiary, Max Insurance Agency (2020) Ltd., is overseen by the Capital Market Authority.

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[1] In economic value terms

NOTE 5 - SUBSIDIARIES (cont.)

A. Business combination that occurred during the first quarter of 2023 - The acquisition of CIMax Holdings Ltd. (formerly WPI) (cont.)

CIMax also holds the entire issued capital of Milo Brom Holdings Ltd. (hereinafter - “Milo”). Milo holds the following companies:

A. Hyp Payment Solutions Ltd. ("Hyp”) provides payment solutions, which include, among other things, physical terminals and technological solutions (connectivity services for clearing credit cards, payment gateway) to e-commerce websites and merchants that are used to pay by credit card and other means of payment, such as POS (“cashier") software. Hyp also provides credit card reconciliation services through a system which allows monitoring the business activity of merchants with credit card companies and factoring companies. Hyp also provides a bookkeeping management and digital invoice generation system;

B. Max EVS Ltd. (held at 51%) - is a technological joint venture in the field of charging systems and other services relevant to electric vehicles and solar roofs.[2]

Below are data regarding the consideration transferred according to the different components, assets and liabilities recognized on the acquisition date:

Consideration paid In NIS million	
Cash	790
Equity instruments issued (4,970,310 ordinary shares) (1)	253
Deferred payment (2)	377
	1,420

(1) Equity instruments issued

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

(2) Deferred payment

The fair value which was calculated by an external appraiser, for the balance of NIS 370 million (three hundred and seventy million NIS), which will be paid at a date or dates set by the Company and no later than April 30, 2024 (hereinafter - the “Deferred Payment”). The Deferred Payment will be adjusted according to CIMax’s rate of return in the period between the completion date of the CIMax acquisition transaction and the actual payment date of the Deferred Payment, according to arrangements determined by the parties.
On June 30, 2023, the Company settled the entire Deferred Payment of approx. NIS 380 million.

Determining the fair value

Below is information regarding how the Group determined the fair value of assets and liabilities that were recognized as part of the business combination:

The Company used an independent external appraiser for the purpose of conducting a provisional purchase price allocation (PPA) for its financial statements.

1. The Company recognized the fair value of the assets acquired and the liabilities assumed as part of the business combination according to a provisional measurement. As of the approval date of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities assumed. A final adjustment of the consideration for the acquisition as well as the fair value of the assets and liabilities purchased can be carried out up to 12 months from the acquisition date.

[2] A service provider of Max EVS Ltd. was awarded an option to acquire up to 10% of its shares, which is subject to the fulfillment of agreed terms and conditions.

NOTE 5 - SUBSIDIARIES (cont.)

A. Business combination that occurred during the first quarter of 2023 - The acquisition of CIMax Holdings Ltd. (formerly WPI) (cont.)

Determining the fair value (cont.)

2. Valuation method used for the valuation:

Following is a breakdown of the manner of calculating the fair value of the assets acquired and liabilities assumed as part of the business combination, according to a provisional measurement:

A. Brand - The brand was attributed to acquiring revenue, fees and commissions and other income. The fair value of the brand was assessed using the relief-from-royalty method. The lifetime used is 10 years; the discount rate used is 15%.

B. Technology - The fair value of the technology was calculated using the DCF method based on revenues taken from Hyp's revenue model and the existing revenue rate in respect of the technology was assumed; the useful life used is 10 years. The discount rate used is 15.75%

C. Customer relations - The fair value of customer relations was evaluated according to the DCF approach with a churn rate of between 5% and 10% per year, a cash flow forecast of operating income and expenses was established, which is attributable to the customer portfolio only for 10 years; the discount rate used is 13.5%.

D. Receivables for credit card transactions - The fair value of the credit balances was calculated according to the useful life of the balances and the provisions required, using interest at a rate of between 4% and 12% per year.

E. For the discounted cash flows in Sections A-D above, the tax reserve or deferred tax asset, respectively, were calculated based on the statutory tax rate under Israeli tax laws, such that they will be amortized entirely according to the expected cash flows.

The growth rate of revenues from which the above assets derive fluctuates between 3% and 5% per year based on the type of asset and the relevant year in the forecast.

The fair value and amortization periods were determined provisionally until completion of the independent valuation, while the valuation date is the completion date of the transaction, i.e. March 27, 2023.

Identifiable assets and liabilities acquired (based on provisional values):

In NIS million	Balance on March 31, 2023
	Unaudited
Cash and cash equivalents	496
Receivables and debit balances	52
Receivables for credit card transactions, net*)	15,408
Excess cost on acquisition **)	240
Property, plant & equipment	386
Right-of-use asset	198
Deferred tax assets	53
Investments in equity-accounted investees	7
Other financial investments	3
Payables and credit balances	(463)
Payables for credit card transactions	(8,649)
Financial liabilities	(6,535)
Liabilities for employee benefits, net	(27)
Lease liabilities	(198)
Liabilities for current taxes	(21)
Identifiable assets, net	**949**

NOTE 5 - SUBSIDIARIES (cont.)

A. Business combination that occurred during the first quarter of 2023 - The acquisition of CIMax Holdings Ltd. (formerly WPI) (cont.)

Identifiable assets and liabilities acquired (based on provisional values): (cont.)

	Amortization	Balance on March 31, 2023
*) Receivables for credit card transactions in Max's books of accounts		15,750
Excess cost for credit card transactions	Effective interest rate	(240)
Receivables for credit card transactions		15,510
Provision for default recognized as part of the first-time consolidation		(102)
Receivables for credit card transactions, net		15,408

**) Composition - excess cost:	Amortization period (in years)	Balance on March 31, 2023
Brand	10	79
Technology	10	66
Customer relations	10	108
Payables and credit balances	Q2 2023	(13)
Total		240

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

Cash and other cash equivalents paid	(790)
Cash and cash equivalents of subsidiary	496
	(294)

Goodwill

Due to the acquisition, goodwill was recognized as detailed below:

Consideration paid	**1,420**
Less fair value of the identifiable assets, net	**(949)**
Goodwill	**471**

Costs associated with the business combination

The Group incurred legal expenses and due diligence costs attributable to the acquisition totaling approx. NIS 3.5 million.

The costs Company also paid bonuses to employees amounting to approx. NIS 2.7 million.

These were included in administrative and general expenses in the income statement; most were recognized in 2022.

As mentioned above, the Company included the results of CIMax and its subsidiaries for the first time in these financial statements, as from April 1, 2023. Below are informative data regarding the financial results of CIMax and Max as reported by them to the Company as of the date of consolidation of their results in its financial statements as aforesaid. It should be emphasized that, as stated above, the Company included the results of CIMax in its reports as from April 1, 2023 and such data were not included in these financial statements:

NOTE 5 - SUBSIDIARIES (cont.)

A. Business combination that occurred during the first quarter of 2023 - The acquisition of CIMax Holdings Ltd. (formerly WPI) (cont.)

Costs associated with the business combination (cont.)

In NIS million Unaudited	1-3/2023 ***)	1-9/2022	7-9/2022	2022
Income from Max before non-recurring sale expenses *)	74	183	65	248
Non-recurring sale expenses*)	(28)	-	-	-
Max's net income as reported *)	46	183	65	248
Finance expenses in CIMax	(22)	(37)	(14)	(54)
Amortization of excess cost in CIMax, and administrative and general expenses in CIMax	(7)	(16)	(5)	(23)
Income from Milo, including amortization of excess costs in Milo **)	(4)	-	(1)	-
Net income - CIMax	13	130	45	171

*) Max's results in the first quarter of 2023 were materially affected by non-recurring sale expenses in the amount of NIS 35 million, deriving from completion of the sale transaction of its parent company CIMax (formerly WPI) to the Company.

**) Hyp's results in the first quarter of 2023 were materially affected due to non-recurring sale expenses, deriving from completion of the sale transaction of its parent company CIMax (formerly WPI) to the Company.

***) For details regarding a provision for credit default following the acquisition of Max, recorded within the consolidation, see Note 3(B)(2)(b).

Below is the effect of consolidation of the financial results of CIMax and its subsidiaries on these financial statements:

In NIS million Unaudited	4-9/2023 *)	7-9/2023
Max's net income as reported	133	62
Income (loss) - Milo	(1)	-
Finance expenses in CIMax	(41)	(20)
Amortization of excess cost, net of tax	53	15
Total effect of the consolidation on the financial results, net of tax	144	57

*) Since the data were first consolidated as from April 1, 2023, as noted above, the cumulative effect on the Company's results is presented for the six-month period which began on that date. For further details, see Note 3(2)(b)(2).

NOTE 6 - FINANCIAL INSTRUMENTS

A. Assets for yield-dependent contracts

1. Composition

	As of September 30		As of December 31
	2023	2022	2022
In NIS million	Unaudited		Audited
Investment property [1]	**3,842**	3,511	3,778
Financial investments			
Liquid debt assets	**28,808**	23,652	25,380
Illiquid debt assets	**8,568**	9,680	9,592
Shares	**17,562**	21,438	19,701
Other financial investments	**27,928**	22,066	22,458
Total financial investments [1]	**82,866**	76,836	77,131
Cash and cash equivalents	**4,552**	9,952	8,458
Other [2]	**2,879**	2,403	3,096
Total assets in respect of yield-dependent contracts	**94,139**	92,702	92,463

1) Measured at fair value through profit and loss.

2) The balance includes mainly collectible premiums, reinsurer balances, collateral for activity in forward contracts and outstanding securities transactions as of the date of the financial statements.

2. Additional information regarding fair value

A. Fair value of financial assets by level

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
In NIS million	Unaudited			
Financial investments:				
Liquid debt assets	**24,202**	**4,606**	**-**	**28,808**
Illiquid debt assets	**-**	**8,539**	**29**	**8,568**
Shares	**15,133**	**477**	**1,952**	**17,562**
Other financial investments [1]	**14,244**	**1,264**	**12,420**	**27,928**
Total financial investments	**53,579**	**14,886**	**14,401**	**82,866**
1) Of which for derivatives	**280**	**284**	**9**	**573**

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

	Balance on September 30, 2022			
	Level 1	Level 2	Level 3	Total
In NIS million	Unaudited			
Financial investments:				
Liquid debt assets	19,468	4,184	-	23,652
Illiquid debt assets	-	9,615	65	9,680
Shares	18,808	753	1,877	21,438
Other financial investments [1]	10,720	1,775	9,571	22,066
Total financial investments	48,996	16,327	11,513	76,836
1) Of which for derivatives	47	831	10	888

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

	Balance as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
In NIS million	Audited			
Financial investments:				
Liquid debt assets	20,424	4,956	-	25,380
Illiquid debt assets	-	9,531	61	9,592
Shares	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 for derivatives	49	178	9	236

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

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

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

2. Additional information regarding fair value (cont.)

B. Financial assets measured at fair value - Level 3

In NIS million	Illiquid debt assets	Shares	Other financial investments	Total
	Unaudited			
Balance on January 1, 2023 (audited)	61	2,106	10,027	12,194
Total income (losses) recognized in profit and loss	4	(20)	1,009	993
Purchases	-	239	2,062	2,301
Sales	-	(370)	(689)	(1,059)
Redemptions	(12)	-	-	(12)
Proceeds from interest and dividend	(13)	(3)	-	(16)
Debt-to-equity swap	(11)	-	11	-
Balance on September 30, 2023	29	1,952	12,420	14,401
Total income (losses) for the period included in profit and loss in respect of financial assets held as of September 30, 2023	5	(22)	1,032	1,015

In NIS million	Illiquid debt assets	Shares	Other financial investments	Total
	Unaudited			
Balance on January 1, 2022 (audited)	30	2,052	7,156	9,238
Total income recognized in profit and loss	6	217	1,333	1,556
Purchases	-	100	1,973	2,073
Sales	-	-	(876)	(876)
Proceeds from interest and dividend	-	(7)	(1)	(8)
Transfers to Level 3 [1)]	29	-	-	29
Transfers from Level 3 [2)]	-	(485)	(14)	(499)
Balance on September 30, 2022	65	1,877	9,571	11,513
Total income (losses) for the period included in profit and loss in respect of financial assets held as of September 30, 2022	5	217	1,350	1,572

In NIS million	Illiquid debt assets	Shares	Other financial investments	Total
	Unaudited			
Balance as of July 1, 2023	41	1,952	11,569	13,562
Total income (losses) recognized in profit and loss	(1)	11	371	381
Purchases	-	6	758	764
Sales	-	(17)	(289)	(306)
Debt-to-equity swap	(11)	-	11	-
Balance on September 30, 2023	29	1,952	12,420	14,401
Total income (losses) for the period included in profit and loss in respect of financial assets held as of September 30, 2023	-	11	394	405

1) Transfer to Level 3 of illiquid troubled debt

2) For assets for which quotes were used, which were transferred from Level 3.

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

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

2. Additional information regarding fair value (cont.)

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

	Illiquid debt assets	Shares	Other financial investments	Total
In NIS thousand		Unaudited		
Balance as of July 1, 2022	64	1,832	9,388	11,284
Total income recognized in profit and loss	1	26	19	46
Purchases	-	22	525	547
Sales	-	-	(361)	(361)
Proceeds from interest and dividend	-	(3)	-	(3)
Balance on September 30, 2022	65	1,877	9,571	11,513
Total income (losses) for the period included in profit and loss in respect of financial assets held as of September 30, 2022	-	26	14	40

	Illiquid debt assets	Shares	Other financial investments	Total
In NIS thousand		Audited		
Balance on January 1, 2022 (audited)	30	2,052	7,156	9,238
Total income recognized in profit and loss	1	359	1,448	1,808
Purchases	-	187	2,512	2,699
Sales	-	-	(1,073)	(1,073)
Proceeds from interest and dividend	-	(7)	(2)	(9)
Transfers to Level 3 [1)]	30	-	-	30
Transfers from Level 3 [2)]	-	(485)	(14)	(499)
As of December 31 2022 (audited)	61	2,106	10,027	12,194
Total income for the period included in profit and loss in respect of financial assets held as of December 31, 2022	1	359	1,468	1,828

1) Transfer to Level 3 of illiquid troubled debt

2) In respect of assets for which quotes were used, which were transferred from Level 3.

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments

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

	As of September 30, 2023	
	Carrying amount	Fair value
In NIS million	Unaudited	
Government bonds		
Hetz bonds and treasury deposits	**16,800**	**22,694**
Other non-convertible debt assets	**7,042**	**7,021**
Deposits with banks	**583**	**593**
Total illiquid debt assets	**24,425**	**30,308**
Impairments carried to profit and loss (cumulative)	**45**	

	As of September 30, 2022	
	Carrying amount	Fair value
In NIS million	Unaudited	
Government bonds		
Hetz bonds and treasury deposits	16,515	24,089
Other non-convertible debt assets	5,783	5,999
Deposits with banks	655	700
Total illiquid debt assets	22,953	30,788
Impairments carried to profit and loss (cumulative)	47	

	As of December 31, 2022	
	Carrying amount	Fair value
In NIS million	Audited	
Government bonds		
Hetz bonds and treasury deposits	16,417	23,458
Other non-convertible debt assets	5,954	6,055
Deposits with banks	653	688
Total illiquid debt assets	23,024	30,201
Impairments carried to profit and loss (cumulative)	42	

1) The fair value of designated bonds was calculated in accordance with the repayment date of guaranteed return liabilities.

The fair value of treasury deposits was calculated in accordance with the contractual repayment date.

2. Additional information on fair value

A. Fair value of financial assets by level

The following table presents an analysis of financial assets measured at fair value from time to time, using a valuation method according to the different hierarchy levels. For details regarding the hierarchy levels, see Note 2(e)(3) to the Annual Financial Statements.

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
In NIS million	Unaudited			
Financial investments:				
Liquid debt assets	**6,337**	**150**	**-**	**6,487**
Illiquid debt assets	**-**	**1**	**-**	**1**
Shares	**829**	**53**	**827**	**1,709**
Other financial investments [1)]	**619**	**41**	**4,542**	**5,202**
Total financial investments	**7,785**	**245**	**5,369**	**13,399**
1) Of which for derivatives	**13**	**43**	**4**	**60**

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

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

2. Additional information on fair value (cont.)

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

	Balance on September 30, 2022			
	Level 1	Level 2	Level 3	Total
In NIS million	Unaudited			
Financial investments:				
Liquid debt assets	6,309	217	-	6,526
Illiquid debt assets	-	2	-	2
Shares	888	73	953	1,914
Other financial investments 1)	689	132	3,511	4,332
Total financial investments	7,886	424	4,464	12,774
1) Of which for derivatives	16	132	6	154

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

	Balance as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
In NIS million	Audited			
Financial investments:				
Liquid debt assets	6,821	178	-	6,999
Illiquid debt assets	-	1	-	1
Shares	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 for derivatives	6	44	4	54

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

B. Financial assets measured at fair value - Level 3

	Shares	Other financial investments	Total
In NIS million		Unaudited	
Balance on January 1, 2023 (audited)	**937**	**3,697**	**4,634**
Total income (losses) recognized:			
In profit and loss	**109**	**75**	**184**
In other comprehensive income	**(124)**	**344**	**220**
Purchases	**101**	**708**	**809**
Sales	**(191)**	**(282)**	**(473)**
Proceeds from interest and dividend	**(5)**	**-**	**(5)**
Balance on September 30, 2023	**827**	**4,542**	**5,369**
Total income (losses) for the period included in profit and loss in respect of financial assets held as of September 30, 2023	**77**	**79**	**156**

	Shares	Other financial investments	Total
In NIS million		Unaudited	
Balance on January 1, 2022 (audited)	935	2,860	3,795
Total income recognized:			
In profit and loss	40	108	148
In other comprehensive income	143	309	452
Purchases	38	693	731
Sales	-	(452)	(452)
Proceeds from interest and dividend	(7)	(2)	(9)
Transfers from Level 3 1)	(196)	(5)	(201)
Balance on September 30, 2022	953	3,511	4,464
Total income (losses) for the period included in profit and loss in respect of financial assets held as of September 30, 2022	40	105	145

1) In respect of assets for which quotes were used, which were transferred from Level 3.

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

2. Additional information on fair value (cont.)

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

	Shares	Other financial investments	Total
In NIS million		Unaudited	
Balance as of July 1, 2023	**853**	**4,261**	**5,114**
Total income (losses) recognized:			
In profit and loss	**(45)**	**32**	**(13)**
In other comprehensive income	**(1)**	**118**	**117**
Purchases	**27**	**245**	**272**
Sales	**(6)**	**(114)**	**(120)**
Proceeds from interest and dividend	**(1)**	-	**(1)**
As of September 30, 2023	**827**	**4,542**	**5,369**
Total income (losses) for the period included in profit and loss in respect of financial assets held as of September 30, 2023	**(45)**	**36**	**(9)**

	Shares	Other financial investments	Total
In NIS million		Unaudited	
Balance as of July 1, 2022	831	3,509	4,340
Total income (losses) recognized:			
In profit and loss	3	45	48
In other comprehensive income	114	(23)	91
Purchases	8	185	193
Sales	-	(205)	(205)
Proceeds from interest and dividend	(3)	-	(3)
Balance on September 30, 2022	953	3,511	4,464
Total income (losses) for the period included in profit and loss in respect of financial assets held as of September 30, 2022	3	37	40

	Shares	Other financial investments	Total
In NIS million		Audited	
Balance on January 1, 2022 (audited)	935	2,860	3,795
Total income recognized:			
In profit and loss	28	134	162
In other comprehensive income	110	321	431
Purchases	69	926	995
Sales	-	(537)	(537)
Proceeds from interest and dividend	(9)	(2)	(11)
Transfers from Level 3 [1]	(196)	(5)	(201)
Balance on December 31, 2022 (audited)	937	3,697	4,634
Total income for the period included in profit and loss in respect of financial assets held as of December 31, 2022	28	131	159

1) In respect of assets for which quotes were used, which were transferred from Level 3.

C. Receivables for credit card transactions - Max

	On-balance sheet balances	September 30, 2023 Fair value Level 1	Level 2	Level 3	Total
In NIS million		Unaudited			
Receivables for credit card transactions	**15,688**	-	-	**15,610**	**15,610**

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

C. Financial liabilities

1. Composition of fair value:

		As of September 30 2023		As of September 30 2022		As of December 31 2022	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
In NIS million	Comment	Unaudited				Audited	
Financial liabilities presented at fair value through profit and loss:							
Liability for derivative financial instruments, short sale and repo liabilities 1)		**3,548**	**3,548**	4,557	4,557	3,583	3,583
Financial liabilities presented at amortized cost:							
The Company:							
Bonds Series A - Liquid bonds	A	**906**	**904**	-	-	-	-
Bonds Series B - Liquid convertible bonds - liability component	A	**140**	**135**	-	-	-	-
Subsidiaries:							
Loans in CIMax and its subsidiaries, excluding Max	B	**884**	**884**	-	-	-	-
Liquid subordinated notes in Clal Insurance	C	**4,930**	**4,459**	4,815	4,482	4,596	4,249
Credit from banking corporations in Max		**5,339**	**5,339**				
Bonds and subordinated notes at Max	D	**736**	**708**				
Other financial liabilities in Max		**302**	**302**				
Total financial liabilities presented at amortized cost		**13,238**	**12,731**	4,815	4,482	4,596	4,249
Less interest payable in respect of bonds and subordinated notes presented in payables and credit balances line item		**103**	**103**	12	12	48	48
Less other financial liabilities in Max, which are presented under the lease liabilities and other payables line item		**301**	**301**	-	-	-	-
Total financial liabilities		**16,382**	**15,875**	**9,360**	**9,027**	**8,131**	**7,784**
1) Of which in respect of yield-dependent liabilities		**2,639**	**2,639**	(* 3,289	(* 3,289	2,252	2,252

(*) Reclassified.

A. Bonds issued by the Company

In February 2023, the Company issued NIS 249.1 million par value in Bonds (Series A) and NIS 150.9 million par value in Bonds (Series B) pursuant to the Company's shelf offering report dated February 9, 2023, published under the Company's shelf prospectus. Issuance expenses amounted to approx. NIS 3 million, the effective annual interest rate on the Bonds (Series A) and (Series B) is 4.9%, and the net proceeds of the issuance was approx. NIS 397 million.

In June 2023, the Company issued NIS 250 million par value of Bonds (Series A) by way of a private placement and an expansion of an existing series in consideration for approx. NIS 244.6 million pursuant to the Company's shelf offering report dated February 9, 2023, published under the Company's shelf prospectus. The issuance expenses amounted to approx. NIS 592 thousand; the annual effective interest rate is 5.6%, and net consideration amounted to approx. NIS 244 million.

In August 2023, the Company issued NIS 400 million par value in Bonds (Series A) by way of an additional expansion of an existing series in consideration for approx. NIS 404.4 million pursuant to the Company's shelf offering report dated February 9, 2023, published under the Company's shelf prospectus. The issuance expenses amounted to approx. NIS 3 million; the annual effective interest rate is 5.3%, and net consideration amounted to approx. NIS 401 million.

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

C. Financial liabilities (cont.)

1. Composition of fair value: (cont.)

A. Bonds issued by the Company (cont.)

Following are the details of the bonds:

	Type of bond	Linkage terms	Interest type	Nominal annual interest rate %	Liquid / illiquid	Par value	Original amount issued	Date of principal repayment
Series A bonds[3]	Straight	Non-linked	Fixed	4.7	Liquid	1,000	898	February 28
Series B bonds [3]	Convertible bonds	Non-linked	Fixed	2.8	Liquid	1,006	151	February 28
Total bonds							1,049	

In July 2023, S&P Maalot published a rating report that set an AA- rating for the Company and bonds it issued as aforesaid.

B. CIMax - Syndicated Loan

As part of financing the acquisition of Max from Bank Leumi, in 2019 CIMax undertook a debt from a syndicate of lenders that are institutional entities, led by Harel Insurance Company Ltd. (hereinafter - the "**Syndicated Loan**").

The Syndicated Loan comprises three portions - two financial portions and one liquidity portion, which was intended for the purpose of financing the interest and fees and commissions payments to the lenders.

The debt principal of the Syndicated Loan is repayable by one lump sum in February 2026. The interest in respect of the loan is paid quarterly and calculated at the Bank of Israel interest rate plus a spread, which is different with respect to the different loan portions, as well as to CIMax's LTV ratio, which are set out in the loan agreement. As of the reporting date, the interest rate ranges from 8.5% to 9.5%.

The loan is secured by pledges - mainly a floating charge on CIMax's assets, a pledge on all Milo shares and a pledge on 80% of Max's shares, while with respect to the remaining 20% - the rights to receive dividends are pledged. In the event of calling for immediate repayment and exercising of collateral, the lenders may force CIMax to sell the 20% unpledged Max shares as well. The lenders do not have the right to demand repayment or payment of the loan from CIMax's shareholders.

The Syndicated Loan agreement sets out provisions for the use of dividends receivable by CIMax from subsidiaries for the purpose of early repayment of the loan. The loan agreement also sets out provisions regarding mandatory early repayment upon occurrence of various events, including a change of control over CIMax or the sale of material assets of CIMax.

The syndication agreement specifies a financial covenant that CIMax must comply with a maximum LTV ratio of 70%, which is calculated according to the provisions of the agreement. As of September 30, 2023, the said ratio is approx. 31%. The agreement also contains a provision regarding cross default, with respect of default on liabilities of CIMax or companies under its control to other lenders.

[3] Furthermore, with respect to Bonds (Series A-B), the Company assumed upon itself restrictions on distribution of dividends; the Company has also undertaken to comply with various financial covenants in accordance with the terms detailed in the shelf offering report. As of the balance sheet date, the Company complies with the financial covenants that were set. For further details, see Section 2.6.4 of the Report of the Board of Directors dated March 31, 2023 and the deeds of trust published by the Company under the shelf offering report on February 9, 2023

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

C. Financial liabilities (cont.)

1. Composition of fair value: (cont.)

B. ClMax - Syndicated Loan (cont.)

Under the Syndicated Loan agreement, ClMax has the option for early repayment of the loan, using a mechanism set out in the agreement, while paying an early repayment fine that is amortized over the life of the loan. Furthermore, ClMax may repay the amounts accrued in the liquidity portion, using a mechanism set out in the agreement without paying any early repayment fine.

ClMax's debt, as appearing in its consolidated and reviewed financial statements as of the consolidation date, March 31, 2023, was approx. NIS 941 million (approx. NIS 873 million of which is the loan principal and the balance - interest), which constitutes full utilization of both financing portions as well as partial utilization of the liquidity portion.

In the second quarter of 2023, ClMax received a dividend in the amount of approx. NIS 40 million from Max, and in addition, an amount of NIS 57 million from the Company, in consideration for the issuance of a capital note for the Company. These amounts were used for full repayment of the liquid portion, such that as of September 30, 2023, the loan balance amounts to approx. NIS 874 million, of which an amount of approx. NIS 1 million is for interest and the remaining balance is for the loan principal.

C. Debt raising in subsidiary Clal Insurance

On July 16, 2023, Clalbit Finance Ltd. issued to the public Bonds (Series M) for a total of NIS 300 million; the principal is repayable by one lump sum on July 31, 2037, unless Clalbit Finance exercises its right to early redemption of the bonds. The principal and interest are not linked to the CPI. The interest on Bonds (Series M) is paid annually in two semi-annual installments from January 31, 2024, on January 31 and July 31 of each calendar year between 2024 and 2037. The nominal annual interest rate is 5.31% and the effective annual interest rate is 5.52%, assuming redemption on the effective date for addition of interest.
The issuance costs amounted to approx. NIS 4 million.
The total consideration (gross), received by Clalbit Finance following issuance of the new bonds under the said issuance, was deposited in a deferred deposit under the same repayment and interest terms and conditions as those of the bonds. The Bonds are recognized as Tier 2 capital in Clal Insurance and bear equal status and seniority level as the subordinated bonds issued by Clalbit Finance and/or Clal Insurance that are classified as Subordinated Tier 2 capital, Hybrid Tier 2 capital, and Hybrid Tier 3 capital, as well as bonds issued and/or to be issued by Clalbit Finance and/or Clal Insurance as a Tier 2 capital instrument, and are subordinated to the other liabilities of Clal Insurance, other than the rights of creditors in accordance with Tier 1 capital.

Additional terms of the bonds:

1. Right to early redemption

Clal Insurance shall be permitted, without granting the right of option to the bondholders and/or to the trustee, to redeem the bonds via full or partial early redemption, if the following conditions are met:

- The earliest date on which Clal Insurance shall be permitted to redeem the bonds via full or partial early redemption is July 31, 2032 (the "**First Early Redemption Date**"); after that date, the Company shall be permitted to repay the bonds via full or partial early redemption at any time. The frequency of the early redemptions shall not exceed one redemption per quarter.

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

C. Financial liabilities (cont.)

1. Composition of fair value: (cont.)

C. Debt raising in subsidiary Clal Insurance (cont.)

Additional terms of the bonds: (cont.)

1. Right to early redemption (cont.)

- If Clal Insurance does not utilize this right to early redemption of all of the bonds, then, from the date of payment of interest on the bonds, which shall be 3 years before the principal repayment date, i.e. on July 31, 2034 (the "**Determinant Redemption Date for Added Interest**"), added interest shall be paid to the bondholders on the interest borne by the bonds at that time, in respect of the remaining period (from the Determinant Redemption Date for Added Interest, which has not been utilized, as noted, until the actual repayment date), at a rate of 50% of the original risk margin determined in the issuance; the original risk margin is 1.87%.
- The minimum amount for the execution of early redemption is NIS 1 million par value of bonds.
- In any event, early redemption of part of the bond principal shall not be effected if the outstanding balance of principal that would remain after the early redemption is lower than a total of NIS 3.2 million.
- Early redemption shall be possible if one of the following applies:
  (1) The bond will be exchanged for a capital instrument of identical or superior quality;
  (2) The approval of the Supervisor has been received in advance, with the terms to be established. In general, early redemption will be possible if the shareholders' equity of Clal Insurance after the early redemption would exceed the solvency capital requirement (SCR), as defined in the circular on the economic solvency regime.

2. Deferral of principal and/or interest repayment dates under suspending circumstances

Upon the occurrence of one of the suspending circumstances listed below, a principal payment and/or interest payments, as relevant, in respect of the bonds shall be deferred:

With regard to the deferral of interest payments:

According to the most recent financial statement of Clal Insurance released prior to the date of the payment, Clal Insurance does not have distributable profits, as defined in the Companies Law.

With regard to the deferral of a principal and/or interest payment:

(1) According to the most recent financial statement of Clal Insurance released prior to the date of the payment, the shareholders' equity of Clal Insurance is lower than the capital required for suspending circumstances, and Clal Insurance has not executed capital supplementation (as defined in the circular on the economic solvency regime) as of the date of publication of the financial statement.

(2) The board of directors of Clal Insurance has ordered the deferral of an interest payment or the deferral of a principal payment, if it has seen that there is a proximate, tangible concern over Clal Insurance's ability to comply with the capital required for suspending circumstances, or to perform timely repayment of obligations with higher precedence than the bonds, provided that the advance approval of the Supervisor has been received.

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

C. Financial liabilities (cont.)

1. Composition of fair value: (cont.)

C. Debt raising in subsidiary Clal Insurance (cont.)

2. Deferral of principal and/or interest repayment dates under suspending circumstances (cont.)

(3) The Supervisor has ordered the deferral of an interest payment or the deferral of a principal payment, if the Supervisor has seen that the solvency ratio is impaired or there is a proximate, tangible concern over Clal Insurance's ability to comply with the capital required for economic solvency.

Such deferred principal and/or interest amounts shall accrue interest from the date of the deferral to the date of actual payment, at the rate of interest borne by the bonds at that time.

D. Issuance of bonds by Max

On July 16, 2023, Max issued a new series of Subordinated Notes (Series D) with a contractual loss absorption mechanism, in the total amount of NIS 250 million par value, which are recognized as Tier 2 capital from the date of their issuance. The Subordinated Notes (Series D) bear fixed annual interest at a rate of 7.33%, and are repayable in one installment on October 16, 2033, and Max was given an option for early redemption between October 16, 2028 and November 16, 2028 in accordance with the terms and conditions set out in the deed of trust. If Max does not exercise the early redemption option, the interest will be revised on October 16, 2028, such that its annual rate will be equal to the benchmark interest rate on the date of the interest rate change as set out above, plus the margin above the benchmark interest rate on the issuance date, all in accordance with the definitions set out in the deed of trust. The Subordinated Notes (Series D) were issued to qualified investors in a private placement and were listed on the TACT Institutional system of the TASE.

E. Binding credit facilities

On June 14, 2023, an Israeli bank confirmed its consent to grant a credit facility to the Company, in an amount of up to NIS 250 million for the purpose of an additional liquidity buffer, until and no later than June 12, 2024. If credit is provided out of the credit facility, the terms and conditions will be as detailed below:

Credit period	Up to 12 months
Annual interest rate	P-1% -P-0.5%
Date of principal repayment	At the credit's final repayment date
Total interest repayment dates	Quarterly payment
Linkage mechanism	Non-linked
Pledged assets	Collateral-free, but the Company undertook not to create a general floating lien on its assets
Restrictions applicable to the Company in connection with the credit facility	Whenever the credit facility is utilized - the Company's accounts at the bank will contain an amount of at least NIS 50 million (fifty million NIS) in liquid assets, as defined, and if the Company distributes dividends in that period, an amount of up to 50% of the dividend will be added to the above amount.
Material terms for utilization of credit facility	Standard commercial terms, including the absence of cause for calling for immediate repayment of the Company's debts to the bank

If credit is provided out of the credit facility, the terms for calling for immediate repayment will apply thereto, including a cross default mechanism. At the date of the report and at the date of the approval thereof, the Company has not utilized the aforesaid credit facility.

NOTE 6 - FINANCIAL INSTRUMENTS (cont.)

C. Financial liabilities (cont.)

2. Fair value of financial liabilities by level

A. The following table presents an analysis of financial liabilities measured at fair value from time to time, using a valuation method according to the different hierarchy levels. For details regarding the hierarchy levels, see Note 2(e)(3) to the Annual Financial Statements.

	As of September 30, 2023		
	Level 1	Level 2	Total
In NIS million	Unaudited		
Derivatives	**81**	**2,525**	**2,606**
Liability for REPO	**-**	**942**	**942**
Total financial liabilities	**81**	**3,467**	**3,548**

	As of September 30, 2022		
	Level 1	Level 2	Total
In NIS million	Unaudited		
Derivatives	68	3,256	3,324
Liability for REPO	-	1,233	1,233
Total financial liabilities	68	4,489	4,557

	As of December 31, 2022		
	Level 1	Level 2	Total
In NIS million	Audited		
Derivatives	13	2,452	2,465
Liability for REPO	-	1,118	1,118
Total financial liabilities	13	3,570	3,583

B. **Financial liabilities in Max by level**

	September 30, 2023				
		Fair value			
	On-balance sheet balances	Level 1	Level 2	Level 3	Total
In NIS million	Unaudited				
Financial liabilities					
Credit from banking corporations	**5,339**	**-**	**5,339**	**-**	**5,339**
Payables for credit card transactions	**8,534**	**-**	**-**	**8,485**	**8,485**
Bonds and subordinated notes	**736**	**-**	**708**	**-**	**708**
Other financial liabilities	**302**	**-**	**1**	**301**	**302**
Total financial liabilities	**14,911**	**-**	**6,048**	**8,786**	**14,834**

NOTE 7 - CAPITAL MANAGEMENT AND REQUIREMENTS

A. Share capital

	Ordinary shares *)		
	September 30, 2023	September 30, 2022	December 31, 2022
	In thousands of shares of NIS 1 p.v.		
Issued and paid-up share capital as of January 1	**74,061**	67,649	67,649
Issuance of shares **)	**4,970**	6,411	6,411
Exercise of options for senior employees	**-**	1	1
Issued and paid-up share capital as of	**79,031**	74,061	74,061
Registered capital	**100,000**	100,000	100,000

*) The shares are listed on the Tel Aviv Stock Exchange (TASE). The holders of ordinary shares have the right to receive dividends as declared from time to time, voting rights at general meetings of the Company according to one vote per share, rights in the event of liquidation of the Company and the right to appoint directors for the Company.

**) See Note 5 above.

B. Dividends and capital management and requirements in the Group companies

Further to Note 16(c) and (d) of the Annual Financial Statements, the possibility of distributing dividends by the Company is affected by the ability of investees to distribute dividends, subject to their capital requirements and liquidity needs and the Company's needs to service the debt it issued (for further details regarding the bonds issued by the Company, see Note 6(c) above). Below is a description of the capital requirements of Clal Insurance and Max and details of the distribution of dividends by them.

1. Dividends and management of requirements in consolidated insurance companies

A. Solvency II-based economic solvency regime applicable to the Group's insurance companies

The Group's insurance companies are subject to the Solvency II-based Economic Solvency Regime in accordance with the implementation provisions of the Economic Solvency Regime.

In accordance with the Consolidated Circular, the Economic Solvency Ratio Report in respect of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date.

On November 30, 2023, the Company approved and published its Economic Solvency Ratio Report as of June 30, 2023.

The calculation carried out by the Company as of June 30, 2023 was reviewed by the Company's independent auditors in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard is relevant for the execution of the engagement to assess whether the Company's solvency calculations do not comply, in all material respects, with the Commissioner's Directives, and are not part of the auditing standards applicable to financial statements.

In accordance with the Solvency Ratio Report as of June 30, 2023, which was published on November 30, 2023, Clal Insurance has excess capital, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the transitional provisions.

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

For further details, see Section 2.4 to the Report of the Board of Directors and the Economic Solvency Ratio Report as of June 30, 2023 attached to this report.

NOTE 7 - CAPITAL MANAGEMENT AND REQUIREMENTS (cont.)

B. Dividends and capital management and requirements in the Group companies (cont.)

1. Dividends and management of requirements in consolidated insurance companies (cont.)

B. Dividend distribution policy at Clal Insurance

Further to Note 16(E)6 of the Annual Financial Statements, in June 2023, Clal Insurance approved (subject to the approval of the Commissioner) a policy for the distribution of a dividend at a rate of 30%-50% of Clal Insurance's comprehensive income. The distribution is subject to Clal Insurance's compliance with a minimum equity target in accordance with the economic solvency regime, without taking into account the transitional provisions, at a rate of 110%.

This is further to setting a capital management policy whereby the target range for Clal Insurance's economic solvency ratio shall be 150%-170%, as approved in June 2021. In addition, the minimum economic solvency ratio target for prudential purposes is set at 135%. These targets relate to a solvency ratio taking into account the Deduction Amount during the Transitional Period until the end of 2032 and thereafter.

It is hereby clarified that this policy should not be viewed as an undertaking by the Company to distribute dividends, and that any actual distribution shall be individually subject to the Board of Directors' approval, at its sole discretion; the Board of Directors may decide on actual distribution at different rates, or not to distribute any dividend. In addition, the actual execution of any distribution shall be subject to compliance with the legal provisions applicable to dividend distribution.

2. Dividends and management of capital requirements in Max

A. Capital adequacy and leverage pursuant to the Banking Supervision Department directives applicable to credit card companies

1. Capital adequacy, as per the Banking Supervision Department's directives (in %)

In NIS million	As of September 30 2023 Unaudited
1. Capital for capital ratio calculation purposes:	
Common Equity Tier 1 capital	**1,816**
Tier 2 capital (1)	**604**
Total capital	**2,420**
2. Balance of risk-weighted assets:	
Credit risk - standardized approach	**14,347**
Market risks - standardized approach	**53**
Operational risk - standardized approach	**2,777**
Total balance of risk-weighted assets	**17,177**
3. Ratio of capital to risk-weighted components:	**In percentage**
Ratio of CET1 capital to risk-weighted components	**10.6**
Ratio of total capital to risk-weighted components (1)	**14.1**
Minimum CET 1 capital by the Banking Supervision Department	**8.0**
Minimum total capital ratio set by the Banking Supervision Department	**11.5**

* Calculated in accordance with Proper Conduct of Banking Business Directives Nos. 201-211, "Capital Adequacy and Measurement", and Proper Conduct of Banking Business Directive No. 472 "Merchant Acquirers and Acquiring Payment Card Transactions", which came into effect on September 1, 2016.

