

Periodic Report 2023



Clal

Insurance Enterprises Holdings Ltd.

IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of the December 31, 2023, financial report of Clal Insurance Enterprises Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on March 27, 2024.

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

A Message from the Chairman of the Board

2023 has been one of the most difficult years in the short history of the State of Israel.

The Iron Swords War broke out on October 7th - the Black Saturday - when Israel was the target of a murderous terrorist attack. For six months now Israel has been facing the very complex and painful reality of war. We have Israeli hostages that have been held in Gaza for 173 days, soldiers in the south and in the north, and tens of thousands of residents who are cut off from their homes and from the normalcy of life as they knew it through October 6th.

History taught us that protracted wars have adverse effects on the economy, which can sometimes persist for several years. 2024 is expected to be a complex year. In these defining moments, institutional entities play an enormously crucial role in reinforcing Israel's economic resilience, which also has a direct effect on the State of Israel's national resilience.

As a leading institutional company in Israel, it is our obligation to take action to ensure business continuity while providing the state with the necessary support to guarantee that the Israeli economy continues to move forward, and this is precisely what we have been doing. Since the outbreak of the War, Clal Insurance and Finance has been fully committed to ensuring business continuity and has been engaged in an intensive effort with all its stakeholders, with the requisite sensitivity and a full understanding of the urgent needs in this most challenging time. In addition, Clal has mobilized support for the security forces and civil society - through donations, engaging in volunteer work, adopting unique measures, and embarking on unique joint ventures.

In 2023, we have continued to implement our strategy and have developed into a leading insurance and finance group, with diversified sources of income. We concluded a trailblazing transaction in the Israeli economy - we acquired Max, which has bolstered the Group with an additional significant economic tier - an additional growth engine for the Clal Group alongside its insurance activity. This transaction facilitates genuine competition with the banking sector in the field of consumer credit, for the benefit of the Israeli public, by providing value propositions combined with financial products. The full impact of this acquisition will be felt during 2024.

At this specific juncture - more than ever before - we have an extremely meaningful role to play in building the State of Israel's economic future. We shall continue to guarantee the strength and stability of Israeli society, to invest in the development of national infrastructure and to contribute to the effort to bolster Israel's economy and society. We regard ourselves as accountable and committed to all our stakeholders during routine times and all the more so during times of national emergency and war.

At this time, our hearts go out to the hostages, their families and IDF soldiers, and we pray for their safe and swift return to their families. We wish to convey our heartfelt condolences to the families of those IDF soldiers killed in the line of duty and the families of those civilians who were murdered and pray for the speedy recovery of the injured.

We all hope for better days soon - for a life of security, peace and joy.

Sincerely,



Haim Samet,

Chairman of the Board - Clal Insurance Enterprises Holdings Ltd.

Clal Insurance Enterprises Holdings Ltd.



Periodic Report for 2023

March 27, 2024

Part A Description of the Corporation's Business

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Part A

Description of the Corporation's Business



Clal Insurance Enterprises Holdings Ltd.

Periodic Report for 2023

March 27, 2024



Barnea Report

Description of the Corporation's Business

Note regarding the application of the Provisions of the Securities Regulations (Periodic and Immediate Reports), 1970 in this report

Pursuant to Regulation 8C of the Securities Regulations, the provisions of Regulations 8(b), 8A and 8B of the Securities Regulations do not apply to information in the periodic report of a corporation that consolidated or proportionately consolidated an insurer and/or banking corporation or where the insurer and/or banking corporation is its associate, insofar as this information pertains to the insurer and/or banking corporation, respectively. Banking corporation - including a credit card company.

Clal Insurance Company Ltd. is an insurer, as defined in the Financial Services Supervision Law (Insurance), 1981 and the primary material company in Clal Insurance Enterprises Holdings Group Ltd. (hereinafter - the "Group"). The Group includes Clal Credit Insurance Ltd., a subsidiary of Clal Insurance Company Ltd., which is also an insurer, and pension and provident management companies: Clal Pension and Provident Funds Ltd., and Atudot Pension Fund for Workers and Independent Workers, which also hold an insurer license.

Max It Finance Ltd. is defined as an acquirer and holds a permanent acquiring license pursuant to the Banking Law (Licensing), 1981. Max operates in the areas of issuing, acquiring and processing of payment cards, and in the provision of payments solutions and financial products, including credit to private and business customers, and renders some of the said services through subsidiaries: Max It Credit Ltd., Max It Deposits Ltd., Max It Discounting Ltd., and Max Insurance Agency (2020) Ltd.

Therefore, this report, regarding the insurance, pension, and provident business activity, was prepared in accordance with the regulations for the Supervision of Insurance Business Regulations (Accounting Details), 1998 and in accordance with the guidelines set out in the Code of Regulations of the Capital Market, Insurance and Savings Authority, Section 5, Part 4, Chapter 1, regarding the description of the corporation's business in the periodic report of insurance companies, which applied the securities regulations, with the adjustments required for insurance activities, including the specification of details that differ from those set out in the Israel Securities Regulations.

This report regarding the issuing, acquiring and processing of payment cards and regarding the provision of payment solutions and financial products, including credit to private and business customers, was drawn up in accordance with Israeli GAAP based on the Reporting to the Public Directives of the Banking Supervision Department, which apply to an acquirer and its guidance relevant to this report, which were compiled in Part V below.

In order to obtain an overall picture of the Group's activity, a reader of the reports is required to read all parts of the Periodic Report as a single unit. The chapters refer only to the data which are relevant to the areas of activity described therein.

In addition, this report was prepared on the basis of the outline and principles published by the Israel Securities Authority on December 12, 2012, in Legal Position No. 105-25, regarding condensing of reports, as amended from time to time.

In cases where this chapter of the Periodic Report includes forward-looking information, as defined in the Israel Securities Law, 1968, this means that the information includes uncertain information about the future, based on information available to the Group as of the report publication date, and it includes the assessments or intentions of the Group as of the report publication date. Actual results may be materially different from the results assessed or implied by this information. In certain cases, sections containing forward-looking information can be identified by the inclusion of words such as: "the Company/Group estimates", "the Company/Group believes", "the Company/Group intends", "it is expected that", however this information may also appear in other wording. Unless otherwise stated, the Company believes that each of the regulatory provisions published in the last year and described in this report, in itself, is not expected to have a material effect on the Company's financial results.

This chapter includes a general and condensed description of the products sold by the subsidiaries, including long-term savings products (pension, insurance, and provident), insurance coverage, investment contracts and issuance agreements, acquiring and credit. The full and binding terms and conditions are the terms and conditions set out in the products themselves, including policy and/or insurance contract and/or bylaws and/or agreement with a customer, as the case may be. The description is for the purposes of this report only, it does not constitute advice, and it may not be used for interpretation purposes.

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

1. Introduction

1.1. Description of the Company's Business for the year ended December 31, 2023

This Part A includes a description of the Company's business as of December 31, 2023, and the development of its business in 2023 (hereinafter - the "**Reporting Period**"). The report was prepared in accordance with the **Israel Securities Regulations (Periodic and Immediate Reports), 1970** and in accordance with the guidelines set out in the Code of Regulations of the Capital Market, Insurance and Savings Authority, Section 5, Part 4, Chapter 1, regarding the description of the corporation's business in the periodic report of insurance companies. See the comment on this subject in the introduction to the report (page 1).

Regarding the holding of shares in the companies noted in this report, information about the holdings in any company also includes all of the holdings in that company through wholly-owned subsidiaries of the holding company.

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

The materiality of the information contained in this Periodic Report, including the description of material transactions, was examined from the Company's perspective, and in some cases, the description is extended to provide a more comprehensive view of the subject matter.

1.2. Legend

For the sake of convenience, in this Periodic Report, the following terms will have the meaning listed next to them:

1.2.1. General

Alrov -	Alrov Properties & Lodgings Ltd.
The Stock Exchange (TASE) -	The Tel Aviv Stock Exchange Ltd.
The Financial Statements -	The Company's financial statements as of December 31, 2023
The Commissioner -	Commissioner of the Capital Market, Insurance and Savings Authority
2023 Economic Arrangements Law -	The Economic Plan Law (Legislative Amendments for Implementing the Economic Policy for Budget Years 2023 and 2024), 2023
The Authority -	The Capital Market, Insurance and Savings Authority
The Corporation or Company -	Clal Insurance Enterprises Holdings Ltd.
The Insurance Law- Banking Law (Licensing) -	Financial Services Supervision Law (Insurance), 1981 Banking Law (Licensing), 1981
Privacy Protection Law -	Privacy Protection Law, 1981
The Companies Law -	The Companies Law, 1999
The Pension Advice Law -	The Financial Services Supervision Law (Consulting, Marketing and Pension Clearing System), 2005
Market Concentration Law -	Law for the Economic Competition and Minimizing Market Concentration, 2013
The Securities Law -	The Securities Law, 1968
The Provident Funds Law -	The Financial Services Supervision (Provident Funds) Law, 2005
The Strum Law -	Law for Promoting Competition and Minimizing Market Concentration in the Israeli Banking Market (Legislative Amendments), 2017
Long-term savings -	Life insurance, pension, provident, and advanced education funds
Clalbit Finance -	Clalbit Finance Ltd.
Clalbit Systems -	Clalbit Systems Ltd.
Clal Insurance -	Clal Insurance Company Ltd.
Clal Credit Insurance -	Clal Credit Insurance Ltd.
Clal Agency Holdings -	Clal Agency Holdings (1998) Ltd.
Clal Pension and Provident Funds -	Clal Pension and Provident Funds Ltd. (formerly Meitavit Atudot Pension Fund Management Co. Ltd. (hereinafter - "Meitavit Atudot"))
Clal Finance -	Clal Finance Ltd.
Canaf -	Canaf - Clal Financial Management Ltd.
Milo -	Milo Brom Holdings Ltd.
Max -	Max It Finance Ltd.
Economic Solvency Regime -	As defined in the Code of Regulations of the Capital Market, Insurance and Savings Authority, Section 5, Part 2, Chapter 2, Section B and the related guidelines issued by the Commissioner regarding the implementation of an economic solvency regime.
CIMax -	CIMax Holdings Ltd.
Atudot Havatika -	Atudot Pension Fund for Salaried Employees and Self-Employed Ltd. (formerly Shevach)
Clal Group -	The Company and companies under its direct and/or indirect control

Clal Insurance Group or the Group -	The Company and companies under its direct and/or indirect control, except CIMax Holdings Ltd. and its subsidiaries.
NIS -	New Israeli Shekel
The Investment Regulations -	Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Management Companies and Insurers), 2012.
The Securities Regulations -	The Securities Regulations (Periodic and Immediate Reports), 1970
WPI -	Warburg Pincus Financial Holdings (Israel) Ltd., whose name was changed to CIMax Holdings Ltd. subsequent to the Reporting Year.

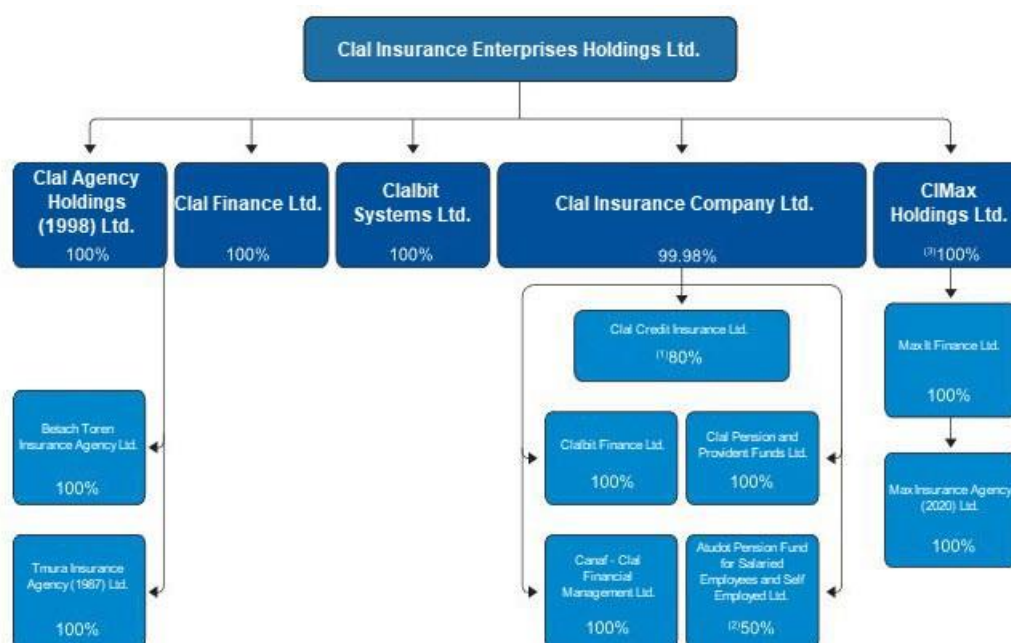
1.2.2. Terms

Designated bonds -	CPI-linked government bonds, which the government issued to the insurance companies (Hetz) and to pension funds (Meron and Arad), bearing interest and for a predetermined period.
Executive insurance -	A trade name for a life insurance plan for salaried employees, which is approved as an insurance provident fund.
Individual insurance -	Insurance for individual policyholders, private individuals with whom the insurance company contracts on an individual basis.
Yield-dependent insurance / yield-dependent contracts -	An insurance plan in which the insurance benefits payable to the beneficiary are dependent on or linked to the yield on certain investments of the insurer.
Collective insurance -	Insurance taken out by a certain policyholder for a group of people with common characteristics, such as employees of an employer, planholders of a provident fund, or members of a corporation.
Institutional entity -	Insurer and management company.
Insurance premiums / premium -	The amount paid by the policyholder to the insurer for the insurance contract in return for the insurer's undertaking pay insurance compensation to the beneficiary upon the occurrence of an insured event.
Contributions towards benefits -	The amount deposited by a planholder with a pension fund and/or provident fund.
Fees -	The total sum of all amounts added to net premiums to cover the insurer's expenses.
Management company -	A company managing a pension fund and/or provident funds.
Underwriting -	The process of assessing the risk and deciding whether to insure the risk and under which T&Cs/price, in accordance with the Company's guidelines and experience.
Financial margin -	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 guaranteed to the policyholder, by the average reserve per year in the various insurance reserves. The financial margin in yield-dependent contracts is composed of the total amount of the fixed and variable management fees. The financial margin comprises gains (losses) on investments recognized in other comprehensive income, excludes other income of the Company, which are collected as a percentage of the premium or contribution (such as management fees from the contributions), and calculated before the deduction of investment management expenses.
Net premium -	Insurance premiums net of fees.
Accrual -	The total amounts accrued in a pension fund and/or provident fund and/or insurance fund and/or individual insurance policy, which are credited to their planholders or policyholders.
Retention -	The part of the insurance retained by the direct insurer, which is not covered by reinsurance.
Insurance benefits -	An amount to be paid under an insurance contract upon the occurrence of an insured event.
Solvency ratio -	The ratio between eligible shareholders' equity (the total capital of an insurance company, less deductions and amortization in accordance with the economic solvency regime) and the solvency capital requirement (the capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Economic Solvency Regime).

2. The Company's Activity and Description of the Development of its Business

2.1. Ownership Structure

The following chart illustrates the principal holdings of the Company, close to the report publication date^{1,2}



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

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

As of the report date, the Company does not have a control core. For further details and for details about the changes in control of the Company, see Note 1 to the Financial Statements.

2.3. Description of the Company's Business and General Developments of the Company's Business

The Company is a holding company with its main activities being insurance, pension, provident, and finance, credit cards and holding of other assets and businesses (such as holding insurance agencies), and as of the Reporting Year, the Group is one of the largest insurance, finance and credit card groups in Israel. In the Reporting Year, the Group focused on four main areas of activity (see the chart in Section 2.1 above): long-term savings, P&C insurance, health insurance and credit cards.

The insurance activity

The Group's insurance activity is generally in Israel. The insurance activity is carried out by Clal Insurance, with the exception of credit insurance, which is carried out through Clal Credit Insurance.

1. Part D to the Report - Additional Details about the Corporation, Section 6, lists all the material investees of the Company and its subsidiaries. No inactive companies were specified.

(1) The remaining shares are held by Atradius Participation Holdings S.L., a third party, which is not related to the Company.

(2) The remaining shares are held by Bituach Haklai Central Cooperative Society Ltd., a third party, which is not related to the Company.

(3) Formerly - Warburg Pincus Financial Holdings (Israel) Ltd., whose legal name was changed to CIMax Holdings Ltd. on March 28, 2023.

2. On March 27, 2023, the transaction for the purchase of 100% of CIMax's shares by the Company was completed. For further details see Note 9(a) to the Financial Statements.

Clal Insurance began operating in Israel in 1962 as a government insurance company under the name Yuval Israel Insurance Co. Ltd. (hereinafter - "Yuval").

In 1978, Clal (Israel) Ltd. acquired Yuval and its name was changed to Clal Insurance Company Ltd. Over the years, Clal Insurance acquired and merged insurance companies including: Ararat Insurance Company Ltd., Ilit Insurance Company Ltd., Eitan Insurance Company Ltd., and Aryeh Israel Insurance Company Ltd. [best guess] and also acquired insurance portfolios in Israel. In 1992, Clal Insurance acquired part of the insurance portfolio of Hassneh insurance company, and the insurance portfolio of Zur Shamir insurance company. Subsequently, insurance companies acquired by Clal Insurance were merged into it, including Ararat, Ilit, Eitan, and Aryeh. The mergers and acquisitions made Clal Insurance one of Israel's largest insurance groups.

In 1998, Clal Insurance acquired Israeli Credit Insurance Company Ltd., which was renamed Clal Credit Insurance Ltd. For further details about the shareholders' agreement in Clal Credit Insurance, see Section 9.17.3 below.

As from in 2006, the Group's health insurance and long-term care activity was concentrated in Clal Health Insurance Co. Ltd. (hereinafter - "Clal Health"). In March 2013, the merger of Clal Health with and into Clal Insurance was completed, such that all the assets and liabilities of Clal Health were transferred to Clal Insurance, and Clal Health was dissolved without liquidation.

Pension and provident funds

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

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

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

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

In 2010, the activity of Clal Provident Funds Ltd. was merged into Meitavit Atudot, and following the merger, its name was changed to Clal Pension and Provident Funds. Following the merger, Clal Pension and Provident Funds became a management company of annuity-paying provident funds and savings provident funds, and equity-based provident funds, for contributions up to 2008, advanced education funds, central severance pay funds, investment provident fund, and central provident fund for participation in budgetary pension.

Regarding Atudot Havatika - in 2007, the management of Atudot Havatika was transferred from Shevach Pension Fund Management Ltd. (50% of which was acquired by Clal Insurance in 2005) to Atudot Havatika. Atudot Havatika is currently held by Clal Insurance and Bituach Haklai Central Cooperative Society Ltd., in equal parts. In the Reporting Year, Atudot Havatika received investment management services from Canaf.

Credit card and acquiring activity

On August 12, 2022, the Company entered into an agreement with WP XII Financial Investment B.V (hereinafter - the "Main Seller"), whereunder the Company purchased the entire issued and paid-up share capital of WPI, whose name was changed to CIMax Holdings Ltd. (hereinafter - the "Acquisition Agreement" and the "Max Transaction").

On March 27, 2023, all conditions precedent for the completion of the Max Transaction as per the Acquisition Agreement were met, and the entire issued and paid-up share capital of CIMax was transferred to the Company.

For further details regarding the Max transaction, see Note 9(a) to the Financial Statements.

The credit card, and credit card processing activities, and the acquiring and provision of payments solutions activities, including credit, is carried out mainly by Max, which is held by CIMax.

Max was established and commenced its business activity in 2000. As part of the implementation of the Law for the Economic Competition and Minimizing Market Concentration in the Banking Market (Legislative Amendments), 2017, in 2019 Bank Leumi le-Israel B.M. and Azrieli Group Ltd. sold all of their shares in Max to WPI, which was held mainly by the Investment Fund Warburg Pincus through the corporation WP XII Financial Investment B.V. (approx. 70%), 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. Through the completion of the sale to WPI as described above, Max was defined as an auxiliary banking corporation in accordance with the Banking Law (Licensing). Since the acquisition date, Max is defined as an acquirer and holds a permanent acquiring license according to law. 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.

In addition to its holdings in Max, CIMax holds the entire issued and paid-up share capital of Milo, which holds Hyp Payment Solutions Ltd. (hereinafter - "**Hyp**") and Max EVS Ltd. (hereinafter - "**EVS**") (a 51% holding). For details regarding Hyp and EVS's activity, see Section 16.3 below.

2.4. Material changes in the macroeconomic environment of the Company in the Reporting Year

For details about material changes in the macroeconomic environment of the Company in the Reporting Year, see Part B of the Report of the Board of Directors, Section 3.

2.5. Material changes in the Company's business in the Reporting Year up to the report publication date

Below is a description of material changes in the Company's business in the Reporting Year up to the report publication date, by operating segments:

2.5.1. General

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

For details about the Company's conduct as a company without a control core, about the control outline and the status of the permit for control in Clal Insurance, about the appointment of directors in the Company and in Clal Insurance, and about parties with a holding permit for the Company and Alrov's applications for control permits, see Section 10.3 below, and Note 1 to the Financial Statements.

2.5.1.2. Rating

On January 26, 2023, S&P Global Ratings Maalot Ltd. published a rating of iIAA- with stable outlook for the Company and for the bonds to be issued, in the amount of up to NIS 350 million.

On February 9, 2023, S&P Global Ratings Maalot Ltd. revised the rating for the bonds such that the rating of iIAA- will apply to bonds issued by the Company in the amount of up to NIS 400 million p.v. (issuance of Bonds (Series A) for up to NIS 250 million and Bonds (Series B) for up to NIS 150 million).

On June 6, 2023, S&P Global Ratings Maalot Ltd. published a rating of iIAA- with stable outlook for the Company and for its bonds, by way of the expansion of Series A in the amount of up to NIS 250 million.

On July 19, 2023, S&P Global Ratings Maalot Ltd. reiterated the Company's iIAA- rating with a stable outlook, Clal Insurance's iIAA- rating with a stable outlook, and the iIAA- rating with a stable outlook of the notes issued by Clalbit Finance.

On August 27, 2023, S&P Global Ratings Maalot Ltd. published a rating of iIAA- with stable outlook for the Company and for the bonds to be issued by way of expansion of Series A, in the amount of up to NIS 300 million.

On August 29, 2023, S&P Global Ratings Maalot Ltd. revised the rating for the bonds such that the rating of iIAA- will apply to Bonds (Series A) issued by the Company in the amount of up to NIS 400 million p.v.

On November 12, 2023, S&P Global Ratings Maalot Ltd. published a rating of iIAA- with stable outlook for bonds to be issued by the Company by way of issuance of a new series (Series C), in the amount of up to NIS 200 million.

On December 4, 2023, S&P Global Ratings Maalot Ltd. revised the rating for the Bonds (Series C) such that the rating of iIAA- will apply to bonds issued by the Company in the amount of up to NIS 500 million p.v.

For further details, see Notes 26 and 46(d) to the Financial Statements.

For details about the rating of Clal Insurance and Clalbit Finance, see Note 26(e) to the Financial Statements. For details about the rating of Max and the securities issued by Max, see Note 26(e) to the Financial Statements.

For details about the issuance of shares and bonds by the Company, by Clalbit Finance and by Max, see Section 2.5.1.6 below.

2.5.1.3. Interest rate environment and its effects

For details about changes in the insurance reserves due to the increase in the interest rate curve, and its effect on discount rates in life insurance, long-term care and property and casualty insurance, see Note 42(e)(e1)(d) to the Financial Statements.

2.5.1.4. Capital requirements for the Group's insurance companies in accordance with the application of the Economic Solvency Regime

In accordance with the Commissioner's guidance, in the reporting year, the Group's insurance companies calculated the economic solvency ratio as of December 31, 2022 and June 30, 2023, and are expected to calculate the economic solvency ratio as of December 31, 2023 and publish it upon the publication of the Company's financial statements as of the first quarter of 2024. For details regarding the calculations published during the reporting year, see Part B to the Report of the Board of Directors, Section 2.1(e).

For details regarding the Capital Management Policy and the minimum solvency ratio set by the Board of Directors of Clal Insurance in June 2021, see Section 2.4 to Part B to the Report - Report of the Board of Directors and Note 17(c)(2) to the Company's Financial Statements.

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%. 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 applicable to dividend distribution.

2.5.1.5. Capital requirements and capital adequacy in Max

For details regarding Max's shareholders' equity and capital adequacy ratios, which are calculated in accordance with the Proper Conduct of Banking Business Directives, and for further details regarding regulatory directives on capital adequacy and the leverage ratio, see Note 17(f)(2) to the Company's Financial Statements.

For details about the capital adequacy targets for an acquirer that were set by The Bank of Israel, and regarding the capital adequacy targets set by Max, see Note 17(f)(2) to the Company's Financial Statements.

2.5.1.6. Equity transactions and issuances

In the Reporting Year, the Group carried out several material equity transactions and issuances to complete Max's acquisition, reinforce the capital of Clal Insurance and Max, cut the Company finance expenses, and allow flexibility in leveraging additional business opportunities, in the following insurance and finance segments:

Equity transactions and issuances by the Company

(a) Issuance of shares of the Company

On March 27, 2023, the Company issued 4,970,310 shares of NIS 1 p.v. each to the sellers, by way of private placement, as part of the consideration in the Max Transaction. The allocated shares constituted - immediately following their allocation - approx. 6.29% of the issued and paid-up share capital of the Company and approx. 6.05% of the issued and paid-up share capital of the Company, fully diluted.

(b) Issuance of bonds of the Company

- (1) On February 13, 2023, the Company issued, as part of the preparations for the completion of the Max transaction (as detailed in Note 9(a) to the Financial Statements), and in order to create a liquidity and financial flexibility buffer for the Company, two series of bonds, as part of a public offering in accordance with a shelf offering report of the Company of February 9, 2023, which was published pursuant to a shelf prospectus dated July 25, 2022, which was published on July 24, 2022, as detailed below:

- The Company issued NIS 249,100,000 p.v. in Bonds (Series A) of the Company. The bonds carry an annual interest of 4.7%.
- NIS 150,000,000 million p.v. in Bonds (Series B) of the Company. The bonds bear an annual interest rate of 2.8% and are convertible into the Company's shares, such that each NIS 85 par value of the Bonds (Series B) will be convertible into one ordinary share of the Company, as set out in the deed of trust for the Bonds (Series B).

The gross proceeds of the issuance in respect of the two series totaled approx. NIS 400 million. For further details, see Part B to the Report of the Board of Directors, Section 2.5.2.3 and Note 26(c) to the Financial Statements.

- (2) On June 7, 2023, the Company issued NIS 250,000,000 p.v. of Bonds (Series A), for a gross consideration of approx. NIS 244,600,000, by way of a series expansion, to investors of the type listed among the investors listed in the First Addendum to the Securities Law.
- (3) On August 31, 2023, the Company raised NIS 400,000,000 million p.v. in Bonds (Series A), for a gross consideration of approx. 404,400,000 by way of series expansion, pursuant to a shelf offering report dated August 29, 2023, published under a shelf prospectus of July 25, 2022.
- (4) On December 6, 2023, the Company raised NIS 500 million p.v. in Bonds (Series C) as part of an issuance pursuant to a shelf offering report dated December 4, 2023, published under a shelf prospectus of July 25, 2022.

The proceeds received by the Company in respect of the said issuances were used by the Company, among other things, to create a liquidity buffer and for its operating activities, to complete the execution of the payments in respect of the Max transaction, and for early repayment of the syndicated loan (as set out in Section 2.5.1.6(f) below) as part of a financial reorganization of the Group's liabilities. For further details, see Note 26 to the Financial Statements.

Equity transactions and issuances in Clalbit Finance

(c) Issuance of bonds by Clalbit Finance

On July 17, 2023, Clalbit Finance raised NIS 300 million p.v. in Bonds (Series M) as part of an issuance pursuant to a shelf offering report of Clalbit Finance dated July 13, 2023, published under a shelf prospectus of July 25, 2022. The proceeds of the issuance were deposited with Clal Insurance and are recognized as Tier 2 capital of Clal Insurance, subject to the quantitative regulatory restrictions. For further details, see Note 26 to the Financial Statements.

(d) Exchange of bonds in Clalbit Finance

On January 9, 2024, the Clalbit Finance purchased - in accordance with a shelf offering report, which also constitutes an outline of a partial exchange tender offer of December 28, 2023 (as amended on January 1, 2024), which was published pursuant to a shelf prospectus of July 25, 2022 NIS 503,846,159 p.v. in Bonds (Series J) from bondholders (Series J), in exchange for the issuance of NIS 508,380,775 p.v. of Bonds (Series M) by way of series expansion. The terms and conditions of the bonds that were issued as described above are identical to those of the outstanding bonds, and they are recognized as Tier 2 capital of Clal Insurance, subject to the quantitative regulatory restrictions. For further details, see Note 26 to the Financial Statements.

(e) Early repayment of bonds by Clalbit Finance

In December 2023, Clalbit Finance executed early repayment in full of the Bonds (Series G), in accordance with their terms and conditions.

Equity transactions and financial reorganization of CIMax' liabilities

(f) Repayment of the liquid portion of the loan to CIMax

In the second and third quarters of the reporting year, 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. These amounts were used for full repayment of the liquid portion of the loan taken by CIMax in 2019 from a lenders' syndicate of institutional entities, used for Max's acquisition, such that as of December 31, 2023, the outstanding loan amount is approx. NIS 875 million, of which approx. NIS 2 million is for interest and the remaining balance is for the loan principal. For further details, see Note 26 to the Financial Statements.

On February 25, 2024, CIMax repaid the full balance of its syndicated loan, totaling an amount of approx. NIS 891 million, of which approx. NIS 873 million was the loan principal, and the remaining balance being interest in addition to an early repayment penalty and additional fees and commissions pursuant to the provisions of the syndicated loan agreement, in the total amount of approx. NIS 18 million. Repayment of the syndicated loan was made using NIS 891 million CIMax obtained from the Company, as part of the investment in CIMax.

Equity transactions and issuances at Max

- (g)** 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) were issued to qualified investors in a private placement and were listed on the TACT-Institutional system of the TASE. For further details regarding the terms and conditions of the Notes (Series D), see Note 26 to the Financial Statements.
- (h)** In December 2023, Max made full early redemption of the Subordinated Notes (Series B) in the amount of approx. NIS 138.9 million, which constitute part of Max's Tier 2 capital. For further details, see Note 26 to the Financial Statements.
- (i)** On March 11, 2024, the Board of Directors of Max resolved to perform full early redemption of the Subordinated Notes in the amount of NIS 35 million issued in March 2019, as part of a private placement, and which were included in the Tier 2 capital of Max. The date set for the execution of the early redemption is March 31, 2024. For further details, see Note 26 to the Financial Statements.
- (j)** From time-to-time Max executes issuances of commercial securities and takes credit from banking corporations for its operating activities. For further details, see Note 26 to the Financial Statements.

2.5.1.7. Implications of the Iron Swords War for the Company's activity

On October 7, 2023, 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 Iron Swords War (hereafter - the "**War**"). Over 300,000 reservists were recruited. 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. 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 became less volatile. The effect of the War is also evident on the credit rating of the State of Israel. On October 17, 2023, the Fitch rating agency announced a change in the credit rating outlook to negative. In addition, on October 19, 2023, the agency announced that it would be placing the credit rating of four Israeli banks also on its Ratings Watch Negative (RWN) list. On February 9, 2024, the Moody's rating agency

announced a downgrading of the State of Israel's debt credit rating from A1 to A2 as well as a negative rating outlook. In its notice, the agency explained that the reason for the downgrading of the rating is the uncertainty as to the timing on which the Iron Swords War will end and its result, the effect of the War on the government and the Knesset's ability to deal with core economic and social issues, and the change in the fiscal situation. In addition, the agency noted that the main reason for the negative rating outlook is the uncertainty as to the War's spilling over to the northern front. At the same time, Moody's commended the economy's recovery over the past three months, the independence of the judiciary in Israel, the resilience of the civil society in Israel before and since the outbreak of the War, and the government's willingness to raise taxes and cut the budget in 2025. The Group is exposed to declines on the financial markets and to slowdown, as well as to additional risks arising from the War.

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.

For further details regarding the sensitivity and exposure to risk factors, see also Note 42 to the Financial Statements. For further details about the effects of the War on the Company's activity, see Part B to the Report - Report of the Board of Directors, Section 2.1(k) and Note 46(k) to the Financial Statements.

For details regarding international sanctions imposed in recent years and the sanctions policy implemented by Group companies, see Section 9.2.11 below.

2.5.2. Regulatory reforms and restrictions

Companies of the Clal Insurance Group operate in a highly regulated market and address the implications of significant regulatory reforms in the various insurance and savings segments. In recent years, and in the Reporting Year as well, reforms have been advanced, which are mainly intended to directly or indirectly reduce insurance premiums and management fees, to standardize products or to encourage competition, while increasing transparency for customers. Noteworthy reforms include establishing a default pension fund by the Commissioner as a means to reduce management fees and to allow new players to enter the market, reducing the management fees for annuity recipients, updating the mechanism for setting investment expenses in pension funds and provident funds, and revising the management fee mechanism in accordance with the types of investment tracks. Intervention in the terms and conditions and/or tariffs of products, including disability insurance, life insurance risk, health insurance, personal accidents, compulsory motor insurance and imposing a contributions cap on executive insurance. Changes to the method for settling claims and directives for its implementation, particularly in long-term care and permanent health insurance products, and detailed arrangement of the procedure for adding insurance. There is also a regulatory arrangement that generates changes to the structure of the agreement and relationships between institutional entities, agents, employers, and customers, which affects operational and competitive aspects, and in a way that affects the ability of an institutional entity to link its income to its expenses. Application of some of the reforms continued or began in the Reporting Period, while others are expected to be applied in the future and/or are in various stages of regulatory processes or discussion. At this stage, the full effect of the measures being taken in the insurance, pension, and provident market in Israel cannot be assessed. All of the applied and proposed changes, the intervention in tariffs and in management fees, selling processes, the operational burden arising from the pace, scope, and complexity of the regulatory changes, and the requirement for adjustments to the automation systems and work processes, affect the business model in the subsegment, and affect and will continue to affect the insurance market and its profitability in Israel in the coming years, including the value of new business (VNB) which will be sold, the embedded value for the Company's business, and the solvency ratio based on the economic solvency regime applicable to the Group's institutional entities.

The information pertaining to the regulatory changes constitutes forward-looking information, which is based on the Group's assessments and assumptions as of the report publication date. The changes and their ramifications in practice may differ from the forecast, among other things, due to the uncertainty regarding their materialization, and regarding their full ramifications, which depend, among other things, on the conduct of competitors, distributors, and policyholders, and on the interaction between the various reforms.

2.5.3. Long-term savings

2.5.3.1. Reforms in the field

In recent years, the Authority promoted reforms and regulatory changes in the long-term savings segment, and in the reporting year, it completed a move for reducing management fees for annuity recipients in pension and life insurance. For details regarding the said reforms and changes, see Sections 6.2 and 6.1.2.3 below. In this framework, during the reporting year the Company continued implementing significant reforms, including in relation to the activity of the Clearing System and the operational interface between the employers and the institutional entities regarding contributions into provident funds (in accordance with the provisions of the Circular on the Manner of Making Contributions to Provident Funds (see Section 6.3.1.3 below). The Company's activity in the long-term savings segment was also affected by the reforms that were implemented in recent years, including the continued operation of selected pension funds (see Section 6.3.1.2 below), changes in the structure of compensation to agents due to legislative amendments regarding payment of fees and commissions without a link to the management fees collected from the customers (see Section 10.8.1.1 below), non-approval of the risk tariffs as part of executive insurance (see Section 6.1.2.1 below), reduction of management fees to annuity recipients (see Section 6.1.2.3 below), expenses in connection with the execution of transactions (see Section 9.5.5.1(b) below) and investment tracks (see Section 9.5.5.1(c) below).

2.5.3.2. Cap on contributions to executive insurance

In September 2023, amendments to the **Income Tax Regulations (Rules for Approval and Management of Provident Fund) (Amendment), 1964** (hereinafter -the "**Provident Funds Management Regulations**") and to the **Supervision of Financial Services Regulations (Provident Funds (Transfer of Funds Between Provident Funds), 2008** came into force, which focus on the imposition of limits on the execution of contributions into new insurance funds, only to that portion of the wages that exceeds the monthly cap on the policyholder's wage as defined in the Provident Funds Management Regulations, and a restriction on the transfer of funds from a provident fund, which is not an insurance fund to a provident fund, which is an insurance fund, such that such a transfer 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 monthly Contribution Cap multiplied by the number of months that elapsed since the first payment was made into the provident fund. 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.

For further details, see Section 6.2.1(a) below.

2.5.4. Property and casualty (P&C)

2.5.4.1. Draft Circular - Filing of Insurance Plans in the Motor Property Subsegment

In February 2024, a draft circular was published which suggests that the insurance company will set for the policyholders a maximum amount to be deducted - which will not exceed a rate that will be approved by the Authority - out of the total cost of the repair in case where the policyholder repaired their car in an auto-repair shop which is not included in the arrangement. In addition, it is also suggested to determine that in cases where the policyholder opted to repair their car in an auto-repair shop which is not included in the arrangement, and took reasonable measures as instructed by the insurance company, the Company shall deduct a deductible from the insurance benefits, as if the policyholder repaired their car in an auto-repair shop that is included in the arrangement. Furthermore, the draft circular suggests to stipulate that the insurance company will not include as part of a motor property insurance plan a compensation for constructive total loss as defined in Section 6(b) to the standard policy - motor property. For further details, see Section 7.1.1.2(b3) below.

2.5.5. Health insurance

2.5.5.1. Reforms in the field

In the reporting year, a health insurance reform of the Commissioner entered into force; it includes a new structure for the health insurance market, with five levels of insurance coverage; the first level includes a standard basic health policy in all of the insurance companies, with individual provisions for the procedure for the sale of insurance (including a provision prohibiting the sale of individual health insurance to applicants for insurance who have indemnifying individual health insurance that provides similar insurance coverage, without canceling the existing policy, and a provision stipulating that discounts will be granted at a fixed rate for at least ten years). For further details, see Section 8.1.2.1 below.

The prohibition on offering a policyholder to purchase insurance for surgery and alternative treatments for surgery in Israel in the first level may affect the sales volume of the product.

In addition, during the reporting year, the 2023 Economic Arrangements Law entered into force, providing for, among other things, if the planholder is insured under the supplemental insurance plan (hereinafter - "SHABAN") provided by a health fund, together with "insurance for surgery from the first shekel" in an insurance company which will be entered into or renewed after October 1, 2023, coverage for private surgery in Israel will be claimed under SHABAN, and the surgery is covered by the insurance company, the insurance company will indemnify the health fund through which the surgery was performed for the cost of the surgery, under the terms and arrangements in the provisions. For further details, see Section 8.1.2.1(a) below. The 2023 Economic Arrangements Law further stipulates that on the first renewal date after October 1, 2023 of a first shekel surgical procedures policy that was entered into before October 1, 2023, an insurer will transfer the policyholder - if they are a member of the health maintenance organization's supplementary healthcare services (SHABAN) - to a Supplementary SHABAN surgical procedures policy with that insurance company, unless the policyholder announced that they do not wish to be transferred, in which case the policyholder will be deemed as if they were not transferred to a Supplementary SHABAN surgical procedures policy, and their original policy shall be deemed not to have been cancelled, and to have been renewed by the policyholder as stated above, in accordance with the term conditions and arrangements as part of said provisions. For further details, see Section 8.1.2.1(a) below.

2.5.6. Regulatory reforms - credit cards segment

2.5.6.1. 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 various service channels in the banking system, and prescribes, among other things, corporate governance requirements. In addition, the directive includes principles for the provision of services and support to customers, which banking corporations (including the Company as an acquirer) 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. For further details, see Section 15.1.1 below.

2.5.6.2. Regulation of Engagement in Payment Services and Payment Initiation Law, 2023

The Regulation of Engagement in Payment Services and Payment Initiation Law, 2023 provides for a licensing requirement or regulatory approval and the terms and conditions for receiving such a license or approval, that will apply to those engaged in the provision of payment services and initiation of payments. In addition, the law regulates permitted occupations for license holders, and sets related provisions. The Law includes, inter alia, a redistribution of the purviews of the financial regulators; 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 the Company), 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).

In recent weeks, the Israel Securities Authority published a number of draft regulatory provisions for the implementation of the abovementioned law, which will apply to payment companies and those engaged in initiation of payments.

For further details, see Section 15.1.1 below.

2.5.6.3. Regulatory developments pursuant to the Law for the Economic Competition and Minimizing Market Concentration in the Banking Market in Israel (Legislative Amendments), 2017 (hereinafter - the "Strum Law")

(a) On September 18, 2023, **Banking Regulations (Licensing) (Bank with a Broad Scope of Activity), 2023** were published. The regulations establish the recommendation of The Committee to Examine Competition in the Credit Market by revising the definition of a "bank with a broad scope of activity", such that Discount Bank Ltd. will be a bank with a broad scope of activity, which will be required to dispose of CAL. For further details, see Section 15.1.8 below.

(b) In May 2023, the recommendations of the Taskforce for Assessing the Holdings of Institutional Entities in Payment Card Companies were published, which included among other things, the cancellation of the prohibition on large institutional entities to acquire control of a payment card company from a bank with a bank with a broad scope of activity (i.e., allowing the sale of Israel Credit Cards Ltd. to institutional entities); and the creation of clear-cut structural separation between a payment card company and the institutional entity holding it. For further details, see Section 9.2.6 below.

(c) On November 27, 2023, a law memorandum was published, which suggested to amend the provisions of the Banking Law (Licensing), as set out in the "Strum Law", regarding the control of a bank with a broad scope of activity in a payment card company, such that the ban on the acquisition by an institutional entity from a bank with a broad scope of activity of means of control of a payment card company will be cancelled; it will also stipulated that a bank with a medium scope of activity (a bank whose assets have a value of between 5%-10% of the value of assets of all banks in Israel) will not be allowed to control a payment card company. For further details, see Section 15.1.8 below.

2.5.6.4. Amendments to the Economic Arrangements Law

As part of the 2023 Economic Arrangements Law, which was approved on May 24, 2023, a number of legislative amendments were approved which are relevant to the Company, including: It was stipulated that the provisions set in 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; it was stipulated that as from February 1, 2024, the protection will be cancelled that is set in the Strum Law regarding the capping of credit facilities in credit cards of the customers of a bank with a broad scope of activity, which issues payment cards; and the provision set in the Banking Law (Service to Customer), 1981 under the Strum Law regarding the ban on competition and access to information was amended. For further details, see Section 15.1.8 below.

2.5.7. Additional regulatory changes in the Company's areas of activity

For details regarding other material regulatory changes that affected the Company's businesses in the reporting year, see the sections dealings with the segments and Section 9.2 below.

2.5.8. Significant events subsequent to the reporting year

Regarding significant events which took place subsequent to the reporting year in connection with the markets in Israel and globally, and their impact, see Part B to the report - Report of the Board of Directors, Section 3.2.

3. Areas of Activity

The Group has four material areas of activity, as detailed below:

3.1. Long-term savings (see Section 6 below)

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 (see Section 6.1.4 below), and **a voluntary tier** - pension savings 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**"). (See Section 6.1 below).

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 a balanced old pension fund (Atudot Pension Fund).

3.2. Property and casualty insurance (see Section 7 below)

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 others.

In the reporting year, 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%).

3.3. Health insurance (see Section 8 below)

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.

3.4. Credit cards segment (see Sections 11-15 below)

This activity includes the Company's operations in the issuing, acquiring and processing of payment cards, as well as the provision of payments solutions and financial products, including credit to private and business customers. The Group's activity in this area is provided by Max, which renders some of the said services through the following subsidiaries: Max It Credit Ltd., Max It Deposits Ltd., Max It Discounting Ltd., and Max Insurance Agency (2020) Ltd.

- The issuing subsegment focuses on activities for two main types of customers:
 - Solutions for financial institutions - Joint credit card issuing and processing with banks, for their customers (B2B2C)
 - 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.

Max issues payment 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.

- The acquiring subsegment includes the following activities:
 - Acquiring services - Payment guarantee for merchants, against vouchers of transactions carried out using credit cards in exchange for a fee collected from the merchant;
 - Related services and complementary products to the acquiring services;
 - Financial solutions - Products and services offered to merchants, such as loans, voucher factoring, early payments and guarantees.

4. Investments in the Company's Equity and Transactions in its Shares

4.1. Equity investments in the Company in the last two years up to the report publication date

On January 16, 2022, the Company issued 6,410,700 ordinary shares of NIS 1 p.v. each, as part of a public offering in accordance with a shelf offering report of the Company of January 16, 2022, which was published under a shelf prospectus of August 29, 2019, whose term was extended by August 28, 2022. The proceeds of the issuance, gross, totaled approx. NIS 506 million. The allocated shares constituted - immediately following their allocation - approx. 8.66% of the issued and paid-up share capital of the Company and approx. 8.51% of the issued and paid-up share capital of the Company, fully diluted.

On February 13, 2023, the Company issued NIS 150 million p.v. in Bonds (Series B) of the Company. The bonds are convertible into the Company's shares, such that each NIS 85 par value of the Bonds (Series B) will be convertible into one ordinary share of the Company, as set out in the deed of trust for the Bonds (Series B). For further details, see Section 2.5.1.6(b) above.

As part of the consideration for the Max transaction, the Company allocated to the sellers - on the transaction completion date - 4,970,310 ordinary shares of the Company of NIS 1 p.v. each (hereinafter - the **"Allocated Shares"**). The allocated shares constituted - immediately following their allocation - approx. 6.29% of the issued and paid-up share capital of the Company and approx. 6.05% of the issued and paid-up share capital of the Company, fully diluted. For further details see Note 9(a) to the Financial Statements.

Except for the above issuances, during the past couple of years and until the report publication date, no investments were made in the Company's equity, except for exercise of options.

4.2. Details of material off-floor transactions³ by interested parties in the Company's shares in the last two years

In January 2022, 6,410,700 shares of the Company of NIS 1 p.v. each were issued; as part of the public offering, shares of the Company were purchased, among other things, by interested parties thereof.

3. For details regarding on and off-floor sales and purchases of the shares of the Company in coordinated transactions by interested parties, see the Company's immediate reports on the matter.

In 2023, NIS 150,000,000 p.v. in Bonds (Series B) of the Company, convertible into Company shares, were issued. In the public offering, the Company's Bonds (Series B) were acquired, among others, by its interested parties.

Over the last two years, interested parties in the Company executed transactions in the Company's shares, on the TASE and off-floor, in coordinated transactions, which the Company reported routinely.⁴ Alrov, an interested party in the Company, executed transactions for the acquisition of the Company's shares, as set out above, and as part of the public offerings, such that it currently holds 14.06% of the Company's shares. Regarding a permit to control the Company and the institutional entities controlled by it, which was given to Dona Engineering & Construction Co. Ltd., see Note 1(b) to the Financial Statements.

5. Dividend distribution

In the last two years and up to the report publication date, the Company did not distribute dividends.

The distribution of a dividend in the Company is materially affected by the ability of investees to distribute a dividend, including in view of the capital requirements that apply to them and their internal capital targets.

For details about restrictions on the distribution of a dividend under the regulatory capital requirements applicable to the Group companies and by virtue of the directives of the Commissioner and Banking Supervision Department and manner in which the Company complies with them, see Note 17 to the Financial Statements.

As of the reporting date, the balance of distributable earnings, as defined in Section 302 of the Companies Law, amounted to approx. NIS 5 billion. It should be clarified that this balance does not constitute an indication of the Company's ability to distribute a dividend in the future.

The distribution of dividends is also affected by investees' ability to distribute dividends subject to their capital requirements and liquidity needs.

For further details regarding the Company's capital requirements and the management thereof, regarding the capital target and dividend distribution policy set by Clal Insurance, and regarding the capital targets set by Max, see Note 17 to the Company's Financial Statements

4. See Footnote 3 above.

Part II - Description and Information regarding the Company's Areas of Activity

6. Long-term savings

6.1. Services and products

6.1.1. Description of the area of activity's subsegments and insurance coverages

The area of activity's products mainly include retirement savings products for salaried employees and the self-employed, private savings products, life insurance coverage, disability coverage and income protection coverage.

Life insurance products

Life insurance products constitute a contractual arrangement between the insurer and the policyholder and include insurance plans that allow savings for various periods and insurance plans and/or a combination of the two - insurance plans that include a savings component and life insurance, disability insurance, disability insurance and longevity insurance (retirement pension).

In policies that include a savings component, a policyholder is entitled to insurance benefits (generally, the amounts accrued in the policy's savings component), in accordance with the terms and conditions of the policy. Those amounts may be paid to the policyholder - subject to the provisions of the legislative arrangement - as a lump sum (hereinafter - "capital payment"), in installments over his/her life (hereinafter - "pension"), or as a combination of the two. In some of the annuity products, the policyholder benefits from a secured annuity conversion factor, which provides protection in the event of longer life expectancy, and which is set on the policy's purchase date, or on the date on which the policyholder starts to receive the annuity, or an annuity coefficient that may be purchased when the policyholder is aged 60 or over.

Pension funds

Pension funds constitute mutual insurance funds and operate in accordance with bylaws, which may change from time to time. A planholder in a pension fund is entitled to receive annuity payments as from the retirement date throughout his/her lifetime, based on annuity conversion factors, which do not provide protection in the event of longer life expectancy, and the annuity may change from time to time according to the fund's actuarial balancing-out mechanism.

There are currently two categories of pension funds: (a) Comprehensive pension funds that allow pension savings for old age annuity, and life and disability insurance coverages. The comprehensive pension funds partially benefit from guaranteed return (for further details about the replacement of the designated bonds with the Return Supplementation Mechanism see Section 9.5.5.1(d) below), and contributions may be made therein up to the limit set in law (for details, see Section 6.1.1.2 below) and (b) general (supplementary) pension funds that do not benefit from guaranteed return and do not have a contribution limit. The general pension funds allow pension savings for old age annuity and can also allow the purchase of life and disability insurance coverages.

Provident funds

Provident funds provide both long-term savings solutions (such as provident funds for retirement benefits and severance pay and provident funds for savings), medium-term savings solutions (advanced education funds), and individual savings solutions with independent status (investment provident funds). As a general rule, such funds do not provide insurance coverage.

The funds accumulated in provident funds for retirement benefits and severance pay and provident funds for savings may be withdrawn in the form of a lump sum or an annuity (by transferring them to a pension product that allows the withdrawal of an annuity), in accordance with the period in which they were deposited. Funds accrued in favor of a planholder in advanced education funds are withdrawn in the form of a lump sum. Funds accrued in provident funds for investment may be withdrawn in the form of a lump sum or an annuity against tax benefits.

The provident funds subsegment also includes central provident funds (mainly central severance pay funds), in which the planholder is the employer, and the funds contributed into the fund are designed to secure the benefits of those of its employees, who are entitled to such rights. As from 2011, it is no longer possible to make contributions to central severance pay provident funds, but funds may be transferred between central severance pay funds.

The amount of management fees collected by Clal Pension and Provident Funds from the central severance pay funds is immaterial to the Company.

6.1.1.1. Following are key differences between the main products currently on offer:⁵

5. In provident funds and pension funds, there is complete separation between the assets and liabilities of the management company and the planholders' assets accrued in the provident funds and the pension funds, and the planholders' assets are not included in the Financial Statements of the management company.

	Life insurance	New comprehensive / supplementary pension funds	Provident funds
Type of engagement	Contractual commitment between the insurer and the policyholder. The commitment may only be changed in accordance with the provisions of the policy and the law.	The planholder is a member of the funds, and the latter are operated and managed by the management companies, according to the provisions of their bylaws. The bylaws may change from time to time, and as a general rule the planholders' benefits and obligations are determined according to the bylaws in effect on the entitlement date.	
Insurance coverage⁶	The insurance coverage may be customized to meet the customer's needs.	The insurance coverage is an inherent part of the provisions of the bylaws and may be altered in accordance with the insurance tracks set therein, and a supplementary insurance coverage may also be purchased from an insurer.	Generally do not include insurance coverage, but such coverage may be purchased from an insurer. ⁷
Annuity conversion factor⁸	In all annuity policies that have a guaranteed Annuity Conversion Factor, the latter is protected from changes in life expectancy. As from 2013, it is only allowed to sell policies with guaranteed life expectancy Annuity Conversion Factors (hereinafter - "Guaranteed Annuity Conversion Factors") to policyholders aged 60 and over.	The Annuity Conversion Factor is no longer protected from changes in life expectancy, and it may change until the retirement date. After the retirement date, the Annuity Conversion Factor does not change, but the annuity may change from time to time in accordance with the fund's balancing-out mechanism.	Generally do not have a conversion factor.
Mutual insurance	None	Mutual insurance fund. Planholders' benefits are affected, among other things, by demographic data of all planholders, such as their health and life expectancy. The actuarial assumptions are reviewed from time to time and affect the benefits of all planholders and recipients of annuities in the pension fund, and those rights may change accordingly.	None
Return guarantee mechanism	A return guarantee mechanism - achieved by issuing Hetz bonds - is in place only in guaranteed return policies that were sold through the end of 1990, see Section 6.1.1.2 below for details.	A return guarantee mechanism is in place in comprehensive funds with respect to 30% of total fund assets - composed of designated bonds and a return supplementing mechanism. See details in Section 9.5.5.1(d) below. The supplementary funds do not have a return guarantee mechanism.	None ⁹
Management fees¹⁰	A rate of the accrual and contributions; ¹¹ for details about the amounts collected in management fees, see Note 33 to the Financial Statements.	Rate of accrual and contributions, ¹² see Section 6.1.2.2 below for details.	See Section 6.1.2.2 below
Beneficiaries¹³	Beneficiaries defined by the policyholder at his/her discretion.	According to the provisions of the bylaws - mostly surviving relatives.	Beneficiaries defined by the planholder at his/her discretion. In their absence - successors.

	Life insurance	New comprehensive / supplementary pension funds	Provident funds
Regulatory limit on the contribution amount¹⁴	Until September 1, 2023 - unlimited. In executive insurance that was issued after the said date there is a contribution limit which is higher than 20.5% of twice the average wage in Israel. For details regarding the contribution cap, see Section 6.2.1(a) below.	- In the comprehensive funds up to 20.5% of twice the average wage in said Israel (hereinafter - the " Contribution Cap "). In the supplementary funds there is no Contribution Cap, but the contributions are mostly carried out in respect of a component that exceeds the Contribution Cap.	Unlimited.

For a description of the segment's products, see Section 6.1.2 below.

6.1.1.2. The pension savings products also vary from one another in the manner by which the funds saved are invested

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

- **Life insurance**

In policies sold through the end of 1990, the return to policyholders in life insurance policies with a savings component was set as a guaranteed rate or was taken into consideration in a guaranteed insurance amount or annuity (hereinafter - **Guaranteed Return Policies**). The guaranteed return changed according to the policy type and its issuance date. The guaranteed return undertaking is mostly backed by designated bonds. The remaining balance of the assets is invested according to the Investment Regulations (hereinafter - the "**available assets**").

6. **As part of the Supervision of Financial Services Regulations (Provident Funds) (Insurance Coverages in Provident Funds), 2012**, one may currently purchase from an insurer - as part of the contributions towards pension - life and disability insurance coverage, and insurance coverage releasing the policyholder from payment of the premium for disability, for planholders of pension funds, provident funds and insurance plans.
7. As of the report date, Clal Pension and Provident Funds - and to the best of the Group's knowledge also most of the entities operating in the market - do not market such insurance coverages to active planholders in provident funds under their management.
8. The annuity conversion factor is used to determine the amount of the annuity, by converting the amount saved to a monthly annuity. The amount saved is dividend by the conversion factor that represents the expected life expectancy (hereinafter - the "**Annuity Conversion Factor**"). In pension funds and in annuity life insurance policies, which do not have an Annuity Conversion Factor that takes into account guaranteed life expectancy, the Annuity Conversion Factor is determined shortly before the commencement date of the annuity payout, and in annuity-only policies, the Annuity Conversion Factor is guaranteed as from that date and thereafter.
9. Except for a small number of guaranteed return provident funds provident funds backed by Accountant General deposits.
10. The above includes the potentially collectible regulatory management fees in products currently sold, but does not include management fees and various types of expenses that are collected in the products or in some of them, such as in respect of variable management fees, investment management expenses, policy factor or collection factor, etc.
11. In traditional guaranteed return policies there are no management fees, and Company's income arise from the financial margin. In traditional policies, and in "Adif" (Meitav) policies, there are no management fees as a rate of contributions.
12. In advanced education funds there are no management fees as a rate of contributions.
13. Subject to the provisions of the law, an entitlement may be established to surviving family members in respect of the policy's severance pay component.
14. Excluding a reference to limits according to the terms and conditions of the products. In addition, in all pension products there is a tax benefit up to the limit set in the Income Tax Ordinance.

As of December 31, 2023, the holdings in designated bonds constitutes approx. 73% of total assets held against the liabilities in respect of guaranteed return policies. Over the years, the Group redeemed some of the designated bonds in order to achieve excess returns, and it is unable to repurchase designated bonds in respect of some of the funds it redeemed. Consequently, the Group's exposure due to its free investments has increased. According to the netting mechanism that was set with the Ministry of Finance, the holdings in designated bonds will decrease over the life of the guaranteed return policies, up to 50% of the total assets held against the liabilities in respect of guaranteed return policies, and in respect of the remaining assets, Clal Insurance is exposed with respect to its undertaking to guarantee return to policyholders. As of the report publication date, Clal Insurance purchases designated bonds in respect of new contributions, at the allowed rates, according to the policy type and its issuance date.

Policies issued since the beginning of the 1990s are mainly yield-dependent insurance policies, the savings funds of which are invested by the insurance companies in voluntary investments, mainly in the capital market, and the return, net of expenses, is credited to the policyholder in accordance with the results of the investment portfolio, and net of management fees as detailed below.¹⁵

For the data of insurance reserves balance regarding participating and guaranteed return insurance plans, see Note 21 to the Financial Statements.

- **Pension funds**

Currently, old and new comprehensive pension funds benefit from guaranteed return in respect of up to a maximum of 30% of total assets, with some of the fund's assets being backed by designated bonds bearing real annual interest of 4.86%, and some backed by a mechanism regulating the supplementation of the return to an annual rate of 5.15% with added CPI¹⁶ (hereinafter - the "**Return Supplementation Mechanism**"). However, the rate of total assets for which return will be guaranteed in relation to planholders in the new pension funds, who have already been entitled to pension before January 1, 2004, will be 70%.

The Return Supplementation Mechanism benefits the planholders to a certain extent, in view of the increase in the guaranteed rate of return, and on the other hand it changes the mechanism that was in place to guarantee the return from a contractual mechanism to a mechanism established by law, such that Clal Pension and Provident Funds cannot assess its continuation over years. For further effects, see Section 9.5.5.1(d) below. The rate of interest used as the discount rate and as the rate of return in calculating the liabilities to annuity recipients in a new comprehensive fund shall be adjusted to the target return in respect of the mechanism's assets, such that with regard to planholders, who retired prior to January 1, 2023, the discount rate will be an effective annual interest of 4.26% (unchanged) or another rate that will be set by the Commissioner from time to time, and with regard to planholders, who will retire as from January 1, 2023, the discount rate will be an effective annual interest of 4.38%, in view of the change in the calculative interest rate on which the Annuity Conversion Factor for those planholders is based, and the costs of insurance coverages as from the said date.

Furthermore, the State of Israel "compensates" the old balanced pension funds for reducing the issuance of designated bonds that was carried out over the years, by guaranteeing the difference between the interest payable in respect of the old "Miron" bonds (5.57%) and (a) 4% in respect of the assets invested in the free market; (b) 4.86% in respect of that part of the assets invested in new designated "Arad" bonds, and through the Return Supplementation Mechanism.

In addition, the Ministry of Finance provides the old funds with a cushion to protect the funds' planholders and retirees from fluctuations in the returns. Atudot Havatika is currently in negotiations with the Authority regarding the manner of implementing the buffer outline, as adopted by Atudot Havatika. For details regarding an audit report received by Atudot Havatika in connection with planholders' benefits, including in connection with the safety buffer, see Note 45(2.2.3.2)(2) to the Financial Statements.

The remaining assets are invested in the free market. Regarding the manner of investing the available assets, see Section 9.5 below.

15. With respect of participating policies, the annuity is linked to the investments index, net of management fees and calculative interest.

16. The Return Supplementation Mechanism came into force in October 2022.

Crediting returns in a new comprehensive pension fund

According to the Supervision of Financial Services Regulations (Provident Funds) (Crediting Returns in a New Comprehensive Pension Fund), 2016 (hereinafter - the "**Yield Imputation Regulations**"), return is credited to planholders and retirees in a comprehensive new pension fund (hereinafter - the "**Yield on Designated Bonds**"), such that annuity recipients are credited the Return on Designated Bonds based on the ratio between 60% of total annuity recipients' assets and the total assets of the fund that were invested in designated bonds; whereas planholders, who are not annuity recipients are credited the Return on Designated Bonds based of the remaining balance of the return in the fund arising from investment in designated bonds after crediting the return to annuity recipients.

Crediting the return on the funds' assets in a guaranteed return investment track shall correspond the manner by which the return on the fund's assets invested in designated bonds is credited, except for the rate of return (5.15% in a guaranteed return investment track, compared with 4.86% on designated bonds).¹⁷

The Commissioner may increase the rate of guaranteed return credited, whether due to designated bonds or due to the guaranteed return investment track, to annuity recipients in a certain fund, if he concluded that the rate of guaranteed return credited to planholders, who are not annuity recipients, is more than half a percent higher compared to another fund, and that the said difference might compromise the fund's actuarial balancing out mechanism. As of the publication date of this Report, the Commissioner did not use this power.

The Yield Imputation Regulations, and the allocation of the designated bonds and the Return Supplementation Mechanism in accordance with age groups caused variance in the rate of guaranteed return between planholders from the same age group in the various pension funds. These regulations, in combination with provisions that deal with the updating of the annuity, among other things in accordance with variations between the actual return on available assets and the return assumption incorporated into the Annuity Conversion Factor of retirees, such that a deficit in respect of retirees is not applied to all of the fund's planholders, but rather only to the retirees themselves (and consequently, active planholders can join the fund shortly before their retirement age); all these created an advantage to the pension funds over other pension products, especially in the stage where planholders are nearing retirement age, and even created a situation whereby there is an advantage to join to being transferred to certain pension funds, in accordance with the age mix of that fund's planholders.

This trend may become more moderate due to the fact that signing-on retirement age planholders may deter young planholders from joining funds, whose rate of assets attributed to annuity recipients is high, compared to other pension funds, as detailed above. In the years prior to the reporting year, it was evident that there has been a certain increase in the transfer applications of planholders and policyholders nearing their retirement age, mainly from life insurance products to the pension product, but also among pension funds. In the reporting year, there was a further increase in the scope of transfers from the Group of insured planholders nearing their retirement age, and also an increase in the amounts transferred by planholders and policyholders as stated above (see Section 6.4.5 below).

- **Provident funds**

Since the mid-1980s, no designated bonds were issued to the provident funds,¹⁸ and the assets are invested according to the limits set in the Investment Regulations.

6.1.2. Breakdown of most of the products and services included in the segment

The following is a description of the products and services under management of the Company in the reporting year.

17. As from the beginning of 2025, for planholders aged 50 and over (who do not receive an annuity), Yield on Designated Bonds and the Return Supplementation Mechanism will be credited according to the ratio between 30% of the total balances accumulated in the fund for planholders in this group and the total fund assets invested in the guaranteed return track; while for other planholders, the Yield on Designated Bonds and the Return Supplementation Mechanism will be credited according to the remaining return in the fund arising from investment in a guaranteed return investment track, after the crediting of the return for annuity recipients and to planholders aged 50 and over.

18. Except for a small number of guaranteed return provident funds provident funds backed by Accountant General deposits.

6.1.2.1. Life insurance

(a) General

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

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

Normally, the policies incorporate savings and insurance coverages, such as life insurance and disability insurance. Some of the insurance policies for salaried employees and the self-employed are approved as provident funds, benefit from tax benefits, and constitute part of the salaried employee or the self-employed person's social security. On the other hand, individual policies, which include a savings component, are not approved as provident funds, but benefit from tax benefits in respect of life insurance and/or disability insurance coverage, which is purchased as part of the policy, and under certain conditions also in respect of the component representing the return accrued in respect of the savings. For restrictions on the sale of insurance coverages as part of individual policies and executive insurance policies, see Section 6.2.1(a) below.

- **Collective insurance**

A collective insurance agreement is intended to provide life insurance coverage, on top of which one can add insurance covering accidents, illnesses and disability risks, or disability insurance. The insurance does not have a savings component; it is offered to groups of more than 50 policyholders that are linked to one another, marketed mainly to groups of employees, and subject to the provisions of dedicated regulations.

The insurance amount in collective life insurance is usually equal for all group members, or determined by age, salary or another objective criterion, or a combination of the two. The insurance amount in collective disability insurance is set, among other things, in accordance with various criteria, including occupation, salary, age and gender.

According to the legislative arrangement and/or the terms and conditions of the collective policy, a policyholder, whose collective policy expired, may, under predetermined conditions and circumstances, purchase an individual policy without a medical underwriting process, for the insurance premiums that will apply on transition date to all policyholders, who are insured with the insurer under a similar individual policy.

In April 2022, an amendment was published to the **Regulations regarding Collective Disability Insurance Policies** (hereinafter - the "**Amendment of the Disability Insurance Regulations**"), as part of which further provisions were set that pertain, among other things, to obtaining the policyholder's consent in advance as a condition for signing them on to a collective disability insurance policy, increasing the premium and changing the insurance coverage; the insurer's obligations to send notices when changes are made to the terms of the policy and when the insurance coverage thereunder expires; and the scope of the insurance coverage required under an individual disability insurance policy, which is offered at the end of the term of the collective policy (hereinafter - a "**Continuing Policy**"), and the restriction on the amount of premium that may be collected in respect thereof as a rate of the premium paid in the collective policy.

The provisions apply to collective disability insurance policies as from July 2022, and to the renewal of collective policies as from that date, even if they were issued prior to that date. In view of the provisions of the regulations in connection with the terms and conditions under which the Company is required to offer a Continuing Policy to policyholders in collective disability insurance policies, as of the report publication date the Company does not market new collective disability insurance policies, and such Company policies are policies that were marketed in the past and are renewed from time to time, whose number is declining.

(b) Breakdown of main insurance plans in life insurance

The Group's life insurance portfolio comprises a range of insurance plans, in accordance with the types of products that were sold over the years; set forth below is a description of the main products:

- **Traditional insurance**

- **A traditional mixed policy** is a policy composed of two components, savings and life insurance. The premium is derived from the insurance amount, the policyholder's age, the insurance period, etc., and cannot be separated and attributed to the policy's components. The insurance amount is paid as a lump sum at the end of the insurance period (normally at the age of 65), or before the end of the insurance period if the policyholder dies prematurely, and except for amounts that are paid at the end of the insurance period, which were deposited after January 2008, and are paid as an annuity.
- **A traditional "pension" policy** is a policy, most of the premium of which (derived from the insurance amount, the policyholder's age, the insurance period and more) is designed to be used to pay a pension in accordance with the policy's terms and conditions and the provisions of the legislative arrangement. The amount of the pension that will be paid and the premium amounts are determined on the policy's issuance date.
- **A traditional savings policy** is a policy where the entire accumulated premium amount that accumulated in respect thereof is paid as a lump sum, except for amounts that are paid at the end of the insurance period, which were deposited after January 2008 with policies that are subject to the Provident Fund Regulations (policies for salaried employees and the self-employed), which are paid as an annuity. The cash surrender value is determined on the policy's issuance date and derived from the premium. In the event of premature death before the end of the insurance period, the amount accrued through that date will be paid.

In traditional policies, the contribution amounts cannot be increased, including in respect of a pay rise above the rate of increase of the CPI, and in those cases, it would have been possible to take out another policy in relation to the increase in the contribution or the salary, as the case may be.

Traditional policies were the only product that was sold until 1982 as individual insurance, retirement benefits to the self-employed and executives. Mixed, pension and traditional savings policies continued to be marketed as executive insurance through June 2001, and as an individual insurance and as retirement benefits to the self-employed through the end of 2003, in addition to other products that were sold at the same time.

- **Adif insurance (Meitav, Meitavit)**

The main characteristics of this product are:

- The policy comprises two components - after the deduction of a fixed amount in expenses, a certain percentage of the premium is accrued as savings, and the remaining premium amount is used to purchase life insurance and for operating and marketing expenses (hereinafter - the "**Risk-Weighted Component**"). Through the end of the 1990s, the original percentage of premium that was designated for savings in these policies was mostly 72%. Since the beginning of the 2000s, the original percentage of premium that was designated for savings was mostly 80% or higher. Over the years, changes were made to the mix of components in some of the policies, as stated above.
- With regard to contributions made until 2000, the policyholder may choose - immediately prior to the annuity payment date - whether to receive the accrued savings amount as an equity payment or as a pension, based on an Annuity Conversion Factor that was set in the policy when it was purchased. With regard to contributions made as from 2000, the policyholder was required to choose, on the purchase date, between contribution towards: (a) An equity policy or an equity appendix that was attached to an annuity policy - as part of which it was possible to designate the accumulated savings to an capital track without an option to convert the savings to a pension; and (b) an annuity policy (or an annuity appendix that was attached to an equity policy) - as part of which it is possible to convert the accrued savings to a pension based on Annuity Conversion Factor that takes into account guaranteed life expectancy, that was determined on the policy's purchase date and/or the appendix date, the later of the two, all in accordance with the terms and

conditions of the policies.

- In a policy that was marketed until 2000, a policyholder that reaches retirement age has a number of annuity tracks to choose from. In all tracks (except for the track that includes secured annuity to spouse), the annuity will be paid based on guaranteed Annuity Conversion Factors.

As from 2001, the policyholder is entitled to payment of an annuity based on an Annuity Conversion Factor that takes into account guaranteed life expectancy, throughout his/her entire life, and in one track only, which includes guaranteed payment of at least 240 monthly annuity payments, to the policyholder and/or beneficiaries; in additional tracks, the Annuity Conversion Factor is determined on the annuity receipt date, in accordance with the terms and conditions of the policy.

Adif policies were marketed in the life insurance subsegment from 1983 through the end of 2003. The policies were marketed as individual insurance policies, retirement benefits insurance policies for the self-employed, and as executive insurance.

- **Profile insurance**

- As from 1999, the Group has been marketing a product line bearing the commercial name "Profile", which varies from products that had been marketed before that time in the following ways, among other things: (a) separation between the savings components, the life insurance and the expenses/management fees; (b) the option to customize the insurance coverages to meet the policyholder's wishes; (c) the option to save through a number of investment tracks with a daily return (rather than a monthly return); (d) the rate of management fees, which do not vary according to the return; (e) the option to designate the accrued savings to an capital track and/or an annuity track within the same policy.

After 2008, contributions in policies that are subject to the Provident Fund Regulations may only be designated to an annuity track. At the same time, in relation to funds that were deposited into a capital track through 2008, it was possible to convert the equity into an annuity in accordance with the Annuity Conversion Factors that were known on the application date. Currently, a policyholder may only request a conversion of an equity amount into an annuity at the age of 60 or over.

As from 2004, Clal Insurance marketed several additional types of Profile policies. Among other things, these policies varied from one another in terms of the structure and rate of management fees, and in terms of Annuity Conversion Factors.

- In the reporting year, the amount of life insurance policies with Annuity Conversion Factors, which were marketed to policyholders aged 60 or over, was immaterial.

For details regarding new products see Section 6.1.3 below.

As part of the said Profile policies, the default track is the payment of an annuity based on an Annuity Conversion Factor that takes into account guaranteed life expectancy, throughout the policyholder's entire life, and in the event of the policyholder's premature death before he/she was paid the guaranteed minimum of 240 monthly annuity payments, the remaining annuity payments will be paid to the beneficiaries. In addition, there are alternative tracks for receiving an annuity, as selected by the policyholder. In policies that were marketed through 2013, the Annuity Conversion Factors in the alternative tracks, and in policies sold as from 2013 the Annuity Conversion Factors in all tracks, are determined on the retirement date, except for policyholders that purchased the policy after the age of 60 and opted for an insurance plan that includes an Annuity Conversion Factor that takes into account guaranteed life expectancy.

- Over the years, the Group marketed Profile policies for executives, the self-employed and individuals, some included insurance coverages, and some did not, some included Annuity Conversion Factors that take into account guaranteed life expectancy and some did not.

Traditional policies and Adif policies that included a savings component and were sold through the end of 1990 are guaranteed return policies, some of the Company's undertakings to policyholders thereof are backed by designated bonds. Policies that include a savings component and were sold since 1991 are generally yield-dependent insurance policies.

For information about the management fees collected in the main life insurance policies, see Note 21 to the Financial Statements.

For details regarding the restriction on the sale of life insurance products as part of the approval of the life insurance tariffs (as this term is defined below), see Section 6.1.2.1 below.

For details regarding the cap on contributions to executive insurance, see Section 6.2.1(a) below.

- **Products that provide life insurance (risk) insurance coverage**

The life insurance products (life and/or disability and/or permanent health and/or critical illnesses insurance products) are sold, or were previously sold, as independent policies and/or as appendices or addendums to "traditional", "Adif" or "Profile" policies.

The main life insurance coverages are:

- **Pure life insurance** - individual - insurance in the event of death with no savings component. The plan guarantees the payment of a predetermined fixed insurance amount to the beneficiaries, in the event that the policyholder passed away during the insurance period. The insurance benefits are paid to the beneficiaries as a one-off compensation or as a monthly sum over a period set in the policy, in accordance with its terms and conditions. In the case of a life insurance plan taken out in order to cover an outstanding mortgage balance, the insurance amount is updated in accordance with the interest set in the policy, the insurance benefits are paid to the irrevocable beneficiary, and any balance is paid to the beneficiaries. As from the last quarter of 2018, the Company allows the purchase of life insurance to cover an outstanding mortgage balance, by people with life-limiting disability (as this term is defined in the law and in accordance with the procedure set out in the law), and subject to a qualification period of two and a half years.
- **Disability insurance** - an insurance plan that pays a monthly compensation which normally does not exceed 75% of the policyholder's salary, subject to certain underwriting limits in the event of a pay rise. The insurance benefits are paid in monthly installments, as from the end of the waiting period, and so long as the policyholder is unable to work, but no later than the end of the insurance period. In addition to the monthly compensation paid to the policyholder, the policyholder is generally released from payment of premiums, and in a disability insurance coverage that was purchased as part of a pension savings, the policyholder is also released from the regular contributions to the pension products, and they are paid by the insurance company, so long as the policyholder is unable to work, but no later than the end of the insurance period (hereinafter - "**Release**").
- **Supplementary disability pension (pension fund umbrella)** - disability insurance for planholders of pension funds, designed to extend the insurance coverage provided under the pension fund's bylaws to certain instances in which there is no entitlement to a disability allowance in accordance with the pension fund's bylaws, such as disability, or in respect of a qualification period that is set in the pension fund's bylaws.
- **Critical illness insurance** - for details about the sale of critical illness insurance, see Section 8.1.2.1(a) below.
- **Accidental death insurance** - an insurance plan that guarantees the payment of a lump sum in the case of death due to an accident. For further details about the discontinued marketing of this coverage as of the report date, due to the Personal Accidents Circular, see Section 6.2.2.(b) below. As of the publication date of this report, the Company intends to market the accidental death product once again.
- **Accidental disability insurance** - an insurance plan that guarantees the payment of a lump sum amount in the case of disability caused by an accident. For further details about the discontinued marketing of this coverage as of the report date, due to the Personal Accidents Circular, see Section 6.2.2.(b) below. As of the publication date of this report, the Company intends to market the accidental disability product once again.

Restriction on the sale of life insurance products

In February 2019, the Authority approved new tariffs for life insurance products (risk) of insurance companies in Israel, as part of which the approved tariffs for life insurance products sold from this date onwards were reduced significantly (above and hereinafter - the "Approval of the Life Insurance Tariffs"). As part of the Approval of the Life Insurance Tariffs, the Authority stipulated that the insurance companies are required to implement a new mechanism for the refund of commissions in respect of cancellation of life insurance policies (hereinafter - the "**Commissions Refund Mechanism in Cancellation of Life Insurance**"). The Approval of the Life Insurance Tariffs, including the **Commissions Refund Mechanism in Cancellation of Life Insurance**, were originally set for a period of two years, and their term was subsequently extended, while making changes in the said mechanism. According to the existing mechanism, the cancellation of the policies in the first years after their acquisition will lead to a graduated refund of one-off sale commissions (sales commissions), that will be paid to agents in respect thereof, where the refund of the commissions as stated above will be for a shortened period of three years, and will apply only where the discount rate that was given to the customer in the policy will not change over the life of the policy.

For details regarding a proposed mechanism for refund of commissions as part of draft provisions dealing with assumptions in insurance premiums and agents' compensation, see Section 9.8.2.2 below.

As of the report publication date, most of the companies operating in the market, including the Company, have not yet received approved tariffs for the sale of life insurance coverages as part of the executive insurance policies and the retirement benefits for the self-employed. Due to the above, the insurance companies discontinued the marketing of the life insurance coverages as part of the executive insurance policies and retirement benefits for the self-employed. The fact that there are no approved tariffs for the sale of life insurance coverage as part of executive insurance policies led to a significant decrease in the sale of executive insurance policies, and consequently also to a decrease in the sale of disability insurance coverage, which is sold as part of the executive insurance policies; it also led to a certain increase in sales of other pension products, mainly pension funds, including those under the management of Clal Pension and Provident Funds. This move increased the popularity of the executive insurance product, further to processes that had already taken place, mainly the discontinuation of the Annuity Conversion Factors in executive insurance policies as from 2013. Companies for whom life insurance tariffs were approved as part of life insurance policies resumed the marketing of this product.

In view of the contribution cap in respect of executive insurance, which mainly provides that contributions will only be made to new insurance funds above the contribution cap that was set, the sales of executive insurance products declined significantly (for details see Section 6.2.1(a) below).