(1) Including Subordinated Notes (Series B), which constitute part of the Tier 2 capital of the Company, which the board of directors of the Company resolved on November 16, 2023, to redeem via full early redemption on December 31, 2023.

NOTE 7 - CAPITAL MANAGEMENT AND REQUIREMENTS (cont.)

B. Dividends and capital management and requirements in the Group companies (cont.)

2. Dividends and management of capital requirements in Max (cont.)

A. Capital adequacy and leverage pursuant to the Banking Supervision Department directives applicable to credit card companies (cont.)

2. Capital adequacy target in Max

As part of the process of adopting the provision of Basel III in Israel, on March 28, 2012, the Banking Supervision Department published a letter of instruction on the minimum core capital ratio in accordance with the Basel III framework, requiring banks and credit card companies to comply with a Common Equity Tier 1 capital ratio of 9% and a total capital ratio of 12.5% until January 1, 2015.

On May 2, 2016, the Banking Supervision Department issued Proper Conduct of Banking Business Directive No. 472, Merchant Acquirers and Acquiring Payment Card Transactions. The directive contains relief in respect of the capital requirements under Proper Conduct of Banking Business Directives 201-211. Despite what is stated in Section 40 to Proper Conduct of Banking Business Directive No. 201, the Common Equity Tier 1 capital ratio shall not fall below 8%, and the total capital ratio shall not fall below 11.5%. The directive became effective on June 1, 2016 and applies to Max as an acquirer.

Max's Board of Directors approved an internal CET1 capital ratio target of 10%, a target which is 200 basis points (2 percentage points) higher than the minimum CET1 capital ratio set by the Banking Supervision Department, and an internal total capital ratio target of 12%.

3. Capital components for the calculation of capital ratio in Max

In NIS million	As of September 30, 2023 Unaudited
1. Common Equity Tier 1 capital	
Equity	1,808
Net of goodwill	(*
Total Common Equity Tier 1 capital	1,808
Regulatory adjustments:	
Adjustments for current expected credit losses - CET1 capital*	8
Total CET1 capital, after regulatory capital adjustments	1,816
2. Tier 2 capital	
Tier 2 capital: Instruments	424
Tier 2 capital: Provisions	180
Total Tier 2 capital	604
Total capital	2,420

*) An amount lower than NIS 1 million.

NOTE 7 - CAPITAL MANAGEMENT AND REQUIREMENTS (cont.)

B. Dividends and capital management and requirements in the Group companies (cont.)

2. Dividends and management of capital requirements in Max (cont.)

A. Capital adequacy and leverage pursuant to the Banking Supervision Department directives applicable to credit card companies (cont.)

4. Effect of adjustments for current expected credit losses on the CET1 capital ratio at Max

In percentage	As of September 30 ,2023 Unaudited
Ratio of capital to risk-weighted components	
Ratio of CET1 capital to risk-weighted components, before the effect of adjustments for current expected credit losses	**10.5**
Effect of adjustments for current expected credit losses	**0.05**
Ratio of CET1 capital to risk-weighted components	**10.6**

* These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, made by Max in its financial statements (hereinafter - "adjustments for current expected credit losses"), which are gradually amortized until January 1, 2026.

5. Leverage ratio pursuant to the Banking Supervision Department directives in Max

As from April 1 2015, the Company applies Proper Conduct of Banking Business Directive No. 218, Leverage Ratio (hereinafter - the "**Directive**"). The directive sets a simple, transparent and non-risk-based leverage ratio to serve as a supplementary and reliable measure for risk-based capital requirements, with the purpose of limiting excess leverage in banking corporations. The leverage ratio is expressed as a percentage, and is defined as the ratio between capital measurement and exposure measurement. The 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 is the sum of the on-balance sheet exposures and off-balance-sheet items. As a rule, the measurement is consistent with the accounting values, and no risk-weighting is applied. In addition, unless specifically permitted to do so under the Directive, the Company may not use physical or financial collateral, guarantees or other credit risk mitigation techniques to reduce the exposure measurement. Balance sheet assets deducted from Tier 1 capital (in accordance with Directive No. 202) are deducted from the exposure measurement. Pursuant to the Directive, the Company calculates the exposures for off-balance-sheet items by converting the sum of the items by credit conversion coefficients, as stipulated in Proper Conduct of Banking Business Directive No. 203.

Pursuant to the Directive, acquirers shall have a consolidated leverage ratio of no less than 5%.

Pursuant to Proper Conduct of Banking Business Directive No. 250, Adjustments to Proper Conduct of Banking Business Directives for Dealing with Covid-19, among other things, a temporary order was published on November 15, 2020 according to which acquirers must have a consolidated leverage ratio of no less than 4.5%.

The Banking Supervision Department circular of May 15, 2022 stipulates that the relief in respect of the leverage ratio shall apply until June 30, 2024, provided that the leverage ratio of the banking corporation does not fall below the leverage ratio as of December 31, 2023 or the minimum leverage ratio that applied to the banking corporation prior to the temporary order, whichever is lower.

Following is the leverage ratio calculated in accordance with Proper Conduct of Banking Business Directive No. 218:

NOTE 7 - CAPITAL MANAGEMENT AND REQUIREMENTS (cont.)

B. Dividends and capital management and requirements in the Group companies (cont.)

2. Dividends and management of capital requirements in Max (cont.)

A. Capital adequacy and leverage pursuant to the Banking Supervision Department directives applicable to credit card companies (cont.)

5. Leverage ratio pursuant to the Banking Supervision Department directives in Max (cont.)

In NIS million	As of September 30, 2023 Unaudited
Consolidated data:	
Tier 1 capital	**1,816**
Total exposures	**20,850**
	In percentage
Leverage ratio	**8.7**
Minimum leverage ratio set by the Banking Supervision Department	**4.5**

The distribution of dividends in Max is subject to the restrictions of the Companies Law as well as the provisions of the Banking Supervision Department, according to which no dividend shall be distributed in the following cases:

1. When cumulative retained earnings less negative differences included in accumulated other comprehensive income is not positive or when the proposed distribution amount will lead to negative retained earnings.

2. One or more of the last three calendar years ended in a loss or comprehensive loss or when the cumulative result in the three quarters ended at the end of the interim period in respect of which the last financial report was published, shows a loss or comprehensive loss.

3. Max may not comply with the capital target requirements that were set.

Notwithstanding the above, in certain cases, Max may distribute a dividend even under the above circumstances, if prior written approval is provided by the Banking Supervision Department for the distribution, and up to the amount approved.

Furthermore, pursuant to the terms of some of Max's credit facilities, no dividend will be distributed in the following cases:

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

B. In addition, if Max's Tier 1 capital adequacy ratio exceeds 10% under its consolidated financial statements, Max may make a distribution in any calendar quarter, only if, among other things, the following terms and conditions are met: (1) Max does not default on its liabilities, including deviation from the financial covenants (as detailed above); (2) there is no cause to call for immediate repayment;

C. If Max's Tier 1 capital adequacy ratio is within the range of between 8% and 9%(inclusive) under its consolidated financial statements, Max may not distribution dividends in any calendar quarter, unless it complies, among other things, with the following terms: (1) The distribution amount does not exceed 25% of the net profit under the Company's last consolidated financial statements; (2) Max meets all its material liabilities, including not deviating from the financial covenants (as specified above); (3) there is no cause to call for immediate repayment.

NOTE 7 - CAPITAL MANAGEMENT AND REQUIREMENTS (cont.)

B. Dividends and capital management and requirements in the Group companies (cont.)

2. Dividends and management of capital requirements in Max (cont.)

A. Capital adequacy and leverage pursuant to the Banking Supervision Department directives applicable to credit card companies (cont.)

5. Leverage ratio pursuant to the Banking Supervision Department directives in Max (cont.)

D. If Max’s Tier 1 capital adequacy ratio is higher than 9% and less than 10% under Max’s consolidated financial statements, Max may not distribute dividends in any calendar quarter, unless the Company complies, among other things, with the following terms and conditions: (1) The distribution amount does not exceed 50% of the net profit under the Max’s last consolidated financial statements; (2) Max meets all its material liabilities, including not deviating from the financial covenants (as detailed above); (3) there is no cause to call for immediate repayment.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS

1. Introduction - Claims not in the Ordinary Course of Business

Below are details regarding legal actions not in the ordinary course of business, as follows: material claims[4] that might be derivative actions, actions whose filing as class actions has been certified; pending motions for certification of material claims as class actions; material and non-material class actions that were concluded during the reporting period and until its signing and other material claims against the Group's member companies (hereinafter - "**Claims not in the Ordinary Course of Business**" or "**Claims**").

The following claim amounts are presented in 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 financial demands, either specific or general, is subject to the laws of prescription. The prescription periods in respect of Claims for insurance benefits in the insurance products vary according to the type of product and the event in respect of which the claim of prescription has been raised. The exposure due to prescription is especially intense in those insurance sectors with "long-tail claims" and long-term insurance policies, in the field of life insurance and health insurance, in which Clal Insurance operates. In recent years there has been a trend of extending the prescription period in some insurance sectors, which could lead to an increase in insurance liabilities towards policyholders, among others, as part of the amendment to the Insurance Contract Law that 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 insured event, commencing on the date of entry into force of the amendment in 2020, as well as a proposed amendment to the Insurance Contract Law, according to which the prescription period shall not elapse for the duration of one year from the date on which a complaint is filed with the Commissioner for investigation pursuant to his authority, but no more than four years after the insured event has occurred, and with regard to life insurance, illness and hospitalization insurance and long-term care insurance - no more than six years after the insured event has occurred. In legal actions not pertaining to insurance benefits, the prescription period is pursuant to what is prescribed in the Prescription Law, 1985. The period of time required to investigate the claim, which on occasions may be long, particularly in class actions, extends the period in respect of which refund or compensation need to be effected, as part of the prescription period.

1.1 General details regarding class actions

In recent years, as part of a general trend in those markets in which the Group operates, a significant number of motions to certify claims as class actions have been filed against the Group members, and over the years there has been an increase in the number of actions filed against the Group members that have been recognized as class actions by the courts. This trend, which is the result, among others, of the enactment of the Class Actions Law, 2006 (hereinafter - the "**Law**"), the growing number of legal actions and the approach of the courts, substantially increases the Company's potential of exposure to losses due to rulings against the Group's members in class actions filed against them.

A class action lawsuit, as it is defined in the Law, is a lawsuit managed on behalf of an anonymous class of persons, who have not granted power of attorney in advance to the class plaintiff for that purpose, and which raises material questions of fact or law that are common to all the class members.

The proceeding begins with a written motion filed by the single plaintiff with the court where its personal claim has been filed, in which the plaintiff seeks to approve its personal claim as a class action (the certification motion). Only if the class action certification motion is accepted will the claim be defined as a "class action", and the plaintiff will then become a "class plaintiff".

A class action lawsuit may only be filed in relation to a claim as set forth in the Law or in relation to a matter in respect of which an explicit provision of the Law has stipulated that a class action may be filed. It should be noted that, since 2006, the definition of a claim in which a class action certification motion may be filed against Group companies has become an extremely broad definition, including any issue arising between a company and a customer, regardless of whether or not they have engaged in a transaction.

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[4] See Footnotes 6 and 23 below.
[5] See Footnote 16.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

1. Introduction - Claims not in the Ordinary Course of Business (cont.)

1.1 General details regarding class actions (cont.)

For a claim to be certified as a class action, the plaintiff must prove, among other things: (1) the existence of a “personal cause of action” for the specific plaintiff; (2) that the cause of action is sufficiently established for there to be “prima facie cause of action”. The court must then examine whether the plaintiff has a prima facie chance of eventual success in its suit; (3) that the cause of action raises material questions of fact or law that are common to a certain class; (4) that there is a reasonable possibility that the common questions in the claim will be determined in favor of the class; (5) that the class action is the most effective and fair method for resolving the dispute that is the subject of the claim, under the circumstances; (6) that the plaintiff is suitable to act as the class plaintiff and that the attorneys are suited to represent it in the lawsuit.

In general, the process of examining whether a lawsuit is to be certified as a class action may include 4 stages: Stage A - filing the motion to recognize the claim as a class action in the first legal instance; Stage B - an appeal to a higher legal instance against the ruling handed down by the first instance; Stage C - adjudication of the claim on its merits before the first legal instance (usually before the same judge who heard the motion in the first instance); Stage D - an appeal to a higher legal instance against the ruling on its merits.

It should be noted that the scope and content of the hearing regarding a class action on its merits, is affected by the ruling regarding the certification of the claim as a class action. The ruling to certify a class action usually relates to both the causes of action that have been approved and those that have not; the reliefs that have been approved and those that have not; etc.

The law prescribes a process and restrictions regarding settlement arrangements in class actions that make it difficult to reach a compromise on class actions. As such, it also prescribes the obligation of proper disclosure to the court pertaining to all material details relating to the settlement arrangement, together with the right of the Attorney General and additional entities stipulated in the Law to file an objection to the proposed settlement arrangement, and in addition the Law also provides that an examiner should be appointed pertaining to the settlement arrangement as well as specific arrangements regarding the plaintiff’s withdrawal of the certification motion or the class action itself. In January 2021, the Ministry of Justice published a “public appeal for comments on amendments to the Class Action Law, 2006”, in which the public was asked to comment on any requisite amendments to the Law. Clal Insurance submitted its response via the Israel Insurance Association, among other things, in relation to the growing number of class actions in the Israeli market in general, and in the insurance sector in particular. In March 2023, the report of the inter-ministerial team for examining the arrangements stipulated in the Class Actions Law, 2006 (hereinafter - the “Report”) was published, and the public was invited to submit comments regarding the recommendations outlined in the report. In its report, the inter-ministerial team recommended, among other things, to add a mechanism to the Law requiring that advance contact be made with a defendant prior to filing a certification motion, regarding those specific types of causes of action and claims to be determined; cancellation of certain exemptions from fee payment subsequent to filing a class action certification motion; the obligation of determining court expenses in the case of dismissal of a class action certification motion/class action, unless special reasons exist that should be listed, with the default being imposing the costs on the class plaintiff’s attorney; imposing a requirement to mention the number of class actions filed by a specific class plaintiff; the establishment of a mechanism enabling the filing of additional motions on the same issue in order for the court to select the claim along with the leading attorney; establishing mechanisms pertaining to granting relief in kind; establishing an orderly mechanism to approve a settlement arrangement by a mediator; providing organizations with the ability to file class actions. The insurance companies sent their comments on the report via the Israel Insurance Association.

The motions to certify claims as class actions set forth below, are currently in the various stages of procedural adjudication, some have been approved and some are undergoing appeal proceedings.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

1. Introduction - Claims not in the Ordinary Course of Business (cont.)

1.2 Additional exposures

It should be noted that in addition to the legal proceedings, from time to time there are potential exposures which cannot currently be evaluated or quantified, in respect of commercial disputes or warnings pertaining to the intention to file suits, including class actions and derivative actions on certain matters, or legal proceedings and specific inquiries that might develop into claims in the future, including class actions or third party notices against the Group's member companies, as well as exposure resulting from the complexity of the regulation applying to the activity of the Group's member companies.

The Group's member companies are unable to predict in advance whether a customer's claim which has been brought to the companies' attention will eventually lead to the filing of a class action lawsuit, or will lead to a sector-wide ruling or will have sector-wide implications, even in those cases in which the customer threatens to do so, and furthermore the Group's member companies cannot estimate the potential exposure that may be created in respect of the aforementioned claims, insofar as these may be adjudicated and found to be justified by a competent authority. For more information, see Section 2.2.2.

In March 2023, the Company completed the acquisition of all the issued and paid-up share capital of Warburg Pincus Financial Holdings (Israel) Ltd., a holding company that holds, among other things, Max It Finance Ltd. (MAX), whose name has been changed to CIMax Holdings Ltd. (hereinabove and hereinafter, respectively - "**CIMax**," "**Max**").

The following are details of lawsuits outside the ordinary course of business, as detailed below, that had been brought against the Company and its consolidated companies, divided into CIMax and the consolidated companies in CIMax's statements (hereinafter - the "**CIMax Group Companies**") and the other Group companies.

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies

Below are details regarding material lawsuits[6] that have been certified as class action lawsuits (Section 2.1.1), pending motions to certify material lawsuits as class actions (Section 2.1.2), and material class actions, material claims and motions to certify material claims as class actions that had concluded during the reporting period and until the report was signed (Section 2.1.3), exposures due to immaterial class actions or class actions that have not yet been filed, and exposure due to regulatory provisions (Section 2.2), other material claims outside the ordinary course of business (Section 2.3) which were all brought against the Company and/or the consolidated companies, except the CIMax Group Companies.

[6] Note that, in general, in this note, a claim is considered material and described according to a qualitative or quantitative assessment that the Company makes when receiving the claim. With respect to the quantitative assessment, insofar as the actual exposure amount, net of tax, crosses the Group's materiality threshold for the purpose of profit – assuming the claim is deemed justified and without going into the claim's prospects or the amount specified therein on their merits – according to the calculated projected comprehensive loss, divided by the average annual comprehensive income or comprehensive loss in the last three years, calculated using the last 12 quarters for which reviewed or audited financial statements were published; it is clarified that the profit/loss attributable to the event and the profit/loss in each quarter are calculated according to their absolute value. The above classification is made as of the date of filing the lawsuit. However, as legal proceedings can extend and unfold, sometimes over years, a claim that was not considered material at the time of filing may subsequently become material, in which case disclosure will be made with respect to it at a later date. In addition, a claim may be considered material for the purpose of such a disclosure if the Company is unable to assess the total exposure. With respect to the consolidation of Max's statements into the Company's financial statements, and for the interim period starting on April 1, 2023, the actual or projected comprehensive income or losses attributable to the event, divided by the average annual comprehensive income or comprehensive loss (i.e., for four quarters) in the last three years, calculated in absolute values based on the last 12 quarters for which reviewed or audited financial statements have been published, while the average takes CIMax's income during this period into account; notwithstanding the aforesaid, for the sake of conservatism, such gains may be included gradually in each quarter from here on out.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the ClMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the Clmax Group companies

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the Clmax Group companies (cont.)

Below are details of material claims that were certified as class actions and are at various stages of litigating the respective proceeding on its merits, including inquiry into the substantive claim before the court of first instance or the appellate court after the ruling to certify the claim or dismiss it has been rendered, or after a judgment that granted or dismissed the lawsuit has been rendered.

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	*Claim amount*
1.	5/2013 Tel Aviv District Court	Clal Insurance and additional insurance companies	According to the plaintiff, the defendants are in breach of their duty to add linked interest as well as the lawful linkage differentials in respect of the insurance benefits they pay. According to the plaintiffs, the date from which interest and linkage differentials should be calculated is the insured event's occurrence date, until the actual payment date.	Charge the defendants to pay the class members linkage differentials and interest due to the underpayment. In addition and/or alternatively, the court is asked to order damages to the public, as it deems suitable.	Anyone who was paid insurance benefits from the defendants in the 7 years preceding the day the lawsuit had been filed and/or who will be paid insurance benefits from the defendants before a judgment is rendered in the lawsuit, without lawfully adding interest to the insurance benefits the (hereinafter - the "**First Class**") and lawfully adding linkage differentials to the insurance benefits (hereinafter - the "**Second Class**").	In August 2015, the District Court rendered its ruling to dismiss the motion to certify against the defendants with respect to the claim of non-payment of linkage differentials, but accept the motion to certify against the defendants with respect to the claim of underpaying interest on insurance benefits; it was found that the eligible class members are all policyholders, beneficiaries, or third parties, who, during a period starting three years before the lawsuit had been filed and ending on the day the lawsuit was certified as a class action, had been paid insurance benefits from the defendants (unless the above were paid not in accordance with a judgment rendered between them), without adding the lawful interest, within 30 days from the date of submitting the insurance claim with the insurer (not from the date of submitting the last document the insurer had required to clarify the liability), and until the actual payment date. In August 2016, the defendants, with the Supreme Court's approval, had stricken out a motion for leave to appeal they had brought in October 2015, whose gist was an objection to the District Court's ruling, according to which a prior settlement arrangement the Company had made on a similar issue does not establish *res judicata* that precludes bringing the motion to certify and does not establish a defense for the defendants, while the parties reserved all their claims to the main proceeding.	The plaintiff estimates the cumulative amount due to the First Class at NIS 518 million (if it is decided that the interest must be calculated from the insured event's occurrence date), or at NIS 210 million (if it is decided that the interest must be calculated starting 30 days from the date of filing the insurance claim to the insurance company). The plaintiff estimates the cumulative amount due to the Second Class (for which the motion to certify was denied) at an additional amount of NIS 490 million, due to linkage differentials.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	*Claim amount*
1. (cont.)			Alternatively, linkage differentials must be paid from the insured event's occurrence date and until the actual payment date, and interest must be paid starting 30 days from the date of submitting the insurance claim until the actual payment of insurance benefits.		In January 2019, the plaintiff petitioned for the expansion of the represented class, as defined in the court ruling in favor of certification on August 2015, so that it would include all Clal Insurance policyholders who were paid and/or will be paid insurance benefits without the lawful interest, between the date of certifying the class action and until a final judgment is rendered. The court ruled that it would decide on the motion within the judgment.	In February 2021, a partial judgment was rendered, in which the court determined that the class action was granted, and charged the defendants recovery of interest differentials to the class members, as set out in the judgment (hereinafter - the "**Judgment**"). In accordance with the Judgment, it was found that the "day of filing an insurance claim," on which the 30-day race begins and after which linked interest must 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 the insurance company or the insurance agent, whichever is earlier, first receive an inquiry indicating that the policyholder, a third party, or the beneficiary (hereinafter - "**Entitled Parties**"), wish to be paid the insurance benefits, without needing to attach any document. It was further determined that when the insurance benefits are calculated at their value on a date after the insured event's occurrence, interest will be added to them only from that date, and with respect to recovery of funds paid to service providers in a deferred payment – the interest differentials would be calculated starting from the actual payment date. Regarding the class members who had previously reached a settlement arrangement with the defendants, it was determined that the members of this category would be entitled to recovery of interest due to the period between the date of filing the insurance claim and the date all necessary documents for determining the liability were gathered, in accordance with that said in the Judgment.	

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the ClMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the Clmax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the Clmax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
1. (cont.)						The court ruled that the definition of the class would cover all Entitled Parties who, during the period commencing three years prior to bringing the lawsuits (filed against Clal Insurance in May 2013) and ending on the day of rendering the Judgment, were paid insurance benefits from the defendants, not in accordance with a judgment in their case, without the lawful interest added to them. It was also determined that for the purpose of implementing the Judgment and calculating the total damages to the class members in accordance with the principles set forth in the partial judgment, an expert must be appointed, and that the reward payable to the representative plaintiffs and their counsels' legal fees would be determined in the final judgment. In May 2021, the defendants filed an appeal, or, alternatively, a motion for leave to appeal the Judgment to the Supreme Court. In June 2021, the Supreme Court rendered its ruling ordering a stay of the District Court proceedings, including in the matter of appointing an expert for the purpose of executing the Judgment, pending a ruling in the appeal. In November 2022, the Supreme Court rejected the motion for leave to appeal that had been filed as said above, in the absence of a cause for judicial interference, mainly because the partial judgment constituted "a non-judgment ruling," and the appellate court's starting point is that it would only interfere in the trial court's interim rulings in highly unusual cases. Accordingly, it was held that the appropriate venue for investigating the defendants' claims was in an appeal on the final judgment in the lawsuit, insofar as an appeal is filed. The Supreme Court clarified that it was not taking a stand on the issue of the hypothetical appeal to be filed on the final judgment. The proceeding is at the stage of litigating the claim before the District Court, and in January 2023, within the above, the court rendered its ruling on the identity of and the authorities vested in the expert.	

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	*The represented class*	Status / additional details	Claim amount
2.	1/2008 Tel Aviv District Court	Clal Insurance and additional insurance companies	According to the plaintiff, the defendants charge sub-annuals, a payment that is collected in life insurance policies in which the insurance rate is determined as an annual amount but the payment is made in several installments (hereinafter - "**Sub-Annuals**"), at an amount that exceeds the permitted amount, and they do so, allegedly, in several methods: collecting Sub-Annuals with respect to the "policy factor," collecting Sub-Annuals at a rate that exceeds the permitted rate in accordance with the Insurance Supervision circulars, collecting Sub-Annuals with respect to the savings component in life insurance policies, and collecting Sub-Annuals with respect to non-life insurance policies.	Refund of all the amounts the defendants had collected unlawfully, as well as a mandatory injunction ordering the defendants to change their modus operandi with respect to the matters specified in the lawsuit.	Anyone who has contracted with the defendants or any of them under an insurance contract and was charged due to a "Sub-Annuals" component under impermissible circumstances or at impermissible amounts.	The Commissioner submitted his position in the case, in which, he concurred with the insurance companies' position. In July 2016, the court certified the lawsuit as a class action. The certified class consists of anyone who entered into an insurance contract with the defendants or any of them and was charged Sub-Annuals with respect to the following components: with respect to the "mixed" life insurance savings component 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 whose aim is to cover expenses), and with respect to health policies, disability policies, critical illness policies, work disability policies, and long-term care policies (hereinafter - the "**Collection Components**"). The court's ruling was rendered despite the Commissioner's position, which had been stated at the request of the court, as said above. The cause of action for which the claim has been certified as a class action is the unlawful collection of Sub-Annuals due to the Collection Components. The relief sought is a refund of the sums that had been collected unlawfully in the seven years preceding the date of filing the lawsuit and thereafter, i.e., from January 2001, as well as a mandatory injunction ordering the defendants to rectify their conduct.	In February 2010, the parties reached a procedural arrangement according to which the plaintiff's claims that Clal Insurance had overcharged on Sub-Annuals, compared with the permissible charges in connection with insurance policies that had been issued before 1992, and that Clal Insurance charged the maximum Sub-Annuals even when the number of payments was lower than twelve payments, would be withdrawn from the motion and the lawsuit. Accordingly, the amount Clal Insurance was sued for was revised and set at approx. NIS 398.2 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	*The represented class*	Status / additional details	Claim amount
2. (cont.)						In December 2016, the defendants filed a motion for leave to appeal against the ruling to certify the claim as a class action to the Supreme Court (hereinafter - “**MLA**”), and in May 2018, the Supreme Court accepted the MLA, heard it as an appeal, and rendered a judgment granting the appeal and dismissing the lawsuit accordingly. In June 2018, the plaintiffs moved to hold a further hearing of the judgment, with respect to some of the findings therein. In July 2019, a ruling was handed down in favor of holding a further hearing on the case, by an extended panel of 7 judges. In February 2020, a position was submitted to the Supreme Court on behalf of the Attorney General within the further hearing, according to which, the Attorney General believed that there was no justification to intervene with the ruling rendered in the judgment on the appeal, which was based on adopting the Capital Markets Authority’s interpretive position. In July 2021, a judgment was rendered in the petition for a further hearing, stating that the ruling that certified the lawsuit as a class action would be reinstated, so that the motion to certify would be granted and the case would be returned to the District Court to hear the class action lawsuit on its merits. The proceeding is currently being litigated before the District Court. The parties are conducting a mediation procedure.	

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
3.	5/2011 Central District Court	Clal Insurance and additional insurance companies	According to the plaintiff, in combined life insurance and savings policies, the defendants charged policyholders – without consent and without any justification originating from the policies – sums of money that sometimes comprised a considerable rate of the premiums the policyholders paid, known as the "policy factor" and/or "other management fees" (hereinafter - the "**Policy Factor**"), unlawfully and without this being grounded on any suitable contractual provision, even though the defendants were, in principle, allowed to charge the Policy Factor in life insurance policies in accordance with the Commissioner's circulars.	Payment of an amount equal to the Policy Factor that was actually collected from the class members as damages/recovery, in addition to the yield the policyholders had been denied with respect to this amount because the Policy Factor amount deducted from the premium had not been invested for them, and a change in the modus operandi regarding the collection of the Policy Factor.	Anyone who had a combined life insurance and savings policy with any 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 brought to the court, according to which, the defendants were supposed to pay a total of approx. NIS 100 million in respect of the past (Clal Insurance's share of the above being approx. NIS 26.5 million) and give a 25% discount on the future actual collection of the Policy Factor. In November 2016, the court decided to dismiss the motion to approve the settlement arrangement, as it did not constitute a proper, fair, and reasonable arrangement in the court's opinion, considering the class members' interests. In addition, the court decided to partially certify the lawsuit's administration as a class action, only with respect to combined life insurance and savings policies made between 1982 and 2003 (with respect to Clal Insurance policies in the "Adif," "Meitav" and "Profile" categories), in which the savings accrued in favor of the policyholders were diminished due to the collected Policy Factor, with the cause being a breach of the insurance policy due to collecting the Policy Factor in a manner that diminished the savings the policyholders accumulated, in respect of the period starting seven years before the date of filing the claim, in April 2011. The claim has not been approved with respect to other types of policies (jointly hereinafter - the "**Ruling**").	The plaintiffs' claim is in respect of the Policy Factor they were charged since 2004. According to various estimates and assumptions the plaintiffs made with respect to the collection of the Policy Factor in the seven years preceding the date the defendants filed the claim and the relevant annual yields, the plaintiffs estimated the amount of the class members' claim against all the defendants, as of the date of filing the claim, at a nominal amount of approx. NIS 2,325 million. Out of this amount, approx. NIS 662 million are attributable to Clal Insurance, according to its alleged market share.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
3. (cont.)						The claimed remedies, as defined in the court's Ruling, are to rectify the breach by way of adjusting the policyholders' accumulated savings according to the amount of the additional savings they would have accrued had they not been charged a Policy Factor or to compensate the policyholders by that amount, as well as to cease charging the Policy Factor from that date on. In addition, the defendants were charged the legal fees payable to the representatives' counsels and to the parties who were opposed to the settlement arrangement and their counsels, at immaterial amounts.	

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
3. (cont.)						In accordance with the Ruling, which relied on the examiner's assessment based on calculations conducted by the Supervision's representatives, the total claim potential range from NIS 1.85 billion to NIS 2.1 billion, with respect to policies that combine a savings component, for four of the defendants that entered into the settlement arrangement (including Clal Insurance). The defendants filed a motion for leave to appeal the court's ruling and withdrew it at the suggestion of the Supreme Court. Within the litigation of the proceeding on its merits before the District Court, the parties conducted mediation proceedings, and in the meanwhile, the proofs proceedings before the District Court had concluded. After a hearing held in September 2022, in connection with the possibility of promoting a settlement arrangement in the case, the court ruled that the lower limit in a settlement must be no less than 40%. In June 2023, the parties submitted a settlement arrangement for approval by the court. As part of the settlement arrangement, a refund mechanism was set for the class members who owned combined life insurance and savings policies made between 1982 and 2003, in which the accumulated savings to their benefit were affected due to the collection of the Policy Factor. According to the settlement arrangement, the main consideration to the class members would be as follows (in accordance with the provisions of the settlement arrangement):	

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
3. (cont.)						(1) The Company would refund the class members for 42% of the total collected Policy Factor that was allegedly supposed to be transferred to the savings component but was not, starting seven years before the motion to certify was brought (i.e., from April 2004), and until the reduced collection start date, as stated in Section 2 below. In relation to the period until the end of 2012, the amounts were to be repaid with yields, and with respect to the period from the beginning of 2013 and onward, the amounts would be revaluated in accordance with the court's ruling, by virtue of the authority granted to the court by the parties (hereinafter - the "**Supplementary Ruling**"). According to Clal Insurance's initial assessment, the said restitution is expected to range from NIS 88 million to NIS 103 million, in nominal values. To clarify, this assessment does not include the yields due to the collected amounts, of which, some are subject to the Supplementary Ruling.	

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
3. (cont.)						(2) The Company would reduce the future Policy Factor collection from the relevant class members, by lowering the Policy Factor collection to 50% of the total Policy Factor that would have been collected had no reduction been made, as stated in the settlement arrangement. According to Clal Insurance's initial assessment, the total Policy Factor reduction with respect to future collection is expected to sum up to approx. NIS 3 million for 2024. The above reduction amounts are expected to be reduced over the years. The settlement arrangement is subject to the court's approval, and the court's approval thereof in the submitted form, as well as with respect to the arrangements it will stipulate, is uncertain. In July 2023, a court ruling was given ordering the publication of the agreement in accordance with the provisions of the law. Pursuant to the ruling of the court, the date for submission of the legal counsel's position regarding the settlement arrangement January 2024.	

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
4.	7/2014 Central District Court	Clal Insurance	According to the plaintiff, Clal Insurance overcharges insurance premiums in compulsory and/or third-party and/or comprehensive insurance policies: (hereinafter - the "**Policy**"), in cases in which the youngest driver who is expected to use the vehicle regularly (hereinafter - the "**Driver**") is expected to reach the age and/or number of driving years from which Clal Insurance charges reduced insurance premiums during the insurance period (hereinafter, respectively: the "**Qualifying Age**" and the "**Qualifying Driving Record**"). According to the plaintiff, Clal Insurance must calculate the insurance premiums in a different way, including in the event of a Policy renewal after a previous insurance period, and Clal Insurance must, furthermore, be required to disclose various details to the policyholders (of car insurance policies of any kind), without prompting.	To declare and determine that Clal Insurance must calculate the insurance premiums for the policies in the manner specified in the motion; require Clal Insurance to disclose various details, as specified in the motion, without prompting; prohibit Clal Insurance to charge the policyholder administrative expenses or any other payment due to the issuance of a new compulsory motor insurance certificate, if issuing the new policy is required through no fault of the policyholder; require Clal Insurance to compensate the class members for the damage they had suffered, plus lawful linkage differentials and interest from the overcharge date to the actual compensation and/or restitution date; require Clal Insurance to reimburse the class members for the full amount by which Clal Insurance was enriched at the class members' expense. Order the award of any other remedy for the benefit of the classes or public compensation, as the court deems appropriate under the circumstances.	Anyone who has purchased and/or renewed and/or will purchase and/or renew the Policy with the plaintiff in the seven years prior to filing the claim and until the date a final judgment is rendered, for whom, during the insurance period, the youngest Driver expected to use the car reached and/or will reach an age bracket and/or a driving years bracket from which he or she is entitled to reduced insurance premiums, yet in practice he or she did not receive the full reduction to which he or she was entitled, as well as anyone belonging to the aforementioned class and whose comprehensive and/or third-party insurance policy is in the "any driver" category.	In January 2017, the court handed down a ruling that dismissed the plaintiff's claims, except with respect to the claim regarding the prevailing practice of updating the policies and returning excess insurance premiums, in respect of which the motion to litigate the claim as a class action was approved. The class members, as determined in the ruling, are: "The respondent's policyholders insured under compulsory, comprehensive, and third-party motor insurance in the past seven years, who reached the age and/or driving years bracket that entitles them to a reduction in the insurance premiums during the insurance period, and with respect to whom the respondents refrained from following the prevailing practice, and who, subsequently, did not benefit from the reduction." The parties submitted summations within the litigation of the lawsuit. In February 2022, a judgment was rendered on the lawsuit on its merits, and rejected it entirely. In April 2022, the plaintiff filed an appeal against the judgment.	The total amount of the claim was estimated by the plaintiff at NIS 26 million. The assessment of the damage in the affidavits of evidence in chief on behalf of the plaintiff in the class action was approx. NIS 100 million, in the aggregate, due to a period of 11 years. Within the appeal, the plaintiff demands, inter alia, the amount assessed by the expert on its behalf, at a nominal amount of approx. NIS 100 million, plus linkage and interest, as well as the class's expansion (and accordingly, higher damages) until the date a judgment is rendered in the appeal or until the conduct is altered.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
5.	2/2014 Tel Aviv District Court	Clal Insurance	According to the plaintiff, Clal Insurance takes advantage of the fact that the policyholder does not immediately start paying the savings component of a life insurance policy with a savings component and a risk component, and fundamentally and blatantly violates the terms of the policy by making changes to the policy unilaterally (shortening the policy period, moving the insurance start date, and raising the policyholder's age at the start of the insurance), and consequently, unlawfully raises the real price of the premium, even though the premium for the policy's risk component has been paid for in full. Thus, according to the plaintiff, Clal Insurance causes policyholders substantial financial damage.	To require Clal Insurance to pay the excess premium fees it had charged due to moving the insurance start date until the date the lawsuit is certified is a class action, with linkage differentials and the maximum lawful interest. To obtain an order prohibiting Clal Insurance from continuing to charge premiums at rates that exceed the rate specified in the policy. Alternatively, to require Clal Insurance to pay an appropriate and adequate amount in favor of the general public at an amount equal to the charged fees that were not returned to the payer, with linkage differentials and the lawful interest.	Anyone who entered into and/or was insured under a life insurance policy and who did not pay the savings component in this policy in full from the date the policy was made and until the date of eligibility for a monthly pension under the policy, and who were unlawfully charged excess premiums because the insurance start date had been moved.	In December 2017, the court certified the lawsuit as a class action. The approved class is anyone who entered into and/or was insured under a life insurance policy with a savings component and a risk component, and who did not pay one of the components in the policy in full from the day the policy was made and until the date of eligibility to a monthly pension according to the policy or until its settlement or until the repayment of the policy, for whom the respondent had "moved" the insured start date forward. The lawsuit was certified on grounds of breach of contract, deception, and unjust enrichment. The claimed remedies are recovery of the excess premium amounts Clal Insurance charged on top of the amounts specified in the policy, according to the plaintiffs, as well as an order prohibiting Clal Insurance from continuing to collect premiums at rates that exceed the policy rates. The proceeding is currently being litigated.	The total alleged damage Clal Insurance caused all class members sums up, according to the plaintiff's assessment, to approx. NIS 20 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
6.	7/2014	Clal Pension and Provident Funds Ltd. as well as against four other pension fund management companies.	According to the plaintiffs, who are two associations that claim their objective is to aid the elderly population, the defendants raised the management fees it charged from pensioners in the pension funds they manage at the stage of paying the pension, to the maximum lawful management fees ceiling (0.5% of the accumulated balance), while taking advantage of the pensioners' position as a "captive audience," while active planholders paid significantly lower management fees, on average. It was further claimed that the defendants do not disclose to their planholders that when they become pensioners, the management fees they pay the defendants would immediately be raised to the maximum management fees.	To require the defendants to return the excess management fees unlawfully charged from the class members with interest and linkage; to require the defendants to lower the management fees charged to the pensioners, so that they do not exceed the management fees it charged before each one of them retired; to prohibit the defendants from raising the planholders' management fees immediately before they retire.	Anyone who is a planholder of a comprehensive new pension fund, managed by one of the defendants, and is entitled to be paid an old-age pension and/or will be entitled to be paid an old-age pension in the future.	In September 2015, the plaintiffs submitted a reply to the defendants' response to the motion to certify (hereinafter - the "Plaintiffs' Response"), in which, among other things, a new claim was raised: that the defendants did not send the planholders prior notice of raising the management fees, as required in accordance with the provisions of the law. As per the court's request, the Commissioner submitted its position in September 2017, which held, inter alia, that in accordance with the provisions of the law and the July 2014 circular, management fees lower than 0.5% could be collected during the pension payment period, and that the defendants had no regulatory duty to notify of a management fee increase once the planholders reached retirement age. In March 2022, the District Court decided to grant the motion to certify against the defendants, with respect to whether the defendants had had to notify the planholders of the management fees they would be charged in the pension period in advance, and if so, what damage had been caused by the failure to provide such a notice. The approved class contains anyone who is a planholder in a new comprehensive pension fund managed by one of the respondents, and is entitled to be paid an old-age pension after they retire in the seven years prior to submitting the motion to certify and/or will be entitled to be paid an old-age pension in the future. Note that pension beneficiaries who retired in the latter half of 2018 will be given notice in accordance with the standard-conforming bylaws the regulator had published, that came into force starting in that year. The proceeding is currently being litigated on the merits.	According to the plaintiffs' assessment, the management fees the defendants collected unlawfully from current pensioners are estimated at NIS 48 million, the management fees that will be unlawfully collected from current pensioners in the future by the defendants are estimated at NIS 152 million, and the management fees the defendants will unlawfully collect from future pensioners in the future, due to the accrual to date, are estimated at NIS 2,800 million. The said amounts are claimed with respect to all the defendants.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the ClMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the ClImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the ClImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
7.	5/2015 Jerusalem District Court	Clal Insurance and the Association (the policyholder)	According to the plaintiff, after his late mother had been insured for years under a collective life insurance policy, which had been sold by Clal Insurance to the Nativ – South and Center Pension Fund Pensioners Association (hereinafter - the "**Association**" and the "**Policy**," respectively), and paid premiums regularly, Clal Insurance unilaterally and unlawfully revoked the Policy because the Policy had been loss-making, and did not pay back the premiums it had collected. In addition, according to the plaintiff, Clal Insurance unlawfully charged the policyholders premiums for the month of June 2014, after the date the Policy was canceled.	To require Clal Insurance to pay each of the class members who did not benefit from the fruit of the Policy the full premiums collected from them in respect of the Policy during the years in which they were insured, plus interest and linkage, as per the law.	Anyone who was insured with Clal Insurance under the Policy, which was canceled on March 2, 2014, as well as all the policyholders under the Policy whom Clal Insurance charged a premium in June 2014.	In May 2019, the court dismissed the claim with respect to the restitution of all premiums paid for the Policy over the years. The court certified the claim as a class action against Clal Insurance and against the Association, with the causes of action being a breach of the provisions of the Insurance Contract Law, 1981, the Supervision of Insurance Business Regulations (Group Life Insurance), 1999, and the provisions of the Policy, as well as the cause of negligence, and ruled that Clal Insurance did not duly warn the policyholders of the insurance contract's termination and that the Association had breached, inter alia, its fiduciary duties and duties of care in its capacity as the "policyholder". The approved class is the beneficiaries of the pensioners who had been insured under the collective insurance contract, who had passed away from the date of the insurance contract's termination and until the end of the insurance period stipulated in the insurance contract (a period of two years). The claimed remedy is the payment of insurance benefits to the class members.	The total claimed damage to all the class members from Clal Insurance sums up, according to the plaintiff's estimate, to approx. NIS 90 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the ClMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the Clmax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the Clmax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
7. (cont.)						In August 2021, a judgment was rendered (hereinafter - the "**Judgment**"), within which the court granted the claim, and ruled that Clal Insurance and the Association did not duly alert the policyholders of the termination of the collective life insurance policy. Accordingly, Clal Insurance was required to pay the insurance benefits in accordance with the Policy (NIS 11,500 for each pensioner who had passed away) to the beneficiaries of the insured pensioners under the Policy, who had passed away from the Policy termination date (May 1, 2014) and until the insurance period termination date (April 30, 2016) (hereinafter - the "**Relevant Period**"), less the premiums that the pensioner would have had to pay for the period from the Policy termination date to their death, plus interest and linkage differentials as per the law, starting 30 days from the policyholder's death. In addition, the court ordered the defendants to pay the plaintiffs' reward and their counsels' legal fees. In October 2021, Clal Insurance filed an appeal on the Judgment and a motion for stay of execution to the Supreme Court. The motion for stay of execution was granted partially, in the sense that the payment of the insurance benefits and sending letters to the class members would be stayed until the appeal is decided. The proceeding is at the stage of hearing the appeal.[7]	

[7] In conjunction with filing the appeal, Clal Insurance filed a monetary claim to pay the premiums owed to Clal Insurance from the collective insurance members who did not pass away during the Relevant Period, while relaying on the court's rulings in the Judgment in the class action, according to which Clal Insurance's termination of the collective insurance policy was void, and therefore, the Policy was valid and binding during the Relevant Period (until the end of the original Policy period).