6.1.2.2. Pension funds and provident funds subsegments

Pension funds and provident funds are managed by the management companies, according to the provisions of their bylaws. The bylaws are dynamic and may change from time to time at the approval of the Commissioner. Planholders are informed of the key changes. As a general rule, the planholders' benefits are determined according to the fund's bylaws in effect on the entitlement date. As from 2018, the bylaws of the management companies of the various products have the same format, following the Authority's initiative to achieve wording uniformity.

In the reporting year, there were no mergers of provident funds and investment tracks in the provident funds. As of the report date, the provident funds and the investment tracks under management of Clal Pension and Provident Funds are:

Fund	Investment tracks	Fund type
Clal Tamar	Track for people aged 50 or under	Personal provident fund for retirement benefits and severance pay and savings provident fund
	Age-dependent Investment Model	
	Track for 50- to 60-year-olds	
	Track for people aged 60 or more	
	Bonds - up to 25% shares	
	Bonds - CPI-linked	
	NIS	
	Shares	
	NIS - short term	
	Bonds	
	Halacha	
	Bonds - up to 15% shares	
	S&P 500 Tracker	
	Combined liquid ¹⁹	
Index tracker - flexible ²⁰		
Bar Provident Fund	Bar A - Guaranteed Return	Guaranteed return provident fund
	Bar C	Personal provident fund for retirement benefits and severance pay
Clal Advanced Education Fund	General	Advanced education fund
	Clal Passive ²¹	
	Bonds - CPI-linked	
	Shares	
	NIS - short term	
	Halacha	
	Bonds	
	Bonds - up to 15% shares	
	S&P 500 Tracker	
	Passive Clal Advanced Education Fund - share indices ²²	
Clal Provident for the Future	General	Investment provident fund ²³
	Clal Passive ²⁴	
	Bonds	
	Government bonds	
	Shares	
	Bonds - up to 15% shares	
	NIS - short term	
	Halacha	
	S&P 500 tracker	
	Passive Clal Advanced Education Fund - share indices ²⁵	
General Severance Pay Fund		Central severance pay fund
Hadas		
Clal Severance Pay for Employer		
Clal Barzel - Central Severance Pay Fund		
Clal Central Track-Based Provident Fund		
Clal Budgetary		Central fund for participation in budgetary pension

For details regarding a reform in the investment tracks of pension products, see Section 9.5.5.1(c) below.

Following are the data of assets under management, contributions towards benefits, net accrual, rate of management fees out of assets and rate of management fees out of contributions of the pension funds and the provident funds marketed by Group companies in 2023:

	Assets under management as of December 31, 2023 (NIS thousand)	Contributions towards benefits in 2023 (NIS thousand)	Net accrual in 2023 (NIS thousand)	Rate of average management fees out of assets for 2023	Rate of average management fees out of contributions for 2023
Atudot Havatika Pension Fund	12,358,171	160,147	(271,420)	0.27%	3.59%
Clal Pension	115,229,254	9,212,988	10,415,770	0.16%	1.59%
New pension funds					
Clal Supplementary Pension	4,447,628	619,341	818,566	0.27%	0.91%
Provident funds for benefits and severance pay and savings provident funds	29,459,438	508,952	(1,662,132)	0.47%	0.08%
Investment provident fund	2,733,709	598,238	95,221	0.65%	
Advanced education fund	25,217,552	3,555,323	2,387,159	0.54%	
Other ²⁶	1,906,642	1,361	(124,952)	0.68%	
Total	191,352,394	14,656,422	11,658,212		

* Net accrual - contributions plus transfers inflow net of redemptions and transfers outflow.

19. As of January 1, 2023.

20. See Footnote 19 above.

21. Established during May 2023.

22. Established during December 2023.

23. Funds may only be withdrawn from an investment provident fund as a lump sum at any time, without tax benefits on contributions, while paying only capital gains tax. Funds that will be deposited with an investment provident fund and withdrawn as an annuity during the retirement period (in accordance with the rules of a recognized pension), will be exempted from capital gains tax and income tax. The total amount a planholder may deposit in all of his/her accounts in an investment provident fund will not exceed NIS 70,000 per year, linked to the known CPI as of July 1, 2016.

24. Established during May 2023.

25. Established during December 2023.

26. Including: Central provident funds for severance pay, central provident fund for participation in budgetary pension and provident fund for sick pay.

Description of the Corporation's Business

Following are the data of assets under management, contributions towards benefits, net accrual, rate of management fees out of assets and rate of management fees out of contributions of the pension funds and the provident funds marketed by Group companies in 2022:

	Assets under management as of December 31, 2022 (NIS thousand)	Contributions towards benefits in 2022 (NIS thousand)	Net accrual in 2022 (NIS thousand)	Rate of average management fees out of assets for 2022	Rate of average management fees out of contributions for 2022
Atudot Havatika Pension Fund	12,166,861	185,717	(203,482)	0.28%	3.63%
Clal Pension	96,299,703	7,882,436	9,517,110	0.17%	1.63%
New pension funds					
Clal Supplementary Pension	3,367,703	537,991	665,655	0.32%	0.71%
Provident funds for benefits and severance pay and savings					
provident funds	29,236,143	643,501	2,267,697	0.47%	0.08%
Investment provident fund	2,412,625	792,656	840,126	0.64%	
Advanced education fund	21,124,504	2,714,194	6,710,008	0.53%	
Other ²⁷	1,914,957	1,023	(45,465)	0.68%	
Total	166,522,496	12,757,518	19,751,649		

* Net accrual - contributions plus transfers inflow net of redemptions and transfers outflow.

Following are the data of assets under management, contributions towards benefits, net accrual, rate of management fees out of assets and rate of management fees out of contributions of the pension funds and the provident funds marketed by Group companies in 2021:

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

* Net accrual - contributions plus transfers inflow net of redemptions and transfers outflow.

27. See Footnote 26 above.

28. See Footnote 26 above.

6.1.2.3. Management fees for the various products

- 1) Following are tables describing the maximum management fees in the various key products²⁹ according to the legislative arrangement, including the **Supervision of Financial Services Supervision Regulations (Provident Funds) (Management Fees), 2012** (hereinafter - the "Management Fees Regulations"):

Life insurance

Pension product	Maximum annual management fees
Yield-dependent life insurance	Fixed management fees of up to 0.6% of the accrual + variable management fees of up to 15% of the real return achieved, net of plans that were marketed the fixed management fees.
through the end of 2003 of the "Traditional" and "Adif" types ³⁰	If losses have accrued, the insurance company is not entitled to variable management fees until the accrued loss as set in the policies is covered. ³¹
Yield-dependent life insurance	2% of the accrual + 0% of the contributions or a lower rate of the plans that were marketed from accrual and a higher rate of the contributions (according to a mix January 1, 2004 through the approved by the Commissioner - with the management fees of the end of 2012 contributions ranging between 0% to 13%).
Yield-dependent life insurance	Up to 1.05% of the accrual (plans marketed in 2013 up to 1.1% of plans that have been marketed the accrual) + up to 4% of contributions.
since January 2013	
Annuity recipients	Up to 0.6% of the accrual for policies sold through January 31, 2022. Up to 0.3% of the accrual for policies sold as from February 1, 2022.

The Company's income from guaranteed return policies arise from any financial margin that arises between the guaranteed return in the designated bonds and income from investments in the available assets and the obligations to the policyholders.

Pension funds

Pension product	Annual management fees as from 2014
Balanced old fund	According to specific permits issued by the Commissioner
Comprehensive new pension fund	Up to 0.5% of accrual + up to 6% of contributions
General new pension fund (supplementary)	Up to 1.05% of accrual + up to 4% of contributions
Annuity recipients in comprehensive pension fund	Up to 0.5% of total assets that are held against the fund's obligations to all annuity recipients, including those who started receiving an old age annuity through January 31, 2022. ³² Up to 0.3% of the accumulated amount for pension recipients who began receiving an old-age pension as from February 1, 2022 and survivors of these pension recipients.
Annuity recipients in a general pension fund	Up to 0.6% of total assets that are held against the fund's obligations to all annuity recipients, including those who started receiving an old age annuity through January 31, 2022. Up to 0.3% of the accumulated amount for pension recipients who began receiving an old-age pension as from February 1, 2022 and survivors of these pension recipients.

29. The above does not include management fees and various types of expenses that are collected in some of the life insurance policies, such as in respect of the management of investment portfolio, policy factor or collection factor, etc.

30. The "Profile" policies that were sold through 2003 included a different pricing mechanism.

31. See Note 3(l)(1)(c)(1) to the Financial Statements.

32. Except for assets held against the fund's obligations to those who were entitled to receive an annuity or a disability allowance before January 1, 2004.

Provident funds³³

Pension product	Annual management fees as from 2014
Personal provident fund for retirement benefits and severance pay, savings provident fund, and investment provident fund	Up to 1.05% of accrual + up to 4% of contributions
Central provident fund	Up to 2% of the accrual (without management fees from contributions)
Advanced education funds	Up to 2% of the accrual (without management fees from contributions)

For details regarding the amendment to the Management Fees Regulations and the reduction of management fees collected from annuity recipients, see below in this section.

- 2) Other complementary arrangements were also set, including as detailed below:

With regard to policyholders with whom the fund lost contact - the fund may collect management fees of up to 0.3% of the accrual, or the rate that was collected in the policy or in the planholder's account, as the case may be, on the date on which the fund lost contact with him/her - the lower of the two.³⁴

In practice, the Group's institutional entities collect average management fees, which are lower than the caps described in the tables above, according to individual agreements and discounts, due to market competition, and in accordance with the regulatory provisions that apply to management fees discounts (For further details about the competition in the market, see Section 6.3 below).

Management fees collected from annuity recipients

In February 2022, the **Supervision of Financial Services Regulations (Provident Funds) (Management Fees) (Amendment), 2021** entered into effect (hereinafter - the "**Management Fees Regulations - Annuity Recipients**"), which mostly include setting the maximum management fees for annuity recipients at 0.3% of total assets held against liabilities for the annuity recipient (instead of the limit of 0.5% or 0.6%, depending on the type of product). The amendment stipulates that the limit is applicable for anyone who begins receiving an annuity from a pension fund starting from the effective date of the amendment, and to life insurance policies marketed from that date onwards. The regulations also apply this cap to the recipients of survivor annuities in pension annuities on that date.

In the opinion of the Company, the rate of management fees that will be collected from annuity recipients (compared to the total assets under management held against the liabilities to those annuity recipients) will continue to decline in future years, with the retirement of further planholders from whom management fees at the rate of 0.3% will be collected, and there will also be a decrease in total assets under management held against the pension liabilities (due to old age and deaths) of the annuity recipients from who management fees at an annual rate of 0.5% are collected. In addition, the Company is of the opinion that the reduction of the maximum management fees to annuity recipients is expected to lead to the provision of discounts to policyholders nearing retirement, who hold executive insurance policies that were marketed before the coming into force of the Management Fees Regulations - Annuity Recipients, mainly in policies without Guaranteed Annuity Conversion Factors.

The reduction in management fees for annuity recipients is expected to gradually erode the profitability of Clal Pension and Provident Funds in respect of the management fees that will be collected from annuity recipients, compared to the situation prior to the promulgation of the regulations.

33. Excluding guaranteed return provident funds, in which management fees are determined according to the bylaws.

34. With regard to a planholder or policyholder, the contact with whom was resumed, and who is not a planholder or policyholder who passed away - the institutional entity may retroactively collect additional management fees, such that the management fees which will be collected with respect of the period beginning at least one year after the date when contact was lost, until the date on which the planholder or policyholder was located, will be at a rate of up to 0.5% of the accrued balance in their account (instead of 0.3%).

The information pertaining to the effects of the said Management Fees - Annuity Recipients Regulations constitutes forward-looking information, which is based on the Group's assessments 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; life expectancy development studies; and the behavior of the distributing entities.

6.1.2.4. Further provisions in connection with the management of pension savings products

1) Investment management expenses

In addition to the management fees, the institutional entities collect expenses in connection with the management of planholders' investments for third parties, subject to the provisions of **Financial Services Supervision Regulations (Provident Funds) (Direct Expenses Incurred as a Result of Execution of Transactions) 2008**, (hereinafter - the "**Direct Expenses Regulations**"), which set the types of expenses that may be collected from planholders.

For details regarding an amendment to the Direct Expenses Regulations, as part of which a mechanism was set whereby for each track or provident fund under its management, the institutional entity will set a cap on management fees to external parties and the institutional entity's entitlement to collect the direct expenses listed in the amendment to the regulations, in addition to management fees to external parties; regarding the expenses that institutional investors will be allowed to collect in specific types of tracks, and regarding the requirement to disclose and report to planholders and policyholders the cap on management fees to external parties and the total cost expected in the pension product, see Section 9.5.5.1(b) below.

2) Investment Track Reform

As part of the reform in the area of pension savings, in January 2023, certain provisions came to effect in the amendment to the "Investment Tracks in Provident Funds" Circular, which revised and significantly expanded the offering of specialized investment tracks, that an institutional entity may manage. For details regarding the provisions that were set in connection with the management of investment tracks by dividing them into five types of tracks ("clusters"); and regarding the requirement to create certain investment tracks (a provision following which in January 2023 a number of new investment tracks were set up: "combined liquid" and "flexible index-tracking"); and regarding the combined effects of the amendment to the Expenses Regulations together with the reform in the investment tracks, see Section 9.5.5.1(c) below.

6.1.3. New products

- **General:**

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 a draft amendment to the list of permitted investment tracks was published, mainly cancelling the possibility of offering a specializing flexible 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).

Changes in life insurance products during the reporting year:

In January 2023, amendments came into effect in the investment tracks appendix of the "Profile" executive insurance policies and retirement benefits insurance policies for the self-employed, which added two new investment tracks "combined liquid" and "flexible index-tracking", following the investment track reform.

In May and December 2023, two new investment tracks were opened in financial savings and individual savings products - in May 2023 a general passive track was opened, and in December 2023 a passive share indices track was opened.

Changes in bylaws of the pension funds in the reporting year:

Clal Pension and Provident Funds works from time to time, subject to the approval of the Commissioner, to amend the bylaws of the funds under its management, due to, among other things, regulatory changes and the need to make operational adjustments.

(a) **A Comprehensive pension fund and a general pension fund - "Clal Pension" and "Clal Supplementary Pension"**

In January 2023 amendments came into force to the bylaws of the comprehensive pension fund "Clal Pension" and the general pension fund "Clal Supplementary Pension", the highlights which are as follows:

1. Addition of two new investment tracks "combined liquid" and "flexible index-tracking", following the investment track reform.
2. Setting the rate of management fees that will be collected from an annuity recipient, who started receiving an annuity as from February 1, 2022, and survivors of these annuity recipients, at 0.3%. in accordance with the amendment to the Management Fees Regulations that came into force in February 2022.
3. Revising the actuarial assumptions, including the effective interest rate (as stated in Section 6.1.1.2 above) and the mortality tables, in accordance with the provisions as set out in Note 42(e1) to the Financial Statements.

In addition, in December 2023 the bylaws of the general pension fund "Clal Supplementary Pension" were amended, such that a new investment track was added - S&P Index Tracking.

(b) **Old pension fund - Atudot Pension Fund for Salaried Employees and Self-Employed Ltd. ("Atudot Havatika")**

On June 13, 2022, the Company filed to the Commissioner a request to amend the bylaws of the pension fund under the Company's management. The changes that were requested were amendments to the tables of the factors: "purchase factors" "early retirement factors" (hereinafter - the **"Factors"**), which are attached as appendices to the fund's bylaws, and are used to calculate annuities for the fund's planholders, and a clarification regarding the collection of management fees from pensioners and changing the bylaws such that they are in line with the Commissioner's Directives regarding the provision of services to senior citizens.

The changes in the Factors was required following an assessment carried out by the fund's actuary, as part of regular internal control, as part of which it transpired that one of the formulae on which the Factors are based should be revised. As of the report approval date, the Commissioner's approval for the amendment of the bylaws as stated above has not yet been received.

Changes in bylaws of the pension funds after the reporting year:

In March 2024, an amendment was approved to the bylaws of the comprehensive pension fund "Clal Pension" and the general pension fund "Clal Supplementary Pension", whereby a new investment track will be added - a passive share indices track.

Changes to the bylaws of the provident funds in the reporting year:

In January 2023, an amendment to the bylaws of the "Clal Tamar" provident fund came into effect, which mainly included the adding of two new investment tracks "combined liquid" and "flexible index-tracking", following the investment track reform.

In the "Clal Provident for the Future" investment provident fund, two new investment tracks were opened in the reporting year - a passive general track in May 2023, and a passive share indices track in December 2023.

In the "Clal Advanced Education Fund" advanced education fund, two new investment tracks were opened in the reporting year - a passive general track in May 2023, and a passive share indices track in December 2023.

Changes in bylaws of the pension funds after the reporting year:

In March 2024, an amendment was approved to the bylaws of the "Clal Tamar" provident fund, whereby a new investment track will be added - a passive share indices track.

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

Social security in Israel is achieved through a mandatory tier, under the management of the government, and as from 2008 also through another mandatory tier under the management of institutional entities by means of the Mandatory Pension Order that pertains to all salaried employees in Israel and requires employers to make contributions for employees in respect of retirement benefits and severance pay components, at rates set in the Mandatory Pension Order; this is done as part of a comprehensive pension arrangement, that was set as a default arrangement, or through an annuity insurance fund that includes life and disability insurance coverages.

As from the January 2017 salary, the minimum contributions for all employees and employers in Israel stand at 6% for the employee's contributions towards retirement benefits, 6.5% for the employer's contributions towards retirement benefits, and 6% for the severance pay component, and the rate of the employer's contributions will be uniform for all types of pension products. It was also decided that employer's contributions as referred to above will include the purchase of a disability insurance coverage for the employee, but in no event will the employer's contributions for the retirement benefits component be lower than 5% of the determining wage, and the total amount of the employer's costs in respect of the retirement benefit component plus the disability insurance coverage will not exceed 7.5% of that wage. The determining wage will be the wage in respect of which contributions will be made in accordance with the employee's employment agreement but will not be lower than the insured wage according to the Mandatory Pension Expansion Order.

As from 2017, the self-employed are also required to make contributions to an annuity provident fund at predetermined rates (contributions of 4.45% up to half the average wage in Israel, and 12.55% for that portion of their income that exceeds half the average wage in Israel and not beyond that wage), according to their income (hereinafter - the **"Mandatory Pension for the Self-Employed Law"**).

In addition, contributions are made in respect of a voluntary tier, stemming from employee and employer's contributions that constitute a beneficial arrangement, and from contributions of self-employed planholders in excess of the amount required by law. The voluntary tier referred to above includes contributions at rates or amounts that exceed those required by law, and contributions towards savings channels, some of which do not benefit from tax benefits or benefit from reduced tax benefits.

6.1.4.1. Life insurance

Demand and supply trends: In the reporting year, the pension became the main retirement benefits product that was marketed to the public by the institutional entities; this follows a trend that prevailed in recent years, whereby regulators encourage the public to make contributions towards pension products, such as partial backing - of up to 30% - of a mechanism to guarantee the return rate, and an increase in the rate of the guaranteed return,³⁵ focusing on pension as the default product as part of the Mandatory Pension Order, and other regulatory changes, including the cancellation of the Guaranteed Annuity Conversion Factors in insurance, except for customers aged 60 or over, non-approval of rates for sales of life insurance coverage in executive insurance policies (see Section 6.1.2.1 above), and to a greater extent - the contribution cap for executive insurance (see Section 6.2.1(a) below).

As from February 2019, there has been a decline in sales of executive insurance, due to the competitive conditions in this field, and the absence of approved rates for life insurance as part of executive insurance. In subsequent years, there was a certain increase in the number of persons who signed-on to the Company's life insurance products that include a savings component, due to, among other things, the launching of an executive insurance product with improved management fees. However, these sales were still significantly lower than the scope of executive insurance sales prior to the non-approval of life insurance rates as part of executive insurance.

35. For details regarding the replacement of the designated bonds with the Return Supplementation Mechanism, and regarding the crediting of the return on the fund's assets in respect of which there is guaranteed return to planholders of the pension funds of various ages, see Section 9.5.5.1(d) below and Section 6.1.1.2 above.

In the reporting year there was a significant decrease in the number of those who signed-on to life insurance products alongside a significant increase in transfers from the executive insurance product to the pension product, due to the contribution cap to executive insurance, which came into force during the reporting year (see Section 6.2.1(a) below), and the publication about the contribution cap even before it came into force. In the reporting year there was an increase in the sale of life insurance products, whereas the sales of life insurance products designed to secure the payment of a mortgage decreased compared to last year. At the same time, in the reporting year, there was a certain increase in the cancellations of risk policies (including life insurance policies designed to secure the payment of a mortgage), which were sold in the past.

As a result of the Iron Swords War, there was an increase in the payment of life insurance claims (life insurance and life insurance taken out in connection with a mortgage) during the last quarter of 2023. In addition, the Company made a provision in its financial statements in respect of disability insurance claims arising from the War through December 31, 2023, which have not yet been filed. For further details in connection with the effects of the Iron Swords War, see Note 46(k) to the Financial Statements. At this stage, the Company is unable to estimate the full effects of the War in 2024.

- **Scope of activity:**³⁶ In accordance with the Commissioner's publications, the assets in the life insurance subsegment in the Israeli insurance market as of September 30, 2023 amounted to approx. NIS 460 billion, of which NIS 370 billion are assets in the new life insurance portfolio (participating policies), compared to approx. NIS 441 billion as of September 30, 2022, of which NIS 354 billion in the new life insurance portfolio, that is to say - an increase of approx. 4% in the total assets under management, and an increase of approx. 5% in the assets of the new life insurance portfolio.

As of September 30, 2023, the assets in the life insurance portfolio under management of Clal Insurance amounted to approx. NIS 101 billion, of which approx. NIS 80 billion are assets in the new life insurance portfolio (participating policies), compared to approx. NIS 97 billion as of September 30, 2022, of which approx. NIS 77 billion are assets in the new life insurance portfolio. That is to say - an increase of approx. 4% in the total assets under management, and an increase of approx. 4% in the assets of the new life insurance portfolio.

As of December 31, 2023, the assets in the life insurance portfolio under management of Clal Insurance amounted to approx. NIS 102 billion, of which approx. NIS 81 billion are assets in the new life insurance portfolio (participating policies), compared to approx. NIS 98 billion as of December 31, 2022, of which approx. NIS 78 billion are assets in the new life insurance portfolio.

As of September 30, 2023, the assets in the life insurance portfolio under management of Clal Insurance constituted approx. 22% of total assets in the life insurance market, a rate which is similar to that as of September 30, 2022.

Development of portfolio assets in the life insurance market in 2020-2023, in NIS billion



The increase in assets under management as of September 30, 2023 compared to December 31, 2022 is mainly due to an increase in returns in most investment tracks in the capital market, which caused an increase in total assets under management in the market in the life

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

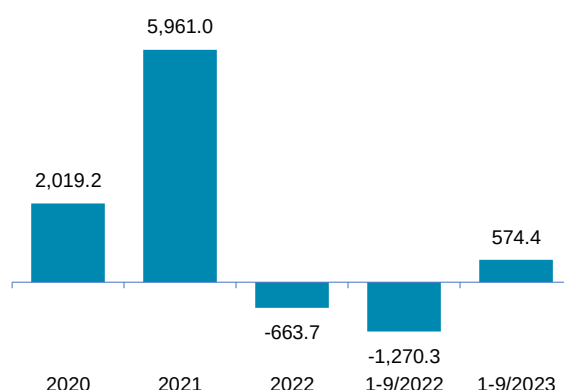
insurance subsegment. The said increase may have been partially offset due to an increase in the amounts transferred out of executive insurance policies and redemptions in those policies due to the cap on contributions to executive insurance (for details, see Section 6.2.1(a) below).

For details regarding the changes in premiums and in redemptions in the insurance products, see Section 6.4.2 below and Part B to the Report - Report of the Board of Directors, Section 2.2.1.1.

- **Profitability:**³⁷ In accordance with the Commissioner's publications, total comprehensive income before tax from life insurance business in the life insurance market in the first nine months of the reporting year amounted to approx. NIS 574 million compared to a loss of approx. NIS 1,270 million in the corresponding period last year.

The profitability in life insurance is based, among other things, on the aggregate sum of the following components over the policy's term: The financial margin in the guaranteed return life insurance portfolio, the management fees collected as a percentage of the accrual and/or the investment margins and/or the contributions in yield-dependent insurance policies, the difference between the collected premium and the coverage of insurance risks and expenses and their actual costs, the term of the policy, investment income, changes in the risk-free interest rate curve, the effects of the increase in life expectancy in policies with Guaranteed Annuity Conversion Factors, fees and commissions and other expenses.

Total comprehensive income before tax in life insurance at the market level from 2020 to September 2023 in NIS million



The cumulative results of insurance companies in the Israeli insurance market in the life insurance subsegment in the first nine months of 2023 were affected by an increase in investment income due to an increase in returns in most investment tracks in the capital market. Despite the increase in returns in the capital market, in the first nine months of 2023, no variable management fees were collected in Adif yield-dependent insurance policies and in traditional policies, despite undertakings to policyholders, until the fulfillment of which no variable management fees will be collected. Total management fees (in the reporting period - only fixed management fees as stated above), which were collected in the market in the first nine months of 2023 amounted to approx. NIS 2,368 million compared to approx. NIS 2,431 million in the corresponding period last year. For details regarding the management fees debt in respect of accrued investment losses, see Part B to the Report - Report of the Board of Directors, Section 2.1(b).

The liabilities in respect of lifetime annuities for valid policies, in respect of which annuities have not yet been withdrawn, are calculated, among other things, according to the expected life expectancy and in accordance with the probability of withdrawal of annuities in valid policies. In the years preceding the reporting year, there has been an increase in the annuity uptake rate compared to withdrawal of savings funds as a lump sum, in addition to and concurrently with an increase in life expectancy. However, in the reporting year there was a slight decrease in the annuity uptake rate compared to previous years. The Company updates the liabilities in respect of annuity recipients from time to time. For changes arising from the update of the demographic assumptions following

37. The loss presented in life insurance in 2019 is before restatement due to retrospective application of the Capital Market, Insurance and Savings Authority's circular regarding the 'Consolidated Circular regarding Measurement of Liabilities - Liability Adequacy Test'.

the mortality tables circular and independent surveys, and improvements in the model, see Notes 42(e)(e1)(d) to the Financial Statements. Regarding the effect of the circular dealing with the **"Amendment of the Consolidated Circular on Measurement of Liabilities - Update of the Life Insurance Demographic Assumptions and Mortality Improvement Model for Insurance Companies and Pension Funds"**, see Note 42(e)(e1)(d)(2) to the Financial Statements.

In addition, the discontinuance of sales of accidental death and accidental disability coverages as a result of the implementation of the provisions of the Personal Accidents Circular, and the absence of approved rates for those products in most market participants, caused a decline in the sales of life insurance products in recent years. For further details regarding the Personal Accidents Circular see Sections 6.2.2(b) and 8.1.2.1(c) below. For details regarding the uncertainty as to the approval of rates for accidental death and accidental disability products during the reporting period, see Section 6.2.2(c) below.

For financial information regarding the Company's life insurance subsegment, see also Note 21 to the Financial Statements.

During the reporting year, 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 in redemptions stems from a number of factors, including the interest rate environment and market conditions in Israel and across the world, customers' needs, returns, and investment alternatives arising from the interest rate environment. At this stage, the Company is unable to estimate whether the said growth is persistent and its scope. For further details on the effect of various factors on the markets, see Part B to the Report - Report of the Board of Directors, Section 3 and Note 42(c)(2) to the Financial Statements.

- **Customers:** In the reporting year, there were no material changes in the customer mix in this subsegment. For further details, see Section 6.4.1 below.

6.1.4.2. Pension funds

- **Supply and demand trends:** In recent years, the trend whereby customers prefer the pension products over the executive insurance and provident funds products intensified, and pension products continued being the leading retirement product, which is marketed in the market. Consequently, in the reporting year there is a continued increase in the number of customers who signed-on to the pension products under management of Clal Pension and Provident Funds.

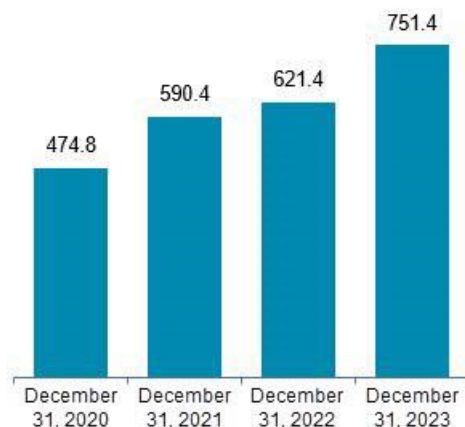
Over the years, the government encouraged saving for pension under the annuity track by, among other things, backing some of the pension funds' investments with a return guarantee mechanism (for details see Section 9.5.5.1(d) below); the mandatory pension order, which stipulates that so long as the insured has not selected otherwise the default is signing-on to the pension fund; restricting insurers' ability to sell new life insurance plans that include Annuity Conversion Factors that take into account guaranteed life expectancy; the Default Funds (for details see Section 6.3.1.2 below); crediting the yield on designated bonds to annuity recipients in the pension funds (for details see Section 6.1.1.2 above); non-approval of tariffs of life insurance products as part of executive insurance policies (for details see Section 6.1.2.1 below); and the contribution cap to executive insurance (for details see Section 6.2.1(a) below). All of the above has led customers - over the past few years - to prefer the annuity product, which is purchased as part of the pension fund, despite certain advantages that insurance products have over pension products.

It should be noted that the Iron Swords War did not have a material impact on the demographic balancing out mechanism of the pension fund due to payments arising from death and/or disability of the pension fund's planholders.

- **Scope of activity:** According to the Commissioner's publications, the amount of assets accrued in the new and general pension funds in the pension market as of December 31, 2023 reached approx. NIS 751.4 billion, compared to approx. NIS 621.4 billion in the corresponding period; that is to say - an approx. 20.9% increase. The increase in the amount of assets accrued is mainly attributed to contributions during the year (including new transfers of funds) and to returns on assets under management. The share of the Group's comprehensive and general pension funds out of the total comprehensive and general pension funds market as of December 31, 2023 was approx. 16%, which is similar to the rate in the corresponding period. Net accrual in the comprehensive and

general pension funds market in respect of contributions in the reporting year amounted to approx. NIS 67.2 billion compared to approx. NIS 55.3 billion in the corresponding period.

Development of assets in the pension funds market in 2020-2023, in NIS billion



Profitability: The profitability of the pension funds is based, among other things, on the difference between the management fees collected by the management companies and the actual expenses. The management fees and the expenses are affected by the number of planholders, total assets, contribution amounts, as well as by capital market returns.

The intense competition in the pension market is reflected in increased discounts on management fees for planholders. The establishment of selected Default Funds caused a further reduction in the rate of average management fees offered to new planholders. For details regarding provisions in connection with the intensification of the competition in the pension savings market and its consequences, and regarding the competition in relation to annuity recipients, see Sections 6.2.1 below and 6.1.2.3 above. For details regarding the amount of assets, accrual and average management fees, see Section 6.1.2.2 above. For financial information regarding the Company's pension funds subsegment, see Note 21 to the Financial Statements.

A number of regulatory changes that have been applied over the past few years led to intensification of the competition in the pension funds subsegment. However, in recent years there was a significant business growth in the Company's activity in the pension funds subsegment, which led to an increase in operating profit.

- **Customers:** In the reporting year, there were no material changes in the customer mix in this subsegment. For further details, see Section 6.4.3 below.
- In the old pension funds market there was no change in demand and supply, since new planholders cannot join those funds.

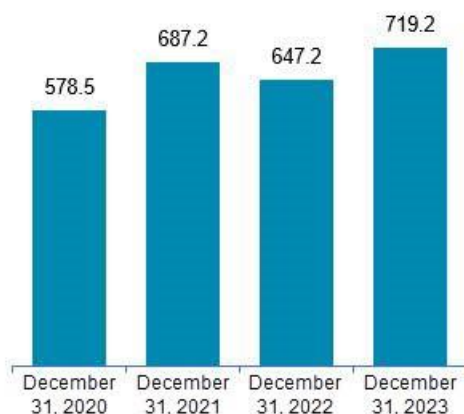
6.1.4.3. Provident funds

- **Demand and supply trends:** The demand for provident products, which mostly constitute savings products, was mainly in connection with provident funds; it focused mainly on the transfer of existing accruals between the various institutional entities, and on receipt of one-off contributions, due to retirement or death of a planholder (in accordance with Amendment No. 190), in connection with advanced education funds and investment provident funds - focusing mainly on new contributions and the transfer of existing accruals between the various institutional entities as a consequence of competition over management fees and returns.
- **Scope of activity:** According to the Commissioner's publications, total assets under management in provident funds in the provident funds market as of December 31, 2023 amounted to approx. NIS 719.2 billion, compared to approx. NIS 647.2 billion as of December 31, 2022, an increase of approx. 11.1%. This increase arises mainly from returns on assets under management and from positive net accrual.

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

As of December 31, 2023, the assets under management of the provident funds under the management of the Group constitute approx. 8.2% of total assets under management in the provident funds market compared to approx. 8.5% as of December 31, 2022.

Development of assets in the provident funds market in 2020-2023, in NIS billion



- The transfer of planholders and accruals between the provident funds continued in the reporting year. The Group believes that this trend stems from the competition between the funds with respect to returns and management fees, and from increased transparency in the market.

Furthermore, in the reporting year there was an increase in redemptions in investment provident funds and in advanced education funds.

For financial information regarding the Company's provident funds subsegment, see Section 6.1.2.2 above.

- Profitability:** The profitability of the provident funds is based, among other things, on the difference between the management fees collected by the management companies and the actual expenses. The management fees are affected by the competition in the market, the amount of accrued expenses, and the returns on assets under management, as well as by regulatory changes. Until 2022, average management fees decreased, mainly in the advanced education funds. In the reporting year there was no change in the average management fees compared to 2022.
- Customers:** In the reporting year, there were no material changes in the customer mix in this subsegment. For further details, see Section 6.4.4 below.

6.1.5. *Material expected changes in the Company's market share in key markets in relation to the main products and services, and their mix, considering, among other things, the demand for the existing products and the period that elapsed since they were launched*

Life insurance policies, pension funds and provident funds are alternative products, since they are all long-term savings products that entitle planholders with tax benefits, and which can incorporate insurance coverages. Following regulatory changes, the uniformity between the various products has increased, which is reflected, among other things, in the structure of management fees, in the ability to sell insurance coverages to planholders, and in the absence of Guaranteed Annuity Conversion Factors. The Group is of the opinion that the pension product will continue to be the most sought after product in the market due to, among other things, the issuance of the Mandatory Pension Order, the Mandatory Pension for the Self-Employed Law (for details see Section 6.1.4 above), the provisions regarding the default funds (for details see Section 6.3.1.2 below), the existence of return guarantee mechanisms (for details see Section 9.5.5.1(d) below), improved Annuity Conversion Factors for annuity recipients compared to those offered in executive insurance (although those factors are not guaranteed), the absence of approved rates for life insurance products in executive insurance products (for details, see Section 6.1.2.1 above) and the entry into force of a contribution cap for executive insurance (for details, see Section 6.2.1(a) below).

In the reporting year, the Group is the fourth largest Group in the pension market, and has a certain relative advantage, since it markets the entire range of products in this segment.

6.1.5.1. Life insurance

According to the Commissioner's publications, in the reporting year, the Group was the third largest group in the life insurance market, based on total assets under management, as defined by the Commissioner. The Company is not aware of material changes that are expected to occur in its overall share in the life insurance market, and this depends, among other things, on the way competing institutional entities conduct themselves, policyholders and planholders' preferences, the way distributors conduct themselves, the effects of regulatory changes in the pension savings market with regard to assets under management and new sales, and the feasibility of selling life insurance coverages in the future as part of executive insurance and scope of executive insurance sales.

Another advantage for customers is the fact that annuity insurance policies that were sold in the past, and which include guaranteed life expectancy Annuity Conversion Factors (and policies that are currently sold to policyholders aged 60 or over) have a relative advantage over the pension funds in terms of the post-retirement period, since those policies are not subject to the provisions of bylaws, and do not have an actuarial balancing mechanism, which may affect the annuity amount paid at retirement. On the other hand, the existence of a guaranteed return mechanism for annuity recipients or for pension funds' planholders, who are close to retirement age, and the rate of management fees, which are collected from annuity recipients, may affect the share of the insurance market in the pension savings market.

The fact that there are no approved tariffs for the sale of life insurance coverage as part of executive insurance policies, and the cap on contributions to executive insurance policies and retirement benefits to the self-employed (for details see Section 6.2.1(a) above), also caused an increase in customers' preference of pension products over insurance products.

Another advantage that the pension product may have arises from the relative costs of the insurance coverages in the pension fund compared to their cost in the executive insurance product, and the amount of management fees in the pension product compared to the executive insurance product.

For effects arising from the contribution cap in executive insurance and cutting management fees collected from annuity recipients, see Sections 6.2.1(a) 6.1.2.3 below.

6.1.5.2. Pension funds

In the reporting year, the Group was the third largest group in the pension funds market, based on total assets under management, as defined by the Commissioner. The Company is of the opinion that in the forthcoming years pension products will continue to be sought after in the pension savings market. The Company believes that Clal Pension and Provident Funds' share in the pension market will be affected, among other things, by the rate of management fees that will be collected, the returns, the service, the competition between the institutional entities, the way the distributors will conduct themselves, the policyholders and planholders' preferences, and the relevant regulatory provisions.

As stated above, Clal Pension and Provident Funds' share in the pension market is affected and is expected to be affected to a considerable extent, by the default funds, in view of the rate of management fees collected by those funds, and their direct and indirect effect on the competition in the market (for details, see Section 6.3.1.2 below), in view of the operational advantage those funds have in terms of signing-on new planholders (since those who wish to sign-on are not required to fill out a form or health statement); and also by the effect of changes in the mechanism for ensuring the stability of the pension funds and the crediting of guaranteed return (both due to the designated bonds and due to the Return Supplementation Mechanism) on the age groups, between the various pension funds. For details, see Sections 9.5.5.1(d) below and 6.1.1.2 above. In the opinion of the Company, the multiple number of competitors, regulatory changes that occurred in recent years, and the intense competition in the market (both at the time of signing-on and in relation to transferring existing planholders), which is reflected, among other things, in competition over management fees and returns, affect the retention rates and the new sales of the various pension products, and may affect the Company's market share.

The contribution cap in executive insurance policies, as detailed above, shall continue causing customers to prefer the pension products.

In addition, a further increase in planholders' applications to transfer funds to pension plans close to their retirement date may also have a material effect on the Company's business results. In the reporting year, there was a certain increase in the total amounts transferred by planholders close to their retirement age, including a transfer to the "Clal Pension" fund, and the Company believes that this is a trend that may

intensify in the forthcoming years. For effects arising from cutting management fees collected from annuity recipients, see Section 6.1.2.3 above.

6.1.5.3. Provident funds subsegment

In the reporting year, the Group was the sixth largest group in the provident funds market, based on total assets under management, as defined by the Commissioner. The Company's market share in the provident funds market is affected, among other things, by the competition between the institutional entities and the investment houses, which is affected by the returns achieved by the provident funds, the rate of management fees, and the service that will be rendered to planholders.

Advanced education funds vary from other pension savings products, since they provide the possibility of mid-term savings, that entitles savers with tax benefits. The Company's market share in the advanced education funds market is affected, among other things, by the competition between the institutional entities, which is affected by the returns achieved by the advanced education funds, the range of investment tracks, the rate of management fees, and the service that will be rendered to planholders.

In the reporting year, the way the Company tackled competition in the market, specifically in terms of returns and management fees, and the option customers had to transfer funds between investment provident funds, led to an increase in total assets under management in the investment provident funds under the management of Clal Pension and Provident Funds. For information about changes in the contributions to investment provident funds, see Section 6.1.2.2 above.

The information pertaining to future changes in the Company's share in the markets for various pension products constitutes forward-looking information, which is based on the Group's assessments and assumptions as of the report publication date. The changes and their actual consequences may vary from those predicted, in view of the many regulatory changes, which are at initial implementation stages; any future regulatory changes may affect the Company's share in the various markets; the competition in the market; the way the competing institutional entities and distributors conduct themselves; and customers' preferences.

6.2. Restrictions, Legislation and Special Constraints Applicable to this Area of Activity

The activity in this field is subject to the legal provisions applicable to insurers, pension funds and provident funds that operate in the area of activity - including the Insurance Law, the Provident Funds Law, the Pension Advice Law and the Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964, and to the Commissioner's Directives as published from time to time. Provident funds and pension funds are managed by management companies; insurance funds are managed by insurance companies.

The activity in this field requires a license from the Commissioner, in accordance with the Insurance Law and Provident Funds Law, and is supervised by the Capital Market, Insurance and Savings Authority. The management company of a provident fund, which manages a pension fund, is required to obtain an insurer license that also constitutes a management company license regarding all provident funds under its management. A management company that was granted an insurer license as stated above may currently manage any type of provident fund other than insurance funds. One management company may also manage one general new pension fund, a new comprehensive pension fund and an old pension fund and provident funds.

A management company may engage in other business in respect of a pension product approved by the Commissioner, subject to approved conditions, provided that the engagement is regulated under the provisions of the Provident Funds Law, Insurance Law or Pension Advice Law. Furthermore, all provident funds managed by a management company is required to obtain a provident fund management permit, which is renewed annually.

The Insurance Law prescribes that a person will not be granted a permit to control an insurer if - subsequent to granting such a permit - that person will have a holding that exceeds 15% of total long-term savings assets, as defined in the Insurance Law. The Insurance Law permits a material holding in the field of long-term savings if such a holding arises from changes in operating activities. To the best of the Company's knowledge, according to the weighting of the information published on the Commissioner's website, as of September 30, 2023, the Company's holdings in the field of long-term savings amount to approx. 13.8%.

The area of activity is characterized with significant, extensive and frequent regulation - both in relation to the products that were sold in the past and are still valid, and in relation to products currently sold - whose objective is, among other things, to increase transparency and competition and to perfect the market.

Following are material changes in regulations that apply to the segment in recent years:

6.2.1. Intensifying the competition in the pension savings market

Various provisions and regulations have been published over the past few years, which improved the market's perfection, and intensified the competition and transparency, in order, among other things, to allow those who save for pension to better adapt the products, such that they meet their needs, and simplify their decision-making process. The significant provisions published in recent years included the establishment of the Default Funds (see Section 6.3.1.2 below), the setting up of the Clearing System (see Section 6.3.1.3 below), the amendment to the Direct Expenses Regulations, and the reform in investment tracks (see Section 9.5.5.1(c) below).

A. Cap on contributions to executive insurance

Further to a Government Regulation of February 2023 regarding the setting of a cap on 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), 1964** (hereinafter - the "**Provident Funds Management Regulations**") and to the **Supervision of Financial Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds) (Amendment), 2008**, which came into force in September 2023 (hereinafter - the "**Transfer of Funds Regulations**").

The amendments stipulate, among other things, that: (a) Contributions to new insurance funds (that will be opened after the coming into force of the provision) will only be made from an amount that exceeds 20.5% of twice the average wage in Israel (hereinafter - the "**Monthly 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 Monthly Contribution Cap multiplied by the number of months that elapsed since the first payment was made into the provident fund. The restrictions on the transfer of funds as stated above shall not apply to transfer of funds from an insurance fund that was issued before September 2023. 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.

The regulations and the media reports in connection therewith decreased significantly the sales of executive insurance and increased significantly the trend of signing-on to pension funds; they were a significant factor in the significant increase in transfer of funds to pension products from executive insurance. Although the executive insurance reform did not set rules regarding existing executive insurance policies, it is perceived by some of the customers and some of the pension marketing and advice entities operating in the market, as a reform that points to the advantages of executive insurance products - not only those that will be sold prospectively, but also those that were sold in the past, including policies with guaranteed life expectancy Annuity Conversion Factors that were sold over the years, and mainly in relation to policies with no guaranteed life expectancy Annuity Conversion Factors. Accordingly, as stated above, the reform led to a significant increase - in the reporting year - in the amounts of funds transferred from those policies. A protracted significant increase in funds transferred from executive insurance policies that were sold as from 2001, to the extent that it occurs, might have a material adverse effect on the embedded value of those policies, that constitute a material component of the Company's embedded value.

The Company believes that the trend of fund transfers to the pension product from executive insurance is set to continue. In that context, it should be noted that in the second half of 2023 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 Company takes steps to increase the retention of executive insurance policies. These steps may reduce, to a certain extent, the potential profitability of executive insurance. At this stage, the Company is unable to estimate whether the increase in the amounts transferred from executive insurance policies will be protracted or temporary, or its total amount over time; it is also unable to estimate at this stage, the effectiveness of the steps it takes, as stated above.

The information regarding the effects of the contributions cap for executive insurance constitutes forward-looking information based on the Group's assessments 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; life expectancy development studies; and the behavior of the distributing entities.

B. Fees and commissions arrangements for the insurance and the pension savings products

Regarding the **Commissioner's Position and the Amendment to the Financial Services Supervision (Provident Funds) Law (Amendment No. 20)**, which deal with the separation of fees and commissions from the management fees; regarding the bill dealing with giving banking corporations the option to provide pension advice over the phone or through digital means see Section 9.8.1.1(b) below; and regarding the **Supervision of Financial Services Regulations (Provident Funds) (Distribution Fees), 2006**, which deal with distribution fees that a pension advisor may receive from an institutional entity, see Section 9.8.1.1(b) below; provisions regarding an insurance agent's obligation to refund the brokerage fees paid to him, upon cancellation of a policy or the transfer of the funds accrued therein after it was taken out, see Section 9.8.2.2 below; regarding the amendment of the Advice Law in connection with the refusal of an institutional entity to engage with a pension advisor, and the terms and conditions of this engagement, see Section 9.8.2.3 below.

6.2.2. Product - grouping of products, transparency and rates intervention

Over the years, the Authority took a number of steps in order to encourage competition and focus it on management fees, returns and service, while grouping the various products sold in the market and prescribing them. This led to a uniform format of the various products, including the bylaws of the pension funds, disability insurance policies and personal accidents policies.

A. New rates for life insurance (risk) products

For details regarding the tariffs of life insurance products (life insurance policies), that were approved by the Authority in February 2019, and the absence of approved rates for the sale of life insurance coverages in executive insurance policies, as well as the effects of those rates, see Section 6.1.2.1 above.

B. The Personal Accidents Circular

The provisions of The Personal Accidents Circular, which was published in June 2020, include a provision whereby accidental death and accidental disability coverages shall be marketed according to the provisions of this circular. As of the report date, the Company did not market accidental death and accidental disability coverage; however, as of the publication date of this report, Clal Insurance intends to resume the marketing of accidental death and accidental disability policies, which are in line with the provisions of the Personal Accidents Circular, having received the Commissioner's approval for revised tariffs for such policies.

For further details regarding the effects of The Personal Accidents Circular, including a provision whereby accidental death and accidental disability coverages shall be marketed according to the provisions of The Personal Accidents Circular, see Section 8.1.2.1(c) below.

6.2.3. Others

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 replace 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 Prohibition on Money Laundering 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 Prohibition on Money Laundering 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.

The information pertaining to the said provisions regarding the prohibition on money laundering constitutes forward-looking information, which is based on the Group's assessments 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.

6.3. Competition

6.3.1. Competitive conditions in the area of activity, and the names of the significant competitors

This area of activity is characterized with intense competition between all institutional entities, both at the stage of signing-on to the pension product and during the savings period, in connection with transfer and retention of existing accruals between the various institutional entities. Competition also exists in relation to policyholders and planholders who approach the date on which they will start receiving the annuity, in relation to the product from which they will receive the retirement pension.

6.3.1.1. Filling out signing-on forms

The competition over joining pension funds is intensifying in view of the provisions regarding transfer as part of the signing-on process, whereby when planholders join a new pension fund, and so long as they have not requested otherwise, the savings funds available to them in inactive accounts with other new pension funds will be transferred to the new pension fund to which they wish to sign-on, while maintaining insurance continuity (hereinafter - "**Transfer as Part of the Signing-On Process**").

The rate of management fees collected by the pension fund managed by Clal Pension and Provident Funds decreased since, among other things, the rate of management fees in inactive accounts that are transferred to other pension funds is significantly higher than the rate of management fees collected from inactive funds transferred to the pension fund managed by Clal Pension and Provident Funds.

As stated above, a further increase in planholders' applications to transfer funds to pension plans close to their retirement date may also have a material effect on the Company's business results. This trend is affected, among other things, from the Yield Imputation Regulations, The return guarantee mechanism in the pension funds and reduction of management fees for pension recipients.

6.3.1.2. Default Funds

The competition in the subsegment intensified following the setting up of selected pension funds, which are the default funds to which planholders are signed-on, who did not fill out a form for signing-on to a provident fund, and whose employer did not select a default fund as part of a tender it conducted (above and hereinafter - the **"Default Funds"**). As of the report date, the rate of management fees collected by the selected funds is 1% of the contribution and 0.22% of the accrual.

At the same time, a mechanism was put in place for selecting default advanced education funds, which also increased the competition in the advanced education funds market.

The setting up of Default Funds and the competitive advantages conferred upon them have a material market-wide effect on the pension funds market, which included the introduction of new market players, and a decline in the average management fees collected in the pension funds and in the advanced education funds. The said effect intensified in view of the combined effect of the said provisions together with the provisions regarding Transfer as Part of the Signing-On Process (see Section 6.3.1.1 above).

However, the rate of management fees offered by the selected pension funds that are currently operational moderated the effect of the Default Funds on the decrease in management fees. In addition, and due to the expansion of the pension marketing activities conducted by the Company (through agents and directly), the returns achieved by the Company, the improvement in the services provided by the Company and the contribution cap in executive insurance (see Section 6.2.1(a) below), and due to the absence of approved tariffs for the sale of life insurance coverages as part of executive insurance (for details, see Section 6.1.2.1 above), there was an increase in the contributions of new planholders to the pension funds under the management of Clal Pension and Provident Funds compared to the previous year.

6.3.1.3. Removal of operational barriers - the transfer of information in the pension savings segment and the Pension Clearing System

Over the years, the Authority has taken a number of steps, whose aim is to remove operational barriers and assist with transfer of information.

As part of this, the central pension clearing system was set up (hereinafter - the **"Pension Clearing System"**), that is used to deliver information between various entities operating in the pension savings market (the institutional entities, license holders, employers, policyholders and planholders), and to execute a number of actions (some of which must be executed only through the Pension Clearing System). Since the setting up of the Pension Clearing System, provisions regarding the information and requests that should be transferred through the Pension Clearing System were added and updated.

In order to implement the provisions regarding the transfer of information through the Pension Clearing System, a circular gradually entered into force, that determines the format of a uniform record for the provision of information, which is revised from time to time (hereinafter - the **"Uniform Structure Circular"**). The Uniform Structure Circular includes a number of interfaces, whose aim is to create a uniform format for transfer of information between the various entities, including an employers' interface whose aim is to set up a structured interface for the transfer of information about employers' contributions to pension products for their employees; the events interface through which requests are transferred to receive information and execute transactions;³⁸ the holdings and pre-consultation interface³⁹; the

38. The events interface is an interface, through which all requests the Company receives from the Clearing House are transferred, whether they are information requests or requests to executed actions.

39. The holdings interface is an interface that includes data about policyholders and planholders' pension products, which an institutional entity is required to transfer to a license holder further to its request to transfer information about the customer.

severance pay balances interface;⁴⁰ the funds transfer interface;⁴¹ the information to employers⁴² and feedbacks interface.

The Pension Clearing System supports the processes of transferring information regarding pension funds and streamlines them, removes operational barriers and facilitates the transfer of funds between competing institutional entities, and the tracing of those funds, facilitates the signing-on of planholders and collection processes, and therefore assists in increasing competition and the efficiency of operational procedures.

The information pertaining to the above effects regarding market competition constitutes forward-looking information, which is based on the Group's assessments and assumptions as of the report publication date. Actual implementation may vary materially from that predicted and depends on the competitive conditions; the way the competing institutional entities conduct themselves; the policyholders and planholders' preferences regarding their products; the effects of other legal provisions in this field, and their combined effect together with the provisions referred to above.

6.3.1.4. Competitive conditions

The following are details regarding the competitive conditions which affect the signing-on to pension products and the transfer of the pension products under the Group's institutional entities. For details regarding the transfer of funds from and to the Group's institutional entities in the long-term savings subsegments in 2021 to 2023, see Section 6.4.5 below.

Life insurance policies, pension funds and provident funds are partly ⁴³alternative products, with certain emphases in each of them. In view of a number of reforms in the area of activity, which reduced the variability between the products, and resulted with preference to annuity products, the cancellation of the guaranteed annuity conversion factors in insurance funds, the relatively low cost of the insurance coverages in the pension fund, the management fees which are collected, the guaranteed returns on some of the assets in the pension funds, the setting up of default funds, and the contribution cap for executive insurance pension funds are the main product, which is marketed to the public. For details regarding demand and supply trends in the reporting year, see Section 6.1.4 above.

The insurance products that do not benefit from tax benefits, such as individual policies or pension savings that became liquid, as well as investment provident funds, compete with one another and with other investment products, that are also marketed by financial entities, which are not regulated by the Commissioner, mainly banks, portfolio managers and mutual funds.

The competition in the area of activity focuses on returns, annuity conversion factors or guaranteed return or the absence thereof, the amount of the management fees (and any discounts), the insurance coverages and their cost, the level of service and supplementary insurance solutions.

According to the Commissioner's publications, as of December 31, 2023, the Group was the third largest group in the life insurance market, the third largest group in the pension funds market, and the sixth largest group in the provident funds markets, and in total the Group is the fourth largest group in the pension market based on total assets under management, as defined by the Commissioner.

In the life insurance and disability insurance subsegments, the competing entities are various insurance companies, and competition focuses on rates and discounts, due to, among other things, the many similarities between the terms and conditions of the various products (in that regard, see, among other things, the provisions regarding setting rates in life insurance, as detailed in Section 6.1.2.1 above). Furthermore, the pension funds, that include surviving relatives insurance coverages (in the case that

40. The severance pay balances interface is an interface for the provision of information to the employer about severance pay balances in respect of its employees, or to a policyholder in respect of his/her employment periods with his/her employers.

41. The funds switching interface regulates the procedures for transferring funds between institutional entities and stipulates that the transfer of funds between institutional entities will be conducted only through the Pension Clearing System.

42. The information to employers interface prescribes information that the employer may receive from the institutional entity through the interface, and deadlines by which the institutional entity should respond to the employer's request.

43. In view of the contributions cap in executive insurance, which came into force during the reporting year, the executive insurance product ceased serving as a substitute product for the comprehensive pension fund and became a substitute product only for the general pension fund, in relation to insurance contracts that will be purchased or fund transfers that will be carried out after the restriction came into force. For details, see Section 6.2.1(a) above.

the planholder dies) and disability coverages also compete with life and disability insurance products, as a supplementary product of executive insurance.

The competition between the area of activity's products and the institutional entities intensified due to the combined effect of regulatory changes introduced in recent years, including the setting up of default pension funds (for details, see Section 6.3.1.2 above), the trend of consolidating various products, the removal of operational barriers that delay the transfer of funds between the institutional entities, such as the setting up of the Pension Clearing System and the increased use thereof (see Section 6.3.1.3 above), The Signing-On to Insurance Plans Circular,⁴⁴ and the removal of transfer barriers. Other factors that affected the competition are the introduction of new market players and the strong positioning they achieved, the continued trend of preferring pension products over others, the discontinuation of the sale of life insurance products as part of executive insurance and contribution cap with respect to executive insurance.

In February 2024, the Ministry of Finance set up a taskforce that was designed to assess the various investment instruments in medium and short-term savings, map the gaps and formulate recommendations regarding an adequate regulatory outline for the said investment instruments, such that the arbitrage in this market will be reduced. The letter commissioning the committee notes that the public is offered a number of medium and short-term investment instruments under management, which share similarities in terms of how their investments are managed and their use by the consumer but vary in various regulatory aspects.

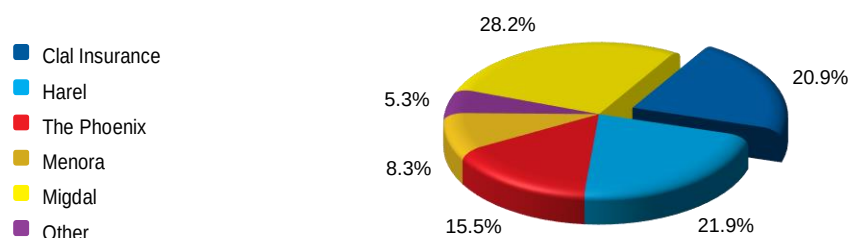
With regard to the said products, the competition is reflected, among other things, in retention capabilities, returns, the rate of management fees collected, and the fees and commissions paid to agents. For further details, see Part B to the Report of the Board of Directors, Section 2.2.1.

In addition, credit card companies set up - for the first time - insurance agencies under their ownership, which use customer data available to them, in accordance with conditions set by the Commissioner. To the best of the Company's knowledge, at this stage these agencies do not market long-term savings products; however, some of those agencies market pension savings products. The Company is unable to assess the impact of the introduction of insurance agencies owned by credit card companies into the long-term savings products market.

A. Life insurance

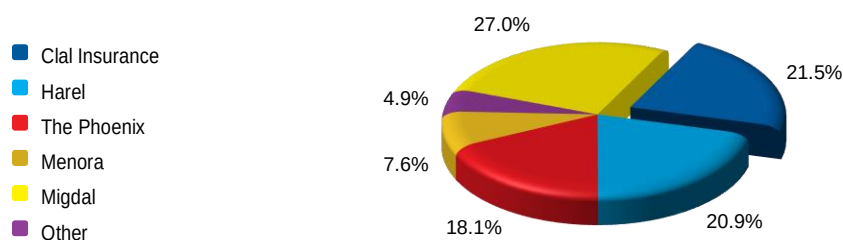
Approx. 94.7% of the life insurance market, in terms of gross premiums earned, is controlled by the five largest insurance companies (Clal Insurance, Migdal, Harel, Menora and The Phoenix). Clal Insurance competes mainly against those insurers, pension funds and provident funds that provide alternative products, and against financial entities. Clal Insurance also competes - in the field of individual insurance - against other insurance companies, and against financial entities.

Breakdown of share of premiums by insurance groups and companies in Israel in the life insurance subsegment as of September 30, 2023



44. The Signing-On to Insurance Plans Circular, that settles the conduct of insurance companies and insurance agents when an insurance candidate signs-on to an insurance plan, prescribes, among other things, provisions regarding the customization of the insurance such that it suits the customer's needs, by posting a query on the "Har Habitua" website in order to obtain information regarding other insurance coverages of the policyholder with other companies; and provisions that prohibit the signing-on of an insurance candidate to an individual insurance policy that awards compensation when the policyholder has another policy that awards compensation for such insured events, except for extraordinary cases and/or with the consent of the policyholder.

Breakdown of share of premiums by insurance groups and companies in Israel in the life insurance subsegment as of September 30, 2022



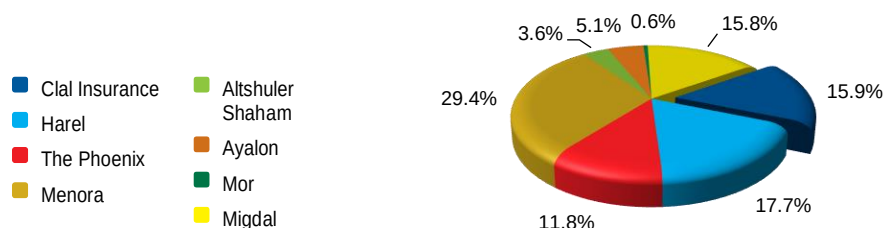
* The amount of premiums in the life insurance subsegment reflects the insurance premiums paid in respect of all valid policies sold over the years, and changes therein do not necessarily reflect the change in demand and supply in the reporting year.

As stated above, in the reporting year there was a significant increase in the funds transferred from the executive insurance product. The said trend continued through the first quarter of 2024.

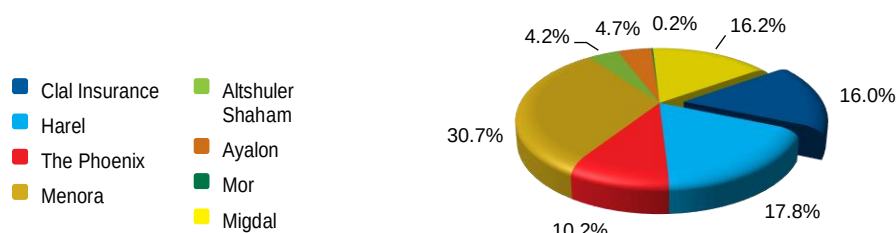
B. Pension funds

In the opinion of the Group, Clal Pension and Provident Funds competes against the selected default funds and the management companies of the large funds, Mivtachim (Menora) and Makefet (Migdal), Harel Pension and The Phoenix Pension.

Breakdown of the share of assets in the new pension funds by insurance groups and companies in Israel as of December 31, 2023



Breakdown of the share of assets in the new pension funds by insurance groups and companies in Israel as of December 31, 2022

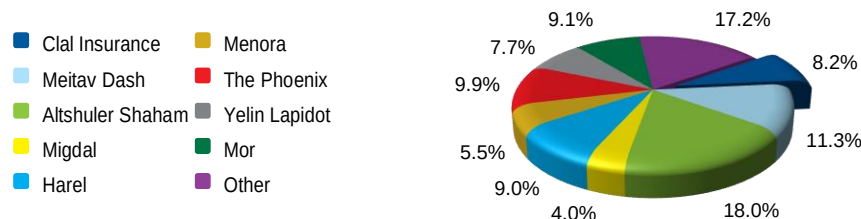


The decrease in the Company's market share stemmed from a decline in the number of planholders, who signed-on to the pension fund under the Company's management, due to an increase in the incoming transfers from other funds that was offset against the increase in the outgoing transfers from the Company, despite an improvement in the Company's positioning in terms of returns in 2022 and in terms of service. It is noted that during 2023 there was a deterioration in the Company's positioning in terms of returns, which led to an increase in the outgoing transfers from the Company; on the other hand, there was an increase in the incoming transfers to the Company. The said trend in relation to outgoing transfers from the Company continued in the first quarter of 2024 too.

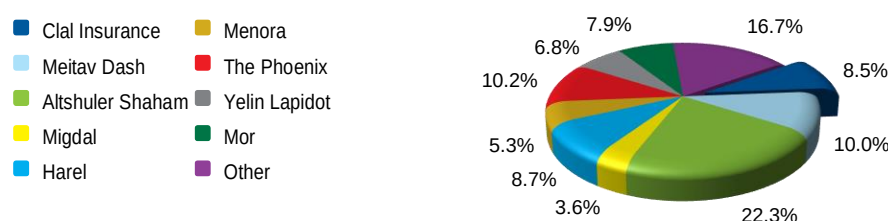
C. Provident funds

As of the reporting year, in this market, the Group competes mainly with other savings provident funds. In the opinion of the Group, its main competitors are Altshuler Shaham, Meitav-Dash, The Phoenix, More and Harel.

Breakdown of the share of provident fund assets by private entities and insurance companies in Israel as of December 31, 2023



Breakdown of the share of provident fund assets by private entities and insurance companies in Israel as of December 31, 2022



The decrease in the Company's market share in 2023 stemmed from a decrease in the number of active planholders who signed-on to the Company's provident funds and advanced education funds, a decrease in the incoming transfers to the Company and an increase in the outgoing transfers from the Company. These trends were affected, among other things, by the Company's positioning in the subsegment in terms of returns to planholders. The said trend continued through the first quarter of 2024.

6.3.2. *Methods for dealing with competition and the factors that affect the Company's competitive position*

The Group deals with competition in this market on a number of levels:

- Synergy between Clal Insurance Group companies - providing integrative solutions to customers in all long-term savings tracks.
- Using regulatory changes in order to gain exposure to new groups of potential customers and enlist them as customers.
- Increased operational efficiency - through the improvement of the work methods and automation systems. For information regarding the improvement of the automation and digitization systems, see Section 9.10.3.2 below.
- Retention of customers in the existing portfolio and improvement of customer services - through digitization, operating dedicated units to deal with the issue, setting up dedicated call centers, including a claims call center and an employer call center, while presenting the range of options the Group offers to its customers.
- Expanding the customer base, both by expanding the distribution channels, including directly and by increasing the scope of sales, the product offering and the scope of the insurance coverage to existing customers.
- Maintaining a significant scope of activities and expanding the activities based on an operational function and databases.
- A professional and skilled investment function, which operates to achieve maximum returns for policyholders and planholders, while implementing informed risk management.
- Expanding the distribution and marketing functions - both the direct channels and through agents - by holding sales promotion campaigns, improving the services to agents (including technological improvement in interfaces with the agents and providing digital services), recruiting new agents, and acquiring agencies.

- Branding and the Group's positioning.
- Innovation, product development and customization of products to the customers' needs and to changing market conditions, under regulatory restrictions.
- Competitive rates.

The key factors that affect the Company's competitive position are:

- Many years of experience in the fields of life insurance and long-term savings.
- The Group's reputation in this market.
- Long-term business relationships with distributing and consulting entities.
- Direct distribution function.
- The range of pension products sold under one roof.
- Financial strength.
- The returns on savings funds compared to those achieved by competitors.
- The service rendered by the Company to customers and agents, and the manner by which claims are settled.
- Transparency and price - as part of the Commissioner's policy in recent years, it promoted significant reforms focusing on transparency, tariffs reduction and increased competition. These reforms affect and will continue to affect in the next few years, the long-term savings segment and its profitability.
- Barriers on competition - as to the removal of entry barriers and introduction of new competitors, see Section 9.3.1.2 below.

6.4. Customers

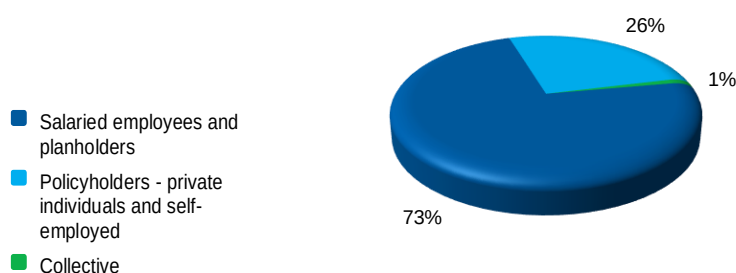
The main customer types in the long-term savings segment are: Employers, planholders, policyholders, individuals, the self-employed and collectives.

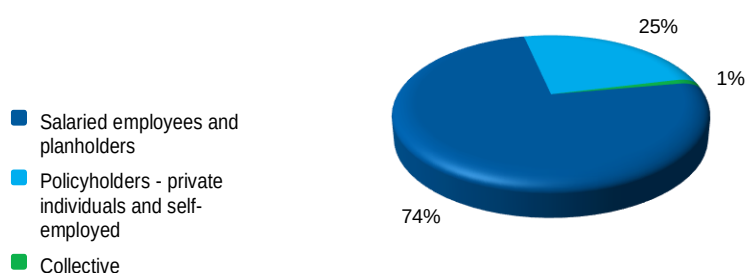
In this segment, the Company is not dependent on a single customer or a small number of customers. The Group does not have a single customer, the total income from which constitutes 10% or more of the total amount of the Company's income in the Consolidated Financial Statements.

6.4.1. Breakdown of the Company's customers in the life insurance subsegment by premiums in 2023 and 2022

Type of customer	2023		2022	
	Premiums, gross (in NIS thousand)	% of total income	Premiums, gross (in NIS thousand)	% of total income
Salaried employees and planholders	4,399,175	73%	5,049,512	74%
Policyholders - private individuals and self-employed	1,562,098	26%	1,720,889	25%
Collective	79,799	1%	74,046	1%
Total	6,041,072	100%	6,844,447	100%

Breakdown of customers in the life insurance subsegment by gross premiums in 2023

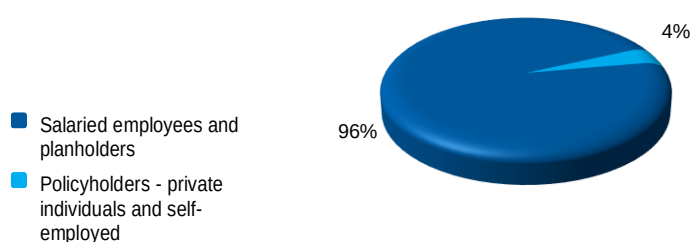
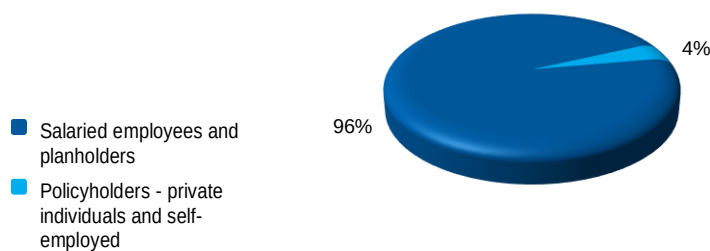


Breakdown of customers in the life insurance subsegment by gross premiums in 2022**6.4.2. Redemptions in the life insurance subsegment**

In the life insurance subsegment, the rate of redemptions from the average reserve in the reporting year was 1.8% compared to 1.7% in 2022.

6.4.3. Breakdown of Company's customers in the pension funds subsegment by contributions towards benefits in 2023 and 2022

Type of customer	2023		2022	
	Contributions towards benefits (in NIS thousand)	% of total income	Contributions towards benefits (in NIS thousand)	% of total income
Salaried employees and planholders	9,400,679	96%	8,048,339	96%
Policyholders - private individuals and self-employed	431,650	4%	372,088	4%
Total	9,832,329	100%	8,420,427	100%

Breakdown of customers in the pension funds subsegment by contributions towards benefits in 2023**Breakdown of customers in the pension funds subsegment by contributions towards benefits in 2022**

6.4.4. Breakdown of Company's customers in the provident funds subsegment by contributions towards benefits in 2023 and 2022

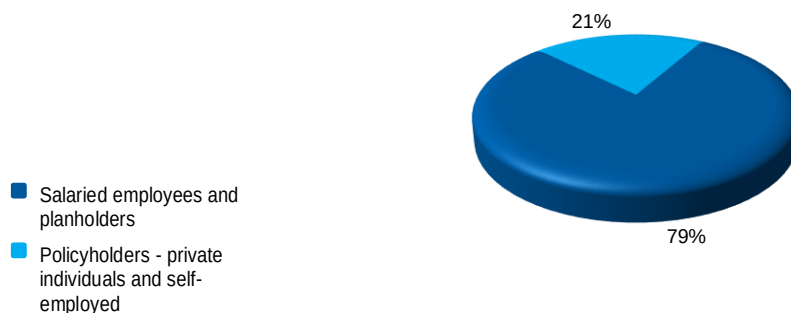
2023

Type of customer	Contri- butions towards benefits - Provident funds (in NIS thousand)	Contri- butions towards benefits - central funds (in NIS thousand)	Contri- butions towards benefits/ contri- butions into advanced education funds (in NIS thousand)	Investment provident funds (in NIS thousand)	Total contri- butions towards benefits (in NIS thousand)	Percen- tage of contri- butions towards benefits (in NIS thousand)
Salaried employee planholders	433,319	1,361	3,243,902	-	3,678,582	79%
Policyholders - private individuals and self-employed	75,633	-	311,421	598,238	985,292	21%
Total	508,952	1,361	3,555,323	598,238	4,663,874	100%

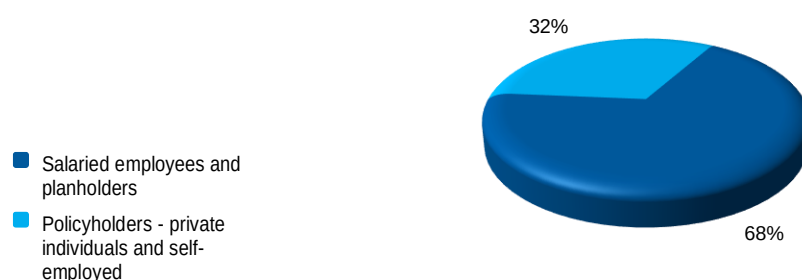
2022

Type of customer	Contri- butions towards benefits - Provident funds (in NIS thousand)	Contri- butions towards benefits - central funds (in NIS thousand)	Contri- butions towards benefits/ contri- butions into advanced education funds (in NIS thousand)	Investment provident funds (in NIS thousand)	Total contri- butions towards benefits (in NIS thousand)	Percen- tage of contri- butions towards benefits (in NIS thousand)
Salaried employee planholders	367,219	1,023	2,434,731	-	2,802,973	68%
Policyholders - private individuals and self-employed	276,282	-	279,463	792,656	1,348,401	32%
Total	643,501	1,023	2,714,194	792,656	4,151,374	100%

Breakdown of customers in the provident funds subsegment by contributions towards benefits in 2023



Breakdown of customers in the provident funds subsegment by contributions towards benefits in 2022



6.4.5. Information regarding the transfer of funds from and to the Group's institutional entities in the long-term savings subsegments from 2021 to 2023:⁴⁵

2023	The Group's activity			
In NIS thousand	Life insurance	Provident funds	Pension	Total
Transfers to the Group from other entities				
Transfers from other insurance companies	465,808	417,380	1,638,418	2,521,606
Transfers from pension funds	121,363	138,361	7,008,451	7,268,175
Transfers from provident funds	261,792	3,930,786	465,151	4,657,729
Total transfers to the Group	848,963	4,486,527	9,112,020	14,447,510
Transfers from the Group to other entities				
Transfers to other insurance companies	280,792	125,870	74,979	481,641
Transfers to pension funds	1,822,499	147,419	5,630,453	7,600,371
Transfers to provident funds	1,171,345	4,748,391	318,125	6,237,861
Total transfers from the Group	3,274,636	5,021,680	6,023,557	14,319,873
Net transfers	(2,425,673)	(535,153)	3,088,463	127,637
2022	The Group's activity			
In NIS thousand	Life insurance	Provident funds	Pension	Total
Transfers to the Group from other entities				
Transfers from other insurance companies	623,679	568,323	931,435	2,123,437
Transfers from pension funds	196,693	197,986	6,459,007	6,853,686
Transfers from provident funds	522,942	8,599,996	116,013	9,238,951
Total transfers to the Group	1,343,314	9,366,305	7,506,455	18,216,074
Transfers from the Group to other entities				
Transfers to other insurance companies	220,330	81,148	90,448	391,926
Transfers to pension funds	1,064,923	76,941	3,728,497	4,870,361
Transfers to provident funds	801,679	1,613,659	272,952	2,688,290
Total transfers from the Group	2,086,932	1,771,748	4,091,897	7,950,577
Net transfers	(743,618)	7,594,557	3,414,558	10,265,497

45. It is clarified that the information presented below does not include transfer of funds between the Group's institutional entities.

2021	The Group's activity			Total
In NIS thousand	Life insurance	Provident funds	Pension	
Transfers to the Group from other entities				
Transfers from other insurance companies	410,033	421,558	481,925	1,313,516
Transfers from pension funds	220,647	276,502	4,443,228	4,940,377
Transfers from provident funds	326,748	5,999,456	43,481	6,369,685
Total transfers to the Group	957,428	6,697,516	4,968,634	12,623,578
Transfers from the Group to other entities				
Transfers to other insurance companies	314,826	62,445	111,523	488,794
Transfers to pension funds	804,076	34,749	3,297,783	4,136,608
Transfers to provident funds	856,484	1,506,735	275,410	2,638,629
Total transfers from the Group	1,975,386	1,603,929	3,684,716	7,264,031
Net transfers	(1,017,958)	5,093,587	1,283,918	5,359,547

7. Property and casualty (P&C) segment

7.1. Services and products

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

This segment comprises the Group's activity in the property and casualty insurance subsegments. The property and casualty insurance segment is usually divided into 2 main categories: (a) property insurance and (b) liability insurance.

The property insurance activity is considered a "short-tail claim" activity, since the prescription period is only three years from the occurrence of the insured event, and since in most cases these claims are filed during the insurance period. On the other hand, compulsory motor and liability insurance are deemed "long-tail claim" activities, since the prescription period is seven years from occurrence of the insured event, and since the insurance claim is not extinguished so long as the third-party claim against the policyholder has not been extinguished, due to the long period of time that elapses from the date on which the grounds for the claim against the policyholder arise and the disclosure date and/or the claim's filing date, in view of the prescription period as stated above, and/or due to the time it takes to investigate the claim. The prescription period of a claim for insurance benefits in the case of a disability caused to a policyholder due to an illness or an accident, will start on the date on which the policyholder's right to claim insurance benefits was established according to the terms of the insurance contract.

Following are the main subsegments included in the property and casualty insurance segment:

7.1.1.1. Compulsory motor insurance

A. General

Compulsory motor insurance is a mandatory insurance that all vehicle owners or drivers should purchase according to the **Motor Vehicle Insurance Ordinance (New Version), 1970** (hereinafter respectively: "**Compulsory Motor Insurance**" and "**Motor Vehicle Insurance Ordinance**"), which covers bodily injury caused to the vehicle's owner, all those who travel in the vehicle and any pedestrians injured by the vehicle, as a result of the use of a motor vehicle according to the **Road Accident Victims Compensation Law, 1975** (hereinafter - the "**CRAV Law**"). Taking out this insurance is mandatory, and failing to do so constitutes a criminal offense. The terms of the insurance coverage are set in accordance with a standard policy that was set in the **Supervision of Financial Services Regulations (Insurance) (Contract Terms and Conditions for Compulsory Motor Insurance), 2010** (hereinafter - the "**Compulsory Motor Insurance Standard Policy**").

This subsegment has a number of unique characteristics, including:

Product uniformity: The scope of liability and the scope of coverage for bodily injury comply with the provisions of the Compulsory Motor Insurance Standard Policy, which prescribes standard and binding wording.

The no fault principle: According to the provisions of the CRAV Law, the liability of the person driving the vehicle, the owner of the vehicle or the person holding the vehicle is complete and absolute, and there is no need to obtain proof of who is to blame for the damage.

Exclusive cause of action: A person, who is injured in a road accident, and under the CRAV Law has a cause of action, must file a claim under the CRAV Law, and is not allowed to file a claim in respect of his/her damage under any other law. A person who does not have a cause of action under this law may file a claim under the General Tort Law. As a general rule, the insurer of the vehicle that was involved in the accident is liable to cover those who are injured in the policyholder's vehicle and is not entitled to claim subrogation from the party that caused or contributed to or exacerbated the damage, regarding the compensation, which the insurer paid to the injured party.

Special compensation methods: The CRAV Law, and accordingly - the Compulsory Motor Insurance Standard Policy - do not specify an insurance amount, and the damage for bodily injury is calculated according to the CRAV Law and the regulations promulgated thereunder. Among other things, they stipulate - in contrast to the Torts Ordinance - the compensation cap for damage components other than pecuniary damages and cap the earning losses that may be claimed to up to three times the average wage in Israel. Other than these two heads of damage, the coverage amount is unlimited.

B. Special arrangements in compulsory motor insurance

In the compulsory motor insurance subsegment there are a number of arrangements that affect the insurance tariff, as detailed below:

(1) The residual insurance arrangement (arrangement under the "Pool")

Since on the one hand compulsory motor insurance is a statutory requirement, and on the other hand insurance companies are not obliged to insure all those who wish to purchase such insurance, the **Motor Insurance Regulations (Residual Insurance Arrangement and Mechanism for Determining the Tariff), 2001** stipulate the residual insurance arrangement, that provides insurance coverage for motor vehicle users who failed to obtain insurance coverage directly from commercial insurance companies (such as: drivers with insurance history indicating high risk, drivers whose license was previously revoked, high risk vehicles, such as motorbikes, all terrain vehicles and/or other vehicles that were rejected by the insurance companies). The residual insurance arrangement is based on co-insurance of all the insurance companies that operate in the compulsory motor insurance subsegment, under which the said companies are required to participate in the residual insurance arrangement and bear together its losses or profits, according to their share in the total amount of compulsory motor insurance premiums (hereinafter - "**Compulsory Motor Market Share**"). The Group's share in the residual insurance arrangement was approx. 11.66%⁴⁶ in the 2023 underwriting year compared with approx. 11.61% in the 2022 underwriting year.

The insurance companies finance their share in the residual insurance arrangement (under the "Pool") by loading the cost of the residual insurance to the other policyholders, that hold compulsory motor insurance policies of the insurance company, outside the residual insurance. If the loading component is not sufficient to fund the insurance companies' share in the residual insurance arrangement, they are required to fund the loss according to their market share.

The loading component, which insurance companies are allowed to collect as from July 2020 is between 5.5% to 8% of the cost of the pure risk⁴⁷ of the insurer's compulsory insurance

46. The rate specified above is a temporary rate, which is based on September 2023 data, as published by the "Pool".

47. "The cost of pure risk" - a portion of an insurance tariff, which does not include profit, expenses and cost of provision of services, except for claims settlement expenses. The cost of pure risk is based on claims history of the motor insurance subsegment covering motor

outside the residual insurance. According to Clal Insurance's position, this component is not sufficient to finance the Pool's losses.

In November 2022, an Amendment to the Provisions of the Consolidated Circular in the compulsory motor insurance subsegment was published, as part of which the net insurance premium in the Pool tariff was reduced, in view of the fact that the component transferred to the National Insurance Institute will be collected by the Pool and the insurance companies as a separate component, in order to retain the existing situation of the tariff for the Pool's policyholders (hereinafter - **"Amendment to the Consolidated Circular regarding the Pool's Tariff Following the Reform to the Subrogation Arrangements with the National Insurance Institute"**). The new Pool tariffs apply to compulsory motor insurance policies whose effective date is January 1, 2023 and thereafter.

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

In the opinion of the Company, the Amendment to the Consolidated Circular regarding the Pool's Tariff Following the Reform to the Subrogation Arrangements with the National Insurance Institute will not have a material effect on the Company's results.

On March 10, 2023, the Commissioner published a draft circular regarding a further amendment of the provisions of the consolidated circular in the compulsory motor subsegment regarding the pool tariff, in order to revise the net insurance premium in the Pool so as not to exceed the subsidization caps set in the **Motor Insurance Regulations (Residual Insurance Arrangement and Mechanism for Determining the Tariff), 2001, and in the Motor Insurance Ordinance (New Version), 1970**, and in order to adjust the insurance premiums to the insured risk based on the recommendations of the operator of the statistical database in the compulsory motor insurance subsegment, that were published as part of the final report for assessing the cost of pure risk in the compulsory motor insurance subsegment for 2020 (hereinafter - the **"Draft Amendment of the Consolidated Circular regarding the Pool Tariff Following the Recommendations of the Operator of the Statistical Database"**). The circular applies to compulsory motor insurance policies, which come into force on July 1, 2023 and thereafter.

The amendment of the Consolidated Circular regarding the Pool Tariff Following the Recommendations of the Operator of the Statistical Database increased the Pool prices, and consequently market tariffs also increased.

In December 2023, a revised report for 2021 was published of the Operator of the Statistical Database in the compulsory motor insurance subsegment. In accordance with the report's results, the Pool's tariffs for 2021 reflect premium deficiency. If following the revised report of the Recommendations of the Operator of the Statistical Database the Authority will publish another amendment to the Pool's tariffs, this is expected to cause an increase in the Pool's tariffs and may affect market prices.

The Company's assessments regarding the consequences of the amendment of the Consolidated Circular regarding the Pool Tariff, and the amendment of the Consolidated Circular regarding the Pool Tariff following the Recommendations of the Operator of the Statistical Database are forward-looking information, which is based on assessments and assumptions as of the report publication date, and the actual outcome may be materially different than predicted, and depends, among other things, on how the tariffs will be revised by the Pool and the companies following the Recommendations of the Operator of the Statistical Database.

(2) Karnit - Road Accident Victims Compensation Fund

The Road Accident Victims Compensation Fund - Karnit (hereinafter - "Karnit"), is a corporation that was established under the CRAV Law for the purpose of paying compensation to those eligible to compensation under the CRAV Law who are unable to claim compensation from an

vehicles for which the purchase of insurance is mandatory, plus an estimate of future payments in respect of those claims and taking into consideration the trends that affect the incidence of the claims and their costs, all in accordance with Section **7A to the Motor Vehicle Insurance Ordinance [New Version], 1970**.

insurance company, due to one of the following reasons: (1) persons injured by a vehicle which does not have an insurance coverage; (2) unknown insurer (such as a “hit-and-run” accident); (3) insurer which is in liquidation proceedings or for whom an administrator was appointed.

The fund is financed by loading 1% of the net premium⁴⁸ and the fees component transferred to the National Insurance Institute in respect of subrogation claims. This amount is transferred to Karnit by the insurance companies.

(3) Liability in respect of provision of medical services

According to a legislative amendment of 2009, which transferred - from the insurers to the health maintenance organizations - the insurance liability in respect of provision of medical services, that are included in the basket of services set in the Second Addendum to the **National Health Insurance Law, 1994 (hereinafter - the “National Health Insurance Law”)** and in the **Medications Order under Section 8(g) to the National Health Insurance Ordinance** - due to bodily injury caused to victims of road accidents - the insurance companies collect a fixed percentage of the insurance premiums to finance the cost of the supply of services to victims of road accidents (hereinafter - the “Deductible”). **The rate of the Deductible collected by the insurance companies from the policyholders is 12.66% of the insurance premium.**

The insurers are still liable to all other medical services that are not included in the Second Addendum to the National Health Insurance Law and the Medications Order. The above does not apply to certain population groups, including, among other things, soldiers and those who were injured in workplace accidents, the insurance liability for covering their medical care expenses in the event of a road accident remained with the insurers. The Participation Amount is transferred by the insurers to the health management organizations, through Karnit and the National Insurance Institute.

C. Tariffs and supervision thereof, the statistical database and the database for identifying insurance fraud in the compulsory motor insurance subsegment

(1) Variables for determining a tariff in the compulsory motor insurance subsegment and the maximum rate of fees

The insurance companies set the insurance premium based on variables that were approved by the Commissioner as variables that can be used to set the tariff (hereinafter - the “Variables”). The Variables are designed to adjust the insurance premium to the policyholder's risk, and they may change from time to time in accordance with the Commissioner's Directives.

Maximum fees rate

The Consolidated Circulars sets arrangements for setting insurance premiums in the compulsory motor insurance subsegment, which an insurer may collect, and the method for their submission to the Commissioner's approval. According to the Property and Casualty Insurance Chapter in the Consolidated Circular, the risk premium component in the compulsory motor insurance tariff (the net insurance premium) is uniform for all policyholders who share the same characteristics with the insurer. The insurer is also allowed to collect fees at a rate of up to 18% of the risk premium, in order to cover the insurer's administrative expenses, agents fees and commissions and profit. The insurer may give discounts only in relation to the fees component, except for car fleets, in which case the insurer may give a discount even in relation to the net insurance premium (the insurance premium net of the fees). For that purpose - a car fleet comprises at least 40 vehicles, which are all owned by a single owner and a policyholder with the same insurer.

(2) Databases

Statistical database

The compulsory motor insurance subsegment has in place a statistical database that is used to assess the cost of risks in the compulsory motor insurance subsegment, and which was set up by virtue of the **Motor Insurance Regulations (Residual Insurance Arrangement and Mechanism for Determining the Tariff), 2001.**

48. Net insurance premiums, that reflects the cost of the risk, without external charges, such as expenses and fees and commissions.

The Statistical Database is managed by a third party unrelated to the Company and to the insurance companies (hereinafter - the **"Operator of the Statistical Database in the Compulsory Motor Insurance Subsegment"**).

The Statistical Database Operator in the motor insurance subsegment is authorized by law to collect information from insurers in the compulsory motor insurance subsegment and determine the cost of pure risk based on this information (hereinafter - the **"Risk Tariff"**). The insurance companies are not bound directly by the Risk Tariff, but the "Pool" tariff is set by the Commissioner in reference to the Risk Tariff, and it also serves as a relevant indicator, as far as the Commissioner is concerned, for the approval of the tariff of the insurance companies. For information about the residual insurance arrangement, see Section 7.1.1.1(b)(1) above.

Database for dealing with insurance fraud

The compulsory motor insurance subsegment has in place a database for dealing with insurance fraud, in accordance with the **Motor Insurance Regulations (Creation and Management of Databases), 2004**. The database for dealing with insurance fraud is managed by a third party unrelated to the Company and to the insurance companies. The database, which collates data from all insurance companies, is used to identify suspected fraud in compulsory motor insurance claims, and to prevent insurance fraud in the underwriting process of compulsory motor insurance policies. The cost of operating the database is borne by all insurance companies, in accordance with the rules set by the Commissioner. According to the provisions of the Consolidated Circular, as a general rule, a compulsory motor insurance certificate for private or commercial vehicles up to 3.5 tons or a motorcycle, will not be issued without first verifying the data through an online query in the database during the underwriting process.

D. The National Insurance Institute's subrogation right

According to the **National Insurance Law [Combined Version], 1995** (hereinafter - the **"National Insurance Law"**), where the National Insurance Institute paid an annuity to a person entitled to an annuity, and at the same time a liability arises to a third-party to pay compensation to that person under the Tort Ordinance or the CRAV Law, the National Insurance Institute may claim compensation from the said third party in respect of annuity it has paid or is required to pay (hereinafter - the **"Third Party"**). The Third Party may deduct from the compensation the annuities paid and/or due to be paid by the National Insurance Institute. Over the years, the National Insurance Institute used to file individual subrogation claims with insurers.

In November 2021, as part of the **Economic Efficiency Law (Legislative Amendments to Achieve Budgetary Targets for the Budget Years 2021 and 2022), 2021**, a legislative amendment was approved in the National Insurance Law, whereunder, instead of individual subrogation claims as described above, as from January 2023, the netting mechanism will change such that instead of individual subrogation claims all of the insurers are required to submit to the National Insurance Institute, for road accidents, the following percentages of the insurance premiums collected in each year: For road accidents in 2023-2024 - 10%; and for road accidents from 2025 onwards - 10.95% (hereinafter - the **"Amended Subrogation Arrangement"**); accordingly, the Amended Subrogation Arrangement applies only to events taking place in 2023 and thereafter, and with respect to the transitional period - the parties will continue to operate in accordance with the mechanism that was in place prior to the legislation of the Amended Subrogation Arrangement, and settle the subrogation claim on an individual basis.

In the Company's opinion, according to data known to it as of the report publication date, the Amended Subrogation Arrangement and the changes to the netting mechanism starting in 2023 are not expected to have a material effect on Clal Insurance.

The information regarding the amended subrogation arrangement constitutes forward-looking information, based on information in the Company's possession on the report date. The actual outcomes may be different than expected and depend, among other things, on the insurance tariffs that will be approved in the future, the settlement costs of the individual claims compared to the overall netting mechanism, and the operational savings that will arise from the change in the netting mechanism.

(1) The interest rate for the purpose of discounting national insurance benefits

In June 2019, an inter-ministerial committee for examining the discount rate in tort damages (that was set up by the Ministry of Justice and the Ministry of Finance) filed its conclusions (hereinafter - the **"Kaminitz Committee Report"**). Among other things, the Kaminitz Committee recommended that the discount rate in tort damages, which is used, among other things, to discount the insurance benefits paid to policyholders, will continue to stand at a fixed rate of 3% for all injured parties (hereinafter - the **"Set Discount Rate"**). The committee also recommended that it will be possible to change the Set Discount Rate in accordance with an assessment mechanism that will be implemented every two years, based on an assessment of the return on investment in 25-year AA corporate bonds during the six months prior to that date. If there will be a more than one percent deviation in any direction, the interest rate will be updated by the Accountant General (hereinafter - the **"Update Mechanism"**), except for extraordinary circumstances as detailed in the Committee's recommendations. In August 2019, the Supreme Court handed down a judgment in a specific case, which adopted the key conclusions of the Kaminitz Committee Report, left the discount rate unchanged at 3%, and stipulated that until such time when the relevant legislation is amended, the Update Mechanism will be adopted for the purpose of assessing material economic changes that require changes in the discount rate. The judgment also stipulated - with regard to the discount rates that will be used by insurers to discount policyholders' allowances from the National Insurance Institute, and for the payment of subrogation claims to the National Insurance Institute - that until the promulgation of the regulations according to the committee's recommendations, the insurers' consent to discount the National Insurance Institute allowances from the insurance benefits paid to policyholders at a discount rate of 3%, will remain in effect. However, it was stipulated that in view of the damage caused to injuring parties (including the insurance companies), it is presumed that until the amendment of the Capitalization Regulations, the National Insurance Institute will also demand from the injuring parties a discount rate of 3% (hereinafter - the **"NII Subrogation Claims"**).

If a legislative amendment will be passed that is consistent with the Kaminitz Committee Report and the judgment regarding the National Insurance Institute as stated above, the Company is of the opinion that this will not have a material effect on its financial results.

The information regarding the discount rate applied to allowances of the National Insurance Institute in accordance with the future legislative amendment following the recommendations of the Kaminitz Committee Report regarding the National Insurance Institute is forward-looking information, based on information in the Company's possession on the report date. The actual outcomes may be different than expected and depend, among other things, on the wording of the legislation that will be approved, and on the future rate of interest.

E. Clearing outline light-heavy vehicles

According to the CRAV Law, each insurer is required to compensate the passengers who traveled in the vehicle it insures. The CRAV Law also stipulates that with regard to those injured in a road accident outside the insured vehicles in a road accident that involved a number of vehicles, the various insurers will have - jointly and severally - a liability (on a no blame basis) - and will bear the liability among themselves in equal parts. According to the CRAV Law and the **Road Accident Victims Compensation Order (Arrangements for Dividing the Compensation Burden Among Insurers), 2001**, some exceptions were put in place with respect of the above rule, which deal with accidents involving vehicles that are significantly different from one another, that is to say, a motorcycle and another vehicle, or a light vehicle and a heavy vehicle. In those cases, the burden division orders set the insurers' "balancing payments", that is to say - the indemnification to which the insurers are entitled to receive from one another in respect of such accidents, and whose aim is to balance-out the burden of payment between the insurers, where the risks that the involved vehicles might cause damage in a road accident are not clearly balanced-out. The Israeli Insurance Association operates a clearing system, that is designed, among other things, to transfer automated payments between insurers that insure vehicles under compulsory motor insurance, in respect of such balancing payments. The outline's administrator has the power to serve as an arbitrator where there are disputes between the insurers as to the involvement of an insured vehicle in an accident. The arrangement was awarded a conditional exemption from cartel clearance by the Israel Competition Authority through August 2020, which was extended through August 2025 by means of

a self-assessment mechanism, according to the **Antitrust Rules (Class Exemption for Joint Ventures) (Temporary Order), 2006**. The conditions include, among other things, restricting the system's activity to the said objective only, the operation of the system by an independent entity that is not related to the insurers, prohibition of the transfer of business information between the parties to the agreement, and allowing any insurer to join the system.

7.1.1.2. Motor property insurance

A. General

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

The motor property insurance subsegment provides a range of insurance coverages, such as: theft, fire, accidental collision, overturning, and any type of accident, malicious act, natural disasters, and the policyholder's liability due to damage that will be caused to a third party's property as a result of the use of the car in the insurance period (hereinafter - "third-party insurance"). At the insurance offer stage, the policyholder may select coverage under one of four alternatives: (1) comprehensive insurance; (2) comprehensive insurance without theft coverage; (3) comprehensive insurance without accidents coverage; and (4) third-party insurance only.

The insurance premium tariff in respect of motor property insurance is normally differential and set, among other things, based on the characteristics of the vehicle (mainly the model and the year in which it was manufactured), and the characteristics of those who drive it (mainly the principal driver's age, drivers authorized to drive the vehicle, the license period and the policyholder's claims history).

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

- a) Insurance to private vehicles and commercial vehicles with maximum weight of up to 3.5 tons, whose insurance policy is subject to the terms of the standard policy as set in the regulations promulgated with regard to this issue (hereinafter - the "Standard Policy - Motor Property" and the "Motor Property Regulations", respectively).
- b) Insurance for vehicles that are not part of the first category (such as trucks, taxis, motorbikes, buses, forklifts, and all terrain vehicles), whose insurance policy is not subject to the terms of the Standard Policy - Motor Property.

Standard Policy - Motor Property sets wording and minimum terms and conditions for motor property insurance, and the insurer may modify them only if the change works for the benefit of the policyholder or made at the request of the owner of a fleet of cars. The coverage provided under the Standard Policy - Motor Property may be expanded at the approval of the Commissioner.

In June 2021, the Commissioner published an amendment to the Standard Policy - Motor Property - The Supervision of Insurance Business Regulation (Contract Terms and Conditions for Insuring a Private Vehicle) (Amendment), 2020 (hereinafter - the "**Amendment to the Standard Policy - Motor Property**"). The Amendment to the Standard Policy - Motor Property stipulates, among other things, provisions regarding the compensation in respect of advanced safety systems that were installed in the vehicle; revision to the provisions regarding the refunding of a proportionate share of insurance premiums in the event that the policy is canceled by the policyholder, regardless of the remaining insurance period, and without penalties; and amendment regarding the insurance history report (a report used to purchase insurance in the future), by increasing the threshold for including a claim in the report, from 35% of the premium to a total of NIS 5,000 above the deductible. It was also stipulated that claims in respect of which the subrogation rate will be higher than 75% shall be excluded from the report. The Amendment to the Standard Policy - Motor Property came into force in December 2021.

At this stage, the amendment of the Standard Policy - Motor Property does not have a material effect on the financial results of Clal Insurance.

B. Special arrangements in the settlement of motor property claims

Many parties take part in the process of settling motor property insurance claims, the involvement of which may affect the claims settlement processes and costs, including: auto repair shops, appraisers, spare parts' suppliers, distributors, car traders, and more. In the reporting year, there were changes

and/or changes were suggested to the legislative arrangement, which pertain, among other things, to these parties, and affect the regulation of this segment:

B1. The appraisers arrangement

In order to increase the efficiency of the motor property claims settlement processes and shorten the period it takes to settle such claims, and in accordance with the provisions set in the Consolidated Circular, the insurance companies publish lists of appraisers⁴⁹ (hereinafter - the "External Appraisers List"), from which the policyholder may select an appraiser. According to the provisions of the Consolidated Circular, a proposed repair or an assessment of an appraiser that was selected by the policyholder from the External Appraisers List (hereinafter - the "External Appraiser"), constitutes the binding proposed repair or assessment and the parties will be bound by it, subject to the insurer and the policyholder's right to raise technical comments before the External Appraiser. In addition, the insurer and the policyholder may appeal against the assessment according to the arrangement set in the Appraisers Circular.

B2. Auto repair shops under arrangement

In order to increase the efficiency of the motor property claims settlement processes, shorten the period it takes to settle such claims and make the processes cheaper, the Company entered into engagements with "auto repair shops under arrangement" for repairing policyholders' vehicles that suffered partial damage (other than total loss). An auto repair shop under arrangement is an auto repair shop, that entered into a contract with the Company for the provision of services as an "auto repair shop under arrangement" in exchange for discounts given to the insurer (regarding spare parts prices and/or hourly rates) and/or in exchange for an undertaking to use spare parts provided by the insurer, and which can be obtained at reduced cost compared with the "book price" in the market (hereinafter - the "**Auto Repair Shop Under Arrangement**"). Clal Insurance gives its policyholders the option to select the auto repair shop, which will repair their vehicle, but offers them various benefits, such as deductible discount or even a deductible waiver, in order to encourage them to repair their vehicle in one of the Auto Repair Shops Under Arrangement, with which the Company entered into engagement. A policyholder can undertake - upon entering into the engagement - that upon the occurrence of an insured event the vehicle will be repaired in an Auto Repair Shop Under Arrangement and in exchange will also benefit from a discount in the premium and other benefits upon the occurrence of an insured event (hereinafter - the "**Selected Auto Repair Shops Policy**").

B3. Revision of regulatory provisions regarding the amendment of provisions pertaining to the settlement of claims in the motor property subsegment: A fundamental decision on reduced insurance benefits in respect of a Difference in Spare Parts Prices Where the Vehicle was Repaired in a Auto Repair Shop which is not Included in an Arrangement; Call for Proposals regarding changes to the terms and conditions of deductible in a motor property insurance policy; draft circular regarding Filing of Insurance Plans in the Motor Property Subsegment

- In September 2023, a decision in-principle 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 (hereinafter - the "**Decision in Principle regarding Payment of Reduced Insurance Benefits for Difference in Spare Part Prices**").

According to the Decision in Principle regarding Payment of Reduced Insurance Benefits for Difference in Spare Part Price, 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

49. The External Appraiser is anyone other than an inhouse appraiser. Inhouse appraisers are those that may be in a conflict of interest due to a special relationship with the insurer, such as in a case of: An appraiser, who is an employee of the insurance group; an appraiser, more than 30% of whose income from appraisal and other businesses with insurers arise from the insurance group; an appraisal company in which the insurance group holds more than 5% of the means of control.

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 even during 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.

- Following on the above, 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 (hereinafter - the **"Call for Proposals regarding change of Deductibles Terms and Conditions in a Motor Property Policy"**).

Following the fundamental decision on Reduced Insurance Benefits in respect of a difference in spare parts prices, and a Call for Proposals regarding changes to the terms and conditions of deductible in a motor property insurance policy, in February 2024, a draft circular was published regarding Filing of Insurance Plans in the Motor Property Subsegment was published (hereinafter - **"Draft Circular - Filing of Insurance Plans in the Motor Property Subsegment"**), which suggests that the insurance company will revise the wording of the disclosure to policyholders, and will inform them of the reduction cap, which will not exceed a rate that will be set by the Authority, of the total cost of the repair where the policyholder repaired their car in an auto repair shop, which is not included in the arrangement. In addition, it is also suggested to determine that in cases where the policyholder opted to repair their car in an auto-repair shop which is not included in the arrangement, and took reasonable measures as instructed by the insurance company, the Company shall deduct a deductible from the insurance benefits, as if the policyholder repaired their car in an auto-repair shop that is included in the arrangement. Furthermore, the draft circular suggests to stipulate that the insurance company will not include as part of a motor property insurance plan a compensation for constructive total loss as defined in Section 6(b) to the standard policy - motor property.

At this stage, Clal Insurance is unable to predict the effect of the fundamental decision on Reduced Insurance Benefits in respect of a difference in spare parts prices, which may, in principle, reduce the claim settlement costs, in view of the final wording and the moderating consequences of the Draft Circular - Filing of Insurance Plans in the Motor Property Subsegment, if it is published as a binding wording. Furthermore, if the use of the constructive total loss mechanism is banned, as suggested in the draft circular, this may increase the claim settlement costs.

The information pertaining to potential consequences of the fundamental decision on Reduced Insurance Benefits in respect of a difference in spare parts prices and the Draft Circular - Filing of Insurance Plans in the Motor Property Subsegment constitutes forward-looking information, which is based on the Group's assessments and assumptions as of the report publication date. Actual implementation may be different than expected and depends on a range of factors, including the final wording of the circular, the behavior of the customers, competing parties, the suppliers, the agents, competitive conditions, and the Commissioner's approval of the revision to the tariffs.

B4. Amendments suggested as part of the settlement of motor insurance claims

- **Amendment of provisions regarding settlement of motor property claims - auto repair shops and appraisers draft circular**

In August 2022, the Commissioner published a third draft of a circular regarding **"Amendment of the Provisions of the Consolidated Circular - Provisions in the Motor Property Subsegment"** (hereinafter - the **"Auto Repair Shops and Appraisers Draft Circular"**), which regulates the manner of settling insurance claims in the motor property

subsegment, the engagement with appraisers and auto repair shops, and various provisions regarding the policy marketing procedure and the settlement of the claim.

In relation to auto repair shops, the draft includes, among other things, provisions regarding giving each auto repair shop that will undertake to comply with the principles that will be set by the insurance company and will sign and engagement agreement therewith the option to serve as an arrangement auto repair shop and provide services to its policyholders or to a third party (hereinafter an **"Arrangement Auto Repair Shop"**); the insurance company is required to conduct equitable negotiations with auto repair shops with similar characteristics, and once it signed an agreement with an Arrangement Auto Repair Shop, it will allow any other auto repair shop with similar characteristics to sign an agreement with an identical wording; the price of hour worked shall be in accordance with what was agreed between the Arrangement Auto Repair Shop and the insurance company; the cost of spare parts shall be in accordance with the discount that the Arrangement Auto Repair Shop will undertake to give the insurance company, or alternatively - the Arrangement Auto Repair Shop will undertake that the price of the spare parts it will supply will not exceed the price of the spare part that was purchased by the insurance company or that may be supplied thereby, or will undertake to use the spare parts that will be supplied by the insurance company, in accordance with the agreement between the insurance company and the auto repair shop; an Arrangement Auto Repair Shop shall only start repairing the car after obtaining approval from the insurance company and the owner of the car; the insurance company was banned from engaging with the Arrangement Auto Repair Shop in an agreement that caps the car repair amount or sets an average car repair cost; the insurance company will be allowed to cancel the engagement with an Arrangement Auto Repair Shop only after the auto repair shop was given the option to stop the breach.

It is further suggested that an insurance agent, an auto repair shop or an appraiser will not give or receive any fee or any other benefit, as part of and during the process of selecting an auto repair shop and repairing the car, and regarding insurance agents - including through a claims management company or any other party involved in the process, including in respect of various consulting services.

In addition, the draft's explanatory notes clarify that in order to implement the suggested change to the mechanism of Arrangement Auto Repair Shops and allow competitive prices in the field of spare parts, supplementary regulation is required, which is within the jurisdiction of the Ministry of Transport, which will reduce the prices of spare parts as set in the car appraisals to market prices level (hereinafter - the **"Supplementary Regulation of the Ministry of Transport"**). Regarding the regulation expected in the field of car spare parts, see below in this section.

With regard to appraisers, it is suggested to determine, among other things, that if an appraiser is selected out of a pool of appraisers offered by the insurance company (an appraiser, whose decision binds the insurance company subject to a limited appeal procedure that was set before a deciding appraiser), the insurance company will be required to use a pool of appraisers, that will be open to all appraisers, who will meet the criteria set in the draft (hereinafter - the **"Appraisers Pool"**); the insurance company and an appraiser, who wishes to be included in the Appraisers Pool, will engage in an agreement identical to the agreement between the insurance company and another appraiser included in the Appraisers Pool, who has characteristics similar to those of the first appraiser, including in relation to the formula that will be used to calculate the appraiser's fee. The Auto Repair Shops and Appraisers Draft Circular also includes provisions regarding the number of appraisers, who will be included in the Appraisers Pool and their distribution; and regarding the procedure that an insurance company is required to follow in order to exclude an appraiser from the Appraisers Pool, in accordance with objective parameters that were included in the engagement agreement.

It is further suggested to determine that the fees of the appraiser, who is included in the Appraisers Pool, shall be composed of a fixed component and a variable component, and the variable component will be at a rate which is not negligible and will reflect parameters related to service and parameters that are specific to the appraiser, such as experience and specialization in specific types of vehicles.

Furthermore, it is suggested to determine that a comment to an appraiser whereby repairing the car according to the repair quote might affect the car's safety, or a comment whereby there is an identical spare part that can be obtained, shall not constitute a forbidden influence on the appraiser's judgement.

According to the Auto Repair Shops and Appraisers Draft Circular, the selection of the appraiser from the Appraisers Pool will be carried out by the policyholder from a list of two appraisers that will be selected randomly. The repair quote and the appraisal of an appraiser that is selected from the Appraisers Pool as stated above shall be the deciding repair quote and appraisal, unless the insurance company appealed to a deciding appraiser in accordance with the limited mechanism set in the circular.

It is suggested to determine that an appraisal of a private appraiser, that was selected by a person who suffered damage in a third-party claim, may be a "deciding appraisal" if the third party acted in accordance with the rules set in the Auto Repair Shops and Appraisers Draft Circular, while giving the insurance company the option to appeal the appraisal before a deciding appraiser mechanism.

In addition, it is suggested to determine that the insurance company will be required to suggest to policyholders a plan as part of which they will be able to select any auto repair shop (other than an Arrangement Auto Repair Shop) without this affecting the deductible that the policyholder will pay. The draft sets various provisions regarding disclosure, transparency and the level of service, including publication of surveys measuring policyholders' satisfaction from Arrangement Auto Repair Shops, and from an appraiser included in the Appraisers Pool, and extensive disclosure provisions, both prior to the policy purchase date and on the date of the claim. The draft also includes transitional provisions for the purpose of creating the required mechanisms as per the circular.

At this preliminary stage, Clal Insurance is unable to predict all of the effects of the Auto Repair Shops and Appraisers Draft Circular, if it is published as a binding version, which may have contradictory effects on the costs for settling claims in motor property insurance in view of the multiple amendments proposed and their cumulative effects, and, among other things, with regard to the option available to the insurance companies to supply the spare parts to the Arrangement Auto Repair Shops, which may reduce the prices of spare parts; giving each auto repair shop the option to serve as a Arrangement Auto Repair Shop may reduce the insurance companies' supervision capabilities, including with regard to fraud, and will undermine economies of scale; the setting up of the Appraisers Pool depends on the appraisers' willingness to be included in the pool and in the supply of appraisers. In addition, a combined effect of the Auto Repair Shops and Appraisers Draft Circular and the fundamental decision on Reduced Insurance Benefits in respect of a difference in spare parts prices, with the amendment in the field of car spare parts as detailed below and the draft published regarding the **Draft Circular - Filing of Insurance Plans in the Motor Property Subsegment**, might have contradictory effects; however, the overall effect on motor property insurance claims - which may be material - will transpire over time.

The information regarding the Auto Repair Shops and Appraisers Draft Circular constitutes forward-looking information, based on information in the Company's possession on the report date. Actual results may vary from those estimated, and they depend, among other things, on the final wording of the circular that will be published, the effect of the fundamental decision on Reduced Insurance Benefits in respect of a difference in spare parts prices, the effect of the Draft Circular - Filing of Insurance Plans in the Motor Property Subsegment (if it is published as a binding version), the effect of the pricing of spare parts for cars (as detailed below), the behavior of suppliers, auto repair shops, appraisers, agents, customers and competing market players.

- **The pricing of car spare parts:**

In the wake of the 2023 Economic Arrangements Bill, in February 2023 the Government passed a resolution whereby a change will be made in the field of car spare parts in order to alleviate cost of living pressures in the field of transport products. Among other things, it

was determined that the Minister of Transport will be required to bring before the Car Appraisers Advisory Board a draft of professional provisions that will replace the existing professional guidance to car appraisers (hereinafter - the **"Guidance"**), such that the Guidance will be amended in a way that the car appraisal will include the market price of car spare parts that need to be replaced or repaired.

In November 2023, further to the Car Appraisers Advisory Board's discussion that was held in April 2023, the Ministry of Transport sent a request to interested parties to opine on a suggested wording of the definition of "market price" of transport products, which is expected to be included in the professional provisions in the Licensing Regulations - Services and Professions in the Automotive Industry (License to Engage in Car Appraisal), for the purpose of preparing a car appraisal. According to the proposed wording, a "market price" of a transport product shall be determined according to the sale price of a seller, who has a license to operate an auto repair shop, to a willing buyer, who is a consumer, after taking into account the discounts given to the insurance companies by their arrangement auto repair shops, based on data provided to the car appraiser by the insurance company.

If the proposed definition of "market price" will be accepted, and the Guidance to the car appraisers will be amended accordingly, this may constitute a means to stopping the "inflating" of spare parts prices in the automotive industry, and lead to a corresponding reduction in claim settlement costs. However, at this stage it is impossible to predict the actual results in view of the many proposed changes, or due to the fact that their implementation is in the preliminary stages, as detailed above.

The information regarding the potential future effects of the suggested amendment in the field of car spare parts, and the proposed amendment to the definition of market price and the Guidance constitutes forward-looking information, based on information in the Company's possession on the report date. Actual results may vary from those estimated, and they depend, among other things, on the final wording of the definition of "market price" and the wording of the Guidance, the cumulative results of the combination between the definition of market price, the Guidance, the fundamental decision on Reduced Insurance Benefits in respect of a difference in spare parts prices, the Draft Circular - Filing of Insurance Plans in the Motor Property Subsegment, the Auto Repair Shops and Appraisers Draft Circular, the behavior of suppliers, auto repair shops, appraisers, customers and competing market players.

- **An arbitration mechanism for settlement of subrogation claims:**

In view of the 2023 Economic Arrangements Bill, in February 2023 the government passed a resolution whereby provisions will be set regarding the streamlining of the subrogation claims procedures in motor property insurance claims. In accordance with the Government Resolution, the Minister of Justice will be tasked with assessing the possibility of passing legislative amendments, such that disputes in connection with property damages in the motor property subsegment will be required to be resolved by way of arbitration when the parties to the dispute are the insurance companies and the leasing companies (hereinafter - the **"Mandatory Arbitration Mechanism in the Motor Property Subsegment"**). It was further determined that the arbitration mechanism will be based on written online submissions, and that the resolution will be carried out without discussion, unless the arbitrator finds that an online or a face-to-face hearing should be held.

At this preliminary stage, Clal Insurance is unable to predict the effects of the Mandatory Arbitration Mechanism in the Motor Property Subsegment, which depend, among other things, on the format of the mechanism that will be set, its composition, efficiency, the procedural rules and evidence that may be incorporated as part thereof, the appeal or objection channels, etc.

C. Right to information and disclosure in the motor property insurance subsegment

C1. Motor property database

As from December 2013, a database set up by the Israeli Insurance Association and the Insurance Companies Clearing Center Ltd. (hereinafter - the **"Clearing Company"**) has been operational; it mainly focuses on recording vehicles' accidents history (hereinafter - the **"Motor**

Property Database"). The information is available both to those who purchase used cars and to insurers that opted to join the database; its objective is to find information and achieve transparency regarding accidents that used vehicles suffered before they were purchased.

The Israeli Insurance Association and the Clearing Company were awarded an exemption from cartel clearance by the Competition Commissioner through February 2021, which was extended through August 2025 by means of a self-assessment mechanism, according to the **Antitrust Rules (Exemptions for Joint Ventures) (Temporary Order), 2006**.

As of the report publication date, the Motor Property Database includes information from most of the insurance companies that provide motor property insurance policies in Israel, including Clal Insurance. Every insurer can join the arrangement (that is to say, deliver data to the database and submit queries) or leave the arrangement once a year by giving a 90-day advance notice.

As of the report publication date, Clal Insurance uses the Motor Property Database, as part of the settlement of claims and underwriting, as and when needed. The option to use the database reduces information gaps in the market.

7.1.1.3. Liability insurance subsegment

Liability insurance policies normally insure based on one of two coverage bases:

- **Coverage according to "occurrence basis"** - in these policies, the coverage is given regarding events that occurred within the insurance period, where the claim may be submitted even after the end of the insurance period, subject to the prescription period.
- **Coverage according to "claims made basis"** - in these policies, the coverage is given based on the date on which the claim was filed, that is to say, claims that were initially filed against the policyholder during the insurance period, even if the grounds for the claim against the policyholder arose before the insurance inception date, provided that it arose after a certain date that was set in the policy.

The main sub-subsegments in the liability insurance subsegment are:

- **Liability insurance in respect of a third party (a third-party insurance)** - this insurance is designed to cover a liability of the policyholder to third parties - normally a liability arising from the Torts Ordinance (in the case of a policyholder that employs employees, the insurance does not cover a liability to the policyholder's employees), due to an accident that caused bodily injury and/or damage to property, including consequential damage arising therefrom, and which took place during the insurance period (an occurrence basis policy).

A third-party liability insurance is sold as an independent coverage or as an additional coverage as part of other insurance policies, such as: policies to insure businesses, offices, home insurance policies, a condominium, and policies for insuring contract work.

The insurance premium in such policies is set as a function of a number of variables, such as: The policyholder's type of activity, the construction method employed to build the business building, the scope of activity, the number of employees, the business's use of hazardous substances, the number of sites in which the policyholder conducts its activity, neighboring businesses, the overall maintenance status of the business, the liability limits requested by the policyholder, the deductible, and the claims history of the policyholder.

- **Product liability insurance** - this insurance is meant to cover the policyholder's liability in respect of bodily injury caused to a third party and/or damage to property of a third party, including consequential damage arising therefrom, which was caused by a faulty product manufactured, imported or supplied by the policyholder, once the product is no longer in the policyholder's possession, where the claim in respect of which was initially filed during the insurance period, and the insured event itself took place after the retroactive date set in the policy (claims made basis).

The policy is based on the **Defective Products Liability Law, 1980**, which applies to the manufacturer (as defined in the law, including, for example, an importer and/or supplier) liability in respect of bodily injury; and the Torts Ordinance, which applies to the manufacturer a tort liability in respect of bodily injury and damage to property.

The product liability policy can be purchased as an independent product or incorporated as an additional coverage in an insurance policy for businesses.

The insurance premium in policies of this type are set as a function of a number of variables, such as: The policyholder's type of activity, and the type of products it manufactures, imports or supplies, the scope of activity (in accordance with the business's sales turnover), the liability limits requested by the policyholder, the deductible amount, the coverage period of claims that were initially reported in the insurance period, but refer to a deadline that preceded it, the claims history, and the territorial coverage (in Israel or also in respect of exportation to other countries), and the terms of the reinsurance treaty.

- **Professional liability insurance** - this insurance is meant to cover the policyholder's liability in respect of bodily injury and/or pecuniary damage caused to a third party and/or as a result of a good faith breach of professional duty, due to an act or omission that constitute negligence, error or omission of the policyholder as part of his/her profession, in respect of which the coverage was provided under the policy, and the claim in respect of which was initially filed during the insurance period, and the insured event itself took place after the retroactive date set in the policy (claims made basis). The coverage under the policy is not limited to accidental events.

The insurance premium in policies of this type are set as a function of a number of variables, such as: The policyholder's area of activity, the scope of activity, the coverage period of claims that were initially reported in the insurance period, but refer to a deadline that preceded it, the requested liability limits, the deductible amount, the turnover, the number of employees, number of years of practicing the profession, claims history, territorial the claims history, the territory and the jurisdiction, and the terms of the reinsurance treaty.

- **Employers liability insurance** - this insurance is designed to cover the policyholder's liability to its employees due to bodily damage caused to the employee during and due to his/her employment by the policyholder, due to the policyholder's negligence, during the insurance period, as a result of an accident and/or illness (occurrence basis). The liability covered under this policy arises by virtue of the Torts Ordinance. Broader policies cover the insured employer's liability to its employees also by virtue of the Defective Products Liability Law.

An employers liability insurance is a product that supplements the compensation paid to the injured person by the National Insurance Institute due to a workplace accident or an occupational disease, which are restricted in terms of type and amount by law. This policy covers the excess exposure above the coverage provided by the National Insurance Institute, and no more than the liability limit set in the policy.

The employers liability policy can be purchased as an independent product or incorporated, as an additional coverage, in other insurance policies, such as: policies to insure businesses, home insurance policies, and policies for insuring contract work.

The insurance premium in policies of this type are set as a function of a number of variables, such as: The number of employees, the annual wage paid by the employer, the business's risk level according to its area of activity and its claims history. The insurance premium is also affected by the employer's adherence to safety procedures in the business, the overall maintenance status of the business, its exposure to hazardous substances, and the terms of the reinsurance treaty.

- **Directors and officers liability insurance** - this insurance is meant to cover directors and officers' legal liability in respect of pecuniary damage caused due to their act or omission, whether in good faith or due to negligence, subject to the exclusions in the policy, in their capacity as Company officers, the claim in respect of which was initially filed during the insurance period, and the insured event itself took place after the retroactive date set in the policy (claims made basis). The liability covered under this policy is established by virtue of the Companies Law and other legal provisions, which impose a personal liability on officers, including breach of the duty of care, and fiduciary duty in good faith, which can be insured in accordance with the law.

The insurance company shall pay insurance benefits to the insured person (the officer) or indemnify the policyholder (normally the company that purchases the coverage for its serving officers), in respect of amounts it paid to the officer, where it was entitled to do so by law.

The insurance premium in policies of this type are set as a function of a number of variables, such as: The area of activity, the composition of the shareholders, territorial exposure, financial strength, exposure to trade on stock exchanges, liability limits, the deductible amount, the coverage period of claims that were initially reported in the insurance period, but refer to a deadline that preceded it, the claims history and the terms of the reinsurance treaty.

The liability insurance for officers subsegment is mostly backed by reinsurance. After several years of significant increase in tariffs and decline in supply of insurance and the liability limits which are sold, in view of the reinsurers' policy, in the reporting year there was a certain decline in the tariffs to the end customer (the policyholder).

In August 2023, The Ministry of Justice published the **Draft Companies Regulations (Provisions regarding Derivative Claim and Derivative Defense), 2023** (hereinafter - "**Draft Derivative Claim Regulations**"), in order to regulate the procedural rules in derivative claims. The Draft Regulations stipulate, among other things, the manner by which the motion to certify a derivative claim and the response thereto will be submitted; the manner of filing an application for disclosure of documents and the response thereto; provisions stipulating that an officer responding to an application for certification of a derivative claim or a motion for disclosure of documents is required to provide details regarding indemnity and insurance arrangements available to them; provisions that authorize the court to appoint an expert witness on its behalf to assess the factual and legal infrastructure of the claim and the expert's powers, including allowing the expert to participate in discussions of an independent committee, if such a committee was set up by the board of directors, to discuss the derivative claim;

In the opinion of Clal Insurance, if the Draft Derivative Regulations will become binding, this might encourage the filing of derivative claims, and make it difficult for companies and officers to defend themselves against those claims, which may be reflected, among other things, in an increase in exposure in this sub-subsegment, an increase in premiums and even a decline in reinsurers' willingness to insure this coverage.

The Company's assessment regarding the Draft Derivative Regulations is forward-looking information, which is based on the assessments and assumptions of Clal Insurance as of the report publication date, and the actual outcome may be materially different than predicted, and depends, among other things, on the regulations' final wording, the behavior of the policyholders, the plaintiffs, and the judicial instances.

- **National Insurance Law [Combined Version] 1995**

Regarding amendments to the National Insurance Law, see Section 7.1.1.1(d) above.

7.1.1.4. Property and other insurance subsegment

This subsegment includes a number of sub-subsegments as detailed below:

A. Home insurance sub-subsegment

This sub-subsegment includes home insurance, contents and building, under various plans, the principal of which is the comprehensive home insurance plan. This sub-subsegment includes coverage for the policyholder's home in respect of loss or physical damage caused to the building or its contents as a result of the risks listed in the policy. This policy is subject to minimum conditions, that were set as part of the **Addendum to the Supervision of Insurance Business Regulations (Contract Terms and Conditions for Insuring Homes and their Contents), 1986** (hereinafter - the "**Standard Home Insurance Policy**"). The terms of the Standard Home Insurance Policy may only be changed in favor of the policyholder, and it may be expanded in terms of the insured property and risks, the scope of the coverage, and types of liability insurance that are related to the home (such as employers liability insurance). The insurance is aimed at private sector homes, and includes, among other things, home insurance policies for policyholders who took loans backed by a mortgage, some of which were sold through agencies, mortgage banks, and in such cases their premium is capped by the Commissioner.

Clal Insurance offers a number of home insurance plans, which vary from one another in terms of the scope of the coverage and the premium amount. The premium is mostly differential and derived mainly from the scope of the requested coverage, the insurance amounts and the risk level.

In May 2022 the draft Supervision of Insurance Business Regulations (Terms of Home and Contents Insurance Contract) (Amendment), 2022 was published, which proposes to amend the standard policy. The suggested amendment is due to unclarity as to the insurance coverage in cases of the collapse of buildings in circumstances other than an earthquake. According to the draft, it is suggested to clarify that such cases will not be included in the policy's basic coverage; it is also suggested to add an option to purchase an expansion to cover significant accidental damage to the house for any reason (except for a small number of specific exclusions), which does not fall below 70% of the insurance amount.

At this preliminary stage, the Company is unable to assess the effect of the draft. Actual results may be affected, among other things, by the regulations' final wording, the willingness of reinsurers to insure the said coverage, the manner of pricing, the scope of the coverage, and the behavior of customers, competitors, distributing entities and the entities that fund mortgage loans in the market.

In May 2022, a **Draft Amendment - Circular regarding Life Insurance and Building Insurance as Part of a Housing Loan** was published (hereinafter - the "**Draft Amendment - Circular regarding Housing Loan Insurance**"), which suggests to prescribe that insurance agencies owned by a mortgage bank (hereinafter - the "**Banks' Agencies**") - which are currently allowed to market a home insurance policy that includes additional coverage for water damages only (without other coverages and expansions), to market coverage in respect of third party damages and an expansion to the building insurance that includes "coverage for significant damage for any reason whatsoever", in accordance with the suggested wording of the draft for amendment of the Standard Home Insurance Policy as detailed above.

If the Draft Amendment - Circular regarding Housing Loan Insurance will become binding, it is expected to increase the Banks' Agencies ability to compete with other parties, although there is uncertainty as to the willingness of the reinsurers to insure a third-party damage coverage and/or coverage for significant damage for any reason whatsoever as part of a building policy in respect of a mortgage.

The Company's assessments regarding the Draft Amendment - Circular regarding Housing Loan Insurance is forward-looking information, which is based on the assessments and assumptions of Clal Insurance as of the report publication date, and the actual outcome may be materially different than predicted, and depends, among other things, on the amendment's final wording, the behavior of the Banks' Agencies, the other agencies, the customers and the competitors.

B. Other property insurance sub-subsegment

This sub-subsegment includes policies that are mainly aimed at the business sector and cover loss or direct physical damage to the policyholder's property or property in which the policyholder has interest, as a result of risks that might be caused to the policyholder's property, such as: Fire, lightning and other risks. This sub-subsegment also includes insurance policies in respect of electronic equipment, mechanical-engineering equipment, mechanical breakdown and construction work (contractor work and construction), cargo in international transit (by sea and by air), vessels, terror damages and other insurance coverages (such as funds and trust).

The most common policy is a business insurance policy - "Extended Fire" - which is a policy covering the risks listed therein - damages that might be caused to the policyholder's property, from risks such as: fire and lighting, explosion, collision, strikes, malicious damage. The policy also allows coverage in respect of natural disasters, including earthquakes. The "Extended Fire" insurance is designed to cover the restoration of the business, while paying indemnification in respect of the physical damage. The incidence of fire damage, including natural disasters and earthquakes, is low, but their severity is high, compared with break-in damages, which are characterized with high incidence and low severity.

As an addition to the "Extended Fire" insurance policies, one can also purchase insurance coverage for "**consequential loss**" (loss of income which is a consequence of the physical damage caused to the policyholder's property. The premium payable for a "consequential loss" coverage is normally determined as a rate of the insurance amount set in the policy, according to the activity type of the insured business, the scope of coverage it is given, and the required indemnity period.

The “extended fire” coverage may be extended to “**supplementary all risks**” coverage (which covers every risk, other than the risks excluded in the policy). Mostly, the expansion involves the payment of an additional premium, and its amount is limited. The Company also offers a policy based on “All Risks for Industry”, which is sold in special cases to specific businesses, and covers accidental damages to the policyholder’s property, other than the damages excluded in the policy.

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

C. Guarantees sub-subsegment

This sub-subsegment mainly includes guarantee policies in accordance with **The Sale Law (Apartments) (Securing the Investments of Apartment Buyers), 1974** (hereinafter - the “**Sale Law**”), which are issued by Clal Insurance, and serve as an undertaking to indemnify a beneficiary in respect of a breach of an undertaking to him/her by the guaranteed and/or the policyholder. The purpose of Sale Law policies is to secure the investment of buyers of residential units, whose building has not yet been completed, under circumstances where the seller of the property will not be able to transfer to the buyer ownership rights or any other right in the property, as agreed in the sale contract, due to the fulfillment of one of the grounds listed in the Sale Law. The wording of the Sale Law policies, which are marketed by Clal Insurance, is adjusted, *mutatis mutandis*, to the provisions published on the matter under the regulations promulgated by virtue of the Sale Law. These policies are normally issued against collaterals, and their insurance period is long (a number of years may elapse until the policy expires according to one of the options as per the Sale Law, and the cancellation of the coverage thereunder). The risk associated with the policies declines as construction work progresses, until possession of the property is delivered. Revenue recognition in respect of these policies is deferred over 3 years. In some of the cases where the Company sells policies under the Sales Law, it provides - at the same time - financing to the developer for the purpose of building the project.

The Company mainly extends loans to finance residential construction projects alongside Sales Law guarantees in collaboration with banks, non-banking entities or independently. Furthermore, the Company also provides other types of guarantees (performance guarantees and other autonomous guarantees), which are issued by the Company as part of projects it finances under a “closed financing” format.⁵⁰

In recent years, Clal Insurance increased its activity in this sub-subsegment, including, among other things, through engaging with Michlol Real Estate Urban Renewal Solutions Ltd. (hereinafter - “Michlol”), in an agreement where under Clal Insurance provided a credit facility and Sale Law guarantees to Michlol, in order to finance its activities. For further details, see Section 16.2 below.

Furthermore, Clal Credit Insurance issues guarantees, including, among other things, tender, advance and performance guarantees, which - as a rule - are issued for periods of up to five years to beneficiaries, which are government authorities and agencies, municipalities or companies under their ownership. At this stage, the activity is immaterial.

D. Accidents, illness and disability insurance sub-subsegment

This sub-subsegment includes **personal accidents insurance policies**, which are policies for a fixed insurance period of up to 12 months, that provide a compensation in the case of death and/or disability (full or partial) as a result of an accident and/or temporary inability to work due to an accident, according to the scope of the coverage selected.

In recent year, following the regulatory changes that apply to personal accidents insurance, and specifically the Personal Accidents Circular of 2021 (which includes provisions whose aim is to regulate the sale process and the insurance coverage), Clal Insurance reduced its activity in this sub-subsegment. For further details about the Personal Accidents Circular and its effects, see Section 8.1.2.1(c) below.

In the past, Clal Insurance used to insure pupils under personal accidents policies. Generally, Clal Insurance ceased to market those types of insurance in September 2016. The claims in the personal accidents policies for pupils had a very long claim tail, since the prescription period regarding liabilities to minors starts when they reach the age of 18 at the very least. Therefore, despite the fact

50. A business format for the provision of banking services for the financing of construction, as part of which the financing entity covers all financing aspects of the project.

that it is no longer markets personal accidents policies for pupils, Clal Insurance still has an exposure in respect of those policies.

7.1.1.5. The credit insurance and foreign trade insurance subsegment

This subsegment includes policies covering credit risks in the domestic market and foreign trade risks abroad, which are marketed by Clal Credit Insurance, and provide its policyholders - companies that make sales using credit in Israel and abroad, coverage for commercial risks (insolvency and continuous insolvency) faced by their customers (in Israel and abroad), as well as coverage for political risks (only abroad). Political risks include a general moratorium that was declared in the country from which the consideration was due to be paid to the policyholder (hereinafter - the "Importation Country"); prohibition on importation by the Importation Country, or cancellation of an importation license that prevents the execution of the agreement between the insured company and its customer; a political event or an economic difficulty in the Importation Country that prevents the transfer of the consideration, and failure to pay the consideration by a public customer in the Importation Country (that is to say - the government, or any municipality, or an entity regulated by any of them).

The engagement with the policyholder is carried out through a basic insurance policy that constitutes the framework for engagement between the parties and defines the terms of the insurance coverage. Under the basic policy, the Company approves credit facilities to the policyholder at varying amounts and terms, through an individual underwriting process for each customer of the policyholder, which is approved by it. Generally, the policies in this subsegment are short-term one-year policies and are usually renewed automatically.

The policy provides the policyholder stability by reducing its bad debts and stabilizing its cash flow while mitigating the credit risks of its customers and dealing with debts that are difficult to collect.

Furthermore, based on the Company's insurance policy, the policyholder can receive factoring services from banks or other financial companies, and even contact the entity that provides financing to the policyholder (bank, factoring company or any other entity) in order to increase the policyholder's credit facility, by appointing the financing entity as the beneficiary, which is to receive the insurance benefits under the policy.

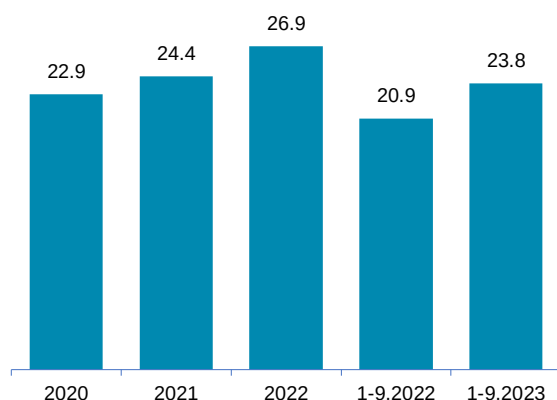
The activity in the credit insurance and foreign trade risks subsegment is carried out through Clal Credit Insurance - a company controlled by Clal Insurance (80%), with 20% of the additional shares held by Atradius Participation Holdings SL (hereinafter - the "**Atradius Group**"). The shareholders of Clal Credit Insurance have an agreement that regulates the Group's collaboration with the Atradius Group as a strategic partner and allows Clal Credit Insurance to insure credit transactions in many countries (the agreement between the shareholders, including the amendments thereto, shall be named hereinafter - the "**Shareholders Agreement**"). For details about the shareholders agreement, which is renewed periodically, see Section 9.17.3 below.

7.1.2. *Key markets, trends and changes in demand and supply*

The property and casualty insurance market has grown in terms of premium amounts as a result of significant premium increases in the motor property and compulsory motor insurance subsegments, in view of losses, and maintained a product mix, which is similar to that of the corresponding period last year.

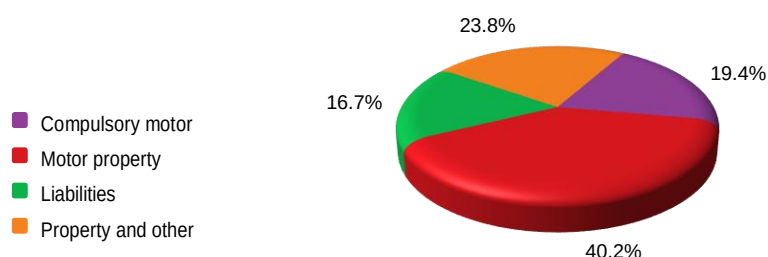
According to the Commissioner's publications as of September 30, 2023, gross premiums in the property and casualty insurance segment in Israel in the first nine months of 2023 was approx. NIS 23.8 billion, a 14% increase compared to the corresponding period last year.

Development of gross premiums in property and casualty insurance from 2020 to September 2023 in NIS billion

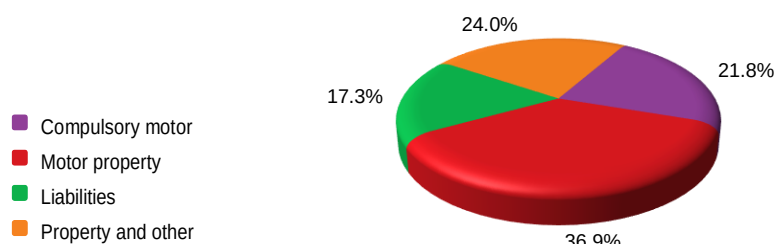


Following is a breakdown of the gross premium in the Israeli property and casualty insurance market, by property and casualty insurance subsegments, except for the short-term illnesses and hospitalization subsegment, that is described in the description of the health insurance segment (Section 8.1.1.1 below), which some companies include in the health insurance segment, and others in the property and casualty insurance segment - in January to September of 2022 and 2023:

Breakdown of gross premiums in the Israeli insurance market by property and casualty insurance subsegments for 2023



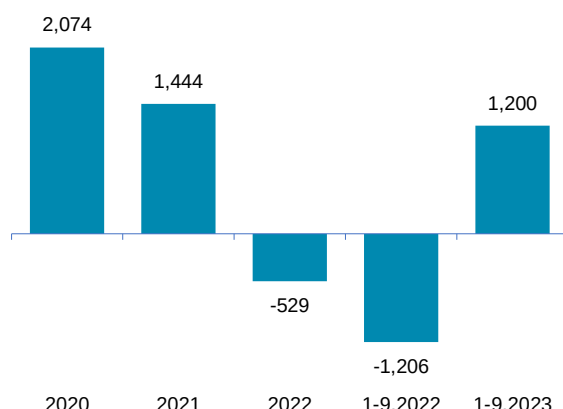
Breakdown of gross premiums in the Israeli insurance market by property and casualty insurance subsegments for 2022



According to the Commissioner's publications as of September 30, 2023, the profit in the property and casualty insurance segment in Israel in the first nine months of 2023 was approx. NIS 1.20 billion, compared with a loss of approx. NIS 1.21 billion in the corresponding period last year.

For further details regarding the development of the results of the property and casualty insurance segment in Clal Insurance, see Part B to the Report - Report of the Board of Directors, Section 2.2.2.

Development of pre-tax comprehensive income in the property and casualty insurance segment in Israel from 2020 to September 2023 in NIS million



A. Compulsory motor insurance subsegment

Most Israeli insurance companies operate in this subsegment, which is generally characterized with a uniform product and significant price competition. The demand in this segment is a result of the number of vehicles, which increases every year, the fact that it is a compulsory insurance, and the competitive conditions in the segment. The competitive conditions are affected, among other things, from the introduction of new market players and even from regulatory intervention. The fact that customers can compare tariffs using the Capital Market, Insurance and Savings Authority's website and other digital means, which allow the use of price comparison aggregators, also contributes to the competition environment.

In addition to pricing, which is affected by competition considerations, the profitability in this subsegment may be affected, among other things, by changes in the number of road accidents and the severity of the injuries sustained therein, changes in the scope of subrogation claims, and changes in legislation and case law in connection with the subsegment, by the "Pool" results as well as by the manner in which the premium is adjusted to the risk profile.

The profitability that is achieved is affected by the underwriting results and the tariffs, as well as by the results of the investments, which are affected by changes in the capital market, interest rates and inflation rates. Changes in interest rates and inflation rates as stated above have a significant effect on the profitability in liability and compulsory motor insurance, in view of the fact that those subsegments are characterized with a relatively high level of reserves, due to the significant period that elapses from the receipt of the premium and the date on which the handling of the claim is completed. For further details regarding the subrogation arrangement of the National Insurance Institute, see Section 7.1.1.1(d) above.

B. Motor property

Most Israeli insurance companies operate in this subsegment, which is generally characterized with a uniform product in relation to private and commercial vehicles up to 3.5 tons and significant price competition. The increase in this segment is a result of the number of vehicles, which increases every year.

The profitability in this subsegment may be affected, among other things, by various changes in components, such as: underwriting policy, number of vehicle thefts and road accidents, changes in the prices of spare parts and cost of repairs, changes in standards and regulations, changes in the prices of new vehicles, hourly rates in auto repair shops, and damages due to natural disasters.

In the reporting year, the deterioration in the subsegment's profitability was halted. For details regarding profitability, see Part B to the Report of the Board of Directors, Section 2.2.2.

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

C. Liability insurance subsegment

Most Israeli insurance companies operate in this subsegment, which is characterized with products with similar characteristics and significant price competition. The demand in this subsegment is a

result of, among other things, the relevant laws, including case law that is set in connection with the interpretation of legal provisions regarding bodily injury and property damage caused to third parties, which are covered under the policies.

The profitability in the liability insurance subsegments may be affected by the competition in the subsegment, regulatory changes, the quality of the underwriting, and the level of legal certainty. For further details regarding the legislative amendments that regulate the subrogation right of the National Insurance Institute, see Section 7.1.1.1(d) above.

For details regarding the effect of investment income on the profitability of this subsegment, see Subsection 7.1.2(a) above "compulsory motor insurance subsegment", which has similar characteristics in that context.

D. Property and other insurance

The demand for property insurance and the profitability of these subsegments may be affected, among other things, by the rate of break-ins, fires and water damage to homes and businesses, and by damage due to natural disasters.

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

Guarantee insurance policies are sold by insurance companies, and Sale Law guarantees are also issued by banks. The demand for this type of insurance is affected, among other things, by developments in the construction sector, and the alternatives available to contractors, and may be affected, among other things, by the economic, political and security situation in Israel and abroad, by the situation in the capital market and quality of underwriting, including the assessment of the industry-specific risks to the industry in which the guaranteed party operates and the ability of the guaranteed party's repayment capacity.

E. The credit insurance and foreign trade insurance subsegment

The demand and profitability in the credit insurance and foreign trade insurance subsegment may be affected, among other things, by the economic, political and security situation in Israel and abroad, the situation in the capital market, the risk level associated with the sector in which the debtor operates and the competition in the credit insurance market in Israel.

7.1.3. *Material expected changes in the Company's market share in key markets in relation to the main products and services, and their mix, considering, among other things, the demand for the existing products and the period that elapsed since they were launched.*

According to the data published on the Commissioner's website, the Group is the fourth largest group in the property and casualty insurance segment.

In the opinion of the Company, Clal Insurance's share in the market will be affected by the intense competition in the subsegment, which will continue to focus on the amount of insurance premiums, and the provision of services to policyholders, and even by the removal of regulatory entry barriers that resulted in the introduction of new insurance companies into this activity in recent years. For details on this matter, see Section 7.2.1 below. In addition, changes in arrangements in the motor property insurance segment following drafts that were published in connection therewith may affect market shares in motor insurance policies. For details on this matter, see Section 7.1.1.2(b) above. For further details regarding the effect of the competition, see Section 7.2 below.

Clal Insurances strives to achieve business growth, especially in its individual insurance businesses, amid an aggressive competition environment, while maintaining its profitability.

The Company's assessments constitute forward-looking information, based on information in the Company's possession on the report date. The actual outcomes may be different than expected and depend, among other things, on the competitive conditions in the subsegment, the manner of implementation of regulatory provisions, the behavior of competitors and license holders, and the effect on the tariffs.

7.1.4. *New products*

In the reporting year no new material products were marketed.

7.2. Competition

7.2.1. Factors fostering competition

In the Company's opinion, the significant competition in property and casualty insurance, and specifically in the individual insurance subsegments continues, and is expected to continue in the next few years. The losses that insurance companies suffered in the motor property and compulsory motor insurance subsegments in recent years required the companies to adjust the tariffs to the risk arising from the continuous increase in the incidence and severity of the accidents, and the increase in the incidence of thefts due to the increase in spare parts prices. The said increase in prices, the removal of regulatory barriers for the entry of new companies into the market, as detailed in Section 9.3.1.2 below, and reforms and regulatory provisions that are specific to this segment as detailed above and below, also affect the intensification of the competition in the segment. Following are factors that impact the competition in the segment and encourage it:

- **Transparency and price** - according to the Insurance Law, an insurer that wishes to set or modify the terms and conditions of an insurance plan or the insurance premium is required to inform the Commissioner of its intention 30 working days in advance, and the Commissioner has the power to object to it. From time to time, the Company holds discussions with the Commissioner regarding such requests, including with regard to insurance tariffs. In recent years, the Commissioner published various provisions, whose aim is to increase transparency to the customers, both when signing-on to an insurance policy, and towards the end of the insurance period.
- **Digitally available data** - in recent years, the Commissioner promoted various provisions, whose aim is to facilitate the digital transfer of data. As part of this activity, in 2018 The Signing-On to Insurance Plans Circular came into force, which required marketing entities to check in the "Har Habituach" website (a platform that collates information regarding all insurance products a policyholder has with insurance companies) (except for subsegments that were excluded) - whether the insurance candidate has similar insurance products. The availability of the information makes it easier to make comparisons and increases the competition in the market.

Furthermore, the Commissioner supported the reporting of motor property claims history to the "Har Habituach" website, in order to create a single claims report that will facilitate the process for policyholders, who are required to present a claims report for underwriting purposes before signing-on to an insurance plan. This improved the reliability of data, removed operational barriers and consequently increased competition.

- **Sales** - the Company operates a digital platform for the marketing of compulsory motor, motor property, home and individual cyber insurance products. In addition, the Company operates a direct sales call center for these products.
- **Calculators** - some of the competition in the subsegment focuses on competition regarding the amount of insurance premiums. The Capital Market, Insurance and Savings Authority's website has a compulsory motor insurance calculator, that displays the insurance tariffs of all companies, which are set according to the variables (of each company), which are relevant to the motor insurance in respect of which a query is entered into the calculator (hereinafter - the "Compulsory Motor Insurance Calculator"). The Compulsory Motor Insurance Calculator allows those who wish to do so to compare compulsory motor insurance tariffs between companies. In addition, the said website also has a calculator for home insurance tariffs (hereinafter - the "Home Insurance Calculator"). The purpose of the Home Insurance Calculator is to display a comparison between insurance tariffs of insurers in accordance with the coverages provided under the Standard Home Insurance Policy that covers the buildings and the contents.
- **Price comparison aggregators** - in recent years, the market developed various aggregators that are used by insurance agents and/or end customers as a comparison sales tool in motor insurance. The aggregators make it possible to receive insurance quotes from a number of insurance companies at the same time, which increases competition in the compulsory motor insurance sub-subsegment and the motor property insurance sub-subsegment.
- **Service and claims settlement** - the Company believes that in future years the competition in the subsegment will continue intensifying and will also cover other components in addition to the insurance price, such as service and claims settlement. These data constitute another measurement tool that the policyholder can use to select the insurance product. The Commissioner published on

the Capital Market, Insurance and Savings Authority's website comparative data about the manner of settlement of claims by the insurance companies, and comparative data regarding metrics for assessing the services provided to policyholders by the insurance companies.

Clal Insurance has an app by the name "Clal's Emergency Button", which allows Clal Insurance's policyholders to receive emergency services 24/7 in the event of a road accident or damages to the insured home's pipes. One can also use the app to file a claim, check the status of a claim, read his/her personal file and execute a range of actions involving his/her personal file. In the year preceding the reporting year, Clal Insurance started operating a service to policyholders for the settlement of property damage claims in home insurance of low amounts and in suitable cases, through a video call, allowing it to cut the time it takes to deal with the claim and increase the efficiency of the service.

The information relating to the potential consequences of the development of competition 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 competitors, the distributing entities, the suppliers, the customers and changes in regulation.

Removal of competition barriers

As to the removal of entry barriers, see Section 9.3.1.2 below.

In the Company's opinion, the competitive conditions in the subsegment will continue in the forthcoming reporting period.

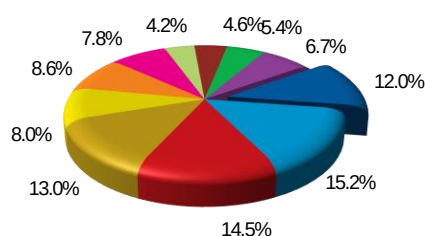
Clal Insurance's assessments as to the conditions of the competition in the subsegment as stated above partly constitutes forward-looking information, based on information in the Company's possession on the report date. The actual outcomes may be different than expected due to the reasons stated above.

7.2.2. Competitive conditions in the segment

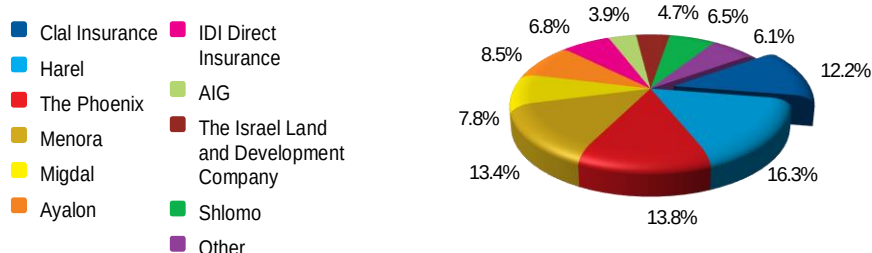
Most Israeli insurance companies operate in this segment.

Total gross premiums received in the property and casualty insurance segment in the Group amounted, as of September 30, 2023 to approx. NIS 2,859 million, and constituted - according to the data as per the financial statements of the insurance companies as of September 30, 2023, which are published on the website of the Capital Market, Insurance and Savings Authority - approx. 12.0% of the property and casualty insurance activity in the market, compared to gross premiums of NIS 2,561 million, which constituted approx. 12.2% of the property and casualty insurance activity in the market in the first nine months of 2022.

Breakdown of premiums in property and casualty insurance segment by insurance groups and companies as of September 2023



Breakdown of premiums in property and casualty insurance segment by insurance groups and companies as of September 2022



A. Individual insurance subsegments

Most insurance companies sell most of the segment's products in the individual insurance subsegments (compulsory motor insurance, motor property insurance and home insurance). Some of the insurance companies do so only through agents, some - only through direct sales channels, and some through both channels. The competition in the individual insurance subsegments is intense. The competition in subsegments with uniform products is intense, and therefore there is increased sensitivity to the tariff of those products.

B. Business insurance

Some of the insurance companies sell business insurance products. The competition in the liability and property insurance subsegments is affected by the overall competition in business insurance. The sale of those insurance coverages requires specialization, and sometimes also the sharing the specific insurance risk with reinsurers.

The competition around large businesses is affected, among other things, from the insurance tenders conducted by the customers, the involvement of consultants, and the capacity and pricing of reinsurance.

As to the analysis of the Company's business results in the individual insurance segments, see Part B to the Report of the Board of Directors, Section 2.2.2.

7.2.3. Significant competitors in the segment

In the motor and home insurance subsegments there is intense competition between all insurance companies operating in this field. The introduction into the market of insurance companies that use a direct digital sale platform, and the increase in the market share of direct platforms held by the traditional insurance companies, and independent aggregators, led to an intensification of the competition in the motor insurance market. However, in the reporting year and in the year prior to the reporting year, and in view of losses in those subsegments, insurance premiums have been increased in order to moderate the losses that were accrued.

Other property and casualty insurance products (other than motor and home insurance) also experience intense competition, mainly between the traditional insurance companies. In the opinion of the Group, its main competitors in these products are the large insurance groups: Harel, The Phoenix, Menora, Migdal and Ayalon.

In certain subsegments of property and casualty insurance in Israel a number of significant entities compete in the same subsegment. In the credit insurance and foreign trade insurance subsegment, Clal Credit Insurance's main competitor is ICIC – The Israeli Credit Insurance Company Ltd.; other competitors include Compagnie Française d'Assurance pour le Commerce Extérieur (Coface), which started operating in Israel in 2015, and several foreign credit insurance companies, that insure Israeli companies in the field of credit insurance and conduct their sales activity through brokers.

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

The Company deals with competition in this subsegment on a number of levels:

Improving pricing, underwriting and risk management methods - data analysis using actuarial models, analysis of current business data and reliance on an extensive database, that generate a picture that allows the Company to respond to changes in the market, including through differential tariffs and

improvement in underwriting processes.

Improving the service to customers and agents - among other things by activating systems for issuance of policies at the agent's office, technological improvements in the interfaces with the agent (such as a system for printing and direct mailing of policies, collaborations with motor insurance aggregators in order to increase the efficiency of the issuance process), and provision of digital services.

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

Operational improvements - in order to comply with regulatory provisions, Clal Insurance developed automated tools, whose aim is to facilitate the agent's work. In addition, Clal Insurance took steps to improve work methods, agreements with service providers, partial transition to digital mailing to policyholders, etc.

Products - creating dedicated products for certain market segments and/or population groups, expanding existing policies and adapting them to the customers' needs.

Marketing - sales promotion by means of an extensive marketing campaign in various media outlets, advertising for agents, advertising in professional media outlets, focused offers, professional bodies' visits at the agent's offices - organized on behalf of Clal Insurance, professional conferences and training. The Company operates a digital platform for the marketing of compulsory motor, motor property, home and individual cyber insurance products. In addition, the Company markets dedicated tracks in the comprehensive insurance policy, such as the "Selected Auto Repair Shops Policy" (see Section 7.1.1.2(b2) above), "Clal Metrage" and "Clal Behave".

In the opinion of Clal Insurance, the factors that have a positive effect on its position in this area of activity include, among other things: The significant stability and financial strength of the Group, especially with regard to insurance coverages with long-tail claims, professional specialization, the ability to offer an extensive range of solutions and adapt the product to the customer's needs, including provision of innovative and dedicated solutions, advanced systems for the issuance of policies in the individual insurance subsegments, maintaining good relationships with reinsurers, including reinsurance treaties that give the Company the flexibility to take on various businesses, and high-quality service to agents and customers.

7.3. Customers

7.3.1. General

The customers in the property and casualty insurance subsegments are individual and business policyholders: motor property insurance subsegments, compulsory motor insurance subsegments, and the home insurance sub-subsegment, are mainly characterized with individual policyholders. The liability insurance subsegment and the property and other insurance subsegments (other than home insurance), the credit insurance and foreign trade risks subsegments, the guarantees and Sale Law policies (in which the home buyer is the beneficiary and the contractor is the policyholder) are mainly business policyholders.

In some of the insurance subsegments which are included in the segment and are individual insurance subsegments, a material portion of the sales is made to collectives, such as in the compulsory motor insurance subsegment and motor property insurance subsegment.

Furthermore, in the compulsory motor insurance subsegments and the motor property insurance subsegment, there are customers which are companies with car fleets, including car leasing companies and car rental companies.

The Group's customers in the liability insurance subsegment are classed according to the insurance type: third-party liability insurance and employer's liability insurance are intended both to the private sector (households and condominiums) and to the business sector (businesses, corporations, municipalities and other institutional entities). Executive insurance, professional liability insurance, and product liability insurance are intended only for the business sector.