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	*The represented class*	Status / additional details	Claim amount
8.	9/2015 Central District Court	Clal Insurance and three additional insurance companies	According to the plaintiffs, when the defendants give a score for the "incontinence" function within examinations of claims for insurance benefits under long-term care policies, they apply an interpretation according to which, in order for a policyholder's claim due to "incontinence" to be recognized, it must be the result of a urological or gastroenterological illness or defect, rather than assigning the function a score even when the source of the policyholder's poor medical and functional condition due to which he or she suffers from "incontinence" might be an illness, accident, or health defect outside the domain of urology or gastroenterology.	To compel the defendants to compensate the class members in full for the damage caused to the latter due to the defendants' alleged breaches of the agreement, and to comply with the agreement from here on out, and alternatively, to award any other remedy as the court deems suitable under the circumstances.	Anyone who was insured under a long-term care insurance policy sold by the defendants (or the heirs of the above, as applicable), and who suffered from poor health and functioning as a result of an illness or accident or health impairment, because of which they suffered from incontinence and/or regularly used a stoma, a urinary catheter, or diapers or absorption products of all kinds, and despite the above – were not assigned a score from the defendants (as applicable) for the incontinence component, which has led to their rights being infringed.	In April 2020, the court partially certified the lawsuit as a class action lawsuit against Clal Insurance and three other insurance companies. The class action certification relates to anyone who was insured by long-term care insurance and suffered from loss of bowel or bladder control, due to a combination of incontinence that does not amount to an organic loss of control with a poor functional condition, and regardless of the aforesaid did not receive from the insurance companies points for incontinence when examining their claim to receive long-term care insurance benefits, such that their rights to insurance benefits were impaired between September 8, 2012 and the date of certifying the claim as a class action. The plaintiffs' motion to certify the lawsuit as a class action lawsuit in respect of a class of policyholders who suffer from incontinence due to functional disabilities or mobility impairments, and experience incontinence due to this, as well as in respect of a class of policyholders who suffer from cognitive impairments and who were not recognized as "mentally frail," was denied. The causes of action for which the class action was certified were a breach of the long-term care insurance contract that resulted in non-payment of long-term care insurance benefits or underpayment of long-term care insurance benefits, due to the policyholders not being recognized as qualifying for a score on their incontinence. The remedy sought in the lawsuit is compensation to the class members who were not assigned a score on their incontinence. The proceeding is currently being litigated. The parties are in mediation.	According to the plaintiffs, the damage cannot be estimated at this stage, but they estimate it in the tens and even hundreds of millions of shekels. The plaintiff's alleged individual damage from Clal Insurance sumps up to approx. NIS 32,500 (without linkage differentials and interest).

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
9.	10/2016 Central District Court	Clal Insurance	According to the plaintiff, within an engagement with a collective policy master policyholder (a health maintenance organization) for the sale of a collective long-term care insurance policy, Clal Insurance had committed to give the collective policyholders who enroll in the private policy a 20% discount on the premium, and did not do so (hereinafter - the “**Collective Policy**”).	Refund of the amounts by which the class members were overcharged.	In accordance with the court’s ruling – anyone who bought an individual long-term care insurance policy from Clal Insurance in which the eligibility period is lifetime compensation, between October 30, 2009, and December 31, 2018, while they were insured under the Collective Policy, and Clal Insurance did not give them a discount of at least 20% according to Clal Insurance’s lowest prevailing rate at the time of purchase in respect of private policies that are equivalent to the plan the policyholder had chosen, for a policyholder of comparable age and health condition, provided that it does not exceed the regulator-approved rate.	In January 2021, the court partially certified the motion to approve the class action. The lead plaintiff’s motion to certify the lawsuit as a class action, including with respect to any group of policyholders who hold a private long-term care policy in which the period of eligibility for compensation is not for the policyholder’s entire life, was denied. The causes of action for which the claim was certified as a class action lawsuit are a breach of the provisions of the Collective Policy and unjust enrichment, and the claimed remedy is restitution of the amounts by which the class members were overcharged. The proceeding is currently being litigated. The parties are in mediation. In November 2023, within a mediation proceeding, Clal Insurance and the plaintiff signed a binding procedural arrangement, according to which the parties agreed on giving or supplementing a discount for the relevant policyholders at the rates agreed upon by the parties. The procedural arrangement is subject to examination by an external expert, according to the agreed outline of principles, following and according to which the settlement agreement will be formulated and submitted to the court.	In the claim, the plaintiff estimated the alleged damage to all class members at NIS 52 million for alleged damage caused until the date of filing the motion, and NIS 126 million for the damage expected to be caused to the class members in the next 10 years.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.1 Material claims whose filing as class actions was certified, against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
10.	11/2019 Tel Aviv Regional Labor Court	Clal Insurance	According to the plaintiff, Clal Insurance charged management fees in life insurance policies with an integrated profit-sharing savings component issued before January 12, 2004 (hereinafter - the "**Relevant Policies**"), at rates that deviate from the permissible limits, without a legal and/or contractual basis.	Remedy in the form of restitution of the management fees the class members were unlawfully charged, as well as a mandatory injunction ordering Clal Insurance to change its modus operandi with respect to the collection of management fees in the Relevant Policies from here on out.	Anyone who is or has been insured by Clal Insurance under the Relevant Policies and whom Clal Insurance charged due to management fees in excess of the permitted limit under the Supervision of Financial Services Regulations (Insurance) (Conditions in Insurance Contracts), 1981, according to the wording at the time and/or according to the provisions of the policy, during the 7 years prior to the date of filing the lawsuit and up to the date the lawsuit is certified as a class action.	In June 2023, the Regional Labor Court decided to reject the claims that Clal Insurance charged management fees out of the accrued savings in violation of the law or contrary to the provisions of the policy, as well as the alternative claim that Clal Insurance charged management fees out of the accrued savings at a rate that exceeded than the rate permitted by law. The Regional Labor Court decided to partially certify the lawsuit as a class action lawsuit on the grounds that Clal Insurance charged management fees out of the premium from its policyholders that held participating policies in the "Profile" category that had been sold until January 12, 2004 (hereinafter - the "Relevant Policies"), in contrast with the provisions of the policy (hereinafter - the "Management Fees"). Let it be noted that these policies have been marketed since 1999. The class members comprise anyone who was or is insured by the respondent under a Relevant Policy in the period beginning seven years prior to the date of filing the lawsuit and ending on the day the lawsuit was certified as a class action lawsuit, and whom Clal Insurance charged Management Fees to. The causes of action for which the lawsuit was certified as a class action lawsuit are: a breach of agreement, unjust enrichment, and a breach of statutory duty, including a breach of Clal Insurance's duties of trust and duties of care, and deception. The parties decided to enter a mediation process.	NIS 120 million

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies[8]

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
1.	7/2015 Tel Aviv District Court	Clal Insurance	According to the plaintiff, Clal Insurance calculates the rights to payment of the pension and/or capitalization of the pension owed to the policyholders who temporarily suspend their insurance premium payments (in whole or in part) for a specific period and/or who do not pay the insurance premiums for several months, contrary to the law, the provisions of the law, contrary to the provisions of the policy, and contrary to the mandatory formula for calculating the pension under the policy (hereinafter - the "**Mandatory Formula**"); it is also claimed that Clal Insurance refuses to provide information to policyholders.	To compel Clal Insurance to calculate the monthly pension and/or pension capitalization in accordance with the Mandatory Formula, and to compel Clal Insurance to pay the class members who have already been harmed the pension differentials or the pension capitalization differentials they are owed, plus linkage differentials and interest, as required by law. Alternatively, the plaintiff petitions for a declaratory judgment, according to which Clal Insurance is in breach of the provisions of the policies.	With respect to non-pecuniary remedies – all Clal Insurance policyholders who hold similar policies to the plaintiff's policy (hereinafter - the "**Policyholders**") and who did not pay the insurance premiums under the policy over a specific period or over specific periods, temporarily. With respect to the pecuniary remedies: All Policyholders who started receiving a monthly pension from Clal Insurance, that is lower than the monthly pension that would have been payable to them in accordance with the Mandatory Formula, as well as Policyholders who chose to have their pension capitalized, and whose pension capitalization calculation is lower than the pension capitalization that would have been payable in accordance with the Mandatory Formula.	In June 2016, the parties' consensual motion to submit the hearing to the panel that heard another lawsuit brought by the same plaintiff, as described in Section 2.1.1.5 above, regarding the calculation of the rights under life insurance policies when the policyholder does not pay the full insurance premiums (hereinafter - the "**Previous Proceeding**"), was granted. As the ruling on the Previous Proceeding has implications for the questions arising in this proceeding, the court decided to stay the hearing in this proceeding until the end of the evidence stage of the Previous Proceeding.	The total claimed damage to all class members sums up, according to the plaintiff's estimate, to at least approx. NIS 25 million.

[8] Including such motions that were denied and the ruling to deny them was appealed.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
2.	9/2015 Tel Aviv District Court	Clal Pension and Provident Funds, as well as four other companies that manage pension funds	According to the plaintiffs, who are planholders in the pension funds managed by the defendants, the mechanism to remunerate agents and brokers with fees and commissions as a rate out of the management fees planholders are charged, as had been the custom among the defendants, is a breach of the duty of loyalty toward the planholders in the provident funds the defendants manage, and leads to the collection of higher management fees than is appropriate by the defendants.	To require the defendants to alter the agent remuneration mechanism and to pay the planholders back the excessive management fees they were charged.	Planholders of provident funds managed by the plaintiffs, who were charged management fees from which the agents' commission is derived based on the management fees amount.	In November 2022, the District Court's rendered its judgment, in which the motion to certify was denied. In January 2023, the plaintiffs appealed the judgment. The proceeding is at the stage of hearing the appeal.	According to the plaintiffs' assessment, the damage to all class members is approx. NIS 2 billion, reflecting approx. NIS 300 million in annual damage since 2008.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
3.	12/2015 Tel Aviv District Court	Clal Insurance and another insurance company	The plaintiffs claim that the defendants charge policyholders in life insurance policies issued from August 1, 1982, in which the sub-annuals component is collected if the premium is paid over the year in installments (hereinafter - "**Sub-Annuals**"), an effective interest rate that exceeds the maximum interest rate the Insurance Commissioner has allowed insurance companies to charge on the Sub-Annuals component. According to the Plaintiffs, the above charge is unlawful and goes against procedure and against the norms in the finance industry, while ignoring the monthly premium payment dates and the fact that the annual premium decreases over the year.	To order the defendants to change the Sub-Annuals component calculation method so that it would be calculated while taking into account the actual premium payment dates and the reduction in the annual premium payment between payments. To pay the overcharged Sub-Annuals component amounts back to the class members, from the date the policyholders were charged with the Sub-Annuals component and until the date a judgment is rendered in the lawsuit, or, alternatively, in the seven years preceding the plaintiff's lawsuit, and until a judgment is rendered in the lawsuit. Alternatively, the plaintiff is petitioning for a declaratory judgment according to which the Sub-Annual component calculation method Clal Insurance applies is unlawful, or another declaratory judgment, as the court deems suitable and equitable under the circumstances.	Policyholders in life insurance policies issued from August 1, 1982, in which the Sub-Annuals component is collected while the premium is paid in installments throughout the year.	In May 2020, a judgment was rendered, in which the District Court denied the motion to certify the claim as a class action. In September 2020, the plaintiffs filed an appeal against the ruling. The proceeding is at the stage of hearing the appeal. In accordance with the court's ruling, the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") submitted its position, in which the Commissioner denied the claim that Sub-Annuals are considered "interest" within the meaning of the term in the Interest Law.	The total alleged damage to all class members with respect to Clal Insurance sums up, according to the plaintiffs' assessment, to no less than NIS 50 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
4.	8/2016 Tel Aviv Regional Court (1) 10/2016 Jerusalem Regional Labor Court (2) 11/2016 Jerusalem Regional Court (3) 12/2016 Tel Aviv Regional Court (4) 7/2019 Tel Aviv Regional Court (5)	Clal Pension and Provident Funds Clal Insurance "Atudot" - Pension Fund for Workers and Independent Workers Ltd. (a subsidiary of Clal Insurance (held at 50%)) (hereinafter - "**Atudot**")	The five lawsuits concern the allegation that in the pension funds, the Tamar Provident Fund, the study funds under their management, and their executive insurances, the defendants charge planholders – in addition to the management fees – "investment management expenses" (hereinafter - "**Direct Expenses**"), in the absence of a contractual provision that allows them to charge such expenses and contrary to the bylaws of the respective funds or policies, as applicable.	The plaintiffs in the five lawsuits seek to compel the defendants to return the excessive Direct Expenses amounts they were charged. In addition, some of the plaintiffs also wish to charge some of the management companies they are suing for the yield differentials the overcharge amounts would have yielded, had they been invested, and some of them wish to charge the defendants shekel-denominated interest differentials, as per the law, from the overcharge date to the actual payment.	The planholders in the pension funds, the study fund, the provident fund "Clal Tamar" managed by the defendants, and the policyholders of executive insurance policies who were charged investment management expenses in the seven years before the relevant lawsuit was filed.	In May 2019, the Central District Court rendered a ruling granting the motion to certify a class action lawsuit due to the collection of Direct Expenses in individual life insurance policies (hereinafter - the "**Certification Ruling**"). In the Certification Ruling, it was determined that the absence of a clear provision in the policy regarding the collection of Direct Expenses is a negative arrangement, and therefore, the defendants were not prohibited from charging these expenses. In September 2019, a motion for leave to appeal the Certification Ruling was brought to the Supreme Court (hereinafter - the "**Motion for Leave to Appeal**"). The Company is not a party to this proceeding. In October 2020, the movants in Proceeding 2.1.2.4(1) were added to the Motion for Leave to Appeal. Proceedings 1 to 4 were stayed until after the Supreme Court rendered its ruling on the Motion for Leave to Appeal. The Attorney General submitted his position on the Motion for Leave to Appeal, according to which the Motion for Leave to Appeal and the appeal itself ought to be granted, in the sense that the Certification Ruling would be overturned, for the reasons specified in his position.	In Lawsuit 1, which concerns the pension funds, the class action amount was approx. NIS 341 million in respect of the years 2009 to 2015, plus the investment management expenses the defendant had collected from the class members in 2016 and the additional yield the funds that have been deducted as investment management expenses would have yielded. In Lawsuit 2, which concerns the study fund, the amount of the class action lawsuit was set at approx. NIS 53 million, based on an assessment. In Lawsuit 3, which concerns the Tamar Provident Fund, the class action lawsuit amount was set at approx. NIS 181 million, based on an assessment. In Lawsuit 4, which concerns the executive insurances, the class action amount was set, according to an estimate, at approx. NIS 404 million, plus the investment management expenses that the defendant had charged to the class members in 2016, with interest and linkage.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
4. (cont.)						In June 2023, the Supreme Court rendered its judgment on the Motion for Leave to Appeal, which discussed the Motion for Leave to Appeal as an appeal and granted the appeal against the Certification Ruling. The respondents submitted their position regarding the judgment, according to which, in light of the Supreme Court's ruling, the motions to certify the lawsuits as class actions must be denied.	In Lawsuit 5, which concerns the pension fund managed by Atudot, the class action lawsuit amount was set, according to an assessment, at approx. NIS 41 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
5.	12/2017 Jerusalem District Court	Clal Insurance, two other insurance companies, Clalit Health Services, and Maccabi Healthcare Services.	According to the plaintiffs, the defendants allegedly refuse to provide long-term care insurance to people on the autistic spectrum, or set impossible and unreasonable conditions for them, without providing any explanation or justification for their conduct.	Making a declaratory order that the defendants' conduct violates Article H of the Equal Rights for People with Disabilities Law, 1998, the Equal Rights for People with Disabilities Regulations (Insurer's Notice Regarding Different Treatment of a Person or Refusal to Insure) (2016) (hereinafter - the "**Equality Law**"), and other statutes; issuing a mandatory injunction compelling the defendants to stop discriminating against the class members and establish clear work procedures regarding individual, egalitarian, and impartial treatment of people with disabilities; issuing mandatory injunction compelling the defendants to retroactively insure the class members who are found eligible for long-term care insurance after an egalitarian underwriting procedure is carried out in accordance with the procedures, as said above.	People with autistic spectrum disabilities who applied for insurance under a long-term care insurance policy offered by any of the defendants, and were unlawfully treated differently and discriminated against by the defendants, without the defendants basing the ruling on reliable and relevant statistical, actuarial, or medical data on the specific insurance risk, and/or were not given an explanation for this, as required under the Equality Law and other applicable statutory provisions, in the seven years prior to bringing the motion to certify.	In January 2020, the Attorney General announced that he would not be seeking to appear in the proceeding, and that this announcement does not affect the position he had submitted in another similar case, in which he expressed his opinion that the insurance company's reliance on the reinsurers' underwriting procedures is compatible with the provisions of the Equality Law. In March 2020, the health maintenance organizations' motion for dismissal in limine was denied. The health maintenance organizations appealed this ruling, inter alia, in connection with the ruling on the motion for dismissal in limine. The health maintenance organizations' appeal against the denial of their motion for dismissal in limine was denied in November 2020. In September 2022, the court rendered its judgment, in which the motion to certify was denied. In April 2023, the plaintiff filed an appeal against the judgment.	The plaintiffs do not quantify the damage to all class members, and they estimate the plaintiffs' individual damage at tens of thousands of shekels per plaintiff.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
6.	11/2018 Central District Court	Clal Insurance	According to the plaintiffs, Clal Insurance is in breach of its contractual obligation under the policy, as it allegedly refuses to pay its policyholders under comprehensive motor insurance policies for vehicles that weigh over 3.5 tons benefits for their vehicles' impairment due to an insured event, even though the policy covers the "damage" to the vehicle, and while manipulating the assessments issued by the appraisers under the arrangement.	A declaratory relief; a motion to compel Clal Insurance to indemnify all its policyholders who were insured under the policy and whose vehicles were and/or will be damaged due to impairment as a result of an insured event, as well as any other remedy that the court deems suitable and equitable under the circumstances.	All Clal Insurance policyholders who purchased and/or will purchase a comprehensive motor insurance policy from Clal Insurance for a vehicle that weighs over 3.5 tons, if, as a result of an "insured event," as defined in the policy, their vehicle was and/or will be damaged due to an impairment.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates the total damage to the class members at approx. NIS 75 million. The plaintiff's individual damage was estimated at NIS 21,605.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
7.	3/2019 Jerusalem District Court	Clal Insurance	According to the plaintiffs, the defendant issues personal accidents policies to policyholders when the latter purchase travel insurance policies, without obtaining their consent and while misleading them.	An order to pay back the funds collected by the defendant to each member of the class, due to payments for a personal accidents policy, in the last seven years	Any policyholder who, while purchasing a travel insurance policy, was simultaneously, without their consent, enrolled in a personal accidents insurance, and was unlawfully charged monthly premium payments, in the period starting up to 7 years prior to the day the lawsuit was filed.	In December 2020, the parties moved to the court to authorize a settlement arrangement, under which, certain policyholders who have claims regarding the insurance sale process would contact Clal Insurance, and an examination would be carried out in connection with their respective sale process, and if it is found that it was improper according to the criteria set forth in the settlement agreement, they would be entitled to damages at the rate set forth in the settlement agreement. In January 2023, in accordance with the court's position, the parties submitted a revised settlement arrangement to the court, according to which, a certain refund would be made out of the paid premiums, at the rate the parties had agreed on, to the policyholders who had purchased a personal accidents policy in conjunction with the travel insurance and who canceled the personal accidents policy during the period specified in the settlement. In accordance with the court's ruling, an examiner was appointed, and it examined the alternatives according to the aforementioned arrangements and proposed immaterial amendments to the settlement. An amended settlement arrangement was submitted in September. The settlement arrangement is subject to the court's approval, which will not necessarily be granted.	The plaintiffs estimate the total damage to the class members at approx. NIS 17 million. The total personal damage being claimed is NIS 1,044.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
8.	5/2019 Tel Aviv Regional Labor Court	Clal Insurance	According to the plaintiff, the defendant systematically reduces the disability insurance benefits it pays its policyholders under its participating disability insurance policies, by unlawfully deducting management fees and interest rates.	Restitution in kind of the funds the class members were unlawfully denied, according to the plaintiff, and with respect to the premium release funds – crediting the policies' savings. The plaintiff also petitions to declare that certain provisions of the policies, in relation to the interest and management fees deduction from the yield to which the policyholders are entitled, are void.	All policyholders or former policyholders under participating disability insurance policies that include a mechanism to link the monthly benefits payments and/or the release from premiums to the investment portfolio yield, starting from the 25th payment, to whom Clal Insurance has paid monthly benefits and/or a release for a period exceeding 24 months, and starting from the 25th payment, deducted interest and/or management fees from the yield.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates the total alleged damage to all class members at NIS 2.4 billion.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
9.	2/2020 Central District Court	Clal Insurance and another insurance company	According to the plaintiffs, due to "lack of knowledge" following the failure to present the personal accidents insurance policy (hereinafter - the "**Policy**") to the students, to the policyholders, and to their relatives, and the Policy's non-publication, the policyholders have not been exercising their right to benefits under the Policy, and they are incurring damages.	Issue orders against the defendants and the Insurance Commissioner for the discovery of documents and data; order the extension of the prescription period; order the appointment of a committee that will include independent members and will be authorized to discuss and decide all personal claims under the Policy for three years, in respect of all cases before October 25, 2016 (hereinafter - the "**Committee**"), and will also be authorized to discuss the issue of the Policy's delivery; order a procedure for transferring the burden of evidence; issue a mandatory injunction ordering the defendants to compensate the plaintiffs in accordance with the Committee's ruling; award special damages to the plaintiffs and the counsels' legal fees.	The motion classifies the plaintiffs into several subcategories, mainly including: Any student in a school or kindergarten in the State of Israel who had been insured under a personal accidents insurance policy by the defendants and did not receive a copy of the personal accidents insurance policy at their home, starting from the school year that started in September 2006, and/or any student whose cause of action against the insurance company has become invalid under the statute of limitations; In addition, the motion defines additional subcategories, comprising students who were born after October 25, 1995, and who, between the ages of 3 and 19 (while in the Israeli education system, from kindergarten and until their graduation from the 12th or 13th grade), suffered an accident that resulted in physical harm, and who were not paid insurance benefits in accordance with the Policy, divided into sub-categories according to the type of harm, as specified in the motion; In addition, a subcategory comprising of people born in 1974 to 1995, whose members are people and/or their parents and/or heirs who were born and/or studied in Israel between 1974 and 1995 and who were injured or killed after 1992, and did not file insurance claims because they did not know about the Policy and its scope; and the subcategory of all policyholders – all students and all their parents, from September 1992 to September 18, 2016, divided into sub-categories according to the causes of harm, as specified in the lawsuit.	The proceeding is in the stage of the class action certification motion being reviewed. Let it be noted that similar motions and claims were filed against Clal Insurance and were stricken out by the court on procedural grounds, in January 2020.	The plaintiffs estimate the alleged damage against Clal Insurance at approx. NIS 1.4 billion, plus approx. NIS 1.5 billion in damage attributable to the two defendants due to breaching their autonomy.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the ClMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the Clmax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the ClMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
10.	3/2020 Tel Aviv Regional Labor Court	Clal Insurance	According to the plaintiff, Clal Insurance systematically violates the provisions of the law by charging unlawful insurance premiums for "temporary risk" insurance (payment for insurance coverage when the regular deposits into a savings policy with combined insurance components are discontinued), by making excessive deductions out of the accrued savings amount and thus reducing the accrued savings, without informing the policyholders in advance of making the "temporary risk" insurance and of its terms and rates, and in breach of the duty to send the policyholders up-to-date insurance information sheets on time or at all.	(1) Restitution of all funds charged out of the accrual and/or otherwise in respect of the entire period following the termination of employment (except when the policyholder has asked to purchase the insurance coverages in writing). Alternatively, restitution of all funds collected for the period after 3 or 5 months from the termination of their employment, in accordance with the relevant statutory arrangement (hereinafter - the "**Automatic Temporary Risk Period**"), and in cases of higher insurance premiums, restitution of the excess insurance premiums in respect of the Automatic Temporary Risk Period as well; (2) a prohibition on making "temporary risk" insurances for a period exceeding the Automatic Temporary Risk Period, except when the policyholders request this it in writing; (3) compelling Clal Insurance to return the excess insurance premiums paid by policyholders who were charged double insurance premiums (for the month they returned to work); (4) various provisions relating to future conduct (including a prohibition on increasing premiums, giving prior notice of the purchase of a temporary risk, and more).	The represented class for the purpose of the non-pecuniary remedies is all policyholders under provident funds or insurance plans within which employers and/or employees make contributions for work disability insurance and/or insurance in case of death, or any other insurance risk. The represented class for the purpose of the pecuniary remedies is: (a) all the policyholders for whom funds were collected for work disability insurance or insurance in case of death or any other insured event, out of the accrual funds or any other source, without prior notice; (b) alternatively, policyholders who were charged insurance premiums for periods that exceed the Automatic Temporary Risk Period, unless they agreed in advance; (c) policyholders who were charged higher insurance premiums than the insurance premiums they were charged when they were active policyholders and/or who were charged for new insurances that they did not have prior to the termination of their work; (d) policyholders who were charged double insurance premiums.	The proceeding is in the stage of the class action certification motion being reviewed. Pursuant to the court's ruling, the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the "**Commissioner**") submitted his position, clarifying that collecting insurance premiums is permissible only in accordance with the provisions of the law and the applicable policy.	The class action lawsuit amount is estimated conservatively, according to the plaintiff, at no less than NIS 7 million per year. According to the plaintiff, the lawsuit ought not to be subject to any statute of limitations. Alternatively, the claim for pecuniary remedies is made for the period starting 7 years before the lawsuit was filed, i.e., 2020, and until the lawsuit is certified as a class action.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
11.	4/2020 Tel Aviv-Jaffa District Court	Clal Insurance and 12 additional insurance companies	According to the plaintiffs, the respondents must be compelled to compensate the class members and fully remedy the harm they incurred due to the excess premiums they have been paying for motor insurance, due to the dramatically reduced use of vehicles during the Covid-19 pandemic and the significantly reduced risk level.	Compensate the class members, repair all the harm they suffered, issue a mandatory injunction ordering the adjustment of the collected amounts to the risk the respondents are actually exposed to during the effective period, and/or render a declaratory judgment stating that a material reduction in the use of vehicles, as had occurred, for example, during the effective period, calls for an adjustment (reduction) to the premium.	Anyone who was insured by one or more of the respondents, under a compulsory motor insurance and/or comprehensive motor insurance and/or third-party motor insurance policy, during the period commencing on March 8, 2020, and ending on the date of full and final removal of movement restrictions imposed on residents of Israel due to the coronavirus, or part of it.	The proceeding is in the stage of the class action certification motion being reviewed. In February 2021, the court ordered the consolidation of the motion to certify this class action lawsuit, with respect to compulsory motor and property insurances, with a motion to certify a separate class action lawsuit that concerns similar causes, in which Clal Insurance has not been named as a respondent (hereinafter - the "**Separate Motion**") which was filed in April 2021.	The plaintiffs estimate the alleged damage against Clal Insurance in respect of the period from March 8, 2020, until April 30, 2020, at NIS 103 million, and jointly for all the respondents (except one), at approx. NIS 1.2 billion. Alternatively, for 8 of the sued companies (that do not include Clal Insurance), it was claimed that the damage is approx. NIS 720,000 thousand. The movants note that the damage accrued further as the collection did not cease.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
12.	4/2020 Central District Court	Clal Insurance, 4 other insurance companies, and another non-insurance company	According to the plaintiffs, the defendants allegedly provide their customers with non-OEM windshields that do not comply with the Israeli standard, in contrast with their undertakings toward their customers in accordance with their agreements with them.	Monetary damages to all customers whose vehicles have had a replacement windshield installed, which would allow them to replace the windshield installed in their vehicle with an OEM windshield; NIS 500 in monetary damages per each such customer for the trouble of carrying out the replacement; refund for the price difference between an OEM windshield and a non-OEM windshield.	Every customer of the defendants, who has held or holds a cover note in which any one of the defendants has made an undertaking to provide the customer with an Israeli standard-compliant replacement windshield or an OEM windshield, as well as any of the defendants' customers who have held or holds a cover note under which any of the defendants undertakes to supply the customer with an Israeli standard-compliant replacement windshield or an OEM windshield, who has been supplied with a non-OEM and non-Israeli standard-compliant windshield.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs do not quantify the total damage they are claiming for all class members they seek to represent, but they estimate that it greatly exceeds NIS 2.5 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
13.	7/2020 Central District Court	Clal Insurance and 4 additional insurance companies	According to the plaintiffs, the defendants allegedly do not reduce the insurance premiums for policyholders for whom pre-existing condition exclusions were stipulated, even though the exclusions are claimed to lower the insurance risk, relative to the risk in insurance policies held by policyholders for whom no such exclusions were stipulated.	Compensation/refund of all the amounts the policyholders in the class were overcharged by, with linkage differentials and interest as per the law, as well as a mandatory injunction ordering the defendants to change their modus operandi.	Anyone who was a policyholder in the period beginning 7 years before the day of filing the claim and ending on the day of its certification as a class action, by one or more of the defendants, under an insurance policy for disability, long-term care, life, disability, personal accidents, health (including critical illness, surgeries in Israel or abroad, transplants in Israel or abroad, medications, ambulatory procedures or any other medical coverage) that contains an exclusion. For this purpose, an "**exclusion**" – a policy clause which stipulates that any event / injury / disease, or any risk that materializes and that stems from and/or is related to a pre-existing condition the policyholder had on the day the policy was obtained, are not covered under the policy.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate that the total damage to all class members in relation to all the defendants totals NIS 1.9 billion, and they note that each defendants' share is in accordance with its market share of the health and life insurance subsegment, according to the Capital Market Commissioner's publications.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
14.	9/2020 Haifa District Court	Clal Insurance	According to the plaintiff, Clal Insurance does not act in accordance with its undertakings, as it regularly refunds its policyholders for a significantly lower amount than the amount it warranted within the implementation of the "no claims bonus" clauses in health policies Clal Insurance used to sell, which entitle policyholders to be refunded part of the insurance premiums they paid if no insurance claims are made over the period specified in the policy.	The remedy the plaintiff is petitioning for includes compelling Clal Insurance to compensate each of the class members entitled to the no claims bonus for the relative share of the insurance premiums they were not refunded, with interest and linkage.	All Clal Insurance policyholders that hold private and collective health insurance policies, including extended health insurance and full liability insurance and including policies whose names had been changed over the years, that include a "No Claims Bonus" clause, who did not claim and/or refrained from claiming benefits for 3 years or any other period in accordance with the policy, and were entitled to a refund of 10% of the insurance premiums they had paid, or another refund rate according to the terms of the policy, and were paid a lower amount than the amount they are owed under the terms of the policy during the lawsuit period.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates the damage to all class members at NIS 33,575,080 in the seven years prior to filing the lawsuit.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
15.	9/2020 Central District Court	Clal Insurance and another insurance company	The lawsuit concerns the allegation that the defendants acted contrary to the provisions of critical illness policies, and specifically – that they did not act in accordance with the terms of the policy that stipulate that after a first insured event has occurred, if the policyholder is still covered under the insurance policy, the insurance amount and the monthly premium amount will be reduced by 50%.	The relief the plaintiffs are petitioning for is damages to the class members due to past damages, as well as a declaratory relief and a mandatory injunction ordering the defendants to change their modus operandi.	All of the respondents' clients / policyholders who were covered under critical illness insurance and/or critical illness and serious medical events insurance and/or any other similar insurance by any other name, who experienced their first insured event, after which they were charged a higher premium than the agreed premium in breach of the terms of the insurance policy, in the 7 years before the motion was brought.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate that the total damage to all class members in relation to Clal Insurance totals NIS 16.8 million.
16.	4/2021 Tel Aviv-Jaffa District Court	Clal Insurance and 14 additional companies	The lawsuit concerns the claim that the defendants are violating the provisions of the law by transferring their customers' personal and confidential information, without the customers' consent, to third parties (in particular, to Google and its advertising service), thus infringing on the customers' right to privacy and violating their lawful obligations.	The main remedies the plaintiffs are petitioning for are: to instruct the defendants to cease transferring information about their customers to third parties, to act in accordance with the law and guard and protect the customers' privacy, to disclose all the documents in their possession and that may aid in the investigation into the truthful, and to compensate the plaintiffs for the pecuniary and non-pecuniary damages they incurred.	All the defendants' customers who used the digital services on the websites and apps operated by the defendants in the seven years before the lawsuit was filed, and about whom private and/or personal and/or confidential information was transferred to a third party.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate the damage to all class members in millions of shekels, in the aggregate.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
17.	7/2021 Tel Aviv-Jaffa District Court	Clal Insurance and 6 additional companies	The lawsuit concerns the allegation that when receiving an annuity from a profit-participating policy issued between 1991 and 2004, the defendants deduct annual interest at a rate of 2.5 (or any other rate) out of the monthly return accrued due to the lower cash surrender value, unlawfully and without any contractual basis under the terms of the policy.	The main remedies claimed in the lawsuit are a declaratory order according to which the interest deduction from the monthly return is a breach of the policies, and alternatively – a declaratory relief according to which this is a depriving condition in a standard contract and a motion to order its nullity, and to order a refund of the amounts deducted from the class members' monthly annuity, plus linkage differentials and interest, starting seven years prior to the date of filing the lawsuit and until the final ruling on it is rendered, and to order the defendants to cease deducting interest out of the monthly return.	The defendants' policyholders who purchased from them a life insurance policy that includes accrued savings and investment profit participation, issued between 1991 and 2004, and from which interest was and/or will be deducted at a rate not specified in the policy, based on the provision in the policy, according to which the amount of the monthly pension will change "each month according to the results of the investments net of the interest according to which the amount of the monthly pension was calculated, and the appropriate provisions for this matter in the insurance plan" and/or any other similar provision.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate the aggregate damage to all class members in an amount greatly exceeding NIS 2.5 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
18.	10/2021 Lod District Court	Clal Insurance and additional company	The lawsuit concerns the allegation that the defendants unlawfully deny insurance claims by children with special needs in the framework of a long-term care insurance policy, even though, according to the plaintiffs, they meet the definition of an insured event by virtue of "mental frailty" according to the terms of the policy, without checking whether their condition falls within this definition.	The main remedies claimed in the lawsuit are full compensation to the class for all the harms they were caused and compelling the defendants to comply with the insurance agreements.	All of the defendants' policyholders aged 21 and under (or their heirs), who have special needs and who are insured under a long-term care insurance policy sold by any of the defendants and who suffer from "mental frailty," who were not recognized by the defendants as being "mentally frail" and whose rights under the policy were denied, with respect to the past period and the future.	The proceeding is in the stage of the class action certification motion being reviewed. In April 2023, the plaintiff filed a motion for leave to appeal the District Court's ruling regarding the removal of the expert opinion and striking out sections of the response to the plaintiff's reply. In May 2023, the Supreme Court rendered a ruling according to which the motion for leave to appeal is granted, subject to granting the defendants the right to a supplementary response.	The plaintiffs estimate the total alleged damage to the class members against the two defendants, jointly, at approx. NIS 2.97 billion.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
19.	04/2022 Tel Aviv-Jaffa District Court	Clal Insurance	The lawsuit concerns the allegation that Clal Insurance continues to charge premiums from policyholders, even after the latter announce their policy's cancellation, as the cancellation takes effect only on the 1st of the following calendar month after Clal Insurance receives the notice, rather than within 3 days from the date of delivering the policyholders' cancellation notices, as required in accordance with the legislative arrangement. It was claimed that no full disclosure is made to policyholders of the applicable arrangement in case the policyholder cancels the policyholder, before purchasing the policy.	The main claimed remedies are a declaratory relief, according to which a policyholder's cancellation notice would take effect within 3 days from the date of its delivery, and a monetary remedy in the form of returning all premiums policyholders were charged due to the period beginning from the fourth day after the delivery of the cancellation notice, and 50% of the average monthly premium as compensation to the class members whose respective cancellation notice had been delayed due to the provisions of the policy, with added linkage differentials and interest. Alternatively, other declaratory / monetary reliefs.	The class the movant seeks to represent is: (a) all policyholders who notified Clal Insurance of the policy's cancellation and Clal Insurance did not cancel their respective policy within 3 days from the date of delivering the cancellation notice; (b) all policyholders who notified Clal Insurance of the policy's cancellation and whose cancellation notice was somehow inadequate, and Clal Insurance did not notify the policyholders of the inadequacy within 3 business days from the date of delivery of the cancellation notice; (c) all policyholders who wanted to cancel the policy at any time in the previous calendar month before the last 3 days of that month, and delayed their cancellation notice due to the contractual arrangement whereby the cancellation would take effect from the 1st of the calendar month following Clal Insurance's receipt of the cancellation notice.	The proceeding is in the stage of the class action certification motion being reviewed. In September, the Supervisor submitted his position, which generally supports the position of the defendant.	The plaintiff estimates the aggregate damage to all class members in many millions of shekels.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
20.	05/2022 Central District Court	Clal Insurance	The lawsuit concerns the allegation that in policies that cover surgeries in Israel that stipulate compensation for surgeries performed without financing from Clal Insurance, Clal Insurance refrains from compensating the policyholders for the cost of the implants and accessories used to perform the surgery, and also refrains from indemnifying the policyholders for the deductible amounts they had paid.	The main remedies the plaintiffs are seeking are a judgment compelling Clal Insurance to include the cost of the implant and/or accessory in the calculation of the benefits owed to the class members from here on out, and compelling it to indemnify the class members for the deductible amounts they paid in connection with the various surgeries and to calculate the compensation accordingly, as well as a judgment compelling Clal Insurance to compensate each member of the sub-category with respect to the monetary remedies, at the rate of 50% (or another rate) of the cost of the implant borne by Clal Insurance and/or the deductible amount paid by the class member due to a surgery they had, with added linkage differentials and interest, as per the law.	The class the movant seeks to represent, regarding the future arrangement, consists of all Clal Insurance policyholders who are entitled to compensation at a rate of half (or another amount) of the amount Clal Insurance is spared when a surgery is performed without Clal Insurance's financing, or to a compensation derived from the cost of the surgery to the health maintenance organization at a private hospital. The class the movant seeks to represent, with respect to the monetary remedies, consists of all Clal Insurance policyholders who are entitled to compensation at the rate of half (or another amount) of the amount Clal Insurance is spared when a surgery is performed without Clal Insurance's financing, or to the compensation derived from the cost of the surgery to the health maintenance organization at a private hospital, who submitted a benefits claim to Clal Insurance, but the benefits were calculated without including the accessories component and/or without Clal Insurance first repaying the deductible to the policyholder, from 7 years before the lawsuit was filed and until a judgment is rendered in the lawsuit.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates that the aggregate damage caused to the class members is over NIS 2.5 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
21.	07/2022 Tel Aviv-Jaffa District Court	Clal Insurance	The lawsuit concerns the allegation that Clal Insurance denies policyholders' insurance claims in individual health insurance policies it had marketed until February 2016, which include a basic insurance tier, on the grounds of the claim being filed due to "preventive surgery" that does not meet the definition of the term "surgery" in the policy (hereinafter - the "**Basic Tier Policies**"); as well as the allegation that Clal Insurance had marketed (for increased premiums) policies that supposedly offer wider coverage than the Basic Tier Policies and that include coverage for preventive surgeries, while this component is already covered by the Basic Tier Policies.	The main claimed remedies are a declaration that in Clal Insurance's health insurance policies that define a "surgery" as an "insured event," any medically necessary surgery is included, including a preventive surgery that is intended to prevent a disease, defect, or deformity in the policyholder and/or the harmful effect of the above; a declaration that denying policyholders' insurance claims for coverage in respect of a preventive surgery under a Basic Tier Health Insurance Policy violates the insurance contract; and an order that requires Clal Insurance to contact the policyholders under all Basic Tier Policies, and inform them that preventive surgeries are covered under the insurance coverage in the policy.	The First Class the movant seeks to represent is Any person who entered into a health insurance contract with Clal, which includes insurance coverage for "surgery," and whose claim due to a surgery was denied and/or will be denied on the grounds that it is a "preventive surgery" that is not covered by the policy, until a final and irreversible ruling is made in the class action lawsuit. The Second Class the movant wishes to represent is all former or current Clal policyholders who purchased individual health insurance policies that expand the insurance coverage to include preventive surgery from Clal Insurance and/or from anyone on its behalf until February 1, 2016, and for which they paid excessive premiums from the date the extended policies were marketed and until the collection stops and/or until a final and irreversible ruling is made on the class action lawsuit.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates that the aggregate damage caused to the class members is over NIS 2.5 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
22.	10/2022 Lod District Court	Clal Insurance	The lawsuit concerns the allegation that Clal Insurance's modus operandi is automatic renewal of home insurance policies while raising the insurance premiums from year to year, without obtaining the policyholder's consent.	The main remedies sought in the lawsuit are, inter alia, to issue a declaratory order according to which Clal Insurance acted unlawfully, to order Clal to refrain from automatic policy renewals and/or policy renewals at less favorable conditions, and to compensate the class members for the damage they incurred, with interest and linkage.	The class the plaintiffs seek to represent is all of the respondent's customers, whose home insurance policy the respondent had extended without their consent, and/or all of the respondent's customers who were charged insurance premiums for a home insurance policy without their consent (including Clal Insurance's customers whose insurance premiums were raised without their consent when the policy was renewed), in the period starting 7 years before the claim was filed and to date.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate that the aggregate damage caused to the class members exceeds NIS 3 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
23.	11/2022 Tel Aviv Regional Labor Court	Clal Pension and Provident Funds	The lawsuit mainly concerns the allegation that Clal Pension and Provident Funds unlawfully charges insurance premiums due to insurance grace periods (a payment for insurance coverage when regular contributions to the pension fund are suspended) by making deductions out of the accrual, thereby reducing the accrual, without informing the planholders in advance and allowing them to exercise their right to waive the coverage, as well as that it refuses to return the insurance premiums when it learns that the planholder was insured by another pension fund.	The main remedies sought within the lawsuit are a refund of the insurance premiums paid by the class members during the insurance grace periods, and compelling Clal Pension and Provident Funds to notify planholders of the insurance grace period's commencement, the insurance premium rates, and the options available to them, in advance.	The represented class is all planholders (past and present) whose pension fund, which is managed by Clal Pension and Provident Funds, became subject to an insurance grace period arrangement without them being notified in advance, and thereby denying their right to choose not to allow the said arrangement to take effect. With respect to monetary remedies, the represented class is all planholders who did not continue to make contributions to their pension funds after the insurance grace period had ended and did not seek to extend the insurance arrangement, as well as all the planholders who opened an additional pension fund and paid double insurance premiums, in the seven years prior to submitting the motion to certify and until a judgment is rendered in the lawsuit.	The proceeding is in the stage of the class action certification motion being reviewed. For the position of the Supervisor in a claim filed with similar contentions against Clal Insurance Company Ltd., see Section 2.1.2.10.	As a conservative estimate, the class action lawsuit amount is estimated by the plaintiff at no less than NIS 2.5 million per year and at approx. NIS 17.5 million in total for the seven years preceding the date of filing the motion to certify.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
24.	12/2022 Lod District Court	Clal Insurance	The lawsuit concerns the allegation that in the event of damage caused by a trailer and a towing vehicle, Clal Insurance (as the insurer for either the trailer or the towing vehicle) refuses to pay for the full damage caused to a third party, as it has undertaken to pay in the policy, and pays only half of it, on the grounds that the liability for damage caused by a trailer or by a towing vehicle must always be divided equally between them.	The main remedies sought in the lawsuit are a monetary remedy that includes, inter alia, compensation for the deductible paid to the other insurer, a refund of the premium to the policyholders, a mandatory injunction ordering Clal Insurance to indemnify the third parties for the full damage caused in the context of an applicable policy, and a duty of disclosure with respect to new policies that have not yet been issued.	The represented class is all Clal Insurance policyholders who purchased a trailer and/or towing vehicle third-party insurance and/or compulsory insurance policy in the 7 years preceding the submission of this motion; or, alternatively or in addition: all Clal Insurance policyholders who purchased a trailer and/or towing vehicle third-party and/or compulsory insurance policy from it, who had to pay a double deductible for a single incident of damage caused to a third party and/or who were forced to pay out of pocket for half or part of the damage caused to the third party.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate that the aggregate damage caused to the class members exceeds NIS 2.5 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
25.	01/2023 Tel Aviv Regional Labor Court	Clal Insurance	The lawsuit concerns the allegation that Clal Insurance unlawfully reduced the insurance benefits to which policyholders suffering from a work disability are entitled, without obtaining the policyholders' explicit prior consent and in breach of the provisions of the policy and the Capital Markets Authority's instructions, as well as in breach of the duty of disclosure, while committing deception and without sending the policyholders any notice or alert of the need to pay an additional premium or reduce the insurance coverage. It was also argued that the monthly benefits paid to policyholders who have insurance coverage for work disability were reduced or will be reduced in the future, due to the premium increase as the policyholders grow older.	The main remedies sought in the lawsuit are a declaratory relief that prohibits Clal Insurance from reducing the insurance benefits for work disability without obtaining the policyholder's explicit written consent, and a monetary remedy that requires Clal Insurance to pay the class members who suffered a work disability event the difference to make up the insurance benefits amount.	The represented class is: with respect to the future arrangement – all Clal Insurance policyholders who have work disability insurance and for whom, according to Clal Insurance, the insurance coverage rate is reduced or will be reduced in the future due to an increase in the premium as they grow old; and with respect to the monetary remedies – all past and present class members who had an insured event, and their insurance benefits were reduced by Clal Insurance without the policyholder's explicit, active, and prior consent.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff conservatively estimates the aggregate damage to all class members at NIS 18 million in the 3 years preceding the lawsuit filing date.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
26.	03/2023 Tel Aviv District Court	Clal Insurance	The lawsuit concerns the allegation that Clal Insurance has an improper and illegal practice whereby it partially repays the appraiser's fees to the injured parties, without justification, and without explaining why the fees were reduced.	The main remedies sought in the lawsuit are a monetary remedy according to the gap between the fees the class members paid the appraisers and the payment made to the class members as insurance benefits for this component (hereinafter - the "**Pecuniary Damage**"), as well as damages for non-pecuniary damage in the amount of 20% of the pecuniary damage to all class members.	The represented class is any injured party, policyholder, or third party, who is entitled to be reimbursed by Clal Insurance for appraiser's fees the injured party paid to an appraiser in order to assess the damage to the injured party's vehicle, if Clal Insurance did not transfer the full amount the injured party paid for the appraiser's fees to the injured party.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates that the aggregate damage the class members incurred exceeds NIS 2.5 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
27.	03/2023 Tel Aviv-Jaffa District Court	Clal Insurance	The lawsuit concerns the allegation that the defendants refuse to finance the policyholders' medical cannabis purchase expenses, which, according to the plaintiffs, is contrary to the provisions of policies that offer coverage for pharmaceuticals that are not included in the Healthcare Services Basket (hereinafter - the "**Policies**"), and the fact that medical cannabis has recognized medical uses in Western countries.	The main remedies sought in the lawsuit are, inter alia, a declaratory relief stating that Clal Insurance must reimburse the policyholders for their medical cannabis purchase expenses; to order Clal Insurance to contact all their eligible policyholders in recent years and actively invite them to demand the indemnification they deserve; and also, to require Clal Insurance to reimburse all class members for the economic damage they suffered due to their improper conduct and due to a breach of the insurance contract.	The class that the plaintiffs seek to represent is anyone who has been insured by Clal Insurance under the Policies and who did not receive reimbursement for their medical cannabis purchase expenses.	The proceeding is in the stage of the class action certification motion being reviewed.[9]	The plaintiffs estimate the total claim amount for all class members at approx. NIS 13.5 million.