The breakdown of gross premiums (in NIS thousand) by customer type in the various subsegments of the property and casualty insurance segment in 2022-2023

A. Compulsory motor insurance subsegment

<u>Type of customer</u>	<u>2023</u>		<u>2022</u>	
	<u>Premiums, in NIS thousand</u>	<u>% of total income</u>	<u>Premiums, in NIS thousand</u>	<u>% of total income</u>
individual policyholders (other than fleets or collectives)	542,296	77%	541,726	78%
Vehicle fleets - collective	162,085	23%	152,945	22%
Total	704,381	100%	694,671	100%

Breakdown of customers in the compulsory motor insurance subsegment by premiums in 2023**Breakdown of customers in the compulsory motor insurance subsegment by premiums in 2022****B. Motor property**

<u>Type of customer</u>	<u>2023</u>		<u>2022</u>	
	<u>Premiums, in NIS thousand</u>	<u>% of total income</u>	<u>Premiums, in NIS thousand</u>	<u>% of total income</u>
individual policyholders (other than fleets or collectives)	746,070	68%	680,335	72%
Vehicle fleets - collective	354,816	32%	262,040	28%
Total	1,100,886	100%	942,375	100%

Breakdown of customers in the motor insurance subsegment by premiums in 2023

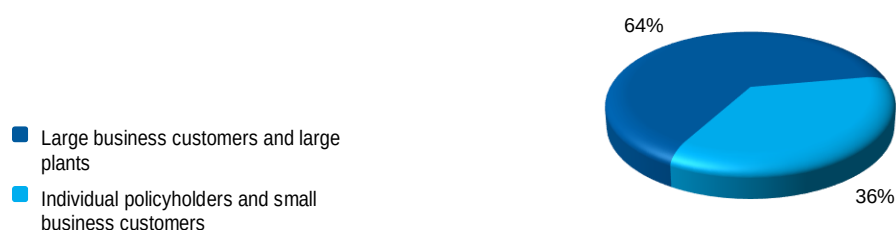
Breakdown of customers in the motor insurance subsegment by premiums in 2022



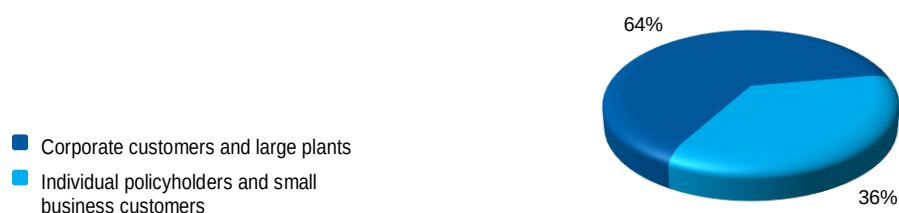
C. Liability insurance subsegment

Type of customer	2023		2022	
	Premiums, in NIS thousand	% of total income	Premiums, in NIS thousand	% of total income
Individual policyholders and small business customers	183,445	36%	173,174	36%
Large business customers and large plants	322,162	64%	313,190	64%
Total	505,607	100%	486,364	100%

Breakdown of customers in the liability insurance subsegment by premiums in 2023



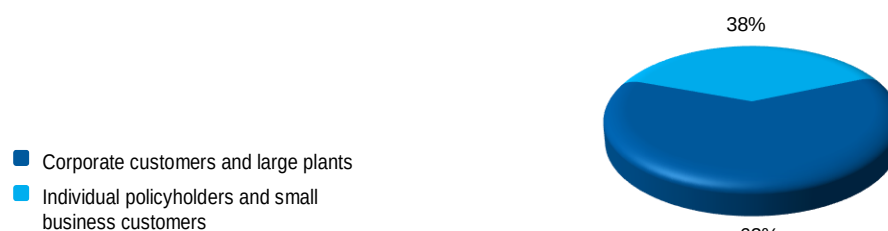
Breakdown of customers in the liability insurance subsegment by premiums in 2022



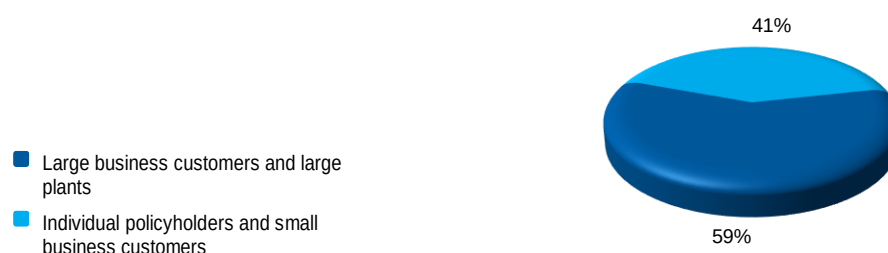
D. Property and other insurance subsegment

Type of customer	2023		2022	
	Premiums, in NIS thousand	% of total income	Premiums, in NIS thousand	% of total income
Individual policyholders and small business customers	438,930	38%	416,504	41%
Large business customers and large plants	712,544	62%	602,906	59%
Total	1,151,974	100%	1,019,410	100%

Breakdown of customers in the property and other insurance subsegment by premiums in 2023



Breakdown of customers in the property and other insurance subsegment by premiums in 2022



E. Credit insurance subsegment

Type of customer	2023		2022	
	Premiums, in NIS thousand	% of total income	Premiums, in NIS thousand	% of total income
Business policyholders	132,877	100%	132,210	100%
Total	132,877	100%	132,210	100%

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

- In the property and casualty insurance segment, the Group is not dependent on a single customer or a small number of customers.
- The Group does not have a single customer, total Company income from which in the segment constitute 10% or more of the total amount of the Company's income in the consolidated financial statements.
- The rate of individual policyholders, who purchased compulsory motor insurance together with motor property insurance in 2023 out of total customers that purchased compulsory motor insurance in the Group is approx. 74%. The rate of individual policyholders, who purchased compulsory motor insurance together with motor property insurance in 2023 out of total customers that purchased motor property insurance in the Group is approx. 90%.
- Following are data regarding the rate of renewals (customers who renewed a policy whose insurance period ended) in the compulsory motor insurance sub-subsegments, motor property insurance subsegment and the home insurance subsegment in 2023, 2022 and 2021 out of total insurance premiums in respect of the policies, whose insurance period ended in 2023, 2022 and 2021, respectively:⁵¹

Sector	The rate of renewals of total insurance premiums in respect of the policies, whose insurance period ended in		
	2023	2022	2021
Compulsory motor insurance	63.0%	78.4%	74.6%
Motor property insurance	78.9%	77.6%	70.8%
Home insurance	94.2%	91.5%	88.7%

51. The rates presented below are in gross premium terms.

- Following are data regarding premiums (in NIS thousand) paid by customers in the reporting year, according to the number of insurance years with Clal Insurance (based on the date of purchase and renewal of the policy) in the **compulsory motor insurance subsegment**:⁵²

Number of insurance years (loyalty years)	Premiums, in NIS thousand			% of total income		
	2023	2022	2021	2023	2022	2021
First insurance year (no loyalty)	276,598	242,598	215,432	39.27%	34.92%	35.99%
Second insurance year (one loyalty year)	149,502	142,221	152,031	21.23%	20.47%	25.39%
Third insurance year (two loyalty years)	91,602	115,578	60,765	13.00%	16.64%	10.15%
Over three loyalty years	186,679	194,274	170,443	26.50%	27.97%	28.47%
Total	704,381	694,671	598,671	100.00%	100.00%	100.00%

- Following are data regarding premiums (in NIS thousand) paid by customers in the reporting year, according to the number of loyalty years with Clal Insurance (based on the date of purchase and renewal of the policy) in the **motor property insurance subsegment**:

Number of insurance years (loyalty years)	Premiums, in NIS thousand			% of total income		
	2023	2022	2021	2023	2022	2021
First insurance year (no loyalty)	406,215	369,761	338,323	36.90%	39.24%	42.81%
Second insurance year (one loyalty year)	246,232	227,685	154,067	22.37%	24.16%	19.50%
Third insurance year (two loyalty years)	167,210	111,869	88,766	15.18%	11.87%	11.23%
Over three loyalty years	281,229	233,060	209,099	25.55%	24.73%	26.46%
Total	1,100,886	942,375	790,255	100.00%	100.00%	100.00%

- Following are data regarding premiums (in NIS thousand) paid by customers in the reporting year, according to the number of insurance years with Clal Insurance (based on the date of purchase and renewal of the policy) in the **home insurance subsegment**:

Number of insurance years (loyalty years)	Premiums, in NIS thousand			% of total income		
	2023	2022	2021	2023	2022	2021
First insurance year (no loyalty)	45,746	45,268	51,413	14.73%	15.72%	18.43%
Second insurance year (one loyalty year)	37,194	40,666	36,292	11.97%	14.12%	13.01%
Third insurance year (two loyalty years)	36,889	31,284	25,287	11.88%	10.86%	9.06%
Over three loyalty years	190,762	170,737	165,979	61.42%	59.3%	59.5%
Total	310,590	287,955	278,971	100.00%	100.00%	100.00%

- * Customers' renewal data do not include data of policies that were sold through mortgage banks (old portfolios) and entered run-off in 2005.

7.4. Others

7.4.1. Legislative changes due to the Iron Swords War

For details of legislative changes following the Iron Swords War, see Section 9.2.9 below.

52. For details regarding premiums that were collected by Clal Insurance in the property and casualty insurance segment in the reporting year, see Note 5(d) to the Financial Statements.

8. Health insurance segment

8.1. Services and products

8.1.1. *Description of the insurance subsegments and the insurance coverages included in the segment*

8.1.1.1. Illnesses and hospitalization subsegment

Illnesses and hospitalization coverage is provided in Israel on a number of levels: The Healthcare Services Basket provided to all Israeli citizens by virtue of the National Health Insurance Law (hereinafter - the **"Basic Basket"**); additional services provided mainly by the health maintenance organizations according to the provisions of the National Health Insurance Law (hereinafter - the **"Additional Services"** or the **"SHABAN Services"** or the **"SHABAN"**); and insurance coverage sold by the insurance companies.

The Group offers its policyholders a range of insurance coverages in the illnesses and hospitalization subsegment, which include compensation or indemnification to policyholders in respect of medical expenses where his/her health is adversely affected due to an illness or an accident. Some of these products replace, supplement and expand the coverages and services provided in the Basic Basket and/or the Additional Services.

The illnesses and hospitalization insurance subsegment includes the following key sub-subsegments offered by the Company:⁵³

- Illnesses and hospitalization insurance.
- Travel insurance.
- Personal accidents insurance.

8.1.1.2. Long-term care subsegment

A long-term care insurance provides solutions in situations where the policyholder is defined as requiring long-term care as this insured event defined in the policy, that is to say, a person who is unable to independently perform some daily activities, and therefore needs assistance or monitoring. A policyholder, who is mentally frail is also deemed to be requiring long-term care.

A person, who requires long-term care, lives at home and meets certain criteria (including, among other things, health-related and economic criteria), may be eligible to services from the National Insurance Institute, including a certain number of hours of care at his/her home, all in accordance with the provisions of The National Insurance Institute Law [Combined Version], 1995.

In addition, the Ministry of Health participates in the financing of residing in a nursing home from among the nursing homes recognized by it for that purpose, for those who are recognized as requiring long-term care and need assistance in financing the period of residing in a nursing home.

The long-term care subsegment includes insurance coverages that are paid, in addition to payments or services provided by the state as detailed above - as part of individual insurance and as collective insurance (currently mostly to members of health maintenance organizations), as part of which the insurance company undertakes to participate in the financing of long-term care hospitalization or compensate the policyholder - upon the occurrence of an insured event. The policies provide insurance benefits for a fixed period.

In October 2019, Clal Insurance - and to the best of its knowledge, also all other market players - stopped marketing private long-term care insurance policies to new customers, due to, among other things, the announcement of reinsurers regarding the cessation of their activity in the field of long-term care insurance in Israel. For further details, see Section 8.1.2.2 below. In addition, as of the report publication date, Clal Insurance does not enter into new collective long-term care insurance agreements.

53. For information regarding the discontinuation of the marketing of personal accidents insurance policies in 2021, see Section 8.1.2.1(c) below.

8.1.2. Breakdown of most of the products and services included in the segment

Following is a description of the main coverages:

8.1.2.1. Illnesses and hospitalization subsegment

In the illnesses and hospitalization insurance subsegment Clal Insurance markets individual insurance and collective insurance.

- **Individual insurance**

Individual health insurance policies that were sold through the end of January 2016 are usually for an indefinite period, where - except in cases set in the legislative arrangement and in the policies - only the policyholders are allowed to issue notice of their termination.

According to the Commissioner's Directives, the individual health insurance policies (other than disability insurance, travel insurance, dental insurance, and foreign employees and visitors insurance), that are sold as from February 2016, are renewed automatically every two years for all policyholders, and - subject to the approval of the Commissioner - the insurance company may update the tariffs and the terms and conditions of all individual health insurance policies, until the next update date of the tariff and/or the terms and conditions (hereinafter - the "Change Date"). The insurance company is required to inform all policyholders of the change approximately two months before the Change Date and obtain their consent if the monthly insurance premium has increased, or if the scope of the insurance coverage was scaled down instead of increasing the insurance premium as stated above, in accordance with the cases and terms set by the Commissioner (hereinafter - "Renewable Health Insurance Policies").

Periodic revision of the policy's terms and conditions - if carried out in a way that will not benefit the policyholder, may affect the insurance company's ability to retain policyholders, especially among healthy policyholders.

Generally, as of the report date, the renewable health insurance policies were renewed with no changes to the terms and conditions and tariffs. Regarding amendments in the 2023 Economic Arrangements Law, which was published in June 2023, and which will affect future renewal of individual surgical procedures policies that were sold as from 2016, see Section 8.1.2.1 below. At this stage, Clal Insurance is unable to assess the combined effect of the changes that will be made to the renewal terms and conditions, which may lead to changes in the paid premium and the changes in the scope of insurance coverage purchased, and also affect - accordingly - the amount of premium collected and the retention of customers. The combined effect of the renewal of health insurance policies together with the amendments of the 2023 Economic Arrangements Law, and their overall effect on the structure of the products, their marketing and pricing, see also Section 8.1.2.1 below.

In September 2022, the Commissioner published the **Updating Tariffs in Renewable Health Insurance Policies Circular** (hereinafter - the "**Tariffs Circular**"), that includes provisions that determine - with regard to renewable health insurance policies - the circumstances under which an insurer will be allowed to increase the premium in renewable (individual) medical expenses policies without obtaining the Commissioner's approval, and provisions that allow the insurance company to offer policyholders to reduce the premium increase by increasing their deductible or reducing the coverage, subject to the Commissioner's advance written approval. The circular comes into effect on its publication date, and it applies to individual medical expenses insurance plans that will be marketed or renewed as from the effective date.

The certainty as to the option of increasing the insurance premium, and alternatively pricing-in some of the risk by increasing the deductible or reducing the coverage, leads to a certain level of hedging of the long-term insurance risk of the insurance company in renewable health insurance policies, creates certainty regarding the mechanism for increasing the insurance premiums, and consequently leads to a reduction in the conservatism factors as part of the policy's pricing; however, the multiple changes in health insurance products, including the health reform and the provisions of the 2023 Economic Arrangements Law might moderate this effect.

The information pertaining to the potential consequences of the provisions regarding renewable health insurance policies and the Tariffs Circular constitutes forward-looking information, which is based on the Group's assessments and assumptions as of the report publication date. Actual results may vary than those predicted, and depend on a range of factors, including the manner by which the policies will be revised, where needed and/or the manner by which it will be possible to revise them over time, and the operating costs involved therein; it also depends on the competitive conditions in the segment, and on the behavior of the competing companies, the distributors, and the policyholders' preferences over time, as well as on the combined effect of the provisions regarding renewable health insurance policies and the Tariffs Circular together with the health reform and the 2023 Economic Arrangements Law.

Furthermore, according to the Commissioner's Directives, as from February 2016, an insurance company that markets individual policies in the illnesses and hospitalization subsegment, and in the personal accidents segment, are required to allow insurance candidates to purchase a basic plan, upon the cancellation of which, the additional plans attached thereto will generally also be canceled, regardless of whether the policyholder purchased another plan or another basic plan, unless the Commissioner's written approval to do so was obtained in advance. It was also decided that an insurance company must allow an insurance candidate to purchase each of the following coverages as basic insurance plans: surgical procedures, transplants, medications and critical illness. An insurance company may not subject a discount in a certain plan to the purchase or retention of another plan, and it must obtain separate consent from the policyholder for the purchase or cancellation of each of the plans. These provisions applied to health insurance plans that were marketed through October 1, 2023, and were cancelled following the health reform. For changes in the structure of the health insurance policies marketed as from October 1, 2023 in accordance with the Commissioner's reform, whose effective date is October 1, 2023, see below in this Section 8.1.2.1.

- **Collective insurance**

The term of collective health insurance policies normally spans a number of years; in some of the policies, policyholders have the right to purchase - at the end of the insurance term of the collective policy - an individual policy without undergoing underwriting.

The Supervision of Financial Services Directives (Insurance) (Collective Health Insurance), 2009 (hereinafter - the "**Collective Health Regulations**" or the "**Directives**"), stipulate provisions regarding collective insurance, including, among other things, a provision whereby the consecutive renewal of collective insurance will be made only if one or more of the basic coverage chapters - as defined in the Directives and which were included in the policy before it was renewed - were not cancelled. It was also stipulated that during the insurance period or on the date of renewal of the collective insurance, the insurance premium will not be increased by a rate or an amount that is higher than that set in the Directives, unless the policyholder's expressed consent was obtained.

The individual and collective insurance reform

In October 2023 **The Directives regarding Financial Services Supervision (Insurance) (Terms in Insurance Contract for Surgical Procedures and Alternative Treatments to Surgical Procedures in Israel) (Amendment), 2022; Amendment to the Provisions of the Consolidated Circular - Title 6, Part 3, Chapters 1, 2, 3, 4 and 6 - Drawing up a Health Insurance Plan; the Directives regarding Financial Services Supervision (Insurance) (Terms in Insurance Contract for Basic Health Insurance Policy), 2022** (hereinafter jointly - the "**Health Reform**"). The provisions of the reform include a new structure for the health insurance market in relation to insurance policies sold as from October 1, 2023 (the "Effective Date"), which will include five pillars:

- (a) **First pillar** - a basic health insurance policy that is composed of three uniform insurance plans - transplants and special treatments abroad, medicines that are not included in the Israeli health care basket, and surgical procedures and alternative treatments to surgical procedures abroad. The policies cover cases which are normally not covered by the basic healthcare basket of the health maintenance organizations. As part of the reform's provisions, the Commissioner defined the said coverages in a uniform manner, in order to allow comparison between products, increase competition and focus it on the price of the insurance and the service provided by the insurance companies.

- (b) **Second pillar** - a plan covering surgical procedures and alternative treatments to surgical procedures in Israel - supplementary coverage to the insurance coverage sold as part of SHABAN with/without deductible, and coverage from the first shekel without a deductible.
- (c) **Third pillar** - an insurer will be allowed to market expansion policies for coverage included in one or more of the insurance plans purchased as part of the first, second or fifth pillar.
- (d) **Fourth pillar** - 6 specific ambulatory insurance plans that were set in the provisions in the reform's provisions, which include, among other things, coverage for consultations, tests and medical diagnosis in order to diversify the range of available insurance coverages and at the same time prevent a situation of overlapping insurance between the products, and any other plan that will be approved by the Commissioner in writing and in advance, the marketing of which by all companies will be allowed by the Commissioner. The sale of the products of the fourth pillar will be possible if the policyholder has a basic health insurance policy with any insurer.
- (e) **Fifth pillar** - critical illness policy, whose purchase does not depend on the purchase of another insurance plan.

In addition, the reform's provisions include the banning of the sale of an individual health insurance policy to insurance applicants who have individual indemnifying health insurance that provides similar insurance coverage, without canceling the existing policy (except for certain cases that were detailed in the reform's provisions), and a provision stipulating that discounts will be granted at a fixed rate for at least ten years (including in relation to renewed and new discounts in a policy taken out before the effective date of the Health Reform).

The reform also includes a provision whereby if a basic health insurance policy in accordance with the first pillar was cancelled to a policyholder, who purchased it after the Effective Date, within six months from the acquisition date, the insurance company will cancel all the health insurance policies in the second and fourth pillars that the said policyholder purchased from it after the Effective Date, except if the policyholder has a basic health insurance policy with another company.

The provisions of the reform shall apply from the Effective Date to individual health insurance policies that will be taken out as from that date, and some of the provisions will apply to collective health insurance policies that will be taken out or renewed as from the Effective Date, excluding the provision regarding discounts that will also apply to a renewed discount in existing individual policies.

Regarding the provisions of the 2023 Economic Arrangements Law, see below.

In October 2023, Clal Insurance started selling new insurance plans in accordance with the Health Reform.

The existence of a uniform basic health insurance policy in all insurance companies may increase competition, that will focus on the price, the service and the manner of settling claims, including, among other things, in view of the uniformity of the policies and their structure, that will be composed of a number of tiers, that may be purchased by a policyholder from various companies. The prohibition on offering a policyholder to purchase insurance for surgery and alternative treatments for surgery in Israel in the first level may affect the sales volume of the product. The expansion of the requirement, whereby discounts will be given at a fixed rate for a period of at least ten years also in relation to policies taken out before the reform came into effect may impact the retention of policyholders with those policies. At this preliminary stage, Clal Insurance is unable to assess all of the effects of the reform.

The information pertaining to the effects of the health reform constitutes forward-looking information, which is based on the Group's assessments and assumptions as of the report publication date. Actual implementation may be different than expected and depends on a range of factors, including the combined effect of the Health Reform and the Economic Arrangements Law, the conduct of the competing companies, the distributors, and policyholders' preferences over time.

Insurance coverages in the illnesses and hospitalization insurance subsegment

Following is a description of the nature of the main insurance coverages sold by the Group in the illnesses and hospitalization insurance subsegment:

A. Illnesses and hospitalization insurance

- The insurance coverages offered by insurance companies in the illnesses and hospitalization

insurance subsegment are divided into three classes:

- **Alternative insurance** - an insurance coverage that serves as an alternative to the services provided in the Basic Basket and/or the Additional Services.
 - **Additional Insurance** - a coverage for services that are not included in the Basic Basket or in the Additional Services on the date of their sale.
 - **Expanding insurance** - a coverage that expands the coverage provided under the Basic Basket and/or the Additional Services.
- The basis insurance coverages in this subsegment are:
 - (1) **Surgical procedures, transplants and special treatments insurance** - provides the policyholder with coverage in respect of private medical services. In this framework, the policyholder is given the right to select the date on which the medical services will be rendered, the identity of the physician who will render the service, and the medical center in which it will be rendered. The said rider provides coverage of medical expenses in connection with, among other things, surgical procedures, transplants and/or special treatments abroad.

In recent years, regulators implemented a number of regulatory moves in connection with surgical procedures insurance in Israel:

- As from February 2016, all insurance companies in Israel that offer health insurance have been marketing a policy that comprises a uniform insurance coverage for alternative treatments to surgical procedures and consultations with medical specialists as part of a surgical procedure or an alternative treatment to a surgical procedure - in Israel - whose scope and terms and conditions were set in the Supervision of Financial Services Regulations (Insurance) (Terms in Insurance Contract for Surgical Procedures and Alternative Treatments to Surgical Procedures in Israel), 2015 (hereinafter - the "**Uniform Surgical Procedures Policy**" and the "**Uniform Policy Regulations**", respectively).

As from July 2016, the Uniform Surgical Procedures Policy, which is marketed by all Israeli insurance companies, includes coverage for a surgical procedure that will be carried out only through a service provider that has an arrangement with the insurer to execute the procedure (hereinafter - the "**Arrangement Service Provider**" or the "**Arrangement Lists**"). It was also stipulated uniformly for insurance companies and health maintenance organizations that, as a rule - and except for an exception that was set in relation to an insurer with a small market share - an insurance company shall pay for the services rendered in respect of a surgical procedure according to the Uniform Surgical Procedures Policy, directly to the physician or the medical institution in which the surgical procedure was carried out only in accordance with a surgical procedure arrangement, and will not pay to the patient a financial refund or a payment in respect of the surgical procedure, in contrast to the previous practice whereby the insurance company was allowed to indemnify the policyholder directly in respect of a surgical procedure they opted to carry out with a service provider, who is not part of the arrangement with the insurance company.

The fact that all insurance companies have a Uniform Surgical Procedures Policy, that allows the provision of a service to policyholders only through service providers that have an agreement with the insurance company, focused the competition on the price, the service (including the supply of physicians that will be decided as part of the arrangement), and the manner by which claims will be settled.

- In accordance with the decision of the price committee of February 2018, and the application of Chapter G (Reporting of Prices and Profitability) to the Control of Commodities and Services Law, 1996 (hereinafter - the "**Price Control Law**") to the prices of surgical procedures funded by insurance companies and the SHABAN plans, that are also included in the public healthcare services basket (hereinafter - "**Privately-Funded Surgical Procedures**"), by means of the Commodities and Services Price Control Order, the health maintenance organizations and the insurance companies that provide medical insurance - as well as hospitals and surgical surgeries are

required - in their capacity as the service providers - to provide to the Ministry of Health data about Privately-Funded Surgical Procedures, in a format that was set for two years. In July 2022, the committee's decision was published, whereby the committee recommended that the ministers will exercise their power by virtue of the Price Control Law and apply to Privately-Funded Surgical Procedures the provisions of Chapter E to the Price Control Law regarding the setting of prices in accordance with one of two methodologies detailed in the committee's decision, and to apply to health maintenance organizations - through the SHABAN plans - and to insurance companies, a requirement to report profitability in accordance with the provisions of Section 29 to the Price Control Law. According to the decision, it is subject to a public hearing, after which a final decision will be published. As of the report date, such a final decision has not yet been published.

At this stage, the Company is unable to assess the full effect of such reporting, if any, among other things, due to the fact that a final decision has not yet been published. However, if it is decided to supervise the consideration that will be paid to service providers by the insurers, as suggested by the committee, this may affect the cost of services for the companies and the supply of service providers who will engage with them. At this stage, and before the publication of a final decision on the matter, including in view of the fact that no amounts were set with regard to price control, it is impossible to assess the cumulative impact of the said effects.

The information pertaining to the consequences of the said steps constitutes forward-looking information, which is based on the Group's assessments and assumptions as of the report publication date. Actual implementation may be different than expected and depends on a range of factors, including the final wording of the said decision.

- In November 2022, the report of the Committee for Strengthening Healthcare Services in Israel and Regulating the Public and Private Health System (hereinafter: the "Ash Committee Report") was published, in which it was recommended, among other things, to implement a structural reform, which separates the SHABAN from the commercial insurances, such that the commercial insurances shall not include a chapter that covers surgical procedures and consultations, will not refund costs, and will not provide lists of arrangement physicians, but will rather offer only policies that supplement the SHABAN policies and provide coverage in respect of the deductible relating to surgical procedures carried out as part of SHABAN, and coverage for other services that are not provided by the SHABAN such as accessories, surgical procedures abroad, medicines not included in the public healthcare services basket, and any service not covered by SHABAN or expanded compared to the coverage offered by SHABAN, and policies providing compensation in respect of critical illness and personal accidents. Concurrently, the surgical procedures that have been carried out so far under commercial insurance will be transferred to SHABAN, the lists of arrangement physicians of the SHABAN will be expanded significantly, and members' options under the SHABAN insurance in connection with the private institutions in which they will be able to receive services will be expanded.

In May 2023, an amendment to the Financial Services Supervision Law (Insurance), 1981 was approved as part of the 2023 Economic Arrangements Law. According to the amendment, starting on October 1, 2023, (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 - "**Insurance from the First Shekel**") with one of the insurance companies, 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. The amendment will apply to "Insurance from the First Shekel" 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 "Insurance from the First Shekel" individual surgical procedure policy that was taken out in February 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 only (hereinafter - **"SHABAN Insurance"**) instead of the original policy, unless the policyholder has informed he/she is not willing to transition to a SHABAN supplementary surgical procedure insurance policy.

In March 2024, the Circular regarding **"Transfer of Policyholders to a SHABAN Surgical Procedure Supplementary Policy"** was published, which prescribes provisions regarding the manner by which policyholders will be informed of the transfer from the original policy to the Supplementary SHABAN insurance, and provisions regarding the delivery of the policyholder's notice that they do not wish to be transferred as described above. Among other things, it was determined that as part of the transfer to a Supplementary SHABAN policy, as detailed above, the rate and structure of the discount in insurance premium that was given to the policyholder shall be retained, and so will be the insurance continuity, and the policyholder will not be required to undergo documents checks and underwriting.

The 2023 Economic Arrangements Law also includes an amendment to the Economic Plan Law (Legislative Amendments for Implementing Economic Policies for Budget Years 2015 and 2016), 2015, which prescribes 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 **"Physician List"**). According to the amendment, an insurance company shall put in place a single Physician List that will apply to all insurance plans it markets that include surgical procedures coverage, and that at least half of the active physicians in the list will be active physicians included in the Physician 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 Physician List, who are also included in a Physician List of a certain health maintenance organization, and the number of surgeons included in the Physician List of the insurance company will decline, unless the Commissioner approved the change or cancellation.

The First Shekel surgical procedures insurance policy, and the Supplementary SHABAN surgical procedures insurance policy, which are sold in accordance with the Health Reform as from October 2023, were repriced following the relevant provisions in the 2023 Economic Arrangements Law, such that insurance premiums in general increased, and specifically in First Shekel surgical procedures insurance policies (which are more expensive than the Supplementary SHABAN policies even after the said steps).

Clal Insurance believes that the changes regarding the reduction of the incidence of overlapping surgical procedures insurance with SHABAN as part of the 2023 Economic Arrangements Law may affect demand, sales and profitability of the relevant insurance products. As part of the above, it is expected that the requirement that insurance companies indemnify the SHABAN in respect of surgical procedures of policyholders holding First Shekel policies as detailed above will increase the claims settlement costs, and might impact the Company's profitability from those products, if the pricing shall not be consistent with the claims settlement costs over time. In addition, the repricing of the policy as described above may impact an increase in sales of Supplementary SHABAN insurance, and cause changes in the portfolio's mix. The imposition of the requirement whereby insurance companies will transfer, by default,

existing policyholders, whose policies due for renewal, to a surgical procedures policy with Supplementary SHABAN coverage, as stated above, may cause a decline in income from those policies. The imposition of conditions with regard to the insurance company's Physician Lists might limit its ability to select the physicians, and the overall composition of the list, and consequently affect the services that will be rendered.

At this preliminary stage, the Company is unable to assess the long-term effects of the provisions of the 2023 Economic Arrangements Law regarding overlapping insurance for surgical procedures with SHABAN, which may be material; these effects depend, among other things, on the fact that SHABAN's scope of services may change from time to time, on the scope of sales, and on the retention of the various types of policies, and the terms of engagement with suppliers and pricing of the product and whether it reflects the various risks embodied therein over time.

The information pertaining to the consequences of the said steps constitutes forward-looking information, which is based on the Group's assessments 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.

Further to the amendments in the 2023 Economic Arrangements Law, in March 2024 a Draft Amendment to the Consolidated Circular was published regarding "the requirement to offer a surgical procedures policy with supplementary coverage" (hereinafter - the "SHABAN Insurance Plan Circular"), which stipulated provisions in connection with a SHABAN Surgical Procedures in Israel Supplementary Policy, whose key points are as follows:

The insurance benefits in policies with SHABAN coverage policies 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 physician 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 determined that where a policyholder wishes to switch from a Supplementary SHABAN insurance policy to a 'First Shekel' insurance policy, due to the cancellation of their membership in the SHABAN plan, during the insurability period in accordance with the terms of their Supplementary SHABAN policy, the terms of the 'First Shekel' policy will include, at the very least, the terms offered by the insurer on the transfer date under a 'First Shekel' insurance coverage to new policyholders.

The provisions of the SHABAN Insurance Plan Circular apply to (individual and collective) Supplementary SHABAN policies, that will be taken out or renewed as from the circular's publication date.

At this stage, the Company is unable to assess the effects of the SHABAN Insurance Plan Circular, due to, among other things, the combined effects with the 2023 Economic Arrangements Law and the Health Reform.

- (2) **Critical illness insurance** - an insurance coverage, as part of which the policyholder is entitled to receive a financial compensation in the form of a lump sum in the event he/she suffers from a critical illness.
- (3) **Medications insurance** - Insurance coverage in respect of purchase of drugs, which are not included in the government's Healthcare Services Basket.
- (4) Furthermore, other coverages are available other than the Basic Plan, such as **ambulatory services** - outpatient medical care services in hospitals or clinics, with no hospitalization, and the riders attached to an insurance plan, which provide to the policyholder various services through service providers.

B. Travel insurance

The travel insurance is composed of a basket of insurance coverages aimed at policyholders in connection with their stay abroad, which include, among other things, basic coverage comprising mostly from medical expenses, which may be expanded to cover various needs (such as cancellation of the trip, cutting the travel period, pregnancy, luggage, winter sports). The insurance period of a travel insurance policy is stated in days, in accordance with the period, during which the policyholder will stay abroad, or for all of the travel days in one calendar year. Travel insurance policies are sold by insurance agents, and mainly by the direct sales function and through the health maintenance organizations.

In November 2020, the Amendment to the Collective Health Insurance Regulations came into force whereby an insurer is allowed to refund to a policyholder, which is a health maintenance organization, whose members are insured under a travel insurance policy, amounts that the health maintenance organization expensed in respect of the management of a collective travel insurance policy, provided that those amounts will not exceed 10% of the total insurance premiums collected from the policyholders in a travel insurance policy for members of a health maintenance organization.

The Company works to develop, expand and retain the travel insurance distribution channels, including, among other things, by expanding the marketing efforts through insurance agents, customer loyalty programs, marketing through digital platforms and retaining the engagements with health maintenance organizations, the agreement with which was extended until the year following the reporting year. The profitability of travel insurance policies is also affected by changes in exchange rates.

In the fourth quarter of the reporting period, there was a decline in the scope of activity in the travel insurance subsegment due to the Iron Swords War, an increase in the costs of settling claims, due to, among other things, changes to travel destinations and travel dates, and increase in the incidence of claims in respect of cancellation coverage and shortening travel periods. Subsequent to the reporting period there was a certain recovery in the scope of sales of travel insurance.

C. Personal accidents insurance

This subsegment includes individual policies that confer the entitlement to a lump-sum compensation upon the occurrence of a variety of insured events, such as fractures, burns, disability and death as a result of an accident (hereinafter - a "**personal accidents insurance policy**").

Since May 2021, as a result of a combination of regulatory provisions that entered into effect in the past few years as detailed below, and market conditions and business considerations, Clal Insurance stopped marketing to new customers individual personal accidents insurance policies and collective policies that are subject to the Personal Accidents Circular.

In recent years, the personal accidents insurance subsegment has been undergoing comprehensive changes, which are the result of a number of changes and regulatory moves by the Commissioner, in order to increase competition and transparency, and change the product's terms and conditions and the sales processes. These moves have a significant effect and are expected to continue having such an effect on the personal accidents insurance subsegment, as detailed below.

Following are the key changes in connection with the personal accidents policy:

The "Amendment of the Provisions of the Consolidated Circular - Title 6, Part 3, Chapters 2, 3 and 4 - Personal Accidents Insurance" (hereinafter - the "**Personal Accidents Circular**") - was published in June 2020, and includes provisions, the aim of which is to regulate the sale process

and the insurance coverage in the personal accidents subsegment. Most of the provisions that were set in the Personal Accidents Circular are: Setting a basic level coverage for the policy, that will include the life, disability, hospitalization, recuperation, fractures and burns coverages, and the insurance company will be allowed to offer expansions for the basic level coverage at the approval of the Commissioner. In addition, companies were allowed to continue marketing plans that include only coverage for accidental death or coverage for accidental disability. As part of the Personal Accidents Circular, the definition of an “accident” was a uniform and expansive one; it was determined that the insurance term in a personal accidents insurance policy will not exceed two years; the provisions also set dedicated and restrictive provisions regarding the signing on of policyholders to personal accidents insurance, including a provision whereby the insurance applicants will be signed-on directly by the insurance company or the license holder (the “Execution of Signing On”); a mechanism was set for settlement of disability claims in personal accidents insurance, in accordance with the Personal Accidents Circular. The Effective Date was May 1, 2021, and the circular applies, as a rule, to individual or collective personal accidents insurance policies that will be taken out or renewed as from the Effective Date, except for certain provisions, in respect of which it was determined that they will not apply, among other things, in relation to pupils’ personal accidents insurance, and collective personal accidents insurance, as the case may be. The provision whereby the sale of a personal accidents insurance policy will be made by an insurance company or a license holder came into force on the circular’s publication date.

The changes in the personal accidents subsegment as detailed above, have affected and are expected to continue effecting the personal accidents insurance subsegment, in a manner that complicated the sale and retention procedures.

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

The Company is currently assessing the effects on the provisions of the Personal Accidents Circular, which encumber the sales processes of personal accidents policies, both in terms of identifying the entity that is allowed to sign-on policyholders, the complexity of the sale process itself, and the changes in the policy’s terms and conditions that will affect the term of the policy and the insurance coverage it provides, and expects that those changes will increase the sale, operating and claim settlement costs. Some of these changes in the policy’s terms and conditions are also expected to affect the sale of the accidental death insurance product as part of life insurance policies.

At this stage, in view of the said regulatory changes, and the approval processes required to achieve a policy sale in accordance with the Personal Accidents Circular, the Company has not yet obtained the Commissioner’s approval for the marketing of personal accidents insurance, in its new format, and it is unknown if and when such an approval will be obtained. Accordingly, as stated, in May 2021, the Company stopped marketing personal accidents insurance to new customers. To the best of the Company’s knowledge, as of the report date, most of the insurance companies do not market personal accidents insurance in the new format. The discontinuance of the marketing of personal accidents insurance resulted in a decrease in the cancellation rate of valid policies. Regarding the renewal of the marketing of accidental death and accidental disability insurance policies (outside a personal accidents insurance policy), which comply with the provisions of the Personal Accidents Circular and after obtaining the Commissioner’s approval for revised tariffs for such policies. see Section 6.2.2(b) above.

The Company’s assessment regarding the effect of the Personal Accidents Circular constitutes forward-looking information, which is based on preliminary assessments, and its actual implementation may be different, due to, among other things, the behavior of Clal Insurance and its competitors and the manner by which the products will be priced.

8.1.2.2. Long-term care subsegment

As part of the long-term care subsegment, the Company markets policies, according to which, upon the occurrence of an insured event, the Company undertakes to participate in the funding of the policyholder’s residing in a nursing home, or to compensate the policyholder by paying him/her a predetermined amount. The policies provide insurance benefits for a fixed period or lifetime.

According to the Commissioner's Directives on the matter, as they are reflected in the **"Preparation of a Long-Term Care Insurance Plan" Circular** (hereinafter - the **"Long-Term Care Circular"**), an insured event that arises from a situation where the policyholder is unable to carry out at least 3 out of 6 actions that are defined in the circular (getting up and lie down, getting dressed and undressed, washing, eating and drinking, being continent, and mobile), shall entitle the policyholder with at least 50% of the monthly insurance benefits, and an insured event that arises from "mental frailty" (as defined in the circular), shall entitle the policyholder with 100% of the monthly insurance benefits. The insurance benefits are paid from the end of the waiting period over the policyholder's life, or for a period of a number of years as defined in the policy, and so long as the policyholder requires long-term care. The waiting period may last a few months or several years, according to the product purchased by the policyholder.

As of the report date, as a result of a combination of regulatory provisions that entered into effect in the past few years as detailed below, and market conditions and business considerations, Clal Insurance stopped marketing long-term care insurance policies - both individual long-term care policies and collective long-term care policies, including as part of a collective long-term care insurance to members of health maintenance organizations, whose activity was transferred from the Company to other insurance companies, and except for long-term care policies as part of the fulfillment of contractual undertakings to policyholders. To the best of the Company's knowledge, other insurance companies also stopped the marketing of private long-term care insurance policies.

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

The information in connection with future developments in the long-term care insurance segment constitutes forward-looking information and depends on a number of factors, including the long-term effects of the reforms in the long-term care subsegment, the behavior of Clal Insurance and its competitors, the behavior of reinsurers, and the Commissioner's policy regarding changes in the product's terms and conditions and/or tariffs.

During the period prior to the reporting year, the **"Amendment of the Provisions of the Consolidated Circular - Title 6, Part 3, Long-Term Care Insurance"** (hereinafter - the **"Circular"** or the **"Long-term Care Claims Settlement Circular"**) gradually came into force (in December 2018 and in 2019), which includes provisions for settling long term care claims, including provisions regarding the order of actions and time tables that will apply to the insurer as part of the claim settlement process; requiring the insurer to appoint a representative on its behalf, who will serve as a contact person with the policyholder; and setting restrictions as to cases which may be investigated, and regarding the manner of the execution of such investigations.

The circular also prescribes cases where the insurer will be allowed to refer the policyholder to tests in which his/her functioning will be assessed, and it was decided, that if the insurer has such an assessment that was conducted by the National Insurance Institute or another insurer, it will be deemed sufficient information for the purpose of describing the execution of the actions listed therein. The insurance company may appeal against such an assessment through a deciding supplier, and only based on information that contradicts the functioning assessment that was carried out, and which was not previously available to the insurance company. The supplier of the functioning assessment will be selected by the insurer in a random and cyclical manner out of a list of the suppliers with which the insurer entered into an engagement. The insurer will be required to create a pool of suppliers, that will conduct the functioning assessments according to the rules set out in the circular.

The processes described above, and the provisions and restrictions set as part of the Long-term Care Claims Settlement Circular affected the procedure for settling claims as a whole, both in operational terms and in terms of the settlement of the claim and the tools the insurer has to clarify its liability, and consequently they increased the claim settlement costs in the period from the date on which the circular came into effect through the report publication date. At this stage of implementing the provisions of the circular, that came into force mainly during 2019, and before implementing the decision regarding the mechanism of assessment of suppliers, the Company is unable to assess the full impact of the said provisions, which may be material over time. For further details, see Section 9.16(b)(1) below.

For details regarding the Commissioner's guidance on settlement of long-term care claims following the Iron Swords War, see Section 9.2.9 below.

The information relating to the effect of the Long-term Care Claims Settlement Circular is forward-looking information, which is based on Company's assessments and assumptions, and actual results may vary materially from those predicted, due to, among other things, the fact that those are long-term insurance coverages, and the fact that not all the provisions came into force as of the report date.

A. Individual long-term care insurance

Individual insurance policies in the long-term care insurance subsegment are insurance policies purchased directly by policyholders. The insurance period in such policies spans over the entire life of the policyholder, and the maximum entitlement period for insurance benefits is in line with the type of policy purchased by the policyholder (from several years to a lifetime policy). Some long-term care insurance policies supplement long-term care insurance purchased by a policyholder (normally through a health maintenance organization or collective insurance), which pay insurance benefits only after a 36-month or a 60-month waiting period.

In some long-term care insurance policies, policyholders pay a fixed premium that confers upon the policyholder - under certain conditions - the right to accrue redemption values in the event that he/she stops paying the premium for any reason whatsoever, which allow him/her to receive reduced insurance benefits in the event of a claim, all according to his/her age, the period during which he/she paid insurance premiums and the amounts of insurance premiums he/she paid. When the redemption values are lower than a certain amount set by the Commissioner, the policyholder received a lump sum instead of the redemption values. In addition, through 2013, insurance companies also sold individual long-term care insurance policies at variable premiums without redemption values. According to the Commissioner's Directives, as from 2013 insurance companies may sell - in addition to fixed-premium policies - only policies with index-linked premiums that increase by up to 4% per year, and whose price is fixed no later than the age of 65 (hereinafter - **"Premium at Limited Variable Rate"**).

In individual long-term care insurance policies sold since August 2005, the insurance companies have the option to change tariffs to existing policyholders every 5 years, subject to the Commissioner's approval. Clal Insurance promotes moves with the Commissioner that will lead to such revision of tariffs. At this stage, there is no certainty as to the approval and/or the format of the change.

The long-term care policies marketed by Clal Insurance were mainly fixed premium policies, and some of them were policies with Premium at Limited Variable Rate. Through 2007, Clal Insurance also marketed long-term care insurance policies with fixed premium, which had a linkage mechanism to the return on the investment portfolio, such that a positive return in excess of a minimum return that was set in the policy increases the amount of the monthly allowance payable to the policyholder upon the occurrence of the insured event. A return, that is lower than a minimum return that was set in a policy, gives Clal Insurance the right to increase the insurance premium, such that the amount of the monthly allowance payable to the policyholder upon the occurrence of an insured event will not be cut. Since 2007, the Group no longer sells long-term care insurance policies with such a mechanism.

Further to what is stated in Section 8.1.3.2 below, in order to reduce the exposure to this subsegment, which is exposed to significant risks, including exposure to regulatory changes, significant gaps between the terms of the insurance coverage and the policyholders' expectations and complex claim settlement processes, Clal Insurance decided to discontinue the marketing of individual long-term care insurance policies to new customers - **as from October 2019** - due to, among other things, the announcement of reinsurers regarding the cessation of their activity in the long-term care insurance segment in Israel.

For details regarding a Call for Proposals published by the Commissioner regarding his intention to formulate an overall outline that will lead to a viable and long-term solution to the issue of long-term care insurance, see Section 8.1.3.2 below.

B. Collective long-term care insurance (other than collective long-term care insurance to members of health maintenance organizations)

Over the past few years, the Commissioner published directives which regulated the discontinuance of the collective long-term care insurance activity in its previous format, which was due to be

discontinued by December 31, 2017 (hereinafter - the “**Discontinuance Date**”). Furthermore, in 2017 the Commissioner's Directives regarding the format of the collective long-term care insurance activity that will be sold as from the Discontinuance Date, came into force (hereinafter - the “**New Format**”). According to the New Format, it was stipulated, among other things, that the insurance period will not be shorter than 5 years, and will not exceed 8 years; the premium type that insurance companies will be allowed to collect from a policyholder will be a fixed premium or an increased premium (variable premium of up to 4% per year, and only up to the age of 65); a person insured in a collective long-term care insurance will accumulate redemption values from the age of 40 - which will be determined based on the age on which that person first signed-on to the insurance - and upon the renewal of the collective insurance with another insurer the reserves will be transferred from one insurer to the other; upon the exercise of a right to continuity of a policyholder aged 40 or over, in respect of an individual long-term care policy, the premium of the continuing policy shall not be higher than the premium that the policyholder was required to pay in respect of the collective long-term care insurance before switching to the continuing policy. To the best of the Company's knowledge, policies with the New Format are not common in the market.

In addition, as of the report publication date, Clal Insurance does not enter into new collective long-term care insurance agreements in the New Format, and accordingly most of the collective insurance policies Clal Insurance was previously engaged in, and which were not in the New Format, were discontinued.

C. Collective long-term care insurance to members of health maintenance organizations

As from January 1, 2019, Clal Insurance stopped being the insurer of the Maccabi health maintenance organization, and as from April 1, 2019 Clal Insurance stopped being the insurer of the Leumit health maintenance organization, and it does not insure members of other health maintenance organizations under collective insurance policies.

As of the report date, Clal Insurance continues to receive claims in respect of prior periods, at a rate that is even higher than it first predicted, and sometimes there are disputes with the health maintenance organizations and/or the insurer as to the correct date on which the insured event first occurred, and as to the prescription period of the claims.

In January 2022, the Company received a letter from the Maccabi health maintenance organization, which was accompanied by a legal opinion regarding the prescription period of claims in the collective long-term care insurance policy of Maccabi members; in the letter, it is claimed, among other things, that the policyholders in the policy have the right to file new claims for payment of insurance benefits by the Company, in respect of the period in which the Company was the insurer in the collective insurance, even after 3 years have elapsed from the end of the Company's engagement with the health maintenance organization, so long as the insured event occurred during the period in which Clal Insurance insured the members of the health maintenance organizations, and that the insured event continues - in an uninterrupted manner - until the claim filing date. The Company disputes this position. The issue is under review, among other things, with the Maccabi health maintenance organization, and as part of individual claims of policyholders, the effects of which cannot be assessed at this stage. For further details regarding the Company's current exposure to due to prescription, see Section 9.2.9(d) below.

The information pertaining to the effects of Clal Insurance's ending its role as an insurer in the collective long-term care insurance for members of the Maccabi and Leumit health maintenance organizations constitutes forward-looking information, which is based on the Group's assessments and assumptions as of the report publication date; actual results may vary than those expected.

In December 2023, **The Directives regarding Financial Services Supervision (Insurance) (Collective Long-Term Insurance to Members of a Health Maintenance Organization) (Amendment), 2023** were published, which include a revision of the terms and conditions of the uniform collective long-term care insurance policy to members of health maintenance organizations that came into force in 2016, in order to stabilize the funds of policyholders insured under long-term care insurance for members of a health maintenance organization, including:

- (1) Reducing the amount of monthly insurance benefits entitlement of a policyholder, who joined the basic tier and who lives at home, by approx. 10%;

- (2) Extending the exclusion period, such that it will not include an insured event that occurred in the first 60 months (from 36 months).

It is also suggested that the amendment shall apply to long-term care insurance contracts that will be entered into or renewed as from the commencement date, and that it will also apply to contracts that were entered into prior to that date, if it was determined therein that the said directives shall apply to them.

Concurrently, in December 2023, the **Amendment to the Consolidated Circular - Section 6, Chapter 3 - Long-Term Care Insurance** was published, which amended the requirement that an insurance company will bear the insurance risk that will not be lower than 20% in order to allow the health maintenance organizations the flexibility to set the risk rate, in order to increase the feasibility of the insurance plans' ability to continue offering coverage.

The amendment was executed in view of challenges that the Israeli long-term care insurance sector has been facing in recent years, which stem from a number of reasons shared by other corresponding long-term care insurance providers from across the world - increase in the incidence of long-term care cases, and in the total cost of caring for a person who has long-term care needs, longer entitlement period, and more.

In that context, it is noted that in November 2023, the Clalit Health Services health maintenance organization filed a petition to the Supreme Court in its capacity as the High Court of Justice, asking the court, among other things, to instruct the government to come out with an outline for continuing the collective long-term care insurance of members of health maintenance organizations. As part of the discussions held in connection with the petition, the Director General of the Ministry of Health announced that he will allow continuing the collective long-term care insurance to members of the Clalit Health Services health maintenance organization only into 2024, and that the Ministry of Health does not intend to extend that period or to approve new tenders beyond that period for all health maintenance organizations; he further noted that at the end of 2024 a systemic solution will be required that will address the issue on a nation-wide level. In response to the above, the Ministry of Finance announced that the government's position has not yet been decided, and that it will not necessarily be consistent with the position of the Ministry of Health. Further to the above, in December 2023 the court announced that it recorded the regulators' comments regarding the setting up of a taskforce, whose objective is to present to the Ministry of Finance a suggested outline regarding the issue of long-term care insurance by July 1, 2024.

To the best of the Company's knowledge, further to the above events, the collective long-term care insurance policies of members of the Clalit Health Services and Maccabi health maintenance organizations, whose insurance period ended at the end of 2023, were renewed by one year with the same insurer and with a new insurer, respectively, under a new activity format, according to which the insurance company provides the health maintenance organization and its members only operation services in connection with the policy, and does not bear an insurance risk.

As of the report date, Clal Insurance does not issue collective insurance to members of health maintenance organizations; however, it still settles past claims.

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

8.1.3.1. Illnesses and hospitalization subsegment

In recent years, the illnesses and hospitalization subsegment has developed, due to, among other things, the following facts: A gap between the scope of the healthcare services provided by the government as part of the basic Healthcare Services Basket, and citizens' need to access improved healthcare services; technological improvements in the field of medicine; an increase in life expectancy and in the quality of life, which require expensive medical resources, such as: Drugs and advanced medical treatment; the SHABAN medical services, which are subject to changes and do not necessarily provide sufficient coverage in various issues, such as: Transplants and drugs; and an increase in consumers' health awareness, mostly awareness to the need of available services at the customer's choice, the need of medical services, that are not included in the basic Healthcare Services Basket, and other services of the health maintenance organizations.

In view of the above, in recent years regulators have been promoting various moves for dealing with the interface between private commercial insurance and the basic Healthcare Services Basket and the

SHABAN services, in a way that will encourage the consumption of public services over private services. The Health Reform, which led to a material change in the structure of the products marketed since October 2023, together with the amendments introduced as part of the 2023 Economic Arrangements Law, which triggered an increase in premium tariffs in general, and in particular in First Shekel surgical procedures insurance policies, which are marketed since October 2023, and in addition is expected to bring about - in June 2024 - the transfer of many policyholders from First Shekel surgical insurance policies that were sold in 2016-2023 to Supplementary SHABAN surgical procedures policies, have a direct and indirect effect, both on new policies that are being sold and on certain policies that were sold in the past, and therefore may cause changes in the mix of purchased insurance coverages and also affect the retention of products that were sold in the past. For further details, see Section 8.1.2.1(a) above. In that respect, see, among other things, Section 8.1.2.1 above regarding the health insurance reform, Section 8.1.2.1(1) above regarding the 2023 Economic Arrangements Law in connection with overlapping insurance with SHABAN, and Section 8.1.2.1a(1) above regarding the price committee's decision in accordance with the Control of Commodities and Services Law. These moves, some of which have not yet resulted in binding arrangements, may affect the market share, the demand, the sales, and the profitability of the insurance products.

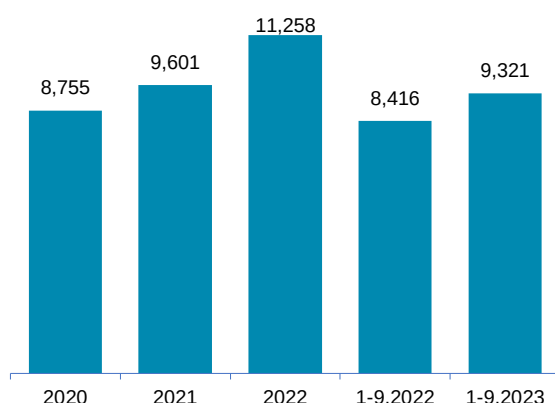
The Company's assessment in connection with the future effects of the said moves constitutes forward-looking information, which is based on preliminary assumptions, and its actual implementation may vary, and depends on a range of factors, including the competitive conditions in the segment, the conduct of competitors, the relations with the health maintenance organizations, the SHABAN arrangements, and customers' preferences over time.

According to the Commissioner's publications as of September 30, 2023, the scope of the illnesses and hospitalization subsegment in terms of gross premiums in the first nine months of 2023 was approx. NIS 9.3 billion, compared with approx. NIS 8.4 billion in the corresponding period last year. In the first nine months of 2023, the premiums in the illnesses and hospitalization insurance subsegment constituted approx. 15.4% of total premiums in the Israeli insurance market, compared with approx. 14.7% in the corresponding period last year.

From January to September 2023, the scope of the illnesses and hospitalization insurance subsegment in Israel in terms of gross premiums increased by approx. 10.8% compared to the corresponding period last year, compared to an increase of approx. 17.9% in total premiums in this subsegment in 2022 compared with 2021.

In recent years, there has been an increase in sales of illnesses and hospitalization insurance coverages, as a result of, among other things, awareness among the public, and for the reasons detailed in Section 8.1.2.1 above.

Development of premiums in the illnesses and hospitalization subsegment from 2020 to September 2023 in NIS million



The amount of premiums in the illnesses and hospitalization insurance subsegment reflects the insurance premiums paid in respect of all valid policies sold over the years, and changes therein do not necessarily reflect the change in demand and supply in the reporting year.

As to the impact of the Commissioner's Directives regarding the sale of health insurance policies as from February 2016, including regarding the insurance period that is renewed automatically every two years,

and the impact of the Tariffs Circular and the reform in individual and collective health insurance, see Sections 8.1.2 and 8.1.2.1 above.

8.1.3.2. Long-term care subsegment

In recent years, the Israeli long-term care subsegment has undergone significant changes, as a result of, among other things, regulatory changes, significant differences between the terms of the insurance coverage and policyholders' expectations, and complex claim settlement processes, as well as longer life expectancy. In recent years, there has been a decrease in the sales of individual long-term care insurance policies by Clal Insurance (that includes the sale of individual long-term care policies as part of the exercise of a right to continuity by policyholders under collective long-term care insurance policies that were discontinued); this was due, among other things, to its decision to reduce the exposure to this segment, which - as stated above - is exposed to significant risks. In 2019 Clal Insurance decided to stop marketing individual long-term care insurance policies in Clal Insurance to new customers, due to, among other things, the announcement of reinsurers regarding the cessation of their activity in the long-term care insurance segment in Israel. To the best of Clal Insurance's knowledge, generally, the other Israeli insurance companies have also stopped marketing long-term care insurance policies to new customers.

In addition to the above, other factors, shared by other corresponding long-term care insurance providers from across the world, such as an increase in the incidence of long-term care cases, and longer entitlement period, have also reduced the willingness of insurance companies in Israel and across the world to continue operating in the long-term care insurance segment, including as part of collective long-term care insurance to members of health maintenance organizations. For details regarding changes that were applied in the collective long-term care policies of members of health maintenance organizations, see Section 8.1.2.2 above.

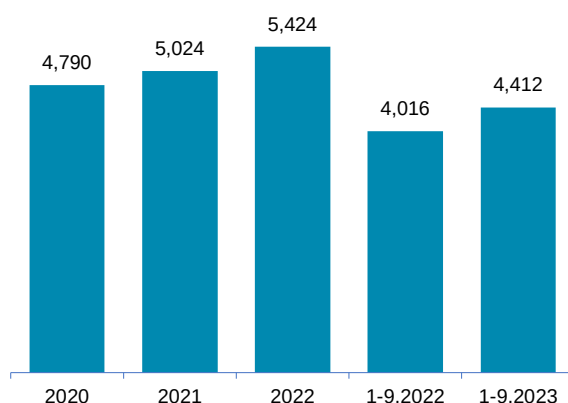
In February 2024, the Commissioner published a Call for Proposals, in which he announced that he works to formulate an overall outline that will lead to a viable and long-term solution to the issue of long-term care insurance, an assessment of the desired market structure, and changes to the existing model. As part of the Call for Proposals, the Commissioner invited any entity or person who wishes to do so to give their opinion regarding a range of topics that were listed in the Call for Proposals, in order to receive information from entities that specialize in the long-term care insurance segment that will assist the Commissioner to reach a solution to this issue.

At this stage, Clal Insurance is unable to assess how these changes - if they are introduced as binding arrangements - will affect the long-term care insurance market and the feasibility of selling long-term care insurance products in the future.

According to the Commissioner's publications as of September 30, 2023, the size of the long-term care insurance market in terms of gross premiums in the first nine months of 2023 was approx. NIS 4.4 billion, compared with approx. NIS 4.0 billion in the corresponding period last year. In the first nine months of 2023, the premiums in the long-term care insurance subsegment constituted approx. 7.3% of total premiums in the Israeli insurance market, compared with approx. 7.0% in the corresponding period last year.

From January to September 2023, gross premiums from long-term care insurance in Israel increased by approx. 9.9% compared with the corresponding period last year, compared with an increase of approx. 7.5% in premiums in long-term care insurance in Israel in 2022 compared with 2021.

Development of premiums in the long-term care insurance subsegment from 2020 to September 2023 in NIS million



The amount of premiums in the long-term care insurance subsegment reflects the insurance premiums paid in respect of all valid policies sold over the years, and changes therein do not necessarily reflect the change in demand and supply in the reporting year.

Some of the segment's subsegments are characterized with the accumulation of significant reserves over long periods, and therefore, the profitability in this segment is impacted, among other things, by investment income that is held against the insurance liabilities.

8.1.4. *Material expected changes in the Company's market share in key markets in relation to the main products and services, and their mix, considering, among other things, the demand for the existing products and the period that elapsed since they were launched*

According to the Commissioner's publications, which refer to the data of the nine months that ended on September 30, 2023, the Group is the fifth largest group in the health insurance market, the fifth largest group in the illnesses and hospitalization insurance market, and the fifth largest group in the long-term care insurance subsegment.

The health insurance market is an emerging market, and the Company is a key player in this market. However, in view of the fact that in recent years the market has been undergoing comprehensive regulatory changes, in view of recent regulatory changes, and future potential changes, at this stage it is not possible to predict the full impact of the changes on this field in general and on the Company's future share in particular, which is also affected by competitors and health maintenance organizations. For details regarding the 2023 Economic Arrangements Law in connection with the restructuring of the products in the health insurance market, see Section 8.1.2.1 above. **For details regarding regulatory changes in the long-term care insurance segment and a Call for Proposals regarding this matter, see Sections 8.1.2.2 and 8.1.2.2(c) above.**

The Company's assessment constitutes forward-looking information, which is based on information in the Company's possession on the report date. The actual outcomes may be different than expected and depend, among other things, on the long-term effects of the said regulatory changes, Clal Insurance's business results, the behavior of competitors and distributors, and policyholders' preferences.

8.1.5. *New products*

In October 2023, Clal Insurance started marketing insurance plans in accordance with the Commissioner's Directives as part of the Health Reform, which affects, among other things, the structure of health insurance products. For further details, see Section 8.1.2.1 above.

8.2. *Restrictions, Legislation and Special Constraints Applicable to this Area of Activity*

The activity in this segment is subject to the legal provisions applicable to insurers which operate in this segment, and to the Commissioner's Directives as published from time to time. From time to time, the Commissioner publishes circulars that refer to the insurance coverages that will be included in policies in this segment.

The activity in this segment requires a license in accordance with the Insurance Law, and is supervised by the Capital Market, Insurance and Savings Authority.

For a summary of other final legal provisions that were published in the reporting year and thereafter, and a summary of the legal provisions that were published, and which apply to the segment, in addition to those described above in this chapter, see also Section 9.2 below.

8.3. Competition

8.3.1. Competitive conditions in the segment, and the names of the competitors therein

In the opinion of the Group, the main competitors in this segment may be divided into two main groups:

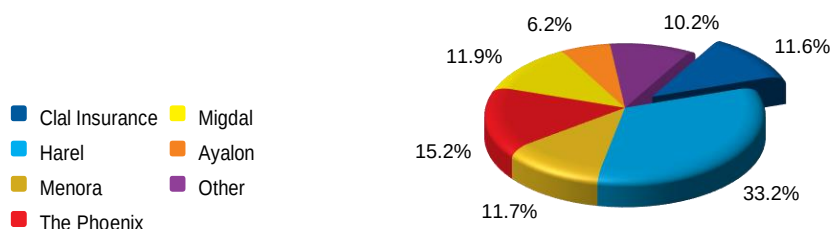
- The insurance companies, most of which operate in this segment.
- Alternatives for some of the coverages available in the illnesses and hospitalization subsegment as part of the additional services offered by the health maintenance organizations.

The competition between insurance companies in this segment focuses on the degree of the product's compatibility with the policyholder's needs, the physician list, the settlement of claims and the tariffs.

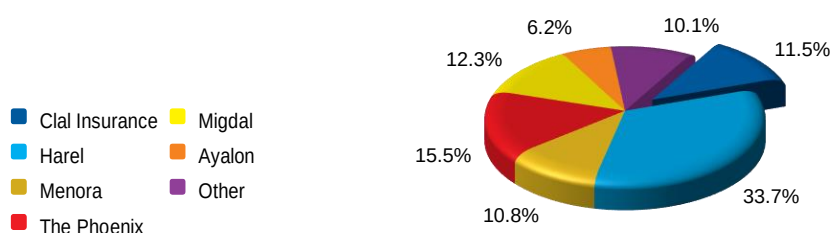
In the first nine months of 2023, total gross premiums earned by the Group in the illnesses and hospitalization subsegment amounted to approx. NIS 1,082 million, which constituted, according to the Commissioner's data, approx. 11.6% of the activity in this subsegment in the Israeli insurance market. In the corresponding period last year, total gross premiums amounted to approx. NIS 967 million, which constituted approx. 11.5% of the activity in this subsegment in Israel.

In the opinion of the Group, its main competitors in this segment are Harel group, The Phoenix group, Migdal group and Menora group.

Breakdown of gross premiums in the illnesses and hospitalization subsegment by insurance companies and groups in Israel as of September 2023

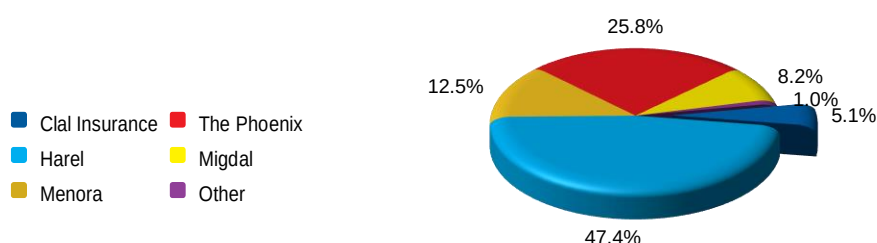


Breakdown of gross premiums in the illnesses and hospitalization subsegment by insurance companies and groups in Israel as of September 2022

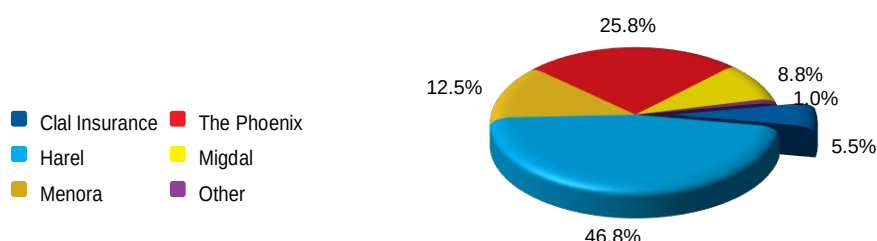


In the first nine months of 2023, total gross premiums earned by the Group in the long-term care subsegment amounted to approx. NIS 226 million, which constituted, according to the Commissioner's data published on the website of the Capital Market, Insurance and Savings Authority, approx. 5.1% of the activity in this subsegment in the Israeli insurance market. In the corresponding period in 2022, total gross premiums amounted to approx. NIS 220 million, which constituted approx. 5.5% of the activity in this subsegment in Israel.

Breakdown of gross premiums in the long-term care insurance subsegment by insurance companies and groups in Israel for January-September 2023



Breakdown of gross premiums in the long-term care insurance subsegment by insurance companies and groups in Israel for January-September 2022



In addition, in recent years credit card companies and entities that have large customer loyalty programs have set up - for the first time - insurance agencies under their ownership, which use customer data available to them, in accordance with conditions set by the Commissioner. To the best of the Company's knowledge, at this stage some of the agencies have started marketing health insurance products.

As part of the Commissioner's policy in recent years, significant reforms have been promoted focusing on tariff reduction, structural and comprehensive changes in the structure of the coverage and its scope, which led to changes in product pricing, transparency, and increased competition. These reforms affect and will continue to affect in the next few years, the health insurance segment and its profitability, including the ability to continue selling products in this segment. For further details see Sections 8.1.2.1 and 8.1.2.2 above.

At this stage, Clal Insurance is unable to assess the effect of the said changes and combination thereof of the Company's market share in the segment, especially in the long-term, and this depends, among other things, on the behavior of the competing entities, the agents, policyholders' preferences, and business decisions that will be made accordingly.

8.3.2. *Methods for dealing with competition*

The Group deals with competition in this segment on a number of levels:

- Development of up-to-date and innovative solutions that provide high-quality solutions for policyholders' needs.
- Correct pricing of the products considering all the factors that affect the prices, such as: Distribution and sale fees and commissions, operating costs, survivability of the policies, and the cost of risk.
- The availability of high-quality data regarding past experience, which serves as the basis for risk management.
- Reinsurance contracts and risk diversification contracts with reinsurers, in a manner that allows finding the solutions that suit various types of customers.
- Providing quick, efficient, professional, fair and high-quality service, both to agents in terms of operations, and to policyholders in terms of handling claims and service.
- The ability to adapt to the ever-changing market conditions and the uncertainty stemming from expected regulatory changes, which pertain, among other things, to operational aspects, product customization and profitability.
- Improving the services to customers and agents - among other things, by providing advanced digital services, operating service and operations call centers to support customers in exercising their insurance coverage and assist agents in fulfilling their sale potential to customers.

8.3.3. The key factors that affect the Company's competitive position are:

- Many years of experience in the health insurance segment;
- The Group's reputation in this segment;
- Long-term relationships with agents that market the Group's products;
- Direct distribution function;
- The range of health insurance products sold under one roof;
- The service rendered by the Company to customers and agents, and the manner by which claims are settled.
- Barriers on competition - as to the removal of entry barriers, see Section 9.3.1.2 below.

8.4. Customers

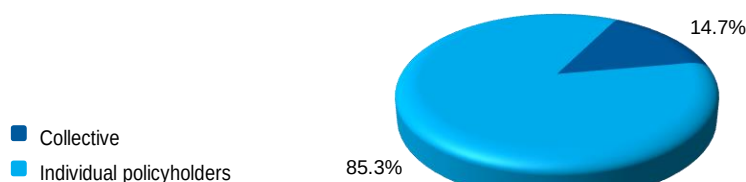
The main types of customers in the health insurance segment are collectives and individual policyholders.

8.4.1. Illnesses and hospitalization⁵⁴

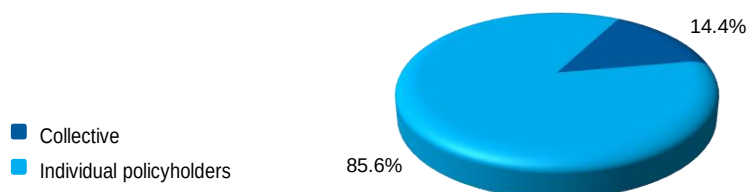
Following is a breakdown of gross premiums (in NIS thousand) by customer type in the illnesses and hospitalization segment in 2022-2023:

Type of customer	Gross premiums for 2023	Rate of total gross premiums in 2023	Gross premiums for 2022	Rate of total gross premiums in 2022
Collective ⁵⁵	210,288	14.7%	188,443	14.4%
Individual policyholders	1,219,755	85.3%	1,119,989	85.6%
Total	1,430,043	100%	1,308,432	100%

Breakdown of customers in the illnesses and hospitalization subsegment by premiums in 2023



Breakdown of customers in the illnesses and hospitalization subsegment by premiums in 2022



8.4.2. Long-term Care⁵⁶

Following is a breakdown of gross premiums (in NIS thousand) by customer type in the long-term care segment in 2022-2023:

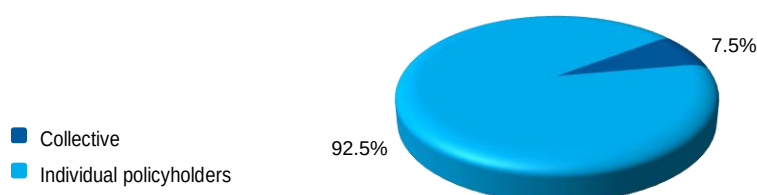
54. The amount of premiums in the illnesses and hospitalization insurance subsegment reflects the insurance premiums paid in respect of all valid policies sold over the years, and changes therein do not necessarily reflect the change in the reporting year.

55. Including sales of travel insurance with health maintenance organizations.

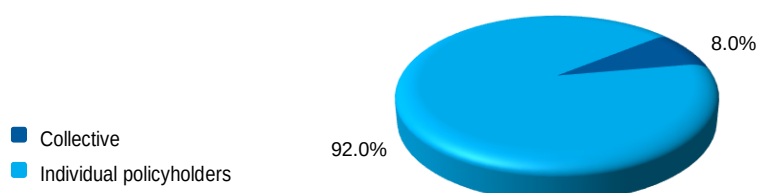
56. The amount of premiums in the long-term care insurance subsegment reflects the insurance premiums paid in respect of all valid policies sold over the years, and changes therein do not necessarily reflect the change in the reporting year.

Type of customer	Gross premiums for 2023	Rate of total gross premiums in 2023	Gross premiums for 2022	Rate of total gross premiums in 2022
Collective	22,487	7.5%	23,797	8.0%
Individual policyholders	278,458	92.5%	271,265	92.0%
Total	300,945	100.00%	295,062	100%

Breakdown of customers in the long-term care subsegment by premiums in 2023



Breakdown of customers in the long-term care subsegment by premiums in 2022



The cancellation rate for the year (including: Cancellation or reduction of the scope of a policy, or non-renewal) out of the policies in effect as of the beginning of the year, in terms of premiums in the long-term individual illnesses and hospitalization subsegment (only the illnesses and hospitalization subsegment), was approx. 7.7% in the reporting year, compared with approx. 8.8% in 2022.⁵⁷

The cancellation rate for the year (including: Redemption, policy cancellation, reduction of the scope of a policy, or non-renewal) out of the policies in effect as of the beginning of the year, in terms of premiums in the long-term care insurance subsegment, was approx. 1.9% in the reporting year, compared with approx. 2.4% in 2022.⁵⁸

In the health insurance segment, the Group is not dependent on a single customer or a small number of customers, whose loss will have a material effect on the segment.

The Group does not have a single customer, total Company income from which in the segment constitute 10% or more of the total amount of the Group's income in the consolidated financial statements.

⁵⁷ According to the provisions of the Commissioner's circular, the cancellation rate is calculated by dividing the amount of the premium charged in the last month of the year by the amount of the premium that was charged in the last month of the previous year. The calculation applies only to policies that started before the current year, net of the increase in tariffs.

⁵⁸ See Footnote 57 above.

Part III - Additional Information at the Corporate Level - Matters Relating to the Activity of the Group as a Whole

9. Additional Information at Corporation Level

9.1. General Environment and Effect of External Factors on the Company's Activity

For further details regarding the description of trends, events and developments in the Group's macroeconomic environment that affect or are expected to affect the Group, see specific reference in the various segments, as well as Part B to the Report - Report of the Board of Directors, Section 3.

9.2. Restrictions on and Supervision of the Corporation's Activity

The Group's activity in the various segments is subject to the provisions of the general law as well as the provisions of the law applicable to each segment, as described above.

Along with the general laws, the pension insurance and savings activity in Israel, which is the Group's main component, is subject to specific laws that apply to the subsegment, such as the Insurance Law, the Insurance Contracts Law, 1981, the Provident Funds Law, the Pension Advice Law and the regulations and Commissioner's circulars issued thereunder, and principle court rulings that affect the pension insurance and savings activity in Israel, including with respect to the interpretation of such laws and regulations.

Max's activity as a company engaged in the provision of payment services to its customers (issuing and acquiring of payment cards), in the processing of payment cards and in the provision of credit, is subject to various legal provisions in connection with its activity in these subsegments, including the Banking Law (Licensing), the Banking Ordinance, 1941, the Banking Law (Customer Service), 1981, and regulations, ordinances and rules prescribed by virtue of those laws. In addition, the Company is subject to various provisions issued by the Banking Supervision Department from time to time, which apply to credit card companies or acquirers, including under circulars, letters, guidance and Proper Conduct of Banking Business Directives.

The Company's various activities are also subject to additional regulation that applies to the field of financial activities, including the Payment Services Law, 2019, The Fair Credit Law, 1993, the new Financial Information Service Law, 2021, and The Prohibition on Money Laundering Law, 2000 and various provisions prescribed thereunder. (For further details regarding these directives, see below in this section).

For further details about the Max's transaction agreement, see Note 9(a) to the Financial Statements.

Clal Insurance has an insurer license and Clal Credit Insurance has an insurer license for their respective areas of activity. For further details regarding the control permit of the Group's institutional entities, see Notes 1 and 17(e) to the Financial Statements. Clal Pension and Provident Funds and Atudot Havatika have an insurer license in the pension insurance subsegment pursuant the Insurance Law and they also have permits to manage the provident funds managed by them.

Max has an acquirer license in accordance with the Banking Law (Licensing).

The Group's insurance agencies hold corporate agent licenses in accordance with the Insurance Law.

The Group companies are monitored by various supervisory authorities, including the Commissioner, who monitors the activity of the Group's institutional entities and insurance agencies. Furthermore, the Company and Clalbit Finance are monitored by the Israel Securities Authority. Max is regulated by the Banking Supervision Department of the Bank of Israel. In addition, in recent years enforcement/reporting powers were added to additional regulators, including the Israel Competition Authority (formerly the Antitrust Authority), the Privacy Protection Authority and the Commissioner for sharing of credit data with the Bank of Israel. As part of the compliance programs, in recent years the Company is gradually conducting a compliance survey in various segments, under which gaps are discovered, which the companies work to address, as part of action outlines established by them.

The Group companies are exposed, from time to time, to administrative enforcement procedures and the imposition of fines sometimes following alerts, audits or requirements to provide information by the various regulators; for further details, see Note 45(2.2.3.2) to the Financial Statements. The Group companies are also exposed to class actions on various matters arising from the provisions of the law to which the institutional entities are subject, whether included in this chapter or other chapters in the Report on the Corporation's Business. For further details regarding class actions filed against the Group's institutional entities, see Note 45(2.1) to the Financial Statements.

Below is a summary of the provisions of the law and final circulars published in and subsequent to the reporting year, as well as a summary of drafts published by the Commissioner, which apply and are material to the activity of the Group companies, in addition to the laws set forth under the description of the segments and other sections above and below. For further details in connection with regulatory restrictions applicable to the Group's institutional entities, in connection with the equity capital and control requirements in the Company, and details regarding industry-wide decisions of the Commissioner, see Note 17 and Note 45(2.2.3.2) to the Financial Statements.

9.2.1. Market Concentration Law

In December 2013, the provisions of the Market Concentration Law were published, seeking to reduce the concentration level in the Israeli market by several key measures, including the imposition of restrictions on corporations with a pyramid structure, imposition of increased corporate governance rules on pyramid companies, separation of significant non-financial activity from significant financial activity, and setting of a mechanism for "an insurer without a controlling shareholder".

In accordance with the provisions of the Market Concentration Law, a pyramid holding structure is restricted to two tiers only.⁵⁹

In accordance with the provisions of the Market Concentration Law, from December 10, 2019, a significant non-financial corporation or the controlling shareholder of such a corporation shall not control a significant financial entity, shall not hold more than 10% of a certain type of means of control of such entity and shall not hold more than 5% of a significant financial entity without a controlling shareholder.⁶⁰

Since May 2015, a list of concentrated entities, a list of significant non-financial entities and a list of significant financial entities are published in the Official Gazette from time to time. According to the provisions of the Market Concentration Law, a significant financial entity, a significant non-financial corporation and an entity belonging to a business Group (a corporation that controls a corporation and a corporation control by any of them), including a significant financial entity and a significant non-financial corporation, shall be considered a concentrated entity. In accordance with the lists published in April 2021 (and recently updated in March 2024), the Group companies that are institutional entities and Max are classified as a significant financial entity, while the remaining Group companies that are not institutional entities are included in the list of concentrated entities (due to belonging to a Group that includes a significant financial entity).

In September 2022, it was published in the business press, that further to Alrov's application for a control permit in the Company, and further to the Capital Market Authority's position whereby Clalbit Finance should be deemed a financial corporation for the purpose of Chapter D of the Market Concentration Law, the Committee for Reducing Concentration stated that in its opinion Clalbit Finance should be deemed a non-financial corporation, thereby rejecting the Capital Market Authority's interpretation.

In September 2022, the Taskforce for Assessing Chapter D of the Market Concentration Law (hereinafter - the **"Taskforce for Assessing Concentration"**) published its report, in which it was suggested to define an insurer's issuing corporation as a financial entity, in line with the above position of the Capital Market Authority. In addition, it was suggested to determine that acquirers' classification as "significant financial entities" shall be carried out in accordance with the parameters used to classify other such entities - that is to say - in accordance with the value of the acquirer's assets, rather than in accordance with the rate/amount of the transactions it has acquired.

It is also stated in the report that as part of the discussions concerns were raised regarding developments in the holdings of the institutional entities over the years leading up to concentration of the institutional entities in Israel. In view of the range of opinions raised within the Taskforce and the scope and consequences of this issue for the entire Israeli economy, the Taskforce decided to conduct further

59. A "tier subsidiary", is a company or a foreign company that is a reporting corporation, other than companies excluded under the definitions of the Market Concentration Law. The terms "tier-subsiary", "second-tier subsidiary" and "other tier subsidiary" - as defined in the Market Concentration Law.

60. The Market Concentration Law also specifies that the holding of an institutional entity of certain type of means of control of a significant non-financial corporation shall not exceed 10%.

review and work in connection with this issue outside the framework of the report.