[9] In July 2022 and in September 2022, motions to certify lawsuits as class actions were submitted to the District Court in Tel Aviv-Yafo against Clal Insurance, concerning similar claims and causes of action (hereinafter - the "**Earlier Proceedings**"). In January 2023, the court decided in favor of consolidating the Earlier Proceedings, and accordingly, the plaintiffs filed this proceeding in March 2023.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
28.	05/2023	Clal Pension and Provident Funds	The lawsuit concerns the allegation that when receiving a planholder's request for a disability annuity, the pension fund does not check whether the planholder requires long-term care and/or if the planholder's condition has deteriorated in a way that made the planholder require long-term care, and as a result, the fund does not pay eligible planholders the additional long-term disability annuity.	The main remedies sought in the lawsuit are to pay the class members the additional long-term care disability annuity; compensation and/or restitution for not making full contributions to the fund and for yield losses class members incurred as a result of the above non-payment; obligating the fund to give the fund's physicians accurate instructions in connection with examining conditions that require long-term care when reviewing requests for a disability annuity.	The represented class includes policyholders in the "Clal Pension" and "Clal Supplementary Pension" funds who have disability insurance coverage, who are insured with a pension fund and are entitled to a disability annuity, and who, due to their medical condition on top of their work disability, require long-term care, and the pension fund did not supplement their monthly payment.	The proceeding is in the stage of the class action certification motion being reviewed.	According to the plaintiff, the class action lawsuit amount cannot be estimated; however, for the purposes of the fee, it was put at no less than NIS 2.5 million per year and approx. NIS 18.75 million in total for the seven years preceding the date of filing the motion to certify.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
29.	05/2023 Tel Aviv Economic District Court	Clal Holdings Clal Insurance Clal Pension and Provident Funds Clal Israel Stock Basket “Atudot" - Pension Fund for Workers and Independent Workers Ltd. (a subsidiary of Clal Insurance (held at 50%)) (hereinafter - “**Atudot**") Company officers and investment committee members	The lawsuit concerns the allegation of damage supposedly caused to planholders in provident funds, pension funds, life insurance, and savings policies managed by the Group companies, in light of the respondents’ ruling to sell the Alrov Properties & Lodgings Ltd. (hereinafter - “**Alrov**”) shares held by the Group companies, within the investment of the policyholders’ and planholders’ funds, to the Israel-Canada Company (T.R.) Ltd. (“**Israel Canada**”), due to a dispute between some of the respondents and Alrov’s controlling shareholder, and despite the fact that at the time of signing the agreement, the Group companies allegedly had an offer from Mr. Alfred Akirov to purchase the Alrov shares at a price that was at least 33% higher than the price Israel Canada paid for Alrov shares.	Compensation for pecuniary damage, which the plaintiff claims reflects the damage caused to the class members.	The class the movant seeks to represent is anyone who has been a planholder of the provident funds, pension funds, life insurance, and savings policies managed by the Group companies that held shares in Alrov on March 18, 2021.	This lawsuit was filed further to a class action lawsuit filed in December 2021 to the Regional Labor Court, and was stricken out by the Court in May 2023, due to a lack of substantive jurisdiction. For further details, please see Section 2.1.3.6. The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates the aggregate damage to all class members at approx. NIS 128 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
30.	06/2023 Haifa Regional Court	Clal Insurance	The lawsuit concerns the allegation that following the economy-wide extension order regarding the increase in pension insurance contributions in 2016 (hereinafter - the "**Extension Order**"), which concerns an increase in the pension insurance contributions employers are required to make for their employees (hereinafter - the "**Increased Contributions**"), Clal Insurance opened new executive insurance policies (hereinafter - the "**Contribution Policies**") for its policyholders who had had old executive insurance policies that had been issued before May 31, 2001 (hereinafter - the "**Old Policies**"), while the annuity conversion factors set for the Contribution Policies were not guaranteed and were less beneficial than the guaranteed annuity conversion factors in the Old Policies, and redirected the additional funds from the Increased Contributions into the Contribution Policies, without the policyholders' consent.	The remedy the plaintiff is petitioning for is to close the Contribution Policies and transfer the contributions made thereto, as well as future contributions originating from the Increased Contributions, to the Old Policies, or, alternatively, to set beneficial factors for the Contribution Policies, at the discretion of the court; to pay the people who are already being paid a pension out of the Contribution Policies the difference between the amounts they would have received if the Increased Contributions funds had all been deposited into the Old Policies (or the amounts they would receive due to beneficial factors, at the discretion of the court) and the amounts they actually received; to compel Clal Insurance to pay each of the class members NIS 500 in damages for non-pecuniary damage due to deception.	The class the plaintiff seeks to represent is anyone for whom Clal Insurance had managed an executive insurance policy issued before May 31, 2001, and for whom, after June 30, 2016, it managed (in a new insurance policy) the funds received due to them for the Increased Contributions, or the beneficiaries or heirs of any such person. .	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff conservatively estimates the aggregate damage to all class members in millions of shekels.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
31.	06/2023 Tel Aviv-Jaffa District Court	Clal Insurance Clal Pension and Provident Funds and 4 additional companies	The lawsuit concerns the allegation that the defendants ought to have refrained from deducting tax out of the portion of the annuity equal to the annuity recipients' "recognized annuity" in the pension products they manage, and apply a tax exemption due to that component, which would have resulted in higher annuity payments to the class members.	Repayment of the funds deducted as tax out of the "recognized annuity" portion of the annuity to the class members.	The class the plaintiff seeks to represent is any individual who is paid an annuity from one of the new pension funds and/or the provident funds and/or the insurance funds managed by any of the respondents, who was entitled to a tax exemption on their annuity in respect of their "recognized annuity" component, as this term is defined in the Income Tax Ordinance, and did not receive the above exemption, as of January 1, 2012, and thereafter.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates the aggregate damage to all class members at approx. NIS 297 million, for all class members who are paid annuities from the defendants, without attributing a specific monetary remedy to each defendant.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
32.	08/2023 Central District Court - Lod	Clal Insurance	The claim concerns the contention that in insurance policies marketed by Clal Insurance, in a plan of the type “self-defense” and/or any other marketing name, Clal Insurance was asked in the insurance registration form (the insurance offer) to insure its policyholders under an insurance plan that includes several forms of insurance coverage, including insurance coverage for perpetual disability due to accident, yet in practice it issued policyholders different and inferior insurance coverage of the type “loss/impairment of functioning”.	Provision of a mandatory injunction pursuant to which Clal Insurance is required to update the insurance policies with insurance coverage of the type perpetual disability due to accident, required to provide the class members with insurance coverage in respect of perpetual disability due to accident, and charged with special interest.	All Clal Insurance policyholders with health-insurance policies within the “self-defense” plan, and/or any other marketing name, issued by Clal Insurance with insurance coverage of the type “loss/impairment of functioning” in contradiction of the statements in the insurance offer form, which noted insurance coverage of the type “disability due to accident,” as well as Clal Insurance policyholders with this policy who were denied their entitlement to receive insurance compensation for perpetual disability due to an accident event based on the argument that no such coverage exists in the policy.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates that the aggregate damage the class members incurred exceeds NIS 2.5 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
33.	09/2023 Tel Aviv District Court	Clal Insurance and 7 additional insurance companies	The claim concerns the contention that the defendants do not pay for insurance incidents and do not provide towing services to policyholders who purchase a towing service statement in cases in which it is necessary to tow the insured vehicle using a towing lift, and that they charge these vehicle owners added payment, despite the fact that this matter is not expressed in the language of the service statements.	The remedies sought are, among other matters, compensation in respect of reimbursement of premium payments, towing costs, and non-pecuniary damages ("pain and suffering") in the amount of NIS 3,000 per group member, and in addition, amendment of the language of the service statements issued on behalf of the respondents.	The class in the name of which the claim is filed is defined as the "the class of consumers who hold or held service statements of respondents 1-8 in the last 7 years prior to the filing of the claim and in the period after the filing of this claim, until a verdict is given, whose vehicle necessitates the possibility or requires towing via lift when the vehicle is inoperable (requiring towing to a garage).	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates the aggregate damage to all class members at approx. NIS 80 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
34.	11/2023 Tel Aviv District Court	Clal Insurance and 7 additional insurance companies	The lawsuit concerns the claim that when setting the price of premiums in life, health, and P&C insurance policies, “catastrophe events” such as a “surprise” war and/or other extreme or unexpected events that reduced the defendants’ risk and exposure were not factored in; that in light of the Iron Swords War, the defendants are expected to experience a major reduction in the risk in policies in which the risk components had significantly decreased (and completely eliminated in some cases).	The remedies sought are declaratory relief, a mandatory injunction, reimbursement or reduction of the premiums from the date of declaration of a state of emergency, and pecuniary and non-pecuniary monetary compensation.	The petitioners define five sub-groups in the claim. (1) Policyholders some of whose policies contain a war exclusion that excludes insurance coverage of an insured event in wartime, but, in light of their call-up for military service under Order 8, the actuarial risk in connection with whom has decreased, and accordingly, action should be taken to reimburse and/or reduce the premium; (2) policyholders of the respondents, mainly in the area of P&C insurance, who, due to the declaration of a state of emergency and the transition of government institutions, public bodies, and dual-purpose bodies to an emergency work format, will be unable, or able in a partial and limited manner, to exercise the insurance service and/or coverage; (3) policyholders of the respondents who, due to the declaration of a state of emergency and the transition of government institutions, public bodies, and dual-purpose bodies to an emergency work format, cannot receive services such as treatment and elective surgeries at public hospitals. (4) Policyholders in the area of P&C insurance – property policies of the various types, vehicle, home; (5) policyholders of various policies in the area of business, the risk of which has significantly decreased due to the state of emergency.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates that the aggregate damage the class members incurred exceeds NIS 2.5 million. With regard to policyholders called up for military service under Order 8, it is argued that the estimated damage is in the amount of NIS 10.02 million (with respect to all of the defendants).

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the ClMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the Clmax Group companies (cont.)

2.1.3 Material class actions, material claims and motions to certify material claims as class actions which were concluded during the reporting period and until the signing of the report against the Company and the consolidated companies, with the exception of the ClMax Group companies[10] [11]

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
1.	3/2010 Central District Court	Clal Insurance	According to the plaintiff, Clal Insurance unlawfully and wrongfully took advantage of the Financial Services Supervision (Provident Funds) Law, 2008 (hereinafter - "**Amendment No. 3**"), which stipulated that, starting in 2008, funds deposited in provident funds could be withdrawn only as an annuity and not as a capital withdrawal (a lump-sum withdrawal). According to the plaintiff, when Clal Insurance converted policyholders' lump-sum policies that they had held before Amendment No. 3 into non-annuity policies, Clal Insurance had to link the policies to the annuity factor that the policyholders were guaranteed in their annuity policies, while in practice, Clal Insurance chose to link the converted lump-sum policies to a new annuity factor, according to the life expectancy in 2009.	To order Clal Insurance to link its policyholders' lump-sum policies to the same annuity factor that applied to their annuity policies prior to Amendment No. 3. Alternatively, to require Clal Insurance and the other class members to deposit all pension savings funds into the annuity policy with the more beneficial annuity factor, retroactively from the effective date of Amendment No. 3 (January 2008), and from here on out. Alternatively, to compel Clal Insurance to compensate the plaintiff and the other class members for the amount of the damage they were caused.	Anyone who held, prior to the effective date of Amendment No. 3, both a Clal Insurance lump-sum policy and an annuity policy (whether the latter was a Clal Insurance policy or a policy issued by another insurance company), and who, following the above amendment to the law, was not guaranteed an annuity factor[12] in the lump-sum policy, or was guaranteed a less beneficial annuity factor in the lump-sum policy compared with the annuity factor in their annuity policy.	In September 2015, the District Court decided to accept the motion to certify a class action against Clal Insurance, within which, it was determined that the eligible class members were all policyholders who had owned, prior to Amendment No. 3, both a lump-sum policy and an annuity policy (whether issued by Clal Insurance or another insurance company), and who, as a result of the aforementioned amendment, were not given an annuity factor in the lump-sum policy or were given an inferior annuity factor compared to the applicable factor in their annuity policy, provided that the lump-sum policy was managed by Clal Insurance.	The plaintiff estimates that the class has 37,752 members, and accordingly, the pecuniary damages to the class members are estimated at NIS 107 million per year.[13]

[10] The aforesaid includes a description of lawsuits that had concluded in the reporting year and were not reported in the financial statements for 2022, and also applies to lawsuits in which a ruling was made to dismiss the lawsuit, or a judgment was rendered, including a judgment that authorized a settlement arrangement. The aforesaid does not apply to following up on the implementation of arrangements (including changes that can and will apply as part of implementing arrangements and/or the procedures for examining them) that were set within the above rulings and that may extend over some time, and their outcomes may not necessarily be fully assessed in advance.
[11] Not including lawsuits that concluded in the reporting year, but that were reported to have been concluded in the 2022 financial statements.
[12] The annuity factor factors in life expectancy, and it is used by the insurer when the policyholder reaches retirement age to convert the savings the policyholder accrued into a monthly annuity.
[13] The stated amount relates to the assessment for only one damage year in the lawsuit. Note that the lawsuit was filed in March 2010, due to a legislative amendment in 2008.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.3 Material class actions, material claims and motions to certify material claims as class actions which were concluded during the reporting period and until the signing of the report against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
1. (cont.)						In July 2020, the Attorney General submitted its position to the court, in support of Clal Insurance's position, according to which Clal Insurance acted in accordance with the outline the Capital Market Authority had authorized for it in connection with the matters the lawsuit concerns, and that there is no justification for interfering with the Authority's discretion on the matter after the fact. In August 2021, a judgment was rendered, which completely denied the lawsuit (hereinafter - the "**Judgment**"). In January 2022, after the plaintiff decided not to appeal the Judgment, a non-profit appealed the Judgment before the Supreme Court. In May 2023, the Supreme Court denied the appeal.	

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.3 Material class actions, material claims and motions to certify material claims as class actions which were concluded during the reporting period and until the signing of the report against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
2.	11/2014 Economic Department – District Court of Tel Aviv	Bank of Jerusalem Ltd. (hereinafter - “**Bank of Jerusalem**”).	According to the plaintiff, Clal Finance Batucha Investment Management Ltd. (hereinafter - “Clal Batucha”), which had merged with and into the Bank of Jerusalem, carried out securities transactions for its customers in its capacity as a portfolio manager, in securities issued by IDB Group companies, while preferring its interests and those of various companies in the IDB Group over those of its customers, in contrast with the law. According to the plaintiff, Clal Batucha violated its duty to inform its customers of its conflict of interest in carrying out such actions and to obtain their consent.	To issue an order against a Clal Batucha, ordering it to provide details and data about the damage caused (according to the plaintiff) to each class member, and to compel the Bank of Jerusalem to compensate the class members for their full damage, or, alternatively, to award another remedy for the benefit of all or some of the class members.	Anyone who received investment management services from Clal Batucha, within which, securities issued by companies that were part of the “IDB Concern” were purchased for them, without having obtained their prior consent in relation to any transaction, and who suffered damage as a result of the aforementioned purchase. For this purpose, the plaintiff includes all the corporations held or controlled (directly or indirectly) by IDB Holdings and IDB Development in the “IDB Concern”.	In January 2017, the court’s ruling, that certified the lawsuit as a class action lawsuit against Clal Batucha, was issued, and at the same time, the ruling denied the motion to certify the lawsuit against defendants who served as directors in Clal Finance Batucha on the grounds that they had violated the duty of care toward the class members. The class members, as determined in the ruling, are “anyone who received investment management services from Clal Finance Batucha Investment Management Ltd. (liquidated due to a merger) (“Batucha”), and for whom Batucha (or anyone on its behalf), acting as a portfolio manager, purchased securities, within the meaning of the Law Regulating the Practice of Investment Advice, Investment Marketing and Investment Portfolio Management, 1995 (hereinafter - the “**Advice Law**"), issued by any of the corporations that were included in the IDB Concern (as defined in the ruling to certify) at the time of the purchase, without obtaining their prior approval for any such transaction, and who incurred damage as a result of the aforesaid purchase.” The ruling also determined that the class would include anyone in whose account securities purchases were made in the period of up to 7 years prior to bringing the motion to certify, and until the date on which Clal Batucha’s merger transaction into the Bank of Jerusalem was completed.	The plaintiff’s personal claim amount is approx. NIS 18,624. According to the statement of claim, the alleged damage to all class members cannot be assessed at this time.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.3 Material class actions, material claims and motions to certify material claims as class actions which were concluded during the reporting period and until the signing of the report against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
2. (cont.)						In January 2023, the parties presented a settlement arrangement to the court, alongside a motion to approve it, under which, the Bank of Jerusalem undertook to pay the class members the amounts set forth in the debt settlement arrangement. The settlement arrangement includes instructions on how to pay the class members. It was also agreed that as part of the settlement arrangement, the Bank of Jerusalem would pay the plaintiff and the plaintiff's counsels the reward and legal fees. In May 2023, the Court approved the settlement arrangement. The Company is not a party to the lawsuit, but it has been notified of the submission of the lawsuit and the Bank of Jerusalem's demand for indemnification, in accordance with the agreement for the sale of Clal Batucha to the Bank of Jerusalem, pursuant to which the Company has an indemnity undertaking. The Company reported the lawsuit to the insurers under its professional liability insurance policies, and the insurers bear most of the payment for the Company's share.	

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.3 Material class actions, material claims and motions to certify material claims as class actions which were concluded during the reporting period and until the signing of the report against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
3.	4/2017 National Labor Court	Tmura Insurance Agency (1987) Ltd. (hereinafter - "**Tmura**"), a second-tier subsidiary of the Company and an insurance agency that manages pension schemes, as well as against three other insurance agencies.	According to the plaintiffs, the defendants provided services fringe benefits/pension contributions management services to both employers and their employees, but they charged the consideration from the employees only, without their knowledge or consent, and in contrast with their duties under the law.	To compel the defendants to compensate the class members for the damage they suffered (each – for its respective class members), or, alternatively, to award the class any other remedy.	Whoever was among the defendants' customers when they provided their employer with pension scheme management services, over a period starting seven years prior to the motion filing date and until the employer started paying the operating costs of the employee's pension scheme out of its own resources.	An appeal was brought before the National Labor Court in October 2020, appealing the Regional Labor Court's judgment, within which, the motion to certify the lawsuit as a class action lawsuit was denied. In September 2022, the National Labor Court rendered its judgment, and the appeal was denied (hereinafter - the "**Judgment**"). In December 2022, a petition was submitted to the Supreme Court, sitting as the High Court of Justice, to reverse the National Labor Court's Judgment; in April 2023, the Capital Market, Insurance and Savings Authority submitted its position to the Supreme Court, that largely concurred with the defendants' position. In May 2023, the Supreme Court, sitting as the High Court of Justice, denied the petition to reverse the judgment.	The amount of the claim for the damage caused to all class members is approx. NIS 357 million against all the defendants, of which approx. NIS 88 million were attributed to Tmura.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.3 Material class actions, material claims and motions to certify material claims as class actions which were concluded during the reporting period and until the signing of the report against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
4.	1/2018 Central District Court	Clal Insurance and five additional insurance companies	According to the plaintiff, Civic Trust (a public benefit company), the defendants are unlawfully refraining from paying their policyholders and/or third parties the VAT component of the cost of the damage when the damage is not actually repaired.	To compel the defendants to pay the VAT component at the applicable rate on total damage to the class members; to determine and declare that the defendants' failure to pay insurance benefits and/or indemnification due to the VAT component that applies to the repair when the damage is not actually repaired is unlawful; to issue a mandatory injunction ordering the defendants to include the VAT on the cost of the repair in the insurance benefits they pay from here on out, even if the damage is not actually repaired, and consequently – to charge the defendants to pay the insured person or a third party the insurance benefits for the full damage, including VAT, even when they are paid insurance benefits at the "indemnity value" and not at the "reinstatement value".	Any policyholder and/or beneficiary and/or third party, in any type of insurance, who on the date of filing the insurance claim did not repair the damage for which he claimed, and who received, from the insurance company, insurance compensation and/or indemnity in respect of the damage without the insurance compensation including the VAT component that applies to the repair.	In January 2022, the judgment was rendered rejecting the motion for approval of the claim as a class action lawsuit. In April 2022, the plaintiff filed an appeal against the judgment. In September 2023, a hearing of the appeal was held in which the appellant accepted the recommendation of the court to withdraw the appeal. Accordingly, the appeal was dismissed with no costs order.	The plaintiff estimates that the damages owed to the class members from Clal Insurance for each year are NIS 17,732,580. The plaintiff is petitioning for damages for the period from June 4, 2001, or, alternatively, for a period of 7 years from the date the previous lawsuit was brought, and as an alternative to the alternative, for a period of 7 years from the date of filing the lawsuit in this case.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the ClMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the Clmax Group companies (cont.)

2.1.3 Material class actions, material claims and motions to certify material claims as class actions which were concluded during the reporting period and until the signing of the report against the Company and the consolidated companies, with the exception of the ClMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
5.	10/2019 Central District Court	Clal Insurance	According to the plaintiff, Clal Insurance charges life insurance premiums that include an additional “sub-annuals” component in respect of the monthly premium payments, without having obtained consent for this or clearly and expressly disclosing it in the policy. Thus, according to the plaintiff, Clal Insurance violates the provisions of the policy and additional legislative provisions, and is systematically misleading the policyholders. In addition, the plaintiff claims that the sub-annuals supplemental payment requirement is a depriving condition in a standard contract.	Awarding a declaratory relief ordering Clal Insurance to cancel the charge for the “sub-annuals” supplement and to compensate the class members, according to the damage they incurred, and within this, to refund the class members for the insurance premiums due to the “sub-annuals” component they had paid prior to the date of filing the lawsuit. In addition, the plaintiff is petitioning to order Clal Insurance to amend the annual reports to the policyholders and to send the policyholders reports that include details about the “sub-annuals” supplement they are charged and will be charged until the policy’s termination, and to allow them to choose between an advance payment of the insurance premiums each year, without the “sub-annuals” supplement, or monthly insurance premium payments that include the “sub-annuals” supplement.	Any Clal Insurance policyholder who purchased a life insurance policy from it, within which they were charged insurance premiums that include a “sub-annuals” supplement, without specifying in the policy, explicitly, that the policy includes a “sub-annuals” supplement due to paying the premium in monthly installments.	In October 2020, the parties presented a debt settlement arrangement to the court and filed a motion to approve it (hereinafter - the “**Settlement Arrangement**”), which was amended in May 2022; the gist of the Settlement was that Clal Insurance would send certain class members, as defined in the Settlement Agreement, a letter that informs them of the “sub-annuals” supplement charge and of their option to change the future premium payment method to an annual payment. It was also agreed that, within the settlement arrangement, Clal Insurance would pay the plaintiffs and their counsels the reward and legal fees.	NIS 1.8 billion

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.3 Material class actions, material claims and motions to certify material claims as class actions which were concluded during the reporting period and until the signing of the report against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
5. (cont.)						In September 2022, an objection to the settlement arrangement was filed, within which it was argued, inter alia, that the settlement arrangement significantly deviates from the reasonable range, inter alia, in relation to the policyholders who would not change the future collection method and due to the scope of the restitution; alternatively, the court was asked to exclude policies from the settlement arrangement if these policies did not specify the monthly collection amount and/or exclude observant Jews. In November 2022, the Company submitted a response to the objection. In December 2022, the professional entities in the Capital Market, Insurance and Savings Authority and the Ministry of Justice submitted their position on the settlement arrangement, which claimed, among other things, that the provisions of the arrangement should be modified so that no *res judicata* shall apply to the policyholders who would not be entitled to compensation according to the Settlement. In July 2023, the court approved the settlement arrangement, with immaterial changes, and validated it is a judgment.	

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.1 Class actions against the Company and the consolidated companies, with the exception of the CImax Group companies (cont.)

2.1.3 Material class actions, material claims and motions to certify material claims as class actions which were concluded during the reporting period and until the signing of the report against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
6.	12/2021 Tel Aviv-Jaffa Regional Labor Court	Clal Holdings Clal Insurance Clal Pension and Provident Funds Clal Israel Stock Basket “Atudot" - Pension Fund for Workers and Independent Workers Ltd. (a subsidiary of Clal Insurance (held at 50%)) (hereinafter - “**Atudot**") Company officers and investment committee members	The lawsuit concerns the allegation of damage supposedly caused to planholders in provident funds, pension funds, life insurance, and savings policies managed by the Group companies, in light of the respondents’ ruling to sell the Alrov Properties & Lodgings Ltd. (hereinafter - “**Alrov**”) shares held by the Group companies, within the investment of the policyholders’ and planholders’ funds, to the Israel-Canada Company (T.R.) Ltd. (“**Israel Canada**”), due to a dispute between some of the respondents and Alrov’s controlling shareholder, and despite the fact that at the time of signing the agreement, the Group companies allegedly had an offer from Mr. Alfred Akirov to purchase the Alrov shares at a price that was at least 33% higher than the price Israel Canada paid for Alrov shares.	The remedy the plaintiff is petitioning for is damages for pecuniary damage, which the plaintiff claims reflects the damage caused to the class members.	The class the movant seeks to represent is anyone who has been a planholder of the provident funds, pension funds, life insurance, and savings policies managed by the Group companies that held shares in Alrov on March 18, 2021.	In March 2023, the defendants filed a motion to assign the hearing to the District Court, and in May 2023, the court decided to strike out the proceeding due to the lack of substantive jurisdiction, without prejudice to the plaintiffs’ right to seek the appropriate court. In May 2023, the lawsuit was resubmitted to the Economic Department of the District Court. For further details, please see Section 2.1.2.29 above.	The plaintiff estimates the aggregate damage to all class members at approx. NIS 134 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.2 Details regarding exposure to immaterial class actions or claims that have not yet been filed and for additional expenses against the Company and the consolidated companies, with the exception of the CIMax Group companies

2.2.1. In addition to the material class action lawsuits, described in Note 8(2.1.1), the pending motions to certify material lawsuits as class actions, described in Note 8(2.1.2), and the motions to certify material lawsuits as class actions that were dismissed in the reporting period, described in Note 8(2.1.3), there are pending motions to certify class actions against the Company and its consolidated companies (except for the CIMax Group Companies) that, according to the Company's estimate, are immaterial,[14] and therefore there is no detailed description thereof in the financial statements. As of the date of the report, 10 lawsuits are litigated against the Company and/or its consolidated companies, as said above, not including CIMax, and the total amount specified by the plaintiffs in these lawsuits is approx. NIS 161 million[15] (compared to 13 lawsuits for approx. NIS 184 million as of December 31, 2022).

2.2.2 Insurance exposures

In addition to the aforementioned legal proceedings, potential exposure also exists, which at this stage can neither be evaluated or quantified, to the filing of additional derivative claims or class actions against the Group's member companies, inter alia as a result of the Company's control structure (for additional details, see Note 1 to the Company's financial statements as of December 31, 2022, as well as Sections 2.1.3.5 and 2.3 above and below) as well as exposure arising from the complexity of the companies' products, which might result in disputes arising regarding the interpretation of provisions of the Law or an agreement, including as a result of information gaps between the Group's member companies and third parties, pertaining to contractual or commercial terms and conditions, or regulatory directives, including the option available to the Commissioner, under certain circumstances, to order an insurer to stop implementing an insurance plan, or to order it to make changes to an insurance plan, including in relation 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 of claims settlement pursuant to an agreement, which apply to and impact 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 heightened in the fields of long-term savings and long-term health insurance, in which Clal Insurance operates, among other things, in view of the fact that in those spheres, some of these policies were issued decades ago, whereas today, in light of significant regulatory changes, and due to the development of both judicial rulings and the Commissioner's position, these policies may be interpreted differently when viewed retroactively, and different interpretative standards might be applied to them than those that were customary when they were drafted. Moreover, the policies in these aforementioned areas remain valid for decades, so that in those cases in which a customer's claim is accepted and new interpretation is attributed to the contents of the policy, there is also potential exposure to the fact that the future profitability of that particular company will be influenced due to the existing policy portfolio. This is in addition to compensation that might be awarded to customers in respect of past activity.

[14] See Note 6 above regarding the materiality threshold.