At this stage, an official directive that prescribes whether issuing companies owned by an insurer should be classified as a financial or non-financial corporation has not yet been published; the Company is unable to assess the effects of the said publications, but such a classification may affect the development of the Group's activity and its holdings structure, such that if the amount of Clalbit Finance's liabilities together with the other liabilities of the Company and the non-financial corporations controlled by the Group, excluding certain liabilities that are not included in the said calculation, will exceed the threshold following which it will be defined as a significant non-financial entity, this may affect the Company's ability to continue holding Clal Insurance, Clalbit Finance and the Max group, and/or will require the Group to make structural changes and/or will require the assessment of the debt structure. At this stage, in view of the balance of liabilities of Clalbit Finance and the Group's non-financial corporations (for details see Note 26 to the Financial Statements), the Group's non-financial corporations are not deemed significant non-financial corporations, taking into consideration the debt balances included in the said calculation, and which the WPI group has as of the report publication date.

In the event that Group entities, which are defined as a "concentrated entity" will wish to carry out an action involving the allocation of a right by the government (to engage with the government, to receive a license therefrom or to purchase holdings from the government or at its approval), this action may be subject to a consultation of the relevant regulator with the Market Concentration Committee.

For further details regarding the control status, see Note 1 to the Financial Statements.

For details regarding the restrictions placed by the Market Concentration Law regarding investment management, see Section 9.5.4.2 below.

In addition to the above, the Market Concentration Law and the restrictions prescribed thereunder may affect the development of the Group's activity, both in relation to the investment of planholders' funds, and in relation to strategic investments and the Group's holdings structure. For further details, see Note 1 to the Financial Statements.

9.2.2. Corporate governance in public companies without a controlling shareholder

In July 2023, the Ministry of Justice published the **Companies Bill (Amendment No. 37) (Corporate Governance in Public Companies without a Controlling Shareholder)** (hereinafter - the "Bill"), which was first published in June 2022 as the **Companies Bill (Amendment No. 36) (Corporate Governance in Public Companies without a Controlling Shareholder)** and further to the **Memorandum and Draft Companies Regulations (Matters that do not Constitute a Connection) (Amendment No. ___), 2021** (hereinafter - the "Draft Regulations"), which were published in March 2021.

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 committees; the 'prohibition on affiliation' applied to an external director was expanded to also cover a prohibition on an affiliation of the external director for "any director" in the Company, rather only for the chairman of the board; 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 it is subject to strict provisions by virtue of its status as a controlling shareholder of an insurance company. For details regarding the status of control of the Company, see Note 1 to the Financial Statements.

9.2.3. *Sharing of financial information*

A. **Provision of financial information services**

In November 2021, the Financial Information Service Law was published.

The Financial Information Service Law requires various financial entities that hold information about customers (hereinafter - **"Information Sources"**), including institutional entities, to allow licensed entities or controlled entities that are exempt from a license (banks, institutional entities, credit card companies and savings and loans associations) (hereinafter - **"Financial Information Service Providers"**) to receive online access to financial information of a customer, with the customer's consent. Financial Information Service Providers that have received a license from the Israel Securities Authority will be monitored by it, while Financial Information Service Providers monitored by a designated regulator will be monitored by them with respect to this law, including with respect to the imposition of financial sanctions in case of a breach. The financial information which institutional entities are required to provide is information about credit, regarding both regarding an individual and a corporation, as from November 14, 2023 regarding an individual and as from May 15, 2024 regarding corporations.

Based on the financial information received, Financial Information Service Providers will be able to offer services such as summarizing all information in one place, comparing costs between various financial entities, transferring information to financial entities to obtain value propositions for the customer (meaning, competitive bids), and financial advice, all in an advanced digital manner. The Financial Information Service Law imposes on Financial Information Service Providers duties of trust, caution and confidentiality and specifies that a service provider that is an Information Source may not give a customer a price quote on its behalf for a product or service that is not included in the information which it is required by law to transfer, or a similar product/service.

In March 2022, the **"Provisions to Financial Information Service Providers" Circular** was published, setting out provisions regarding how to obtain the approval of the Capital Market Authority for an institutional entity to operate as a Financial Information Service Provider and provisions regarding the activity of an insurer as a Financial Information Service Provider.

In August 2022, an amendment to the **"Provisions to Financial Information Service Providers" Circular** was published, adding provisions regarding regulation of the activity of an insurer as a Financial Information Service Provider on the matter of receiving and using a digitally signed certificate, disclosure in the agreement with the customer, provision of customer services, and the consideration received from other entities.

In June 2023, the **"Directives to Financial Information Sources which are Institutional Entities" Circular** was published; 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 - May 2024 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. For details regarding the transfer of information in the pension savings segment and the Pension Clearing System, see Section 6.3.1.3 above.

The information relating to the potential consequences of the provisions of the law regarding provision of financial information services constitutes forward-looking information, which is based on Company's assessments and assumptions, and actual results may vary materially from those predicted, among other things, in accordance with the manner by which the

provisions will be implemented by the various regulators and the behaviors of various entities in the financial market and customers' preferences.

B. Regulation of Engagement in Payments Services

For details regarding the Regulation of Engagement in Payments Services and Payments Initiation Law, see Section 15.1.1 below.

9.2.4. Privacy Protection Bill

In January 2022, the **Privacy Protection Bill (Amendment No. 14), 2022** was published, whose purpose is to adjust the law to the current challenges in protecting personal information in databases on several levels: (1) Enhancing the supervision and enforcement capabilities granted to the Privacy Protection Authority, and setting an administrative enforcement mechanism which will be an alternative mechanism to enforcement as part of criminal proceedings in certain cases; (2) reducing the scope of the registration obligation applicable to databases; and (3) adjustment of the definition of terms in the Privacy Protection Law regarding protection of computerized personal information, to technological, social and economy developments that have occurred since the law was enacted, and to modern arrangements for protection of personal information worldwide, mainly the General Data Protection Regulation (GDPR) of the EU.

The Company is studying the provisions of the said bill, which is in the initial stages of legislation procedures, and at this stage, it is unable to assess its implications.

In December 2022, the Privacy Protection Authority published a pronouncement on interpretation of the terms "information" and "knowledge of a person's personal affairs" in the Privacy Protection Law.

9.2.5. Adjudication of Interest and Linkage

Further to the report of the interministerial committee for assessing the interest rates in accordance with the Adjudication of Interest and Linkage Law of October 2021, 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 various 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 the publication of the Adjudication of Interest and Linkage Law, which was published in February 2023, the draft Adjudication of Interest and Linkage Regulations (Setting of Interest Rate and Manner of Its Calculation) is also expected to be published; it proposes new mechanisms for calculation of the base interest (NIS interest and linked interest) and arrears fees (hereinafter - the "**Draft Interest and Linkage Regulations**").

The Adjudication of Interest and Linkage Law and the regulations promulgated thereunder may, in the long term, 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 Contracts 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 certain operational implications due to the significance of the changes included in them on various work processes.

The Company's assessment regarding the possible consequences of the law and draft regulations is forward-looking information, based on information in the Company's possession on the report 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.

9.2.6. *Institutional entities' holdings in payment card companies*

On January 30, 2023, the Knesset Finance Committee approved the **Banking Regulations (Licensing) (Bank with a Broad Scope of Activity), 2022**, which establish the recommendations of The Committee to Examine Competition in the Credit Market by defining a "bank with a broad scope of activity", such that Discount Bank Ltd. will be a bank with a broad scope of activity, which will be required to dispose of Israel Credit Cards Ltd. (CAL). At the same time, the Minister announced his intention to appoint an interministerial taskforce that will conduct a market-wide assessment of the control of large institutional entities in payment card companies.

The recommendations of the Taskforce for Assessing Institutional Entities' Holdings in Payment Card Companies (hereinafter - the "**Assessment Taskforce**") were published in May 2023. The Taskforce 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 Taskforce also identified potential risks; however, it believed that it was not proven that there is a significant likelihood that those risks will materialize. Since there was neither clear-cut conclusion that precluded the acquisition of stakes in payment card companies by institutional entities but, nor that such acquisitions would be significantly beneficial, the taskforce 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 taskforce recommended the following with an eye to the future:

- A. To revoke the prohibition on large institutional entities to acquire means of control in a payment card company from a bank with a broad scope of activity (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 Market 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 taskforce to 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 diversification of the assets under their management. The taskforce remained divided as to the date on which such an assessment will take place.

Following on the above, in November 2023, **Memorandum of Law Banking (Licensing) (Legislative Amendments), 2023** was published recommending cancelation of the ban on the acquisition by an institutional entity from a bank with a broad scope of 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) will not be able to have a control stake in a credit card company.

At this stage, it is impossible to assess the meaning of the Assessment Taskforce'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 Assessment Taskforce and memorandum of law constitute forward-looking information, which is based on the Company's assessments and assumptions as of the report publication date. Actual implementation may be materially different than 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.

9.2.7. Class Actions Law

In May 2023, the Inter-Ministerial Taskforce on Assessing the Arrangements Set in the Class Actions Law, 2006 (hereinafter - "**Inter-Ministerial Taskforce**") published its report. In its report, the inter-ministerial taskforce 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 agreement by a mediator; providing organizations with the ability to file class actions.

At this preliminary stage, and before the Inter-Ministerial Taskforce's suggestions are formulated into a coherent bill, the Company is unable to assess the effect of the recommendations detailed above, which may have opposed 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.

9.2.8. 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).

9.2.9. 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 –

(a) The Commissioner's Emergency Directives -

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 issuing various reports to the public, the Commissioner, planholders and policyholders 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 policy period, 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.

The Company believes that the amendment to the Insurance Renewal Circular is not expected to have a material effect on its business results.

The information pertaining to the said provisions regarding the Insurance Renewal Circular constitutes forward-looking information, which is based on the Group's assessments and assumptions as of the report publication date. Actual implementation may be materially different than predicted, and depends, among other things, on the implementation of the provisions of the Insurance Renewal Circular, and the interpretation thereof in the future by the competent organs, the behavior of the customers, insurance agents and the competitors.

- 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.

In addition, the Commissioner published positions regarding refraining from taking enforcement measures against banking corporations that provide pension advice digitally or by telephone to existing customers in the pension advice segment (as defined in the Commissioner's position), at the earlier of the following: as long as there is a home front emergency or until January 31, 2024. In addition, a bill was published in relation to this topic. For further details, see Section 9.8.1.1(b) below.

(b) Deadline Postponement Law

In October 2023, the **Deadline Postponement Law (Temporary Order - Iron Swords) (Contract, Judgment or Payment to the Authority)**, 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 145 days or until February 29, 2024, 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 31, 2023 (hereinafter - the "**First Period**"). In addition, a further arrangement was established, allowing a smaller group of eligible parties (who are defined in the law) to postpone, by 31 days or until February 29, 2024, whichever is earlier, the date of taking 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 January 1, 2024 and February 29, 2024 (hereinafter - the "**Second 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 First Period, and in relation to dates that fall within the Second Period - it will be carried out by notice of the Entitled Party to the other party, and a court is authorized to instruct the cancellation or shortening of the postponement under extraordinary circumstances and for justified reasons that will be recorded, and after hearing the parties' arguments; a payment to the authority will be postponed, in general, in respect of any payment applicable in the said 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 first period (and for parties eligible under the second period - does not apply to contracts signed in the second 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.

(c) 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 sector and the public 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 carrying a potential risk of financing terror; the call included guidelines to the financial sector regarding reports to the authority.

(d) The Prescription Law

In January 2024, **The Prescription Law (Amendment No. 8 - Iron Swords), 2024** was published, which prescribes that when calculating the prescription period for (a) causes of action that do not involve real estate, which has not yet ended immediately prior to the amendment's effective date, and (b) causes of action involving real estate, which has ended in the period between the amendment's effective date and through April 6, 2024 - the period between October 7, 2023 to April 6, 2024 will not be taken into account (hereinafter - the "**Suspension Period**").

It was also prescribed that lawsuits, whose prescription period ended in the period between October 7, 2023 through the amendment's effective date will be "revived", such that the calculation of the prescription period will not include the Suspension Period, unless the court ruled that the lawsuit should not be revived for special reasons that will be recorded, including a deterioration in the defendant's circumstances after the end of the original prescription period of the lawsuit.

It was also prescribed that the provisions will also apply to prescription provisions that were set forth in other laws, except for the exclusions that were listed in the amendment.

For the implications of the Iron Swords War for the Company's business results, see Note 46(k) to the Financial Statements.

In the opinion of the Company, the provisions of the law might cause an increase in the Company's payment liabilities in respect of lawsuits that will be filed against Group companies.

The Company's assessments in connection with the Prescription Law constitute forward-looking information, which is based on the Company's assessments and assumptions as of the report publication date. Actual implementation may be materially different than predicted, and depends, among other things, on the interpretation of the law and its application by competent courts.

(e) Insurance coverages in provident funds

In February 2024, a draft of the **Supervision of Financial Services Regulations (Provident Funds) (Insurance Coverages**

in Provident Funds) (Iron Swords) (Temporary Order), 2024 was published, which suggests to extend the temporary risk period (the automatic insurance coverage provided to policyholders in executive insurance policies and to planholders in a pension fund upon suspension of contributions) to 12 months instead of 5 months, and its application also to policies that do not have in place such a mechanism, except for classic policies.

9.2.10. The Contracts Law (General Part), 1973

In January 2024 a bill was published, the main point of which is the stipulation that a business contract will be interpreted according to its wording, in contrast to the interpretation rule currently prescribed by the law whereby a contract will be interpreted both according to the wording of the contract and according to the circumstances of the case.

According to the bill, business contracts are contracts signed between dealers, whose annual business turnover exceeds four million shekels, or contracts for transactions, whose value exceeds fifteen million shekels. Another condition to the contract's being a business contract is that both parties relied on legal advice when they prepared the contract. It is also suggested to exclude from the definition of a "business contract" a contract which is a standard contract and contracts to which the government is a party.

In addition to the above, it is proposed to determine that the rule regarding interpretation will not apply if interpretation according to the wording of the contract would lead to a result that is unacceptable under the circumstances of the matter, or if there are conflicting provisions in the contract and therefore it is impossible to interpret it according to its wording. It was also prescribed that the parties will be able add a notwithstanding clause in connection with this rule regarding interpretation, and add an expressed provision in the contract, both with the regard to another interpretation rule that they wish to apply to the contract, and with regard to specifying the evidence that will be acceptable for the purpose of interpreting the contract.

To date, the Company is unable to assess the effects of the amendment, if it is passed, on the interpretation of contracts.

9.2.11. *International sanctions*

In recent years, there has been an increase in international sanctions regimes that were imposed by various countries, mainly against Russia, Belarus and entities and person related thereto, due to the war in Ukraine. The sanctions mainly pertain to the financial activity of the entities/persons on which sanctions were imposed and included - in certain cases - restrictions on receipt or payment of funds to such entities/persons.

Although the State of Israel has not imposed sanctions on its behalf, non-compliance with the provisions of such sanctions constitutes a compliance risk, that might lead to a material financial damage, reputational damage, and operational damage (due to the refusal of various international entities to work with an entity that breaches the sanctions regime).

The Group's institutional entities monitor continuously developments and publications relating to the sanctions regimes, in order to comply with the requirements that apply to it, work to implement sanctions policies, including avoidance from executing certain actions with entities/persons on which sanctions were imposed, which may be relevant to some of its customers.

The Iron Swords War increased the risks from international sanctions regime, after in recent months various types of sanctions have been imposed on the financial activity of Israeli entities.

For further details regarding the inclusion of a sanctions clause in reinsurance contracts, the Company's position regarding the reduction of reinsurers' obligation to pay in respect of insurance contracts, and regarding the conditioning of the Company's undertakings in some of the property and casualty insurance policies to legal constraints arising from the sanctions, see Section 9.6.5.4 below.

9.3. *Entry and Exit Barriers*

9.3.1. *Below is a list of the main entry barriers of the Company's various areas of activity:*

9.3.1.1. **License obligation and permit requirement**

- (a) Those engaged in insurance are subject to a license, in accordance with the Insurance Law and Provident Funds Law, and are supervised by the Capital Market, Insurance and Savings Authority in the Finance Ministry. Clal Insurance and Clal Credit Insurance have an insurer license pursuant to the Insurance Law. In the property and casualty insurance segment, a company active in the credit and foreign trade insurance subsegments is required to engage in that subsegment only. Following completion of the Max transaction, conditions were added to the licenses of Clal Insurance, Clal Pension and Provident Funds, and Clal Credit Insurance. For further details, see Note 17 to the Financial Statements.
- (b) The management company of annuity-paying provident funds is also required to obtain an insurer license pursuant to the Insurance Law, and such insurer license will be considered a management company license regarding all provident funds which it manages. A management company that was granted an insurer license as aforesaid may manage any type of provident funds other than insurance funds. One management company may manage one comprehensive new pension fund that is entitled to designated bonds,⁶¹ a new general pension fund that is not entitled to designated bonds, as well as an old balanced pension fund and provident funds. A management company may engage in the management of provident funds only. A management company may engage in other business in respect of a pension product approved by the Commissioner, subject to approved conditions, provided that the engagement is regulated under the provisions of the Provident Funds Law, Insurance Law or Pension Advice Law.
- (c) Furthermore, every provident fund managed by a management company requires a permit to manage a provident fund, which is renewed annually. Also life insurance products that are managed as provident funds (insurance funds) are subject to an annually renewable permit.

Clal Pension and Provident Funds and Atudot Havatika have an insurer license in the pension

61 For details regarding the changes in the return guarantee mechanism in the pension funds, see Section 9.5.5.1(d) below.

insurance subsegment pursuant the Insurance Law, as well as permits to manage the provident funds managed by them.

- (d) Holding of more than five percent of a certain type of means of control in an institutional entity is conditional upon the receipt of a permit from the Commissioner to hold means of control, and a control in an institutional entity or an insurance agency also requires a permit from the Commissioner, inter alia, pursuant to the provisions of the control of an institutional entity policy paper of December 2014 published by him. For further details regarding the status of control of the Company, see Note 1 to the Financial Statements. For further details regarding the **"Policy for Provision of a Permit to Hold Means of Control of an Institutional Entity without a Controlling Shareholder to Entities that Manage Customers' Funds"**, that allows, under certain conditions, certain entities to receive a holding permit of no more than 7.5% in an institutional entity without a controlling shareholder, regarding expansion of the said policy also with respect to institutional entities that have a controlling shareholder, and the status of the permits in the Group, see Section 9.5.4.2 below. The regulatory permits for the holdings in the Group's institutional entities and how they are regulated can from time to time affect the Group's activity.
- (e) For details regarding the assessment of the effect of institutional entities' holdings in corporations, which are insurance agencies, by an interministerial taskforce that was appointed under a Government Resolution, see Section 9.8.2.4 below.

For information regarding control and holding restrictions sets pursuant to the Market Concentration Law, among other things, regarding separation between holding significant non-financial activity and significant financial activity, see Section 9.2.1 above.

- (f) For information about the recommendations of the Taskforce for Assessing Institutional Entities' Holdings in Payment Card Companies, including the setting up of a monitoring Taskforce that will assess the effects of institutional entities' holdings in the payment card companies, and assessment of the economy-wide effects of institutional entities' concentration, see Section 9.2.6 above.

9.3.1.2. Equity capital requirements

In order to engage in insurance activity, the Company's Group companies are required to comply with capital requirements. For details regarding the regulatory capital requirements applicable to the Group companies and how the companies comply with them, including the economic capital requirements, including requirements under control permits, see Note 17 to the Financial Statements. For details regarding the method of classification of Clalbit Finance (an issuing corporation wholly owned by Clal Insurance, whose sole occupation is raising funding sources in Israel for Clal Insurance, by IPOs and private placements of bonds and notes) as a non-financial corporation in accordance with the provisions of the Market Concentration Law, and the possible effects of such classification on the development of the Group's activity and its holding structure, see Section 9.2.1 above.

Supervision of Financial Services Regulations (Insurance) (Minimum Equity Capital Required to Receive an Insurer License), 2018 (hereinafter - the **"Minimum Equity Capital Regulations"**) set the minimum initial equity required to receive a license in the subsegments characterized by a long insurance period and duration of claims (life, long-term care and liability insurance) at an amount of NIS 15 million and the minimum initial equity to receive a license in the subsegments characterized by a short insurance period and duration of claims (property and casualty insurance and short-term health insurance) at an amount of NIS 10 million.

The regulations increased competition in the insurance market compared to the situation prior to their publication due to a reduction of the capital requirement needed to receive an insurance company license and the activity of new companies in the market, mainly in property and casualty insurance.

9.3.1.3. Volume of activity

In order to cover the high fixed costs involved in the Group's activity, a large volume of activity is required, particularly in long-term savings.

9.3.1.4. Additional barriers

- (a) The ability to purchase adequate protection from reinsurers.
- (b) Organizational, mechanical and operational infrastructure considering the complexity of some of the products and their operation, and regulatory changes.
- (c) Wide and skilled distribution function.
- (d) In recent years, the Authority has taken several measures to alleviate the entry barriers in the segment. For further details, see Section 9.3.1.2 above regarding minimum capital requirements.

9.3.2. *Below is a list of the main exit barriers of the Company's various areas of activity:*

In long-term savings products and some property and casualty insurance subsegment, long-term care subsegment and illnesses and hospitalization products, discontinuation of the activity in policies with long-tail claims may take many years, until settlement of all claims in respect of policies sold in the period prior to discontinuation of the activity until all the benefits of the policyholders and/or planholders (run off) have been exercised, a period during which the Company is required to bear all the risks and derived operating costs, or until the activity is sold.

The Commissioner has the authority to order an insurer seeking to liquidate its insurance business to act in a certain manner in doing so, as well as the authority to petition the court for the liquidation to be carried out by the court or under its supervision.

9.4. Critical Success Factors

Success factors common to all of the Group's areas of activity

The Group believes that the success factors common to all its areas of activity (segments) are as follows:

- The policyholder portfolio mix, including considering past liabilities under long-term policies, retention of the profitable portfolio and recruitment of new policyholders and planholders, while maintaining profitability;
- The ability to adapt to changing market conditions, regulatory changes, competitive conditions and reduced profitability, including by way of modifications to products, service, marketing, pricing, management fees and adjustment of the expense level;
- The quality and professionalism of the underwriting and settlement of claims, including Group-wide claims;
- The service quality and the possibility of providing combined solutions, at the Group level, to all customer needs, while creating synergy between the Group companies;
- Ability to develop and apply advanced digital sale and service tools;
- Advanced data use capabilities for the purpose of retention, sales and services customized to the needs of customers;
- Operating efficiency and quality, and quality of computing and mechanization;
- Investment income, returns of the portfolios under management, the capital market situation and the interest terms;
- The ability to achieve and maintain a capital level and capital ratio that support the Group's activity and growth;
- Business growth, while diversifying income and profit in the Group and reducing dependence on the capital market. For details regarding the transaction for the acquisition of Max, which was completed on March 27, 2023, see Note 9(a) to the Financial Statements.
- Actuarial capabilities to support the business policy, carry out qualitative, current pricing, and qualitative calculation of the reserves required;
- The brand perception among the Company's customers as a long-standing, stable, relevant and innovative leader;
- Quality human resources retention and development;
- The ability to develop and retain distribution channels, including by hiring and retaining quality agents and to ensure their high satisfaction of the service provided to them by the Company and by developing new distribution channels and expanding collaborations, according to industry trends, customer needs and profitability considerations;

- The ability to purchase reinsurance, including quality reinsurers, the agreements with them and stable long-term relationship with reinsurers;
- Quality risk management, control, measurement and internal control.

9.5. Investments

9.5.1. Assets under management by the Group

Following is a breakdown of types of assets under management by the Group:

A. Company assets

- In February 2023, the Company issued two series of bonds for a period of five years, as detailed below:
 - The Company issued NIS 249,100,000 p.v. in Bonds (Series A) of the Company. The bonds carry an annual interest of 4.7%.
 - NIS 150,000,000 million p.v. in Bonds (Series B) of the Company. The bonds bear an annual interest rate of 2.8% and are convertible into the Company's shares, such that each NIS 85 par value of the Bonds (Series B) will be convertible into one ordinary share of the Company, as set out in the deed of trust for the Bonds (Series B).
 - The principal of the Bonds shall be repayable in one lump sum within 5 years from the issuance date.
- In May 2023, the Company issued approx. NIS 250 million as part of the expansion of its Bbonds (Series A).
- In September 2023, the Company issued approx. NIS 400 million as part of the expansion of its Bonds (Series A); furthermore, in December 2023, the Company issued approx. NIS 500 million p.v. in Bonds (Series C).
- The proceeds received by the Company in respect of the said issuances were used by the Company, among other things, to create a liquidity buffer and for its operating activities, to complete the execution of the payments in respect of the Max transaction, and for early repayment of the syndicated loan (as set out in Section 2.5.1.6(f) below) as part of a financial reorganization of the Group's liabilities. For further details, see Note 26 to the Financial Statements.

B. Nostro assets of the Group's institutional entities (Clal Insurance, Clal Pension and Provident Funds, Atudot Havatika, Clal Credit Insurance) and the Company's assets - (a) Assets against equity capital and other liabilities; (b) assets against property and casualty insurance liabilities; (c) assets against non-yield dependent life insurance liabilities; and (d) non-yield dependent liabilities in long-term care, health and disability insurance.

The Group's insurance companies bear the risks arising from the nostro assets. However, part of the life insurance liabilities in respect of guaranteed return policies are backed by designated bonds, see Section 6.1.1.2 above.

C. Yield-dependent liability assets of Clal Insurance - Assets against liabilities in life, long-term care and disability insurance in respect of the various types of yield dependent policies or coverage. The yields achieved in connection with such assets are included under the calculation of liabilities in respect of those policies. As a general rule, the benefits of the policyholders are calculated net of management fees and expenses in accordance with the provisions of the policy. For details regarding the Company's income from management fees, see Note 33 to the Financial Statements.

The nostro assets of Clal Insurance and the institutional entities under its control, which are managed by the Group, are recorded in their balance sheets. Clal Insurance also records assets for yield-dependent contracts in its balance sheet.

D. Provident funds and pension funds - Assets of provident and pension funds managed by the companies under the management of the Group (Clal Pension and Provident Funds and Atudot Havatika) - planholder accruals in the pension funds and provident funds are managed in trust by the management companies. The returns net of management fees and expenses, in connection with the pension and provident fund assets are also credited to planholders. The pension and provident fund assets are not recorded in the management companies' balance sheets, except Bar

Provident Fund Ltd., which has a guaranteed return track (hereinafter - "**Bar A**") for which there is a commitment in the bylaws for a guaranteed return. Part of the planholders' assets in the comprehensive pension fund managed by Clal Pension and Provident Funds and Atudot Havatika are backed by designated bonds. Regarding the changes in the return guarantee mechanism, see Section 9.5.5.1(d) below.

For further details regarding the breakdown of assets under management by each of the Group's institutional entities, see Section 9.5.6 below.

E. For some long-term savings products under management in the Group, there is a guaranteed return or guarantee to the amount of the nominal contributions - Some of the Group's savings products have a guaranteed return commitment. Following are details regarding the material liabilities of the Group companies for the said guaranteed return:

- In policies sold through the end of 1990, the return to policyholders in life insurance policies with a savings component was set a guaranteed rate (hereinafter - "**Guaranteed Return Policies**"). The rate varies according to the policy type and its issuance date. The return rate commitment is mostly backed by designated bonds; the rest of the assets are invested according to the limits set in the Investment Regulations. For further details, see Section 6.1.1.2 above.
- In the savings policies sold by Clal Insurance since 1991, the return is credited to the policyholder according to the results of the investment portfolios net of management fees and expenses (hereinafter - "**yield-dependent policies**").
- As aforesaid, under the bylaws of Bar A Provident Fund, Clal Insurance undertook to provide a guaranteed minimum annual return for the assets invested in Bar A (a net real return of 5.5% as specified in the fund's bylaws). Such an undertaking is backed by the Accountant General's commitment to a real guaranteed return of 5.95% per year for 89% of the assets, while the remaining assets are invested according to the Investment Regulations. For further details, see Note 42(d)(1)(c) to the Financial Statements.
- Furthermore, in some of the funds managed by Clal Pension and Provident Funds, Clal Insurance and/or Clal Pension and Provident Funds gave a guarantee regarding planholders that joined funds by a specific date and regarding contributions made by them up to specific dates, as specified in the funds' bylaws, that the amount to be paid to the planholders will not be less than the amount of the contributions paid by or for them, all subject to the terms of the bylaws of the said funds. Over the years, those guarantees were discontinued in respect of funds contributed, from a specific date onwards. Material negative returns may lead to a payment being charged by virtue of the guarantee. Considering the accrued returns in the said funds as of the report date, particularly from the guarantee discontinuation date, the exposure to such payment is estimated as low.

The Company's assessment regarding the said guarantees is forward-looking information, based on information in the Clal Insurance's and Clal Pension and Provident Funds' possession on the report date. The actual outcomes may be different than estimated and depend, among other things, on the development of market conditions, planholder accruals and the return achieved.

Most assets held against a guaranteed return commitment are managed under nostro.

9.5.2. Total assets under management for the nostro account and for planholders/policyholders by the Group's institutional entities as of December 31, 2023 (NIS million):^{62,63}

Institutional entity	Nostro	Yield-dependent funds
The Company	1,521	
Clal Finance	95	
Clal Insurance	39,842	92,390
Clal Credit Insurance	400	-
Clal Pension and Provident Funds - pension funds ⁽¹⁾		119,677
Clal Pension and Provident Funds - provident funds ⁽¹⁾	160	⁽²⁾ 59,317
Atudot Havatika ⁽³⁾	42	12,358
Total	42,060	283,742

(1) The equity capital data of the management companies of said pension and provident funds are audited.

(2) Including the provident fund owned by Clal Insurance and guaranteed return provident funds.

(3) The data are regarding to total assets of the fund and are not consolidated.

9.5.3. Management of Investments of Institutional Entities

A. Investment management companies

The investment activity of the Group's institutional entities is carried out through Canaf, which is a subsidiary of Clal Insurance. Canaf manages the nostro funds of the Group's insurance companies and management companies, as well as the investments in the yield-dependent liability assets and planholders' assets of the Group's pension funds and provident funds.

Canaf has separate (designated) investment teams to manage the nostro funds and the planholders' funds, which are assisted by specialized auxiliary units in Canaf and the Group: Research, Strategy, Credit, Infrastructure, Investment Funds, Private Investments, Real Estate in Israel, International Real Estate, Mortgages, Construction Financing, Accounting, Economy, Risks and Control, Middle Office, Legal, Investment Control, Investment Accounting and Risk Management Department.

Furthermore, some of the investment activity abroad is carried out with the assistance of external investment advisors and managers.

B. Investment management policy

The funds of the Group's institutional entities are managed subject to the provisions of the Investment Regulations and the Commissioner's Directives, as the case may be, according to the general investment policy set by the board of directors of the insurer and/or management company, and under the guidelines and supervision of the separate, independent investment committees according to companies and type of funds under management. The Company's board of directors approves the general investment policy for the portfolios under management. In this context, the board of directors approves exposure limits to the various investment channels, in each of the portfolios under management and the investment authorization hierarchy. As part of the overall investment policy, the board of directors instructs the investment committees to set specific investment policy according to the general investment policy set by the board of directors, for each of the various institutional entities and investment tracks, and this - considering, among other things, the restrictions applicable to the track by law and/or according to the policy and/or bylaws of the provident funds, and considering the specific characteristics of the track, including the expected development of the asset portfolio, cash flow and the expected duration of the liabilities, early redemption risks, and others. The investment committees set the aforesaid investment policy for each fund and track separately.

As part of the investment policy, the board of directors and investment committees also approve the credit policy for the management of the credit assets of the portfolios under management. The credit policy sets out work processes, authorization hierarchy and credit portfolio credit exposures,

62. The Company has available cash balances that mainly serve as a liquidity buffer, debt servicing and operating activities (at an immaterial scope).

63. The data in the table do not include funds under management of Max.

considering, among other things, maximum exposure limits to a single borrower, a group of borrowers, a specific subsegment, etc.

The investment policy of the portfolios under management is reviewed continuously as part of the discussions of the investment committees. Furthermore, the control and risk management units continuously oversee the investment activity, with emphasis on the volumes of activity, exposure rates in each type of investment channel, compliance with the restrictions of the investment and credit policy and provisions of the law.

The nostro portfolios are managed in a manner that enables compliance with the Company's obligations, with attention, among other things, to the duration of the liabilities, the linkage basis, the currency, the accounting reporting rules, and the timing of the short-term cash flows. The investment policy is based on a review of the overall risk adjustment and management against the Company's capital.

The planholders' portfolios are managed, among other things, according to long-term considerations, in order to achieve the maximum return to the planholders, considering the risk levels of the various investment assets and liquidity considerations of the portfolios.

For further details regarding the breakdown of assets under management in each of the Group's institutional entities as of December 31, 2023, see Section 9.5.6 below.

In accordance with the Commissioner's Directives, the Group's institutional entities publish their declaration regarding the investment policy of the planholders' and policyholders' funds, and as from 2023 also the external management fees cap for the various tracks, on their website.

The declaration regarding the specific investment policy for 2022 and 2023 was published in January 2022 and January 2023, respectively on the Company's website at:

<https://www.clalbit.co.il/aboutclalinsurance/generalreports/>.

C. Investment committees, credit subcommittee and internal credit committee

Investment committees - The Company has an investment committee. Furthermore, in accordance with the Insurance Law, Clal Insurance has two investment committees: An investment committee for the investment of funds to cover yield-dependent liabilities, and an investment committee for the investment of equity capital and other liabilities of the insurer and investment of funds to cover non-yield-dependent insurance liabilities (hereinafter - "**nostro**"). Clal Credit Insurance has a separate nostro investment committee.

Each of the management companies in the Group (Clal Pension and Provident Funds and Atudot Havatika) has an investment committee to manage the planholders' funds and a nostro investment committee. The composition of the members of the investment committee for the investment of funds to cover yield-dependent liabilities and for the investment of planholders' funds of Clal Pension and Provident Funds is the same. The committees meet jointly for presentation of relevant matters, while the decision making is separate for each committee.

The investment committees each set the investment policy, separately and independently, as part of the overall investment policy approved by the board of directors, approve transactions according to the authorization hierarchy set by the board of directors and fulfill additional duties according to the provisions of the law. In this context, the investment committees outline the specific investment strategy and policy in the asset portfolios. Furthermore, the investment committees oversee implementation of the policy and adjust the portfolio structure to the market conditions under the investment policy.

The investment committees' guidelines and the actual investments are carried out separately and distinctly by the relevant investment managers.

As of the report publication date, Clal Insurance's nostro portfolio investment committee consists of the Group's board members and Clal Insurance's CEO, and it meets at least once a month. The planholder portfolio investment committees of Clal Insurance and Clal Pension and Provident Funds consist of only external members and the planholder portfolio investment committee of Atudot Havatika consist of a majority of external representatives, and they convene at least once every two weeks.

Furthermore, in accordance with the provisions of the law, a person whose other duties or functions create or may create a conflict of interests or may affect their ability to serve as a member shall not

be appointed or serve as a member of a planholder investment committee, and regarding external representatives in an investment committee, a relative of the controlling shareholder, and a person, their relatives, partners, employer, anybody who reports to them directly or indirectly or a company in which they are the controlling shareholder who, on the appointment date or in the two years preceding the appointment date, has an interest in the Company, its controlling shareholder or a relative of the controlling shareholder, on the appointment date, or in another company ("Interest" - as defined in Section 240(b) of the Companies Law).

Credit subcommittee - In accordance with the Commissioner's Directives, the investment committees, with the approval of the boards of directors of the Group's institutional entities, appointed a joint credit subcommittee for the Group's institutional entities (hereinafter 'the "**Credit Subcommittee**").

The Credit Subcommittee consists of members who have proven credit expertise and experience. The Credit Subcommittee includes external representatives only.

The Credit Subcommittee's duties are to oversee the implementation of the policy of the board of directors and investment committees regarding credit granting, to approve granting of credit according to the authorization hierarchy, and to make decision on how to handle troubled debts, according to the authorization hierarchy.

Internal credit committee - In accordance with the Commissioner's Directives, the Group's institutional entities appointed an internal credit committee consisting of directors of Canaf, whose duties are to approve granting of a private loan from the nostro assets, giving a recommendation on granting of a private loan and handling thereof, and approval of non-material amendment in private loans, all in accordance with the authorization hierarchy.

9.5.4. Restrictions, Legislation, Regulations, Circulars and Special Constraints Applicable to Investment Management of Institutional Entities

Investment management of institutional entities is subject to the provisions of the law applicable to insurers and on pension and provident funds, including the Commissioner's Directives, as published from time to time.

In this context, the investing activity is subject mainly to the **Investment Regulations, Chapter 4 of the Consolidated Circular - Management of Investment Assets** (hereinafter - the "**Consolidated Circular**") and the provisions of the **Investment Rules Circular Applicable to Institutional Entities** (hereinafter in this section - the "**Investment Rules Circular**"). The Investment Regulations, the Consolidated Circular and the Investment Rules Circular regulate the main framework of the provisions of the law applicable to investments of an institutional entity.

9.5.4.1. The Investment Regulations, Consolidated Circular and Investment Rules (hereinafter in this section - the "Provisions of the Law") -

The Provisions of the Law prescribe the regulatory framework applicable to the investments of an institutional entity and relate, among other things, to the following issues: **A.** Exposure limitations for a single corporation and a group of corporations, accumulated exposure for the five largest corporations, and the five largest groups of corporations, as defined in the regulations; **B.** Investment abroad, in countries whose credit rating is (BBB-) or higher, or OECD members; **C.** Limiting the holding of means of control of a corporation to up to 20%, except real estate partnerships and corporations for which an ownership stake of 49% may be reached with certain restrictions and in the maximum cumulative amount set by law. Furthermore, if several conditions are met, an institutional investor may purchase, with planholders' funds only, additional means of control of specific infrastructure corporations in Israel; **D.** Quantitative limit of an investment in land rights out of the total assets of the institutional entity - up to 15%; **E.** Limiting the holding rate in a series of liquid bonds to up to 25% of each series; **F.** Defining related parties to the institutional entity, and imposing restrictions on investments in such entities; **G.** Limiting the provision of unrated loans; **H.** In nostro - requirement to set rules for management of assets against liabilities, including regarding the degree of adjustment of the duration of investment assets, the liquidity rate and linkage terms and conditions to the characteristics of the liabilities; **I.** Setting rules for the amendment of active and passive deviations from the provisions of the Investment Regulations, reports and sanctions.

9.5.4.2. Restrictions on holding and on making investments and how to approve them -

In accordance with various laws, the Group's holdings in various corporations - both holdings in nostro and holdings for others (such as yield-dependent policies, provident funds and pension funds) are counted together. Due to the holding restrictions of the law regarding corporations in specific subsegments (such as banking corporations, acquirers, insurers, communication companies) and/or regarding holdings in corporations that are related parties of the Group, the said aggregate holding may be limited and the Group may sometimes be prevented from increasing holdings of securities of such corporations, and sometimes even be required to sell existing holdings, including the Group's holdings for others. For further details regarding the investment limit following the Max transaction, see Note 17 to the Financial Statements.

Furthermore, in accordance with the provisions of the Market Concentration Law, an institutional entity shall hold a certain type of a means of control in a significant non-financial corporation of no more than 10%. As of the report publication date, this provision does not have any material consequence on the investing activity of the Group's institutional entities. It is noted that in September 2022, the Taskforce for Assessing Chapter D of the Market Concentration Law published its report, which considered the possibility of excluding institutional investors from this limit. The taskforce recommended not to change the legal provisions, and not to exclude planholders' funds from the limits imposed by the law.

It is also stated in the report that as part of the discussions concerns were raised regarding developments in the holdings of the institutional entities over the years leading up to concentration of the institutional entities in Israel. In view of the range of opinions raised within the Taskforce and the scope and consequences of this issue for the entire Israeli economy, the Taskforce decided to conduct further review and work in connection with this issue outside the framework of the report.

In July 2019, the Authority published the **"Policy for Granting of a Permit to Hold Means of Control of an Institutional Entity Without a Controlling Shareholder to Entities that Manage Customers' Funds"**, setting out conditions which, if met, a holding permit will be granted (holding of more than 5% of a specific type of means of control) in institutional entities, mutual funds and ETFs seeking to obtain a holding permit in an institutional entity without a controlling shareholder. According to the said policy, such a permit will be granted if the holding rate of the holding permit recipient does not exceed 7.5% of the means of control of an institutional entity without a controlling shareholder, provided that the rate of its holdings that are not for its customers is less than 5%.

In March 2020, the said policy was expanded and specifies that it is possible to apply for such a permit also in respect of institutional entities that have a controlling shareholder. Accordingly, in April 2020, the Group's institutional entities applied for a permit to hold up to 7.5% of the means of control of other institutional entities, which was approved in March 2021, which is extended from time to time.

In June 2016, the Banking Supervision Department published a policy allowing entities that manage customer funds, provident funds, insurers and mutual funds to hold up to 7.5% of the means of control in corporations, the holding in which requires a permit, and in 2019 the policy was revised.

It is noted that in February 2024, the Banking Supervision Department published a draft for public comment in connection with the said policy, in which it was suggested, among other things, to limit the permits' period such that they will end by December 31, 2029; it was also suggested to add reporting requirements in connection with changes to the ownership structure, in connection with monitoring the holding rate, deviation from the permit's terms and conditions, etc.

Furthermore, in accordance with the limitations regarding cross ownership in a payment cards company as set out in Law for Promoting Competition and Minimizing Market Concentration (Legislative Amendments), 2017, the Group's institutional entities are not allowed to hold more than 5% of a certain type of means of control in another payment cards company other than Max.

Restrictions on investment in related parties - Due to the Company being a company without a control core and due to the fact that the institutional entities have various characteristics which not every publicly-traded company has and having them justifies different treatment, among other things, in light of the fact that the institutional entities manage planholders' funds, the Company adopted a procedure to identify and approve related party transactions in the Company that applies, among other things, to related parties in the Company, directors and other entities, setting out exposure limits in relation to related parties. It should be noted that regarding the nostro funds of the Group's institutional entities, Alrov is defined as a related party also in accordance with the Investment Regulations. For details

regarding the status of control of the Company, see Note 1 to the Financial Statements; for further details regarding the related parties procedure, see Section 10.3.3(a) below.

9.5.5. Following is a breakdown of the final material legal provisions that were published in the reporting year and thereafter, and a summary of material drafts that were published by the Commissioner, which apply to institutional entities in connection with the management of their investments:

9.5.5.1. Provisions regarding the manner of investing funds and investment rules

A. Emergency Directives of the Commissioner of the Capital Market, Insurance and Savings - October 2023

In October 2023, The Commissioner's Emergency Directives were published, which included various expedients in view of the security situation. Among other things, investment rules were temporarily amended to allow institutional entities greater flexibility with investments in the bond market during the combat period, and temporary reliefs were granted in respect of the reporting requirements of an institutional investor to the Commissioner on a material active or passive deviation. These provisions expired after the reporting year. For further details, see Section 9.2.9 above.

B. Supervision of Financial Services Regulations (Provident Funds) (Direct Costs Due to Execution of Transactions), 2008 (hereinafter - the "Direct Expenses Regulations")

In addition to the management fees, the institutional entities collect expenses in connection with the management of planholders' investments for third parties, subject to the Direct Expenses Regulations, which provide for the types of expenses which may be collected from planholders.

Through January 2023, the Direct Expenses Regulations prescribed a direct cumulative annual cap of 0.25% of total assets in respect of the expenses amount that may be collected from the planholders in relation to some of the expenses.

As from January 2023, under an amendment to the Direct Expenses Regulations, the said limit was revoked and a mechanism was put in place whereby the institutional entity will set - for every track or provident fund under its management - the external management fees for the relevant fiscal year (rather than all of the direct expenses), and the regulations will not prescribe a cap for those fees. It was also prescribed that in any event of deviation from the limit set by the institutional entity for itself, it will bear the payment of the deviation, and that the Commissioner may, under special circumstances, allow a deviation from the maximum rate of management fees to external party (hereinafter - the "**Maximum Rate of Management Fees to External Party**") set by the institutional entity. It was also prescribed that the calculation of the Maximum Rate of Management Fees to External Party in the pension tracks shall be made from the total of all the investment track assets (including the assets included in a guaranteed-return channel as defined in Section 6.1.1.2 above), but for the purpose of the actual utilization of the Direct Expenses, account will not be taken of the expenses charged for the purpose of investments allocated to a guaranteed-return channel. In addition to the management fees to external party, the institutional entity may collect the direct expenses listed in the amendment to the regulations, which are not capped (for services such as investment of an institutional investor in investment funds, ETFs, high-tech, which are not a related party, and more) for a relevant financial year, without the inclusion of a percentage cap in the regulations.

It was also decided with regard to investment tracks, which will be set up after January 1, 2023, that institutional investors will only be allowed to collect the following expenses:

- (1) In a specialization investment track, which invests mainly in liquid assets, and a specialization investment track, which invests mainly in index-tracking track, the collection of direct expenses will only be allowed in respect of purchase and sale fees, safekeeping fee and custody fee, taxes and expenses in connection with a management of a claim due to investment in a track, management fees to external party arising from investment in liquid securities in a fund or a foreign fund or an ETF that are not a related party thereof.
- (2) In an investment track that includes a variable management fees component, where the compensation of the institutional entity will also be derived from the performance of the track,

only the collection of direct expenses in respect of taxes will be allowed.

Furthermore, provisions were set regarding the disclosure and reporting requirements to planholders and policyholders in connection with the management fees to external party, and the expected total cost in the pension product.

Further to the above, in March 2023, the Commissioner published **Amendment to the Provisions of the Consolidated Circular Publication of External Management Costs Cap as Part of an Advance Statement of an Institutional Investor regarding its Investment Policy, Establishment of an Index-Tracking Investment Basket, and Reports to the Investment Committee regarding Collected Variable Management Fees** (hereinafter - the "**Amendment to the Publication of External Management Costs Circular**"). The Amendment to the Publication of External Management Costs Circular prescribes, among other things, a requirement to publish an expected investment policy for all tracks, in accordance with the provisions that until now applied only to non-specializing investment tracks; a uniform format was set for the method and place of publication of the cap on management fees to external party in respect of each investment track or provident fund on the Company's website, as applicable; the requirement was added to publish the last four caps placed on management fees to external party as published by the institutional entity in relation to previous years; and the requirement was applied to report to the Investment Committee about the variable management fees component.

Furthermore, 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.

The amount of expenses collected from planholders constitutes another component of the effect on the return to the customer in the various savings products, and also constitutes another parameter for comparison between competing market players, and consequently affects the competition in the market.

In the opinion of the Group's institutional entities, the Amendment to the Publication of External Management Costs Circular and the manner of publication of the cap on management fees to external party in particular, may increase the competition in signing on new planholders to institutional entities and in retaining those planholders.

The said arrangement is applicable as from January 1, 2024.

For details about the effects of the amendment to the Expenses Regulations, see Section 9.5.5.1(c) below.

C. Investment Track Reform

As part of the reform in the area of pension savings, in January 2023, certain provisions came to effect in the **amendment to the "Investment Tracks in Provident Funds" Circular** (hereinafter - the "**Investment Tracks Circular**"), which revised and significantly expanded the offering of specialized investment tracks, that an institutional entity may manage (such that, among other things, the cap that was in place on the number of tracks that entities were allowed to manage in some of the products was cancelled) in order to increase the competition in the pension savings market. As part of the amendment to the Investment Tracks Circular, the institutional entities were required, among other things, to set up an index-tracking investment track to annuity recipients, and to allow the offering of specialized investment tracks also to annuity recipients.

Furthermore, as part of the reform in the area of investment tracks, the amendment to the Investment Tracks Circular included provisions that allow the management of investment tracks based on five track types ("clusters"):

- (1) Actively-managed investment track - specialized investment tracks characterized with direct investments alongside investments in index-tracking assets;
- (2) Actively-managed investment tracks with variable management fees - specialized investment tracks as set out in section a. whereby the institutional entity collects variable management fees in accordance with the return that was achieved. The institutional entity may manage those tracks provided that it has a track in place with the same specialization in the first cluster;

- (3) Investment tracks specializing in liquid assets (including a requirement to set up at least one combined liquid investment track);
- (4) Index-tracking investment tracks (including a requirement to set up at least one flexible index-tracking investment track);
- (5) Investment tracks that specialize in the management of investment in accordance with religious values or a sustainability and environment-based outlook.

The amendment to the Investment Tracks Circular also includes provisions regarding various models of management fees and direct expenses that will be collected in the various clusters.

In September 2023 an additional amendment to the Investment Tracks Circular was published, proposing to revoke the possibility of offering a flexible specialization track (that was originally intended to serve as a “general” track), while offering to differentiate between the specializing flexible track 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 Swords events, the effective date of the main provisions of the investment track circular was postponed from January 2024 to July 2024, excluding the provisions regarding the flexible index-tracking track and specializing flexible track, which entered into effect on January 1, 2023.

Subsequently, in January 2023, several new investment tracks “combined liquid” and “flexible index-tracking” - tracks that will be managed mainly through liquid assets and index-tracking instruments, respectively.

There is uncertainty as to the combined effects - on the competitive conditions in the market - of the amendment to the Expenses Regulations and the circulars published by virtue thereof, together with the reform in investment tracks, taking into account, among other things, the disclosure requirements, the terms and conditions of the tracks and the expenses types that may be collected as part thereof, the large number of investment tracks, which might generate excess information, and a difficulty to compare between the performances of the various tracks, the caps on management fees to be set by the institutional entities, and the management fees that will be collected in practice. However, the publication of the “Manner of Presentation of Annual Expected Cost to Planholders or Policyholders Circular” may constitute another factor that affects the policyholders and planholders’ selection of a pension product and/or investment track, and may indirectly intensify the competition in connection with signing-on new planholders to the institutional entities and retaining them.

The institutional entities’ assessment regarding the Direct Expenses Regulations, the “Manner of Presentation of Annual Expected Cost to Planholders or Policyholders Circular”, the reform in investment tracks, and the amendment to the Publication of External Management Costs Circular constitutes forward-looking information, which is based on assessments and assumptions of the Group’s institutional entities as of the report publication date, and the actual outcome may be materially different than predicted, and depends, among other things, on how the various provisions of the law are effectively implemented, the supplementary arrangements that will be set, the behavior of the competing entities, the distributors and customers’ preferences.

D. Changing the mechanism for ensuring stability in pension funds’ returns

In October 2022, a new mechanism intended to ensure the stability of pension savings through designated bonds in a new mechanism to ensure such stability by supplementing the return to an annual rate of 5.15% plus the CPI (hereinafter - the “**Return Supplementation Mechanism**”) came into effect. The main change in the mechanism is that in respect of growth of assets and of current repayment of designated bonds in the pension funds from October 1, 2022 (hereinafter - the “**Effective Date**”) onwards, the management companies will invest funds according to the investment policy in a track in which the largest amount of assets are managed on the Effective Date (hereinafter - the “**Guaranteed Return Channel**”). After 5 years, the return of the assets for five years will be compared to the cumulative target return (return of 28.54%, linked to the CPI). If the return on the assets in the capital market is lower than the target return, the state will transfer the

difference in return to the pension fund. If the return on the assets is higher than the cumulative target return, the balance beyond the target return will be transferred to a dedicated fund, which will be used to supplement the return of the pension funds in future. The said arrangement will apply gradually for up to 30% of the pension fund assets. The existing mechanism will apply to the assets of the pension funds invested in designated bonds until the Effective Date, until their repayment date. In connection with Atudot, which is an old balanced pension fund that is not included in the old balanced track-based fund arrangement, the said netting will be carried out regarding the gross cumulative normative return achieved by the actual fund over 60 months for all its assets for which a return supplement was guaranteed.

Accordingly, during 2022, supplementary provisions were published to the Investment Regulations and to the Consolidated Circular regarding the implementation of the return guarantee mechanism. As part of the said amendments, provisions were set that were designed to modify the investment management of the guaranteed return channel.

Thus, among other things, the amendment to the Investment Regulations sets forth that in order to comply with the investment limits that are calculated as a rate of the value of the institutional investor's assets, the assets that are included in the guaranteed return channel will not be taken into account, and that the guaranteed return channel should be viewed as a track for purposes of complying with the investment limits; however, it is stipulated that deviation from these limits may be allowed for the purposes set in the provisions of Section 34 to the Provident Funds Law.

In the reporting year, there was a significant increase in the funds transferred to the pension funds, including the pension fund of Clal Pension and Provident Funds. In the opinion of the Company, the mechanism detailed above, together with other changes in the pension savings market, may have caused the said increase, in view of the benefit available to planholders due to the increase in the guaranteed rate of return compared with the rate guaranteed by the designated bonds; however, on the other hand, it is not possible to assess the effect of the change and the continuation of the mechanism over time. The implementation of the Return Supplementation Mechanism caused - and is expected to continue causing - an increase in total assets under management by management companies in the free market, both liquid and illiquid, and therefore it is expected that their management will involve additional costs for those companies.

Regarding the cap on contributions to executive insurance and increasing contributions in pension funds following the provisions of the 2023 Economic Arrangements Bill, see Section 6.2.1(a) above.

The Company's assessment regarding the possible consequences of the implementation of the Return Supplementation Mechanism constitutes forward-looking information. The actual outcomes may be different than expected and depend, among other things, on the manner by which the mechanism is implemented, the preparations made by the institutional entities and the behavior of the market.

E. Amendment to the provisions of the Consolidated Circular Investment Considerations relating to Environmental, Social and Corporate Governance Aspects, Emerging Risks, Cyber Risks and Technological Risks

In November 2021, the Commissioner published an amendment to the provisions of the Consolidated Circular, according to which the investment committee of an institutional investor is required to specify in the general investment policy, policy relating to environmental, social and corporate governance (hereinafter - "ESG") aspects on corporations in which the institutional investor invests. Such policy relates, among other things, to identifying relevant risks that may affect the investment portfolio, such as risks arising from environmental effects and climate changes. The investment committee will be entitled to decide whether it is possible to engage with external service providers that have expertise in ESG, subject to compliance and certain terms and conditions. Under that policy, the institutional investor will list investment considerations regarding technological and cyber risks. Even before publication of the amendment, the investment committees of the Company's institutional entities set policy relating to ESG aspects. The Group's institutional entities approved and published ESG policy in accordance with the Commissioner's Directives. This policy was applied, beyond what was required, also to Clal Insurance's nostro assets.

The Company itself was assigned a platinum plus rating in the Maala ESG Index, in the area of corporate responsibility.

For perusal of the policy published in July 2022, see:
https://www.clalbit.co.il/media/24491/esg_policy_clal_insurance.pdf

In the opinion of the Group's institutional entities, the effects of the publication of the ESG policy papers in accordance with the provisions of the Consolidated Circular, and the manner by which they will affect the market players will transpire over time. In the short term, there is a marked trend of increased disclosure and reporting by companies operating in the Israeli market in connection with this area, as well as increased awareness of the area.

F. The Draft Amendment to the Provisions of the Consolidated Circular and the Investment Regulations - investment rules of an insurance company's assets against non-yield-dependent liabilities

In September 2022, the Commissioner published a **Second Draft Circular on an Amendment to the Provisions of the Consolidated Circular - Chapter 4 to Section 5 - "Management of Investment Assets"**, regarding investment rules of an insurance assets against non-yield-dependent liabilities, recommending to establish provisions regarding non-yield-dependent liabilities of an insurance company, that are expected to replace part of the provisions of the **Supervision of Financial Services Regulations (Provident Fund) (Investment Rules Applicable to Institutional Entities), 2012**, which proposes, among other things, to define equity capital as recognized in the latest financial report of the insurance company and to update the investment limit set in the said regulations.

In the opinion of Clal Insurance, the draft amendments do not have material effects.

Clal Insurance's assessment regarding the draft amendments is forward-looking information, which is based on the assessments and assumptions of the Group's institutional entities, as of the report publication date, and the actual outcome may be materially different than predicted, and depends, among other things, on the drafts' final wording.

9.5.5.2. Debt provisions

A. Insolvency and Economic Rehabilitation Law, 2018

In March 2018, the Knesset passed the **Insolvency and Economic Rehabilitation Law, 2018** (hereinafter - the "Law") that became effective in September 2019 in order to rearrange the insolvency laws and rehabilitation and recovery proceedings. The provisions of the Law replace a range of provisions of the law that regulated the insolvency laws until now. The Law regulates, among other things, the following topics: (1) Definition of the insolvency of a corporation; (2) possibilities of entering into rehabilitation and/or liquidation proceedings of a corporation; (3) distribution of the proceeds between the various creditors; (4) limiting the power of floating charge holders so they will only be able to redeem 75% of the assets subject to the floating lien, such that the creditors that the unsecured creditors will receive a greater repayment of the debt to them; (5) cancelation of some of the preferential debts; (6) setting of special duty of care for directors and CEOs when the company is in an economic state of insolvency, but has not yet been declared as such from the legal aspect; (7) setting of provisions granting the court the authority to instruct a supplier to provide an essential service or commodity that was provided prior to handing of the order to launch proceedings against the corporation, or shortly before such date even if it stopped providing it, to a corporation in rehabilitation.

Furthermore, in March 2021, **an amendment to the Insolvency and Economic Rehabilitation Law (Amendment No. 4 - Temporary Order) (Novel Corona Virus) (Stay of Proceedings for Forming and Approving a Debt Settlement) was enacted**; the amendment was intended to provide a solution to the increased number of debtors that encountered economic difficulties due to the Covid-19 crisis. The main points of the amendment include the possibility of obtaining a stay of proceedings order for three months, with an extension option for another month, maintenance of the Company's contractual engagements, and keeping officers in a company (while the duty to appoint an arrangement manager was added). In March 2023, the Temporary Order was extended through March 17, 2024, and in January 2024 it was suggested to extend it by December 17, 2024, and to vest in the Minister of Justice, at the approval of the Knesset's Constitution, Law and Justice Committee, the power to extend the period by three months at most, by way of issuing an order.

In the opinion of the Company, the Temporary Order does not have a material effect on the institutional entities.

The Company's assessment regarding the temporary order is forward-looking information, which is based on Company's assessments and assumptions as of the report publication date, and the actual outcome may be materially different than predicted, and depends, among other things, on how the it is actually implemented.

9.5.6. Investments under management

For further details regarding the effect of investment income on the Company's profits, see Part B to the Report of the Board of Directors, Section 2.2.5.

9.5.6.1. Breakdown of assets under management at Clal Insurance as of December 31, 2023

	Assets held against yield-dependent insurance liabilities	Nostro - assets held against liabilities in property and casualty, health insurance and equity capital ⁶⁴	Nostro - assets held against liabilities in life and health insurance (long-term care and critical illness)
Cash and cash equivalents	4.78%	7.66%	2.53%
Liquid government bonds	9.81%	19.02%	0.65%
Liquid corporate bonds	20.56%	11.17%	6.13%
Shares and other liquid securities	37.29%	11.64%	3.00%
Designated bonds	0.00%	0.00%	57.05%
Deposits and loans	7.90%	21.60%	16.70%
Other ^(*)	19.66%	28.91%	13.94%
Total assets	100.00%	100.00%	100.00%

* Mostly including illiquid corporate bonds, investment funds and real estate interests.

9.5.6.2. Breakdown of assets under management at Clal Credit Insurance as of December 31, 2023

	Nostro - assets held against liabilities in property and casualty, and equity capital	Assets held against yield-dependent insurance liabilities	Nostro - assets held against liabilities in life insurance
Cash and cash equivalents	7.62%	-	-
Liquid government bonds	35.89%	-	-
Liquid corporate bonds	18.60%	-	-
Shares and other liquid securities	19.41%	-	-
Deposits and loans	17.23%	-	-
Other ^(*)	1.25%	-	-
Total assets	100.00%	-	-

* Mostly including illiquid corporate bonds, investment funds and real estate interests.

64. Excluding LTC and critical illness.

9.5.6.3. Breakdown of assets of pension funds managed by the Group's management companies (Clal Pension and Provident Funds and Atudot Havatika) as of December 31, 2023

	Meitavit Atudot new fund	Meitavit Atudot supplementary fund	Atudot Havatika
Cash and cash equivalents	8.00%	10.15%	3.48%
Liquid government bonds	4.99%	14.18%	10.79%
Liquid corporate bonds	6.69%	25.04%	13.66%
Shares and other liquid securities	37.74%	36.98%	13.99%
Designated bonds	24.88%	0.00%	36.54%
Deposits and loans	4.32%	3.89%	7.99%
Other ^(*)	13.38%	9.76%	13.55%
Total assets	100.00%	100.00%	100.00%

* Mostly including illiquid corporate bonds, investment funds and real estate interests.

9.5.6.4. Breakdown of assets of provident funds managed by the Clal Pension and Provident Funds as of December 31, 2023 by fund types

	Retirement benefits provident fund	Advanced education funds	Central provident funds
Cash and cash equivalents	6.50%	10.09%	12.28%
Liquid government bonds	12.36%	12.05%	15.97%
Liquid corporate bonds	25.22%	19.18%	28.84%
Shares and other liquid securities	28.37%	39.27%	33.64%
Deposits and loans	7.42%	8.09%	4.44%
Other investments ^(*)	20.13%	11.32%	4.83%
Total assets	100.00%	100.00%	100.00%

* Mostly including illiquid corporate bonds, investment funds and real estate interests.

9.5.7. Investments in investees

On August 12, 2022 the Company entered into an agreement with WP XII Financial Investment BV for the purchase of the entire issued and paid-up share capital of WPI. The transaction was completed on March 27, 2023. For details see Note 9(a) to the Financial Statements. For details regarding the procedure for assessing materiality for the purpose of classifying investment transactions adopted by the Company, see Section 10.3.6 below. For details regarding the Michlol transaction and the expansion of the activity of Clal Finance, see Section 16.2 below.

9.6. Reinsurance

Reinsurance is an insurance risk management and hedging tool to protect capital. Through reinsurance, the insurance company shares its risks with other insurance companies, reduces its exposure to insurance risks (particularly cumulative damages in catastrophe events such as natural disasters, earthquakes, fire, and more) and allows it to expand the scope of insurance liabilities that it can undertake, for a financial consideration while creating counterparty risk exposure.

Engagement in reinsurance does not exempt the insurance company from its obligations toward the policyholders and the netting with reinsurers is done throughout the years of insurance exposure. Therefore, the stability of the reinsurers is important.

The main types of reinsurance contracts are as follows:

1. **Treaty** - an agreement with a reinsurer in which the reinsurer undertakes to participate in the risks, usually, in a specific subsegment.
2. **Facultative insurance** - an agreement with a reinsurer regarding specific businesses (mostly with corporate customers) in which the liability limits exceed those of the treaty, or for other reasons, the Company chooses to use it in this framework.

These agreements can be with one or several reinsurers.

Furthermore, the reinsurance contracts can be shared according to how the risks are divided:

1. **Proportional reinsurance** - the reinsurer participates in a predefined risk according to their pro-rata share of the premium and participates in the payment of damages at the same rate undertaken. There are two main types of proportional reinsurance:
 - **Quota share treaty** - a proportional reinsurance treaty under which the reinsurers agree to receive a fixed rate of all insurances of a specific type undertaken by the direct insurers. The reinsurer receives the proportional share of the relevant premium received by the direct insurer and the damages and expenses are divided in the same ratio, all up to a predetermined amount and according to the terms of the treaty.
 - **Surplus share treaty** - a proportional reinsurance treaty in which the direct insurance bears a fixed amount (ceding) which it sets (retention) and the reinsurer bears a multiple of the ceding amount up to an agreed capacity. The percentage of the Company's participation is determined according to the retention ratio from the insurance amount, and the premium and claims are divided between the Company and the reinsurer accordingly.

As a general rule, for a proportional reinsurance treaty (treaty or facultative), the commission from the reinsurers is divided at an agreed rate of the premium to the reinsurers.

2. **Excess of loss (XOL) reinsurance** - a non-proportional reinsurance treaty under which the reinsurer undertakes the predetermined level and participates in payment of damages only if it reaches the level in which it participates. In such types of contracts, the risk distribution is non-proportional and the reinsurer's participation is subject to the amount of the damages up to the maximum that was set, if any.

The catastrophe insurance of Clal Insurance is a non-proportional reinsurance contract that Clal Insurance purchases to protect its retention (in addition to the existing coverage in the proportional reinsurance), based on an assessment of the expected damages in retention at a given probability, to which Clal Insurance may be exposed as a result of a catastrophe event.

For non-proportional reinsurance treaties, commission is not usually received from the reinsurers, except in **excess of loss (XOL)** facultative insurance.

9.6.1. *Reinsurance policy*

In accordance with the **Commissioner's Circular on "Management of Exposure to Reinsurers"** dated December 7, 2003, at least once a year, the Board of Directors will discuss and set the exposure policy and the insurer's assessments of the exposure management and the control thereof, to a single reinsurer and a group of reinsurers with an economic interest (hereinafter jointly - "**Reinsurers**"). The Board of Directors will hold such a discussion after assessing the quality of the insurer's existing tools for management of, and control over, exposure to reinsurers.

The policy of exposure to reinsurers shall include, among other things, a policy for exposure to reinsurers in the life, property and casualty, and health insurance subsegments, as well as setting a maximum exposure framework for reinsurers, according to parameters set by the Board of Directors. Such a parameter may be a qualitative parameter, such as the Reinsurer's international rating.

The Board of Directors will supervise implementation of the policy that was set and will handle unusual events.

Once a year, the boards of directors of the Group's institutional entities approve the reinsurance policy according to the Group's areas of activity, based on recommendations formulated by the management of each institutional entity/division and the recommendations of the Risk Management Department. In this context, the retention policy is set annually for the various subsegments and the various types of reinsurance arrangements are reviewed. Regarding exposure to Reinsurers, the policy of the Group's insurance companies for new contracts includes threshold requirements for choosing Reinsurers, among other things, their credit rating and other quality parameters, including regarding past experience, while the insurance subsegments in which exposure to Reinsurers is long-term, a higher minimum credit rating is required. The policy also includes a maximum exposure framework that determines the maximum exposure rate to a single Reinsurer and/or group of Reinsurers and/or rating group of Reinsurers, of the Company's share capital. Furthermore, the policy sets limits to potential exposure to a Reinsurer and

group of Reinsurers, in an earthquake according to MPL.⁶⁵ The policy sets out management and control mechanisms of exposure to Reinsurers, including reports to the boards of directors of the relevant institutional entities, about compliance with such limits.

In property and casualty insurance business, the Group's proportional and facultative reinsurance contracts in the various insurance subsegments are usually prepared on an annual basis according to the underwriting year (in which the policy was issued) with the various reinsurers. The proportionate share of each Reinsurer in each of the insurance subsegments may change from one year to the next and from one subsegment to another, according to the Group's business policy and nature of the business which it seeks to insure. As a general rule, non-proportional contracts are prepared on an annual basis according to the year of the incident (in which the damage occurred).

In life and health insurance businesses, which cover life, permanent health, disability, critical illness, long-term care and medical expense risks and are characterized by long-term policies, the contract with Reinsurers are for the entire duration of the policies sold in the reinsurance treaty period, other than catastrophe risk contracts, which are prepared on an annual basis according to the incident year.

The Company's ability to enter into reinsurance treaties and the terms of the engagement also depend on market terms, the capacity of the Reinsurers that comply with the threshold terms set by the Group regarding the relevant risks and the willingness of the Reinsurers to undertake such risks.

In the reporting year, the Group did not carry out any extraordinary reinsurance transactions.

For further details, see Note 42(f)(8) to the Financial Statements.

For further details on the risk factors arising from engagements with Reinsurers, see Section 9.16(b)(4) below.

9.6.2. Property and casualty (P&C) reinsurance

9.6.2.1. Main types of reinsurance arrangements in the segment

In the liability subsegments, such as employers' liability, professional liability, product and third-party liability, there is exposure protection through non-proportional reinsurance contracts to protect against large claims.

In the compulsory motor insurance subsegment, Clal Insurance hedges exposure through proportional and non-proportional reinsurance contracts.

As a general rule, Clal Insurance's exposure in the property and loss of income subsegments and the guarantee activity (including Sale Law and performance guarantees) are protected by proportional reinsurance contracts. In the property and loss of income subsegments, a non-proportional reinsurance contract to cover catastrophes (common to all property subsegments) is also purchased, which provides protection for Clal Insurance's share of the self-retention of damages due to a catastrophe event (including earthquakes), see Section 9.6.7 below.

In certain insurances, specific (facultative) reinsurance is purchased instead of or in addition to coverage through the treaty, while maintaining compliance with the retention policy set by the Company.

A material part of Clal Credit Insurance's activity is protected in proportional reinsurance. Furthermore, Clal Credit Insurance purchases non-proportional reinsurance to cover against default of a group of debtors.

9.6.2.2. Property and casualty (P&C) commission structure

In proportional insurance, the commissions are received from reinsurers. Such commissions are calculated mainly according to a specific rate of the premium to the reinsurers. There are two main types of commissions: fixed commission at a flat rate of the premium or sliding scale commissions according to the portfolio profitability. As a rule, in property and casualty agreements, there are no profit commissions, other than a few agreements that also have profit commission based on the profit rate of the reinsurer in the specific contract.

As a general rule, the agreements are renewed annually, without any commitment to renew them and without the agreements including a netting mechanism between the different underwriting years. As part

65. The most probable damage at the probability that was set, which is calculated based on models.

of the netting for a specific underwriting year, additional commission may be refunded or received, simultaneously to recording the development of business expenses according to the current estimates as of the reporting date (in sliding scale commission agreements, the refund, if any, will be up to the minimum amount of commission set).

No commissions are received from reinsurers in non-proportional policies, other than in facultative and excess of loss reinsurance.

Reinsurers whose share of the premium in the segment constitutes more than 10% of the total reinsurance premium in segment in the reporting year

% of the total premium to reinsurers in the segment in 2023	Premium recorded in favor of the reinsurer for 2023 (in NIS thousand)	S&P rating as of the report publication date	Reinsurer
10.81%	149,516	AA-	Swiss Re

9.6.2.3. Changes in reinsurance arrangements in property and casualty insurance

During the reporting year, there were no material changes to the reinsurance arrangements in P&C insurance.

9.6.3. Long-term savings reinsurance

9.6.3.1. The main types of long-term savings reinsurance contracts are as follows

- A. Proportional contracts of various types that protect Clal Insurance's exposure in most businesses in the life insurance subsegment.
- B. Non-proportional excess of loss contract that protects the Group companies against catastrophe events in terms of life, permanent health and disability coverage.

9.6.3.2. Description of life insurance commission agreements

For some proportional reinsurance treaties, the Reinsurers pay the Company commission at percentage of the premium that was transferred to the Reinsurer in the first year or a longer period. In addition to reinsurance commissions paid from the premium as aforesaid, in some life insurance agreements the Reinsurers pay profit commission that is calculated as the pro-rata share of the income from the reinsured insurance businesses.

In the calculation of the profit commission in a reinsurance contract (according to all policies included in the contract period), a loss from previous years, if any, is also taken into account, and only if the profit exceeds the loss is a profit commission received. It should be clarified that if an amount was paid in respect of profit commission and in future there is a loss for the same contract, the Company will not be obligated to refund the amounts received and this will be expressed only by offsetting when calculating future profit commission, if any.

Reinsurers whose share of the premium in the segment constitutes more than 10% of the total reinsurance premium in segment in the reporting year

% of the total premium to reinsurers in the segment in 2023	Premium recorded in favor of the reinsurer for 2023 (in NIS thousand)	S&P rating as of the report publication date	Reinsurer
61.4%	105,387	AA-	Swiss Re
24.8%	42,517	AA-	Munich Re

9.6.3.3. Changes in reinsurance arrangements in life insurance

During the reporting year, there were no material changes to the reinsurance arrangements in long-term savings, except for a reduction in the scope of reinsurance in respect of an employers' disability insurance policies in the new business.

9.6.4. Health reinsurance

9.6.4.1. Main types of health and long-term care reinsurance contracts

Some of the Group's exposure in health and long-term care insurance policies in respect of certain risk-weighted components is covered by quota share proportional reinsurance treaties.

In addition, the Group has protection for accrued damages in non-proportional contracts, in respect of personal accident policies, travel insurance policies and long-term care and critical illness policies under catastrophe coverage. The scope of protection purchased is based on internal studies conducted by the Company.

9.6.4.2. Description of the health insurance commission structure

Some reinsurance contracts include commission paid to the Group by the reinsurers for the various types of health insurance products insured by proportional reinsurance, which is calculated as a percentage of the premium transferred to the reinsurer. In most cases, such commission is only paid in the first year after the sale.

In addition to reinsurance commissions paid from the premium as aforesaid, in some of the life insurance treaties the reinsurer pays the Group a profit commission for the said reinsurance, which is calculated as the percentage of the profit from the reinsured insurance businesses (profit commissions). For further details regarding profit commission, see Section 9.6.3.2 above.

In excess of loss non-proportional reinsurance contracts, no commission is received from the reinsurers.

Reinsurers whose share of the premium in the segment constitutes more than 10% of the total reinsurance premium in segment in the reporting year

% of the total premium to reinsurers in the segment in 2023	Premium recorded in favor of the reinsurer for 2023 (in NIS thousand)	S&P rating as of the report publication date	Reinsurer
69,857	74.8%	AA-	Swiss Re
13,998	14.99%	AA-	Munich Re

9.6.4.3. Changes in reinsurance arrangements in health insurance

During the reporting year, there were no material changes to the reinsurance arrangements in health insurance.

9.6.5. Coverage limits

9.6.5.1. Property and casualty insurance (P&C) coverage limits⁶⁶

In most proportional reinsurance contracts in the property subsegments, the reinsurers have limited the cumulative scope of coverage to predetermined incidents, particularly earthquakes. With most reinsurers, the limit for an earthquake in property and casualty contracts is between 3% and 5% of their pro-rata share of the insurance amount and in relation to the total exposure limit set in the contracts. For further details, see Section 9.6.7 below.

In contracts that protect the Group's retention against catastrophe events in property insurance, there is a coverage limit, and damages above such limit are the Company's liability.

In excess of loss contracts, the Company did not reach the limits set in the reporting periods and it does not have any pending claims on an amount that comes close to the set limits.

9.6.5.2. Long-term savings coverage limits⁶⁷

There are no material limits regarding the reinsurer's participation in claims in proportional contracts.

It is noted that as of the report publication date, in cases in which coverage limits were set in the reinsurance treaties, the Company generally does not cover amounts that exceed the coverage limit

66 The restriction applies to the insurance amount accumulated in the reinsurance treaty; cap in a proportional contract - maximum insurance amount for policyholder.

67. See Footnote 66 above.

without facultative coverage.

In contracts that protect the Group's retention against catastrophe events in long-term savings and health insurance, there is a coverage limit, and damages above such limit are the Company's liability.

In relation to a war event, the said catastrophe coverage covers a significant damage that is caused over seven consecutive days of war, and does not cover all war damages; it is capped. Accordingly, as of the date of this report, Clal Insurance's exposure in respect of the events of the first seven days of the Iron Swords War is capped at the retention amount set in the Excess of Loss contract - at NIS 60 million. For further details, see Chapter B to the Report, the Report of the Board of Directors, Section 2.1(k)(2)(a) and Note 46(k)(2) to the Financial Statements.

The said catastrophe insurance is a fixed-term insurance that is renewed every year. In view of the security developments following the Ukraine war and the Iron Swords War, most reinsurers, that insure Clal Insurance under a catastrophe insurance, excluded the active and passive war risks from the insurance coverage for 2024.

9.6.5.3. Health insurance coverage limits⁶⁸

Some types of proportional reinsurance contracts that cover the long-term care and critical illness subsegment have certain conditions regarding the terms of the reinsurer's participation in claims. As of the report date, the conditions have not been met.

It should be noted that in cases where a coverage limit was set in reinsurance contracts, as a rule, the policies issued by the Company are within the said coverage limits.

9.6.5.4. Constraints by virtue of laws and/or conventions

For several years, the reinsurers have been trying to include a clause in reinsurance treaties conditioning their liabilities in contracts to legal constraints under various national and/or international laws and/or conventions as they shall be from time to time, such as sanctions on Iran, avoiding financing of terrorism, etc. (hereinafter - the "**Sanctions Clause**").

Clal Insurance clarified to the reinsurers that it objects to including a Sanctions Clause in the reinsurance contracts in a way that reduces their obligation to pay, in subsegments in which it cannot include a parallel clause with the policyholders.

Following the war between Russia and Ukraine and the international sanctions imposed on Russia, and in view of reinsurers' demand to add the Sanctions Clause to the reinsurance contracts due to the War, the Company obtained the Commissioner's approval to add a corresponding Sanctions Clause to all insurance policies in property and casualty insurance subsegment, except for the standard insurance policies (home insurance, and compulsory motor insurance and motor property insurance). Adding the clause in the said policies protects the Company from exposures in cases where reinsurers will not pay claims due to Sanction Clauses. Consequently, as part of the renewal of reinsurance treaties for the reporting year, Sanction Clauses were included in most reinsurance contracts in the property and casualty insurance subsegment (except for most agreements in respect of home insurance, and compulsory motor insurance and motor property insurance).

Except as stated above in relation to the reinsurance contracts in the property and casualty insurance subsegment, in the reporting year, contracts with reinsurers generally do not include a Sanction Clause in subsegments in which the Company cannot include a corresponding Sanction Clause in its agreements with policyholders; however, the reinsurers repeatedly clarify that an impediment to payment may arise as a result of such legal constraints, including in respect of past events.

9.6.6. *Material changes in reinsurance arrangements relating to a period subsequent to the report date*

Subsequent to the report date, there were no material changes to the reinsurance arrangements, except as detailed below:

- An exclusion was added in respect of a state of war in the reinsurance treaty that protects Group

68. See Footnote 66 above.

companies from catastrophe events, in relation to coverages in the life, health and long-term care insurance subsegments. For further details, see Section 9.6.5.2 above.

- A new quota share proportional coverage was acquired with a profit stabilization mechanism in relation to the existing disability insurance portfolio.

It should be noted that, from time to time, the Company adjusts the details of the insurance arrangements, including regarding the amount of commissions, coverage limits, retention amounts and rates, earthquake exposure limit, based on analysis of past results and assessment of the risk, including regarding product, market and regulatory changes.

9.6.7. Reinsurers' exposure to earthquakes in Israel

The key catastrophe event to which the Group is exposed is an earthquake in Israel and the main exposure to this risk is in respect of the property subsegments, which are part of property and casualty insurance.

As of December 31, 2023, the amount of property insurance in Israel that includes an earthquake coverage totals approx. NIS 511 billion (gross). Clal Insurance is insured in respect of the said property insurance under a quota share proportional reinsurance or a surplus treaty. Some of the proportional reinsurance contracts include a single event limit.

For a catastrophe event in the property subsegments, beyond the coverage under proportional reinsurance treaties (treaty and/or facultative), Clal Insurance has purchased excess of loss insurance in respect of the cumulated retention, in a predefined amount for exposure that will arise from such an incident, based on Clal Insurance's estimate regarding the expected damage due to a catastrophe with a certain probability.

The purchase of reinsurance for a catastrophe event is based on a risk assessment, based on current detailed data of Clal Insurance's exposures using specialized international software, based on quantitative catastrophe risk assessment models. Following this review, which was last conducted in 2023, Clal Insurance purchased insurance protecting the cumulative retention against catastrophe is at a weighted MPL rate of approx. 2.05% of the property and casualty insurance amount in home and property insurance.

As a result of the above reinsurance function, in a catastrophe event in Israel that will cause gross damage to a property insured at Clal Insurance in a gross amount of approx. NIS 10 billion (which is the expected damage according to the above assessment), the maximum amount of the damage to be covered by Clal Insurance in retention (including the cost of purchasing indemnity) is approx. NIS 53 million. If the damage is higher than such amount, Clal Insurance will bear part of the damages that exceed the said amount, according to the relevant quota share and surplus share treaties.

It should be noted that the Group also purchased catastrophe reinsurance in respect of **life and health insurance**, while an earthquake in Israel may be an event that activates this reinsurance as well. The scope of coverage purchased for these products is based on internal studies conducted by the Company of the effect of various scenarios, including an earthquake in Israel, on the insurance liabilities covering events of death and physical injury that are covered in life and health policies. It should be noted that the estimated exposure to earthquake risk in Israel in respect of such insurance is in materially lower amounts than exposure to property insurance subsegments to which the data in this section and Note 42(e2) to the Financial Statements refers.

Clal Insurance's reinsurers that participate in exposure in property and casualty insurance are rated for an earthquake in Israel according to the following table:

Reinsurers' exposure to earthquake (in NIS thousand) for 2023:

% of total	Forecast of exposure to earthquake	Forecast of proportional exposure to earthquake	Forecast of non-proportional exposure to earthquake	S&P rating group as of the report publication date
97.00%	11,625,647	10,625,647	1,000,000	A and above
2.99%	358,811	358,811		0 BBB- to BBB+
0.01%	715	715		0 Less than BBB - or unrated
100.00%	11,985,173	10,985,173	1,000,000	Total

Reinsurers whose exposure to earthquake risk is more than 10% of total exposure to earthquakes (in NIS thousand) for 2023:

% of total	Forecast of exposure to earthquake	Forecast of proportional exposure to earthquake	Forecast of non-proportional exposure to earthquake	S&P rating group as of the report publication date	Reinsurer
16.3%	1,956,441	1,716,041	240,400	AA-	Swiss Re
13.9%	1,662,452	1,403,952	258,500	AA-	Munich Re

Reinsurers' exposure to earthquake (in NIS thousand) for 2022:

% of total	Forecast of exposure to earthquake	Forecast of proportional exposure to earthquake	Forecast of non-proportional exposure to earthquake	S&P rating group as of the report publication date
96.68%	10,902,271	9,989,271	913,000	A- and higher
3.32%	374,870	374,870		0 BBB- to BBB+
100.00%	11,277,141	10,364,141	913,000	Total

Reinsurers whose exposure to earthquake risk is more than 10% of total exposure to earthquakes (in NIS thousand) for 2022:

% of total	Forecast of exposure to earthquake	Forecast of proportional exposure to earthquake	Forecast of non-proportional exposure to earthquake	S&P rating group as of the report publication date	Reinsurer
15.8%	1,786,839	1,616,239	170,600	AA-	Swiss Re
14.7%	1,659,236	1,488,636	170,600	AA-	Munich Re

Summary of results of reinsurance in property and casualty insurance from 2021 to 2023⁶⁹

Reinsurance premium in 2023 (in NIS thousand)	Compulsory motor insurance sub-segment	Motor property insurance sub-segment	Property and other insurance sub-segment	Liability sub-segment	Total
Earthquake and natural disasters	-	1,000	330,776	-	331,775
Proportional reinsurance	154,048	54,773	461,051	41,836	711,708
Non-proportional reinsurance	14,249	2,916	175,787	215,806	408,758
Total premium	168,297	58,688	967,613	257,643	1,452,241
Reinsurance results	8,569	(9,169)	539,591	240,479	779,470

Reinsurance premium in 2022 (in NIS thousand)	Compulsory motor insurance sub-segment	Motor property insurance sub-segment	Property and other insurance sub-segment	Liability sub-segment	Total
Earthquake and natural disasters	-	2,077	286,019	-	288,096
Proportional reinsurance	259,242	110,528	411,445	46,801	828,016
Non-proportional reinsurance	16,045	1,218	166,003	203,715	386,981
Total premium	275,287	113,823	863,467	250,516	1,503,093
Reinsurance results	63,055	(46,415)	193,369	191,699	401,708

69. The profit and loss results of the reinsurance (standalone) based on property and casualty insurance subsegments includes credit insurance, as reflected in the Company's reports to the Commissioner.

Reinsurance premium in 2021 (in NIS thousand)	Compulsory motor insurance sub-segment	Motor property insurance sub-segment	Property and other insurance sub-segment	Liability sub-segment	Total
Earthquake and natural disasters	-	2,189	277,487	-	279,676
Proportional reinsurance	243,215	86,096	360,053	51,761	741,125
Non-proportional reinsurance	15,357	689	141,761	216,002	373,809
Total premium	258,572	88,974	779,301	267,763	1,394,610
Reinsurance results	(219,223)	(15,534)	293,270	(537,305)	(478,792)

Explanation of reinsurance results in property and casualty insurance:

- **The compulsory motor insurance subsegment** - The decrease in income arises mainly from a reduction in reserves last year due to the effect of the interest rate environment, which was partially offset by a decrease in the reinsurance rate (that arose from a decrease in the reinsurers' willingness to undertake risks in the subsegment in view of the losses accrued therein).
- **The motor property subsegment** - The decrease in reinsurers' loss in the reporting year reflects an improvement in underwriting income.
- **The property and other insurance subsegment** - The increase in reinsurers' income in the reporting year reflects a benefit in the development of the claims compared to previous year, mainly in the fire and property insurance subsegments.
- **The liability insurance subsegment** - The improvement in reinsurers' income in the reporting year arises mainly from a positive development in claims in the liability insurance subsegments, and from a change in the interest rate environment.

For further details regarding reinsurance, see Note 42(f)(8) to the Financial Statements.

9.7. Human capital

9.7.1. The Group's organizational structure

The following chart expresses the functional-organizational interest, as of the report date, of the various officers, which is not necessarily the same as the legal interest.⁷⁰



The Group's organizational structure as of the report date is as follows:

- (1) Health Division (professional division that consolidates the health insurance activity);
- (2) Long-term Savings Division (professional division that consolidates the activities of the life insurance subsegment and the pension and provident subsegment through Clal Insurance and Clal Pension and Provident Funds;
- (3) Property and casualty Insurance Division (professional division that consolidates the property and casualty insurance segment);
- (4) Investment Division that consolidates the investment and credit granting activity in the Group;
- (5) Claims Unit, which consolidates the handling of claims of policyholders and planholders in all insurance and pension subsegments;
- (6) Agents Unit, which consolidates the sales activity with the Group's agents;
- (7) Service, Human Resources and Operations Division, which consolidates: (1) The service, operations and collection activity with agents and customers; (2) Human Resources Management in the Group; and (3) Private Customer Unit, that consolidates the direct sales activity of the risk and property and casualty insurance products;
- (8) Finance Division, that consolidates the financial, actuarial, payroll and logistics activities in the Group;
- (9) Clal IT Division, which consolidates all IT systems activity in the Group;
- (10) Legal Counsel and Regulation Department;
- (11) Risk Management, Control and Compliance Department;
- (12) Marketing and Strategy Unit;
- (13) Internal Audit Department, which reports to the Chairman of the Board.

Furthermore, the Group also owns subsidiaries which are controlled by separate CEOs, including Clal Credit Insurance, Clal Pension and Provident Funds, Atudot Havatika, and long-term savings and property and casualty insurance agents.

70. The chart expressed the organizational structure of Clal Insurance. The Company structure is the same as described in the chart, but as decided by the Company's board of directors, the Company officers are the Company CEO, Legal Counsel, Finance Division Director, Investment Division Director and Risk Management Department Director. All Company officers also serve as officers in Clal Insurance. Furthermore, at Clal Insurance, the Group's central business branch, the Long-Term Savings Division Director, Property and Casualty Insurance Division Director, Health Insurance Division Director, Service, Human Resources and Operations Division Director, Risk Unit Director, Claims System Director, Information Systems Director and Marketing and Strategy System Director also serve as officers. The Chief Internal Auditor is the internal auditor of all Group companies, including the Company, and excluding CIMax group companies. Details regarding the organizational structure and the human capital in Max are not included in this chapter; they are described separately in Section 15.2 below.

On February 15, 2023, Mr. Barak Benski was appointed as Deputy CEO, Head of the Investment Division, in place of Mr. Yossi Dori, who ended his tenure in the Group.

On February 1, 2023, Mr. Eldad Eran was appointed as Deputy CEO, Head of the Health Division in Clal Insurance, in place of Mr. Moshe Bar Siman Tov, who ended his tenure in the Group.

On December 24, 2023, Mr Eran Shahaf, the Chief Internal Auditor of the Company and other Group companies announced his intention to end his tenure in the Group having served in this position for 10 years.

On February 13, 2024, Mr. Tomer David was appointed as the Chief Internal Auditor of the Company and its institutional entities, subject to non-objection of the Commissioner. Mr. Daid is expected to start his service in this position on June 1, 2024.

9.7.2. The Group's workforce

In the reporting year, the Company continued operating in accordance with its strategic plan, whose objective is, among other things, to ensure that the Group's taskforce is in line with its changing needs, while placing an emphasis on supporting the Company's growth strategy; the decline in the Group's workforce is, among other things, a result of a process of voluntary retirement, as part of which 37 Group employees retired during the reporting year (for further details, see Note 25 to the Financial Statements).

Following are data regarding the Group's workforce as of December 31 2023 and 2022, in accordance with the organizational structure:

Units	No. of employees - December 31, 2023	No. of employees - December 31, 2022
Headquarters and Key Service Entities ⁷¹	632	640
Health Division ⁷²	45	62
Agents Unit	219	223
Long-term Savings Division	334	340
Property and Casualty Insurance Division	123	125
Claims Department	347	357
Service, Human Resources and Operations Division ⁷³	1,413	1,552
Investment Division	133	120
Clal Credit Insurance	52	47
Finance Division	386	383
Total Company employees^{74,75}	3,684	3,849

Out of the total number of employees comprising the workforce as referred to above, the Group's senior management (heads of divisions, departments and staff units and the Chief Actuary of Clal Insurance) comprises 13 managers and also the Company's CEO (who also serves as the CEO of Clal Insurance) and the Group's Chief Internal Auditor.

For details on the Company's officers, see Part D of the Report – Additional Details Regarding the Corporation, Section 14. For further details about the terms of employment of the Company's CEO, see Note 43(b)(6) to the Financial Statements, and regarding the compensation of the officers - see Section 9.7.5(c) below.

The Company has no material dependence on a specific employee.

71. Staff and key service organs include: The CEO's Office, the Internal Audit Department, the Marketing and Strategy Department, the Legal Consulting and Regulation Department, the Risk Management Department, Control and Compliance, the Clal IT Division.

72. The decrease arises from the transfer of the Underwriting Department from the Health Division to the Service, Human Resources and Operations Division.

73. The Underwriting Department was transferred from the Health Division to the Service, Human Resources and Operations Division, and on the other hand there was a decrease due to voluntary retirement and the fact that vacancies that became available were not staffed due to adaptation to needs and to the changing circumstances.

74. Out of the total number of employees comprising the workforce as of the end of the reporting year, 91 employees are supplier employees compared with 90 supplier employees in the previous year.

75. Data regarding employee of Clal Agencies were transferred to the section entitled "Additional Information about Other Activities Not Included in the Areas of Activity". 2022 data were restated respectively.

9.7.3. *Benefits and the nature of employment agreements*

Types of agreements and manner of compensation

In April 2022, a collective agreement was signed between the Company's subsidiaries, Clal Insurance, Clal Pension and Provident Funds, Clal Credit Insurance, Clalbit Systems and Canaf (hereinafter - the "**Companies**") and the New Histadrut Workers' Union (hereinafter - the "**Histadrut**"), and the Group's Workers Committee (hereinafter - the "**New Collective Agreement**"), which incorporates all the agreements and collective agreements signed between the parties since 2014 into a combined agreement, subject to the changes and additions that were agreed, the key points of which are as follows:

- The payment - every year - of an annual pay rise of 3% of the base salary to employees who are entitled to a pay rise, depending on compliance with an average annual income by the Company, which was agreed for 2021-2024. In April 2025, an additional budget will be earmarked for pay rises at a maximum rate of 4% (a pay rise of up to 1%) per year. As a general rule, half of the total pay rise budget will be paid as a uniform increase, and the remaining half will be paid as a differential rise according to the managers' decision;
- Increasing the minimum wage to monthly employees in 3 phases, up to a wage of NIS 6,600 in September 2024;
- Increasing the wages of those employees who work for the Companies between 5 and 30 years (or more), such that their wage increases to between NIS 6,950 to NIS 9,450 starting September 2023;
- Increasing the hourly rate paid to call center's employees in 3 phases, up to an hourly rate of NIS 34 in September 2024;
- Every year - provided the minimum annual income conditions are met, as defined in the new collective agreement, totaling at least NIS 200 million - the employees will be paid a special payment, whose total cost will be between NIS 11 million and NIS 55 million (insofar as the Company's annual income will be higher than NIS 1,200 million).
- Where the Company's annual income will be between NIS 300 million to NIS 600 million at the very least, employees will be paid a further payment, whose cost will be between NIS 4.25 million to NIS 17 million, according to the results. The payment will be made to eligible employees by way of options, at an exercise price that will reflect the average closing price of the Company's share in the 30 trading days that preceded the approval of the outline by the Company's Board of Directors, and no less than the price on the TASE on the day before the resolution;
- In view of the Company's financial results for 2021, a special welfare pay was agreed as detailed in Section (3)(c)(1).10 to Note 25 to the Financial Statements.
- Furthermore, the new agreement regulates the convalescence pay tariff according to the employee's number of service years, and the date on which he/she started working for the Company; it was also agreed to increase the participation in, and the conditions of Company's employees health insurance policies, increase the participation in summer camps, change the format of participation in employees' meals, cancel the persistency bonus that was set in the previous agreement and replace it with a retention bonus to employees, that will depend on of the Company's income.
- As part of the agreement, in 2023 a voluntary retirement plan was offered to employees aged 60 and over. As part of the plan, in the reporting year 37 of the Group's employees retired as part of the voluntary retirement plan, and in 2024 a further 38 employees are expected to retire. For details regarding the cost of the plan, see Note 25(c)(1) to the Financial Statements.
- The term of the agreement is 3 years, from January 1, 2022 to December 31, 2024, and no industrial action will take place throughout the agreement term. Upon the signing of the agreement, the claims and assertions of all of the parties throughout the agreement term were exhausted.

The new collective agreement applies to most Group companies' employees, except for employees serving in specific roles that were defined therein and managers at the rank that was defined.

As of December 31, 2023, the Group has 228⁷⁶ employees to whom the new collective agreement does not apply, including senior management, and they are employed under personal employment agreements that define their employment terms and conditions, including base salary, social benefits

⁷⁶ Excluding supplier employees. Data regarding employees of Clal Agencies were transferred to the section entitled "Additional Information about Other Activities Not Included in the Areas of Activity".

and related benefits.

Provisions in respect of termination of employee-employer relations

Regarding most employees to whom the collective agreements apply - the arrangement under Section 14 of the Severance Pay Law, 1963 applies regarding their entire employment period.

For further details regarding the provisions in respect of termination of employee-employer relations for the Group's employees, see Note 25 to the Financial Statements.

Additional terms and benefits

From time to time, the Group companies provide their employees with arrangements to purchase insurance products and services, including, among other things, property and casualty insurance, pension products and health and life insurance.

The Company has a collective health insurance policy under which most of the above employees of the companies are insured.

The Group allows employees to receive loans according to defined internal procedures and in accordance with the provisions of the law, considering, among other things, the employee's seniority and salary.

For further details regarding the employment terms (including retirement benefits) of the five highest paid senior officers in the Group (including the Company Chairman and CEO); and the three highest paid senior officers in the Company in the reporting year, and the salary paid to directors in the Company, see Part D of the Report - Additional Details Regarding the Corporation, Section 12.

Labor laws provisions published in connection with the Iron Swords War

- Against the backdrop of the Iron Swords War, expansion ordinances were published that deal, among other things, with the extension of the period during which reservists, who served 60 days or more, are protected from dismissal, by 30 further days beyond the prohibition set out in the Veterans Law, such that the period during which protection against dismissal will apply will be 60 days; securing payment of wages to employees, who were absent from work due to the War, depending on their place of residence or work place or other conditions that were set; award of benefits to spouses of reservists, such as paid absence from work upon the fulfillment of certain conditions.
- An order was issued for increasing the minimum wage such that the minimum wage for a full-time position will be NIS 5,880 (gross).

These provisions do not have a material effect on the Company.

9.7.4. The corporation's investment in continuing education and training

As part of the overall strategy to develop the human capital as a key asset in the Group, in 2023 the Group invested multiple resources in professional learning and training activities, on enforcement and compliance, employee development and in the development of managers' skills to serve as process leaders in the organization. Also this year, the Group focused on improving the quality of service and service skills to the Company's customers and agents, improving professionalism and insurance knowledge in all insurance segments, in institutionalization and implementation of integration processes of the IT systems, that support the core business, and on improving management skills of the intermediate level. Furthermore, this year the Group invested in performing activities and training that emphasized the wellbeing of the employees and managers, and in the provision of tools for dealing with the situation, such as management under conditions of uncertainty, resilience workshops, and more.

Such training was intended, among other things, to adapt the performance of the Group's employees and directors to changes and developments in the market and country, advanced service standard and regulatory requirements.

9.7.5. Officer salary and compensation policy

Since September 2013, the Company is required to approve, at least once every three years, an officer compensation policy in accordance with the **Companies Law (Amendment No. 20), 2012**. Furthermore, the Group's institutional entities are subject to the **Commissioner's Circular regarding Compensation Policy in Institutional Entities of April 2014**, as amended in October 2015 and July 2019 (hereinafter jointly - the "**Compensation Circular**").

The Company's compensation policy is intended to help achieve the Company's goals and work plans with a long-term perspective, and among other things, in order to hire and retain high-quality top executives who have unique specific professional knowledge and expertise, and who are capable of leading the Company toward business success and meet the challenges it faces, to employ officers who are motivated to achieve a high level of business performance without taking unreasonable risks, and to create an appropriate balance between the various compensation components, fixed versus variable, short-term versus long-term and cash compensation (including related benefits) versus equity compensation. The Compensation Policy sets rules, criteria, and standards according to which the terms of office and employment of the Company's officers are determined, while adjusting them to the specific properties of the activity the relevant employee is in charge of, their experience, training, and the performance of their duties, all in accordance with and subject to the legal restrictions set forth above and below.

A. Compensation Circular and Compensation Policy in Institutional Entities

The Compensation Circular of July 2014 of the amendments thereof in 2015 and 2019 specify, among other things, that an appropriate ratio will be established between the fixed compensation component and variable compensation component such that as a rule, the rate of the annual variable component shall not exceed 100% of the annual fixed component, subject to set exceptions (regarding a one-off business event that is not repeated each year and does not apply a wide group of key officers) according to which it will be possible to determine that the rate of the annual variable component will not exceed 200% of the fixed component, except regarding the CEO. It is also specified that any variable component payment will be subject to refund and deferral arrangements, such that if the variable compensation rate exceeds 40% of the fixed compensation, or the total compensation exceeds the maximum for payment as defined below, at least 50% of the variable component will be deferred and spread on a straight-line basis over a period of at least three years. The Circular sets out various arrangements in connection with granting of shares or share-based instruments, retirement bonuses, salary restrictions of directors who are not external directors, prohibition on payment of a variable component to directors, and provisions regarding the method of determining the Chairman of the Board's compensation. Furthermore, the provisions of the Circular specify that an institutional entity will not cover the costs of employment of an employee due to their service in another corporation and will ensure that an employee does not receive compensation from another party due to their service in the institutional entity. The Compensation Circular permits making a non-material change (as defined in the compensation policy) to the compensation terms of an officer with the CEO's approval and without the board of directors' approval; the Compensation Circular applies to all Company employees, but the main restrictions refer to officers and employees in key roles, as defined in the circular.

B. Officer Compensation Law

In April 2016, the **Law of Officer Compensation in Financial Corporations (Special Permit and Non-Tax-Deductible Expenses Due to Exceptional Compensation), 2016** (hereinafter - the "**Officer Compensation Law**") was published, aimed at limiting and reducing the salary of senior officers in financial entities.

The law sets out a corporate mechanism for approving an engagement to grant compensation to an employee in a financial corporation (financial entity or corporation that is controlled by or controls the financial entity) if the expected expense thereof, as calculated on the approval date according to generally accepted accounting principles, is expected to exceed NIS 2.5 million (linked to the CPI from the date of publication of the Officer Compensation Law), and specifies that such engagement will only be approved if the ratio between the expected expense due to the said compensation and the expected expense due to the lowest compensation paid by the corporation to an employee of the corporation (including a contract worker), directly or indirectly, in the year preceding the date of the engagement, is less than 35 (hereinafter - the "**Ratio Limit**").

According to the mechanism in the law, the employment terms of such employee will be submitted for approval of the compensation committee or audit committee and board of directors by special majority of external directors and the general meeting of that company, and in a publicly-traded company also a special majority of minority shareholders at the general meeting. Furthermore, the salary cost of an employee of a financial corporation that exceeds NIS 2.5 million (linked to the CPI from the date of publication of the Officer Compensation Law) will not be deductible for tax purposes

for the Company. The said cost is net of accounting expense recorded due to granting of shares or the right to receive shares and net of "excess salary cost" (the difference between the salary cost and NIS 2.5 million, if the salary cost exceeds NIS 2.5 million) (hereinafter - the "**Compensation Ceiling**").

In accordance with the Transitional Provisions that were set, its provisions also apply to engagements approved before publication of the law. Such engagements that were not approved in accordance with the Officer Salary Law are not valid.

C. Compensation policy

On September 29, 2022, further to the recommendation of the compensation committee, the board of directors of Clal Insurance and the board of directors of the Company approved their compensation policy, in accordance with the provisions of the Compensation Circular, Amendment 20 to the Companies Law and the Officer Salary Law. The compensation policy was approved by the shareholders' meeting in January 2023. That policy replaces the Company's compensation policy and at the same time, the compensation policy papers of the Group's institutional entities, valid until the above date, were also updated. The policy is effective for 2023-2025.

The Compensation Policy deals with all terms of employment of the Company's employees, officers and key officers, and sets various provisions in connection therewith. The compensation may be composed of a number of key components: fixed salary, and also variable compensation, that is composed of a performance-based annual bonus, which is paid in cash, equity bonus, special bonuses, that may be awarded under certain circumstances, and related benefits and indemnity and insurance arrangements.

The Company's Compensation Policy sets a limit on the maximum cost of employing Company officers and key officers in accordance with the Officer Compensation Law and as set therein, and it is based, among other things, on the assumption that the comprehensive compensation awarded to the Company's employees must be affected by the Company's business results, that are reflected, inter alia, in the Company's profitability, and by each employee's individual contribution to its achievement, and while taking into account the restrictions set forth in the Officer Compensation Law, regulatory provisions and the policy.

According to the policy, the salary shall reflect the officer's skills, including their experience, the knowledge they bring to their position, their expertise in the area of practice, their education, etc.), while taking into account the level of responsibility imposed on them and the job requirements that follow from it.

The policy allows the payment of a variable compensation that may be composed of a cash annual bonus or a capital payment. The payment of significant components of the annual bonus is conditional upon the fulfillment of the Threshold Conditions set out in the Compensation Policy. The policy also regulates provisions regarding the composition of the annual bonus in accordance with the performance of the key officer, the performance of the unit to which he/she belongs, and the Company's business results. The variable bonus is composed of measurable components, qualitative components and a discretionary component. The policy allows the payment of special bonuses for considerable efforts on the part of the key officer, including in the context of a transaction outside the Company's ordinary course of business. The policy sets out provisions that regulate the award of a performance-based equity bonus, which is intended to foster and strengthen its recipients' identification with the Company in general, and over the long run in particular.

The policy sets minimum ratios between the fixed components of the terms of employment and the total terms of employment, and also includes provisions regarding the conditions for scheduling, deferral and refund of payments made as part of a variable compensation, and of terms of retirement, in relation to certain officers.

The policy sets provisions regarding payments in connection with the termination of terms of employment beyond what is required by law, which include reference to the following components: Severance pay, advance notice, retirement bonus, and compensation for non-compete undertaking. Furthermore, the policy also includes provisions regarding the compensation of the Company's directors, and the compensation of Company employees, who are not officers or key officers.

In view of the period that has elapsed since the adoption date of the Company's Previous Compensation Policy, and in light of the experience gained by the Company as part of its implementation, certain provisions of the Company's Compensation Policy were revised; among other things, it was determined that if a new officer only works for a part of the year because of the commencement of their employment by the Company, the Company may pay them a partial variable compensation, taking into account the period in which they worked out of that year (instead of the requirement whereby an employee will work at least 6 months as a condition for receiving the variable compensation). It was clarified that a variable component may be postponed due to deviation from the Compensation Limit for three consecutive years provided that the officer works for the Company in the consecutive years, and insofar as a variable annual component is concerned, it may be deferred subject to meeting the Threshold Conditions in the relevant consecutive year.

It is noted that the Group has many officers who are not considered key officers, as defined in the Compensation Circular, whose annual bonus is the result of their compliance with personal compensation indicators, which are set annually in advance.

It is clarified that the compensation policy applies to the Company and the Group companies that are institutional entities. Max has a compensation policy that applies to its employees in accordance with the provisions of the law to which it is subject, as detailed in Section 15.2 below and in Note 25(d)(4) to the Financial Statements. It is further clarified that the Company's officers who are also officers in the Group's institutional entities, as specified in Part D - Additional Details Regarding the Corporation, Section 14, are also subject to the compensation policy of the relevant institutional entities in the Group.

It is noted that regarding specific provisions required by virtue of the Compensation Circular regarding institutional entities only, the Company's compensation policy sets out principles only, and such provisions are regulated under the compensation policy papers of the Group's institutional entities, which apply to the employees of the institutional entity.

For avoidance of doubt, the compensation policy does not affect the benefits accrued in respect of periods preceding its approval date, and that subject to the Transitional Provisions set in the Compensation Circular and its amendment, and as long as they are valid, the compensation policy does not affect other engagements and/or benefits of the employees in connection with their service and employment in the Company. The compensation policy does not set out actual terms of employment, but rather the approval framework as part of which the said rules will be set.

The Company's compensation policy is attached as an appendix to this part of the periodic report.

For a link to the Company's website where the compensation policy appears, see:

https://www.clalbit.co.il/clalins/reward_policy/Pages/default.aspx

Company officers are entitled to release of liability, indemnity and officer insurance. For details, see Part D – Additional Details Regarding the Corporation, Section 19.

D. Adjustment of existing agreements to the Compensation Circular and the Officer Compensation Law

Subject to the Compensation Policy not affecting the accrued benefits in respect of previous periods and subject to the Transitional Provisions set in the Compensation Circulars and Officer Compensation Law, the Company acted to adjust the compensation agreements in the Company of officers and employees in key roles to the limits of the Compensation Circular and limits of the Officer Salary Law.

E. Implications

Entry into effect of the Compensation Circular and its amendments, the Officer Salary Law and compensation policy of the Company and of the Group's institutional entities, as amended for them, affected the compensation structure of officers and managers in the Group as well as the possibilities of hiring officers. The salary of the Company CEO and Chairman of the Board became a fixed salary only. In the long term, it is impossible to assess all possible implications of the Officer Compensation Law on the labor market in the financial sector.

9.7.6. Employee equity compensation plans

- On March 25, 2021, the Company's Board of Directors adopted a performance-based compensation plan for employees and officers for 2021 (hereinafter - the "**Plan for 2021**"), pursuant to which the Company will be permitted to award to employees and officers option warrants to purchase ordinary shares of the Company of NIS 1 par value each.

Accordingly, an outline was published regarding the allocation of up to 3,300,000 Class A option warrants (which are awarded in 3 tranches to Group executives and officers) and 200,000 Class B option warrants (which are awarded in one tranche to employees in accordance with the collective agreement), to be offered thereunder, in accordance with a performance-based plan, to employees and officers of the Company and/or companies under its control. The total number of option warrants allocated in June 2021 according to the Plan for 2021 (for specific employees) is 2,493,200 Class A option warrants and 175,247 Class B option warrants. The shares underlying the exercise of these options represent approx. 1.71% of the Company's current equity capital, assuming maximum exercise. As of the report publication date, in accordance with the 2021 Outline, 2,171,234 Class A option warrants and 148,285 Class B option warrants are held by the Trustee for specific employees.

In July 2023, the board of directors approved an extension to the exercise period of the option warrants that were awarded in accordance with the 2021 Outline and that vested in 2022 for employees and officers where there is an employee-employer relationship with the Company and companies under its control as of the approval date, by an additional year, meaning until June 2025.

In addition, in April 2022, according to the Plan for 2021, an outline was published regarding the allocation of up to 220,000 Class A option warrants (which are awarded in 3 tranches to Group executives and officers) and 150,000 Class B option warrants (which are awarded in one tranche to employees in accordance with the collective agreement), to be offered thereunder, in accordance with a performance-based plan, to employees and officers of the Company and/or companies under its control. The total number of option warrants allocated in June 2022 according to the 2022 Outline (for specific employees) is 213,000 Class A option warrants and 137,396 Class B option warrants. The shares underlying the exercise of these options represent approx. 0.23% of the Company's current equity capital, assuming maximum exercise.

As of the report publication date, in accordance with the 2022 Outline, 152,000 Class A option warrants and 132,202 Class B option warrants are held by the Trustee for specific employees.

In addition, in May 2023, an outline was published regarding the allocation of up to 1,250,000 Class A option warrants (which are awarded in 3 tranches to Group executives and officers, including those of ClMax) to be offered under the 2021 Plan to employees and officers of the Company and/or companies under its control. In July 2023, the outline was updated in such a way that the vesting period of the first tranche will be three years rather than two years. The total number of option warrants allocated in August 2023 according to the 2023 Outline (for specific employees) is 1,250,000 Class A option warrants. The shares underlying the exercise of these options represent approx. 0.77% of the Company's current equity capital, assuming maximum exercise.

As of the report publication date, in accordance with the 2023 Outline, 1,209,893 Class A option warrants are held by the Trustee for specific employees.

- For further details regarding the 2021, 2022 and 2023 Plans, see Note 44 to the Financial Statements.
- For further details regarding the award of options to employees in accordance with the collective agreement, see Note 25(c)(1) to the Financial Statements.

9.8. Marketing and distribution

The Company's marketing and distribution functions are composed of 4 units/departments:

- The Agents Unit** - the unit coordinates the Group's activities with the insurance agents in the areas of sales and services to agents, in the long-term savings, life insurance, health insurance and property and casualty insurance segments, in order to concentrate in a single unit all contact points with insurance agents and the activity related thereto.

As part of the above, the Company operates through three regions: The Haifa and North region, the Central region and the Jerusalem and South region, where it has a sub-branch in Be'er Sheva.

- **The Group's agencies** - the Group's sales activity is also conducted through agencies controlled by the Company. These insurance agencies are controlled by Clal Agency Holdings, which is a wholly-owned subsidiary of the Company (hereinafter - the **"Group's Agencies"**). The Group's Agencies operate as insurance brokers in all of the areas of activity and conduct transactions involving pension products. The activity of the Group's Agencies is mainly concentrated in two agencies: Tmura Insurance Agency (1987) Ltd. (hereinafter - **"Tmura"**), which operates in the long-term savings and health insurance subsegments, and Betach Toren Insurance Agency Ltd. (hereinafter - **"Betach"**), which is mainly engaged in property and casualty insurance.

As part of the implementation of Clal Group's business strategy for the acquisition of synergistic activities, the Group works to increase the scope of its activities, both through organic growth and, from time to time, through mergers and acquisitions of insurance brokerage activities.

For details regarding the appointment - under a Government Resolution - of an inter-ministerial taskforce for the assessment of the effects of institutional entities' holdings in corporations, which are insurance agencies, see Section 9.8.2.4 below.

- **The private customers unit** - the private customers function coordinates the direct sales of risks and property and casualty insurance products, through call centers (telemarketing). During the reporting year, the function engaged mainly in the sale of life insurance, health insurance, including travel insurance, and motor insurance and home insurance to private customers, which generally do not work with the Group through insurance agents or as part of the sales collaborations with insurance agents.
- **The Customer Relations Department** - which coordinates both the retention activity of the long-term savings, life insurance and health insurance segments, and the direct sales activity of pension, financial (provident funds, advanced education funds or individual savings), life and health insurance products, which is carried out by license holders and involves customers of employers, which normally do not engage with the Group through insurance agents in the relevant products. Holders of pension marketing licenses, which are employed by the Group's institutional entities, operate under the department, which allows synergistic activity from an organization-wide perspective.

9.8.1. *Marketing and distribution methods and structure of fees and commissions in the various segments:*

9.8.1.1. Long-term savings

Marketing and distribution methods in the long-term savings segment

The segment's products are distributed by insurance agents, including by the Group's agencies, through pension advisers in banks and directly.

A. Selling through agents and agencies

- The sale of the segment's products is carried out by insurance agents, including "arrangements managers", including Tmura, which are large insurance agencies, that also provide acquiring services to employers in connection with the splitting of pension contributions to the institutional entities and to the various products, and is characterized with a combined marketing of life, pension and provident products. The insurance agents receive various services designed to support their operating activities from the Group's institutional entities.
- As of the report publication date, the Group operates in this area of activity through 3,589 insurance agents,⁷⁷ compared with approx. 3,700 insurance agents in 2022. Most of the agents also enter into engagements with other insurance companies, and Group companies do not have a single insurance agent, the scope of activity of whom in this area of activity exceeds 10% of the Group's activity therein.⁷⁸
- Approx. 14.7% of the total life insurance premiums collected by Clal Insurance in the reporting

77. Including agents whose sales exceeded NIS 10,000.

78. Except for a wholly-owned agency of the Group, as detailed below. In addition, the above does not pertain to agents, whose fees and commissions are derived from the fees and commissions of sub-agents that engage directly with the Group's institutional entities.

year arise from the activity of the Group's Agencies, compared with 14.5% in 2022.

- Approx. 13.8% of the total contributions towards benefits in the pension funds subsegment collected by Clal Insurance in the reporting year arise from the activity of the Group's Agencies, compared with 13.5% in 2022.
- Approx. 17.3% of the total contributions towards benefits in the provident funds subsegment collected by Clal Insurance in the reporting year arise from the activity of the Group's Agencies, compared with 17.1% in 2022.

B. Sale through pension advisors

In the reporting year, most banks continued to distribute provident funds and pension funds. Clal Pension and Provident Funds engaged in distribution agreements with most banks, whereunder the banks will distribute the provident funds and/or advanced education funds and/or pension funds under the management of Clal Pension and Provident Funds, in accordance with the agreement between the parties. As of the report publication date, the Banks have not yet started providing advice regarding insurance products. It is noted that the Directive regarding the prohibition on linking the calculation of distribution fees to the rate of management fees collected from the planholder (according to the provisions of the amendment of the law regarding the calculation of the distribution fees), in combination with the distribution agreements with the banks, which define a fixed fee payable to the bank in respect of each customer who receives advice, created a situation where the income from some of the planholders of Clal Pension and Provident Funds do not correspond to the Company's expenses in connection with those planholders.

As of the report publication date, customers with accrued savings of material amounts in provident funds and advanced education funds receive advice from the banks, but with regard to the distribution of pension funds, the banks' activity is immaterial.

In November 2023, on the back of the Iron Swords War, 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 which meet the terms and conditions provided for in the Position, in the pension advice segment, at the earlier of the following: as long as there is a home front emergency or until January 1, 2024. It is noted that a similar non-enforcement position was previously published by the commissioner against the backdrop of the Covid-19 pandemic and extended by the Commissioner from time to time through February 2023.

In February 2024 a non-enforcement position was published that applied retroactively from January 1, 2024 and extended the provisions of the previous position, while expanding the definition of the customers, to whom such pension advice may be provided. The position shall remain valid so long as a state of emergency is in place in the home front, or through May 31, 2024, the earlier of the two.

In February 2024 a bill for the amendment of the Pension Advice Law was published, which suggests to allow pension advisors, who are employed by banks, to provide pension advice to the banks' customers also through digital means, and to hold telephone conversations with customers, where such conversations are required as part of the provision of pension advice.

The Company is of the opinion that if the bill is passed into law, competition in the pension advice and marketing through banks will expand, potentially making the pension advice and marketing industry more concentrated, and even exposing the Company's institutional entities to payment of fees and commissions at a rate that is higher than the average rate it currently pays in respect of some of the products, and to payment of fees and commissions also in relation to products, most of the fees and commissions in respect of which had already been paid.

The information relating to the potential consequences of the bill regarding potential pension advice services by banks is forward-looking information, which is based on Company's assessments and assumptions, and actual results may vary materially from those predicted, according, among other things, to the amendment's final wording, if it is published, and due to the fact that actual implementation may vary from that predicted, and depends, among other things, on the behavior of the banking corporations and the types of products in respect of which banking corporations will be able to provide pension advice services.

Regarding changes in the 2023 Economic Arrangements Law, see Section 9.8.2.3 below.

C. Direct sales

- Some of the segment's products are marketed directly to customers by Group employees, who hold pension marketing licenses.
- The direct sale activities in the segment include: (a) Sale of pension products, while focusing on the marketing of pension arrangements in organizations, which are generally not supported by agents on their behalf; (b) engagements with the banking system in the area of pension advice, mainly in relation to provident funds and advanced education funds; (c) telemarketing and in-person sales of life insurance products. In addition, there are collaborations of the Company with selected agents, as part of which Company's employees sell to customers, who are referred by the agent, in his/her name and after receiving his/her permission, products in this segment.
- The Company has a customer service center that provides direct support to customers, as well as a customer retention unit.
- The Company also collaborates with external advisors, who are recruited by customers that are companies and public entities, in order to publish tenders and conduct negotiations regarding the selection of the entity that will provide pension insurance, and in order to determine the terms of the pension arrangement of their employees.

D. Mortgage banks - risk products

The Company entered into agreements with some of the mortgage banks that own insurance agencies, for the provision of insurance products designed to secure the payment of a mortgage. In the reporting year, the Group continued to market risk policies to mortgage holders, through an insurance agency owned by a bank, through insurance agents, and through direct sales, and it also to market such policies through Clal Mortgages.

Structure of fees and commissions in the long-term savings segment

A. Insurance agents

Following is the structure of the fees and commissions paid to agents in the reporting year:

• Life insurance

The fees and commissions paid to agents in the life insurance subsegment in respect of policies sold through 2004 are as follows:

- **Paid premium fees and commissions:** A fixed or variable-rate commission, out of the paid premium, which is paid regularly over a fixed period.
- **Collection fees:** a fixed-rate fee out of the paid premium, which is paid over the policy's life as handling fees.
- **Special fees and commissions - sales commissions:** Upon the sale of the policy or in respect thereof, a one-off payment may be made in money and/or in kind, according to individual agreements with the agents, which generally depend on new sales in respect of the first year after the sale of the policy.

As from 2004, the structure of the fees and commissions in the life insurance subsegment is as follows:

- **Paid premium fees and commission:** A commission that is normally paid in respect of life insurance products and certain profile policies that were sold in the past at a fixed or variable rate out of the paid premium, which is paid regularly over a fixed period. In life insurance products, after a 15-year period the commission rate declines significantly.
- **Management fees on contributions:** A fee paid in respect of the contributions towards the savings component in a policy over the life of the policy, at a rate that is derived from the management fees collected from the premium, and in accordance with the product type, for products sold through April 2017 (see below).
- **Commissions based on management fees on accrual:** A commission derived from the management fees that are collected out of the savings balance in a policy. Generally, Clal Insurance discontinued the payment of management fees on accrual in respect of policies that were sold in 2013 and thereafter, in respect of most of the products.

- **Commissions on accrual:** A commission on accrual is paid in respect of certain profile products that were marketed in the past, and in respect of certain profile products marketed in the reporting year, and in respect of contributions towards individual savings policies.
- **Special commissions: Sales commissions** - one-off commissions paid in respect of new sales in the first year of the policies' life, in money and/or in kind, whose rate or amount is determined according to individual agreements with the agents and sometimes against achievement of sales targets, and **management commissions** - commissions that are derived from the premium and paid, in respect of new sales, in the first years of the policy's life, for a limited period in respect of policies sold in the past.

In respect of some of the said fees and commissions, advances are paid to agents from time to time. In addition, sometimes the amount of the fees and commissions is also affected by retainment of products that were sold in the past.

Following the amendment of the law regarding the calculation of distribution fees, as detailed below in this Section 9.8.1.1, which came into force in April 2017, the Group's institutional entities took action to modify the agents' compensation model, such that it will be in line with the legislation changes. In respect of customers that signed-on to the products as from the said date, no fee is collected as a rate of the management fees collected from the customer.

In February 2019, the Commissioner stipulated - in relation to life insurance products - that insurance companies are to implement a commissions refund mechanism in respect of cancellation of life insurance policies, such that the cancellation of the policies in the first few years after their purchase will result in a tiered refunding of one-off sale commissions (sales commissions), paid to the agents by the insurance companies in respect of those policies.

In connection with the effects of the commissions refund mechanism on the cancellations of life insurance policies, see Section 6.1.2.1 above.

For details in connection with the draft provisions regarding a cancellations mechanism and discounts in life insurance products and provident funds, see Section 9.8.2.2 below.

In collective insurance policies, the agent's commission is set as part of negotiations with the agent on a transaction-by-transaction basis in accordance with the law. The rate of commission that an insurer will pay to an insurance agent in respect of a collective life insurance policy will not exceed 5% of the gross insurance premium.

Rates of commissions to third parties in the life insurance subsegment

	2023	2022	2021
The average rate of commissions (of various types) out of total insurance premium in the life insurance subsegment in the various products attributed to agents ⁷⁹	9.3%	9.0%	9.5%
The average rate of commission out of new annualized premium in the various products in the life insurance subsegment ⁸⁰	51.6%	36.3%	33.7%

- **Pension funds**
 - **Current commissions from contributions towards benefits** - Clal Pension and Provident Funds pays to insurance agents commissions in respect of pension products sales. In the comprehensive pension fund, these commissions were previously paid as a rate of the contributions towards benefits, in accordance with an individual agreement between the agent and the Company, with a link to the amount of management fees collected from the customer. In respect of pension products marketed as from April 2017, this commission is paid as a rate of the contribution, without a link to the amount of management fees collected from the customer (for further details about a reform in this area, see below in this Section 9.8.1.1).

79. The data include various types of commissions, some paid out of the premium, some on accrual, and some in respect of new sales; accordingly, the ability to draw conclusions from the data is limited.

80. The rate of commission out of premium does not include commissions paid in respect of non-recurring contributions.

- As to payment of special commissions in respect of new annualized contributions towards benefits to the comprehensive pension fund, see above in the description of special fees and commissions in the life insurance subsegment.

Rates of commissions to third parties in the pension funds subsegment

	2023	2022	2021
The rate of commissions paid to the insurance agents in respect of the pension products out of total contributions towards pension products	2.6%	3.1%	2.3%

• Provident funds

- **Commissions based on management fees on accrual** - in respect of provident funds products that were marketed through 2017, the commissions in respect of the sale of provident funds products are normally paid to the insurance agents as a rate of the planholders' management fees on accrual.
- **Commissions on accrual** - in respect of provident funds products marketed as from 2017, a commission is paid as a rate of the accrual rather than out of the management fees collected from the customer (for further details about a reform in this area, see below in this Section 9.8.1.1).
- As to payment of special commissions in respect of new annualized contributions (and in relation to the past, including in respect of one-off contributions arising from the transfer of accruals) towards benefits to the provident funds managed by Clal Pension and Provident Funds, see above in the description of special fees and commissions in the life insurance subsegment.

Rates of commissions to third parties in the provident funds subsegment

	2023	2022	2021
The rate of commissions paid to the insurance agents in respect of provident products ⁸¹	0.4%	0.8%	0.8%

In connection with the complexity of the format of payment of commissions to insurance agents in long-term savings products as detailed above, it should be noted that from time-to-time certain agents and the Group's institutional entities conduct discussions as to the manner of payment of the commissions and their calculation, and in a considerable part of the cases those discussions are concluded with arrangements, that take into account mutual offsets between the parties.

Following is a description of regulatory provisions that were published in the years prior to the reporting year, and which affected and may continue to affect the payment of commissions to those who market pensions, agents and arrangement managers in the field of long-term savings:

- An amendment to the **Financial Services Supervision (Provident Funds) Law (Amendment No. 20), 2017** came into force in April 2017, which stipulates that a distribution fee should not be linked to the rate of management fees collected from the planholder (hereinafter - "**Amendment of the Law regarding Calculation of Distribution Fees**"). The discontinuance of the link between the fees and commissions and the management fees makes it difficult for the Company to create a direct link between income and expenses.

B. Payment to pension advisors

- The rate of the distribution fees paid to pension advisors is set in the **Supervision of Financial Services Regulations (Provident Funds) (Distribution Fee), 2006** (hereinafter - the "**Distribution Regulations**"), which stipulate that a pension advisor, and in relation to advanced education funds also an investment advisor, may receive from an institutional entity a distribution fee in respect of distribution of provident funds, pension funds, and advanced education funds, that arise from contributions to the provident fund, at an annual rate of up to

81. The rate of the various types of commissions divided by the average accrual in the reporting year.

0.25% of the total amounts accrued in the provident fund in favor of the customer, except for accrued funds, that arise from contributions that were made through December 31, 2005 to the provident funds defined in the said regulations, in which case the annual fee rate will not exceed 0.1%, all provided that the pension advisor shall benefit from a uniform compensation from all entities that issue the products.

9.8.1.2. Property and casualty

Marketing and distribution methods in the P&C segment

The Group markets its products in the property and casualty insurance segment both through insurance agents, including the Group's agencies, and directly.

A. Insurance agents

The insurance agents are the segment's principal channel for distribution to the end customer, i.e., the policyholder. The insurance agent usually engages with a number of insurance companies. As of the report publication date, the Group operates in the P&C segment through approx. 1,900 insurance agents, compared with approx. 1,800 in 2022.⁸²

The Group does not have a single insurance agent, the scope of activity of whom in this area of activity exceeds 10% of the Group's activity in the P&C insurance segment.

The rate of sales through insurance agents in this segment out of total sales in the property and casualty insurance segment in the reporting year is approx. 85.72% compared to approx. 85.82% in 2022.⁸³

Approx. 3.01% out of the total premiums in the Israeli property and casualty insurance segment, arise from the activity of the Group's agencies, compared to approx. 2.98% in 2022.

B. Direct sales

Some of the segment's products are marketed directly, without mediation by insurance agents. The direct activity is conducted mainly with large business customers. In addition, the Company markets compulsory motor insurance policies and motor property insurance policies, home insurance policies and guarantees policies. In the reporting year, the private customers function continued its direct sales of motor and home insurance policies, mainly through a digital platform or through collaborations with customer loyalty programs, organizations and aggregators, to customers which generally do not work with the Group through insurance agents; the Company also collaborates with selected agents, as part of which Company's employees sell to customers, who are referred by the agent, in his/her name and after receiving his/her permission, motor and home insurance products. Credit and foreign trade risk insurance policies are also marketed, through Clal Credit Insurance.

C. Mortgage banks

The Company entered into agreements with some of the mortgage banks that own insurance agencies, for the provision of insurance products designed to secure the payment of a mortgage.

Property and casualty (P&C) commission structure

A. Fees and commissions structure

For their insurance business brokerage services Clal Insurance pays the insurance agents fees and commissions in money and/or in kind. The amount of the fees and commissions is set mainly as a rate of the net premium (without fees), and is partially determined by the agent's sales, activity and/or profitability.

Generally, in collective insurance policies, the agent's commission is set as part of negotiations with the agent on a transaction-by-transaction basis.

In respect of some of the said fees and commissions, advances are paid to agents from time to time.

82. Including agents whose sales in 2023 exceeded NIS 10,000.

83. The data includes sales that were carried out by Betach Toren Insurance Agency Ltd., which is owned by the Group.

B. Average rate of fees and commissions

	2023	2022	2021
The average rate of fees and commissions of the total gross insurance premium in the compulsory motor subsegment	5.4%	5.8%	5.6%
The average rate of fees and commissions of the total gross insurance premium in the motor property subsegment	19.3%	19.4%	19.5%
The average rate of fees and commissions of the total gross insurance premium in the liability and other subsegment	12.5%	11.9%	11.4%
The average rate of fees and commissions of the total gross insurance premium in the property and other subsegments	7.1%	7.9%	8.4%
The average rate of fees and commissions of the total gross insurance premiums in other business property loss	7.6%	7.9%	8.6%
The average rate of fees and commissions of the total gross insurance premium in the comprehensive home subsegment including mortgage	20.6%	20.6%	20.5%

9.8.1.3. Health insurance**Marketing and distribution methods in the health insurance segment**

The segment's products are distributed both by insurance agents and insurance agencies, including the Group's agencies, and directly.

A. Distribution through agents and agencies

In the reporting year, Clal Insurance's individual health insurance policies are marketed primarily through insurance agents.

As of the report publication date, the Group operates in the health insurance segment through 1,582 insurance agents, compared with 1,420 in 2022.⁸⁴ Most of the agents also contracted other insurance companies.

Approx. 4.8% out of the total premiums in the health insurance segment, that were collected by the Company in the reporting year arise from the activity of the Group's agencies, compared with approx. 4.6% in 2022.

The Group does not have a single insurance agent, the scope of activity of whom in this area of activity exceeds 10% of the Group's activity in the health insurance segment.

B. Direct distribution

Some of the segment's products are marketed directly, without mediation by insurance agents, to customers or to private customers through their employer (including through Group employees, who hold a pension marketing license).

In the reporting year, the private customers function continued its direct sales of policies in this segment to customers which generally do not engage with the Group through insurance agents; the Company also collaborates with selected agents, as part of which Company's employees sell to customers, who are referred by the agent, in his/her name and after receiving his/her permission, the Company's health insurance products.

Structure of fees and commissions in the health insurance segment

In individual long-term insurance policies, fees and commissions are paid as follows:

Current commission - a commission derived from the premium and paid over the policy's entire life on a current basis.

As to payment of **sales commissions** in respect of new annualized premium in health insurance, see above the description of special fees and commissions in the life insurance subsegment. In respect of fees and commissions, advances were paid to agents.

	2023	2022	2021
The average rate of fees and commissions of the total gross premiums in the segment's various products	27%	26%	27%

84. Including agents whose sales exceeded NIS 10,000.

In collective insurance policies, the agent's commission is set as part of negotiations with the agent on a transaction-by-transaction basis.

9.8.2. Organization-wide provisions regarding the marketing and distribution activities

9.8.2.1. In August 2022 an amendment was published to the Services Rendered to Customers by Agents and Advisors Circular, which sets the provisions according to which a license holder (an insurance agent or a pension adviser) should act when rendering a service to a customer. The amendment includes, among other things, provisions whose objective is to clarify the license holder's obligations to customers, where the engagement is carried out in a passive manner as far as the customer is concerned, without his/her knowledge or involvement, as a result of, among other things, the purchase of an insurance portfolio or the license holder's appointment by the institutional entity (hereinafter - **"Transferred Customer"**). The amendment stipulates that a license holder is required to proactively contact the Transferred Customer, inform them of such a change, and describe to the customer, among other things, the option available to them to cancel the appointment of the new license holder or to sign a new power of appointment (hereinafter - **"Service Notice to Transferred Customer"**). In November 2022, a further amendment was published to the Services Rendered to Customers by Agents and Advisors Circular, whereunder, among other things, the periods during which a Service Notice to Transferred Customer may be handed in were extended; the explanatory notes to the amendment clarify that under the provisions regarding a Service Notice to Transferred Customer do not deal with payments to a license holder; rather, they only prescribe the rules a license holder must abide by when customers are transferred to it.

As of the report publication date, the requirement whereby the new license holder is to inform the Transferred Customer of his/her being transferred, as stated above, has not led to a material change in the patterns of executing insurance portfolio purchases and insurance agencies merger transactions.

9.8.2.2. Discounts in insurance premiums and agents compensation

In April 2023, **Draft Circular "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 policy 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 detailed 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 a 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 policies and savings products.

It is noted that prior to the publication of the draft provisions regarding the limitations on premium discounts and refund of fees and commissions, as detailed above, The Economic Plan Bill (Legislative Amendments to Achieve Budgetary Targets for the Budget Years 2023 and 2024) bill included a proposition to promote regulation regarding the requirement - applicable to all insurance products - to refund a proportionate share of the brokerage fees, which will apply to insurance agents, including pension insurance agents, if the policy is canceled or if the accrual is transferred.

The information pertaining to the implications of the 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 assessments and assumptions as of the report publication date. Actual implementation may be materially different than 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.

- 9.8.2.3.** In June 2023, the 2023 Economic Arrangements Law was published, amending the Advice Law and adding provisions thereto, 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 above, a refusal shall not be deemed unreasonable, if it is based on an agreement which does not generate income 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 matter - will be subject to the approval of the Finance Committee.

At this preliminary stage, the institutional entities in the Group are unable to assess the effect of the said requirement applicable to institutional entities to refrain from refusing to engage with pension advisors, nor can it assess the effect of the terms of such engagements, due to, among other things, the uncertainty regarding the selection of banks, the implications of the provisions on the current distribution agreements with banks, taking into account the terms and conditions 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.

- 9.8.2.4.** According to the government resolution of February 2023, an inter-ministerial taskforce was established to evaluate the effect of institutional entities' holdings in corporations that are insurance agents 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 arrangement as to existing holdings of institutional entities in insurance agencies. In July 2023, the interministerial taskforce published a call for proposals for the public's comments and positions in connection with the said topic. According to the government resolution, the Taskforce is required to submit its recommendations, including required operational measures and legislative amendments, by the end of 2023. Through the report date, the taskforce's recommendations have not yet been published. The Company presented its position to the taskforce. At this preliminary stage and before the publication of the inter-ministerial taskforce'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.

The information relating to the potential consequences of the amendments suggested in the 2023 Economic Arrangements Law is forward-looking information, which is based on Company's assessments and assumptions, and actual results may vary materially than that predicted, due to, among other things, the final wording of the amendments, if published, and in view of 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.

9.8.3. Dependency on distribution channels

The Company is dependent on the direct distribution channel and on the distribution channel through agents and arrangement managers. However, the Company is not dependent on a particular distribution entity (a marketer or an agent) in each of those distribution channels.

9.9. Trade payables

Group companies purchase products and services from a large number of suppliers and service providers. The expenses in connection with suppliers and service providers include, among other things:

- A. Direct expenses in connection to claims that are carried directly to the cost of the insurance claims, including payments to appraisers, loss adjusters, providers of legal services, investigators, providers of damage repair services, medical services, etc., and payments to entities that provide related coverages to policyholders (hereinafter - "**Riders**").

For details regarding marketing and distribution, see Section 9.8 above.

- B. Expenses in connection with operating services for the purpose of operating the provident funds under Clal Pension and Provident Funds' management. For details regarding Clal Pension and Provident Funds' engagement with such a supplier, see Section 9.17.2 below.
- C. Company's general expenses in connection with various suppliers: Such as: office rental and maintenance, payroll processing, vehicle lease fees, advertising services, communication and mailing services, operational services, legal collection, audit services, communication and data communication services, professional fees, maintenance, licensing and lease of hardware and software, automation services and depreciation. Those expenses are carried to indirect claim settlement expenses, marketing expenses, other acquisition expenses, and other general and administrative expenses (for further details, see Note 38 to the Financial Statements).
- D. The Company also has other expenses that are capitalized to assets in the Financial Statements, and which include, among other things, automation, construction and equipment expenses.

For details regarding Clalbit Systems, a wholly-owned subsidiary of the Company, which is in charge of the provision of automation services to Group companies (and which purchases services in the field of automation), and regarding the Group's automation expenses in the reporting year, see Sections 9.10.3.1 and 9.10.3.2 below, and Note 38 to the Financial Statements.

The Company does not have a principal supplier or a supplier it is dependent on, except for Sapiens Technologies (1982) Ltd. (hereinafter - "**Sapiens**"), with which Clal Pension and Provident Funds entered into an agreement for the purchase of a system for the management of planholders' rights in the pension funds, and the provision of development and maintenance services in connection with the system. In the reporting year, the Group paid Sapiens a total of approx. NIS 15.1 million in respect of the said development and maintenance services, compared with a total of approx. NIS 13.1 million in 2022. However, naturally, during the course of their work, the suppliers may gain unique knowhow, or provide services that the Company may occasionally become dependent on, due to, among other things, the need to set up the projects and/or execute the services within the time frame that is set under regulatory requirements. For details regarding suppliers with whom Clal Pension and Provident Funds entered into engagements as stated above, see Section 9.17.2 below.

9.10. Property, plant & equipment

The following are data regarding the Company's property, plant and equipment, which comprises mainly leased and owned buildings, furniture, office equipment and computers.

9.10.1. Data of leased and owned buildings for self-use in sq.m for 2022 and 2023

Company/unit	Location	As of December 31, 2023		As of December 31, 2022	
		Owned area (m ²)	Owned area (m ²)	Owned area (m ²)	Owned area (m ²)
Clal Insurance	Tel Aviv ⁽¹⁾	-	33,424	-	33,662
	Petach Tikva	-	5,678	-	5,678
	Haifa ⁽²⁾	2,618	-	2,618	-
	Jerusalem	-	1,555	-	1,627
	Beer Sheva	-	1,290	-	1,290
	Herzliya ⁽³⁾	-	250	-	250
Clal Credit Insurance	Tel Aviv	-	953	-	955
Clal Pension and Provident Funds	Tel Aviv	-	3,934	-	3,839
	Petach Tikva	-	1,251	-	1,251
	Jerusalem	-	-	-	73
	Beer Sheva	-	968	-	968
Clalbit Systems	Tel Aviv	-	9,181	-	9,036
Total ⁽⁴⁾		2,618	58,484	2,618	58,629

Excluding the areas of car parks.

1. Including an area of Canaf.

2. 377 sq.m leased to Clal Pension and Provident Funds.

3. A backup site for the Group's computer systems (in addition, there is a backup site in Greece and a server hosting site in Petach Tikva - of immaterial areas).

4. Data regarding Clal Agencies were transferred to the section entitled "Additional Information about Other Activities Not Included in the Areas of Activity". 2022 data were restated respectively.

With regard to the leased buildings, the lease periods vary from one building to another, and the latest lease term ends in 2038 (with an exit point in 2030), in relation to the Company's offices in Kiryat Atidim (for details, see Section 9.17.1(a) below). In some of the lease agreements, the Company has the option to extend the term of the lease.

For further details about the lease payments paid by the Company, see Note 29 to the Financial Statements.

Data of buildings, which are part of Clal Insurance's nostro investment portfolio in sq.m for 2022 and 2023*

Location	Zoning	As of December 31, 2023	As of December 31, 2022
Tel Aviv area	Offices and commerce	45,957	45,957
	Offices and a logistics		
South	warehouse	3,835	3,835
North	Commerce	3,838	1,992
Sharon area	Offices and commerce	28,188	28,188
Haifa	Offices	13,474	13,474
England and Scotland	Offices	7,596	7,596
Jerusalem	Offices and commerce	8,905	8,905
	Offices, commerce and multifamily		
USA		4,574	4,574
Total		116,367	114,521

* Furthermore, there are holdings in these assets and/or other assets, out of funds managed for others (planholders and/or policyholders) in the Group - see Note 10 to the Financial Statements.

9.10.2. Leasehold improvements and office furniture and equipment

Generally, leasehold improvements, furniture and office equipment used by the key sites and the end units are owned by the Group.

9.10.3. Computers and peripheral equipment

9.10.3.1. IT systems in the Group in Israel

The Group's IT systems are essential to the management of its businesses, and the Group views some of them a strategic asset. Group companies own a wide range of computer equipment items, that include servers, infrastructure and communication equipment, terminals and other peripheral equipment. In addition, the Company has a wide range of ownership rights and/or rights of use in various software, including internal-use software.

The Group uses IT systems in its various activities, including, among other things, in the management of its funds (including Group customers' savings), the management of customers and their rights, back-office systems, organizational systems, and decision support systems.

The activity in the field of IT is carried out by Clalbit Systems, which is a wholly-owned subsidiary of the Company. Clalbit Systems is in charge of the provision of IT services to Group companies, and as of the report date does not provide services to companies outside the Group. Clalbit Systems contracts external suppliers to execute some of the services.

The Group has two computer centers that backup each other in an Active-Active format. In addition, there is a third site abroad, that is used solely to backup data. The Group's ability to continue providing high-level services to its agents, policyholders and customers, and to operate certain core processes is essential for its business continuity. The Group has a business continuity management (BCM) function, and a business continuity plan, that maps critical processes, which are required for recovery, emergency files that are designed to assist the activity at the level of the various divisions, and a technological disaster recovery function, that allows quick recovery of technologies. In addition, the Company is prepared to allow its employees to "work remotely" in a secure manner in order to continue providing services in all operating segments.

9.10.3.2. The Group's investments in the IT systems

The Group takes steps to develop and upgrade its IT systems from time to time, according to its needs and the needs of Group companies. Following are the material steps carried out in connection with the Group's IT systems in the reporting year, some of which are expected to continue after the reporting year.⁸⁵

Life insurance systems

In life insurance, Clal Insurance operates through two main core systems, that were developed many years ago. The functional redundancy of those systems increases the operating and maintenance costs in this segment and makes it difficult to adapt the systems to all of the Company's needs, including in connection with external data and regulatory interfaces, the requirements for which have been expanded in recent years. For further details regarding these requirements, see Section 6.3.1.3 above. In recent years and in the reporting year, the Company has been working to expand and improve the core systems of the life insurance subsegment, such that the existing core systems will become more efficient; it also implements supplementary control and operational actions in order to ensure the adequacy of the supported processes.

In view of the complexity of the said systems, their limitations and redundancy, the Company made a comprehensive assessment of the long-term processes that it is required to implement in the future in order to improve its automation capabilities, including, among other things, in relation to the management of planholders' benefits, and formulated a strategic plan, as part of which, among other things, some of the relevant systems are upgraded, modules are incorporated into organization-wide infrastructures, and development of new components in the existing systems using modern technology.

Recognizing the importance of efficient and current automation systems, the Company prioritized this

85. Some of the services in the core systems are carried out through external suppliers (operating services in provident funds, which also include the automation of the activity, are carried out through Bank Leumi, and maintenance and development services to the system for the management of the pension funds activity are provided by Sapiens).

issue, and in recent years it invested hundreds of millions of shekels in upgrading and improving the automation systems in the long-term savings segment. For further details, see Note 6 to the Financial Statements.

In the Company's opinion, its existing IT systems in the life insurance subsegment, and the infrastructure of organizational information that was developed serve the Group's needs for the forthcoming period. In view of the multiple changes in regulatory provisions that apply to the activity of the Group's institutional entities (including as detailed above), that give rise to material changes and significant reforms in the insurance activity in general and in the long-term savings segment in particular, the Group is undergoing an ongoing process of adapting its computer systems to the regulatory provisions and to the changes and reforms they undergo, including, among other things, by upgrading the systems in technological terms and by developing new components, and ensuring compatibility between the computer systems and the terms of the products offered by the Company (such as: insurance policies and rules and regulations of pension and provident funds).

The Group is of the opinion that the process of adapting the computer systems to regulatory provisions and the upgrading of the computer systems that support its activity, such that they will support all of the Group's products in the long-term savings segment will continue in the next few years and will involve material costs and operational preparations by the Group's institutional entities. The development needs are derived both from the needs of the business activities, and from regulatory provisions.

The digital domain

The Group has set itself the target of continued promotion of digital innovation, with an emphasis on the provision of information, independent execution of actions in the Company's digital channels (agents, customers, employers) and sales. Investments in automation and digitation address the customers' needs, increase efficiency, and will continue to do so. For further details, see Section 9.18 below.

During the reporting year, the Group launched advanced digital tools, including in the field of service, claims and sales, and expanded the self-service actions available to the Company's customers and agents. Furthermore, the customers website and the "Clal's Button" app can be used by customers to access a broad range of services, including display of information and execution of digital actions, such as filing a claim, viewing information in the personal zone, and an increasingly growing range of actions. The incorporation of digital tools into the Company's activity improves the accessibility of information and services to customers as well as the customer experience, intensifies competition and increases operational efficiency. The Company expects that these trends will continue in the future with the expansion of the digital services and the incorporation of artificial intelligence mechanisms as part thereof.

For details regarding the Group's automation expenses, see Note 38 to the Financial Statements. For details regarding the scope of purchases and internal-use software and computers, and the amortization thereof, see Notes 6(a) and 8(a) to the Financial Statements.

Cloud services

In recent years and as part of the emerging trend across the world, the Company has been using cloud services on an as needed basis. The Company incorporated a number of cloud-based systems, including the CRM system - an advanced customer relations management system. In the reporting year, the Company continued the implementation and incorporation of the system, and expects that if the process is completed, the system will lead to an improvement of the processes of sale and services to customers and agents. The project is expected to take a number of years.

As part of the integration of artificial intelligence mechanisms, the Company uses specialized cloud services.

Additional systems

As part of its preparations for the implementation of IFRS 17, the Company is making preparations for adapting the computer systems for the purpose of implementing the standard. The said preparations are expected to continue until the coming into effect of the standard in accordance with the relevant regulatory provisions, and it involves material costs. For further details, see Note 4 to the Financial Statements.

9.10.3.3. Management of cyber risks by the Company

- The Company manages the cyber risks in accordance with principles and guidelines set forth in the Cyber Security Policy, that was approved by the Company's Board of Directors; this is carried out through and under the direction of the Group's Chief IT Officer, its Head of Cyber Security, and the Cyber Security Steering Committee headed by the Company's CEO, in which the Chief Risk Officer is also a member.
- The Company is certified by the Standards Institute of Israel in connection with a number of international information security and business continuity standards: ISO22301 (Business Continuity) and ISO 27001 + 27799 (Information Security). The Company has an annual cyber security work plan, which is approved by the Board of Directors, and the Company's management receives regular reports about the status of compliance with the work plan. Furthermore, the Board of Directors receives regular reports about the incorporation of products in the field of cyber security, the level of employees' awareness, the review of preparedness and exposure of material systems, the approval of engagements and material transactions involving computer systems, and the approval of material cloud-based projects. The Company conducts cyber drills from time to time and on an as needed basis, in collaboration between the management and the Board of Directors.
- The Company carried out various processes for identifying and assessing the cyber risks, and takes action to mitigate them, including - activating a monitoring and control system; conducting risk surveys, identifying anomalies; making adaptations to the architecture, which make it difficult to attack the systems; integrity checks, data confidentiality and availability; checks as part of the processes of employee recruitment and engagement with suppliers; increasing employees' awareness; maintaining physical security; protecting the network; protecting systems and apps; access compartmentalization and segregation of duties processes; performance of audits by the Company's Internal Audit Department (including through external parties that specialize in this field); setting ways to deal with cyber incidents (according to a severity hierarchy), and more.
- With regards to the outsourcing of a material service, the Company has in place a structured risk management process, as part of which the supplier undertakes to meet the information security requirements set by the Company; in addition, from time to time the Company audits the information security arrangements of suppliers.
- Once in a while, systemic drills are carried out for the Company's management and Board of Directors, in order to practice decision-making under uncertainty for the cyber risks. This is also carried out in accordance with the Commissioner's guidance and a reference scenario outlined by him.
- The Company has in place a cyber insurance policy that provides coverage at a limited amount in connection with expenses, liability and certain damages that will be caused due to a cyber event.⁸⁶
- The Company carries out regular risk management actions, as part of which it conducts security tests to the organization's systems in order to ensure that protections are in place and mitigate exposures. The surveys are conducted by an independent party that specializes in conducting penetration tests and security surveys.
- In recent years there has been a constant increase in attempted cyber attacks and in the range of methods employed to carry out such attacks. The Company has and is taking significant steps to protect itself from the many cyber threats that characterize this period, including: Using intelligence sources, with an emphasis of phishing attacks, conducting comprehensive tests to ascertain the level of the organization's cyber resilience, taking into consideration the changing threats, while taking proactive actions involving the Company's protection systems; providing a quick response by the response teams in investigating suspected attempts to log-on remotely to the Company's network, or any other irregular activity by employees; enhancing technological controls, and distributing guidance in order to increase Company employees' awareness; the Company continues its strict management of the cyber risk in accordance with the changing threats.
- In the reporting year and due to the Iron Swords War, there has been a significant increase in the number of cyber attacks. Due to the said attempts, the Company tightened its cyber security policy, including by way of ongoing review of authorizations and remote connection to the organization's

86. The policy includes a deductible.

systems; it also accelerated dedicated projects designed to enhance cyber security in the organization.

- In view of the ever changing threats and the developments in cyber technology, and specifically in light of the constant increase in the scope of cyber attacks and the range of methods employed by attackers and the improvement in cyber attack capabilities also as a function of the attacker's identity, the Group is required and will be required in the future to regularly adapt its defense processes and measures, including by constantly assessing tools in the field of cyber security, and reviewing its work processes and organizational tools.

For further details regarding the Group's exposure to cyber risks, see Section 9.16(c)(6) below.

9.11. Seasonality

9.11.1. Long-term savings

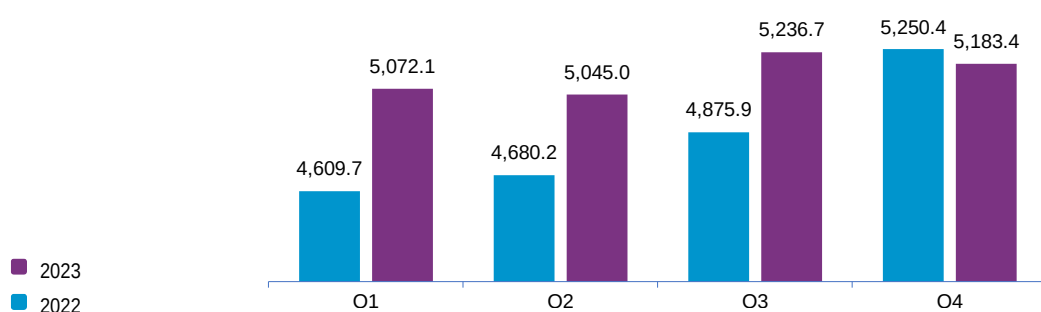
Generally, the income from life insurance premiums, and management fees income from pension funds and provident funds are not affected by seasonality, and therefore claims are also not affected by seasonality.

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 there is an increase in contributions 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.

Following is the breakdown of the gross premiums and contributions towards benefits in the long-term savings division in the past two years by quarters (in NIS thousand):

2023	Q1	Q2	Q3	Q4	Total
Premiums and contributions towards benefits - in NIS thousand	5,072.1	5,045.0	5,236.7	5,183.4	20,537.2
2022	Q1	Q2	Q3	Q4	Total
Premiums and contributions towards benefits - in NIS thousand	4,609.7	4,680.2	4,875.9	5,250.4	19,416.2

Breakdown of gross life insurance premiums and contributions towards benefits by quarters in 2022-2023 in NIS million



9.11.2. Property and casualty

As a general rule, income from premiums in the property and casualty segment are not affected by significant seasonality. However, there are differences between the quarters due to a different business mix.

There are insurance agreements of business policyholders and large car fleets that are characterized by high premiums, whose renewal or termination may affect premium fluctuations in certain months of the

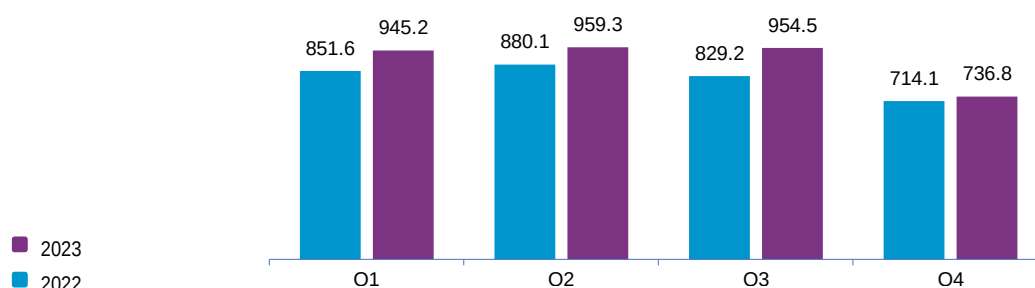
year. The effect of this seasonality on the reported income is neutralized through the provision for unearned premium.

There is no significant seasonality in other components of expenses, such as claims, and in other income components income, 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 income for the period decreases.

Following is the breakdown of the gross premiums in the P&C Insurance Division in the past two years by quarters (in NIS thousand):

2023	Q1	Q2	Q3	Q4	Total
Premiums in NIS thousand	945,177	959,328	954,455	736,765	3,595,725
2022	Q1	Q2	Q3	Q4	Total
Premiums in NIS thousand	851,628	880,110	829,165	714,127	3,275,030

Breakdown of gross premiums in P&C insurance by quarters in 2022-2023 in NIS million



9.11.3. Health insurance

The health insurance segment is not characterized with seasonality. In the travel insurance subsegment, the number of policies sold to people who travel abroad increases during the summer and the Jewish holidays. However, the above does not have a significant effect on the breakdown of total premiums in the health insurance subsegment during a calendar year.

In the fourth quarter of the reporting period, there was a decline in the scope of activity in the travel insurance subsegment due to the Iron Swords War, an increase in the costs of settling claims, due to, among other things, changes to travel destinations and travel dates, and increase in the incidence of claims in respect of cancellation coverage and shortening travel periods.

9.12. Intangible assets

9.12.1. Intellectual Property

The Group uses the names and logos of Group companies, most of which are in the process of being registered as trademarks in the name of the Group.

During the course of their activities, Group companies use software owned by Group companies and/or software for which licenses were purchased; for further details, see Section 9.10.3.1 above.

The Company develops - through its employees and suppliers - copyright-protected software for internal use.

The Company owns online domain names.

For further details regarding intangible assets, see Note 6 to the Financial Statements.

9.12.2. Databases

Group companies have databases, which include, among other things, data of customers, agents, service providers, and are used, among other things, in marketing activities, while using advanced software (CRM), that allow the segmentation of data in a range of cross-sections. The Company's marketing strategy is based on the databases, which are essential for the management of the Group's

businesses.

The Group operates on an ongoing basis to register the databases it holds in Israel in the records of the Databases Registrar, according to the provisions of the law.

9.13. Legal proceedings

Material legal proceedings are pending against the Clal Group, including motions to certify claims as class actions according to the Class Actions Law. Below are details regarding material claims outside the ordinary course of business, including class actions, whose filing as class actions has been certified; pending motions for certification of material claims as class actions; motions to certify material claims as class actions that were concluded during the reporting year; material class actions that were concluded during the reporting year and until the report publication date; immaterial class actions; and material claims against the Group outside the ordinary course of business, including a derivative claim, see Note 45 to the Financial Statements.

As to legal risk factors in connection with class actions, see Section 9.16(b)(5) below.

For further details regarding the risk associated with class actions, see Note 45(1.1) to the Financial Statements.

For a summary of the Company's exposure to legal proceedings, see Note 45(2.4) to the Financial Statements.

9.14. Financing

9.14.1. Rating

For details regarding the rating of Group companies, and notes they issued, as of the report publication date, see Note 26(f) to the Financial Statements.

9.14.2. Credit

For details regarding the subordinated notes, which constitute Tier 2 capital for purposes of Economic Solvency Regime, see Note 26(b) to the Financial Statements. For details regarding restrictions on recognition of notes as Tier 2 capital for solvency purposes, see Note 17(f)(1)(e) to the Financial Statements.

For details regarding the repayment of the CIMax loan subsequent to the report date, see Note 26 to the Financial Statements.

9.14.3. Raising resources to cover the operation of the Company's businesses

In the forthcoming year, the Group may be required to raise sources by way of capital raising and/or issuance and/or exchange and/or credit from banks (through Clalbit Finance, Max and/or the Company) all subject to developments in Max and Clal Insurance's capital status, a capital target that will be set by the Board of Directors, market conditions, business opportunities, regulatory developments, and the approval of regulators as required.

As of the report date, the Company and Clalbit Finance have valid shelf prospectuses.

The information pertaining to the need to raise capital to cover the operation of the Company's operating activities in the forthcoming year constitutes forward-looking information, which is based on the Company's assessments and assumptions as of the report publication date. Actual implementation may be materially different than predicted, due to, among other things, regulatory requirements that will be set, the situation in the capital market, the business position of the Group's subsidiaries, actions taken to optimize the Group's capital and debt management, and the materialization of the risk factors listed in Section 9.16 below.

9.15. Taxation

For a description of the tax arrangements applicable to the Group, see Note 24 to the Financial Statements.

9.16. Discussion of Risk Factors

This section, which discusses the Company's risk factors, also includes forward-looking information. Forward-looking information is uncertain information about the future, based on information available to the Company as of the report date, and includes assessments or intentions of the Company as of the report date. Actual results may be materially different from the results assessed or implied by this information, including, among other things,

due to changes in the business environment and/or the risk factors, including future risk factors.