[15] The aforementioned number of lawsuits includes one lawsuit in which Clal Insurance is a formal defendant and no remedies are sought against it. The above amount does not include one lawsuit in which the plaintiff did not specify the amount, but estimated it in tens of millions of NIS. For further details about all class actions against the Company and its consolidated companies, other than the CIMax Group Companies, see Note 7(2.4) below.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.2 Details regarding exposure to immaterial class actions or claims that have not yet been filed and for additional expenses against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

2.2.2 Insurance exposures (cont.)

There is also exposure, which at this stage can neither be evaluated or quantified, to errors in the methods used in the operation of products, chiefly in the areas of long-term savings and health insurance. The insurance sector in which the Group companies operate is complex and rich in details, and the regulatory directives tend to change over the years, and it involves an inherent, unquantifiable risk of the occurrence of an error or a series of errors, mechanical or human errors, which might have a sector-wide impact. It is not possible to anticipate all the types of claims to be raised in this context and/or the exposure arising from these potential claims, among other things, via the procedural mechanism of class action lawsuits and/or industry-wide rulings made by the Commissioner.

Such exposure is also the result of the complexity of the aforementioned products, which are characterized by extremely prolonged lifetime, and are subject to frequent, complex and material changes, including changes in regulatory and taxation directives. The complexity of those changes and their application over many years creates increased operational exposure, which is also due to the numerous different computer systems in the Group's institutional entities, and their limitations, in view of additions and/or changes to the basic wording of the products, and in light of multiple, frequent changes implemented over the product's lifetime, including by the regulatory authorities, the customers (the employees) and/or by the employers and/or by those acting on their behalf, in relation to insurance coverages and/or to savings deposits, including in the context of reporting to planholders, and the need to create direct contact with employers and operating entities.

This complexity and these changes have an impact, among other things, on the volume of contributions and the amounts involved, the various product components, the manner in which funds are attributed to employees (including due to discrepancies between the employer's reports, including through the employers' interface with the policy data), products and components, dates of payment appropriations, the identification of arrears in deposits and the handling of such cases, the employment, personal and underwriting status of customers, as well as operational considerations involving third parties outside the Group, which affect customer rights together with the information given to them. This complexity intensifies in view of the increasingly large number of parties operating with the Group's member companies in relation to the management and operation of the products, including, among other things, distributors, employers, customers and reinsurers, including in relation to the ongoing interface with them, and contradictory instructions that might be received from them or their representatives. The institutional entities that are members of the Group are engaged in a constant effort to study, identify and address issues that might arise due to the aforementioned complexities, both with regard to specific cases, and also in relation to customer and/or product types.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.2 Details regarding exposure to immaterial class actions or claims that have not yet been filed and for additional expenses against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

2.2.2 Insurance exposures (cont.)

There is additional complexity regarding employer deposits that is related to the mechanism prescribed in the Wage Protection Law, 1958, according to which an amount owed by an employer to a provident fund, as this is defined in that law, in respect of the employee’s rights or those of his replacement toward the provident fund, is deemed to have been paid on time unless the Regional Labor Court has determined that the delay in the collection of the debt was not the result of negligence on the part of the Fund, or occurred due to other justified circumstances, and subject to the right of indemnity available to the fund in relation to the employer, pursuant to the provisions of the law. Furthermore, pursuant to a circular relating to the manner of depositing payments into provident funds, the provident fund shall receive interest on arrears from an employer who has failed to transfer payments to the provident fund on time. There are various difficulties in the interpretation of the provisions of the Law and their implementation. The responsibility of the institutional entities in the Group for the collection of employers’ debts to the said funds generates exposure in the event of defects occurring during the collection process.

Moreover, the institutional entities in the Group carry out a regular, routine process of data cleansing in the long-term savings IT systems, in order to ensure that the registration of the planholders’ and policyholders’ rights in the data systems is complete, accessible and retrievable, in view of the discrepancies that are discovered from time to time, including the issue of mechanization of the classification of the saving funds, pursuant to the various levels of the provisions of the regulation issued over the years, and which are in various stages of being addressed. The institutional entities in the Group are unable to estimate the scope, costs and the full ramifications of the aforementioned actions, or the scope of the future data cleansing discrepancies, that might be the result of regulatory changes, as this is due, among other things, to the complexity of the products, the fact that they are long-term products, in view of the multiplicity of IT systems in this sphere and their limitations. The institutional entities in the Group update their insurance liabilities from time to time and as is required.

In this context, it should be noted that in December 2021, Clal Insurance received a letter outlining 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, containing demands to refund amounts allegedly collected in breach of the restrictions set forth in the letter. The Company is currently engaged in discussions with the Authority regarding the implementation of the contents of the letter, and at this stage there is no certainty regarding the full amount it might be required to refund due to the said letter - and it is unable to estimate the full implications arising from the requisite implementation of the directives.

There is also exposure, which at this stage can neither be evaluated nor quantified, to changes and to significant regulatory intervention in the various insurance and savings sectors, including, among other things, those which are intended for the direct or indirect reduction of insurance premiums and management fees, intervention in sales processes, involving the different use of diverse regulatory tools, which might have an impact on the contractual terms and conditions, the structure of the contractual engagement and the reciprocal relations among institutional entities, agents, employers and customers, in a manner that could influence the load and the operating expenses, profitability, retention of current products, including in relation to the specific sector business model and the existing product portfolio.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.2 Details regarding exposure to immaterial class actions or claims that have not yet been filed and for additional expenses against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

2.2.2 Insurance exposures (cont.)

The Group is also exposed, in a manner that cannot be evaluated, to legal claims related to contract laws and the fulfillment of insurance liabilities as part of the insurance policy or implementation of the provident funds' regulations, breach of fiduciary duty, conflicts of interest, professional negligence, and also including in respect of the manner of distribution and sale of the Group's products, via third parties, whose activities, either by action or omission, might be binding upon it.

2.2.3 Additional exposures

2.2.3.1 Non-material or unfiled claims

The exposure to currently unfiled legal actions against the Group's member companies is brought to their attention in a number of ways. This is done, among other things, by inquiries made by customers, employees, suppliers, non-profit organizations or anybody acting on their behalf to various functions in the companies, and especially the compliance officer responsible for public inquiries in the Group's member companies, via customer complaints to the Public Inquiries Unit in the regulator's office, and via legal actions (that are not class actions) filed with the court and also via position papers of the Commissioner.

It should be noted that insofar as this involves a customer complaint submitted to the Public Inquiries Unit in the regulator's office, in addition to the risk that the customer might opt to raise its claims also as part of a class action lawsuit, the Group's member companies are also exposed to the risk that the regulator could resolve a complaint by issuing an industry-wide ruling that might apply to a broad group of customers. In recent years, there has been a considerable increase in exposure to the aforementioned risk, owing to the regulator's increasing intervention via audits, addressing customer complaints received by the Authority, including in light of the fact that, from time to time, the regulator tends to lay down a principled positions via industry-wide rulings, position papers and even draft position papers published by it, as well as in the form of operational directives issued within audit reports. For further details regarding industry-wide rulings and position papers, see Section 2.2.3.2 below.

Moreover, pursuant to the regulatory directives applying to institutional entities, as part of a circular on the adjudication and settlement of claims and addressing public inquiries, in cases in which a public inquiry indicates a systemic, significant defect, which could well be repeated in an institutional entity's regular conduct, that institutional entity must act to identify similar cases in which a similar defect has occurred, and insofar as similar cases are identified - it must develop insights and rectify the defects within a reasonable period of time. This amendment might expand the Group's exposure to the industry-wide implications in respect of the said defects.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.2 Details regarding exposure to immaterial class actions or claims that have not yet been filed and for additional expenses against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

2.2.3 Additional exposures (cont.)

2.2.3.2 Exposure due to regulatory directives, audits and position papers

A. Furthermore and in general, in addition to the overall exposure to which the Group member companies are exposed, in respect of future claims, as specified in Section 8(2.2.2) above, from time to time, including due to customer complaints, audits and requests for information, there is also exposure to warnings concerning the intention of a regulatory authority, to impose financial sanctions and/or directives on the supervised consolidated companies regarding amendment and/or refunding and/or implementation of certain actions pertaining to actions conducted in the past, among other things, with regard to a customer or a group of customers, and/or exposure in respect of industry-wide rulings, under which directives might be issued to pay out refunds to customers, or to provide other remedies in respect of the defects to which the warnings or rulings and/or position papers published by supervisory entities related, and whose status and degree of impact are not certain. The Group's member companies are also involved, from time to time, in hearing and/or discussion proceedings with supervisory authorities in relation to warnings and/or rulings, and enforcement powers are sometimes employed against them, including the imposition of financial sanctions.

The Group's member companies are examining the need to make provisions in the financial statements in respect of the aforesaid processes, based on the professional opinion of their legal counsel and/or are in the process of learning the ramifications of the said proceedings, as is deemed to be necessary and relevant.

B. Following are details regarding positions or draft positions of the Commissioner or theoretical rulings that either have or might have an impact on the Group:

1. In the past, the Company held discussions with the Commissioner in respect of a draft ruling, dealing with one-time deposits of policyholders in guaranteed return policies (hereinafter - the "**Policies**"). Pursuant to the draft, the Company is required to adopt certain actions with respect to policyholders whose actual return on one-time deposits, bearing the returns of investment-linked insurance policies, was either equal to or greater than the guaranteed return in the Policies, and certain actions in respect of policyholders whose actual one-time deposit return was lower than the guaranteed return. Therefore, at this stage, in light of the fact that the final wording of the ruling is not known, if and insofar as it is made, the Company will not be able to estimate the ramifications and the extent of its impact on the Company, if and insofar as it shall be published.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.2 Details regarding exposure to immaterial class actions or claims that have not yet been filed and for additional expenses against the Company and the consolidated companies, with the exception of the CIMax Group companies (cont.)

2.2.3 Additional exposures (cont.)

2.2.3.2 Exposure due to regulatory directives, audits and position papers (cont.)

B. (cont.)

2. Pursuant to the financial statements of Atudot, a company owned by Clal Insurance (50%), during 2017 an audit of the pension fund was conducted on behalf of the Commissioner focusing on the subject of planholders' rights. On August 7, 2019, Atudot received the draft audit report for its response. The draft audit report addressed key issues of the pension fund's activity, including: the subject of groups, the fund's regulations, management fees and management expenses, data cleansing, actuarial reporting and withdrawal of money from the fund. Atudot filed its response to the draft audit report findings and held a number of meetings to discuss them with the Commissioner's representatives. The Company was informed that on August 21, 2022, Atudot received the final audit report that included directives and recommendations for the Board of Directors on a number of topics, among other things, an examination of the issue of actuarial bubbles and all their ramifications; including their application. It also addressed the issue of how to deal with them, greater coherence between the average duration of the assets and liabilities in each actuarial bubble, etc.; as well as finding solutions to the problem of funding sources to manage the fund in the future given the fact that it is a closed fund; optimization of the method of payment to planholders, expansion of the data cleansing process, together with certain recommendations for amendments to the regulations and expanding the notes, etc. Furthermore, the Commissioner recommended considering the possibility of adopting the redemption values formula prescribed in the Income Tax Regulations, in order to encourage the fund's planholders to realize the funds as an annuity rather than a capital withdrawal. The Company was informed, that with regard to a significant part of the recommendations, and particularly on issues pertaining to the actuarial bubbles, adapting the average duration of assets to liabilities and the redemption formula - it was determined in the audit report that Atudot's Board of Directors must draw up its position on these matters, and that the recommendation is not binding specifically in relation to the manner of treating those issues; and also that as of the approval date of the financial statements, discussions were being held with the Authority in order to reach an agreed model on actuarial bubbles, while a concrete plan of action was devised to address other issues that is being implemented by the Fund. In view of the aforementioned, Atudot is unable to evaluate the full implications of the audit report on its financial statements.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.3 Another material lawsuit that was struck that is outside the ordinary course of business brought against the Company and the consolidated companies, not including the CIMax Group Companies

In November 2022, a motion was filed with the District Court of Tel Aviv-Yafo, to issue an order for discovery and review of documents prior to filing a derivative claim against the Company, the CEO, and five directors (out of seven Company directors overall), including the Chairman of the Board of Directors (hereinafter, respectively: the "**Officers**" and the "**Motion**"). The Motion was brought by Alrov Properties & Lodgings Ltd., a shareholder in the Company (hereinafter - the "**Movant**"), who is seeking an order ordering the Company to discover all documents, including Company minutes and documents exchanged with third parties, in connection with the Company's entry into a transaction to purchase all shares in Warburg Pincus Financial Holdings (Israel) Ltd., which holds Max It Finance Ltd. and other companies (hereinafter - the "**Max Transaction**") in August 2022, as well as all documents in connection with the Movant's claims with respect to concrete events described in the Motion. According to the Motion, the requested information is intended to enable the Movant to examine the possibility of filing a derivative claim, both in connection with the propriety of the Max Transaction's approval and, subsequently, its validity, and/or in connection with the damage and expenses the Company had incurred while furthering the Max Transaction, and also in connection with the Company's obligation to remove from office anyone who had breached their duties of care (including in a way that amounts to recklessness) and fiduciary duties toward the Company, including anything in connection with strengthening the executives' control of the Company as it has no controlling block and/or who failed the Company through poor corporate governance. In the Motion, the Movant noted that if it transpires, following the discovery of documents the Movant seeks, that the Board of Directors cannot benefit from the presumption of business judgment, and no full/heightened fairness could be proven with respect to the Max Transaction, then the Company may face a significant tort claim against the Officers. In June 2023, the court approved the parties' request to render a consensual judgment that held that the proceeding would be stricken out and Alrov's counsel would be permitted to partially review specific Company documents, subject to a non-disclosure agreement.

2.4 Summary of exposures to lawsuits against the Company and the consolidated companies, not including the CIMax Group Companies

2.4.1 Following are details of the overall amount of claims in both material and non-material class actions that were certified to be filed as class actions, in pending class action certification motions and a derivative claim, as (nominally) stated by the plaintiffs in their claim as part of the pleadings filed against the Company and the consolidated companies, except companies of the CIMax Group. It is noted that in the State of Israel, filing class action lawsuits does not entail payment of a fee derived from the claim amount; therefore the amounts of such claims may be significantly higher than the actual exposure for that exposure. In the majority of cases, the plaintiffs point out that the sum claimed by them is stated as an estimate alone, and the exact amount shall be decided upon as part of the legal proceeding. It is further noted that the aforementioned amount does not include claims for which the class plaintiff did not state their amount (Section b(3) in the table below). Moreover, it is clarified that the amount claimed does not necessarily constitute quantification of the Company's actual exposure amount, which may eventually transpire to be lower or higher,16 as on numerous occasions the plaintiffs refrain from stating the precise amount of the claim or state that the amount exceeds NIS 2.5 million for the claim to be heard under the jurisdiction of the District Court, and that the amount claimed usually relates to the period preceding the date of filing suit and does not include the following period.

[16] It should be noted further that the specified amounts do not include the amounts the plaintiffs claimed as the lead plaintiff's reward and their counsels' legal fees, they do not include a lawsuit against Atudot, as specified in Section 2.1.2.4, and they do not include an increase in the amounts of the lawsuit in respect of the period from the date it is brought, as applicable.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.4 Summary of exposures to lawsuits against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.4.1 (cont.)

Type of claim		No. of claims	The claimed amount In NIS million
			(Unaudited)
A.	Claims certified as class actions[17]		
	1. An amount relating to the Company has been specified	8	2,450
	2. The claim was filed against several parties and no specific amount was attributed to the Company	1	48
	3. No claim amount was specified[18]	1	-
B.	Pending motions to certify claims as class actions		
	1. An amount relating to the Company has been specified[19]	23	4,402
	2. The claim was filed against several parties and no specific amount was attributed to the Company[20]	5	8,267
	3. No claim amount was specified / a potential range was specified[21]	18	-
	4. An annual amount was specified (and accordingly, the total amount depends on the period)[22]	1	7

In addition to that specified in Sections 8(1) and 8(2) above, the Company and/or the consolidated companies are parties to other legal proceedings, in addition to the lawsuits outside the ordinary course of business, that are considered immaterial and are not class actions or derivative actions, and that mainly include lawsuits brought by customers, former customers, and various third parties, outside of regular lawsuits to exercise rights under insurance contracts or provident fund bylaws, at a total alleged amount of approx. NIS 35 million (approx. NIS 30 million as of December 31, 2022). The causes of action within these proceedings are many and varied.

[17] Including a lawsuit that had been certified as a class action and in which a judgment was rendered in favor of granting the lawsuit, and including a certified class action lawsuit that was denied on its merits in the hearing, and an appeal was filed against its denial.

[18] These lawsuits include a lawsuit that has been estimated in hundreds of millions of shekels.

[19] These lawsuits include a lawsuit in which the movants estimated the claimed damage against Clal Insurance due to the period from March 8, 2020, to April 30, 2020, at NIS 103 million, and noted that the damage will continue to accrue as long as the collection is not terminated.

[20] Including one lawsuit in which an amount of approx. NIS 1,413 million, attributable to the Company, was claimed, as well as an additional amount of approx. NIS 1,507 million, that was not attributed to the Company.

[21] These motions include one motion to be added as a formal defendant, three motions in which the plaintiff did not specify the amount of the claim but estimated it in many millions of shekels, one motion that was estimated at tens of millions of shekels, a motion in which the plaintiffs estimate that the total damage exceeds NIS 3 million, and nine motions in which the plaintiffs do not quantify the total damage but estimate that it greatly exceeds NIS 2.5 million (above the threshold requirement for the District Court's substantive jurisdiction). Of which, one motion in which the plaintiffs do not quantify the total damage, but estimate that it exceeds the amount of NIS 2.5 million, and, with respect to one of the plaintiff groups in the claim, contend that the damage is estimated at a total of NIS 10.02 million (with respect to all of the defendants). Note that within these motions, there is one motion that has been filed against the Company and against Max; see Sections 2.1.2.16 and 3.1.2.5, above and below.

[22] The motion was brought in March 2020. According to the plaintiff, the lawsuit ought not to be subject to any statute of limitations. Alternatively, the claim for pecuniary remedies is made for the period starting 7 years before the lawsuit was filed, and until the lawsuit is certified as a class action lawsuit.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2. Exposures against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.4 Summary of exposures to lawsuits against the Company and the consolidated companies, not including the CIMax Group Companies (cont.)

2.4.2 Regarding the Companies and the consolidated companies, except the CIMax Group companies, in respect of the costs that might derive from 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 - namely, with a probability exceeding 50% that a payment liability owing to past events might arise, and that it will be possible to quantify or estimate the liability amount within a reasonable range.

The amounts of the provisions made are based on assessment of the degree of risk in each of the claims, immediately prior to the date of publishing this report (apart from some of the claims that were filed during the last two quarters, and due to the preliminary state of their treatment it is not possible to estimate their chances of success). In relation to this matter, it should be noted that events occurring during the litigation process might require renewed assessment of this risk. Insofar as the Company has the right of indemnity from a third party, the Company acknowledges this right, if it is virtually certain that the indemnity will be obtained if the Company settles the obligation.

The assessments of the Company and of the consolidated companies regarding the assessed risk in the claims being conducted are based on the opinions of their legal counsel and/or on the estimates of the relevant companies, including pertaining to the settlement arrangement amounts, which the Company's and consolidated companies' management expect to be paid by them, more likely than not.

It should be stressed that in the professional opinion of the attorneys in relation to the majority of class action certification motions in which no provision was made, the attorneys' estimate relates to the chances of the class action certification motion being approved and does not relate to the chances of the claim itself, should it be certified as a class action. This is so, among other things, as the scope and content of the hearing on the claim itself, after it is certified as a class action, will be influenced by the court's ruling to certify the claim as a class action, which usually relates to both the causes of action that have been approved and those that have not; the reliefs that have been approved and those that have not; etc.

Many of the motions to certify lawsuits as class actions have been filed against the Group on various matters related to insurance contracts and the Group's ordinary course of business, for which the group has allocated insurance reserves.

At this preliminary stage, it is impossible to assess the likelihood that the motions to certify class actions reported in Sections 8(2.1.2) (28), (29), (30), (31), (32), (33), and (34) would be granted.

The provision in the financial statements with respect to the Company and the consolidated companies, excluding the CIMax Group Companies, as of September 30, 2023, for all the lawsuits and the exposures described in Sections 8(1) and 8(2) above, totals approx. NIS 387 million (approx. NIS 364 million as of December 31, 2022).

These amounts include provisions made in respect of past liabilities in accordance with the legal counsels' assessment, and do not include the assessments' effect on the estimated future cash flow, which are included, as necessary, in the liability adequacy testing.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

3. Exposures against the CIMax Group companies

During the regular course of business, material legal claims were filed against Max,[23] whose filing as class actions has been certified; pending motions for certification of material claims as class actions; material and non-material class actions that were concluded during the reporting period and until its signing and other material claims.

With respect to Max,[24] the disclosure format is in accordance with the Banking Supervision Department's instructions, so that material lawsuits are disclosed. Regarding the provisions in the financial statements, the lawsuits filed against Max are classified into three categories, as follows:

- Probable risk – the probability that the risk will materialize exceeds 70%. Provisions are made in the financial statements for lawsuits in this risk category.
- Reasonably possible risk – the probability that the risk will materialize ranges from 20% to 70%. No provisions were made in the financial statements due to lawsuits in this risk category.
- Remote risk – the probability that the risk exposures will materialize is lower than or equal to 20%. No provisions were made in the financial statements due to lawsuits in this risk category.

The financial statements include adequate provisions for lawsuits, in accordance with the management's assessment and based on assessments by Max's external legal counsels, in accordance with the above.

The total exposure, as assessed by Max based on the assigned external counsels' risk assessment, as detailed below, due to lawsuits filed against Max on various issues, each of which exceeds NIS 1 million, and whose possibility of materializing is not remote, is NIS 176 million (hereinafter - the "**Exposure to Non-Remote Lawsuits**").

Note further that in the State of Israel, filing class action lawsuits does not entail paying a fee that derives from the claim amount, and therefore, the claim amounts in non-remote lawsuits might greatly exceed the actual exposure. In the majority of cases, the plaintiffs point out that the sum claimed by them is stated as an estimate alone, and the exact amount shall be decided upon as part of the legal proceeding. Moreover, it is clarified that the amount claimed does not necessarily constitute quantification of the Company's actual exposure amount, as on numerous occasions the plaintiffs refrain from stating the precise amount of the claim or state that the amount exceeds NIS 2.5 million for the claim to be heard under the jurisdiction of the District Court, and that the amount claimed usually relates to the period preceding the date of filing suit and does not include the following period nor does it relates to the exposure to legal expenses, legal fees and compensation for the plaintiff.

Below are details of material proceedings against Max as of the report publication date.

[23] Note that, in general, in this note, a lawsuit against Max would be classified as material and described according to a qualitative or quantitative assessment carried out by Max. Regarding the quantitative assessment – insofar as the total actual exposure, net of tax and assuming the lawsuit is found to be justified and regardless of the lawsuit's chances or the propriety of the amount specified in it on their merits, may exceed 1% of Max's equity as of the reporting date, as outlined in the equity note in the Company's periodic report. Further to Section 11.3.1.5 of Chapter A of the Company's Annual Reports for 2022, regarding the guidelines and rules the Company has adopted for examining the nature of a specific event or matter for immediate reporting purposes under Regulation 36 of the Securities Regulations, and further to that stated in Note 8, Section 2, of the Company's financial statements, in connection with the description of contingent liabilities and lawsuits filed against the Company and its subsidiaries, and in light of the fact that since the second quarter of 2023, the Company also fully consolidates Max's statements, which are prepared in accordance with the Banking Supervision Department's reporting instructions – the Company wishes to clarify that the disclosure of lawsuits filed against Max in these statements does not necessarily indicate that the lawsuit is material for the purposes of the Company's immediate reports, as detailed above, and therefore, not all such lawsuits and/or development therein are disclosed in an immediate report.

[24] With respect to CIMax Group Companies other than Max or companies under its control, the provisions of Section 2.4.2 above shall apply with respect to the above in connection with the policy on accounting provisions.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

3. Exposures against the CIMax Group companies (cont.)

3.1 Class actions against CIMax Group companies

3.1.1 A material lawsuit that has been certified as a class action lawsuit against the CIMax Group Companies

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
1.	5/2019 Tel Aviv-Jaffa District Court	Max	The lawsuit concerns the allegation that Max is in breach of the provisions of its agreement with the plaintiff – a company that receives acquiring services from Max (or, alternatively, that Max is implementing its provisions unlawfully), as when a transaction is partially canceled, the acquiring fee refund for the relative share of the canceled transaction is lower than the transaction cancellation fee Max charges.	The main remedy claimed in the lawsuit is restitution of the cancellation fee the class members were charged in contrast with the provisions of the agreements and/or as a result of unlawful implementation thereof.	All Max customers who entered into an acquiring agreement with it and were charged a transaction cancellation fee.	In April 2022, the District Court rendered its judgment, in which the motion to certify was denied. In July 2022, the plaintiff appealed the judgment to the Supreme Court. In August 2023, the Supreme Court rendered a judgment that accepted the appeal and certified the lawsuit as a class action lawsuit, holding that the class members on whose behalf the lawsuit would be litigated are all Max customers who are merchants whose set of contracts with Max contains identical or similar clauses to those appearing in specific clauses of the acquiring agreement (as defined by the Supreme Court) and in the cancellation fee rate chart, from whom Max charged a cancellation fee. Therefore, the case was returned to the District Court of Tel Aviv to hear the class action lawsuit on its merits. Following the above ruling, the District Court advised the parties to discuss the proceeding's continued litigation or an attempt to conclude it by way of a settlement. The parties have decided to seek mediation.	The plaintiff estimates the total claim amount for all class members at approx. NIS 22 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

3. Exposures against the CIMax Group companies (cont.)

3.1 Class actions against CIMax Group companies (cont.)

3.1.2 Pending motions to certify material claims as class actions against CIMax Group companies[25]

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
2.	6/2016 Lod-Central District Court	Max and 2 additional companies	The lawsuit concerns the allegation that the defendants are parties to an illegal restrictive arrangement, in connection with debit cards and prepaid cards, whereby they charge interchange fees at a rate that exceeds the costs associated with the transactions made using these cards, and also that even though the customer is charged immediately or shortly after the transaction when such cards are used, the acquirer only issues a credit with respect to them later.	The main remedies sought in the lawsuit are to compensate the class for the damage arising from the alleged restrictive arrangement regarding the total interchange fee paid in debit card transactions, and regarding the timing of transferring funds to merchants for debit card transactions, as well as compensation for the under-use of debit cards due to the two aforementioned restrictive arrangements.	All merchants and their customers that honor debit cards.	In March 2017, the court ruled that claims regarding the stipulated interchange fee rates should be raised before the Competition Tribunal. Accordingly, in October 2017, the movant filed another lawsuit with the Competition Tribunal, seeking a declaratory relief stating that the interchange fee in debit card transactions was not discussed or decided by the Tribunal within the overall regulation of the interchange fee rates in the debit card market. In October 2018, the Competition Tribunal dismissed the lawsuit in limine. The plaintiff appealed the judgment to the Supreme Court, and the Supreme Court denied the appeal in June 2019. In December 2018, the movant petitioned with the Supreme Court for an order nisi, in which the Supreme Court was moved to order the Director General of the Antitrust Authority to request that the Competition Tribunal modify or partially reverse the judgment. In July 2020, a Supreme Court judgment was rendered, denying the petition. The proceeding in the motion to certify a class action lawsuit is still unfolding. The parties are in talks over a settlement, which is not certain to be attained or approved.	The plaintiff estimates the total amount of the claim for all class members at approx. NIS 7.1 billion.

[25] Including such motions that were denied and the ruling to deny them was appealed.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

3. Exposures against the CIMax Group companies (cont.)

3.1 Class actions against CIMax Group companies (cont.)

3.1.2 Pending motions to certify material claims as class actions against CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
3.	7/2018 Tel Aviv-Jaffa District Court	Max and 2 additional companies	The lawsuit concerns the allegation that the defendants enabled the activity of companies engaged in direct marketing of transactions to the elderly for many years, despite knowing that these companies were acting unlawfully and taking advantage of the elderly.	The main remedy claimed in the lawsuit is to order the respondents to return all the funds from the elderly population's transactions with the direct marketing businesses (unless it is proven that the transactions were made lawfully), to return the fees they collected as a result of the transactions, to compensate the customers for the non-pecuniary damage they incurred, and to terminate the engagement with the relevant companies.	The respondents' elderly customers and/or their heirs, whom the direct marketing companies charged in respect of products and/or services and/or club memberships and/or delivery fees they had ordered from the marketing companies and/or due to any other charge that they have not duly authorized and/or without being given adequate consideration in the seven years prior to the motion to certify.	In December 2021, the Attorney General submitted his position regarding the proceedings, according to which, under certain circumstances, it is appropriate to impose a mandate on credit-card companies, in their capacity as issuers, to intervene in a transaction executed due to improper pressure on an elderly customer by direct-marketing companies. The companies objected to this position. In August 2022, the District Court rendered a judgment that denied the motion to certify. In November 2022, the plaintiffs filed an appeal against the ruling with the Supreme Court. The Supreme Court hearing has been postponed.	The plaintiffs estimate the total claim amount for all class members at NIS 900 million.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

3. Exposures against the CIMax Group companies (cont.)

3.1 Class actions against CIMax Group companies (cont.)

3.1.2 Pending motions to certify material claims as class actions against CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
4.	06/23 Central District Court	Max and 1 other	The motion to certify concerns the allegation that Bank Hapoalim, acting as the issuer of debit cards to its customers, including through Max, as well as Max, that engages in debit card operation, issuance, and acquiring, do not give their cardholder customers prior notice regarding the expiration of the card fee exemption benefit before they start charging them card fees, in contrast with the provisions of Section 5(b) of the Banking Rules (Customer Service) (Full Disclosure and Delivery of Documents), 1992.	The sought monetary remedy is compensation and/or restitution equal to the card fees collected after the benefit expiration date and without notifying of the benefit's expiration, or, alternatively, to the extent that a later notice was given – until the receipt of the later notice, plus linkage differentials and interest, as well as a mandatory injunction compelling the defendants to change their conduct and give their customers prior notice of the benefit's expiration.	Any customer of the defendants who was not given prior notice of the expiration of the debit card benefit for debit cards issued to them by the defendants in the 7 years before the motion to certify was brought, and until the lawsuit is certified.	The proceeding is in the stage of the class action certification motion being reviewed. The proceeding is being conducted jointly with the proceeding described in Section 3.1.2 (4). Max has filed a motion to strike one of the two certification motions, as they raise shared factual or judicial questions. A ruling has not yet been given.	The plaintiff estimates the total claim amount for all class members at approx. NIS 74 million against Max.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

3. Exposures against the CIMax Group companies (cont.)

3.1 Class actions against CIMax Group companies (cont.)

3.1.2 Pending motions to certify material claims as class actions against CIMax Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	The represented class	Status / additional details	Claim amount
5.	06/23 Tel Aviv District Court	Max and Max IT Credit (a wholly owned Max subsidiary)	The motion to certify concerns the plaintiff's allegation that the defendants announce the end of the limited-time card fee exemption benefit only in the account statements, but not in a specific notice, which the plaintiff claims is contrary to the Banking Rules (Customer Service) (Full Disclosure and Delivery of Documents), 1992.	The main remedy sought in the lawsuit is the refund of the excessive card fee charged after the benefit expiration date without duly notifying of the benefit's expiration. In addition, mandatory injunctions ordering the defendants to change their conduct and give the customers prior notice of the benefit's expiration, as per the law.	The defendants' customers who were given a limited-time exemption from card fees benefit, and from whom the defendants started charging the card fee without notifying them in a specific notice and/or via text message (not within the monthly statements).	The proceeding is in the stage of the class action certification motion being reviewed. On a lawsuit filed against Max on a similar matter, see Section 3.1.2.3 above and the status outlined therein.	According to the plaintiff, the amounts might sum up to tens of millions of shekels, and therefore it estimates the lawsuit amount, at this stage, at over NIS 3 million.
6.	Regarding a pending motion to certify a material claim as a class action lawsuit that was brought against the Company and against Max, see Note 8(2.1.2.16) above.						

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

3. Exposures against the CIMax Group companies (cont.)

3.2 Another material lawsuit outside the ordinary course of business brought against the CIMax Group Companies

In December 2016, Max received a VAT assessment for the billing periods from January 2012 to August 2016 (hereinafter - the "**Assessment**"), which mainly concerned charging Max the full VAT for fees Max received due to transactions between holders of Max-issued credit cards and overseas businesses abroad; the Assessment also concerns the denial of an inputs tax deduction for inputs attributable to its operations in Eilat, according to the VAT authorities. In March 2017, Max filed an objection to the Assessment, and in March 2018, Max received the ruling on the objection and a revised VAT assessment (hereinafter - the "**Revised Assessment**"). In the ruling on the objection, the VAT Directorate (hereinafter - the "**Directorate**") dismissed Max's claims in the objection, and even changed its arguments in connection with the fees Max received in respect of transactions between Max-issued credit card holders and overseas merchants. As a result, the charge in the Revised Assessment was raised to NIS 86 million.

In January 2019, Max appealed the ruling on the objection before the Tel Aviv District Court, and at the Directorate's request, the hearing was consolidated with the hearing on appeals by two credit card companies, on similar issues (hereinafter - the "**Consolidated Appeal**"). In the Directorate's response in the Consolidated Appeal, the Directorate held, with respect to the portion of the Assessment charge attributed to Max's operations in Eilat, that in light of Max's claims and the specific circumstances, it intends to reduce the relative portion attributed to the above operations from the Assessment charge, without this having any future ramifications. As a result, the revised total charge in the Assessment is expected to be 83 million, plus linkage differentials and interest from the date of issuing the Revised Assessment.

In September 2021, Max received a VAT assessment for the billing periods from September 2016 to June 2020 (hereinafter - the "**Second Assessment**"). The Second Assessment deals with charging the full VAT for the fees whose taxability is discussed in the Consolidated Appeal, as well as additional fees. In January 2022, Max filed an objection to the Second Assessment, and over June-November 2022, the parties negotiated a settlement with respect to the assessments specified above, while the evidentiary hearings were carried out at the same time. In November 2022, the State Attorney announced the end of the settlement negotiations in light of its position that it wishes to have the case decided by the court. The case is at the stage of summations.

In January 2023, the Directorate issued a ruling in which it rejected Max's objection to the Second Assessment, and charged the company NIS 180 million due to this period, plus linkage differentials and interest from the date the Assessment was issued. In March 2023, Max appealed this ruling to the District Court. In June 2023, the Directorate withdrew the charge due to the company's activity in Eilat, and therefore, this charge under the Assessment was canceled. Max included a provision in its financial statements in respect of the VAT assessments, based, among other matters, on the estimate of its external legal advisors who are providing guidance for the claim, and based on the talks held to formulate the settlement agreement, which did not materialize. The provision includes the period after the periods of the assessments, until September 30, 2023.

NOTE 9 - CREDIT RISK, RECEIVABLES FOR CREDIT CARD ACTIVITY AND LOAN LOSS PROVISION

A. Credit and receivables for credit card transactions

In NIS million	As of September 30, 2023
	Unaudited
Credit risk without bank guarantees:	
Private individuals: (1)	
Of which: Receivables for credit card transactions (2)	3,803
Of which: Credit cards (2)(3)	9,297
Private individuals - total	13,101
Commercial**:**	
Of which: Receivables for credit card transactions (2)	278
Of which: Credit (2)(3)(4)	953
Commercial - total	**1,231**
Total credit risk without bank guarantees	**14,331**
Credit risk guaranteed by banks and others:	
International credit card companies and organizations	311
Income receivable	127
Others	**147**
Total receivables for credit card transactions	**14,916**
Loan loss provision	**(361)**
Total receivables for credit card transactions	**14,555**
Receivables for credit cards guaranteed by banks	**1,095**
Receivables for credit card transactions, net	**15,650**

(1) Private individuals, as defined in the Reporting to the Public Directives - Board of Directors and Management Report, regarding Total Credit Risk by Market Sector on a Consolidated Basis.

(2) Receivables for credit cards - interest-free, including balances for ordinary transactions, transactions in payments on account of the merchant, and other transactions.

Credit - with interest, including credit transactions, revolving credit card transactions, direct credit, credit for non-card holders, and other transactions.

(3) Including credit secured by vehicles amounting to NIS 2,167 million.

(4) Commercial credit.

NOTE 9 - CREDIT RISK, RECEIVABLES FOR CREDIT CARD ACTIVITY AND LOAN LOSS PROVISION (cont.)

B. Debts* and off-balance-sheet credit instruments

1. Change in outstanding loan loss provision

	For the nine-month period ended September 30					
	Loan loss provision					
	Credit risk without bank guarantees					
	Private individuals		Commercial			
	Receivables for credit cards	Credit (1)	Receivables for credit cards	Credit (1)	Other (2)	Total
In NIS million	Unaudited					
Balance of loan loss provision as of 31, 2022	-	-	-	-	-	-
Provision for MAX consolidation credit default (see Note 5 above)	5	82	1	11	4	102
Application of CECL subsequent to the acquisition of MAX (see Note 3(B)(2)(b))	18	177	2	23	-	220
Loan loss expenses	6	100	1	26	-	133
Charge-offs	(6)	(78)	-	(6)	-	(90)
Collection of debts written off in previous years	1	10	-	1	-	12
Write-offs, net	(5)	(68)	-	(5)	-	(78)
Balance of loan loss provision as of September 30, 2023 (3)	**24**	**291**	**4**	**55**	**4**	**377**
(3) Of which:						
For off-balance sheet credit instruments	13	-	2	-	1	16
For deposits with banks and amounts receivable from banks	-	-	-	-	4	4

	For the three-month period ended September 30					
	Loan loss provision					
	Credit risk without bank guarantees					
	Private individuals		Commercial			
	Receivables for credit cards	Credit (1)	Receivables for credit cards	Credit (1)	Other (2)	Total
In NIS million	Unaudited					
Balance of loan loss provision as of June 30, 2023	23	269	4	35	4	334
Loan loss expenses	4	60	-	22	-	86
Charge-offs	(3)	(42)	-	(3)	-	(48)
Collection of debts written off in previous years	-	4	-	1	-	5
Write-offs, net	(3)	(38)	-	(2)	-	(43)
Balance of loan loss provision as of September 30, 2023	**24**	**291**	**4**	**55**	**4**	**377**
Of which:						
For off-balance sheet credit instruments	13	-	2	-	1	16
For deposits with banks and amounts receivable from banks	-	-	-	-	4	4

*) Receivables for credit card transactions, deposits with banks, and other debts.

(1) Interest-bearing credit. This credit includes credit transactions, revolving credit card transactions, credit for cardholders, credit non-cardholders and other transactions.

(2) Amounts receivable from banks, deposits with banks, global credit card companies and organizations, accrued income and other accounts receivables.

NOTE 9 - CREDIT RISK, RECEIVABLES FOR CREDIT CARD ACTIVITY AND LOAN LOSS PROVISION (cont.)

B. Debts* and off-balance-sheet credit instruments (cont.)

2. Additional information on calculating the loan loss provision for debts and for the debts for which it was calculated

	As of September 30, 2023					
	Private individuals		Commercial			
	Receivables for credit cards	Credit (1)	Receivables for credit cards	Credit (1)	Other (2)	Total
In NIS million	Unaudited					
Recorded outstanding debt:						
Examined on a specific basis	9	13	78	550	-	650
Examined on a collective basis	3,794	9,284	200	403	2,323	16,004
Total debts	**3,803**	**9,297**	**278**	**953**	**2,323**	**16,654**
Of which:						
Non-performing debts	11	134	3	20	-	168
Other troubled debts	10	346	1	14	-	371
Total troubled debts	**21**	**480**	**4**	**34**	**-**	**539**
Loan loss provision in respect of debts:						
Examined on a specific basis	-	-	-	15	-	15
Examined on a collective basis	11	297	2	41	4	355
Total loan loss provision	**11**	**297**	**2**	**56**	**4**	**370**
Of which: For non-performing debts	2	54	1	12	-	69
Of which: For other troubled debts	-	40	-	2	-	42

*) Receivables for credit card transactions, deposits with banks, and other debts.

(1) Interest-bearing credit. This credit includes credit transactions, revolving credit card transactions, credit for cardholders, credit non-cardholders and other transactions.

(2) Amounts receivable from banks, deposits with banks, global credit card companies and organizations, accrued income and other accounts receivables.

NOTE 9 - CREDIT RISK, RECEIVABLES FOR CREDIT CARD ACTIVITY AND LOAN LOSS PROVISION (cont.)

B. Debts* and off-balance-sheet credit instruments (cont.)

3. Credit quality by credit granting year

Current	As of September 30, 2023							
	Recorded debt balance of fixed term credit						Recorded outstanding debt of renewed loans	Total
	2023	2022	2021	2020	2019	Previous		
In NIS million	Unaudited							
Private individuals								
Receivables for credit cards:	3,610	142	28	3	-	-	-	3,782
Non-troubled credit	6	3	1	-	-	-	-	10
Non-performing credit	10	1	-	-	-	-	-	11
Total receivables for credit cards	**3,626**	**146**	**29**	**3**	**-**	**-**	**-**	**3,803**
Credit:								
Non-troubled credit	3,169	2,370	1,047	318	132	15	1,767	8,817
Troubled performing credit	36	123	63	23	11	1	89	346
Non-performing credit	20	36	19	7	6	3	43	134
Total credit	3,225	2,529	1,129	348	149	19	1,899	9,297
Total private individuals	**6,851**	**2,675**	**1,157**	**351**	**149**	**19**	**1,899**	**13,101**
Commercial								
Receivables for credit cards:								
Non-troubled credit	248	4	1	1	-	1	-	255
Troubled performing credit	-	-	-	1	-	-	-	1
Non-performing credit	3	-	-	-	-	-	-	3
Total receivables for credit cards	**251**	**4**	**1**	**2**	**-**	**1**	**-**	**259**
Credit:								
Non-troubled credit	540	216	77	38	7	-	60	938
Troubled performing credit	3	5	2	1	-	-	3	14
Non-performing credit	11	4	1	-	1	1	2	20
Total credit	554	225	80	39	8	1	65	972
Commercial - total	805	229	81	41	8	2	65	1,231
Total debts	**7,655**	**2,904**	**1,239**	**391**	**157**	**21**	**1,963**	**14,331**

*) Receivables for credit card transactions, deposits with banks, and other debts.

NOTE 9 - CREDIT RISK, RECEIVABLES FOR CREDIT CARD ACTIVITY AND LOAN LOSS PROVISION (cont.)

C. Debts (1)

1. Credit quality and delinquency

	As of September 30, 2023			
		Troubled (2)		
	Performing	Performing	Non-performing	Total
In NIS million	Unaudited			
Private individuals				
Receivables for credit cards	3,782	10	11	3,803
Credit (3)	8,817	346	134	9,297
Commercial				
Receivables for credit cards	274	1	3	278
Credit (3)	919	14	20	953
Other accounts receivables (4)	2,323	-	-	2,323
Total debts	**(*16,115**	**371**	**168**	**16,654**

*) Of which: debts with a credit rating as of the report date corresponding with the credit rating for new credit in accordance with the Company's policy in the amount of NIS 15,903 million.

(1) Receivables for credit card transactions, deposits with banks, and other debts.

(2) Non-performing, substandard or special mention debts.

(3) Including credit secured by vehicles amounting to NIS 2,167 million.

(4) Amounts receivable from banks, deposits with banks, global credit card companies and organizations, revenue receivable, and other accounts receivables.

2. Additional information on non-performing debts

(a) Non-performing debts and provision

	As of September 30, 2023			
	Outstanding debts			
	Outstanding non-performing debts for which there is a provision (2)	Outstanding provision	Total outstanding non-performing debts (2)	Outstanding contractual principal in respect of non-performing debts
In NIS million	Unaudited			
Private individuals				
Receivables for credit cards	11	2	11	11
Credit	134	54	134	134
Commercial				
Receivables for credit cards	3	1	3	3
Credit	20	12	20	20
Total debts	**168**	**69**	**168**	**168**
Of which:				
Measured according to the present value of cash flows	-	-	-	-
Restructured troubled debts	45	27	45	45

(1) Receivables for credit card transactions, deposits with banks, and other debts.

(2) Recorded outstanding debt

(b) Additional information on restructured troubled debt

	As of September 30, 2023	
	Recorded outstanding debt	
	Non-performing	Total
In NIS million	Unaudited	
Private individuals		
Receivables for credit cards	3	3
Credit	39	39
Commercial		
Credit	3	3
Total debts	**45**	**45**

NOTE 9 - CREDIT RISK, RECEIVABLES FOR CREDIT CARD ACTIVITY AND LOAN LOSS PROVISION (cont.)

C. Debts [(1)] (cont.)

2. Additional information on non-performing debts (cont.)

(b) Additional information on restructured troubled debt (cont.)

	For the nine-month period ended September 30, 2023 *)				
	Restructurings carried out during the reporting period			Restructurings carried out and failed (2)	
	No. of debt settlements	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of debt settlements	Recorded outstanding debt
In NIS million	Unaudited				
Private individuals					
Receivables for credit cards	**75**	**1**	**1**	**19**	**-**
Credit	**1,410**	**26**	**26**	**378**	**6**
Commercial					
Receivables for credit cards	**53**	**2**	**2**	**-**	**-**
Total debts	**1,538**	**29**	**29**	**397**	**6**

*) Since the data were first consolidated as from April 1, 2023, as noted above, the cumulative effect on the Company's results is presented for the six-month period which began on that date. For further details, see Note 5 above.

	For the three-month period ended September 30, 2023				
	Restructurings carried out during the reporting period			Restructurings carried out and failed (2)	
	No. of debt settlements	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of debt settlements	Recorded outstanding debt
In NIS million	Unaudited				
Debts not guaranteed by banks					
Private individuals					
Receivables for credit cards	**40**	**1**	**1**	**14**	**-**
Credit	**752**	**13**	**13**	**280**	**4**
Commercial					
Receivables for credit cards	**19**	**1**	**1**	**-**	**-**
Total debts	**811**	**15**	**15**	**294**	**4**

(1) Receivables for credit card transactions, deposits with banks, and other debts.

(2) Debts which were in arrears of at least 30 days during the reporting period, which were restructured as part of the restructuring of troubled debt during the 12 months preceding the date on which they became delinquent.

NOTE 10 - PAYABLES FOR CREDIT CARD TRANSACTIONS

In NIS million	As of September 30 2023 Unaudited
Merchants (1)	7,599
Liabilities for deposits (2)	166
Current maturities of convertible bonds	-
Credit card companies	528
Prepaid income	19
Benefit plan for card holders (3)	70
Others	170
Total payables for credit card transactions	8,552

(1) Net of balances for factoring credit card vouchers for merchants in the amount of NIS 1,785 million and for early payments to merchants in the amount of NIS 283 million.

(2) All of the Company's deposits were raised in Israel and do not bear interest. In addition, all the deposits are held for private individuals and do not exceed NIS 1 million.

(3) As part of the operation of the Company's loyalty customer club, there is a liability towards cardholders for their right to benefits according to the terms and conditions of the plans. The balance of the liability includes a provision based on the calculation of the expected future utilization rate of the benefits by the cardholders.

NOTE 11 - INCOME FROM CREDIT CARD TRANSACTIONS

	For the nine-month period ended September 30 *) 2023	For the three-month period ended September 30 2023
In NIS million	Unaudited	
Revenue from merchants		
Merchants fees and commissions	390	198
Other income	83	43
Total revenue from merchants - gross	473	241
Net of fees and commissions to other issuers	(181)	(92)
Total revenue from merchants - net	292	149
Revenue from credit card holders		
Issuer fees and commissions	269	139
Service fees and commissions	93	48
Fees and commissions from cross-border transactions	106	57
Total revenue for credit card holders	468	244
Total revenue from credit card transactions	760	393

*) Since the data were first consolidated as from April 1, 2023, as noted above, the cumulative effect on the Company's results is presented for the six-month period which began on that date. For further details, see Note 5 above.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD

A. Issuance of bonds by the Company

In February 2023, the Company issued NIS 249.1 million par value Bonds (Series A) and NIS 150 million par value convertible Bonds (Series B) pursuant to the Company's shelf offering report dated February 9, 2023, published under the Company's shelf prospectus. Issuance expenses amounted to approx. NIS 3 million, the effective annual interest rate on the Bonds (Series A) and (Series B) is 4.9%, and the net proceeds of the issuance was approx. NIS 397 million. For further details, please see Note 6 above.

In January and February 2023, Maalot announced a rating (AA-) with a stable outlook for the Company and the bonds it issued as set out above. For further details, please see Note 6 above.

In June 2023, the Company issued NIS 250 million par value of Bonds (Series A) by way of a private placement and an expansion of an existing series in consideration for approx. NIS 244.6 million pursuant to the Company's shelf offering report dated February 9, 2023, published under the Company's shelf prospectus. The issuance expenses amounted to approx. NIS 592 thousand; the annual effective interest rate is 5.6%, and net consideration amounted to approx. NIS 244 million.

In August 2023, the Company issued NIS 400 million par value in Bonds (Series A) by way of an additional expansion of an existing series in consideration for approx. NIS 404.4 million pursuant to the Company's shelf offering report dated February 9, 2023, published under the Company's shelf prospectus. The issuance expenses amounted to approx. NIS 3.2 million and the annual effective interest rate is 5.3%. The entire consideration of the issuance will be used for early repayment of part of the loan taken by CIMax Holdings Ltd. For further details, please see Note 6 above.

After the report date, on November 12, 2023, the Company's board of directors approved, via in-principle approval, a review of a public offering of a new series of non-convertible bonds (hereinafter, jointly - the "**Bonds (Series C)**"), under the Company's shelf prospectus dated July 25, 2022. The scope of the issuance and the terms of the Bonds (**Series C**) will be as determined in the shelf offering report to be published by the Company, under which the Bonds (**Series C**) will be issued. It should be noted that if and inasmuch as the Bonds (**Series C**) are issued as set out above, all proceeds of the issuance will be used for early repayment of part of the loan taken by CIMax Holdings Ltd., in 2019, from a syndicate of lenders that are institutional entities (hereinafter - the "**Syndicated Loan**"), by exercising the loan prepayment option and paying a prepayment penalty, amortized over the life of the loan, all in accordance with the terms of the Syndicated Loan.

B. Completion of a transaction for the acquisition of CIMax Holdings Ltd.

Further to Note 42(j) to the 2022 financial statements, on March 27, 2023, the Company completed the acquisition of CIMax Holdings Ltd. In these financial statements, the Company consolidated the financial results of CIMax and companies under its control, as from April 1, 2023. For further details, please see Note 5 above.

On June 30, 2023, the Company settled the entire Deferred Payment for the transaction of approx. NIS 380 million.

C. Economic solvency ratio in Clal Insurance

On November 30, 2023, Clal Insurance approved and published its Economic Solvency Ratio Report as of June 30, 2023.

For further details, please see Note 7 above.

D. Dividend distribution policy at Clal Insurance

In June 2023, the Board of Directors of Clal Insurance approved a policy for the distribution of a dividend at a rate of 30%-50% of Clal Insurance's comprehensive income. The distribution is subject to Clal Insurance's compliance with a minimum equity target in accordance with the economic solvency regime, without taking into account the transitional provisions, at a rate of 110%.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

E. Share-based payment

Further to Note 40(a)(2) to the 2022 financial statements, on May 30, 2023, the Company's board of directors resolved to publish an outline for the allocation of up to 1,250,000 Class A options to be offered under the outline, based on the Plan for 2021, for employees and officers of the Company and/or companies under its control. Allocation of the options to be offered under the outline is subject to obtaining all of the permits and approvals required under any law for the offering of securities in accordance with the outline, for their issue, and for the publication of the outline. The shares underlying the exercise of these options will represent 0.77% of the Company's capital, assuming maximum exercise. The options will be exercisable for ordinary shares of the Company at the value of the inherent benefit of the options, subject to adjustments. The value of the benefit is based on the valuation of the options at the time they are allotted, which is approx. NIS 16.3 per option, and the fair value of each tranche will be spread over the vesting period. The subsidiaries will bear the costs for the value of the options and will indemnify the Company in full for this benefit, based on the value of the financial benefit that will be recorded in the Company's financial statements and in accordance with the accounting standards.

In July 2023, the outline was updated in such a way that the vesting period of the first tranche will be three years and not two years, accordingly the value of the benefit based on the valuation of the options at the time they were allotted was updated and is approx. NIS 16.8 per option, and the fair value of each tranche will be spread over the vesting period. The Company's subsidiaries will bear their proportionate costs for the total value of the options and will indemnify the Company in full for this benefit, based on the value of the financial benefit that will be recorded in the Company's financial statements in accordance with the accounting standards, which is estimated at approx. NIS 21 million.

In addition, for options for employees and officers of the Company and/or companies under its control that were allocated in July 2021 under the Plan for 2021, in July 2023 the board of directors approved an extension to the exercise period of the options that vested in 2022 for employees and officers where there is an employer-employee relationship with the Company and companies under its control as of this date, by an additional year, meaning until June 2025. The subsidiaries will bear their proportionate share of the expense for the additional cost in the value of the options, which is not material, and will indemnify the Company in full for this benefit, based on the value of the financial benefit that will be recorded in the Company's financial statements and in accordance with the accounting standards.

F. Actuarial estimates

Further to Note 38(e)(e1)(d)(1) to the annual financial statements regarding changes in insurance reserves due to the interest rate environment and its effect on the discount rates in life and long-term care insurance and the Commissioner's directives regarding the liability adequacy testing (LAT):

1. Life insurance

A. The discount rate is taken into account in the calculation of the liabilities for complementing the reserves for paid pensions and annuity.

In the reporting period, there was a change in the risk-free interest rate curve and the estimated rate of return in the assets portfolio held against insurance liabilities increased. Accordingly, the actuary of Clal Insurance actuary revised the interest rates on the free assets used to capitalize the liabilities to supplement reserves for paid pensions and annuity.

B. Gradual provision to complement the annuity reserve by using the K factor

Following on Note 38(e)e1(a)3(b), in the financial statements, every quarter, the Company checks whether the K-value will enable an appropriate distribution of the reserve for payment of pension, based on an analysis which is based on conservative financial and actuarial assumptions, which indicates that the management fees and/or financial spread arising from the investments held against the reserve for the policy and the premium payments for the policy, may generate future revenues in excess of the basic K-value, which will be sufficient to cover all expenses; if any gap exists, the liabilities for supplementing the reserve for pension are updated by updating the K-value. The higher is the K Factor, the lower the liability for the supplementary retire pension reserve that will be recognized in the financial statements and the higher the amount that will be deferred and recorded in the future.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

F. Actuarial estimates (cont.)

1. Life insurance (cont.)

B. (cont.)

In the nine and three-month periods ended September 30, 2023, due to an increase in the risk-free interest rate curve that takes into account the illiquidity of the liabilities, the expected profitability from management fees and/or the financial margin decreased. As a result, the Company updated the rate of the K value as set out in the table below:

	As of September 30		As of June 30		As of December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
In respect of guaranteed-return policies	**0.0%**	0.0%	**0.0%**	0.0%	0.0%
In respect of yield-dependent insurance policies	**0.915%**	0.805%	**0.825%**	0.765%	0.85%

2. P&C insurance

Further to Note 38(e)(e2)(4)(a) to the annual financial statements, due to an increase in the risk-free interest rate curve, the Company updated the estimated discount rate for the nine- and three-month periods ended on September 30, 2023; the total effect of the change resulted in a reduction of residual insurance reserves in the amount of approx. NIS 47 million and approx. NIS 36 million, respectively.

3. Investment policy of the assets under management against the insurance capital and liabilities

From time to time, the Company's investment committee and board of directors approved and revised the investment policies and adjusted them according to the assets under management against the insurance capital and liabilities in the life, health, and P&C insurance segments, taking into account the yield and the average duration of the liabilities and the required liquidity, and the effects of the interest rate environment on the liability adequacy test, as set out in Note 3(D)1(d) to the 2022 financial statements, and for determining the discount rate, as set out in Section 1(A) above.

Following the revision, in the second quarter of 2023 insurance liabilities in the property and casualty insurance segment declined by approx. NIS 76 million before tax as a result of excess fair value above the carrying amount of assets that were previously allocated to long-term care insurance in the health insurance segment, and are currently allocated to property and casualty insurance.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

F. Actuarial estimates (cont.)

3. Investment policy of the assets under management against the insurance capital and liabilities (cont.)

The effect of the financial results is set out below:

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
In NIS million	Unaudited				Audited
Life insurance -					
Change in the discount interest rate in the calculation of pension reserves	**62**	407	**20**	193	505
Change in the pension reserves due to the expected reduction in future revenue (K factor)	**159**	444	**209**	98	637
The total effect of changes in interest on the liabilities for complementing the reserves for paid pensions and annuity	**221**	851	**229**	291	1,142
Change in the mortality assumptions in the calculation of the liabilities for complementing the annuity reserve	**-**	(627)	**-**	-	(627)
Change in other assumptions in the calculation of the liabilities for complementing the annuity reserve	**-**	-	**-**	-	(155)
Total special items - life insurance	**221**	224	**229**	291	360
Financial effect on P&C insurance reserves	**123**	176	**36**	91	219
Total special items - P&C insurance	**123**	176	**36**	91	219
Financial effects in the liability adequacy test (LAT)	**-**	274	**-**	14	279
Long-term care insurance in the health insurance segment - liability adequacy testing (LAT)	**-**	274	**-**	14	279
Total pre-tax income	**344**	674	**265**	396	858

4. Improved estimate of liabilities in the Sale Law guarantee sector

In the third quarter of 2023, the Company improved its estimate of its insurance liabilities in the Sale Law guarantee sector, such that an estimate exists that reflects the adjusted credit risks of the policyholders. As a result, the Company reduced its insurance liabilities in retention by a total of approx. NIS 39 million.

G. Provision for credit default following the acquisition of Max

The credit portfolio that was consolidated as part of the acquisition of Max was recorded based on a provisional fair value estimate calculated as part of the allocation of excess cost allocation. The provision that was recognized for the assets portfolio at Max at the acquisition date and that was calculated in its financial statements, was not recognized and calculated by the Company subsequent to the acquisition in accordance with the principles of recognition of doubtful debts as applied at Max.

The Company calculated a provision for credit default immediately upon the acquisition for acquired debt assets for which no further significant deterioration in credit quality applied, which was recognized in profit and loss in the amount of approx. NIS 220 million (approx. NIS 146 million after tax), which is over and above the provisional fair value calculated for the credit portfolio of Max at the acquisition date.

H. Rating

Clal Insurance and notes issued by Clalbit Finance

In July 2023, the rating agencies Midroog Ltd. and S&P Maalot published rating reports that affirmed the existing rating of Clal Insurance Ltd. and the subordinated notes issued by Clalbit Finance. The rating outlook remained stable.

The Company

In July 2023, S&P Maalot published a rating report that affirmed an AA- rating for the Company and bonds it issued in the amount of approx. NIS 650 million.

Max

In October 2023, the rating agency Midroog Ltd. reiterated Max's rating of Aa3.il, and the rating's stable outlook.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

I. Raising debt in the subsidiary Clal Insurance

On July 13, 2023 Midroog announced that it was awarding a rating of Aa3.il(hyb) with stable outlook for the raising of subordinated notes in an amount of up to NIS 300 million par value, which Clal Insurance, a subsidiary of the Company, intends to raise through its subsidiary, Clalbit Finance Ltd., by way of the issue of a new series (Series M).

On July 13, 2023, S&P Maalot announced that it was awarding a rating of ilAA- with stable outlook for the raising of subordinated notes in an amount of up to NIS 300 million par value, which Clal Insurance, a subsidiary of the Company, intends to raise through its subsidiary, Clalbit Finance Ltd., by way of the issue of a new series (Series M).

On July 16, 2023, Clalbit Finance Ltd. issued Bonds (Series M) to the public under the Company's shelf prospectus dated July 25, 2022 (which was published on July 24, 2022); for further details, see Note 6(c) above.

J. Issuance of bonds by Max

On July 16, 2023, Max issued a new series of Subordinated Notes (Series D) with a contractual loss absorption mechanism, in the total amount of NIS 250 million par value, which are recognized as Tier 2 capital from the date of their issuance. The Notes (Series D) bear fixed annual interest at a rate of 7.33%, and are repayable in one installment on October 16, 2033, and Max was given an option for early redemption between October 16, 2028 and November 16, 2028 in accordance with the terms and conditions set out in the deed of trust. If Max does not exercise the early redemption option, the interest will be revised on October 16, 2028, such that its annual rate will be equal to the benchmark interest rate on the date of the interest rate change as set out above, plus the margin above the benchmark interest rate on the issuance date, all in accordance with the definitions set out in the deed of trust. The Notes (Series D) were issued to qualified investors in a private placement and were listed on the TACT-Institutional system of the TASE.

After the report date, on November 16, 2023, the board of directors of Max resolved to perform full early redemption of the Subordinated Notes (Series B) in the amount of approx. NIS 138.9 million issued in December 2018, which constitute part of the Tier 2 capital of Max. The date set for the early redemption is December 31, 2023. The expected effect of redemption of the notes is a decrease of approx. 0.8% in the total capital ratio.

K. Repayment of the liquid portion of the loan to CIMax

In the second and third quarters of 2023, CIMax received a dividend in the amount of approx. NIS 40 million from Max, and in addition, an amount of NIS 57 million from the Company, in consideration for the issuance of capital notes to the Company. These amounts were used for full repayment of the liquid portion, such that as of September 30, 2023, the loan balance amounts to approx. NIS 874 million, of which an amount of approx. NIS 1 million is for interest and the remaining balance is for the loan principal. For further details, see Note 6(c)(1)(b) to the Financial Statements.

L. Effects after the report date - Swords of Iron War

On October 7, 2023, after the report date, the terrorist organization Hamas launched a murderous attack on communities in southern Israel. The attack included massive barrages of rockets targeting communities in the south, Jerusalem, the Sharon, and Gush Dan, under the cover of which thousands of Hamas terrorists from the Gaza Strip invaded Israeli towns and communities near the Gaza border.

On the same day, the Ministerial Committee on National Security Affairs (the Political-Security Cabinet) decided to take military action, under Section 40 of the Basic Law: The Government, and the IDF declared the Swords of Iron War (hereinafter - the "War"), calling up more than 300 thousand reserve soldiers.

Since the outbreak of the War, the State of Israel has been fighting in a number of arenas, primarily the Gaza Strip.

The War has led to a series of impacts and restrictions, including, among other things, the evacuation of hundreds of thousands of people from their homes, the temporary closure of many businesses, restrictions on congregating at workplaces and events, and the suspension of studies or reduction of in-person studies and transition to online studies in the school system throughout the country.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

L. Effects after the report date - Swords of Iron War (cont.)

These measures reduced activity in Israel, which resulted in a decline in economic activity. In addition, as a result of the War, financial markets in Israel recorded sharp declines shortly after the outbreak of the fighting, which were later partially tempered, as described below.

The effect of the War is also evident in the credit rating of the State of Israel. Moody's and Fitch placed Israel's credit rating under negative watch for downgrade, whereas S&P downgraded the State of Israel's debt rating outlook to negative. As a result, yields of State of Israel bonds began to trade at the level of yields of countries in a lower rating group.

The Group is exposed to declines on the financial markets and to slowdown, as well as to other risks arising from the War. For further details on sensitivity and exposure to risk factors, please see also Note 38 to the financial statements as of December 31, 2022, which were published on March 30, 2023 (hereinafter - the "**Annual Report**"), and developments in the Company's 2023 quarterly financial statements.

At this stage, there is significant uncertainty as to the development of the War, its scope and duration. Therefore, at this stage it is not possible to assess the full effect of the War on the Company and its results in the immediate and medium term.

The Group mobilized to support the national effort through a series of extensive activities, including reliefs for customers, an increased donation budget, and a dedicated support fund established at Clal Insurance to assist policyholders with insurance war damages.

Set forth below are data regarding the effect of the War through the report publication date:

1. Risk management

A. Market risks

1. Financial assets managed by the Clal Insurance Group

From the day of the outbreak of the War to near the date of publication of the financial statements, there was no material change in the Group's total assets under management. The estimated management fees that will not be collected in respect of yield-dependent policies sold in 1991-2003 due to negative cumulative real yields, until the attainment of positive cumulative yields, amounted to a total of approx. NIS 729 million at the date of publication of the financial statements, with no material change from the report date to the date of publication of the statements.

2. Changes in the risk-free interest rate and illiquidity premium

The War caused a significant rise in the risk-free interest rate curve, beyond the level of September 30, 2023, and in the illiquidity premium, which may lead to a decrease in insurance liabilities. By contrast, the rise in the interest-rate curve and the declines in the capital market may have a negative effect on the value of financial assets and other assets, in a manner that may mitigate the aforesaid effect. An initial estimate indicates that the effect on the proprietary portfolio from the outbreak of the War to the date of publication of the financial statements is immaterial. Note that the information described above does not constitute an assessment with regard to the financial results of the Company. This information is only partial, and does not include other components of profits or losses from investments and other effects.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

L. Effects after the report date - Swords of Iron War (cont.)

2. Effect on business activity and financial results

A. Life insurance and long-term savings

The exposure is mainly from life insurance in the event of death, permanent health insurance, and disability insurance marketed by Clal Insurance, if claims are formulated in these areas. However, a significant part of the permanent health insurance and disability cases arising from the events of the Swords of Iron War either are not covered by the insurance policies marketed by the Company, or the Company's liability for them supplements the state's payments, and is therefore a reduced liability. It should be noted that Clal Insurance has a non-proportional reinsurance contract that protects against liabilities arising for the Company due to loss of life, disability, and health-insurance cases of its policyholders due to a catastrophic event, which limits the exposure of Clal Insurance for these insurance cases to approx. NIS 60 million, under the terms of the policy. At this time, according to the data received at Clal Insurance and its estimates, the effect of the events of the Swords of Iron War on its results in this area is expected to exceed NIS 60 million, as noted. It should be noted that the reinsurance for a catastrophic event does not cover all the costs of Clal Insurance for payment of insurance compensation arising from the events of the Swords Iron War, but not as a result of the first days of the war (depending on the characteristics of the coverage and the date the specific insurance event of each policyholder occurred), and accordingly, these are expected to exceed NIS 60 million, but, according to the current assessment of the Company, by an immaterial amount.

In pension funds managed by the Group, there is exposure to death and disability cases resulting from the fighting. As the pension fund is a product that is essentially the mutual responsibility of the fund members, the exposure to the payment of survivor and disability claims in the pension fund is expected to affect the demographic yield in the fund, with no material effect on the Group's results.

Contributions into savings products are expected to be negatively affected by the economic downturn in Israel, an increase in unemployment, and furloughed employees. Up to the date of approval of the financial statements, there has been no material change in the scope of withdrawals and redemptions; however, these may be affected by the continuation of the situation.

B. Health insurance (including long-term care)

Clal Insurance is of the opinion that the exposure in the health insurance and long-term care insurance subsegments as a result of the war is not expected to be material.

C. Property and casualty insurance (P&C)

Generally, damage to property due to a war event is not covered under a property insurance policy, and therefore the exposure as a result of the War is not expected to be material. In addition, as a result of the combat events, there may be temporary changes in the level of claims in the various sectors.

Credit insurance - As of the date of approval of the financial statements, Clal Credit Insurance does not see a substantial increase in the level of claims or applications for deferring/rescheduling payments.

As part of the state’s plan to address the increase in credit risk in Israel, in November 2023, the Accountant General approved the issuance of a state guarantee in the amount of USD 500 million for all local credit-insurance companies, with the aim of supporting local suppliers, whose credit facility may be impaired due to the Swords of Iron War, and to prevent the materialization of a risk of payment default by the customers of those suppliers, by providing a state guarantee to increase the existing credit limits at the credit-insurance companies for local suppliers insured through Israeli credit-insurance companies, subject to the application of the policyholder for an increase in the credit limit. As of the date of this report, Clal Credit Insurance and the Accountant General are negotiating the terms and conditions of the guarantee.

Clal Credit Insurance is unable to assess, at this stage, the effect of this guarantee on its business results, and it depends on various developments, including changes in the state of the economy and developments in the fighting.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

L. Effects after the report date - Swords of Iron War (cont.)

2. Effect on business activity and financial results (cont.)

D. credit card transactions

Max operates in accordance with all the supervisory highlights that were published and that it received, including from the Banking Supervision Department, the Israel Money Laundering and Terror Financing Prohibition Authority, etc. Max submits daily emergency reports in the format established by the Bank of Israel.

1. The effects of the war on the financial statements of Max

The results of the first nine months of 2023 refer to the period before the war and reflect the continued growth in the activity of Max. The effects of the war are reflected in the financial results only in the scope of credit-loss provisions, which increased due to the Company's assessment of possible impairment of the solvency of borrowers, both in private and business credit.

From a forward-looking perspective, it can be assumed that the security situation, the continued combat, and measures taken by the state affect businesses and the population, and consequently influence the economic activity in the country, reflected in the business activity of Max after the report, as follows:

Since the outbreak of the War, the business activity of Max, as a company with a significant scope of issuance and acquiring activity, has been impaired. The issuance and acquiring turnover of Max decreased, due to the decrease in activity in the leisure and entertainment industry (including restaurants and coffee shops), the clothing and footwear industry, and the aviation and tourism industry. The decrease in the volume of activity led to a decrease in the revenues of Max from interchange, acquiring, and foreign-transaction fees starting in October 2023. In addition, in this period, the volume of credit and credit-card sales were impaired.

In view of the uncertainty regarding the development of the War, its duration, and its impacts on the economy in Israel, as of the approval date of the financial statements, Max is unable to estimate the impact on its financial results.

In addition, the cost of the main actions taken by Max to support the needs of the population at this time, which include implementation of the outline of reliefs adopted by the Company, donations, and assistance for employees, may reach approx. NIS 20-30 million, which will have an effect by way of a decrease in income from fees and income from interest, as well as an increase in expenses. The board of directors of Max is authorized to limit or change the scope of these activities at any time.

2. Effects on the credit losses of Max

The Swords of Iron War has many impacts on the economy in Israel, reflected, among other things, in the impairment of private consumption and business activity in general, and in the south and north of the country in particular, as well as in a high percentage of soldiers called up for military service. These impacts may have a considerable effect on the business activity of Max and on the risk of credit granted to its private and business customers.

On November 9, 2023, the Banking Supervision Department issued emphases for the preparation of financial statements for the third quarter, containing an instruction to also include the anticipated effect of the War in the calculation of current expected credit losses in third-quarter reports, and to enlarge the provision for credit losses accordingly.

Max believes that the War is likely to have an adverse effect on borrowers' condition; however, at this stage, there is significant uncertainty regarding the intensity, duration, and scope of the War. The economic ramifications depend on the duration of the fighting, the power of the measures to be taken to aid the recovery of the economy and the affected population, and the pace of recovery and return to full economic activity.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

L. Effects after the report date - Swords of Iron War (cont.)

2. Effect on business activity and financial results (cont.)

D. credit card transactions (cont.)

2. Effects on the credit losses of Max (cont.)

At the report date, the impacts of the war on credit losses have not yet been reflected in the financial results of the Company as actual damages. However, to reflect the potential increase in credit losses due to the rise in credit risk, Max increased its collective provisions for credit losses at the date of the report, in accordance with the instructions of the Banking Supervision Department.

Max estimates that the increase in the level of credit risk of its business customers is related to the economic sector to which their activity belongs. The decrease in economic activity nationwide since the outbreak of the War has been reflected in a decline in businesses' turnover, particularly in a number of sectors experiencing more significant downturns, such as tourism, leisure and entertainment, restaurants and coffee shops, furniture, and clothing and footwear. This decrease may affect, among other things, the risk of some of the businesses included in Max's business credit portfolio.

With regard to the credit risk of Max's private customers, at this stage Max estimates that potential credit risk has primarily increased among customers residing in southern Israel and along the northern border, who are directly affected by the war. However, Max estimates that there is some probability that the possible impairment of the solvency of borrowers in general, and of population groups directly hurt by the War in particular, may be tempered by government aid programs and other reliefs granted to these groups by all of the financial organizations in Israel, as well as by a decrease in households' expenses. This may allow many customers to continue required economic activity, including debt repayment.

To reflect the current estimate of current expected credit losses due to the situation, from a forward-looking perspective, Max assessed the potential effects of the War on the different risk categories, as described above, in private credit as well as business credit, and, accordingly, significantly increased its provision for credit losses.

Max estimates that additional growth of the population groups included in the risk categories in respect of which the provision has increased, at a volume of 10% of Max's credit portfolio, would lead to additional growth of approx. NIS 15 million in the provision for credit losses as of September 30, 2023.

As noted, at this stage, the effects of the War on the financial situation of Max's customers and their ability to repay their debts are not yet clearly apparent. In light of the difficulty of estimating the duration of the War and its effect on economic activity across the country, as well as the extent of the damage to Max's private and business customers, on the one hand, and the mitigating effects of aid programs and other reliefs, on the other hand, the estimated provision for credit losses is based on judgment and assessments, and involves significant uncertainty at this stage. Accordingly, it is highly likely that future credit losses may be substantially higher or lower than the current estimate. As the effects of the War and the effects of the government aid and the various reliefs on macroeconomic conditions and economic activity grow clearer, and as Max accrues information regarding borrowers' activity and financial condition and the actual effects of the War on the borrowers, Max will update its provision for credit losses.

All of the foregoing is based on information at the disposal of the Group at the date of publication of the report, and relies on preliminary and partial data that have not yet undergone control and audit processes. It should be noted that War's impact on the scope of business activity in Israel as a whole and on the Group in particular is yet to be determined; therefore, the Group's results may be further impacted in the future, including due to exogenous effects, such as financial market results and the interest rate curve.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

L. Effects after the report date - Swords of Iron War (cont.)

2. Effect on business activity and financial results (cont.)

D. credit card transactions (cont.)

2. Effects on the credit losses of Max (cont.)

It should also be clarified that the Company's assessments of the potential implications of the War on its operations are uncertain. These assessments are based, among other matters, on the information at the disposal of the Company on this topic at the date of approval of the report. Additional future effects are possible, depending, among other matters, on the continuation of the fighting; its intensity, scope, and outcomes; the state's preparedness to cope with the impacts of the War; and its economic support for the population, taking into consideration, among other matters, the limits (existing or absent) on the Group's ability to cope with such effects. Accordingly, the materialization of the assessments is uncertain. These assessments may not materialize, in whole or in part, or may materialize in a different manner, including in a materially different manner, from that which is expected.

The Group continues to monitor developments on an ongoing basis, and will continue to report, as required, on material effects of the War on the Group's operations, if any.

Appendix 1 - Breakdown of assets for yield-dependent contracts and other financial investments of the consolidated insurance companies registered in Israel

1. Assets for yield-dependent contracts

Following is a breakdown of assets held against insurance contracts and investment contracts:

	As of September 30		As of December 31
	2023	2022	2022
In NIS million	Unaudited		Audited
Investment property *)	**3,842**	3,511	3,778
Financial investments:			
Liquid debt assets	**28,808**	23,652	25,380
Illiquid debt assets	**8,568**	9,680	9,592
Shares	**17,562**	21,438	19,701
Other financial investments	**27,928**	22,066	22,458
Total financial investments *)	**82,866**	76,836	77,131
Cash and cash equivalents	**4,552**	9,952	8,458
Other **)	**2,879**	2,403	3,096
Total assets in respect of yield-dependent contracts	**94,139**	92,702	92,463

*) Presented at fair value through profit and loss.

**) The balance includes mainly collectible premium, reinsurer balances, collateral for activity in futures, and outstanding securities transactions as of the date of the financial statements.

2. Details of other financial investments

	As of September 30, 2023			
	Fair value through profit and loss	Available-for-sale	Loans and receivables	Total
In NIS million	Unaudited			
Liquid debt assets (a)	**140**	**5,942**	**-**	**6,082**
Illiquid debt assets (b)	**27**	**-**	**24,424**	**24,451**
Shares (c)	**-**	**1,675**	**-**	**1,675**
Other (d)	**315**	**4,798**	**-**	**5,113**
Total other financial investments	**482**	**12,415**	**24,424**	**37,321**

	As of September 30, 2022			
	Fair value through profit and loss	Available-for-sale	Loans and receivables	Total
In NIS million	Unaudited			
Liquid debt assets (a)	102	6,420	-	6,522
Illiquid debt assets (b)	2	-	22,951	22,953
Shares (c)	-	1,880	-	1,880
Other (d)	353	3,978	-	4,331
Total other financial investments	457	12,278	22,951	35,686

	As of December 31, 2022			
	Fair value through profit and loss	Available-for-sale	Loans and receivables	Total
In NIS million	Audited			
Liquid debt assets (a)	130	6,865	-	6,995
Illiquid debt assets (b)	1	-	23,023	23,024
Shares (c)	-	1,824	-	1,824
Other (d)	372	4,233	-	4,605
Total other financial investments	503	12,922	23,023	36,449

Appendix 1 - Breakdown of assets for yield-dependent contracts and other financial investments of the consolidated insurance companies registered in Israel (cont.)

2. Details of other financial investments (cont.)

A. Liquid debt assets - composition

	As of September 30, 2023	
	Carrying amount	Amortized cost [1)]
In NIS million	Unaudited	
Government bonds	**3,085**	**3,273**
Other debt assets	**-**	**-**
Other non-convertible debt assets	**2,970**	**3,091**
Other convertible debt assets	**27**	**32**
	2,997	**3,123**
Total liquid debt assets	**6,082**	**6,396**
Impairments carried to profit and loss (cumulative)	**2**	

	As of September 30, 2022	
	Carrying amount	Amortized cost [1)]
In NIS million	Unaudited	
Government bonds	3,958	4,125
Other debt assets	-	-
Other non-convertible debt assets	2,535	2,686
Other convertible debt assets	29	31
	2,564	2,717
Total liquid debt assets	6,522	6,842
Impairments carried to profit and loss (cumulative)	1	

	As of December 31, 2022	
	Carrying amount	Amortized cost [1)]
In NIS million	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 liquid debt assets	6,995	7,328
Impairments carried to profit and loss (cumulative)	1	

1) Amortized cost - cost less principal payments, plus (minus) cumulative amortization according to the effective interest method of any difference between the cost and the repayment amount and less any amortization for impairment recognized in profit and loss.

Appendix 1 - Breakdown of assets for yield-dependent contracts and other financial investments of the consolidated insurance companies registered in Israel (cont.)

2. Details of other financial investments (cont.)

B. Illiquid debt assets - composition *)

	As of September 30, 2023	
	Carrying amount	Fair value
In NIS million	Unaudited	
Government bonds		
Hetz bonds and treasury deposits	**16,800**	**22,695**
Other non-convertible debt assets, excluding deposits with banks	**7,068**	**7,047**
Deposits with banks	**583**	**593**
Total illiquid debt assets	**24,451**	**30,335**
Impairments carried to profit and loss (cumulative)	**45**	

	As of September 30, 2022	
	Carrying amount	Fair value
In NIS million	Unaudited	
Government bonds		
Hetz bonds and treasury deposits	16,515	24,089
Other non-convertible debt assets, excluding deposits with banks	5,783	5,999
Deposits with banks	655	700
Total illiquid debt assets	22,953	30,788
Impairments carried to profit and loss (cumulative)	47	

	As of December 31, 2022	
	Carrying amount	Fair value
In NIS million	Audited	
Government bonds		
Hetz bonds and treasury deposits	16,417	23,458
Other non-convertible debt assets, excluding deposits with banks	5,954	6,055
Deposits with banks	653	688
Total illiquid debt assets	23,024	30,201
Impairments carried to profit and loss (cumulative)	42	

*) The fair value of designated bonds was calculated in accordance with the repayment date of guaranteed return liabilities.