Institutional entities are required to appoint a Chief Risk Management Officer. For a description of the responsibilities of the Group's Chief Risk Officer, and for details regarding the risk management policy and the risk management processes and methods in the Group, including a description of the work processes and the methods employed to identify the risks and controls in Group companies, see Note 42 to the Financial Statements.

Set forth in the table below are the risk factors by macroeconomic risks, industry-specific risks, and risks specific to the Group, as well as details regarding the risk factors.

Risk factors	The extent of the risk factor's impact on the Group		
	High	Moderate effect	Minor effect
A. Macroeconomic risks			
Economic slowdown in Israel	X		
Global economic slowdown and price decreases in capital markets	X		
Overall market risk	X		
Specific market risks:			
Interest rate risk	X		
Credit spread risk		X	
Inflationary risk		X	
Foreign exchange risk		X	
Share price risk	X		
Other assets price risk		X	
Credit risk		X	
Environmental, social and corporate governance risks (ESG)			X
B. Industry-specific risks			
Insurance risks	X		
Portfolio retention	X		
Catastrophe risks:			
Earthquake in Israel		X	
Terror and/or war in Israel		X	
Pandemic		X	
Stability of reinsurers		X	
Strategic risks:			
Changes in legislation and regulation	X		
Competitive risks	X		
Availability of reinsurers		X	
Legal risks	X		
C. Group-level risks			
Compliance and regulation risks	X		
Liquidity risk			X
Underwriting, pricing and assessment of the insurance liabilities		X	
Operational risks	X		
IT risks	X		
Information security and cybersecurity risks	X		
Business model risks			X
Reputational risk	X		
Engagements with external suppliers		X	

The effect of the risk factors listed above is based on Group management's judgment, based on the information available as of the assessment date, is in respect of each and every risk, and takes into consideration the estimated probability for the materialization of the risk and its potential result. The assessment of the impact of the risk factors covers direct impact on the Group but does not take into account indirect effects.

A. Macroeconomic risks

(1) Economic slowdown in Israel

The Group has material exposure to the state of the Israeli economy; a slowdown in the Israeli economy might affect the scope of the Group's businesses, in particular in the long-term savings segment, including: The total amount of public savings might decline; arrears might arise in contributions, and withdrawals may increase; an increase in the unemployment rate and an erosion of real wages might increase the cancellation rate and cause a decline in premiums and contributions towards benefits that will be collected by the Group's institutional entities, as well as an increase in claims. In addition, as a result of such a slowdown, the risk associated with the Group's exposure to Israeli entities due to its investments and certain insurance actions might increase (see credit risks and market risks below).

(2) Global economic slowdown and price decreases in capital markets

The Group is exposed to the risk that the value of its investments in financial assets in the international markets and in other assets abroad will decline. A global economic slowdown might also affect the results of Clal Credit Insurance, which insures debtors' debts in various countries, which are affected from the state of the economy in those countries. Furthermore, the stability of reinsurers with whom the Group enters into engagement might be adversely affected as a result of declines in capital markets across the world or an economic slowdown in the countries in which they operate.

(3) Overall market risk

The prices of assets and the rates of returns in capital markets in Israel and across the world greatly affect the Group's business results. The Group's own investment portfolio (hereinafter - "Nostro"), and the asset portfolios of planholders and policyholders in yield-dependent insurance policies, provident funds and pension funds (hereinafter - "Portfolios Managed for Others") are invested in various assets in Israel and abroad, and their value fluctuates due to, among other things, changes in interest rates, share prices and prices of other assets, credit spreads, the actual inflation rate, inflation expectations and exchange rates.

The Group is exposed to losses in respect of changes in these risk factors as a result of their direct impact on the value of the assets comprising the Group's nostro portfolios. Failure to comply with the target return, according to which the products were priced and the insurance liabilities were calculated, might have an adverse effect on the Group's business results.

The Group is also exposed to an overall market risk indirectly, as a result of the effect on the Group's income due to the returns achieved in Portfolios Managed for Others. As part of the Group's activity in the management of those funds, Group companies collect fixed management fees on accrual, whose amount might be adversely affected when the value of total assets under management declines, due to negative returns and/or decline in the amounts of contributions and/or redemptions and/or transfers.

Furthermore, in accordance with the provisions of the law, in some of the yield-dependent insurance policies sold in 1991 to 2003 (hereinafter - the "**Participating Portfolio**"), Clal Insurance collects - in addition to the fixed management fees - also variable management fees, which are calculated as a percentage of the real return of the investment portfolio, net of fixed management fees and direct transaction expenses (hereinafter in this section - the "**Addition**"). The Addition is calculated every year on an annual basis at positive or negative values. According to the provisions of the law, the insurer will only collect a positive Addition; however, the insurer will deduct from the calculation of any positive Addition any negative Addition that has accumulated in prior periods. The Addition referred to above affects the Group's profitability. For details regarding the quantitative effect - as of December 31, 2023 - of the exposure to market risk arising from the management of funds as described above, see Note 42(c) to the Financial Statements. Since the calculation of variable management fees in any given calendar year is made on an accrual basis, during the course of the year management fees are collected from or refunded to policyholders in accordance with the real return carried in the quarter, and consequently there may be significant fluctuations in income from management fees between the quarters.

(4) Specific market risks

The assets of the nostro portfolios and the liabilities held against them never fully correspond to each other in terms of the cash flow, its timing, linkage basis and currency. Furthermore, there is no full symmetry in the accounting treatment applied to the assets and the liabilities, and there is also variance in accounting principles and the principles of the Economic Solvency Regime. Therefore, the Group's economic capital, the accounting capital, the solvency ratio and the comprehensive income are exposed

to changes in risk factors, the key of which are detailed below. The capital requirements that apply to the Group's insurance companies in accordance with Economic Solvency Regime are based on economic principles. It should be noted that the types of risks that will be detailed below also apply to others in an intensity and direction, which are not necessarily identical to those described regarding the nostro portfolios.

- A. **Interest rate risk** - in economic terms, the Group's main exposure is to a decrease in interest rates and a flattening of the interest rate curve, since the average duration of its liabilities is significantly longer than that of its assets. In addition, a decrease in interest rates might also adversely affect Clal Insurance's economic solvency ratio and cause volatility therein. In the current interest rate environment, the Group is also exposed in accounting terms to losses in case of a decrease in interest rate, despite the fact that the intensity of the exposure declined due to regulatory changes and proactive asset and liability management measures taken by the Company. The interest rate exposure affects the calculation of the reserves, including, among other things, with regard to the discount rates used in the liability adequacy testing (LAT), the calculation of the K factor, and the calculation of pension reserves, at a scope that may exceed the capital gains that will arise under that scenario in respect of assets that are sensitive to interest rates (see Note 42(e)(e1) to the Financial Statements. However, the Group might also be exposed to certain scenarios of interest rate increase due to the relatively long average duration of the assets, taking into account the fact that most of its liabilities are long-term liabilities, since according to the accounting method currently in use, under certain scenarios of changes in the interest rates, the change in the market interest rate does not necessarily correspond to the discount rate used to discount the various insurance liabilities. It is noted that from a long-term perspective, the Group is also exposed to a prolonged period of low interest rates, with an emphasis on the index-linked interest, which might make it difficult to achieve the guaranteed return in guaranteed return products, the achievement of the return according to which other insurance products were priced, and even cause a reassessment of the actuarial valuations of the Group's insurance liabilities (see Note 42(c)(3) and Notes 42(e)(e1)(d)(1) and 42(e)(e2)(4) to the Financial Statements).
- B. **Credit spread risk** - the Group is exposed to a risk that it will incur losses as a result of the effect of changes in credit spreads in the market on the value of liquid debt assets, and as a result of a certain effect on the calculation of some of the Group's illiquid debt assets, and the calculation of some of the insurance reserves.
- C. **Inflationary risk** - the Group is exposed to an increase in inflation rates, since most of its insurance liabilities are adjusted to the inflation rate on a monthly basis, but the assets held against them are not necessarily linked to the CPI. Furthermore, since the collection of variable management fees in the Participating Portfolio depends on the real return that was achieved, an increase in the inflation rate might have an adverse effect on the Group's income from management fees. In addition, part of the Group's financial debt is CPI-linked, and an increase in the inflation rate will increase the Group's finance expenses.
- D. **Foreign exchange risk** - the Group is exposed to changes in foreign currency exchange rates, mainly in the portfolio of investments abroad, which is not fully hedged in respect of changes in exchange rates.
- E. **Share price risk** - the Group is exposed to changes in the prices of liquid shares, which are characterized with potentially high volatility, both in the nostro portfolio, and in the portfolios managed for others. In view of the scope of the Participating Portfolio's exposure to shares, the volatility in share prices may have a material effect on the amount of variable management fees that will be collected by Clal Insurance.
- F. **Other assets price risk** - the Group is exposed to alternative investments, that include investments in real estate and real estate funds, investment funds, illiquid shares and other investment instruments. These assets are exposed to changes in their value, which might arise, among other things, from changes in capital markets in Israel and across the world, changes in commodities prices, discount rates and real estate prices, and from specific business risks. In view of their nature, these investments are less susceptible to volatility than liquid investments and respond to market events at a certain delay. For further details regarding sensitivity tests relating to market risks, see Note 42(c)(2) to the Financial Statements.

(5) Credit risks

The Group is exposed to the option of incurring financial losses as a result of a downgrading of the credit rating and insolvency of borrowers and other debtors, in view of its exposure to financial assets, through the Group's insurance segments, that include Sale Law policies and credit insurance, and as a result of its exposure to other debtors, including agents, employers, policyholders and reinsurers. In respect of its holdings in debt assets, the Group is exposed to a decrease in the value of the assets as a result of a deterioration in the debtor's financial strength (including debt arrangements), and/or as a result of an increase in the credit spreads in the market, as stated above.

Furthermore, an increase in the cases of insolvency of businesses in Israel might also affect the scope of claims in the Group's directors and officers liability insurance subsegment (see Section 7.1.1.3 above), the scope of employers' debts due to failure to transfer contributions towards pension benefits for their employees, which requires the Group's institutional entities to instigate collection proceedings, and the insurance risks associated with the activity of Clal Credit Insurance (see Section 16.9(b)(1) below).

As part of its assets portfolio, the Group is exposed to various economic sectors, mainly the banking and finance sector (which also includes exposure through deposits), the infrastructure and energy sector, and the local real estate sector. The exposure to the banking and finance sector also stems from the fact that the Group holds substantially all of its assets and its customers' assets in accounts with banks, financial institutions and brokers in Israel and abroad, and receives acquiring services through banks. In addition, the Group is exposed to reinsurers as described above (see Section 9.16(b)(4) below). Although the Group takes steps to increase diversification as much as possible, the exposure to the Israeli banking sector is characterized by exposure to a relatively small number of counterparties with high rating, as a result of the concentrated structure of the sector in Israel. A deterioration in the financial strength, counterparties' failure to meet their obligations, or a default event in any of the said entities might have a material adverse effect on the Group's business results.

For further details about credit risks, see Note 42(f) to the Financial Statements.

(6) Environmental, social and governance risks (ESG)

The Group is exposed to the risk that its business or financial profile and/or its reputation will be adversely affected as a result of exposure to environmental, social and corporate governance events in its various business lines (including an indirect exposure through reinsurers), and the risk that its investment activity will be adversely affected, which has an indirect effect on Clal Insurance itself.

B. Industry-specific risks**(1) Insurance risks**

In the insurance activity, the Group is mainly exposed to risks associated with changes in the risk factors compared to actuarial assumptions, and to the risk posed by a single large event or accumulated losses in respect of a catastrophe event.

The actuarial models through which the Group's insurance companies price products and assess the insurance reserves they hold are mostly based on the assumption that the pattern of behavior and claims in the past represent that which is to happen in the future. Changes in the risk factors that affect the incidence and severity of the events, compared to the assessments made using the actuarial model, might have a material adverse effect on the Group's business results and its economic solvency ratio:

In property and casualty insurance, the main insurance risks arise from the discrepancies between the risk at the time of pricing and at the time when the insurance liabilities are assessed, and the actual events. The discrepancies may be due to accidental changes in insurance business results, changes in average claim costs and/or the incidence of claims as a result of various factors. Specifically, in the liability insurance subsegments there is significant uncertainty as to the cost of claims, due to, among other things, the passage of time between the event date, the disclosure date and the payment date (long-tail claims).

In the credit insurance businesses, the main insurance risks are credit risks, which arise from the debtors' ability to meet their obligations, and also depend on the business and economic environment. Foreign trade risk insurance also involves a political risk abroad. Furthermore, catastrophe events, such as war, international sanctions, shutdown or strike, embody credit risks due to their impact on the debtors' ability and/or willingness to meet their obligations.

In life insurance and health insurance businesses, the main risk factors include demographic risks, such as: Changes in mortality rates, changes in morbidity and disability, their duration and medical developments, risks pertaining to behavior, options in policyholders' policies and the development of medical inflation (for further details about sensitivity tests regarding actuarial assumptions, see Note 42(e)(e1) to the Financial Statements). Specifically, in life insurance, the increase in life expectancy and/or the increase in the rate of policyholders, who will withdraw the funds accumulated in life insurance funds under the Group's management in the form of annuity, and for which there is a guaranteed life expectancy annuity conversion factor, and/or changes in policyholders' selecting the annuity track from among the tracks offered under the policies, may require the Group to increase its insurance liabilities, mainly in insurance funds in which the annuity conversion factor is set based on mortality tables that differ from those currently known or those that will be known in the future. Furthermore, there is a risk that the level of expenses over the life of the portfolio shall be higher than estimated, due to, among other things, changes in planholders or policyholders' behavior, the uptake of the option to transfer the funds accrued in the fund or the policy, and regulatory changes. Specifically, in the health and long-term care insurance subsegments and in disability insurance coverages, the main risk is an increase in morbidity and disability rates, which affect both the number of the claims, their duration and their cost; such an increase may also be impacted by changes in the interpretation of the insured event by the regulator and/or the courts. Another risk factor is the risk that the exercise rate of the insurance continuity option without underwriting in collective insurance will increase, and that such an option will be exercised by those policyholders, whose insurance risk is higher.

(2) Portfolio retention rate

Changes in the portfolio retention level, which depends on the cancellation, suspension and transfer rates, constitutes a significant insurance risk in life and health insurance businesses, since the profitability in this segment is based on income from premiums (positive or negative) and the collection of management fees over the policy's life. (For further details about sensitivity tests regarding cancellation assumptions, see Note 42(e)(e1)(c) to the Financial Statements). The portfolio retention level constitutes a significant risk also in the pension fund and provident funds management businesses (for details about transfer as part of signing-on in a pension fund, see Section 6.3.1.1 above; for details regarding published legislative provisions limiting contributions to executive insurance, see Section 6.2.1(a) above). It is noted that the cancellation of policies also involves the derecognition of the deferred acquisition costs in respect of those policies.

(3) Catastrophe risks

The Group is exposed to the risk that a single event with a large impact (catastrophe), such as: An earthquake, natural disasters, war, terror event, or pandemic, will result in accumulated losses at a large amount.

- **Earthquake in Israel** - the material catastrophe event, to which the Group is exposed, is an earthquake, mainly in respect of its exposures in property insurance, and in life and health insurance.
- **War and terrorism risks in Israel** - the Company is exposed to such an event mainly in life and health insurance.
- **Pandemic** - the Company is exposed to such an event mainly in life and health insurance.

Clal Insurance purchases partial protection against the accumulation of security events that includes, among other things, protection against earthquakes, natural disasters, and damages due to war and terror events. These protections are limited, among other things, by the coverage limits, the amounts of the Company's participation in retention, or by dates. It is noted that in relation to the catastrophe contract in life and disability insurance, which covers a significant damage that takes place during seven days of war, most reinsurers excluded the active and passive war risks from the insurance coverage for 2024, in view of security developments following the Ukraine war and the Iron Swords War. The scope of the coverage purchased is based on model and/or studies-based assessments regarding the extent of the damage expected to occur in a catastrophe event with a given probability, the materialization of the forecasts set therein is uncertain. If the actual damage is higher, the Group will bear the excess damage, which may be material. For details regarding the scope of the defense purchased in respect of catastrophe events, see Section 9.6.7 above.

(4) Stability of reinsurers

The Group's insurance companies reinsure part of their businesses through foreign reinsurers. However, reinsurance does not release the direct insurers from their obligation to their policyholders under the insurance policies. The Group is exposed to risks arising from a counterparty risk, in view of uncertainty regarding reinsurers' ability or willingness - or restrictions that will apply to reinsurers, including due to international restrictions on payment in respect of certain policyholders - to pay out Group companies their share of the insurance. Although Group companies' exposures, which are backed with reinsurance, are divided between various reinsurers, there are restrictions in place as to the maximum potential exposure to reinsurers, and the main exposures are to reinsurers with a high international rating; a withdrawal of one of the large reinsurers, with whom the Group entered into engagement, may have a material effect on the Group. The Group has a very material exposure in the event of a material catastrophe event, which occurs concurrently with the withdrawal of a large reinsurer, which insures the Company in respect of such an event. However, the probability that such an event will materialize is estimated as low, due to the two events having low common probability. For details regarding Group companies' exposure to reinsurers, see Note 42(f)(8) to the Financial Statements. Regarding sanction clauses and coverage of war damage in reinsurance treaties, and the difficulty in achieving and renewing reinsurance treaties, see Section 9.6.5.4 above.

(5) Strategic risks

The Group is exposed to changes in the environment in which it operates, which might have an adverse effect on its businesses, and in particular:

- **Changes in legislation and regulation** - The Group is exposed to changes in legislation and regulation in connection with its areas of activity, some of which constitute significant reforms. Specifically, some of the regulatory changes that were made in recent years, and some of those proposed, including drafts which are not final, may constitute a threat on components of the subsegment's business model. Furthermore, changes in legislation and regulation, including primary legislation, government policy considerations, circulars, decisions in principle, position papers, and provisions that the Commissioner have the power to introduce in connection with a change of policies' terms and conditions, including tariffs, may affect the Company both when approving new products and in relation to products that were sold in the past, including by way of canceling and replacing products (including temporary suspension of the sale of products, whose terms and conditions were changed), by way of retroactive application, and due to their effect on the interpretation of agreements that were entered into in the past.
- **Competitive risks** - the Group is exposed to high levels of competition in all of its areas of activity, including as a result of structural changes in the market, the introduction of new competitors - both issuers and distribution channels - and a lack of a product offering that is sufficiently diverse, as well as possible structural changes in the industry resulting in aggregate concentration. The increase in competition is also affected by regulatory changes referred to above and the removal of entry barriers. For further details, see Section 9.3.1.2 above. These changes might have an adverse effect on the Group's profitability, both due to their direct effect on the profitability of products and services that the Group engages in, and due to the increase in operation, marketing and distribution costs. For additional information, see Sections 6.3, 7.2 and 8.3 above. For details regarding recommendations of the Taskforce for Assessing Institutional Entities' Holdings in Payment Card Companies, see Section 9.2.6 above.
- **Availability of reinsurers** - The continuation of the Group's activity in various insurance areas, in which it relies on reinsurance coverage, is exposed to the availability of such reinsurance by reinsurers who meet the threshold conditions set by the Company, which depends, among other things, on the reinsurers' willingness to participate in the risk, at the appropriate capacity and price.
- **Legal risks** - the complexity and scope of the Group's activity, and in particular the long duration of the insurance and reinsurance treaties, create a material exposure to legal risks, that might arise from deficiencies in legal documents, including policies and reinsurance contracts, operational deficiencies in the implementation of agreements, and changes that occur over time in interpretation or in setting behavior criteria, also in relation to products that were sold many years ago, and even retrospectively. Other risks arise, among other things, from legal precedents with regard to payment of claims, which may increase the amounts of claims that Group companies may be required to pay, and from regulatory guidance and decisions. The above might expose the Group to material claims

that are outside the ordinary course of business, which may affect the activities and/or the financial results of Group companies, or the need to increase the insurance liabilities.

In particular, the Group has a material exposure to class actions and derivative claims, both claims and class actions in respect of which legal proceedings were instigated, and claims and class actions in respect of which the potential exposure to the filing of a class action or a derivative claim was brought to the attention of Group companies through self-disclosure and/or through various methods of enquiry by customers or third parties, and derivative claims and class actions that Group companies are not aware of. In recent years, there has been an increase both in the number of motions to certify class actions and in the number of lawsuits, which are certified by the courts as class actions. (For further details regarding the exposure to class actions and derivative claims, see Note 45(2) to the Financial Statements).

C. Group-level risks

Following are risks that may materialize at Group level, without materializing at the same time in all or in most of the companies operating in that sector:

(1) Compliance and regulation

The Group's activity is subject to many legal provisions and to the supervision of various regulatory bodies. The ability of the Group's institutional entities and agencies to operate in their areas of activity is conditional on holding relevant licenses and permits, including compliance with regulatory capital requirements, including Economic Solvency Regime; for details, see Section 9.3.1.2 above. Furthermore, material Group activities are subject to specific and complex regulation. In particular, the insurance and long-term savings activities are subject to regulatory provisions that change from time to time in respect of products that were sold over many years and have a long insurance coverage period and/or a long saving period. Failure to comply with regulatory requirements might cause the imposition of sanctions, including, among other things, revocation of licenses and permits, financial penalties imposed on the Group, and clawback provisions, also as part of audits by regulators or complaints or malfunctions that are detected and may even constitute the basis for claims against it. For further details, see Note 45(2.2.3.2) to the Financial Statements. Changes in the control structure in the Company, which is a company without a control core as detailed in Note 1 to the Financial Statements, may affect the composition of the Company's various organs, and its conduct, due to, among other things, regulation. Furthermore, future changes in control in the Company and/or corporate governance events may adversely affect the business and financial profile of the Group and/or its reputation, the availability of funding sources, and the rating of the Company and its subsidiaries. The existence of clauses pertaining to change of control in certain agreements of Group companies with third parties (including reinsurers) may require, once circumstances involving such change of control exist, negotiations with such third parties for extending the terms of the agreements.

For further details regarding the control permits to the institutional entities controlled by the Group and regarding the status of the control permits in the Company and its institutional entities as of the report date, see Note 1 to the Financial Statements.

(2) Liquidity risks

The Group is exposed to risks arising from uncertainty as to when Group companies will be required to pay financial liabilities, claims and other benefits to policyholders and other entitled parties in relation to the amount of funds available for that purpose at that date. A potential need for unexpected short-term borrowing may require the disposal of assets at significant scope under pressure at prices that will be lower than their market prices. As part of the Group's insurance liabilities, the liquidity risk is not estimated to be material, due to the large amount of liquid assets in the nostro portfolio, the large amount in inbound current cash flows from premiums and investment activities, and the fact that the payment of claims is conditional on the occurrence of insured events, some of which have long average duration. However, the liquidity risk may increase upon the materialization of a significant catastrophe event, or as a result of a significant financial event involving dollar liquidity risk.

(3) Risks pertaining to underwriting, pricing and assessment of the insurance liabilities

As part of its insurance activities, the Group is exposed to model risk - the risk of selecting the wrong model for pricing and/or assessing the insurance liabilities; to parameter risk - the risk of using wrong parameters in models, and to an underwriting risk - the risk of using wrong pricing as a result of deficiencies in the underwriting process.

(4) Operational risks

The Group is exposed to operational risks, that is to say, 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. The Group's exposure stems from processes that include, among other things, procurement, payroll, investment, collection, policies issuance, policies and long-term savings products operation, including making changes therein and attributing funds to the product's components and its various tiers, payment of claims, manual actions, entering data into the IT systems, generation of reports, calculation of reserves and processes related to activity with insurance agents, employers, payroll solutions providers, pension clearing system, institutional entities, and engagements with foreign parties, including foreign brokers and foreign clearing systems, reinsurers and service providers. Among other things, the Group is exposed to operational risks, including in respect of negligence on behalf of its employees, agents and third parties that work for it, and in respect of malicious actions that may result in claims of material amounts against the Group and/or material damages to the Group. The Group is also exposed to fraud by its customers and other parties it works with. These exposures to operational risks stem, among other things, from the complexity of the products and services currently and previously marketed by the Group, and from the complexity of the regulation that applies to its activity, which increase the risk that disputes will arise with customers regarding the interpretation or the implementation of a legal provision or an agreement, or that products and services will not be operated properly. This exposure is increased in long-term products, and specifically life insurance products, in view of their significant operational complexity, and the fact that they are exposed to frequent regulatory changes. In that context, it should be noted that current steps to improve the data of planholders' benefits in long-term savings may result in other operational and financial consequences, which the Group is unable to fully assess. Furthermore, the implementation process of legal provisions regarding interfaces for the execution of actions and transfer of information between the various entities operating in the pension savings market (the institutional entities, license holders, employers, policyholders and planholders), which entails interfacing with many parties, is highly complex and has significant short-term operational difficulties in the short term, although in the long-term it is expected to mitigate the operational risks associated with the relevant action (for details, see Section 6.3.1.3 above). In view of the scope of the Group's activities, with assets under management of approx. NIS 338 billion as of December 31, 2023, of which approx. NIS 299 billion are assets managed for others (see Part B to the Report - Report of the Board of Directors Section 2.2(a)), and despite the steps it takes to identify the risks and set adequate controls and actions to mitigate the risk, the scope of its exposure to operational risks, such as those listed above, is material.

(5) IT risks

A material part of the Group's activity relies on various IT systems. IT systems support the management processes, including the calculation of the rights of Group's customers. Lack of sufficient infrastructure and/or deficiencies and/or failures in the IT systems might cause material damage to the Group's activity. As stated in Section 9.10.3.2 above, the computer systems are undergoing a continued process in which they are being adapted to ever-changing regulatory provisions and ensuring that they are compatible with the Group's products. The malfunctioning of IT systems and/or IT systems that are not adapted to regulatory provisions and/or the lack of full compatibility between the computer systems and the terms and conditions of the products or the actions that are carried out might expose the Group to non-compliance with regulatory provisions, errors in data interfaces, and errors in the operation of products that are marketed by the Group and products that were marketed by the Group in the past.

(6) Cyber and information security risks

The Group is exposed to cyber risks, mainly in respect of the large volumes of sensitive information it holds, and in respect of the large amounts of funds under its management. These risks include, among other things, the risk of pecuniary damage, disruption to the orderly and continuous operation of the work processes, the availability, integrity and confidentiality of the information it holds and reputational damage, as a result of unauthorized use of its information assets and/or failures in its information security function and/or activities of hostile players, including in respect of the requirements the Company is subject to by virtue of regulatory provisions and means of enforcement established thereunder. For details regarding the management of cyber risks by the Company, see Section 9.10.3.3 above.

(7) Business model risks

The Group is exposed to changes in the business environment, the business model, including the manner of implementation of the strategy, or lack of adequate response to sectoral, economic or technological changes.

(8) Reputational risk

The Group's good name is an essential component of its ability to act in all of its areas of activity. Therefore, the Group is exposed to the risk that its business positioning will be adversely affected as a result of a damage to its image and good name as perceived by policyholders, planholders, institutional entities, investors, debtors, business partners, regulatory bodies, agents, distributors, media outlets and others, due to, among other things, public mood, and criticism of any of the parties listed above in connection with the manner by which the Group conducts itself, including in connection with claim settlement. In that context, it should be noted that the Company, Clal Insurance, Clal Credit Insurance and bonds issued by the Company and Clalbit Finance are rated by rating agencies (see Note 26(f) to the Financial Statements), and a downgrading of the rating might have a material adverse effect on their activities.

(9) Engagements with external suppliers

During the course of its activity, the Group enters into agreements with various suppliers and service providers, including operation of provident funds, payroll administration, appraisers, auto repair shops, suppliers of plumbing services, suppliers of medical services, suppliers of legal services, suppliers of IT services, and more. The Group is exposed to the risks that its reputation and profitability will be adversely affected due to the deterioration in the quality of services provided to it or to its customers, if the quality of the services provided by those suppliers will be inadequate, and to the risk arising a difficulty in finding alternative suppliers, where necessary.

9.17. Material Agreements and Collaboration Agreements

9.17.1. Following is a description of the material services to which the Company is a party or which concern it

- (a) **Agreement for the lease of spaces with Atidim** - High Tech Industrial Park Ltd. - On March 12, 2013, the Company entered into a binding memorandum of understanding with Atidim - High Tech Industrial Park Ltd., where under, the Company rents - for its own use and the use of Group companies - approx. 47,000 sq.m in office space (comprising of 24 floors), a lobby floor, warehouses and approx. 1,000 underground parking spaces in the Atidim Tower in Ramat HaHayal, Tel Aviv. The term of the agreement between the parties is approx. 24 years, with a breakout clause at the end of approx. 16 years.
- (b) **Collective agreement with the Histadrut and the Group's Workers Committee** - In April 2022, a new collective agreement (hereinafter - the "**Agreement**") was signed between the Company's subsidiaries, Clal Insurance, Clal Pension and Provident Funds, Clal Credit Insurance, Clalbit Systems and Canaf (hereinafter - the "**Companies**") and the New Histadrut Workers' Union and the Group's Workers Committee, which incorporates all the agreements and collective agreements signed between the parties into a combined agreement, subject to the changes and additions that were agreed. The Agreement is in effect through December 31, 2024. For further details about the Agreement, see Section 9.7.3 above and Note 25(c)(1) to the Financial Statements.
- (c) **Agreement for the purchase of automation systems for the management of the funds activity** - As from January 2015, Clal Pension and Provident Funds started operating its pension funds activity through the Nissan system - a system for the management of planholders' benefits, and a module of a fees and commissions payment system has also been launched, both of which were purchased from Sapiens. Sapiens also provides system maintenance services. The agreement is renewed automatically every year, subject to Clal Pension and Provident Funds' right not to renew it, by giving advance notice to that effect. For further details regarding the engagement with Sapiens, see Section 9.9 above.
- (d) **Max's acquisition** - On August 12, 2022 the Company entered into an agreement with WP XII Financial Investment B.V, whereunder it purchased the entire issued and paid-up share capital of WPI. For further details about the agreement, see Note 9(a) to the Financial Statements.

9.17.2. Following are details regarding significant agreements, which are not material, to which the Company is a party or which concern it

Engagement for receipt of provident funds current operating services - In June 2016, Clal Pension and Provident Funds entered into an operating agreement with Bank Leumi le-Israel B.M. and Leumi Capital Market Services Ltd. (hereinafter, jointly - "**Bank Leumi**"), where under, Bank Leumi will provide Clal Pension and Provident Funds operating services for the provident funds under its management. According to the agreement for the operation of the provident funds, Bank Leumi will be paid annual consideration calculated as a rate of the funds' assets, and in respect of the operation of the advanced education fund, Bank Leumi will be paid a fixed monthly amount. The term of the agreement is 5 years; Clal Pension and Provident Funds will have the right to terminate the agreement by giving a 6-month advance notice, and Bank Leumi will have the right to terminate the agreement by giving a 12-month advance notice. As from January 2018, Bank Leumi has been operating all of the provident funds under management of Clal Pension and Provident Funds. In April 2021, Clal Pension and Provident Funds and Bank Leumi entered into an addendum to the agreement for the receipt of operating services, the key points of which is the extension of the term of the agreement by 5 further years, until July 2026. The replacement of Bank Leumi without an appropriate preparation period may temporarily impair the provision of services in the funds it operates, until an alternative provider is found.

9.17.3. Following is a description of the material collaboration agreements, to which the Company is a party or which concern it

A collaboration and shareholders agreement with the Atradius insurance group - Clal Insurance and the Atradius group - a holder of 20% of the shares of Clal Credit Insurance - entered into an agreement that regulates the collaboration with Atradius as a strategic partner and sets forth the relationships of the parties as shareholders in Clal Credit Insurance (hereinafter - the "**Agreement**"). The Agreement establishes Clal Credit Insurance's right to receive from the Atradius group professional support and information about debtors and credit risks abroad (hereinafter - the "**Right to Receive Information**") and regulates the collaboration between the parties. Furthermore, the Agreement stipulates that the Atradius group has the right to be a main insurer of Clal Credit Insurance, subject to compliance with market conditions and minimum rating (hereinafter - the "**Reinsurance Right**"), and the right to appoint a director in Clal Credit Insurance's Board of Directors, who will have a veto right in certain decisions as set in the agreement. Furthermore, according to the Agreement, Clal Insurance has a right of first refusal towards the Atradius group to purchase its share in Clal Credit Insurance, the Atradius group has a tag along right in connection with a sale of Clal Credit Insurance's shares by Clal Insurance, at terms identical to those of Clal Insurance, while Clal Insurance will have a drag along right in connection with the Atradius group regarding the sale of all of its shares in Clal Credit Insurance to a third party, under conditions set in the Agreement. The term of the Agreement is 3 years, and it is renewed automatically every 3 years unless one of the parties issues to the other party an advance notice of its wish to terminate the Agreement 6 months before the end of the relevant period, or if the Agreement is canceled by one of the parties due to fundamental breach by the counterparty. On January 1, 2022, the Agreement was renewed automatically for three additional years, until December 31, 2024. If the Agreement will be terminated by the Atradius group, Clal Insurance shall have the option to purchase from the Atradius Group its shares in Clal Credit Insurance at a price that reflects the market value. If the Agreement will be terminated by Clal Insurance, the latter will be required to purchase and the Atradius Group will be required to sell its shares in Clal Credit Insurance at a price that reflects the market value. In the event of a fundamental breach of the Agreement by Clal Insurance, the Atradius group shall have the option to sell to Clal Insurance its shares in Clal Credit Insurance at a price that reflects the market value. In the event of a fundamental breach of the Agreement by the Atradius group, Clal Insurance shall have the option to purchase from the Atradius group its shares in Clal Credit Insurance at a price that reflects the market value.

Furthermore, it was stipulated that if Clal Credit Insurance will cancel the Reinsurance Right, then - without this being deemed as a fundamental breach of the Agreement - the Atradius group will be entitled to select one of the following two options: (a) Cancel the Right to Receive Information, or (b) cancel the Agreement, in which case Clal Insurance shall purchase the Atradius group's shares in Clal Credit Insurance at a price that reflects the market value. Furthermore, it was stipulated that if the Atradius group will cancel the Right to Receive Information, then - without this being deemed as a fundamental breach of the Agreement - Clal Insurance will be entitled to select one of the following two options: (a)

Cancel the Reinsurance Right, or (b) cancel the Agreement, in which case Clal Insurance shall purchase the Atradius group's shares in Clal Credit Insurance at a price that reflects the market value.

9.18. The Group's vision, targets and business strategy

The Group's vision - the Group aspires to continue to be a leading insurance and finance group in Israel, while reinforcing its financial strength and maximizing value for its shareholders.

Business Strategy -

During 2021, the Company held discussions regarding the Group's strategy, as part of which an emphasis was placed on the importance of the development of the holding company alongside the continued development of the insurance activity. Accordingly, it was decided that the Group will promote a strategy whereby it will be transformed from an insurance group that focuses on historical businesses, that include long-term liabilities, to a financial holdings group with diverse sources of income and profit.

It was also decided that this strategy will be implemented including by way of acquiring significant activities. For details regarding the acquisition transaction of Max by the Company, see Section 2.3 above and Note 42 to the Financial Statements.

Key tasks in the implementation of the business strategy-

- Growth in income and profitability of a new business; focusing on growth in a new business, with an emphasis on the sale of life insurance products in the Group's various distribution channels, especially in the agents channel, and expanding the collaborations, while providing digital support to the distribution channels and providing tools to realize the potential of sales to existing and new customers and to retain those customers, including, among other things, by using advanced data-based tools.
- Acquisition of activities, which are synergic to those of the Group, including, subject to regulatory restrictions, through the Company in its capacity as a holding company, while assessing, among other things, activities in the field of agencies and/or other financial activities, in order to, among other things, generate additional sources of income for the insurance activity, which will be less dependent on the capital market.
- Stopping the increase in expenses in order to support the cost/income ratio: In a challenging competition and regulation environment, which affects the decline in premiums and management fees, the Company has set a target to increase its operational efficiency and stop the increase in its current expenses, while changing the expenses mix, in a manner that will allow an increase in income and growth.
- Leading investment management: Being a market leader in terms of returns to Group's customers, in a range of investment tracks, through Canaf - the Group's internal investments arm, which carries out the management of the Group's investments, and constitutes one of the largest Israeli non-bank institutional investors. This will be achieved while maintaining adequate risk levels and a long-term perspective.
- Innovation and digitization; leading the sector in terms of digital transformation processes in connection with customers, agents, employers and operators. Developing advanced digital tools in the field of services and sales, developing advanced data capabilities, including incorporating AI capabilities, that will allow the Group to maximize its sales opportunities, as well as streamline operations.
- Improving service levels: Continuing the implementation of steps designed to improve the levels of service and the levels of satisfaction among customers, insurance agents and other business partners of the Group.
- Maintaining and improving the financial stability and solvency ratio of Clal Insurance: Retaining the Group's overall financial management and risk management, by, among other things, developing quantitative metrics and incorporating them in the management of its businesses, specifically in order to retain an adequate economic solvency ratio, taking into consideration the challenges arising from the exposures in past portfolios, market volatility, the interest rate environment and regulatory effects.
- Retaining and improving the Company's positioning in relation to all stakeholders, including, among other things, through the strengthening of the brand and its values, enhancing the organizational

engagement and the sense of pride among Group employees.

For details regarding the transaction for the acquisition of Max, which was completed on March 27, 2023, see Note 9(a) to the Financial Statements.

The information regarding the strategic plan as detailed below constitutes forward-looking information, which is based on the Group's assessments, intentions and strategy, as detailed below, which reflect its policy and intentions as of the publication date of this Report, and they are based on current assessments of the Group's areas of activity and situation as of the report publication date, and may change, in whole or in part, from time to time. There is no certainty as to the materialization of the Group's strategy or intentions. It may be that the goals described above will not be achieved in the future, or that the Group will decide not to implement the said strategy, in whole or in part, due to, among other things, the following reasons: Changes in economic feasibility, changes in the business environment, changes in the competitive conditions in the market and changes in the markets themselves, regulatory changes, changes in the capital market in Israel and across the world, and due to the other risk factors that apply to the Group's activities as detailed in Section 9.16 above, and in Note 42 to the Financial Statements.

Part IV: Corporate Governance

10. Corporate Governance

The sections below are brought in this part of the Company's Periodic Report for 2023 in accordance with the Commissioner's Directives regarding the Description of the Corporation's Business of insurance companies, while part of the information contained therein is pursuant to the Securities Regulations, insofar as it is relevant.

10.1. External directors

On December 20, 2023, the General Meeting approved the renewal of the tenure of Mr. Yair Bar Touv as an external director in the Company, for another term of office. For further details on the external directors serving in the Company, see Part D of the Report – Additional Details Regarding the Corporation, Section 13.

For further details regarding the method of appointing directors in the Company, see Note 1(c)(2) to the Financial Statements.

10.2. Directors with Accounting and Financial Expertise

For the list of directors with accounting and financial expertise and for further details on their education, experience, qualifications and knowhow, based on which the Company Board of Directors regards these said directors as having accounting and financial expertise, see Part D of the Report - Additional Details Regarding the Corporation, Section 13.

10.3. Corporate Governance

10.3.1. Company without a control core

In view of the fact that in recent years the number of companies listed in Israel, whose ownership structure is decentralized, in July 2023, the Ministerial Committee for Legislation approved the **Companies Bill (Amendment No. 36) (Corporate Governance in Public Companies without a Controlling Shareholder), 2022** (hereinafter - the "**Bill**"), of June 2022, further to the **Memorandum of the Companies Law (Amendment No. __) (Corporate Governance in Companies without a Controlling Shareholder) and Draft Companies Regulations (Matters that do not Constitute a Connection) (Amendment No. __), 2021** (hereinafter - the "**Draft Regulations**"), which were published in March 2021. The bill proposes to change and update the corporate governance rules that apply to companies without a controlling shareholder. For further details, see Section 9.2.2 above.

Furthermore, it is noted that the Insurance Law prescribes unique provisions regarding an insurer without a control core, inter alia, in respect of the method of appointment of directors and reporting on the holding of means of control of an insurer with no controlling shareholder. Due to the fact that the aforementioned provisions, in part, apply to an insurer with no controlling shareholder, while the Company controls Clal Insurance, some of the aforementioned issues were regulated in the Commissioner's letters to the Company, as stated below. For further details, see Note 1 to the Financial Statements.

10.3.2. The Commissioner's Directives

On December 8, 2019, the Company received a letter from the Commissioner (hereinafter - the "**Commissioner's Letter**"), where under, among other things, the Commissioner announced that in light of the changes in the holding rates of IDB Development Corporation Ltd. in the Company's securities, the Commissioner reviewed the issue of control in the Company. In accordance with the Commissioner's Letter, as part of the said review, the Ministry of Justice, the Israel Securities Authority and the Israel Competition Authority's positions on the matter were also received. The findings of the said review, which according to the Commissioner are based on the Company's representations, indicated that as of the date of the letter, there is no entity or person that holds, directly or indirectly, means of control in the Company in a manner that establishes a requirement to obtain a control permit in the Company in accordance with Section 32(b) to the Insurance Law, and therefore the Company must obtain from the Commissioner a control permit in Clal Insurance Company (hereinafter - "**Clal Insurance**"). Further to the above, the Company received a number of letters from the Commissioner and discussions were held between the Company and the Commissioner, regarding regulating the outline for exercising the Company's means of control in Clal Insurance, which specify, inter alia, the Commissioner's reference

to arrangements which will apply when exercising the Company's means of control in Clal Insurance, including as regards the appointment of directors in Clal Insurance. The Outline for Exercising Means of Control and the letters that were received replace the requirement to obtain a control permit.

For further details regarding the Commissioner's letters to the Company with respect to exercising its means of control in Clal Insurance, and provisions regarding the appointment of directors in Clal Insurance, see Notes 1(b) and 1(c)(1) to the Financial Statements.

10.3.3. Relevant procedures to a change in the status of control

As stated above, in December 2019, the Company became a company without a control core. Concomitantly, additional shareholders acquired and/or increased their holdings in the Company, whereby some of them received holding permits and thus became interested parties in the Company. In light of changes in the status of control and in its holding structure, the Company adopted procedures pertaining to maintaining contact with shareholders, and a procedure regarding the method for approving transactions with related parties.

(a) Related parties procedure - a transaction with a shareholder or in which the shareholder has a vested interest

As of this time, the provisions of the law do not relate to the method for approving transactions with entities which may have a vested interest in the Company who are not officers or controlling shareholders, due to the fact that institutional entities have various characteristics, which are not shared by all publicly-traded companies, and whose existence justifies a different approach, inter alia, in light of the fact that the institutional entities in the Group manage planholders' funds, as the Company is a group without a control core, it decided to adopt a procedure defining its internal conduct, in order to avoid potential conflicts of interest that could arise between various entities, in their capacity as shareholders on the one hand, and as business partners/customers on the other hand. In March 2020, for the first time, the Audit Committee and Board of Directors approved a related parties procedure defining related parties and regulating the method of engaging with them, in relation to transactions involving investments, procurement and insurance. The procedure was also approved in March 2020 by the Clal Insurance Audit Committee, Investment Committee and the Board of Directors. In addition, exposure limits were also determined in relation to related parties. In March 2022, the procedures were ratified and revised by the Audit Committees of the Company and Clal Insurance.

For the purpose of this procedure, a related party was defined as follows: any of the following, to the best of the Company's knowledge: anyone who holds over 2.5%⁸⁷ of any kind of means of control in the Company and their relatives; anyone who has proposed a candidate to serve as a director in the Company or in the Group's institutional entities at the last meeting, and any relative of theirs, as long as the candidate still serves; a director in the Company or in the Group's institutional entities, and a candidate to serve in the position of the said director and a relative⁸⁸, a corporation whose director or candidate for a tenure of director, as stated above, serves as the CEO or Chairman of the Board; any corporation that controls and/or is controlled by any of the above; an individual regarding whom the Related Parties Committee has defined as such (the relevant Investment Committee and/or the Audit Committee, as applicable), apart from institutional entities, banks and investment houses, provided that they have not proposed a director, or that the Related Parties Committee has not decided otherwise in relation to them. A corporation in which somebody who has served as a company officer in the Group in the previous 12 months currently serves as a company officer therein.

The procedure stipulates quantitative restrictions on contractual engagements with a related party, including a controlling shareholder or an entity controlled by it, and also prescribes the method of engaging with them, such that a non-negligible transaction will be brought for approval to the relevant

87. It should be clarified that as of the report publication date, the requirement to report to the Company about the holdings of the Company's shareholders applies only to interested parties as defined in the Securities Law.

88. Wherever a reference is made to a candidate to serve as a director - the aforesaid will apply as from the date on which candidacy was suggested to the General Meeting of the shareholders, through the end of the term of office or the date on which the candidacy will expire. An entity, that put forward a director, and its holdings in the Company have fallen below 1%, and where the director it had put forward was reappointed in the Meeting in accordance with the Board of Directors' suggestion - shall cease to be a related party for the purpose of this procedure.

investment committee and/or audit committee, as applicable, and a negligible transaction will be brought for approval to the relevant Investment Committee with respect to investment transactions, and regarding other transactions - the assessment will be performed by the company officer responsible for that relevant field within the Group.

The procedure also establishes a mandatory requirement to report to the related parties committee regarding any negotiations with a related party, at a preliminary stage of the negotiations, and to obtain instructions and guidelines from the relevant committee, regarding the manner of conduct during the negotiation period, as well as providing reports on a quarterly basis to the investment committee regarding illiquid transactions with related parties, regarding which it has been decided not to approve them.

Pursuant to the decision of the audit committee and the Board of Directors, the procedure will be brought for examination and will be updated as required.

(b) Procedure regarding meetings between company officers and shareholders

On November 3, 2020, for the first time, the Company Board of Directors adopted a procedure for holding meetings between company officers and shareholders (hereinafter - the **"Procedure"**). The resolution to adopt the Procedure was passed, inter alia, following conclusions and recommendations of the examiner's report, regarding the issue of the relationship between directors and shareholders, in addition to a review of various approaches in the professional literature and the development of global trends in relation to this issue.

Based on a review of the key global trends regarding meetings between officers and shareholders, as well as the legal situation in Israel, the Company decided to enable Company officers to meet with shareholders, in accordance with the principles that were laid down for this purpose in the adopted Procedure.

The Procedure set forth principles establishing the existing practice of multi-participant meetings with shareholders as part of the investor relations activities, while regulating guidelines for the method of holding the meetings (including via digital means); providing advance notice; the permitted content for discussion during such meetings; documenting and reporting the key issues discussed, etc.

Furthermore, rules of action were also laid down in the Procedure regarding specific meetings of company officers with shareholders (on matters relating to their "capacity" as shareholders), and a guiding principle was established according to which such meetings should not be held, as a rule, in a "one on one" format, apart from under special circumstances and prior to the appointment of directors at a meeting. In addition, the identity of company officers permitted to meet with shareholders and possible meeting compositions (the addition of several company officers) was also established in the Procedure, along with; the definition of the entity able to initiate a meeting (including clarification stating that the initiative for the meeting may also originate from the shareholder); "Blackout Periods" during which, as a rule, no meetings will be held with shareholders (prior to the publication of financial statements); the frequency of meetings; their location; the obligation to provide prior notification to the Company's organs, and retroactive documentation of the meeting's contents; restrictions on issues permitted for discussion during meetings, specific directives regarding the holding of meetings and dedicated arrangements as part of the Appointments Committee responsible for recommending directors in the Company, etc. It is noted that the main parts of the Procedure regarding meetings also apply, *mutatis mutandis*, to written correspondence between officers and shareholders.

(c) The examiner's report and the subsequent events and developments

Following the meetings held between the Company's then chairman of the board and the Company's CEO on May 3 and 4, 2020, regarding the termination of the CEO's tenure, and the exchange of letters between both of them and the Company's Board of Directors (hereinafter - the **"Events Surrounding Discussion of the CEO's Tenure"**), which were announced and published in the media, at the request of the Israel Securities Authority, on May 10, 2020, in a Company immediate report (Ref. No. 2020-01-045729), on May 11, 2020, in coordination with the Commissioner, the Clal Insurance Audit Committee appointed Supreme Court Justice (Retired) Prof. Yoram Danziger, as an examiner on its behalf (hereinafter the **"Examiner"**), to look into the overall set of circumstances pertaining to the Events Surrounding the Discussion of the CEO's Tenure, including all related

aspects, including examining corporate governance aspects pertaining to the process, contact with the shareholders, the claims raised in the correspondence between the Company's then Chairman of the Board and the Company's CEO, and reference to the method of proposing a replacement CEO. The Examiner's report was submitted to the Clal Insurance Audit Committee and Board of Directors, as well as the Company's Board of Directors.

Furthermore, on July 21, 2020, the Company received the Commissioner's response to the events and facts that had been set forth in the Examiner's report, in which the Commissioner welcomed and supported the Examiner's report along with its findings, and requested to expand on certain issues, and as such, the Commissioner believes that, under the circumstances involving an insurer without a control core (including a holding company which is an insurer's controlling shareholder, and where the majority of its assets constitute holding of the insurer), then beyond the limitations that may apply to any other publicly-traded company without a control core, it would be appropriate to impose more stringent restrictions on the nature of the relationship with the shareholders, and to prevent the existence of any external pressure on the overall structure of investment in the institutional entity. As far as the replacement of the Clal Insurance CEO is concerned, the Commissioner believes that the proceeding for the termination of service of the CEO of an insurer should be carried out with the knowledge and consent of the insurer's Board of Directors, following a comprehensive process relating to all the relevant considerations, in a conscious decision free of any foreign considerations and that a decision on the appointment of a new CEO of an insurer should be made as part of a proceeding that includes the appointment of a Search Committee. The Commissioner's position is that the existence of an insurer without a control core requires the existence of a mechanism to ensure that directors and senior company officers in the insurer are selected in a manner that enables appointment of the most suitable candidates, while protecting the interests of the Company as a whole, which requires an orderly and transparent process of selecting the appropriate candidate, as well as processes regarding the dismissal and discontinuation of the tenure of serving senior company officers, and above all the CEO.

Since the report date, the Company and Clal Insurance have been working to implement the Examiner's recommendations by establishing appropriate rules and procedures. On this matter, see, inter alia, the procedures specified in this section above. For further details regarding the Commissioner's letters, see Note 1 to the Financial Statements. For further details regarding the events in respect of the Examiner's report, see the immediate reports published by the Company on June 14, 2020 (Ref. No.: 2020-01-061770), June 28, 2020 (Ref. No.: 2020-01-058843) and July 13, 2020 (Ref. No.: 2020-01-067378).

10.3.4. Appointment of directors in the Company

As aforementioned, pursuant to the provisions of the law or the Commissioner's Directives, no provisions were stipulated by the Commissioner regarding the appointment of Company directors; however, it was clarified in the Commissioner's letters that whoever proposed the appointment of a third of the directors serving in the Company, and whose proposition was duly approved, shall be deemed as the controlling shareholder thereof, and accordingly, may be required to obtain a control permit from the Commissioner.

Taking into consideration the fact that the Company is as a company without a control core, in September 2020, the Board of Directors appointed a Special BOD Committee, whose members included the two external directors and the then Acting Chairman of the Board, who also served as the committee chairman. The committee served, inter alia, as a recommendation committee to the Board of Directors in respect of drafting a list of recommended criteria for the appointment of directors in the Company, and recommended suitable candidates to serve on the Company's Board of Directors (hereinafter - the **"Company's Search Committee"**). The committee also used the services of external consultants. The Company's Search Committee published a "Call for Proposals" for candidates to propose their candidacy to serve on the Company's Board of Directors, ahead of the Company's Annual General Meeting, and initiated meetings with certain shareholders holding at least 1% of the voting rights (according to information in its possession), and which are not institutional entities, and held meetings with a number of said shareholders who so desired, in order to hear their positions regarding the process of appointing directors in the Company, and regarding the proposal of candidates they consider suitable to serve on the Company's Board of Directors.

In preparation for the 2021 annual Meeting, the Company's Board of Directors recommended to reappoint all of the 'ordinary' directors, who serve in the Company's Board of Directors, due to, among other things, the importance of the Board of Directors' stability, allowing directors to gain knowledge and experience over a longer term of office, noting, in particular, the complexity of the Group's area of activity, in view of the fact that some of the serving directors were also appointed in October 2021 as directors in Clal Insurance, and wishing to achieve synergy and stability, and to allow the Company to exercise its control in Clal Insurance, and in view of the fact that the serving directors were appointed at the recommendation of a search committee that was convened in preparation of the previous annual Meeting that took place in January 2021.

On April 14, 2022, an extraordinary meeting was summoned for May 23, 2022, at the request of Alrov, which holds 15% of the Company's shares, to elect and appoint to more directors recommended by it.

At that meeting, the appointment of one director recommended by Alrov was approved.

On September 19, 2022, the Company published a preliminary notice regarding its intention to convene a shareholders' meeting in December 2022. Following the notice, two shareholders contacted the Company and proposed candidates to serve as directors of Clal Insurance, who were recommended to the general meeting of shareholders. The Meeting convened on January 4, 2023, and as part of its proceedings 6 directors were appointed from among 7 candidates (5 serving directors and another director who was put forward by a shareholder). Prior to the convening of the Meeting, Alrov - a company shareholder - published position notices regarding the decisions on the agenda of the Meeting, and the Company's Board of Directors published in response a position notice on its behalf. According to the Board of Directors' position, for the past two years it has been subject to an intense and unprecedented attack by Alrov and its controlling shareholder - Mr. Alfred Akirov (hereinafter - "**Akirov**") - including through a toxic media campaign, letters of threat and lawsuits. In reply, the Company's Board of Directors announced that it regrets the way things are being conducted, and the fact that it is dragged into Akirov's campaign of threats and defamation against the Company and its officers.

The Company's Board of Directors did not express an opinion regarding the suitability of candidates that may well be worthy candidates; however, it wished to bring into light the fundamental problem arising from Mr. Akirov's conduct - sometimes through Alrov - as reflected in the issue of the appointment of the directors, that was on the agenda of the shareholders' Meeting.

On September 21, 2023, the Company published a preliminary notice regarding its intention to convene a shareholders' meeting in December 2023. The meeting convened on December 20, 2023, and reappointed all 6 directors, who are not serving external directors, and one of the external directors, whose first term of office ended.

Currently, 8 directors serve in the Company, including 2 external directors, 2 independent directors, and 4 ordinary directors. From among the serving directors, 5 were initially put forward by shareholders, one director was appointed by an external committee, and 2 directors were appointed by an internal committee.

10.3.5. Appointment of directors in Clal Insurance

It is the Commissioner's position, which has been expressed inter alia in his letters, that in view of the corporate structure of the Group whereby Clal Insurance is a privately-held company, which is controlled by the Company, which is a publicly-traded company with no ultimate controlling shareholder, aiming to implement the purposes of the Insurance Law regarding an insurer without a controlling shareholder, the mechanism employed to appoint directors in Clal Insurance shall be similar to the mechanisms currently set in the Supervision Law regarding the appointment of directors in insurers without a controlling shareholder, subject to adjustments and without prejudice to other shareholders' rights to put forward candidates, in accordance with the provisions of the law, if the shareholder has such a right. As such, an external committee was set up, which includes two external directors of Clal Insurance, which is to recommend the appointment of directors in Clal Insurance in accordance with the provisions of the Insurance Law regarding an insurer without a control core, and an outline was determined by the Commissioner to ensure implementation of the relevant purposes as aforementioned.

Accordingly, in September 2021, general meetings of Clal Insurance convened, which passed resolutions to appoint directors in Clal Insurance in accordance with the committee's recommendations regarding candidates for service in the Board of Directors of Clal Insurance, and taking into consideration other candidates put forward by the Company's Board of Directors, all in accordance with the Company's

discussions with the Commissioner.

It is noted that on December 25, 2022, the Company received a clarification letter from the Commissioner in connection with the Outline for Exercising Means of Control in Clal Insurance. The letter clarifies that a shareholder holding over 2.5% of the means of control in a Company (hereinafter - "Holder"), or two or three shareholders, each holding over 1% and no more than 2.5%, which hold jointly between 2.5% to 5% (hereinafter - "Body of Holders") shall only be allowed to put forward one candidate to the Board of Directors of Clal Insurance. In other words, as long as a director, whose candidacy was put forward by a holder or a body of holders, serves in the Board of Directors of Clal Insurance and in the Board of Directors of the Company, the candidacy of another director, who was appointed as a director in the Company, will not be proposed to the Board of Directors of Clal Insurance, in accordance with the offer of that holder or body of holders.

Accordingly, in accordance with the Commissioner's position as stated above, in February 2023 general meetings of Clal Insurance convened, which passed resolutions to appoint directors in Clal Insurance, taking into consideration candidates serving in the Board of Directors of Clal Insurance, who were appointed at the Committee's recommendation, and taking into consideration other candidates put forward by the Company's Board of Directors, all in accordance with the Company's discussions with the Commissioner.

On January 31, 2024, the annual Meeting of Clal Insurance convened which passed resolutions to reappoint all 7 ordinary serving directors (who are not independent directors).

In his letter of March 27, 2023, the Commissioner stipulated that, among other things, in accordance with the Commissioner's power to approve an officer in Clal Insurance, who serves at the same time as an officer in Max or in WPI, the Commissioner shall take into account, among other things, the number of officers in the institutional entities of the Clal Group, who serve at the same time as officers in Max or WPI, and their role. It is clarified that such service of up to two officers in Max or WPI - provided that none of them serves as the Chairman of the Board - shall not constitute a significant consideration in the Commissioner's assessment of the appointment of a candidate for service as an officer in Clal Insurance, as stated above, provided that each application shall be assessed on its own merits.

For further details, see Note 1(c) to the Financial Statements.

10.3.6. Reporting procedures

Materiality assessment procedure

As far as materiality assessment is concerned, the Company adopted a procedure which was first approved by the Company's Board of Directors on August 20, 2008 (and recently approved in February 2024), in which the Company established guidelines and rules for itself regarding the assessment of whether a certain event or affair of the Company and/or its investee company (hereinafter - the "Event") is material to the Company, with respect to the obligation to file an immediate report regarding it by virtue of Regulation 36 of the Securities Regulations, and for the purpose of the classification of the transactions specified in Section 270(1), (4) and (4a) of the Companies Law. The key principles of the procedure are as follows:

In principle, each case will be evaluated on its own merits, and a quantitative and qualitative assessment will be conducted regarding the relevant Event, based on the overall information, the data, the facts of the matter and assessments under the overall circumstances of relevance to the Company. Without derogating from the generality of the aforementioned, the quantitative and qualitative assessments will be conducted in the manner described below.

(a) Quantitative assessment

1. For each Event that is to undergo materiality assessment, all the relevant indicators will be taken into account, as applicable, among the following metrics, with reference to and based on the last published (audited or reviewed) consolidated financial statements of the Company, and the data included therein: (a) assets ratio – the total scope of assets that are the subject of the Event (the acquired or sold assets or loans) divided by the sum of the total assets;⁸⁹ (b) loan ratio of

89. In a transaction involving nostro and/or participating assets - the total amount of the assets out of the total assets in the Company's consolidated balance sheet will be assessed. In a transaction involving assets of provident funds and/or pension funds - the total amount of the assets out of the total planholders' assets in the provident funds and pension funds managed by the Group will be assessed.

the Company - the amount of loans taken by the Company divided by total loans of the Company, excluding loans taken from the subsidiaries; (c) loan ratio of the subsidiaries - loan ratio of the Company divided by total loans of all subsidiaries (excluding the parent company; (d) income ratio – the actual or forecast comprehensive income or comprehensive loss that are attributed to the Event, divided by the average annual comprehensive income or comprehensive loss (i.e., for the four quarters) in the last three years, calculated based on the last 12 quarters for which audited or reviewed financial statements have been published; it is clarified that the profit/loss attributed to the Event and the profit/loss in each quarter are calculated in their absolute value. (e) Equity ratio – the increase or decrease in equity divided by equity prior to the Event; (d) liabilities ratio – the financial liability that is the subject of the Event divided by the Company's total assets in the consolidated balance sheet prior to the Event.

In view of the Group's areas of activity and the scope of its assets, it was clarified that for the purpose of purchasing and selling liquid and illiquid assets, disposal events, including an event whereby illiquid assets become liquid assets or revalued - carried out in the Company's ordinary course of business as part of financial investments of the Company or the planholders' assets, and even if the profit or loss recognized in respect thereof in the Financial Statements is material - will not be deemed a material event for the purpose of this procedure, and will be assessed as part of the approval of the Financial Statements.

If, for the purpose of applying the above tests, there is inconsistency regarding the underlying financial statements in the relevant measurement periods (for example if for some of the measurement periods the financial statements are pro forma reports), then the head of the Company's Finance Division will determine, at his discretion, the relevant measurement periods and/or make other adjustments to the financial measurement data of the Company, in a way that will result in an optimal application of the said tests.⁹⁰

2. Without prejudice to the need to assess with respect to each Event whose materiality is evaluated, which of the metrics specified in Section 10.3.6(a) above are relevant, the following metrics will be considered relevant to the transactions specified below:
 - Asset purchase - assets ratio
 - Asset sale - income ratio, asset ratio.
 - Taking a loan/ credit facility - asset ratio and relevant loan ratio
 - Service provider transaction, including insurance transaction – income ratio, profit ratio (according to the forecast profit from the transaction).
 - In the lack of special qualitative considerations arising from the overall circumstances, an Event will be considered to be material if one of the relevant metrics that are calculated in respect of it, as specified in Section A.1 above, exceeds 10% annually.
 - Notwithstanding the above, regarding the taking of a loan and/or changes in the terms and conditions of a loan agreement and/or the provision of a credit facility or the utilization of a significant portion thereof and/or compliance with the financial covenants and/or breach and/or action designed to prevent a breach of a credit agreement⁹¹ - an event shall be deemed material (1) in relation to a loan of the Company - if its amount constitutes 5% or more of total assets of the Company and ten percent or more of the total amount of the Company's loans, as they are presented in the Consolidated Financial Report as of the end of the reporting year. (2) Regarding a loan of a subsidiary - its amount or balance in the Consolidated Financial Statements constitutes 5% or more of total assets of the Company and 10% or more of the total loans of all Company subsidiaries (excluding loans of the Company itself), as presented in the Consolidated Financial Report as of the end of the

90. 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, regarding income ratios, 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 income may be included gradually in each quarter going forward.

91. Including other events that may fall within the scope of reportable credit, in accordance with Israel Securities Authority Staff Position of October 30, 2011 (Position No. 104-159 regarding reportable credit, as amended from time to time).

reporting year. (3) In relation to a loan that includes a cross-default clause, even if it is immaterial, but it establishes to the lenders - whether directly or indirectly as an event of a cross-default - grounds for immediate repayment of loans whose aggregate amount meets the quantitative tests stated above - one should assess the need to implement the reporting requirements regarding events of breach or an action that was designed to prevent a breach, all in accordance with the position of the Israel Securities Authority.⁹²

For the purpose of this section - Company's assets - as they appear in the Company's separate financial statements (hereinafter - "standalone financial statements").

- In the lack of special qualitative considerations arising from the overall circumstances, an Event will be considered to be immaterial if all the relevant metrics that are calculated in respect of it, as specified in Section A.1 above, are less than 5% annually.
- Events that are not classified under one of the options listed above may be considered material and assessment of qualitative considerations should be conducted with regard to them that take into account the overall information and all the relevant circumstances.
 - A. When assessing the materiality of an event that is due to take place in the future, it is necessary to take into account the likelihood of the event's materialization, as well as the importance and expected impact of the Event, should it materialize (the "probability-magnitude test" or "expectation test").
 - B. If this Event involves an associate of the Company, an assessment should be conducted regarding the Event's impact on the Company's relative share in the Event, i.e., relative to the Company's holding rate in the associate company, including application of the aforementioned materiality tests (as opposed to a Company subsidiary, where the assessment will be conducted regarding the impact on the Company in its entirety).
 - C. In an Event that does not include investment in the securities of any corporation, such as entering into agreements for the receipt of services, etc., it is necessary to examine the implications of the relevant Event on the Company also in relation to additional relevant accounting clauses pertaining to the nature of the Event in question.

(b) Qualitative assessment

The materiality of the Event shall also be assessed, as stated above, from the qualitative aspect of its effect on the Company. The qualitative assessment may lead to the refutation of assertions arising from the quantitative evaluation with respect to the materiality or immateriality of the Event. The qualitative assessment of the Event's materiality may also take into account its consequences and implications on the Company, in relation to one or more of the following aspects:

- It involves significant chances, risks or exposures. The assessment of this aspect will consider if, and to what extent, the risks associated with the Event reflect risk factors to which the Company is exposed, and which were included in its previous reports. Additionally, an assessment will be conducted regarding whether or not the Event involves the materialization of a risk factor which was reported to the investor public prior to the occurrence of the Event;
- If it involves entry into a new material operating segment, or departure from a current material operating segment;
- If its disclosure may result, with a reasonable degree of certainty and based on past experience, and with respect to assessment and reference models conventionally applied by investors and analysts, in a significant change in the price of the Company's securities;
- If it might have a non-recurring effect on the Company's financial statements (such as – on the reclassification of certain components, on the segment note, etc.), or on another business component of the Company, which has an important function in the analysis of its business operations and profitability;
- It may impact the Company and/or subsidiaries' compliance with material regulatory requirements, licenses or material financial covenants, which may impose material difficulties on the Company, or on other material contractual requirements, and other extraordinary events,

92. Israel Securities Authority Staff Position 104-15 - "Reportable Credit Event".

such as events pertaining to concessions for activity with international organizations (such as notice of termination of activity by an international organization), material engagement, including a material change in its terms and conditions, extension of its term and/or its termination;

- It may have a material impact on analysts and/or investors in their efforts to analyze the Company's activities and results.
- It is perceived as a material Event by the Company's management and serves as the basis for management decision making. Events that are not afforded special managerial attention, and all the more so, those which are not brought to the attention of Company management, will generally be considered immaterial events from a qualitative perspective.

(c) Legal claims (including class actions)

Without derogating from the generality of the abovementioned, in an event which involves the filing of a claim, including a class action, against the Company or its investee company, the materiality of the event will be evaluated as follows: (1) quantitative assessment – will be conducted based on the Company's estimate regarding the claim amount multiplied by the Company's holding rate in the defendant company, if this involves an associate company rather than a subsidiary. If there is an estimate as to the chances of success of the legal action at the stage of materiality assessment, these chances will be weighed up and the likelihood of the lawsuit's success from the Company's perspective will be calculated accordingly. The relevant quantitative metric for assessing the materiality of claims will be that of the income ratio. Namely, the weighted claim amount resulting from the aforementioned calculations will be divided by the average annual comprehensive income or comprehensive loss during the last three years, calculated based on the last 12 quarters for which audited or reviewed financial statements were published. The ratio obtained from this calculation will be examined in light of the regular quantitative assessment procedures set forth in Section a. above. (2) Qualitative assessment – examination of the question of whether the filing of the claim or even the threat of filing it⁹³ have a material impact on the overall information that serves as the basis for investment decisions made by the investor public regarding the Company's securities. As such, one or more of the following relevant considerations should be taken into account: the plaintiff's identity; the group of plaintiffs; the group of defendants; the fact that the claim was filed against other companies; the anticipated impact in case the claim is certified as a class action and in case it is accepted by the judicial instance; the expected duration of the process and its cumulative effects on a broad class of plaintiffs; the existence of similar claims against the Company relating to a similar objective, and the extent of the additional claim's impact on the overall information available to the investors; reference to the class action in the Company's financial statements.⁹⁴

Notwithstanding the aforementioned, with regards to an Event involving an insurance claim, this will be considered material from a quantitative perspective as long as the following two conditions apply to it, cumulatively:

- The amount claimed less reinsurance (retention), interest and expenses, exceeds 1% of the equity.
- The amount claimed (gross) exceeds 5% of the Company's equity.

Furthermore, an Event involving an insurance claim will be considered material from a quantitative perspective, if the gross amount claimed exceeds 20% of the Company's equity. Furthermore, an Event involving financial default will be considered material from a quantitative perspective, if the amount exceeds 20% of the relevant Company's equity.

(d) In relation to administrative or criminal proceedings

In an Event involving a criminal investigation conducted against the Company on a material issue by the law enforcement authorities, the Israel Securities Authority or another regulatory authority, as well as events involving a criminal or administrative proceeding against the Company regarding a

93. It is clarified that a threat to file a class action or a preliminary request for disclosure of documents or derivative claim, does not require an immediate report, since it constitutes a preliminary event (sometimes in respect of a proceeding which is preliminary in nature), which is immaterial (in quantitative or qualitative terms), and does not necessarily result in the filing of a claim, unless the Company believes that there is a special qualitative reason for reporting the receipt of the warning.

94. If a condensed disclosure is provided in the Financial Statements regarding a claim that was estimated to be immaterial and the assessment of the risk in respect thereof has changed, such that it became material, the financial disclosure in the Financial Statements in respect thereof will be expanded.

material matter, additional importance will be attributed to the qualitative assessment of the Event's materiality, and particularly, emphasis will be placed on the manner in which the Event might have an impact on investors and/or analysts when they come to analyze the Company's activities and results, and investors' responses to the manner in which the Company conducts its business.

10.4. Chief Internal Auditor

10.4.1. Details of the Chief Internal Auditor

- Name: Eran Shahaf.
- Date of commencement of tenure: April 1, 2014.
- The Chief Internal Auditor meets the conditions prescribed in Section 3(a) of the **Internal Auditing Law, 1992** (hereinafter - the "**Internal Auditing Law**").
- The Chief Internal Auditor complies with the provisions of Section 146(b) of the Companies Law, and with the provisions of Section 8 of the Internal Auditing Law.
- The Chief Internal Auditor has no business relations with the Company or with any related entity.
- The Chief Internal Auditor is a Clal Insurance employee and serves as Chief Internal Auditor in the Company, in Clal Insurance and in additional Group member companies.
- On December 24, 2023, the Chief Internal Auditor announced his intention to end his tenure in the Group having served in this position for 10 years.
- On February 13, 2024, the Company's Board of Directors approved - in accordance with the recommendation of the Audit Committee - the appointment of Mr. Tomer David as the Chief Internal Auditor of the Group companies as from June 1, 2024, subject to the approval of the Commissioner regarding the institutional entities.

10.4.2. Method of appointment

The Chief Internal Auditor was appointed in November 2013 by the Company's Board of Directors and Clal Insurance pursuant to the recommendation of the Audit Committee of the Company and Clal Insurance, and his tenure began in April 2014. The Chief Internal Auditor was appointed based on his education, his expertise and professional experience, and in view of the powers, the obligations and functions imposed on the Chief Internal Auditor within the Company and Clal Insurance pursuant to the law, and taking into consideration, inter alia, the Company's size, type, scope of activity and its complexity. The powers of the Chief Internal Auditor are stipulated in a functions and powers document, which was last approved on December 25, 2022, and on December 29, 2022, by the Audit Committee and the Board of Directors of the Company and Clal Insurance, respectively.

10.4.3. Identity of the Internal Auditor's Supervisor

Pursuant to the provisions of Section 148 of the Companies Law, the organizational function in charge of supervising the Chief Internal Auditor is the Company's Chairman of the Board.

10.4.4. Work Plan

- The internal audit works based on a multi-annual work plan (for a 4-year period), and in accordance with an annual work plan derived from it.
- Determining the audit topics depends to a large extent on the level of risk involved in each operating segment being audited and the probability of that risk materializing. Determining the audit topics and their frequency is based, inter alia, on a risk survey conducted by the Internal Audit Unit in 2020 designed to determine the multi-annual work plan for 2021-2024, in which emphasis was placed, inter alia, on the financial scope of the activity that was proposed to be audited, as well as the exposure to operational, regulatory and other risks inherent in each operation. It is noted that during 2023, an up-to-date risks survey was conducted, which is used to determine the multi-year work plan for 2024-2027.
- In order to determine the internal audit work plan, the Chief Internal Auditor consults with the Chairman of the Board, the Chairman of the Audit Committee, the Company CEO, as well as members of the Company management.

- The Chief Internal Auditor submits the work plan to the Company's Audit Committee for approval, pursuant to the provisions of Section 149 of the Companies Law.
- The work plan allows the Chief Internal Auditor some degree of discretion to deviate from it in cases such as: regulatory changes, specific requirements of the Commissioner, changes in working processes or in the organizational structures that are relevant to the activities which were scheduled to be audited in accordance with the work plan, as approved by the Audit Committee. In the event of a non-material deviation from the work plan, the Chief Internal Auditor is not subject to any additional authorization, but he is required to submit an update to the Audit Committee regarding those changes.
- The Chief Internal Auditor was invited to all meetings and attended most meetings of the Board of Directors and the Audit Committee, including meetings that included discussions on material transactions.

10.4.5. Auditing of investees

The 2023 work plan of the internal audit function also covered the activities of subsidiaries, and in particular material investees of the Company in Israel: Clal Insurance, Clal Credit Insurance, Clal Pension and Provident Funds, and the Group's agencies. These investees did not have an additional internal auditor in the reporting year.

It is noted that Max has a separate internal auditor, and so does Atudot Havatika; the activity of each of those internal auditors is not related to the activity of the Group's Internal Audit Department.

10.4.6. Scope of the transaction

The Chief Internal Auditor is employed by the Company on a full-time basis. During the reporting year, the Chief Internal Auditor was also responsible for internal auditing in the Company's investees mentioned above, apart from Max and Atudot Havatika, as stated above. The scope of the audit in the investees is derived from the unique nature of the activity of each investee company and also from the scope of its activities relative to the scope of the Group's activities.

Following is the number of internal audit hours invested in the reporting period in connection with the activity of the Company and its investees:

Company	Hours spent	Additional internal auditor	Outsourcing	Total
⁹⁵ Clal Insurance	25,500		500	26,000
Clal Credit Insurance	700			700
Clal Pension and Provident Funds	8,750		250	9,000
Atudot Havatika		1,280		1,280
Clal Holdings and agencies under the Company's control	1,100			1,100
Total	36,050	1,280	750	39,140

The total number of audit hours invested in the Group in 2023 (excluding audit hours pertaining to Atudot Havatika and Max) was approx. 36,800 hours, compared to approx. 38,000 hours in 2022. Max and Atudot Havatika have additional and separate internal auditors, whose activity is not related to that of the Group's Internal Audit Department.

With regard to Max, internal audit work is carried out by Max's employees (in combination with outsourcing), at the scope of approx. 4 FTEs, including Max's Chief Internal Auditor.

10.4.7. Conducting the audit

- The audit is conducted in accordance with professional internal auditing guidelines for institutional entities, and in accordance with the guidelines set forth in the Capital Markets, Insurance and Savings Authority Regulation Codex, Volume 5, Part 1, Chapter 8 (formerly the Institutional Entities

95. The data includes 100 audit hours invested in Clalbit Finance.

Circular 2007-9-14).

- The Company Board of Directors is satisfied that the internal audit operates according to the requirements determined in the abovementioned guidelines, inter alia, based on various topics brought for approval by the Board of Directors and/or the Audit Committee, including the letter of authorization for the internal audit unit, competency and the resources of the Internal Audit Unit, as well as safeguarding and routine monitoring of the Chief Internal Auditor's independence.

10.4.8. Access to information

During the internal auditing work, the Chief Internal Auditor was provided with all documents and information he requested and that were required in order to perform his functions. No restriction was imposed on the internal auditing work, and accordingly, the Chief Internal Auditor was given free, continuous and direct access to the Company's IT systems and its financial data.

10.4.9. Chief Internal Auditor's report

- The internal auditing reports are submitted in writing to the Audit Committee.
- The internal audit reports are routinely presented to the CEO of the audited company in order to discuss the audit findings before presenting them to the relevant audit committee. The audit reports are open to the scrutiny of all its Board members.
- Following are the dates when the Company's Audit Committee held discussions on the Chief Internal Auditor's findings, including a summary of the audit activity during the reporting period, even if the audit reports themselves were not discussed:

Clal Insurance

January 15, 2023, February 19, 2023, March 14, 2023, April 16, 2023, May 14, 2023, June 15, 2023, July 16, 2023, August 13, 2023, September 12, 2023, October 19, 2023, November 16, 2023, December 17, 2023, December 25, 2022.

Clal Holdings

February 19, 2023, March 14, 2023, June 18, 2023, August 20, 2023, October 19, 2023, December 17, 2023, and December 28, 2023.

The audit reports are rated according to their level of severity by the Internal Audit Unit. It is noted that some of the internal audit reports are provided to members of the Audit Committee for their review and their own information alone and they are not discussed during the committee meetings, in those cases in which the audit report is rated by the Internal Audit Unit with a relatively low level of severity, which thus does not require the report to be brought for discussion. It should be stressed that with regard to the internal audit reports that are provided for information purposes only, each of the Audit Committee members may demand to hold a specific discussion on the findings and recommendations contained in the report.

- It is noted that in light of the **Commissioner's notification from June 2019, entitled "Notification regarding Discussion Topics in Joint Meetings"**, including a list of topics regarding which the members of the Board of Directors of an institutional entity and its committees are entitled to hold joint meetings with members of the Board of Directors of the parent company of that institutional entity, the Company's Board of Directors holds separate meetings from the Audit Committee of Clal Insurance. As such, the Audit Committee decided that it would discuss those audit reports unique to the Company, and in addition issues related to processes that are intended to ensure good corporate governance, appropriate processes and sufficient resources in the Group would be brought to its attention, and it will also be informed, on a quarterly basis, of material audit reports (as these are defined by the Audit Committee), after they have been discussed by the Audit Committee of Clal Insurance, together with recommendations for implementation. At the request of the Company Audit Committee, it is provided with the agendas and background material of the Clal Insurance Audit Committee for its reference.

10.4.10. The Board of Directors' assessment of the Chief Internal Auditor's work

The Company's Board of Directors believes that the scope, nature and continuity of the activities and work plan of the Internal Audit Unit are reasonable under the circumstances, and are sufficient to fulfill the goals of internal auditing in the Company and the subsidiaries.