Appendix 1 - Breakdown of assets for yield-dependent contracts and other financial investments of the consolidated insurance companies registered in Israel (cont.)

2. Details of other financial investments (cont.)

C. Shares

	As of September 30, 2023	
	Carrying amount	Cost
In NIS million	Unaudited	
Liquid shares	**865**	**891**
Illiquid shares	**810**	**838**
Total shares	**1,675**	**1,729**
Impairments carried to profit and loss (cumulative)	**293**	

	As of September 30, 2022	
	Carrying amount	Cost
In NIS million	Unaudited	
Liquid shares	948	937
Illiquid shares	932	741
Total shares	1,880	1,678
Impairments carried to profit and loss (cumulative)	182	

	As of December 31, 2022	
	Carrying amount	Cost
In NIS million	Audited	
Liquid shares	904	914
Illiquid shares	920	777
Total shares	1,824	1,691
Impairments carried to profit and loss (cumulative)	196	

Appendix 1 - Breakdown of assets for yield-dependent contracts and other financial investments of the consolidated insurance companies registered in Israel (cont.)

2. Details of other financial investments (cont.)

D. Other financial investments [1)]

	As of September 30, 2023	
	Carrying amount	Cost
In NIS million	Unaudited	
Liquid financial investments	**531**	**508**
Illiquid financial investments	**4,582**	**3,139**
Total other financial investments	**5,113**	**3,647**
Impairments carried to profit and loss (cumulative)	**143**	

	As of September 30, 2022	
	Carrying amount	Cost
In NIS million	Unaudited	
Liquid financial investments	685	756
Illiquid financial investments	3,646	2,475
Total other financial investments	4,331	3,231
Impairments carried to profit and loss (cumulative)	178	

	As of December 31, 2022	
	Carrying amount	Cost
In NIS million	Audited	
Liquid financial investments	861	868
Illiquid financial investments	3,744	2,650
Total other financial investments	4,605	3,518
Impairments carried to profit and loss (cumulative)	174	

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

Appendix 2 - Interest income and expenses of Max and its consolidated companies and analysis of the changes in the interest income and expenses

Average interest-bearing balances

	For the nine months ended September 30, 2023			For the three months ended September 30, 2023		
	Average balance (1)	Interest income (expenses)	% of income (expense)	Average balance (1)	Interest income (expenses)	% of income (expense)
In NIS million			**Percentage**			**Percentage**
Interest-bearing assets						
Credit to private individuals (2)	**9,006**	**745**	**11.0**	**9,266**	**263**	**11.4**
Commercial credit (2)(5)	**3,440**	**150**	**5.8**	**3,561**	**54**	**6.1**
Total credit	**12,446**	**895**	**9.6**	**12,827**	**317**	**9.9**
Deposits with banks	**591**	**13**	**2.9**	**600**	**5**	**3.3**
Other assets	**5**	**-**	-	**1**	**-**	-
Total assets	**13,042**	**908**	**9.3**	**13,428**	**322**	**9.6**
Non-interest-bearing receivables for credit card transactions	**4,436**	**-**	**-**	**4,635**	**-**	**-**
Amounts receivable for credit card transactions	**1,100**	**-**	**-**	**1,082**	**-**	**-**
Other non-interest-bearing assets (3)	**480**	**-**	**-**	**458**	**-**	**-**
Total assets	**19,058**	**-**	**-**	**19,603**	**-**	**-**
Interest bearing liabilities						
Credit from banking corporations	**5,177**	**(237)**	**(6.1)**	**5,063**	**(85)**	**(6.7)**
Bonds and subordinated notes	**554**	**(23)**	**(5.5)**	**672**	**(11)**	**(6.5)**
Other liabilities	**30**	**(61)**	-	**39**	**(24)**	-
Total interest-bearing assets	**5,761**	**(321)**	**(7.4)**	**5,774**	**(120)**	**(8.3)**
Payables for credit card transactions (5)	**10,897**	**-**	**-**	**11,371**	**-**	**-**
Other non-interest-bearing liabilities (6)	**673**	**-**	**-**	**691**	**-**	**-**
Total liabilities	**17,331**	**-**	**-**	**17,836**	**-**	**-**
Total capital resources	**1,727**	**-**	**-**	**1,767**	**-**	**-**
Total capital commitments and resources	**1,727**	**-**	**-**	**19,603**	**-**	**-**
Interest rate spread			**1.9**			**1.3**
Net return on interest-bearing assets (4)	**13,042**	**587**	**6.0**	**13,428**	**202**	**6.0**

(1) Based on beginning-of-month balances.

(2) Before deducting the average on-balance sheet balance of loan loss provisions. Including debts that do not accrue interest income.

(3) Including derivatives, other non-interest-bearing assets, non-monetary assets, and less loan loss provision.

(4) Net yield – net interest income divided by total interest-bearing assets.

(5) Including average balance of early payments to merchants and factoring of credit card vouchers for merchants.

(6) Including derivative instruments and non-monetary liabilities.

Appendix 2 - Interest income and expenses of Max and its consolidated companies and analysis of the changes in the interest income and expenses (cont.)

Average balances and interest rates - additional information on interest-bearing assets and liabilities

In NIS million	For the nine months ended September 30, 2023			For the three months ended September 30, 2023		
	Average balance (1)	Interest income (expenses)	% of income (expense)	Average balance (1)	Interest income (expenses)	% of income (expense)
			Percentage			Percentage
Non-linked NIS						
Total interest-bearing assets	12,893	902	9.33	13,283	321	9.67
Total interest-bearing liabilities	5,684	(319)	(7.48)	5,713	(120)	(8.40)
Interest rate spread			1.85			1.26
CPI-linked NIS						
Total interest-bearing assets	75	5	8.89	64	1	6.25
Total interest-bearing liabilities	75	(2)	(3.56)	61	-	-
Interest rate spread			5.33			6.25
Foreign currency (including foreign-currency linked NIS)						
Total interest-bearing assets	74	1	1.80	81	-	-
Total interest-bearing liabilities	2 *	-		-	-	-
Interest rate spread			1.80			-
Total activity						
Total interest-bearing assets	13,042	908	9.28	13,428	322	9.59
Total interest-bearing liabilities	5,761	(321)	(7.43)	5,774	(120)	(8.31)
Interest rate spread			1.85			1.28

(1) Based on beginning-of-month balances.

Analysis of changes in interest income and expenses

In NIS million	For the nine months ended September 30, 2023			For the three months ended September 30, 2023		
	Increase (decrease) due to change			Increase (decrease) due to change		
	Quantity	Price	Net change	Quantity	Price	Net change
Interest-bearing assets						
Credit to private individuals	160	182	342	46	57	103
Commercial credit	24	57	81	6	18	24
Total credit	184	239	423	52	75	127
Deposits with banks	3	8	11	1	3	4
Other assets	-	-	-	-	-	-
Total interest income	187	247	434	53	78	131
Interest bearing liabilities						
Credit from banking corporations	(62)	(122)	(184)	(9)	(46)	(55)
Bonds and subordinated notes	(13)	(3)	(16)	(7)	(2)	(9)
Other liabilities	(16)	(33)	(49)	(9)	(7)	(16)
Total interest income (expenses)	(91)	(158)	(249)	(25)	(55)	(80)
Total interest income, net	96	89	185	28	23	51

Clal Insurance Enterprises Holdings Ltd.

Separate Financial Data from the Consolidated Interim Financial Statements Attributable to the Company

as of September 30, 2023

(Regulation 38D)

(Unaudited)

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To

Shareholders of Clal Insurance Enterprises Holdings Ltd.

Re: Special report of the independent auditors on the separate financial information in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial information provided in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of Clal Insurance Enterprises Holdings Ltd. (hereinafter – the “Company") as of September 30, 2023 and for the nine and three-month periods then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express a conclusion regarding the separate interim financial information for these interim periods based on our review.

Scope of the Review

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

Conclusion

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

Tel Aviv,	Somekh Chaikin	Kost Forer Gabbay & Kasierer
November 30, 2023	Certified Public Accountants	Certified Public Accountants

Interim Data on Financial Position

In NIS million	As of September 30 2023	As of September 30 2022	As of December 31 2022
	Unaudited	Unaudited	Audited
Assets			
Investment in investees	**8,321**	6,688	6,684
Loans and balances of investees	**692**	614	606
Receivables and debit balances	**1**	1	-
Other financial investments:			
Liquid debt assets	**405**	4	4
Shares	**17**	13	11
Other	**86**	-	181
Total other financial investments	**508**	17	195
Cash and cash equivalents	**5**	671	529
Total assets	**9,527**	7,990	8,013
Equity			
Share capital	**167**	162	162
Share premium	**2,390**	2,127	2,127
Capital reserves	**1,084**	948	921
Retained earnings	**4,833**	4,738	4,785
Total equity	**8,474**	7,976	7,995
Liabilities			
Payables and credit balances	**32**	7	8
Balances of investees	**1**	1	1
Current tax liability	**3**	6	4
Deferred tax liability	**-**	-	5
Financial liabilities	**1,017**	-	-
Total liabilities	**1,053**	14	18
Total equity and liabilities	**9,527**	7,990	8,013

The attached additional information is an integral part of the Company's separate interim financial information.

November 30, 2023			
Approval date of the financial statements	**Haim Samet**	**Yoram Naveh**	**Eran Cherninsky**
	Chairman of the Board of Directors	**CEO**	**Executive Vice President Head of the Finance Division**

Interim Profit and Loss Data

	For the nine month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
In NIS million	Unaudited				Audited
Company's share in the profits (losses) of investees, net of tax	**21**	56	**118**	132	89
Investment income (losses), net and finance income					
From investees	**33**	37	**10**	11	46
Other	**17**	5	**5**	3	10
Total income	**71**	97	**132**	146	145
General and administrative expenses	**13**	9	**3**	4	15
Finance expenses	**18**	-	**10**	-	-
Total expenses	**31**	9	**13**	4	15
Income (loss) before taxes on income	**40**	88	**119**	142	130
Income tax expense (tax benefit)	**1**	6	**(3)**	2	9
Income (loss) for the period	**39**	82	**121**	140	121

The attached additional information is an integral part of the Company's separate interim financial information.

Interim Comprehensive Income Data

In NIS million	For the nine month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
Income (loss) for the period	**39**	82	**121**	140	121
Other comprehensive income:					
Other comprehensive income items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss:					
Net change in fair value of financial assets classified as available for sale carried to capital reserve	**-**	(1)	**-**	(1)	(3)
Net change in fair value of available for sale financial assets carried to the income statement	**-**	-	**-**	-	-
Impairment loss of available-for-sale financial assets carried to the income statement	**-**	-	**-**	-	-
Other comprehensive income (loss) in respect of investees that was transferred or will be transferred to profit and loss, net of tax	**164**	(336)	**29**	(100)	(362)
Other comprehensive income (loss) for the period carried or to be carried to profit and loss, before tax	**164**	(338)	**29**	(101)	(365)
Taxes (tax benefit) in respect of other components of comprehensive income (loss)	**-**	-	**-**	-	-
Other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss, net of tax	**164**	(338)	**29**	(101)	(365)
Items of other comprehensive income not transferred to profit and loss:					
Other comprehensive income for investees not transferred to profit and loss, net of tax	**-**	7	**-**	1	8
Other comprehensive income for the period, not transferred to profit and loss, net of tax	**-**	7	**-**	1	8
Other comprehensive income (loss) for the period	**164**	(330)	**29**	(100)	(357)
Total comprehensive income for the period	**203**	(248)	**151**	40	(237)

The attached additional information is an integral part of the Company's separate interim financial information.

Interim Data on Changes in Cash Flows

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
In NIS million	Unaudited				Audited
Cash flows from operating activities					
Income (loss) for the period	**39**	82	**121**	140	121
Adjustments:					
Company's share in the profits (losses) of investees	**(21)**	(56)	**(118)**	(132)	(89)
Dividend from investees	**17**	-	**-**	-	13
Interest accrued on deposits with banks	**(9)**	(4)	**-**	(3)	(8)
Interest accrued in respect of the capital note for the investee	**(25)**	(27)	**(10)**	(11)	(36)
Accrued interest and deduction of issuance costs and discount for bonds	**18**	-	**10**	-	-
Loss (profit) from other financial investments	**(7)**	(1)	**(4)**	-	(1)
Taxes on income	**1**	6	**(3)**	2	9
Total adjustments	**(26)**	(81)	**(125)**	(144)	(112)
Changes in other items in the data on financial position, net:					
Change in receivables and debit balances	**-**	(1)	**-**	-	-
Change in payables and credit balances	**(6)**	2	**(4)**	(1)	3
Total changes in other items in the data on financial position, net:	**(7)**	1	**(4)**	-	3
Cash received during the period for:					
Net cash provided by operating activity for transactions with investees	**8**	4	**5**	2	7
Interest received	**9**	4	**-**	3	8
Income tax received (paid)	**(8)**	(5)	**(4)**	-	(5)
Net cash provided by operating activities	**14**	5	**(5)**	-	21
Cash flows provided by investing activities					
Repayment of interest from the capital note to the investee	**-**	-	**-**	-	22
Investment in investees	**(1,273)**	-	**(18)**	-	-
Investment in financial assets	**(413)**	-	**(401)**	-	(181)
Proceeds from sale of financial assets	**106**	7	**20**	-	7
Net cash provided by (used for) investing activities	**(1,579)**	7	**(400)**	-	(151)
Cash flows provided by financing activities					
Proceeds from issuance of share capital (less issuance expenses)	**-**	492	**-**	-	492
Proceeds of bond issuance (less issuance expenses)	**1,042**	-	**401**	-	-
Net cash used in financing activities	**1,042**	492	**401**	-	492
Increase (decrease) in cash and cash equivalents	**(523)**	504	**(4)**	-	362
Cash and cash equivalents at the beginning of the period	**529**	166	**9**	671	166
Cash and cash equivalents at end of the period	**5**	671	**5**	671	529

The attached additional information is an integral part of the Company's separate interim financial information.

Additional Information

1. General

The Interim Separate Financial Information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 and does not include all the information required under Regulation 9C and the Tenth Addendum to the Securities Regulation (Periodic and Immediate Reports), 1970, “Separate Financial Information of the Corporation”. This separate interim financial information should be read in conjunction with the separate financial information as of the date and year ended December 31, 2022 and in conjunction with the condensed consolidated interim financial statements as of September 30, 2023 (hereinafter - the “Consolidated Interim Financial Statements").

2. Completion of a transaction for the acquisition of CIMax Holdings Ltd.

Further to Note 42(J) to the Consolidated Financial Statements for 2022, on March 27, 2023, the Company completed the acquisition of CIMax Holdings Ltd. In these financial statements, the Company consolidated the financial results of CIMax and companies under its control, as from April 1, 2023. For further details, see Note 5 to the Consolidated Financial Statements.

On June 30, 2023, the Company settled the entire Deferred Payment for the transaction of approx. NIS 380 million.

3. Issuance of bonds by the Company

In February 2023, the Company issued NIS 249.1 million par value in Bonds (Series A) and NIS 150 million par value convertible Bonds (Series B) pursuant to the Company’s shelf offering report dated February 9, 2023, published under the Company’s shelf prospectus. Issuance expenses amounted to approx. NIS 3 million, the effective annual interest rate on the Bonds (Series A) and (Series B) is 4.9%, and the net proceeds of the issuance was approx. NIS 397 million. For further details, see Note 6 to the Consolidated Financial Statements.

In January and February 2023, Maalot announced an (AA-) rating with a stable outlook for the Company and the bonds it issued as stated above. For further details, see Note 6 to the Consolidated Financial Statements.

In June 2023, the Company issued NIS 250 million par value of Bonds (Series A) by way of a private placement and an expansion of an existing series in consideration for approx. NIS 244.6 million pursuant to the Company’s shelf offering report dated February 9, 2023, published under the Company’s shelf prospectus. The issuance expenses amounted to approx. NIS 592 thousand; the annual effective interest rate is 5.6%, and net consideration amounted to approx. NIS 244 million. For further details, see Note 6 to the Consolidated Financial Statements.

The Company used the consideration of the issuances to pay the consideration for the acquisition of Max and to create a liquidity cushion.

In August 2023, the Company issued NIS 400 million par value in Bonds (Series A) by way of an additional expansion of an existing series in consideration for approx. NIS 404.4 million pursuant to the Company’s shelf offering report dated February 9, 2023, published under the Company’s shelf prospectus. The issuance expenses amounted to approx. NIS 3.2 million and the annual effective interest rate is 5.3%. The entire consideration of the issuance will be used for early repayment of part of the loan taken by CIMax Holdings Ltd. For further details, see Note 6 to the Consolidated Financial Statements.

On November 12, 2023, the Company's board of directors approved, with in principle approval, a review of a public offering of a new series of non-convertible bonds (hereinafter collectively - the “**Bonds (Series C)**") by virtue of the Company's shelf prospectus dated July 25, 2022. The scope of the issuance and the terms of the Bonds (Series C) will be as determined in the shelf offering report to be published by the Company, under which the Bonds (Series C) will be issued. It should be noted that if and inasmuch as the Bonds (Series C) are issued as set out above, all proceeds of the issuance will be used for early repayment of part of the loan taken by CIMax Holdings Ltd., in 2019, from a syndicate of lenders that are institutional entities (hereinafter - the “**Syndicated Loan**"), by exercising the loan prepayment option and paying a prepayment penalty, amortized over the life of the loan, all in accordance with the terms of the Syndicated Loan.

Additional Information (cont.)

4. Rating

In July 2023, S&P Maalot published a rating report that set an (AA-) rating for the Company and bonds it issued.

5. Repayment of the liquid portion of the loan to CIMax

In the second and third quarters of 2023, CIMax received a dividend in the amount of approx. NIS 40 million from Max, and in addition, an amount of NIS 57 million from the Company, in consideration for the issuance of capital notes to the Company. These amounts were used for full repayment of the liquid portion, such that as of September 30, 2023, the loan balance amounts to approx. NIS 874 million, of which an amount of approx. NIS 1 million is for interest and the remaining balance is for the loan principal. For further details, see Note 6(c)(1)(b) to the consolidated financial statements.

6. Credit facility for the Company

On June 14, 2023, an Israeli banking corporation approved a credit facility to the Company at the total amount of up to NIS 250 million for the purpose of providing it with another liquidity buffer, by no later than June 12, 2024.

As of the report date and its approval date, the abovementioned credit facility has not been utilized. For further details, see Note 6(C)(1)(d) to the Consolidated Financial Statements.

7. Share-based payment

For details regarding revisions of the Company's option plan, see Note 12(e) to the Consolidated Financial Statements.

Clal Insurance Enterprises Holdings Ltd.

Quarterly Report on the Effectiveness of the Internal Control

over Financial Reporting and Disclosure

as of September 30, 2023

in accordance with Regulation 38C(a)

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

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

For this matter, the members of management are:

1. Yoram Naveh - CEO of the Company and Clal Insurance;
2. Eran Cherninsky - Head of the Finance Division (an officer in Clal Insurance and Clal Holdings);
3. Hadar Brin Weiss - Legal Counsel (an officer in Clal Insurance and Clal Holdings);
4. Eran Shahaf - Internal Auditor (an officer in Clal Insurance and Clal Holdings);
5. Barak Benski - Head of the Investments Division (an officer in Clal Insurance and Clal Holdings);
6. Avi Ben-Noon - Chief Risk Officer (an officer in Clal Insurance and Clal Holdings);

Internal control over financial reporting and disclosure includes controls and procedures existing in the Corporation, which were planned or overseen by the CEO and the most senior financial officer or under their supervision, or by whoever fulfills these functions in practice, under the supervision of the Board of Directors of the Corporation, and were designed to provide reasonable assurance as to the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Corporation is required to disclose in the reports it publishes in accordance with the provisions of the law is collected, processed, summarized and reported on the date and in the format laid down in law.

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

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

Clal Insurance Company Ltd. (hereinafter - "Clal Insurance"), a subsidiary of the Corporation, is an institutional entity which is subject to the directives of the Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance regarding the assessment of the effectiveness of internal controls over financial reporting.
In relation to internal controls in the said subsidiary, the Corporation implements the following directives: The Institutional Entities Circular 2009-9-10 on "Management's Responsibility for Internal Control over Financial Reporting"; Institutional Entities Circular 2010-9-6 on "Management's Responsibility for Internal Control over Financial Reporting - Amendment" and Institutional Entities Circular 2010-9-7 on "Internal Control over Financial Reporting - Statements, Reports and Disclosures".

Max It Finance Ltd., a subsidiary of the Corporation, is a credit card company, which is subject to the directives of the Banking Supervision Department regarding the assessment of the effectiveness of internal control over financial reporting.
With respect to the internal control of the said subsidiary, the Corporation implements the following provisions: Proper Conduct of Banking Business Directive 309.

In the quarterly report on the effectiveness of internal control over financial reporting and the disclosure attached to the quarterly report for the period ended June 30, 2023 (hereinafter - the "**Most Recent Quarterly Report of Internal Control**"), the internal control was found to be effective.

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

As of the report date, based upon the said Most Recent Quarterly Report of Internal Control, and based upon information brought to the attention of Management and the Board of Directors as stated above, the internal controls are effective.

Certification
Certification by the CEO

I, Yoram Naveh, hereby declare that:

1. I have reviewed quarterly report of Clal Insurance Enterprises Holdings Ltd. (hereinafter - the "**Corporation**") for the third quarter of 2023 (hereinafter – the "**Reports**");
2. To my knowledge, the Reports do not include any misrepresentation of a material fact, nor do they omit any representation of a material fact, which is required so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;
3. To my knowledge, the financial statements and other financial information included in the Reports present fairly, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;
4. I have disclosed the following to the independent auditor of the Corporation, the Board of Directors, and the Board of Directors' Balance Sheet Committee, based on my most recent evaluation of the internal control over financial reporting and disclosure:
   A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure, that might reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of the financial statements in accordance with law; and -
   B. Any fraud, whether or not material, involving the CEO, or anyone who reports directly to him/her or other employees who have a significant role in the internal control over financial reporting and disclosure;
5. I, severally or jointly with others in the Corporation:
   A. I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
   B. I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.
   C. No event or matter has been brought to my attention during the period between the periodic report date and the date of this Report that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of the internal control over the Corporation's financial reporting and disclosure.

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

Yoram Naveh
CEO

November 30, 2023

Certification
Certification by the Most Senior Financial Officer

I, Eran Cherninsky, hereby declare that:

1. I have reviewed the Interim Financial Statements and the other financial information included in the Reports for the Interim Period of Clal Insurance Enterprises Holdings Ltd. (hereinafter - the "**Corporation**") for the third quarter of 2023 (hereinafter – the "**Reports**");
2. To my knowledge, the Interim Financial Statements and the other financial information included in the Reports for the Interim Period do not include any misrepresentation of a material fact, nor do they omit any representation of a material fact, which is required so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;
3. To my knowledge, the Interim Financial Statements and other financial information included in the Reports for the Interim Period present fairly, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;
4. I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Board of Directors' Balance Sheet Committee, based on my most recent evaluation of the internal control over financial reporting and disclosure:
   A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure insofar as it relates to the Interim Financial Statements and other financial information included in the Reports for the Interim Period, that could reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of the financial statements in accordance with law; and -
   B. Any fraud, whether or not material, involving the CEO, or anyone who reports directly to him/her or other employees who have a significant role in the internal control over financial reporting and disclosure.
5. I, severally or jointly with others in the Corporation-
   A. I have established such controls and procedures, or ensured that such controls and procedures under our supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
   B. I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
   C. No event or matter has been brought to my attention during the period between the periodic report date and the date of this Report that relates to the Interim Financial Statements and to any other financial information included in the Reports for the Interim Period that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of internal control over the Corporation's financial reporting and disclosure.

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

Eran Cherninsky
Deputy CEO
Head of the Finance Division

November 30, 2023

Statements Regarding Controls and Procedures in respect of Disclosure in the Financial Statements of Clal Insurance Company Ltd.
Clal Insurance Company Ltd.
Certification

I, Yoram Naveh, hereby declare that:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter - the "**Company**") for the quarter ended September 30, 2023 (hereinafter - the "**Report**").
2. To my knowledge, the Report does not include any misrepresentation of a material fact, nor does it omit any representation of a material fact, which is required so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Report.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting of the Company; and -
   A. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
   B. We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings and in accordance with the Financial Services Supervision Law, 1981;
   C. We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and -
   D. The Report discloses any change in the Company's internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting. and -
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the balance sheet committee of the Company's Board of Directors, based on our most recent evaluation of the internal control over financial reporting, the following:
   A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and -
   B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

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

Yoram Naveh
CEO

November 30, 2023

Clal Insurance Company Ltd.
Certification

I, Eran Cherninsky, hereby declare that:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter - the "**Company**") for the quarter ended September 30, 2023 (hereinafter - the "**Report**").
2. To my knowledge, the Report does not include any misrepresentation of a material fact, nor does it omit any representation of a material fact, which is required so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Report.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company’s financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting of the Company; and -
   - A. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
   - B. We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings and in accordance with the Financial Services Supervision Law, 1981;
   - C. We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and -
   - D. The Report discloses any change in the Company’s internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Company’s internal control over financial reporting. and -
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the balance sheet committee of the Company’s Board of Directors, based on our most recent evaluation of the internal control over financial reporting, the following:
   - A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company’s ability to record, process, summarize and report financial information; and -
   - B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

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

Eran Cherninsky
Deputy CEO
Head of the Finance Division

November 30, 2023

Certification

I, Ron Fainaro, hereby declare that:

1. I have reviewed the quarterly report of Max It Finance Ltd. (hereinafter - the "Company") for the quarter ended September 30, 2023 (hereinafter - the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods presented in the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure(1) and internal control over financial reporting,(1) and:
    - A. We have established verification procedures or have ensured they are carried out under our supervision, which are intended to ensure that material information referring to the Company, including its consolidated companies, should be brought to our attention by others in the Company and by those companies, in particular during the time the report was being prepared;
    - B. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;
    - C. We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and
    - D. The Report discloses any change in the Company's internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting; and
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
    - A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and
    - B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

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

Ron Fainaro

CEO

November 30, 2023

(1) As defined in the Reporting to the Public Directives regarding the Report of the Board of Directors and Management.

Certification

I, Sharon Gur, hereby declare that:

1. I have reviewed the quarterly report of Max It Finance Ltd. (hereinafter - the "Company") for the quarter ended September 30, 2023 (hereinafter - the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods presented in the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure[(1)] and internal control over financial reporting,[(1)] and:
   A. We have established verification procedures or have ensured they are carried out under our supervision, which are intended to ensure that material information referring to the Company, including its consolidated companies, should be brought to our attention by others in the Company and by those companies, in particular during the time the report was being prepared;
   B. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;
   C. We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and
   D. The Report discloses any change in the Company's internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting; and
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
   A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and
   B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

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

Sharon Gur

CFO,

Chief Accounting Officer

November 30, 2023

(1) As defined in the Reporting to the Public Directives regarding the Report of the Board of Directors and Management.

Economic Solvency Ratio Report of Clal Insurance Company Ltd. As of June 30, 2023

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To:
The Board of Directors of
Clal Insurance Company Ltd.
Dear Sir/Madam,

Re: Independent auditor's report on the Solvency II-based Economic Solvency Ratio Report of Clal Insurance Company Ltd. (hereinafter – the "Company") as of June 30, 2023

Introduction

We have performed the procedures set out below regarding the Solvency II-based Economic Solvency Ratio Report of the Company as of June 30, 2023 (hereinafter - the "**Report**" or the "**Solvency Ratio Report**"). Our report refers only to solvency ratio calculations and the presentation method of the Solvency Ratio Report and does not refer to any other activity of the Company.

Responsibility

The Board of Directors and management are responsible for the preparation and presentation of the Report in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner") regarding the Solvency II-Based Provisions of the Economic Solvency Regime for Insurance Companies as set out in Chapter 2, Part 2, Section 5 of the consolidated circular and the related guidelines (hereinafter collectively - the "Commissioner's Directives"). The calculations, forecasts and assumptions on which the preparation of the Information was based fall under the responsibility of the Board of Directors and management. This responsibility includes the selection and application of appropriate methods for the preparation of the information and the use of assumptions and estimates for individual disclosures, which are reasonable under the circumstances. Moreover, this responsibility includes the planning, implementation, and maintenance of systems and processes relevant to preparation of the information in a manner that does not include material misstatement.

Our responsibility is to express a conclusion on the preparation and presentation of the calculation of the Solvency Ratio Report in accordance with the Commissioner's Directives based on the procedures set out below.

Scope of the Review

We performed our engagement in accordance with the principles of International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information published by the IAASB. The work procedures included the procedures set out below, to assess whether the Company's calculations for this subject, as of June 30, 2023, in all material respects, do not comply with the Commissioner's Directives. However, we do not provide a separate conclusion for each disclosure.

The work procedures included the following procedures:

- Review of the Solvency Ratio Report and the explanations in the Report;
- Clarifications, mainly with those responsible for producing the Solvency Ratio Report and calculations for the solvency ratio; including clarifications for the material changes in the models, methodologies, calculation processes, and systems;
- Review of material changes in studies affecting the Report, as applicable;
- Performing analytical review procedures, including assessing the likelihood of the material changes in the main sections of the Report.
- Our work is substantially smaller in scope than an audit performed pursuant to generally accepted auditing standards and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Consequently, we are not expressing an audit opinion.

We did not examine the Deduction Amount during the Transitional Period as of June 30, 2023, as presented in Section 3.1.2 - Except for the above work procedures verifying that the Deduction Amount does not exceed the expected discounted amount of the risk margin and the solvency capital requirement in respect of life and health insurance risks arising from existing businesses during the Transitional Period in accordance with the pattern of future development of the capital requirement, which affects both the calculation of the expected capital release and the release of the expected risk margin as described in the provisions on calculation of risk margin.

Conclusion

Based on the procedures that were performed, nothing has come to our attention that causes us to believe that the calculation of the solvency ratio and the presentation of the Company's Solvency Ratio Report for June 30, 2023, are not prepared in accordance with the Commissioner's Directives, in all material respects.

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

We draw attention to that stated in Section 1.6, comments and clarifications regarding the solvency ratio, the uncertainty arising from regulatory changes, and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated, as well as regarding the uncertainty embodied in the actuarial and financial assumptions and forecasts used in the preparation of the Report.

Tel Aviv
November 30, 2023

Respectfully,

Kost Forer Gabbay & Kasierer	Somekh Chaikin
Certified Public Accountants	Certified Public Accountants

Joint Independent Auditors

1. Overview and Disclosure Requirements

The information provided below was calculated in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "**Provisions of the Economic Solvency Regime**"). The information was prepared and presented in accordance with the provisions of Chapter 1, Part 4, Section 5 in the Consolidated Circular, as updated in Circular 2022-1-8 (hereinafter - the "**Disclosure Provisions**").

1.1. Economic Solvency Regime

The Provisions of the Economic Solvency Regime are based on the provisions of Pillar I of the European Solvency II Directive, which were adapted to the domestic market and set a standard model for calculating eligible shareholders' equity and the regulatory solvency capital requirement (SCR), with the aim of bringing insurance companies to hold buffers to absorb losses that might arise from the materialization of unexpected risks to which they are exposed under a given probability. This regulatory framework is based on economic measurement of the Company's assets and liabilities and does not necessarily correspond to the presentation in accordance with generally accepted accounting principles according to which the Company prepares its financial statements. **The solvency ratio is the ratio between the eligible shareholders' equity and the regulatory solvency capital requirement** (hereiafter **-** "**Solvency Ratio**").

The eligible shareholders' equity for economic solvency regime purposes will be composed of Tier 1 capital and Tier 2 capital. Tier 1 capital includes shareholders' equity calculated by evaluating an insurance company's assets and liabilities in accordance with the circular's provisions, and Additional Tier 1 capital. Additional Tier 1 capital and Tier 2 capital include equity instruments with loss absorption mechanisms, including Subordinated Tier 2 capital, Hybrid Tier 2 capital and Tier 3 capital, which were issued prior to the circular's effective date. The circular includes restrictions on the composition of shareholders' equity for SCR purposes (see below), such that the rate of components included in Tier 2 Capital shall not exceed 40% of the SCR (will not exceed 50% during the Transitional Period, as described below).

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

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

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

Forward-looking information

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

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

The Disclosure Circular stipulates, among other things, that the Economic Solvency Ratio Report as of December 31 and June 30 will be included in the first periodic report published after the calculation date, and posted on the Company's website on those dates. The Economic Solvency Ratio Report as of December 31 of each year shall be audited by the Company's independent auditor. Furthermore, as part of the revision to the Consolidated Circular - The Independent Auditor Chapter - which was published on August 28, 2023, it was stipulated that a quarterly Economic Solvency Ratio Report[1] will be reviewed by the independent auditor.

In addition, the circular includes provisions regarding the structure of the Economic Solvency Ratio Report, its approval by the relevant organs in the Company, the requirement that it will be audited by the Company's independent auditor, and the disclosure requirements in respect thereof.

1.3. Provisions during the Transitional Period

The Provisions of the Economic Solvency Regime include, among other things, transitional provisions for the Transitional Period, during which the following provisions will be applied:

- The capital requirements in respect of the shares risk-weighted sub-component, as defined in the provisions, will increase gradually over seven years, from 22% to 30%, 39% and 49% for investment in infrastructure shares, Type 1 shares and Type 2 shares, respectively. The gradual increase shall also apply to the anti-cyclical adjustment, as defined in the provisions.
- In addition, selecting on of the following alternatives:
    1. Gradual transition to the capital requirement until 2024 (hereinafter - the "Transitional Period"), such that the capital requirement shall increase gradually by 5% per year, starting with 60% of the SCR in 2017 up to the full SCR amount;
    2. Increasing the eligible capital by deducting from the insurance reserves an amount in accordance with Section 3.3.2 below. The deduction will decrease gradually until 2032 (hereinafter - the "Deduction During the Transitional Period"). Furthermore, the Deduction Amount may be revised during the Transitional Period due to other changes in accordance with the provisions pertaining to the actions taken by the insurance company in the Transitional Period, as set in a letter of October 15, 2020 regarding Principles for the Calculation of Deduction During the Transitional Period in

[1] As defined in the Appendix to the Economic Solvency Regime, Part C, Chapter 1, Appendix B.

A Solvency-II Based Economic Solvency Regime" (hereinafter - the "Letter of Principles").

The Company opted for the second alternative after receiving the Commissioner's approval, as required.

Furthermore, with respect to the composition of eligible shareholders' equity, it was stipulated that the maximum rate of Tier 2 capital in the Transitional Period shall stand at 50% of the solvency capital requirements during the Transitional Period.

1.3.1. Updating the Deduction Amount in subsequent periods

In accordance with the principles for the calculation of deduction during the Transitional Period in an economic solvency regime based on Solvency II, and the provisions for the application of an economic solvency regime, the deduction amount will be recalculated every two years, or at least, if there is a material change, the risk profile or the business structure of the insurance company, and in accordance with the Commissioner's requirements, if he believed that circumstances changed since then. The Company recalculated the Deduction Amount as of June 30, 2023 in light of a significant increase in the interest rate curve compared to the previous calculation date (June 2022). The revised Deduction Amount stands at NIS 5,944 million as of the reporting date (before deduction) - see Section 3.1.2 below.

1.4. Definitions

The Company -	Clal Insurance Company Ltd.
The Commissioner -	Commissioner of the Capital Market, Insurance and Savings Authority.
Provisions of the Economic Solvency Regime -	Insurance Circular 2020-1-15 "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" and related guidance by the Commissioner regarding the implementation of economic solvency regime.
Eligible shareholders' equity/ economic capital -	Total Tier 1 capital and Tier 2 capital of an insurance company, after deductions and amortization in accordance with the Provisions of the Economic Solvency Regime.
Basic Tier 1 capital -	Excess of assets over liabilities, estimated according to the provisions regarding economic balance sheet, comprising the following components: Issued and paid up ordinary share capital, premium paid upon the issuance of shares, retained earnings, capital reserves net of debit capital reserves, and the change in excess assets over liabilities arising from differences in the methods employed to measure the assets and liabilities according to the Directives (reconciliation reserve), net of: Unrecognized assets, buyback of ordinary shares, and dividend declared subsequent to the report date.
Additional Tier 1 capital -	The total of all of the above, when their value is measured according to the Provisions of the Economic Solvency Regime - perpetual capital note, non-cumulative preferred shares, Additional Tier 1 capital instrument, restricted Tier 1 capital instrument.
Tier 2 capital -	Tier 2 capital instruments, Subordinated Tier 2 capital, Hybrid Tier 2, and Hybrid Tier 3 capital instruments - valued in accordance with the Provisions of the Economic Solvency Regime.
Solvency capital requirement (SCR) -	The capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Economic Solvency Regime.
Basic solvency capital requirement (BSCR) -	The capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Provisions of the Economic Solvency Regime Directives, without taking into account the capital requirement due to operational risk, loss absorption

	adjustment due to deferred tax and capital requirement due to management companies.
Symmetric adjustment (SA)	Anti-cyclical component designed to adjust the capital requirement in respect of the shares risk to the changes in share prices, as set out in Part C in the Provisions of the Economic Solvency Regime.
Solvency ratio -	The ratio between the eligible shareholders' equity and the solvency capital requirement.
Best estimate -	Expected future cash flows from insurance contracts and investment contracts throughout their term, without conservatism margins and discounted by an adjusted risk-free interest.
Economic balance sheet	The balance sheet of an insurance company in accordance with the Directives as per Section 3.2.
Risk margin -	An amount added to the best estimate amount that reflects the total cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities, calculated according to the Provisions of the Economic Solvency Regime.
Deduction during the Transitional Period	The amount deducted from insurance reserves during the Transitional Period, calculated in accordance with the provisions of Section 4(c) to the Provisions of the Economic Solvency Regime. The Deduction will decrease gradually until 2032.
Non-eligible asset -	An asset held against liabilities that are not yield-dependent contrary to the Investment Rules Regulations, or contrary to the Commissioner's Directives, net of the tax reserve created in respect thereof.
Minimum capital requirement (MCR) -	Minimum Capital Requirement - the minimum capital requirement from an insurance company, calculated in accordance with the Provisions of the Economic Solvency Regime
Expected profits in future premiums (EPIFP) -	Expected Profits in Future Premiums - the expected profit in future premiums (retention) included in the insurance liabilities, in respect of premiums that have not yet been received through the report date.
UFR -	Ultimate Forward Rate - the latest forward interest rate derived from the expected long-term real interest rate and the long-term inflation expectations to which the adjusted interest-rate curve converges, in accordance with the Provisions of the Economic Solvency Regime.
Volatility adjustment (VA) -	Volatility adjustment is an anti-cyclical component reflecting the margin implicit in a representative debt assets portfolio of insurance companies and added to the adjusted interest-rate curve in accordance with Provisions of the Economic Solvency Regime.
SLT health insurance -	Health insurance that is conducted similarly to life insurance.
NSLT health insurance -	Health insurance that is conducted similarly to P&C insurance.
Stock scenario adjustment -	Lower capital requirement for certain types of investments that will gradually increase until 2023 when the capital requirement for these investments reaches its full rate.
Effect of diversification of risk-weighted components -	The effect of diversification is the difference between a simple sum of the risk-weighted components and a sum that takes into account the partial correlation between them. The greater the diversification between the operating segments in the portfolio and the risk-weighted components, the greater the effect of diversification on the reduction of the overall risk.
The Authority -	The Capital Market, Insurance and Savings Authority.

Investment Rules Regulations -	Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012.
Audited -	The term refers to an audit held in accordance International Standard on Assurance Engagement (ISAE) 3400 – “The Examination of Prospective Financial Information”.
Transitional Period	As part of the Transitional Provisions for the implementation of the Economic Solvency Regime, the insurance company receives a period, during which it is entitled to expedients with regard to the capital requirements or the calculation of the capital in accordance with the definition as per Section 1.3

1.5. Calculation Methodology

1.5.1. General

The Provisions of the Economic Solvency Regime set guidance regarding an economic calculation of the eligible shareholders' equity and the solvency capital requirement. Set forth below are the key points of the provisions and the changes therein:

1.5.2. Economic balance sheet

In accordance with the Provisions of the Economic Solvency Regime, in general, the economic balance sheet line items are measured according to economic value, and specifically, the insurance liabilities are calculated based on the best estimate of all expected future cash flows from existing businesses, without conservatism margins. This is plus a risk margin, that reflects the total cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company’s insurance liabilities in the economic balance sheet. According to the provisions, the risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses. As stated above: The economic balance sheet is prepared based on the Company’s standalone financial statements plus investees, whose sole occupation is holding rights in real estate properties, plus subsidiary insurance companies, whose data are consolidated with those of the insurance company, and - according to the guidance - does not include the economic value of the provident funds activity and pension funds activity under the insurance company. Furthermore, zero value is attributed to intangible assets and deferred acquisition costs (other than investment in Insurtec” as defined in the Solvency Circular according to the approval received from the Commissioner in that respect).

As aforesaid, the Company opted for the current alternative provided by the Transitional Provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves due to the Deduction Amount, will be deducted gradually, until 2032 (hereinafter - the “Deduction during the Transitional Period” or the “Deduction Amount”). Pursuant to the Letter of Principles, the Deduction during the Transitional Period shall be calculated by dividing insurance policies issued through December 31, 2016 into homogeneous risk groups. The aforesaid deduction shall be calculated as the difference between insurance reserves (retention) as per the economic balance sheet including the risk margin attributed thereto excluding adjustment for the fair value of designated bonds, and the insurance reserves (retention) as per the Financial Statements. This difference shall be deducted on a linear basis until December 31, 2032. The balance of the deduction on each reporting date (hereinafter - the “Deduction Value during the Transitional Period”) shall be recalculated every two years, and if a material change occurred in the risk profile or the business structure of the insurance company. Furthermore, the Deduction Value During the Transitional Period shall be proportionate to the expected increase in the solvency ratio calculated excluding expedients during the Transitional Period - see Section 3.2.2 below.

1.5.3. Solvency capital requirement (SCR)

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

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

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

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

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

1.6. Comments and clarifications

1.6.1. General

The Economic Solvency Ratio Report includes, among other things, forecasts based on assumptions and parameters based on past experience, as they arise from actuarial studies conducted from time to time, and on Company's assessments regarding the future, to the extent that it has relevant and concrete information which can be relied upon. The information and studies are similar to those used as the basis for the Company's report as of June 30, 2023 (hereinafter - the "Semi-Annual Report"). In addition, any information or studies obtained or completed after the publication date of the Company's 2023 Semi-Annual report were not taken into account.

This Solvency Ratio Report was prepared based on the conditions and the best estimate as they were known to the Company on the publication date of the report as of June 30, 2023. Accordingly, this Report has not been revised to reflect the consequences of the Iron Swords War. For further information about the consequences of the Iron Swords War, see Section 2.1 and Note 8 Section G to the interim financial statements for the third quarter of 2023, the Report of the Board of Directors for the period ended September 30, 2023.

It should also be emphasized that, among other things, in view of the reforms in the capital, insurance and savings market and the changes in the business and economic environment, past data are not necessarily indicative of future results, and the Company is unable to reliably assess these effects. The calculation is sometimes based on assumptions regarding future events and steps taken by management, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the calculation. Furthermore, actual results may materially vary from the calculation, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions of the model.

The model, in its present form, is highly sensitive to changes in market variables and other variables, and specifically changes in the interest rate curve; therefore, the solvency ratio reflected therefrom may be very volatile.

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

1.6.2.1. The field of insurance has been subject to frequent changes in relevant legislation and frequent regulatory guidance. Legislation and regulatory measures affect the Company's profitability and its cash flows and consequently - its economic solvency ratio.

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

1.6.2.3. For information about key regulatory changes, the future effect of which is highly uncertain, see, among other things, 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, 8.2 in the Company's Report on the Corporation's Business as of December 31, 2022, and in Section 4 to the Company's Report of the Board of Directors as of September 30, 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 based on their value in the accounting balance sheet in accordance with the provisions of IAS 37; this measurement does not reflect their economic value. For information regarding the exposure to contingent liabilities and its measurement, see Note 37 to the Company's 2022 consolidated financial statements, Note 7 to the financial statements as of September 30, 2023, and immediate reports published as from that date. The settlement or extinguishment of these contingent liabilities may involve amounts, which are materially higher than their amounts as per the economic balance sheet. It is impossible to assess the effect of the uncertainty arising from the exposure to contingent liabilities described.

1.6.2.5. On July 12, 2023, an Amendment to the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964 was published, which prescribes that the employer and employee contributions into an annuity provident fund, which is an insurance fund, will be capped to that portion of the wage that exceeds double the average wage in Israel (hereinafter - the "Monthly Contribution Cap"), provided that the portion up to the Monthly Contribution Cap will be deposited with an annuity provident fund which is not an insurance fund. Furthermore, on July 12, 2023, an amendment to the Supervision of Financial Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds), 2008 was published, which limits the transfer of funds from a provident fund, which is not an insurance fund, to an insurance fund, such that the balance of accrued funds which were not transferred shall be equal to the product of the Monthly Contribution Cap multiplied by the number of months that have elapsed since the first contribution was made to the provident fund. The effective date of the above regulations is September 1, 2023. As of the date of this report, the Company is unable to assess the effect of the above changes on the Company's economic solvency ratio.

2. Economic solvency ratio and minimum capital requirement (MCR)

2.1. Solvency ratio

	As of June 30, 2023	As of December 31, 2022
	Unaudited*	Audited**
	In NIS thousand	
Shareholders' equity in respect of SCR - see Section 4	**14,345,784**	14,340,642
Solvency capital requirement (SCR) - see Section 5	**8,669,475**	8,075,939
Surplus	**5,676,309**	6,264,703
Economic solvency ratio (in %)	**165%**	178%

Effect of material capital-related measures taken in the period between the calculation date and the publication date of the Economic Solvency Ratio Report:

Raising/redemption of capital instruments (a)	**300,000**	-
Shareholders' equity in respect of SCR	**14,510,760**	14,340,642
Surplus	**5,841,285**	6,264,703
Solvency ratio (in %)	**167%**	178%

(a) In July 2023, NIS 300 million were raised through an issuance of Bonds (Series M)

*) In this Report, the term "unaudited" refers to a review conducted in accordance with the principles of International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

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

Subsequent to the report date, in October 2023, the Iron Swords War broke out (hereinafter - the "War") in the State of Israel. The prolongation of the War led to a slowdown in the business activities in the Israeli economy, including, among other things, due to the closure of factories in the south and north of Israel, damage to infrastructures, drafting of reservists for an unknown period, placing employees on unpaid leave, and disruption of the economic activity in Israel. The continuation of the War may have widespread ramifications for many sectors and geographical regions in Israel, and, of course, also for the performance of the domestic financial markets.

As of the approval date of the Economic Solvency Ratio Report, the increase in the risk-free interest in instruments with long durations as a result of the increase in Israel's risk premium has a positive effect on the Company's economic solvency ratio; However, the Company is unable to reliably assess the future effect of the War on the Company's economic solvency ratio, among other things, due to the highly volatile markets, uncertainty as to the duration and intensity of the fighting, the effects of the War on the Company's areas of activity, and other exogenous factors, such as the financial markets, and regarding further measures to be taken by the government and/or the Bank of Israel. For information about the economic solvency ratio's sensitivity to various risk factors, see the Economic Solvency Ratio Report as of December 31, 2022.

For further information about the consequences of the Iron Swords War, see Section 8 to the interim financial statements for the third quarter of 2023, and the Report of the Board of Directors for the period ended September 30, 2023.

For details regarding the solvency ratio without applying the Transitional Provisions for the Transitional Period, and without adjusting the stock scenario, and regarding the target solvency ratio and restrictions applicable to the Company in connection with dividend distribution, see Section 8 below.

Key changes in the capital surplus and in the economic solvency ratio compared to December 31, 2022:

- The increase in the risk-free interest rate curve had a positive effect on the capital surplus and the economic solvency ratio.
- The expiry of the risks arising from a previously sold insurance activity in the field of life and health insurance led to an increase in the economic capital and a decrease in the capital requirements and the risk margin, and overall - to a positive effect on the capital surplus and the solvency ratio.
- Positive returns in the nostro portfolios and in the yield-dependent portfolios contributed to an increase in the Company’s Tier 1 capital; on the other hand, there was an increase in the capital requirements in respect of financial risks, due to, among other things, an increase in investment portoflios’ risk profile. The total effect on the economic solvency ratio is negative.
- Actual inflation in the first half of the year had a negative effect on the capital requirements and the solvency ratio.
- Higher cancellation rate in risk products and savings products had a negative effect on the solvency ratio.
- Following the change in the risk-free interest rate curve, the Company recently recalculated the Deduction Amount as of June 30, 2023. The aforementioned revision had a negative effect on the Company's shareholders' equity.

Update regarding the use economic scenario generators in the calculation of the Company’s economic solvency ratio

As explained in Section 3.1.1 below, the calculation of the insurance liabilities was carried out in accordance with the Provisions of the Economic Solvency Regime; generally, in relation to life and SLT health insurance liabilities, the calculation was carried out in accordance with EV calculation practice in Israel.[2] The determination of the best estimate is supposed to be based on an estimation of the distribution of the potential best estimates (”Stochastic Models”), and in the absence of significant statistical data that will allow the assessment of the distribution probability of the best estimate, the Company used the expected value of each relevant factor (”Deterministic Models”).

As part of the further development and upgrade of the calculations, in the reporting period, the Company calculated, at the same time and based on a Stochastic Model, the best estimate of the cash flows from asymmetric insurance liabilities (inlcuding charging of future variable management fees3), whose impact - had it been included in the calculation of the economic solvency ratio as of June 30, 2023 - is estimated to be an increase of approx. 15% in the ratio, without taking into account the Transitional Provisions, and an increase of approx. 6% taking into account the Transitional Provisions.

[2] In Israel, the calculation of the embedded value is made in accordance with the rules and principles that were set by the Commissioner, who adopted the rules and principles stipulated under a report of a joint committee of the insurance companies and the Commissioner, which was supported by Israeli and foreign consultants.

[3] See Section 6.1.2.3 in the Report on the Corporation’s Business of the Company.

In accordance with an outline that was received from the Commissioner in November 2023, the Stochastic Model will not be implemented in the calculation of the solvency ratio without implementing the Transitional Provisions - over 3 reporting dates - but the Company will disclose its effects in the Economic Solvency Ratio Report. At this stage, the Company opted not to include this in the calculation that takes into consideration the Transitional Provisions.

It should be noted that this data is not audited and is not reviewed; it is sensitive to changes in the interest rate curve and to changes in other financial and demographic assumptions, and will be recalculated in each reporting period.

As stated above, the Company completed the stochastic calculation based on an economic scenario generator, 4 including the implementation of tests and control processes regarding the accuracy, robustness, and market consistency, as is the normal practice in foreign companies that implement stochastic models in the calculation of their economic solvency ratio. The Stochastic Model is used to reach the best actuarial estimate of the cash flows from asymmetric insurance liabilities (inlcuding charging of future variable management fees). In the Stochastic Model, the return on which the calculation is based is without change compared to the Deterministic Model. However, the calculation of the cash flows in the Stochastic Model takes into account the volatility in the returns on the relevant assets according to their composition and characteristics, including the investment channels, average duration and exposure to the index and exchange rates of foreign currencies, and their effect on the charging of variable management fees. In order to create the Stochastic Model, the Company selected economic models that match its asset types. As part of the process of selecting and calibrating those economic models, the Company was supported by international consultancy firms. In addition, the independent auditors reviewed the calculation process and the internal control.

2.2. *Minimum capital requirement (MCR)*

	As of June 30, 2023	As of December 31, 2022
	Unaudited	Audited
	In NIS thousand	
Minimum capital requirement (MCR) - see Section 6.1.	**2,167,369**	2,018,985
Shareholders' equity for MCR - see Section 6.2	**10,609,496**	10,706,470

[4] As defined in the provisions of Appendix B, Section 5 (Part 2, Appendix 2) to the Provisions of the Economic Solvency Regime.

3. Economic balance sheet

		As of June 30, 2023		As of December 31, 2022	
		NIS thousand			
		Balance sheet according to accounting standards	Economic balance sheet	Balance sheet according to accounting standards	Economic balance sheet
		Unaudited	Unaudited	Audited	Audited
Assets:	Extension clause				
Intangible assets	3	796,327	107,076	799,170	123,067
Deferred acquisition costs	4	1,969,191	-	1,945,288	-
Property, plant & equipment	8	165,194	140,246	177,372	153,041
Investments in investee that are not insurance companies:					
Management companies	5	827,767	306,410	740,866	254,846
Other investees	5	81,139	84,358	78,058	81,936
Total investments in investees that are not insurance companies		**908,906**	**390,768**	**818,924**	**336,782**
Investment property in respect of yield-dependent contracts		3,824,819	3,824,819	3,778,012	3,778,012
Investment property - other		1,495,151	1,495,151	1,475,111	1,475,111
Reinsurance assets		4,585,346	3,394,950	4,524,108	3,399,592
Receivables and debit balances	13	4,097,722	4,097,722	4,420,040	4,420,040
Financial investments in respect of yield-dependent contracts		84,235,898	84,235,898	77,131,277	77,131,277
Other financial investments:					
Liquid debt assets		6,266,185	6,266,185	6,897,140	6,897,140
Illiquid debt assets, excluding designated bonds	6	7,058,476	7,068,113	6,448,286	6,576,974
Designated bonds	7	14,278,915	19,904,018	14,252,011	20,284,701
Shares		1,689,256	1,689,256	1,824,254	1,824,254
Other		4,892,920	4,892,920	4,536,319	4,536,319
Total other financial investments		**34,185,752**	**39,820,492**	**33,958,010**	**40,119,388**
Cash and cash equivalents in respect of yield-dependent contracts		3,910,313	3,910,313	8,458,337	8,458,337
Other cash and cash equivalents		2,692,937	2,692,937	2,830,472	2,830,472
Other assets	14	337,259	637,004	335,879	647,292
Total assets		**143,204,815**	**144,747,376**	**140,652,000**	**142,872,410**
Total assets in respect of yield-dependent contracts		**94,212,900**	**94,212,900**	**92,457,831**	**92,122,357**

		As of June 30, 2023		As of December 31, 2022	
		NIS thousand			
		Balance sheet according to accounting standards	Economic balance sheet	Balance sheet according to accounting standards	Economic balance sheet
		Unaudited	Unaudited	Audited	Audited
Equity:	Extension clause				
Basic Tier 1 capital		6,640,516	9,775,581	6,562,165	9,889,390
Total equity		**6,640,516**	**9,775,581**	**6,562,165**	**9,889,390**
Liabilities:					
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	1, 10	32,176,094	28,399,707	31,373,641	32,147,037
Liabilities in respect of insurance contracts and yield-dependent investment contracts	1, 10	92,098,132	89,859,989	89,862,885	84,057,957
Risk margin (RM)	9		7,478,628		7,384,624
Deduction during the Transitional Period	2		(4,572,337)		(5,102,956)
Liabilities in respect of deferred taxes, net	11	599,502	2,497,518	550,487	2,528,551
Payables and credit balances	13	6,217,420	6,106,467	6,868,059	6,757,422
Financial liabilities	12	5,070,654	4,636,876	5,033,638	4,614,360
Other liabilities	14	402,497	564,946	401,125	596,025
Total liabilities		**136,564,299**	**134,971,794**	**134,089,835**	**132,983,019**
Total equity and liabilities		**143,204,815**	**144,747,375**	**140,652,000**	**142,872,410**

Key changes compared with December 31, 2022:

For explanations regarding main changes in Tier 1 capital and significant effects on the economic solvency ratio's components, see Sections 2.1 and 3 below.

3.1. Information about economic balance sheet

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

3.1.1. Extension Clause 1 - Total liabilities in respect of insurance contracts and investment contracts

The insurance liabilities were calculated based on a best estimate, on the basis of assumptions that are mainly a result of projecting to the future existing experience relating to past events, within the environment in which the Company operates, and without conservatism factors. The calculation of the insurance liabilities was carried out in accordance with the Provisions of the Economic Solvency Regime; generally, in relation to life and SLT health insurance liabilities, the calculation was carried out in accordance with EV calculation practice in Israel,[5] and in relation to property and casualty insurance, it was carried out based on the part in the Measurement Chapter in the Consolidated Circular, which refers to best estimate.

The measurement of the insurance liabilities in the economic balance sheet is carried out by discounting the projected cash flows, including future income, by a risk-free interest plus VAT and taking the UFR into consideration, on the basis of a best estimate that does not include conservatism margins, where the risk is reflected in the RM component, which is a separate liability. This measurement differs from the measurement applied in the financial statements, where insurance liabilities are estimated with conservatism margins using the discounting methods and rates described in Note 35 to the Company's 2022 annual financial statements.

The calculation of the liabilities in respect of life insurance contracts and long-term health insurance (SLT) contracts was carried out by discounting the Company's estimated future cash flows using a model applied to information available in the Company's operational systems as to insurance coverages. The assumptions used in the model include, among other things, assumptions in respect of cancellations, operating expenses, mortality and morbidity, and they are set based on past experience and other relevant studies.

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

It is likely that the actual cash flows will vary to some degree on another from the estimates made on a best estimate basis, even if the underlying parameters of the calculation will not change in any way. See also Section 1.6 above.

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[5] In Israel, the calculation of the embedded value is made in accordance with the rules and principles that were set by the Commissioner, who adopted the rules and principles stipulated under a report of a joint committee of the insurance companies and the Commissioner, which was supported by Israeli and foreign consultants.

3.1.1.1. **Limitations and qualifications with regard to calculation of the best estimate**

3.1.1.1.1. Generally, the underlying assumptions of the models were formulated mainly on the basis of studies and analyses which are based on Company's experience over the past few years. It should be noted that there is a possibility of extreme scenarios, the probability of the occurrence of which is very low and cannot be estimated by the Company, and the effects of which cannot be estimated by the Company. Such events were not taken into account in the determination of the models' underlying assumptions.

3.1.1.1.2. Since the Company did not have sufficient data, when calculating the BE it did not check the level of correlation between demographic and operational assumptions and assumptions pertaining to market conditions (such as the interest rate), which may materially affect the BE.

3.1.1.1.3. The determination of the BE is supposed to be based on an estimation of the distribution of the potential BEs. With no available significant statistical data that can be used to evaluate the distribution of BE for all demographic and operational factors in SLT life and health insurance, the Company used real assumptions of each and every parameter, according to the expected value of each relevant factor, without taking into account any correlation or dependency between the different assumptions, or between the assumptions and external economic parameters such as taxation, interest or employment levels in Israel.

3.1.1.1.4. In many cases, the future cash flows refer to periods of tens of years into the future. The underlying assumptions of the cash flows rely are based on studies, mainly in accordance with recent years' experience, and management's best knowledge. It is highly uncertain whether the underlying cash flow assumptions will, indeed, materialize.

3.1.1.1.5. In that context, it should be emphasized that the stress scenarios calculated as part of the solvency model (the standard model) and the correlations on which the model for capital requirements is based, were defined by the Commissioner, and do not reflect the Company's actual experience.

3.1.1.2. **Assumptions underlying the insurance liabilities calculation**

3.1.1.2.1. **Manner of determining the assumptions**

The calculation's underlying assumptions were set in accordance with the Company's best estimates of relevant demographic and operational factors, and reflect the Company's expectations as to the future in respect of these factors. The demographic assumptions included in the calculation were taken from Company's internal studies, if any, and conclusions reached as a result of exercising professional judgment, based on relevant experience and the integration of information received from external sources, such as information from reinsurers and mortality and morbidity tables published by the Commissioner.

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

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

3.1.1.2.2. **Economic assumptions**

- Discount rate - adjusted risk-free interest rate curve for solvency. This curve is based on the yield to maturity of bonds of the Government of Israel (hereinafter - ”risk-free interest rate”), up to the last liquidity point in the 10th year (hereinafter - “LLP”), with convergence in the long-term to a real fixed rate of 2.6% (UFR) plus a margin (VA), which is calculated by the Authority - all as set by the Commissioner.

- The yield on the assets backing the yield-dependent life insurance products is identical to the discount rate.

- Designated bonds - estimated in accordance with their fair value, which takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them.

- The inflation rate is set as the difference between the yield to maturity curve on NIS government bonds and the yield to maturity curve on linked government bonds. It should be noted that the inflation assumption is relevant to products with amounts of insurance, premiums, and/or CPI-linked interest rates, and to expenses for claims and/or premiums that the Company assumes will change according to the rate of the CPI or another CPI-linked rate.

3.1.1.2.3. **Operational assumptions (for life and health insurance)**

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

3.1.1.2.4. **Demographic assumptions**

- Cancellations (discontinuation of premium payment, settlement of policies, withdrawals)

- Mortality of pensioners and planholders

- Morbidity (rate and length of claims) in long-term care, income protection and health products

- Uptake rates and pension tracks

3.1.1.2.5. **Assumptions underlying property and casualty insurance**

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

3.1.2. Extension Clause 2 - Deduction during the Transitional Period

The Deduction during the Transitional Period was recalculated as of June 30, 2023 as the total amount of the positive differences between insurance reserves (retention) as per the economic balance sheet including the risk margin (net of adjustment to the fair value of designated bonds) and the insurance reserves (retention) as of that date in accordance with the Financial Statements. These differences were calculated at product group level in accordance with the provisions included in the Letter of Principles.

Following the change in the risk-free interest rate curve in relation to the previous recalculation date (June 2022), the Company recalculated the Deduction Amount as of June 30, 2023. This difference is deducted on a linear basis over 13 years until December 31, 2032, such that its reduced balance that reflects 10 years as of June 30, 2023 is NIS 4,572 million.

The future Deduction during the Transitional Period is subject to the above changes in assumptions, the developments of the businesses and a periodic approval by the Commissioner.

3.1.3. Extension Clause 3 - Intangible assets

An insurance company shall assess the value of intangible assets at zero, except for investment in Insurtech as defined in the Solvency Circular, for which it obtained the Commissioner’s approval, as required.

3.1.4. Extension Clause 4 - Deferred acquisition costs

Valued at zero, consistently with the assessment of the insurance liabilities as described in Section (1) above.

3.1.5. Extension Clause 5 - Investment in investees that are not insurance companies

Investees that are not insurance companies are valued in accordance with the adjusted equity method. That is to say, the proportionate share of the insurance company in the excess of assets over liabilities of the investee, without taking into consideration intangible assets. In management companies of pension and provident funds, 35% of the balance of the goodwill that has arisen upon acquisition was added to the economic value. The economic value of the investees does not include the profits implicit in those companies.

3.1.6. Extension Clause 6 - Illiquid debt assets other than designated bonds

Presented at fair value in the economic balance sheet in accordance with the principles set out in Note 14(F) to the Company’s annual financial statements.

3.1.7. Extension Clause 7 - Designated bonds

Estimated in accordance with their fair value, which takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them, based on the assumptions used in the calculation of the best estimate of the insurance liabilities in respect of which the Company is entitled to designated bonds.

3.1.8. Extension Clause 8 - Property, plant, and equipment

Assets for which there is an active market, revalued in accordance with the fair value. Assets for which there is no active market in the Company's opinion are valued at zero.

3.1.9. Extension Clause 9 - Risk margin

In addition to the insurance liabilities based on an optimal assessment, a component of the risk margin is calculated which reflects the total cost of capital that another insurance company would be expected to require in order to receive the insurance company's total insurance liabilities, calculated on the basis of an optimal assessment. The risk margin is calculated in accordance with the Commissioner's Directives, based on a capital cost rate of 6%, and is discounted at an adjusted risk-free interest rate, but excluding the VA component. The future capital requirement is calculated in accordance with the "risk factor method", by changing the capital requirement components calculated as of the reporting date in accordance with the projected development of the risk factors attributed thereto. These factors are designed to reflect the development of the standard model risks over time. The calculation does not take into account the capital requirement in respect of market risks.[6]

3.1.10. Extension Clause 10 - Contingent liabilities

As to the value of contingent liabilities in the economic balance sheet, see Section 1.6.2.4 above.

3.1.11. Extension Clause 11 - Liabilities in respect of deferred taxes, net

The calculation is based on the difference between the value attributed to assets and liabilities in the economic balance sheet, including in respect of the Deduction Amount, and the value attributed to those assets and liabilities for tax purposes, in accordance with the recognition, measurement and presentation provisions of IAS 12. Deferred tax assets may be recognized only if the Company shall meet the criteria included in the guidance, in addition to the criteria included in the above-mentioned accounting standard.

3.1.12. Extension Clause 12 - Financial Liabilities

Revalued in accordance with risk-free interest plus the margin on issuance date, without recognizing changes in the Company's credit risk.

3.1.13. Extension Clause 13 - Other receivables and payables with average duration of less than one year

According to the guidance, the Company did not calculate fair value of items with average duration of less than one year.

3.1.14. Extension Clause 14 - Other assets and liabilities

Assets and liabilities accounted for according to IFRS 16 are revalued at fair value.

[6] In accordance with the guidance, it should be assumed that the acquiring company will select assets that will reduce the solvency capital requirement in respect of market risks.

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

	As of June 30, 2023		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	In NIS thousand		
	Unaudited		
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts:			
SLT life insurance and long-term health insurance contracts	21,181,268	(159,245)	21,340,513
NSLT short-term property & casualty insurance and health insurance contracts	7,218,439	3,554,195	3,664,244
Total liabilities for insurance contracts and non-yield-dependent investment contracts	**28,399,707**	**3,394,950**	**25,004,757**
Liabilities in respect of insurance contracts and yield-dependent investment contracts - SLT life insurance and long-term health insurance contracts	89,859,989	-	89,859,989
Total liabilities in respect of insurance contracts and investment contracts	**118,259,696**	**3,394,950**	**114,864,746**

	As of December 31, 2022		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	In NIS thousand		
	Audited		
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts:			
SLT life insurance and long-term health insurance contracts	24,991,590	(195,310)	25,186,901
NSLT short-term property & casualty insurance and health insurance contracts	7,155,446	3,594,965	3,560,482
Total liabilities for insurance contracts and non-yield-dependent investment contracts	**32,147,037**	**3,399,654**	**28,747,382**
Liabilities in respect of insurance contracts and yield-dependent investment contracts - SLT life insurance and long-term health insurance contracts	84,057,957	(63)	84,058,019
Total liabilities in respect of insurance contracts and investment contracts	**116,204,994**	**3,399,592**	**112,805,402**

Key changes compared with December 31, 2022:

Increase in the risk-free interest rate curve, actual inflation in the first half, and positive returns in planholders' portfolios affected the Company's insurance liabilities. For more information about the changes, see Section 2.1.

4. Shareholders' equity in respect of SCR

	As of June 30, 2023			
	Unaudited			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
Shareholders' equity	9,775,581	467,115	4,169,761	14,412,457
Deductions from Tier 1 capital (a)	(66,673)	-		(66,673)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	-	-
Shareholders' equity in respect of SCR (d)	9,708,908	467,115	4,169,761	14,345,784
Of which - expected profits in future premiums (EPIFP) after tax	6,967,343			6,967,343

	As of December 31, 2022			
	Audited			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
Shareholders' equity	9,889,391	460,742	4,153,618	14,503,751
Deductions from Tier 1 capital (a)	(47,460)	-		(47,460)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	(115,649)	(115,649)
Shareholders' equity in respect of SCR (d)	9,841,931	460,742	4,037,969	14,340,642
Of which - expected profits in future premiums (EPIFP) after tax	6,847,331			6,847,331

Key changes compared with December 31, 2022:

Factors that supported the creation of the capital buffer

- The increase in the risk-free interest rate curve had a positive effect on the Company's Tier 1 capital
- The expiry of the underwriting capital requirements for an existing business had a positive effect on the Company's Tier 1 capital
- The sale of a new business had a positive effect on the Company's Tier 1 capital

Factors that eroded the capital buffer

- Higher cancellation rate in risk products and savings products had a negative effect on the Company's capital
- Following the change in the risk-free interest rate curve, the Company recently recalculated the Deduction Amount as of June 30, 2023. The aforementioned revision had a negative effect on the Company's shareholders' equity

(a) Deductions from Tier 1 capital - in accordance with the definitions of "Basic Tier 1 capital" in Appendix B, Chapter 2, Part 2 of Section 5 in the Consolidated Circular - "Economic Solvency Regime" (hereinafter - "the Economic Solvency Regime Appendix"), these deductions include the amount of assets held against liabilities in respect of non-yield dependent insurance and investment contracts in breach of the investment rules regulations, amount invested by the Company in purchasing Company ordinary shares, and the amount of dividend declared subsequent to the report date and through the publication of the report for the first time.

(b) **Deductions** - in accordance with the provisions of Chapter 6 in Part B - "Directives regarding Insurance Companies' Shareholders' Equity" to the Economic Solvency Regime Appendix.

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

(d) **Composition of** shareholders' **equity in respect of SCR -**

	As of June 30, 2023	As of December 31, 2022
	Unaudited	Audited
	In NIS thousand	
Tier 1 capital:		
Basic Tier 1 capital net of deductions	**9,708,908**	**9,841,931**
Additional Tier 1 capital:		
Perpetual capital note and non-performing preferred shares		
Additional Tier 1 capital instruments	-	-
Restricted Tier 1 capital instruments	467,115	460,742
Less deduction due to deviation from quantitative limit	-	-
Additional Tier 1 capital	467,115	460,742
Total Tier 1 capital	**10,176,023**	**10,302,673**
Tier 2 capital:		
Additional Tier 1 capital that was not included in Tier 1	-	-
Tier 2 capital instruments	2,483,345	2,481,656
Hybrid Tier 2 capital instruments	1,686,416	1,671,962
Hybrid Tier 3 capital instruments	-	-
Subordinated Tier 2 capital instruments	-	-
Less deduction due to deviation from quantitative limit	-	(115,649)
Total Tier 2 capital	**4,169,761**	**4,037,969**
Total shareholders' equity in respect of SCR	**14,345,784**	**14,340,642**

For an explanation about key changes compared with last year see Section 4 above.

4.1. Composition of eligible capital

The Provisions of the Economic Solvency Regime set guidance regarding the composition of the eligible shareholders' equity on an economic basis, where under the eligible shareholders' equity shall be the total of Tier 1 capital and Tier 2 capital, as defined above:

The rate of components included in Tier 1 capital, after amortization, shall not fall below 60% of the SCR and 80% of the MCR at any time.

The rate of components included in Tier 2 capital, after amortization shall not exceed 40% of the SCR and 20% of the MCR at any time, but under the Transitional Provisions, during the period through December 31, 2032, the Tier 2 capital shall not exceed 50% of SCR.

5. Solvency capital requirement (SCR)

	As of June 30, 2023 Unaudited	As of December 31, 2022 Audited
	Capital requirement In NIS thousand	
Basic solvency capital requirement (BSCR):		
Capital requirement in respect of market risk-weighted component[7]	5,177,171	4,602,790
Capital requirement in respect of counterparty risk-weighted component	319,298	319,018
Capital requirement in respect of underwriting risk-weighted component in life insurance	4,496,082	4,454,279
Capital requirement in respect of underwriting risk-weighted component in health insurance (SLT+NSLT)	5,152,143	4,993,456
Capital requirement in respect of underwriting risk-weighted component in P&C insurance	956,620	955,605
Total	**16,101,314**	**15,325,149**
Effect of diversification of risk-weighted components	(5,317,735)	(5,098,458)
Capital requirement in respect of the intangible assets risk-weighted component	53,539	61,534
Total basic solvency capital requirement (BSCR)	**10,837,118**	**10,288,224**
Capital requirement in respect of operational risk	407,046	408,459
Loss absorption adjustment due to deferred tax asset	(2,799,238)	(2,830,272)
Capital requirement in respect management companies:		
Clal Pension and Provident Funds Ltd.	216,236	201,257
Atudot Pension Fund for Salaried Employees and Self Employed Ltd.	8,314	8,270
Total capital requirement in respect management companies	**224,550**	**209,527**
Total solvency capital requirement (SCR)	**8,669,475**	**8,075,939**

Key changes in solvency capital requirement compared to December 31, 2022:

- Increase in capital requirements in respect of market risks arising mainly from an increase in the stock scenario in the investment portfolios
- Actual inflation in the first half of the year had a negative effect on the insurance capital requirements

5.1. Underlying principles of the calculation of solvency capital requirement (SCR)

- The Company operates as a going concern;
- Relates to risks arising from existing assets and businesses and from the property and casualty insurance and NSLT health insurance businesses that are expected to be signed within 12 months subsequent to the report date;
- With regard to existing businesses, it will only cover unexpected losses;
- Reflects the scope of equity that will allow the insurance company to absorb unexpected losses and meet its obligations to policyholders and beneficiaries on time, and constitutes the VaR of Basic Tier 1 capital of the Company with 99.5% certainty over a 12-month period;
- Covers the following risk-weighted components: Life insurance, health insurance, property and casualty insurance, market risk, counterparty risk, operational risk, and controlled management companies;
- Takes into consideration risk mitigation means and methods in accordance with the guidance;

[7] Stock scenario adjustment.

- The calculation of the scenarios is based on the estimated deviation from an estimated value of basic Tier 1 capital, on the basis of the estimated deviation in the value of assets and liabilities in the economic balance sheet upon the materialization of the scenario. Specifically, in the life and SLT health risk-weighted components, the estimated results of the scenarios are based on the results of the models used to calculate best estimates, and subject to the limits and conditions set out above.

6. Minimum capital requirement (MCR)

6.1. Minimum capital requirement (MCR)

	As of June 30, 2023	As of December 31, 2022
	Unaudited	Audited
	In NIS thousand	
Minimum capital requirement according to MCR formula	1,985,611	1,932,188
Lower band (25% of solvency capital requirement in the Transitional Period)	2,167,369	2,018,984
Upper band (45% of solvency capital requirement in the Transitional Period)	3,901,264	3,634,172
Minimum capital requirement (MCR)[8]	**2,167,369**	**2,018,984**

6.2. Shareholders' equity for MCR

	As of June 30, 2023		
	Unaudited		
	In NIS thousand		
	Tier 1 capital	Tier 2 capital	Total
Shareholders' equity in respect of SCR according to Section 4	10,176,023	4,169,761	14,345,784
Deviation from quantitative limitations due to minimum capital requirement *)		(3,736,287)	(3,736,287)
Shareholders' equity for MCR	**10,176,023**	**433,474**	**10,609,496**

	As of December 31, 2022		
	Audited		
	In NIS thousand		
	Tier 1 capital	Tier 2 capital	Total
Shareholders' equity in respect of SCR according to Section 4	10,302,673	4,153,618	14,456,291
Deviation from quantitative limitations due to minimum capital requirement *)		(3,749,821)	(3,749,821)
Shareholders' equity for MCR	**10,302,673**	**403,797**	**10,706,470**

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

[8] If this amount is lower than the Tier 1 capital according to Regulation 2 to the Capital Regulations, the minimum capital requirement will be the Tier 1 capital.

7. *Effect of the application of the directives for the Transitional Period*

For a description of the Transitional Provisions applicable to the Company during the Transitional Period see Section 1.3 “Provisions During the Transitional Period” and Section 3.1.2 “Deduction During the Transitional Period” above.

	As of June 30, 2023 Unaudited NIS thousand				
	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of Deduction during the Transitional Period	Effect of stock scenario adjustment	Effect of a 50% rate Tier 2 capital during the Transitional Period	Excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
Total insurance liabilities, including risk margin (RM)	121,165,988	(4,572,337)	-	-	125,738,324
Basic Tier 1 capital	9,708,908	3,009,055	-	-	6,699,853
Shareholders' equity in respect of SCR	14,345,784	2,383,742	(60,550)	701,971	11,320,620
Solvency capital requirement (SCR)	**8,669,475**	**(1,563,282)**	**(151,374)**	**-**	**10,384,131**

	As of December 31, 2022 Audited NIS thousand				
	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of Deduction during the Transitional Period	Effect of stock scenario adjustment	Effect of a 50% rate Tier 2 capital during the Transitional Period	Excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
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
Shareholders' equity in respect of SCR	14,340,642	2,660,375	(111,605)	807,594	10,984,278
Solvency capital requirement (SCR)	**8,075,939**	**(1,744,701)**	**(279,012)**	**-**	**10,099,651**

Key changes compared with December 31, 2022:

- A recalculation of the Deduction Amount as of June 30, 2023 led to a decrease in the effect of the inclusion of the Deduction during the Transitional Period
- Decrease in the effect of the stock scenario adjustment due to the decrease in the symmetrical adjustment (SA) component

8. Restrictions on dividend distribution

The Company's policy is to have a solid capital base to ensure its solvency and ability to meet its liabilities to policyholders, to preserve the Company's ability to continue its business activity such that it is able to provide returns to its shareholders and support future business activity. In its capacity as an institutional entity, the Company is subject to the capital requirements set by the Commissioner.

8.1. Dividend

According to the letter published by the Authority, in October 2017, (hereinafter - the "**Letter**") an insurance company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio - according to the Economic Solvency Circular - of at least 100%, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors. The aforesaid ratio shall be calculated without the relief granted in respect of the original difference attributed to the acquisition of the provident funds and management companies. In addition, the letter set out provisions for reporting to the Commissioner.

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

8.2. Capital Management Policy

On June 28, 2023, the Board of Directors of the Company approved a policy for the distribution of a dividend at a rate of 30%-50% of the Company’s comprehensive income. The distribution is subject to the Company’s complying with a minimum equity target of 110% in accordance with the economic solvency regime, without implementing the transitional provisions. The distribution is also subject to the Company's complying with its capital targets, taking into consideration the Transitional Provisions during and after the Transitional Period.

This is further to setting a capital management policy whereby the target range for the Company’s economic solvency ratio shall be 150%-170%, as approved in June 2021. In addition, the minimum economic solvency ratio target for prudential purposes is set at 135%. These targets relate to a solvency ratio taking into account the deduction amount during the Transitional Period until the end of 2032 and thereafter.

It is hereby clarified that this policy should not be viewed as an undertaking by the Company to distribute dividends.

8.3. Solvency ratio without applying the Transitional Provisions for the Transitional Period, and without adjusting the shares scenario:

	As of June 30, 2023 Unaudited	As of December 31, 2022 Audited
	In NIS thousand	
Shareholders' equity in respect of SCR	**11,320,620**	10,984,278
Solvency capital requirement (SCR)	**10,384,131**	10,099,651
Surplus	**936,489**	884,627
Economic solvency ratio (in %)	**109%**	109%
Effect of material capital-related measures taken in the period between the calculation date and the publication date of the solvency ratio report:		
Raising/ redemption of capital instruments	**300,000**	
Shareholders' equity in respect of SCR	**11,320,620**	10,984,278
Surplus	**936,489**	884,627
Economic solvency ratio (in %)	**109%**	109%
Capital surplus after capital-related measures taken in the period between the calculation date and the publication date of the Economic Solvency Ratio Report, compared with the Board of Directors' target:		
The Board of Directors' economic solvency ratio target (percentages)	**110%**	-
Capital shortfall in relation to the target (NIS thousand)	**(101,924)**	-

Material changes compared with December 31, 2022:

For an explanation regarding key changes, see Section 2.1, except for the effect of the Deduction Amount, which is not relevant for a calculation without applying the Transitional Provisions for the Transitional Period, and without adjusting the stock scenario.

November 30, 2023

Haim Samet	Yoram Naveh	Avi Ben Noon
Chairman of the Board	**CEO**	**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.

Term		Definition
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.
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.