10.4.11. Compensation

- The Chief Internal Auditor is a Clal Insurance employee, having the status of Executive VP and employed on a full-time basis; the Chief Internal Auditor receives a monthly salary including related social benefits. The auditor's compensation is based on accepted principles for the compensation of management members (including audit functions).
- The Chief Internal Auditor's salary and terms of employment are approved by the Compensation Committee and the Boards of Directors of Clal Insurance and of the Company, with the recommendation of the Audit Committees.
- The compensation policy of the Group's institutional entities applies to the Chief Internal Auditor. For further details regarding the policy, see Section 9.7.5 above.
- The Chief Internal Auditor has a personal compensation plan regarding the distribution of the annual bonus, as part of the overall compensation policy adopted by the Company. The Chief Internal Auditor's personal compensation plan is based, inter alia, on the Company's profit, professional targets related to the internal audit work plan, including according to the Audit Committee's assessment and that of the Company's Chairman of the Board regarding the Chief Internal Auditor's functioning. The targets are approved on an annual basis by the Compensation Committee, the Audit Committee and the Board of Directors, as is achieving those targets. For further details, see the Compensation Policy Appendix.
- During 2021, the Chief Internal Auditor was awarded 66,000 illiquid option warrants, exercisable into ordinary shares of the Company, as part of the 2021 options plan applicable to Company officers and employees and those of the Group companies. For further details, see Note 44 to the Financial Statements.
- The Chief Internal Auditor's total compensation in 2023 amounted to approx. NIS 1.87 million.
- On March 12 and 27, 2024, the Audit Committee and the Board of Director examined to see whether the compensation received by the Company's Chief Internal Auditor in 2023, as detailed in this section above, corresponds with the terms and conditions of the Company's compensation policy, and found that both the variable and fixed compensation components correspond with the terms and conditions of the compensation policy of both the Company and the institutional entities.

In view of the aforementioned, the Board of Directors believes that the employment terms of the Chief Internal Auditor are appropriate for his position, are reasonable and fair, and reflect the Chief Internal Auditor's successful achievement of his personal targets as well as his contribution to the Company.

In light of the Board of Director's impression gained from the Chief Internal Auditor's professionalism and the quality of his work, and in view of the fact that the fixed wage constitutes at least 55% of the Chief Internal Auditor's compensation package, the Company Board of Directors found that there is no concern of a conflict of interest in the fact that the Chief Internal Auditor was granted option warrants and that as part of his compensation plan, he is due to receive a variable bonus, and that this should not unduly influence the work of the Internal Audit Unit.

In view of the aforementioned, the Company Board of Directors believes that the compensation awarded to the Chief Internal Auditor will not unduly influence his professional judgment.

10.5. Independent auditor -

10.5.1. Details of the Independent Auditors Firms

- **Kost Forer Gabbay & Kasierer** - commencement of tenure 1978. Name of the responsible partner: Tel Hai Zion, CPA (since April 2019).
- **Somekh Chaikin** - commencement of tenure 1998. Name of the responsible partner: Shira Lichtenstadt, CPA.

10.5.2. Payments to the Independent Auditors

NIS thousand without VAT

	2023				2022			
	Tax audit ser- vices	Auditing -related services	Other ser- vices	Total	Tax audit ser- vices	Auditing -related services	Other ser- vices	Total
The Company	258	165	65	488	105	30	-	135
Clal Insurance and subsidiaries*	10,458	150	1,649	12,257	6,076	105	393	6,574
Clal Agency Holdings and subsidiaries	109	-	-	109	205	-	-	205
Total - companies	10,824	315	1,714	12,853	6,386	135	393	6,914

* In the reporting year, the audit services included fees in respect of SOX, solvency audit and IFRS 17.

The independent auditors' fees for their auditing services were determined by the Board of Directors in accordance with the recommendation of the Audit Committee. The fees for the auditing services were determined subsequent to negotiations with the independent auditors, during which both the scope and complexity of the audit were examined, while referring to the accepted industry norm for an independent auditor's wage. The fees for services not related to auditing were determined mainly in accordance with the job classification, the number of hours worked and the topic being audited.

10.6. Corporate Donations**The Iron Swords War**

In view of the Iron Swords War, the Company took extensive steps, as part of which, among other things, it founded a support fund, whose aim is to assist policyholders in respect of unaddressed insurance damages caused by the war (at the total amount of NIS 10,000,000), increased its donations budget by one million shekels, and assisted NGOs and organizations that support IDF soldiers, the police, the security forces and Israeli citizens, funded - at no cost - home insurance for houses occupied by evacuees from the south and the north, and more. Furthermore, Company's employees support evacuated residents, IDF soldiers and farmers through a range of activities, in accordance with the needs of the hour.

As part of its social activities in 2023, the Group donated a total of approx. NIS 4 million⁹⁶ in Israel, pursuant to the defined strategy: support for entities and NPOs engaged in efforts to support and nurture those sectors of the population with special needs, including the sick, people with disabilities, the financially vulnerable, with emphasis placed on caring for children and youth, including efforts to encourage them to further their education.

This year too, the Company was the primary sponsor in the special fundraising broadcast of the Pitchon Lev NPO just prior to Passover. Pitchon Lev is a Non-Profit Organization (NPO) committed to breaking the inter-generational poverty cycle in Israel. Each year it provides aid to about half a million people in Israel and this is the sixth consecutive year in which the Company has donated to the "7 Plan". This is a plan designed for youth in the geographically outlying areas of Israel and accompanies them for 7 years, from their time in high school until they become integrated in higher education and in employment following their mandatory military service.

This year has been the third year in which the Company adopts, as part of the "Gdolim Bemadim" program, 11 youngsters on the autistic spectrum or with cognitive disabilities, who serve in the Zikim base, supports them in important crossroads in their life and supports the NGO.

In 2021, the Company published its first Corporate Responsibility Report. The corporate responsibility report reflects all social, environmental and ethical considerations and values that Clal Insurance implements as part of its day-to-day business activity. In January 2024, the Company published a second corporate responsibility (ESG) report for 2020-2022, with significant revisions regarding 2023.

This year has been the fourth year in a row in which Clal Insurance was awarded the highest possible rating of Maala ESG - "Platinum+" – and it is included in the group of leading Israeli companies in the field of corporate responsibility. Clal Insurance's being awarded the said rating is testimony to the Company's work and

96. Excluding donations for support as part of The Iron Swords War.

commitment to promote corporate responsibility issues with social and environmental impact as part of its ongoing business activity. Furthermore, in 2023, the Company also took part - for the first time - in the diversity and inclusion rating of Maala and the Commission for Equal Opportunity in the Workplace of the Ministry of Economy and Industry. In this rating too it was awarded the highest score - five stars.

To the best of the Company's knowledge, NGOs to which the Group donated NIS 50,000 or more in the reporting year have no connections with the Company and its officers.

10.7. Effectiveness of Internal Control over Financial Reporting and Disclosure

10.7.1. The Securities Regulations

In December 2009, the **Securities Regulations (Periodic and Immediate Reports (Amendment No. 3), 2009** were published, which deal with the 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, managers' statements and disclosure are attached in connection with the internal control in the consolidated institutional entities to which the Commissioner's Directives apply.

10.7.2. 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 funds and provident funds, and in pension funds 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.

10.7.3. 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 of 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 annual 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 reporting period ending on December 31, 2023, no change took place in the internal control of the Group's institutional entity over financial reporting 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.

10.7.4. Management Assessment of Internal Controls (SOX Act 404)

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 implements the provision in accordance with the Banking Supervision Department's directives as stated above.

At the end of the phase of assessing the effectiveness of controls, no material weaknesses were detected that might lead to a material misstatement in the Financial Statements.

10.7.5. 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 of the end of the reporting period. Based on this evaluation, the CEO and the Chief Accountant have concluded that, as of 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 the Company is required to disclose in its annual financial statements pursuant to the Banking Supervision Department's Reporting to the Public Directives and as of the date prescribed by the Directives.

Internal controls over financial reporting:

During the fourth quarter ended December 31, 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 the Company'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.

Part V - Credit Cards Activity

11. Credit cards activity

11.1. Structure of holdings

Below is a structure of material holdings as of December 31, 2023:



- (1) On March 27, 2023, the sale transaction was completed and all shares of CIMax (formerly WPI) were transferred from WPBV to the Company, and as from that date, the Company is the controlling shareholder in Max. For further details see Note 9(a) to the Financial Statements.

11.2. Description of the credit cards segment

There are three main companies operating in the credit card industry in Israel: Max, Israel Credit Cards Ltd. (hereinafter - "**CAL**") (which includes Diners Club Ltd. under CAL's control (hereinafter - "**Diners**"), Isracard Group Ltd. (hereinafter - "**Isracard**") (which includes Premium Express Ltd. (hereinafter - "**American Express**")). The competition between the companies revolves around three main areas: means of payment - bank and non-bank payment cards (hereinafter - "**issuing**") - both as independent issuers and as processors for the banks under joint issuing and/or processing agreements, providing acquiring services to merchants (hereinafter - "**acquiring**"), and credit provided to private customers and business customers.

The companies share a joint technological interface (hereinafter - the "**Joint Interface**"), which enables interchange acquiring of payment cards and is operated by Automated Banking Services Ltd. under various arrangements between the companies, and which provides, among other things, the netting method between the parties and billing procedures.

On April 25, 2018, the Israel Competition Authority published its decision to exempt, under certain conditions, the interchange acquiring arrangement between the credit card companies (which was approved in March 2012 by the Competition Court). The exemption applies to any issuer or acquirer joining the arrangement. The exemption's effective date was set to December 31, 2023; however, following a joint request by the parties to the arrangement dated October 10, 2023, and Under the Extension of Periods Law (Temporary Order - Iron Swords) (Regulatory Approvals, Financial Sanctions and Gas Facility Testing), 2023, the exemption was extended by three months through March 31, 2024. The parties to the arrangement filed - on January 9, 2024 - a new request to approve the validity of the above exemption, which is currently being discussed by the Israel Competition Authority.

On March 11, Max received a letter from the Israel Competition Authority regarding an arrangement in connection with licensing agreements for interchange acquiring of Isracard payment cards. This letter revokes the Israel Competition Authority's notice of November 2019, which stipulated that class exemptions may not be applied to the arrangement, and stipulates that due to the number of Isracard payment cards in the market out of the total number of payment cards issued in Israel, the class exemptions will apply to this arrangement.

The **exemption** regulates the following matters, among others:

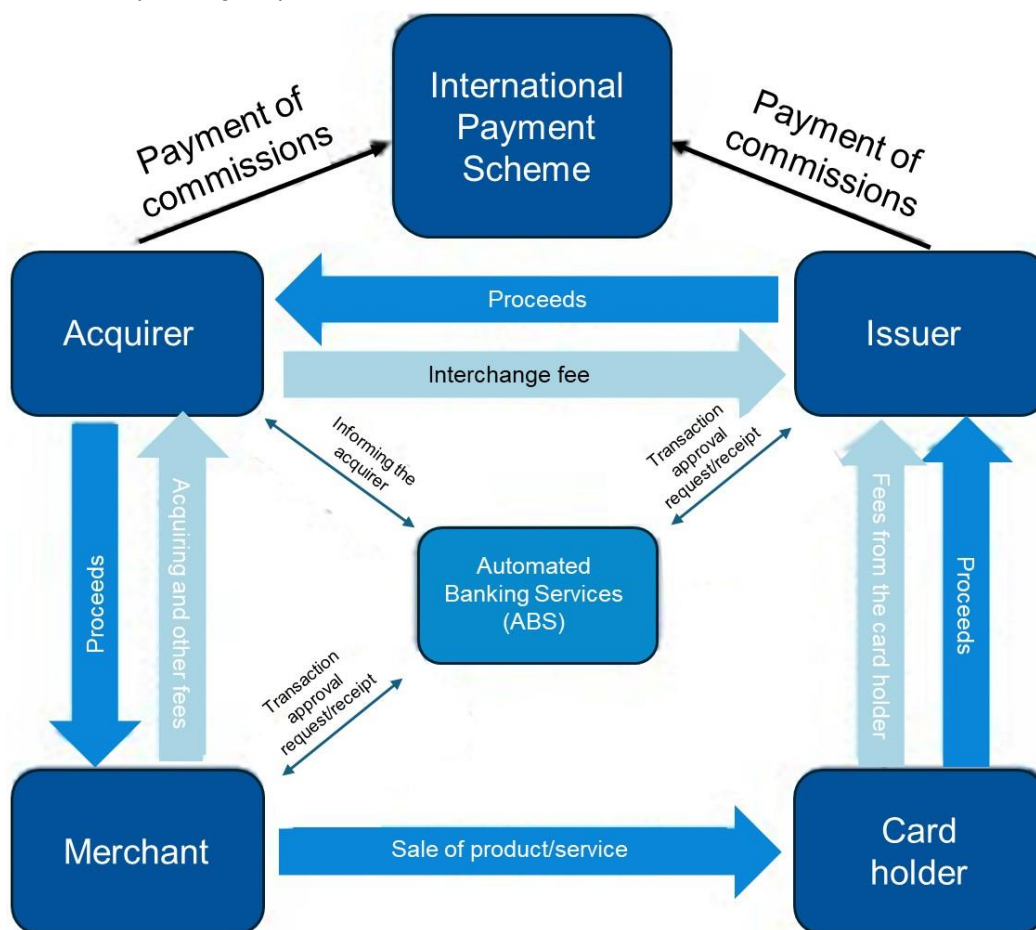
- The introduction of new players to the interchange acquiring arrangement.
- Prohibition on exploiting market power on the issuing side or the acquiring side, in order to prevent anti-

competitive behavior.

- Prohibition on exploiting market power against merchants.
- Daily netting in respect of acquiring funds, prohibition on delaying payments from the issuer to the acquirer (for further details, see the "Financing" Chapter, Section 15.8 below and Part B to the Report of the Board of Directors, Section 5).

Following is a summary description of the credit cards company's activity.

Payment cards are a means of purchasing goods or services by transferring funds electronically from the customer's bank account - with which the card is associated (hereinafter - the "**card holder**") to the bank account of the merchant providing the product or service.



Following is a description of the entities involved in the process:

- **Card holder** - the person or entity authorized to use a payment card to pay for a transaction, under an issuing agreement with the issuer.
- **Merchant** - the entity which honors a payment card presented by the customer as a means of payment for a product or service.
- **Card issuer** - the entity which issues the payment card and with which the card holder has engaged in an issuing agreement. In addition, the issuer manages the credit facility, if the payment card has one. In exchange, the issuer collects a payment from the card holder (hereinafter - "**card fees**") and an issuer fee (hereinafter - "**interchange fee**"), which is collected from the acquirer of the transaction at the merchant, and which is subject to supervision by the Bank of Israel pursuant to the **Banking Ordinance (Customer Service) (Supervision of Interchange Acquiring Service of Payment Card Transactions and Debit Transactions), 2018**. There are additional service fees which the issuer collects from the card holder according to the various transactions made with the card.

- **Acquirer** - an entity which enables the merchant to recognize payment card transactions. An acquirer engages with both the merchant and issuer, and its function is to connect the merchant to the acquiring system through which payment for the customers' transactions is transferred from the issuer to the merchant. In return, the Acquirer collects payment from the merchant (hereinafter - "**acquiring fee**"), part of which is the interchange fee remitted to the issuers. In addition, there are various service fees the acquirer charges the merchant.
- **ABS** - Automated Banking Services Ltd., a publicly-traded company - where approx. 60% of its shares are held by four Israeli banks as well as Visa and Mastercard - which operates the payment card switch used to collect local transactions from the payment terminals installed in the merchants' premises, and directs them for authorization and netting between the acquirers and issuers.
- **International Payment Scheme** - an organization that interfaces with acquirers and issuers and operates a payment card switch enabling execution of credit card transactions worldwide. The Scheme engages in agreements with a large number of acquirers, such that when an issuer that joins the Scheme, its cards are honored by all the merchants who work with these acquirers. The Scheme defines for its members the rules for executing the transactions, particularly with regard to fees and commissions, technological and business arrangements, netting rules and sharing damage liability.

The credit card companies issue cards under various brand names, under licensing agreements and according to their status with international payment card corporations. All three companies issue cards under the Visa and Mastercard brand names. In addition, Isracard exclusively issues cards under its Isracard brand name and global credit card brand name American Express, with CAL exclusively issuing the Diners international credit card. Max is defined as an "issuer with a broad scope of activity" under the provisions of the Banking Law (Licensing). The three companies also offer credit to private individuals and in this regard, compete with banks, institutional entities, and other non-bank financing entities.

To carry out acquiring activities in Israel, Max received an acquiring license from the Banking Supervision Department. Max, CAL and Isracard, under licensing agreements with local and international credit card organizations, acquire Visa, Mastercard and Isracard transactions, as the case may be, through the said joint interface operated by ABS. Cards bearing these brand names are acquired by way of interchange acquiring that allows each acquirer to acquire a card under a certain brand name even if it did not issue the card. Furthermore, Isracard exclusively acquires American Express transactions, CAL exclusively acquires Diners credit transactions and Max acquires UnionPay transactions. For details regarding the letter of the Ministry of Finance's Director General received by Max on August 1, 2022, regarding the activities of Premium Express Ltd. and Diners Club Israel Ltd., which issue American Express and Diners credit cards in Israel, respectively, and are closed to interchange acquiring, see Section 15.1.9 below. The three credit card companies also offer business credit to merchants and in this segment - compete with banks, institutional entities, and other non-bank financing entities. In 2018, two additional companies - Tranzilla and CardCom - received acquiring licenses from the Bank of Israel. As of the report approval date, this has no material effect of Max's operating results.

12. Issuing segment

12.1. The segment's structure and changes therein

The issuing segment focuses on two main activities:

1. **Solutions for financial institutions** - joint credit card issuing and processing with banks, for their customers (B2B2C); hereinafter - "bank payment 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.

Within the issuing segment, Max issues its customers payment cards, which are used as a means of payment for transactions and cash withdrawal at merchants in Israel and worldwide which accept the cards under the brand names issued by Max. Max also provides various types of credit to private customers. Max's income from card holders is in the form of fees and commissions collected from the card holders, and issuer fees (interchange fee) collected from the credit card companies (as acquirers) and international organizations (acquirers outside Israel). In addition, interest is collected from Max's customers for transactions and credit products it provides. The above Max fees and commissions collected from credit card holders are subject to the Banking Rules (Customer Service) (Fees and Commissions), 2008 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.

Following the final outline for reducing the interchange fee, which was published by the Bank of Israel on February 25, 2018, the interchange fee in deferred billing transactions declined gradually, and as of January 1, 2023 stands at 0.5%. In addition, the interchange fee in immediate billing transactions decreased on that date from 0.3% to 0.25%. The decrease in the interchange fees has a significant adverse effect on Max's income, both in relation to bank payment cards and in relation to non-bank payment cards. For further details, see Section 15.11.1 below.

The payment cards issued by Max can be divided into several main types:

- **Credit card** - a payment card that is linked directly to the customer's bank account, enabling payment for goods and services. The amount of the card holder's transactions with the card is calculated and charged once a month, on a preset date. The card holder's bank account is debited by this amount on that date. Approx. 91% of Max's valid cards are of this type. This card also enables receipt of credit, thereby deferring payment beyond the standard billing date. There are several options for providing credit through credit cards: one option is transactions that are divided into interest-bearing installments ("credit" and other credit tracks). The second option is by a preset fixed monthly billing amount, and revolving the balance of the customer's debt to the following month, which accrues interest. Another option is by providing loans that are credited to the customer's bank account and repaid by debiting the card.
- **Debit card** - the customer's account is billed immediately after the transaction is made rather than once a month in a combined single payment. Approx. 9% of Max's valid cards are of this type. Currently, debit cards can only be issued by banks.
- **Prepaid card** - the card is credited with a specific amount, and payments made by the customer are deducted from the card until the funds are fully utilized.

Furthermore, payment cards are usually divided into two more types:

- **Bank payment cards** - cards issued jointly by a particular bank and a credit card company, where the credit facility provided on the card is usually part of the card holder's bank account credit facility. As part of this activity, credit cards, debit cards and prepaid cards are issued. The credit balances for these cards are guaranteed by the banks. To the best of Max's knowledge, based on the financial statements of the credit card companies as of September 30, 2023, Max's market share of the total issuing turnover of bank cards is approx. 21%.

Until the Strum Law came into effect, most of Max's issuing activity was made with Bank Leumi, Pepper and with Mizrahi Tefahot Bank Ltd..

On October 11, 2018, Max and Bank Leumi signed an agreement for the joint issuing of payment cards in accordance with the cap on the scope of issuing as per the Strum Law, and Max will provide processing services to the bank for the issuing of these cards. This agreement supersedes a previous agreement between the parties of May 22, 2008. The agreement expires on January 31, 2029 with an option to extend the term by 4 further years.

Under the provisions of the Strum Law, Max signed processing agreements with additional banks, and as from 2019 - began joint processing with Discount Bank Ltd. and in 2020 - with Bank Hapoalim Ltd. and First International Bank Ltd as well. Max believes that over time, its collaboration with the additional banks will compensate for the loss of market share from issuing cards with Bank Leumi.

For further details about the joint issuing agreements with the banks, Section 15.11.1 below.

The information in connection with the effects of the activity with the additional banks constitutes forward-looking information that is based on the information available to Max at the report publication date. The actual effects may vary than those predicted, including, among other things, in view of various developments in the Israeli economy and/or in the regulated segment, and as a result of the actual implementation of the legislation.

- **Non-bank payment cards** - cards issued by credit card companies without partnership with a particular bank, in which the card holder's bank account is billed on the basis of a payment order given by the card holder to the credit card company. Max offers credit for non-bank cards and the credit facility is set at its sole discretion. Max bears the credit risks for the card and the responsibility for honoring the transactions carried out with the card rather than the bank at which the account that the card is charged to is held. For a description of Max's management of the credit risks, see Part B to the Report - Report of the Board of Directors, Section 5. In addition, Max bears issuer damages that may be caused to the card due to misuse, loss or theft. To the best of Max's knowledge, based on the financial statements of the credit card companies as of September

30, 2023, Max's market share of the total issuing turnover of non-bank cards is approx. 34%.

12.2. Technological changes that may materially affect the issuing segment

The increasing rate of technological developments in recent years generate changes in two main spheres. The first is affecting consumer preferences. The second is the technological change, such as the transition to a cloud computing environment and advanced data analysis capabilities, enabling the establishment of technological ventures driven by simplicity, availability and significantly lower costs than in the past. Furthermore, technological development are available that directly affect the payments domain, such as tokenization payments (technology that allows secure storage of information), card on file and contactless payments, as well as other new payment methods. The contactless technology is based on the deployment of payment machines and points of sale that operate under the EMV standard at the merchants' premises, which gained momentum following a plan recently published by the Banking Supervision Department (see Section 15.1.6 below). In this context, it is noted that in recent years the large Israeli banks invested great efforts in the introduction of payment methods, which are based on payment apps, for the execution of payments between private individuals (P2P), and payments to merchants. Such payment apps, along with payment apps from commercial and retailer players, rely on a wide range of technologies for interfacing with the merchants: from connecting to pay for e-commerce purchases via mobile devices, through QR payment solutions and other closed loop niche technology solutions. Although the funding sources of payment apps are payment cards, the rise of mobile phone based payment means is having an impact on the need for physical cards. In addition, technological and regulatory changes, which will support the move to use of the app through direct debiting of bank accounts, are likely to hurt the issuing segment's income.

The information relating to the potential consequences of the above 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, due to technological developments and changes in competitive conditions in the market.

12.3. Critical success factors in the issuing segment

Max believes that the critical success factors in the issuing segment are as follows:

- Promoting and initiating advanced payment solutions.
- Adapting to a changing technological, competitive, and consumerist environment through flexible technological and infrastructure-oriented thinking, supported by regulation.
- The ability to recruit customers while providing a service experience to Max's customers, striving for constant improvement and innovation.
- Creating value to the customer, including through collaborations with local and international players in order to maximize the value proposition to Max's customers, including with banks and loyalty programs.
- Maintaining Max's status with the international credit card organizations and its direct relationship with them. For further details regarding Max's status in the international organizations, see Section 15.11.2 below.
- Ability to raise sources of financing with the aim of adapting them to the credit duration provided to the customers.
- Maintaining credit risk management and controls.
- Advanced underwriting and credit risk management capabilities.
- Diversifying distribution channels for the various products provided by Max.

12.4. Main entry barriers

Max believes the key entry barriers in the issuing segment are as follows:

- The need for licensing by international organizations to issue their brand-name cards and trademarks. Obtaining such licensing is conditioned on compliance with stringent terms and conditions such as minimum capital, presenting a detailed business plan, risk management plan and prohibition on money laundering, etc.
- Compliance with minimum capital requirements in accordance with the law.
- The need to raise funding sources in order to provide credit to customers.
- Existing and expected legislation that gives precedence to the debtor's rights over those of creditors, thereby adversely affecting the credit provider's ability to collect debts.

- The need for extensive financial investments in complex technological infrastructures enabling issuing and processing of cards, including interfacing with various payment systems and other entities in the system, such as other acquirers in Israel and abroad.
- The need for extensive know how and establishing infrastructure and operational support systems.
- High costs for customer acquisition and creating significant added value for them.
- Advanced underwriting and credit risk management capabilities.

12.5. Services and products

Max offers a wide range of products and services in the issuing segment: various types of payment cards under the Visa and Mastercard brand names; gift cards; virtual cards; purchase cards and other business cards.

In addition, in the issuing segment Max offers diverse types of transactions and credit products to private customers, such as: credit transactions; instalment payments based on various credit tracks; revolving credit; all-purpose loans; car finance loans, etc. Max has been operating in the car finance subsegment with new car dealerships since 2009. In 2021, Max began providing financing for used and 0 km cars as well. Max signed agreements with dozens of dealerships and car lots that offer their customer the option of financing from Max together with the option of financing from other finance companies and/or banks.

Max offers various special cards as part of extensive collaborations with customer loyalty programs of leading entities in Israel (such as the Fox Group, Mahsanei Hashuk, Victory, Police funds, Histadrut New Workers' Union, the Teachers' Association, etc.) and D2C (Direct to Customer) cards, which are distributed by it without partners and intended for the general public, with a range of special benefits.

In October 2022, the existing agreement was renewed, extending Max's agreement in respect of the Beyachad Bishvilcha non-banking credit card loyalty program for another 10 years, as from January 2023.

Max also operates a website and application designed, among others, for card holders, in which customers are given information about products and services offered to them, information about the Group's prices, special offers, benefits, etc. in a convenient and easily accessible manner.

As part of enhancing the relationship with card holders and boosting the benefits, Max offers its customer loyalty programs that provide them with a variety of abundant benefits customized to their needs, such as frequent flyer programs, perks, immediate discounts, pay back on online purchases on a wide range of websites and promotions of leading chains aimed at strengthening card holders' preference for transactions and cash withdrawals using Max's credit cards in Israel and abroad, whether when physically visiting the merchant or online, as the case may be.

As part of its service strategy, Max works hard to provide simple, readily accessible and innovative user experience across its various service channels, such as restoring PIN codes, allowing customers to choose a PIN and biometric identification.

Max invests considerable effort in maintaining customer satisfaction, inter alia by maintaining a high level of service.

In addition, Max offers additional products and services - directly and/or through collaborations with third parties - such as: Motor and home insurance, travel insurance, saving and investment channels, dedicated purchase cards, prepaid cards and information and transaction insurance services.

Digital wallets:

In September 2020, Max and Apple Distribution International Ltd. (hereinafter - "**Apple**") signed an agreement to provide payment services to its customers in Israel using the Apple Pay payment platform (hereinafter respectively - "**Apple Platform**" and "**Apple Agreement**"). The Apple Agreement specifies that Apple has the right to change or terminate any activity of the platform in Israel, at its sole discretion, subject to providing notice to Max a reasonable time in advance. The engagement period is 4 years from signing the agreement, with automatic renewal for periods of one year. Each party to the agreement may terminate the agreement by a 12 months' notice to the other party. Furthermore, each party to the Apple Agreement may terminate the agreement by a 30 days' notice to the other party in the event of an unremedied fundamental breach.

In September 2021, Max and Google Ireland Limited (hereinafter - "**Google**") signed an agreement to provide payment services to its customers in Israel using the Google Payment Services platform (hereinafter, respectively - "**Google Platform**" and "**Google Agreement**"). According to the Google Agreement, Max's customers who hold payment cards that support point-of-sale payment will be able to use the service. The Google Agreement is for a

one-year period, with automatic renewal for further one-year periods. Each party to the Google Agreement may notify the other party of termination of the engagement by notice of 90 days prior to the renewal date. In addition, the parties also have the right to terminate the agreement due to an unremedied fundamental breach by a 30 days' notice.

Introduction of international digital wallets to Israel accelerated adoption of mobile payment means by customers, and Max expects the adoption rate of the above technology to continue and even grow.

12.6. Alternatives to products in the issuing segment

Means of payment such as cash, checks, standing orders, various types of prepaid cards, and payment applications and direct money transfers, which do not operate via the payment card infrastructure (including the international agreements), constitute alternatives to the products provided by credit card companies and Max. If the market share of direct account to account transfers grows - other than by payment cards, including via the payment apps and digital wallets - and with the development of infrastructures for faster payments other than through payment cards, such products will also be alternatives to the products provided by credit card companies and by Max. In addition, credit granted by other entities, such as banks and various non-bank entities, constitutes an alternative to the credit services provided by Max.

12.7. Customers

As part of the joint issuing and processing of credit cards, Max jointly issues bank cards with Bank Leumi, Pepper, Mizrahi Tefahot Bank Ltd., Discount Bank Ltd., Bank Hapoalim Ltd. and the First International Bank Ltd. to their customers.

In addition, Max issues non-bank cards to its customers. Payment cards are issued to private individuals, while business cards and purchase cards are issued to business customers.

Furthermore, Max provides credit to private customers and business customers as credit facilities for the cards it has issued and also provides credit to private customers other than through cards.

Bank Leumi is a material customer of Max and Max's income from the joint issuing agreement constitute approx. 23% of the issuing segment's income in 2023, approx. 27% in 2022 and approx. 34% in 2021.

12.8. Marketing and distribution

Max's main marketing activity objectives in the card issuing sector are as follows:

- Acquiring new customers and expanding the Group's activities among new and special population groups.
- Increasing loyalty, customer retention and providing various benefits.
- Expanding the use of cards (wallet share) in Israel, abroad and in online shopping.
- Expanding the range of products to customers.
- Boosting the image of the Group and the brands it issues.

Bank cards are marketed and distributed through the banks under joint issuing and processing arrangements with Max.

Max also uses several channels for customer acquisition, for marketing and distributing non-bank cards and credit products, including:

- Telemarketing centers - providing services for incoming and outgoing calls for issuing of cards and loans.
- Digital channels - Max's website offers the option of joining various loyalty programs' credit cards. In addition, through the Max App, customers can independently receive credit, instalment payments and apply for a card, in a digital online process. The online service significantly improves customer experience, shortens the time involved in issuing cards and improves Max's operational efficiency for recruiting new customers.
- Distribution platforms for business partners - cards and loans sold by representatives of Max's authorized business partners or representatives, whether face to face or digitally.

12.9. Competition in the issuing segment

The payment card issuing sector is characterized by growing competition. This competition is reflected mainly in the following aspects: (1) the Strum Law, which led to competition in the processing domain; (2) the Max card competing to serve as the customer's primary card for conducting transactions, including in the various digital wallets, apps and websites (such as PayPal, Amazon, etc.); (3) credit card based customer loyalty programs; (4) alternative payment means to payment cards.

In recent years, there has been an increase in household consumer credit leveraging. This increase has led to higher competition in the consumer credit sector, with multiple players operating in the market other than banks, which constitute competition for Max in this area. This competition is reflected mainly in the following aspects: (1) the variety of credit products offered to customers; (2) price; (3) availability; (4) distribution channels; (5) innovation and technology in providing credit. In the consumer credit sector, Max's main competitors are the banks and the other credit card companies, as well as various non-bank financing companies, which benefit from regulatory arbitrage in this area.

Max confronts the growing competition in the payment card issuing and consumer credit segments by adopting the following measures: Steady investing in and improvement of the customer service experience and quality by planning for maximizing the added value offered to them, offering diverse value propositions, collaborating with local and international entities to promote and initiate advanced payment solutions - including advancing Max's payment app, adapting to the changing technological, competitive and consumerist environment with flexible and infrastructure-oriented thinking.

The positive factors affecting Max's competitive position are, among others: (a) Max's position as a leading and innovative credit card company in Israel; (b) differentiated value propositions offered to non-banking card customers, such as the MAX-back card and Skymax which allows customers to accrue miles in a variety of airlines and hotels in Israel; (c) different and unique customer loyalty cards; (d) Max has exclusive, innovative digital development capabilities that enable it to be a market leader in launching new products; (e) Max has a unique loyalty program with a distinct status in the market; (f) Providing processing and joint issuing services with multiple banks; (g) Max's status with international credit card organizations; (h) Max has the ability to raise capital and debt for sustaining its operations and business growth; (i) Max invests resources in improving and fostering high-quality human capital; (j) unique, advanced underwriting mechanisms and credit models.

The adverse factors affecting Max's competitive position are, among others: (a) the entry of additional players into the market, in particular the competition with banks following the enactment of the Strum Law; (b) multiple competitors in the consumer credit market; (c) alternative products, as detailed above, and in particular payment solutions using digital wallets and various payment apps; (d) competition with other credit card companies in the loyalty program domain; (e) potential regulatory trends that threaten the non-bank cards business model (such as the plan for reducing interchange fees, transition to daily netting between issuers and acquirers, and issuing of combo cards (a combination of a deferred billing card and debit card)).

Part of Section 12 constitutes forward-looking information, as defined in the Israel Securities Law, based on the assessments of the Max Group management and its understanding of the business environment in which it operates. Max's plans may not materialize, in whole or in part, or may materialize differently, including in a materially different manner than expected, due to incorrect assessments, changes in Max's work plan, unexpected changes in the payments and credit market in Israel and/or outside Israel, behavior of entities and players in the payments and credit markets, especially in light of the uncertainty regarding the continuation of the Iron Swords War, its duration and effects on the Israeli economy and/or materialization of all or part of the risk factors set out in Section 15.10 below and Part B of the Report - Report of the Board of Directors, Section 5.

13. Acquiring segment

13.1. The segment's structure and changes therein

This segment includes 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 factoring, early payments and guarantees, in respect of which interest, fees and commissions are collected from the merchants.

Max acquires payment card transactions involving cards issued by Visa, Mastercard, Isracard and Union Pay International. For further information, see Section 15.11.2 below.

Based on the Bank of Israel data as of September 30, 2023 and December 31, 2022, Max's share of the Israeli acquiring market is in the range of 20%-25%.

In 2018, two additional companies received acquiring licenses from the Bank of Israel. As of the report approval

date, this has no material effect of Max's operations results.

In recent years there is a clear trend of erosion of the acquiring margin on account of increased competition in the sector. This erosion has occurred despite the reduction of the interchange fee, which in the short-mid term leads to an increase in margin, gradually adapting itself and returning to the levels prior to the decrease over time.

For details regarding the letter of the Ministry of Finance's Director General received by Max on August 1, 2022, regarding the activities of Premium Express Ltd. and Diners Club Israel Ltd., which issue American Express and Diners credit cards in Israel, respectively, and are closed to interchange acquiring, see Section 15.1.9 below.

13.2. Technological changes that may have a material effect on the acquiring segment

Technological developments in the industry, such as tokenization and contactless payments as well as other new payment methods, directly affect the payments market. This technology is based on the deployment of payment devices and points of sale at the merchants' premises that support the EMV standard. Such technological developments, along with the increase in the variety of payment Apps, are changing the way payments are made at the merchants' points of sale. A major challenge in changing payment means and switching to mobile device-based payment methods is the connection (integration) to terminals and cash registers.

13.3. Critical success factors in the acquiring segment

Max believes that the critical success factors in the acquiring segment are:

- The existence of a range of products and development of new products that meet the changing needs of the customers.
- The brands of the cards acquired by Max.
- An acquiring license from the Bank of Israel.
- An acquiring license from the international organizations.
- Advanced acquiring systems that interface with other acquirers and issuers.
- Ability to raise sources of financing for providing credit to business customers.
- The ability to recruit and retain numerous business customers, including, inter alia, by offering a variety of services and products which constitute additional and unique value propositions to merchants.
- Quality service and service experience for Max's customers, striving for constant improvement and innovation.

13.4. Main entry barriers

Max believes the key entry barriers in the acquiring segment are:

- The need to obtain a license from the international organizations;
- The need to obtain an acquiring license and control permit from the Bank of Israel; These licenses set out stringent preconditions, including capital adequacy requirements and compliance with the rules of the international organizations and of the Bank of Israel;
- Significant investments in establishing an acquiring system, which is required, among other things, to interface with various payment systems as well as with other issuers and acquirers.

It should be noted that under the Strum Law, various laws and regulations were enacted aimed at facilitating the entry of new players to the acquiring sector, requiring a lower entry level, such as hosted payment aggregators and acquirers. These entities require lower investments as some of them are not required to obtain a license and are also sometimes spared investing in required technology systems, and have lower capital requirements.

13.5. Services and products

Max offers business customers acquiring services and in addition offer a range of financial solutions and supplementary products for acquiring, such as business loans, credit card voucher discounting and providing autonomous guarantees. In 2023, Max launched "Max Self-Employed" - a mobile payment receipt service offered free of charge to the self-employed through a platform that offers control and financial management in a one-stop-shop.

Max offers such products either directly or through collaborations with third parties. Max continues to focus its operations on small and medium-sized merchants and offers them a variety of products according to their needs,

through merchant credit cards, "Smart Packages" that include acquiring services, discounting of vouchers and options of renting an advanced terminal with hardware adapted to EMV technology. In addition to the foregoing, Max is consistently working to provide access and expand the various activities and the quality of information transmitted to merchants via the Internet, smartphones and business SMS services, as a means of leveraging the business strategy and creating a competitive edge and differentiation in the acquiring segment for its various activities. Max increased the value offers and range of services provided to merchants via its website, including the possibility of joining acquiring services through an independent interface and obtaining relevant information for the purpose of making business decisions.

With the outbreak of the Covid-19 crisis and the Iron Swords War, Max started and continues to offer a range of services to assist its customers, inter alia, provision of state-backed loans, option of full raising for acquiring through a call center and self-service raising using a convenient, user-friendly web interface.

13.6. Alternatives to products in the acquiring segment

There are various products on the market that are based on systems that are not credit card acquiring systems, such as standing payment orders, wire transfers, checks and the banks' payment applications. If such products are operated without requiring a credit card acquiring system, they constitute alternative products to Max's acquiring services. Direct account to merchant's account transfers that are not via payment cards, including via payment Apps and faster payments infrastructures that are not via payment cards, constitute alternatives to the acquiring products provided by Max.

13.7. Customers

As of the report date, Max provides services and financial products to approx. 70 thousand business customers, companies and licensed dealers. The main service provided by Max is credit card acquiring, and in this framework it provides services to business customers from various economic sectors, including government ministries, chain stores, commerce, retailers and service providers in many sectors.

As of report date, Max does not receive income from any merchant that constitutes 10% or more of its income from the acquiring segment.

13.8. Marketing and distribution

Max makes use of several channels to acquire business customers and other financial products:

- Managers of business customers' portfolios, which constitute a focal point for provision of services and sale of financial solutions, such as: Acquisition, discounting, business cards and a range of credit products, including: Short and long-term loans, financing of payments to suppliers, financing of commercial vehicles and commercial real estate properties, autonomous guarantees, state-guaranteed fund, and more.
- Telemarketing centers - that provide services for incoming and outgoing calls for recruiting business customers for acquiring, discounting, loans and business cards.
- Business partners - selling acquiring services through collaborations with dozens of synergetic distribution channels to the payment market that have been authorized by Max to leverage the number of merchants enrolled on the one hand and reducing enrollment costs on the other. All partners use a digital recruiting platform that they are given access to, enabling fast, efficient and convenient enrollment of business customers.
- Digital channels - Max's website offers the option of joining immediately to acquiring services through a digital channel.

In addition, Max provides access to all business information through its website, which includes, among other things, receiving information about products and services offered to business customers, personal information and a business data portal, self-service options and information regarding Max's rates.

13.9. Competition in the acquiring segment

The acquiring sector is highly competitive, has virtually no barriers preventing business customers from switching between the various acquirers. Given the high level of competitiveness in the industry, there has been continuous erosion of the industry acquiring margin in recent years. In addition, the high competitiveness in the acquiring field is also accompanied by the entry of additional payment means, alternatives to acquiring, such as payment apps.

The fierce competition in the industry, lack of barriers preventing business customers switching between the

various acquirers and the decrease in the acquiring margin, force Max to invest large resources for recruiting and retaining business customers by, among other things, improving the services offered to business customers and offering added value propositions on traditional acquiring services.

Furthermore, the working regulation of hosted payment aggregators and acquirers in Israel under the Strum Law also increases competition in the acquiring segment and leads to a non-material erosion of Max's income.

Max's main competitors in the acquiring segment are the other credit card companies. Max's main competitors in the discounting segment are the other credit card companies and Discounting Companies operating in the market. In the business credit sector, Max's main competitors are the banks and the other credit card companies, as well as various non-bank financing companies.

Max adopts the following measures for confronting the increasing competition in the acquiring segment: Steady investing and improving of the business customer service experience and quality by planning for maximizing the added value offered to them, collaborating with local and international entities to promote and initiate complementary financial products for business customers, adapting to the competitive environment by developing a digital environment that is adapted to the various needs of the business customers. Max also has a credit risk management and control system for minimizing damages in collection of business borrowing.

The positive factors affecting Max's competitive position are, among others: (a) investing resources in simple, fast and easy systems in order to recruit business customers, including online recruiting according to the provisions of the law; (b) improving services to business customers; (c) drafting attractive value propositions for business customers that include other services in addition to traditional acquiring services; (d) expanding the value propositions offered to business customers by acquiring and synergy with companies that provide payment solutions to business customers and that also enable the creation of exclusive offers; (e) Max's status with the international credit card organizations; (f) Max has the ability to raise capital and debt for sustaining its operations and business growth.

The adverse factors affecting Max's competitive position are, among others: (a) multiple regulatory changes in the industry aimed, inter alia, at reducing the acquirer fees paid by business customers and facilitating the entry of new players to the industry, such as hosting aggregators and acquirers; (b) establishing and developing technological infrastructures designed to create non-credit card acquiring and payment systems; (c) the absence of barriers preventing business customers from switching acquirers; (d) various regulatory and technological developments that lead to increased activity by the banks in the payments market and payment means also for business customers; (e) Exclusive acquiring of the American Express and Diners brands by the Isracard Group and CAL, respectively, allow them to collect relatively high acquiring fees for these brands, and at the same time to offer the same business customers relatively low fees on the acquiring brands that are open to competition: Visa, Mastercard and Isracard.

Part of Section 13 constitutes forward-looking information, as defined in the Israel Securities Law, based on the assessments of the Max Group management and its understanding of the business environment in which Max operates. Max's plans may not materialize, in whole or in part, or may materialize differently, including in a materially different manner than expected, due to incorrect assessments, changes in Max's work plan, unexpected changes in the payments and credit market in Israel and/or outside Israel, behavior of entities and players in the payments and credit markets, especially in light of the uncertainty regarding the development of the Iron Swords War, its duration and effects on the Israeli economy and/or materialization of all or part of the risk factors set out in Section 15.10 below and Note 42 to the Financial Statements.

14. Activity of main investees

14.1 Max IT Credit Ltd. (hereinafter - "Max Credit")

A private subsidiary wholly owned by Max.

Max Credit provides credit to non-bank customers. Max Credit is a financial institution as defined in the Value Added Tax Law, 1975.

Max Credit's total assets amounted to NIS 9,243 million at the end of 2023, compared to NIS 8,647 million at the end of 2022.

Net income in 2023 amounted to NIS 2 million compared with NIS 30 million in 2022. The decrease in the profitability of Max Credit Ltd. in 2023 arises from an increase in provisions for credit losses, which Max made in order to reflect its assessment of a potential adverse effect on borrowers' repayment capabilities due to the War.

Total equity at the end of 2023 amounted to NIS 545 million, compared with NIS 542 million at the end of 2022.

14.2. Max IT Deposits Ltd. (hereinafter - "Max Deposits")

A private subsidiary wholly owned by Max.

Max Deposits manages deposits for prepaid card holders. Max Deposits is a financial institution as defined in the Value Added Tax Law, 1975.

Max Deposits' total assets amounted to NIS 274 million at the end of 2023, compared to NIS 213 million at the end of 2022.

Net income in 2023 amounted to NIS 5 million compared with NIS 2 million in 2022.

Total equity at the end of 2023 amounted to NIS 27 million, compared with NIS 22 million at the end of 2022.

15. Additional information at segment level

15.1. Legislative restrictions, standards and specific constraints - description and effects

Max operates in a highly regulated environment and its activities are regulated by and subject to the general laws relevant to its activities, specific banking laws applicable to it and various binding regulatory directives, mainly Proper Conduct of Banking Business Directives. Max is regulated by the Banking Supervision Department. Following are the main legislative and regulatory provisions applicable to Max specifically and reference to material changes in the regulatory environment applicable to it. It should be clarified the list of legislation and regulation below is not an exhaustive list of all relevant provisions or directives applicable to Max's activity, but rather a general review of the main legislation and regulation.

As a company that provides payment services to its customers (payment card issuing and acquiring), processing payment cards, and provides credit (other than housing credit), Max is subject to the provisions of various laws related to its activities in those sectors, including the Banking (Licensing) Law, the Banking Ordinance, 1941, the Banking Law (Customer Service), 1981 (hereinafter - the "**Banking Law (Service to Customer)**"), the Payment Services Law, 2019 (hereinafter - the "**Payment Services Law**"), the Fair Lending Law, 1993, Credit Data Law, 2016, Financial Information Service Law, 2021, the Prohibition on Money Laundering Law, 2000, as well as regulations, orders, and rules issued pursuant to these laws. Max is also subject to various directives issued by the Banking Supervision Department from time to time applicable to credit card companies or acquirers, including under circulars, letters, guidelines and Proper Conduct of Banking Business Directives (including Proper Conduct of Banking Business Directive 470 - Payment Cards and Proper Conduct of Banking Business Directive 472 - Acquirers and Acquiring Payment Card Transactions).

Furthermore, Max Insurance Agency (2020) Ltd., a wholly owned subsidiary of Max, operates under an insurance agency license granted in June 2020 by the Capital Market, Insurance and Savings Authority, pursuant to which the agency may engage in insurance brokerage according to the terms and conditions of the license, subject to the provisions of the laws and regulation applicable to such activity, including various directives issued by the Capital Market, Insurance and Saving Authority from time to time. For restrictions on Max's insurance agency's ability to engage in insurance brokerage activities involving products of Clal Insurance Group, see Section 15.1.4 below.

In addition to the foregoing specific laws, Max is also subject to general provisions of law such as the Economic Competition Law, 1988, the Privacy Protection Law, the Market Concentration Law, the Law Promoting Economic Competition and Minimizing Market Centralization in the Israeli Banking Market (Legislative Amendments) 2017, as well as regulations, ordinances and rules promulgated thereunder. In that context, it is noted that in recent years various regulators - including those listed above - gained further enforcement and reporting powers, such that Max and its subsidiaries are exposed, from time to time, to administrative enforcement procedures and to imposition of penalties by those regulators.

Furthermore, in recent years there has been a significant expansion of the international sanctions regimes imposed by various entities across the world, in connection with financial activity, which include - in some cases - restrictions or receipt or payment of funds from those on which such sanctions were imposed. Max continuously monitors developments and publications relating to the sanctions regimes, in order to comply with the requirements applicable to it.

Following are details regarding key legislative and regulatory provisions, which apply to Max, including key effects.

15.1.1. Banking legislation - General

Banking Law (Licensing)

Max's operations are regulated by the Banking Law (Licensing). Pursuant to the directives of the Law, from the date that Max was sold by Bank Leumi le-Israel B.M., it is no longer an "auxiliary corporation," as defined by the Law, and its areas of operation are not limited to the areas of activity of the Bank, as was the case prior to the sale.

Max operates by virtue of the permanent acquiring license granted to it on February 20, 2019, and is subject to the supervision of the Banking Supervision Department.

The Banking Ordinance, 1941 includes provisions that apply to holders of an acquiring license, including regarding the authority of the Banking Supervision Department.

In addition, as a derivative of the various reforms to increase competition in the banking and financial system in Israel, the Banking Law imposes restrictions on means of control held by the banking company or its controlling entity (this restriction also applies to Max, by virtue of being defined by the Law as an "acquirer"). Inter alia, it was established that controlling and holding over 5% of the means of control of a banking company requires a permit from the Governor of the Bank of Israel; restrictions were also established for any bank with assets valued at over 20% of the value of the total assets of all of the banks in Israel (hereinafter - "**bank with a broad scope of activity**") for operations in issuing of payment cards and for acquiring transactions with payment cards (see Section 15.1.8 below regarding the Strum Committee). Regarding an "acquirer" and the restrictions that may be imposed on its operations in this context, see below in Section 15.1.1 regarding the Supervision of Regulation of Engagement in Payment Services and Payment Initiation Law, 2023.

On July 5, 2022, the Banking Law (Licensing) Law (Amendment 28) (Expansion of Financing Sources for Non-Bank Credit Corporations), 2021, was published (hereinafter - the "**Nawi Law**"). The Amendment aims to expand the options available to non-bank credit providers for raising debt to finance their activities by issuing notes to the public (as an exception to the prohibition set out in the Banking Law, according to which a non-bank entity is not permitted to issue securities requiring a prospectus and provide credit), among other things, by increasing the total amount of capital that they will be permitted to raise to NIS 15 billion and to cancel the restrictions on credit providers, such as the prohibition on providing housing loans with repayment guaranteed by the collateral set out in the Law (for example, registering a mortgage) or providing credit other than for housing with repayment secured by a mortgage.

These amendments allow Max to increase and diversify its sources of non-bank financing, while improving pricing compared with illiquid alternatives.

Max's assessments regarding the effects of the legislation outlined above constitute forward-looking information that is based on the information available Max at the report publication date. The actual effects may vary than those predicted, including, among other things, in view of various developments in the Israeli economy and/or in the regulated segment, and as a result of the actual implementation of the legislation.

On February 18, 2024, the Banking Supervision Department published a draft for public comment regarding policies and general conditions for the provision of holding permits in banking corporations, in systematically important providers of payment services, and in corporations that hold them, to entities managing customers' funds. The policy allows controlling shareholders in entities managing customers' funds to increase to up to 7.5% their holdings in shares of corporations, the holding of which requires a permit, subject to obtaining a permit from the Governor of the Bank of Israel. As part of the publication, the Banking Supervision Department stipulated that the period of permits that were issued so far by virtue of the policy will end on December 31, 2029. Furthermore, the draft sets forth additional requirements for controlling shareholders, and provisions regarding reporting and transfer of information.

Regarding holding permits awarded to institutional entities from the Clal Insurance Group to hold banks and credit card companies, and regarding restrictions applicable to Clal Group, see Section 9.5.4.2 above.

Banking Law (Service to Customer)

The Banking Law (Service to Customer) Law regulates various consumer aspects of Max's relationships with its customers. In addition, by virtue of the Banking (Service to Customer) Law, the fees that Max is entitled to collect from its customers are supervised pursuant to their definitions in the Banking (Service

to Customer) (Fees) Law, 2008. Accordingly, Max can only collect the types of fees that were explicitly set by the Banking Supervision Department, and it must notify the Banking Supervision Department of any change to the fees that it collects. Furthermore, the Banking (Service to Customer) Law establishes the authority of the Banking Supervision Department to declare a specific service of Max a supervised service, and to set the precise fee that is to be collected for it. Pursuant to the Banking Law (Service to Customer), various provisions were promulgated that specify requirements pertaining to topics arising from this law, such as fair disclosure, fees and commissions, and more.

The Banking Law (Customer Service) (Amendment No. 37), 2024

On January 28, 2024, an amendment was published to the said law, obliging a banking corporation (including Max in its capacity as an acquirer) to send its customers notice of termination of a banking benefit issued to them no later than 21 days before its termination date; and regarding a card fee benefit, to specify in such notice the way in which the customer may terminate the engagement regarding the payment card. The amendment to the law also stipulates that such notice shall be sent to the customer in writing, in a manner that allows as instant and accessible communication as possible, unless the customer asked not to receive notices in this manner. The effective date of the amendment - six months from its abovementioned publication date.

Proper Conduct of Banking Business Directives, Reporting to the Banking Supervision Department Directives and Reporting to the Public Directives

From time to time, the Banking Supervision Department publishes a range of Proper Conduct of Banking Business Directives, which deal with the various areas regulated by the Banking Supervision Department, including directives pertaining to various aspects, such as capital measurement and adequacy, management and control, management risks, provision of credit and provisions regarding the issuing and acquiring of payment cards.

Furthermore, from time to time, the Banking Supervision Department publishes Reporting to the Banking Supervision Department Directives and Reporting to the Public Directives.

In this framework, the Proper Conduct of Banking Business Directive No. 221 was published regarding Liquidity Coverage Ratio, which adopts the Basel III recommendations regarding the liquidity coverage ratio, and sets a minimum liquidity level for banking corporations. The directive is currently relevant to Max's activity only in respect of qualitative disclosure.

Letters and circulars of the Banking Supervision Department

In addition to the Proper Conduct of Banking Business Directives, the Banking Supervision Department periodically publishes various letters and circulars that regulate different or additional aspects beyond that which is established in the directives.

Payment Services Law

The Payment Services Law, 2019 (hereinafter - the "**Payment Services Law**"), which was enacted on October 14, 2020, cancelled the **Payment Cards Law, 1986** (which regulated the obligations of the issuer in respect to the issuing of payment cards until said date). The purpose of the Payment Services Law is to more broadly regulate the relationships between all payment service providers and their customers (paying or beneficiaries). The Law is based on the provisions of the Payment Cards Law and on the European Payment Services Directive II. The Law applies to all types of payment service providers, on the issuing side (providers of payment services to the payer) and on the acquiring side (providers of payment services to the beneficiary). As such, the Law regulates the use of a range of payment means (payment cards, checking accounts, electronic wallets, payment applications and payment transfers).

The law had a number of ramifications for Max's operations, including updating the consumer enrollment agreements, adapting the service and operating procedures.

Payment Services Regulations (Exemption from Provisions of the Law)

On April 13, 2022, the **Payment Services Regulations (Exemption from Application of the Law), 2022, were published**. Under the Regulations, some of the provisions of the Payment Services Law will not apply to (1) means of payment that are not intended for the use of a specific payer, when the maximum accumulation amount is NIS 1,500, non-rechargeable, charged immediately, and payments cannot be deferred; or (2) "payment cards" (as defined in the Banking Law), issued to a specific payer by a government entity or a non-profit organization, as financial assistance, which are rechargeable to a

maximum cumulative amount of NIS 1,500 at any time, charged immediately and payments cannot be deferred, payment orders can only be made by physical presentation of the card, and they allow purchases from a limited number of suppliers. Some of the provisions of the Payment Services Law will continue to apply to these means of payment, such as: duty of due disclosure, prohibition on misleading conduct, execution of payment transactions, restriction on deducting fees, and the responsibility of a service provider to execute a payment transaction. It was further stipulated that payment means such as a purchase voucher will be valid for five years and payment means such as a gift voucher will be valid for two years; if the card holder requests, the issuer is obliged to extend the purchase voucher or gift voucher for an additional period in a simple and convenient manner.

On November 23, 2023 the regulations were amended such that the exemptions described above will continue to apply through May 13, 2025, regarding a means of payment that complies with the provisions of Subsection (1) above; and through October 14, 2026 - regarding a means of payment that complies with the provisions of Subsection (2) above.

Regulation of Engagement in Payment Services and Payment Initiation Law

In June 2023, the Regulation of Engagement in Payment Services and Payment Initiation Law, 2023 (hereinafter - the "**Regulation of Engagement in Payment Services and Payment Initiation Law**") was published; it provides for a licensing requirement or regulatory approval and the terms and conditions for receiving such a license or approval, applicable to those engaged in the provision of payment services and initiation of payments, regulates activities permitted to licensees, and prescribes additional guidance. 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, issuing of means of payment, acquisition of payment transactions, and provision of payment services) shall be regulated by the Israel Securities Authority, whereas 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 thereunder. Furthermore, the law may bring about changes in the competition landscape in the payments market 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 information relating to the potential consequences of the Regulation of Engagement in Payment Services and Payment Initiation Law 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, since at this preliminary stage it is impossible to assess the effects of the above on Max.

Proper Conduct of Banking Business Directive 501 - Customer Service and Support Function

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

The directive sets principles regarding the management of such a function in the various 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 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 service and support strategy; setting powers and areas of responsibility for effective management of the

various 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. In addition, the directive includes principles for the provision of services and support to customers, which banking corporations (including Max as an acquirer) 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 is of the opinion that 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.

Suggested directive to payment services companies regarding retaining and protecting customers' funds

On January 31, 2024, the Israel Securities Authority published the above proposed directive, which sets forth a number of provisions that supplement the **Regulation of Engagement in Payment Services and Payment Initiation Law, 2023**, regarding retaining and protecting customers' funds that will be transferred to the payment services companies for the purpose of providing payment services. Among other things, the proposed directive stipulates provisions regarding the retention of customers' funds by a systematically important holder of a payment services license - the category to which Max is expected to belong upon the coming into force of the Regulation of Engagement in Payment Services and Payment Initiation Law - such as the prohibition to retain an amount that exceeds 25% of the total amount of customers' funds received by the payment services company from or for its customers; and provisions regarding the payment of interest (in whole or in part) accrued on the funds of the payment services company's customers that were invested in a dedicated account or retained by a systematically important provider of payment services to its customers.

Draft Proper Conduct of Banking Business Directive regarding Management of Information Technology Risks, Information Security and Cyber Security

In February 2023, the above draft directive was published, which is designed to replace existing provisions on information technology. 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, there may be operational and automation effects.

The information relating to the potential consequences of the draft Proper Conduct of Banking Business Directive 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 version of the draft, if accepted, and preparations for its application.

15.1.2. The Prohibition on Money Laundering Law, 2000, and the Prohibition of Financing of Terrorism Law, 2005 (hereinafter, jointly - "Anti-Money Laundering Law")

The Prohibition on Money Laundering Law includes the obligations regarding identification, reporting, and management of records that apply to Max in its activity as an acquirer, inter alia by virtue of the Anti-Money Laundering Order (Obligations to Identify, Report and Manage Listings of Banking Corporations for the Prevention of Money Laundering and Terrorist Financing), 2001 (hereinafter - the "**Prohibition on Money Laundering Ordinance**").

The Prohibition on Money Laundering Order stipulates various requirements that apply to Max, including authentication requirements, "Know your Customer" requirements, verification of details and requesting documents, requirement as to "face to face" identification" and various regular reporting requirements.

Furthermore, the Commissioner published from time to time revisions to Q&A files for the implementation of the Prohibition on Money Laundering Order and Proper Conduct of Banking Business Directive No. 411.

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, which will apply to all financial entities and replace the specific orders currently in place, and will set basic, identical and uniform provisions for all financial entities reporting to the Prohibition on Money Laundering 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 Max's conduct themselves compared to the ordinance currently in place, the most important of which are changes in the "know your customer" procedures, 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 Prohibition on Money Laundering Authority.

If the Draft Prohibition will be published as a binding ordinance, it may affect Max's activity, mainly in connection with signing-on processes of Max's customers to its various services and will involve operational preparations.

The information relating to the potential consequences of the Prohibition on Money Laundering Order 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, due to final wording of the order, if it is published, and due to its interpretation by the relevant regulators.

On June 16, 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 "processing" and a "joint issuing arrangement". In the letter, the Bank of Israel noted that banking corporations and the acquirers should define the information that they obtain about the customer as part of the "know your customer" procedure, which is conducted upon the issuing of a payment card, in accordance with a risk-based approach and the principles set in the ordinance and in Proper Conduct of Banking Business Directive 411. Furthermore, the Banking Supervision Department 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. On October 24, 2023 the deadline was postponed to December 31, 2024.

Max operates in accordance with Law and the Proper Conduct of Banking Business Directives with regard to the prohibition on money laundering and of terror financing, and invests much resources in this matter. In this regard, regulatory arbitrage is practiced with respect to other entities that conduct operations that are essentially similar to Max's operations and that are not regulated by the Bank of Israel and therefore are not subject to the same directives regarding the Prohibition on Money Laundering and Terror Financing Law.

15.1.3. Privacy protection

The Privacy Protection Law regulates, among other things, the prohibition against damaging a person's privacy, obligations for recording and managing databases, and directives regarding direct mailing. On May 8, 2018, the **Privacy Protection (Information Security) Regulations, 2017** were enacted (hereinafter - the "**Information Security Regulations**"). On March 4, 2018, the guideline of the Databases Registrar at the Privacy Protection Authority was published regarding the applicability of the Privacy Protection Regulations to bodies supervised by the Banking Supervision Department. Pursuant to this guideline, only a few of the directives of the Information Security Regulations apply to Max's

operations, since various Proper Conduct of Banking Business Directives issued by the Banking Supervision Department already include similar or identical obligations (some of which are even more stringent) to those established in the Information Security Regulations.

From time to time, the Privacy Protection Authority publishes policy papers and procedures, including guidance on the applicability of the provisions of the Privacy Protection Law regarding various topics pertaining to Max's activity.

15.1.4. Licensing and licenses

Max's operations in its role as an issuer and acquirer is regulated by several licenses.

Acquiring license

The Banking Law (Licensing) establishes the prohibition against dealing in acquiring transactions via payment cards, rather with a license pursuant to the Law. On February 20, 2019, Max was granted a permanent acquiring license, pursuant to the directives of the Law.

Document of Criteria and General Terms for Requesting a Control Permit and Hold Means of Control in the Acquirer and the Credit Card Company

On February 20, 2018, the Banking Supervision Department published a document defining the criteria for those eligible to receive a control permit for the acquirer. Inter alia, the criteria document and the general terms include directives regarding the center of control and means of control, specific directives regarding a controlling entity that is a private investment fund, regarding a controlling entity that is a foreign acquirer, and directives regarding financing the purchase of the control and dividend distribution.

The request for the control permit is in addition to the request for receipt of a holding permit from the Governor in order to hold more than 5% of the acquirer.

On February 23, 2023, the Company reported to the public that it received a permit from the Governor of the Bank of Israel to control and hold means of control in Max and WPI, which includes various restrictions, including regarding the capital adequacy ratio. For further details, see Note 17(e)(2)(b) to the Financial Statements.

Licenses from international credit card organizations

For further details, see Section 15.11.2 below.

License agreement for acquiring the "Isracard" brand

Pursuant to the agreement dated May 15, 2012 between Max and Isracard, Max has a license for acquiring, issuing, and the option of providing services for payment cards from the Isracard brand. Pursuant to the license agreement, card acquiring activity with the Isracard brand is managed similarly to card acquiring on the joint interface between the credit card companies in the industry for acquiring Visa and Mastercard cards. The Competition Commissioner granted an exemption for the agreement until December 31, 2023 (hereinafter in this section - the "**Exemption**"). The Exemption was stipulated on several conditions, and establishes, inter alia, that Isracard will only be able to collect the amounts set forth in the Exemption from Max: the interchange fee, at the rate established in the interchange fee arrangement between the companies, and after January 1, 2019, pursuant to the rates established by Bank of Israel (for further details, see Section 15.1.5 below); one-time license fees, additional payment as a percentage of the volume of Isracard card acquiring by Max, not exceeding the rate established in the terms of the Exemption.

Furthermore, the Exemption established conditions prohibiting the transfer of information between the companies that is not for the purpose of implementing the agreement or not by virtue of a law, as well as establishing that the interchange acquiring of Isracard cards will be subject to the terms of the Amended Acquiring Arrangement enacted until the end of 2018, and subsequently, to the terms established in the Exemption with regard to the interchange acquiring arrangement (for further information about the interchange acquiring arrangement, see Section 15.1.5 below).

Under the Extension of Periods Law (Temporary Order - Iron Swords) (Regulatory Approvals, Financial Sanctions and Gas Facility Testing), 2023, the exemption was extended to March 31, 2024. The parties to the arrangement filed an application to extend its term, which is currently discussed by the Israel Competition Authority. On March 11, Max received a letter from the Israel Competition Authority

regarding an arrangement in connection with licensing agreements for interchange acquiring of Isracard payment cards. This letter revokes the Israel Competition Authority's notice of November 2019, which stipulated that class exemptions may not be applied to the arrangement, and stipulates that due to the number of Isracard payment cards in the market out of the total number of payment cards issued in Israel, the class exemptions will apply to this arrangement.

Corporate agent license

On June 8, 2020, the Capital Market, Insurance and Savings Authority granted a corporate agent license to Max Insurance Agency (2020) Ltd., a wholly owned subsidiary of Max. The license allows the agency to engage in insurance brokerage in the areas of property and casualty insurance, life insurance as part of a housing loan, and healthcare insurance for overseas travel insurance products. The license includes several restrictions regarding the agency's areas of activity and a plan for transitioning to an "objective agent". The agency began marketing insurance policies in July 2020, in collaboration with AIG, and is working to expand its products while developing relevant value propositions for Max's diverse customers.

The control permit granted to the Company over Max Insurance Agency Ltd. included an updated corporate agent license for Max Insurance Agency, which includes, among other things, restrictions on the tenure of officers in the Company or in institutional entities under its control, in Max Insurance Agency, as well as a provision stipulating that Max Insurance Agency will not market the Group's products.

15.1.5. Plan for Establishing the Interchange Fee

On February 25, 2018, a plan was published for reducing the rate of the fee collected from merchants by the acquirer and transferred to the issuer (hereinafter - "issuer fee" or "interchange fee"):

With regard to the Interchange Fee in deferred billing transactions - as of January 1, 2019, a decrease from 0.7% to 0.6%; as of January 1, 2020, a decrease from 0.6% to 0.575%; as of January 1, 2021, a decrease from 0.575% to 0.55%; as of January 2022, a decrease from 0.55% to 0.525%; and as of January 1, 2023, a decrease from 0.525% to 0.5%.

Compared to the Interchange Fee in immediate billing transactions ("debit" transactions), as of January 1, 2021, a decrease from 0.3% to 0.275%; and as of January 2023, a decrease from 0.275% to 0.25%.

On January 1, 2019, the **Banking Ordinance (Customer Service) (Supervision of Interchange Acquiring Service of Payment Card Transactions and Immediate Billing Transactions), 2018**, entered into effect. The Order implements the reduction of the Interchange Fee rate with regard to payment card transactions (distinguishing, during the first years of the implementation of the scale, between all transactions and transactions executed for a "public institution" as defined in the Order), and regarding immediate billing transactions.

This plan significantly reduces Max's revenue from interchange fees for transactions performed in Israel, for bank cards as well as non-bank cards. The outline for reduction described above creates a great deal of certainty in the credit card industry and the issuing segment.

Max's assessments regarding the effects of the interchange fee outline as detailed above constitute forward-looking information that is based on the information available Max at the report publication date. The actual effects may vary than those predicted, including, among other things, in view of various developments in the Israeli economy and/or in the regulated segment, and as a result of the actual implementation of the legislation.

Interchange acquiring exemption

On April 25, 2018, the Competition Commissioner published his decision to exempt the interchange acquiring arrangement between the credit card companies, which was approved in March 2012 by the Competition Court, in the terms, as part of a request for cartel clearance (hereinafter - the "**Amended Acquiring Arrangement**").

The interchange acquiring exemption (hereinafter in this section - the "**Exemption**") sets forth a number of conditions that are designed to address a number of competition-related concerns identified by the Israel Competition Authority, as follows:

- B. Blocking new players from engaging in interchange acquiring agreements;
- C. Exploiting market power on the issuing side or the acquiring side, in order to make it difficult for competitors - prohibition on an issuer with a broad scope of activity to discriminate between acquirers

or customers based on the identity of the acquirer of the merchant in which the transaction was carried out; prohibition on a credit card company, which is an acquirer with extensive scope of activity to discriminate between issuers.

- D. Exploiting market power against merchants - practices of creating links or restricting discounts - prohibiting a credit card company, which is an acquirer with extensive scope of activity or an issuer with a broad scope of activity to link the acquiring of transactions involving payment cards with a merchant and the engagement with that merchant as part of its activity as an issuers; prohibiting the linking of various payment cards transactions in which it serves as an acquirer; and prohibiting a credit card company, which is an acquirer with a broad scope of activity, to be a party to agreements with a merchant that prevent it or restrict it from giving its customers discounts that depend on the means of payment which the customer uses.
- E. The exercise of coordinated market power toward merchants - delaying a payment from an issuer to an acquirer - daily netting - prohibiting the delay of payments from the issuer to the acquirer. According to the directive, as of July 1, 2021, the transfer of funds between an issuer and an acquirer in respect of transactions made in a single payment will be executed no later than one day after the date that the transaction was transmitted by the merchant.

Following a joint application of October 10, 2023 by the parties to the arrangement, and under the **Extension of Periods Law (Temporary Order - Iron Swords) (Regulatory Approvals, Financial Sanctions and Gas Facility Testing), 2023**, the exemption in connection with acquiring Isracard payment cards referred to in Section 15.1.4 was extended by three months through March 31, 2024, and so was the exemption granted under conditions by the Competition Authority for regulation of the interchange acquiring arrangement between the credit card companies. The parties to the arrangement filed - on January 9, 2024 - a new request to approve the validity of the above exemption, which is currently being discussed by the Israel Competition Authority.

The interchange acquiring arrangement is an operational arrangement between issuers and acquirers in Israel as part of the joint interface between them that enables acquiring of transactions executed at a merchant using cards not issued by the merchant's acquirer. Extension of the exemption thus enables the interchange acquiring activity in Israel to continue.

On March 11, Max received a letter from the Israel Competition Authority regarding an arrangement in connection with licensing agreements for interchange acquiring of Isracard payment cards. This letter revokes the Israel Competition Authority's notice of November 2019, which stipulated that class exemptions may not be applied to the arrangement, and stipulates that due to the number of Isracard payment cards in the market out of the total number of payment cards issued in Israel, the class exemptions will apply to this arrangement.

15.1.6. **EMV Standard**

The Banking Supervision Department periodically publishes circulars and amendments to the Proper Conduct of Banking Business Directives, in order to encourage the market to transfer to the EMV (Europay Mastercard Visa) Standard - a technological standard for acquiring credit cards that include a chip that assists in protecting the customer's credit information. The standard allows the use of advanced technologies in the payments market, and among other things it allows payments using a payment card with a chip (smart card), through a terminal that supports the standard in the point of sale, including contactless payment.

In July 26, 2017, the Banking Supervision Department published a circular update regarding "**Acquirers and Acquiring of Transactions on Payment Cards**," according to which as of January 1, 2018, a new payment terminal will only connect to the new payment card system that supports the Standard, except under the circumstances set forth in the circular and subject to the terms stipulated therein.

In addition, on January 12, 2020, an amendment was published to Proper Conduct of Banking Business Directive No. 470 - Payment Cards, and to Proper Conduct of Banking Business Directive No. 472 - Acquirers and Acquiring Transactions with Payment Cards, regarding promotion of the implementation of the EMV Standard in Israel. The transition of the Israeli market to the EMV Standard is nearly completed, in accordance with the provisions of the outline the guidance published from time to time by the Bank of Israel.

The transition to the EMV Standard led to a significant decline in losses from fraud involving "card-

present" transactions (transactions in physical merchants in Israel). It is noted that the amount of losses from fraud in Max is immaterial. Furthermore, the market transition to the EMV standard served as infrastructure for adopting advanced payment solutions and digital wallets.

15.1.7. Payment card protocol and Automated Bank Services (ABS) exemption

The payment card protocol is "the technical specification and message structure used to transfer a transaction between the parties in the chain (Payment Card Transaction Chain - such as issuers, acquirers, acquiring processors, cash register manufacturers and distributors and ABS."⁹⁷

On May 9, 2017, the Bank of Israel published an announcement regarding measures taken to implement a payment card protocol, such as publication of information in the protocol, the publication of which does not pose a risk to the payment system at the site of the ABS, the company that operates the national credit card acquiring infrastructure, and full access to the protocol for every interested party, subject to signing an NDA.

The Bank of Israel also published the mandatory and optional components of the protocol and the outline of the policy for implementation of the protocol in the payment cards market. These components will allow the various players to examine and implement the protocol partially, according to their needs. As of the report date, the use of the protocol does not entail payment of a fee.

On August 9, 2022 the Governor of the Bank of Israel announced the EMV Ashrai (Credit) Protocol, operated by the Association for Management of EMV Protocol Terminals in Israel (R.A.), as a controlled system in accordance with the Payment Systems Law, 2008. The Protocol defines, among other things, the method for requesting and receiving data and carrying out payment instructions between the participants.

New cartel exemption terms for ABS and rules for the ABS system

ABS provides a large and diverse part of the services in the payment card transaction chain, including provision of the switch infrastructure, terminal management, the exchange infrastructure to link the terminals at merchants to the acquirers and issuers for approval and acquiring of payment card transactions, regulation of the principles and rules for development and use of the protocol, certification of terminals, the acquiring interface, etc.

On December 28, 2022, the new exemption terms of ABS were published. In this context, the areas of activity that are permitted for ABS were established and guidelines for connection to its systems were published, regarding its activities with manufacturers, guidelines for end-to-end authorization to the EMV standard, and publication on the ABS website of the rates for its services.

15.1.8. The Strum Law

On January 31, 2017, the Strum Law was published (pursuant to the recommendations of the Committee on Increasing Competition in Common Banking and Financial Services, (hereinafter - the "Strum Committee"), some of the main points of which are:

- Bank Leumi and Bank Hapoalim are prohibited from processing payment cards, acquiring payment cards and holding a such a processing or acquiring company. The separation of Max from Bank Leumi is a defining event for Max and it impacts and is expected to continue impacting all aspects of Max's operations. Max ceased to be an auxiliary banking corporation (as of the date of transfer of control) and under the supervision of the Banking Supervision Department as an acquirer;
- The scope of the issuing operation permitted by a bank through a single credit card company in the transitional period set out in the Law is restricted to no more than 52% of all new credit cards issued to its customers;
- Pursuant to the Strum Law, within 4 years of the law coming into effect and until 7 years will have elapsed after the law has come into effect, the total amount of credit card facilities of the customers of each bank per year shall not exceed 50% of the total amount of facilities in existence in 2015. The facilities will be calculated for credit facilities exceeding NIS 5,000 and credit facilities will not fall below NIS 5,000 for the sole purpose of meeting this requirement.

In November 2020 and January 2022, the ordinances for **Promoting Economic Competition and**

97. Payment card transaction chain report published by the Bank of Israel in July 2016, p. 5.

Minimizing Market Centralization in the Israeli Banking Market (Legislative Amendments) (Change of the Rate and Amounts with respect to Limiting Credit Facilities Under Section 9(c) to the Law) were published, which updated the provisions of the Strum Law in relation to limiting credit facilities up to the period due to end on January 31, 2024.

- On January 31, 2023, the Knesset Finance Committee approved the **Ordinance for Increasing Competition and Reducing Concentration in the Banking Market (Legislative Amendments) (Change of the Rate and Amounts for Reducing Credit Facilities Under Section 9(d) of the Law) (Amendment 1), 2023**. In accordance with the Ordinance, the total credit facilities for customers holding a credit card of a bank with a broad scope of activity that issues payment cards, will not exceed 75% annually (instead of 51% – starting on February 1, 2023 – according to the previous Ordinance) of the total credit card credit facilities of the bank's customers in 2015; when calculating the total credit facilities, credit facilities of bank's customers exceeding NIS 10,000 will be taken into account, and a customer's credit facility will not be reduced to an amount lower than NIS 10,000 (instead of NIS 8,500 –starting on February 1, 2023 – according to the previous ordinance).

Under the Economic Plan Law (Legislative Amendments for Implementing Economic Policies for Budget Years 2023 and 2024), 2023, which was approved on May 24, 2023, it was stipulated that, as from February 1, 2024, the protection described above regarding capping the total amount of credit facilities for credit cards of customers of a bank with a broad scope of activity which issues payment cards is revoked.

- Access will be provided to information from credit card companies for issuing processing and regulating its use by the credit card companies, such that banks will not prevent an issuer from providing financial services, including providing credit to the bank's customers. It is further stipulated that a bank will not prevent an issuer from using information reaching it though the issuing or from providing services as an issuer, providing credit and activities related to such services, even without the customer's consent in the period set out in the law.
- The work of merchant aggregators (a business that incorporates a number of merchants, and enters into an agreement with an acquirer for acquiring services on behalf of the merchants incorporated under it) is regulated, such that an acquirer can only refuse to enter into an agreement with a merchant aggregator under reasonable circumstances and in accordance with the provisions in the Law. In addition, the Minister of Finance has the authority to intervene and determine the consideration to be paid by the aggregator to the acquirer if the conditions set out in the law are met. In the opinion of Max as of this stage, the regulation of the activity of hosted payment aggregators and acquirers increased the competition in the acquiring segment and leads to an immaterial erosion of Max's income.
- After publication of the Strum Law, a series of rules and provisions for implementation thereof were established.
- On September 18, 2023, **Banking Regulations (Licensing) (Bank with a Broad Scope of Activity), 2023** were published. The regulations establish the recommendation of The Committee to Examine Competition in the Credit Market of December 20, 2022 by revising the definition of a "bank with a broad scope of activity", such that Discount Bank Ltd. will be a bank with a broad scope of activity, which will be required to dispose of CAL within three years from the Effective Date (the regulations were published on January 30, 2023), or within four years from the Effective Date if it will reduce its holding rate to 40% or less, and 25% of the means of control in the company were issued to the public. The regulations also extend some of the infant company protections in respect of the Company, including restriction on the volume of issuing operations which a bank with a broad scope of activity is permitted to carry out through one credit card company and provisions regarding information received by the Company, which carries out issuing operations incidentally. Concurrently, the Minister announced his intention to appoint an inter-ministerial team to review the control of large institutional entities in payment card companies.

Recommendations of the Taskforce for Assessing Institutional Entities' Holdings in Payment Card Companies

The recommendations of the Taskforce for Assessing Institutional Entities' Holdings in Payment Card Companies (hereinafter - the **"Assessment Taskforce"**) were published in May 2023. Among other

things, the assessment taskforce recommended as follows:

- A. To cancel the prohibition on large institutional entities to purchase means of control in a payment card company from a bank with a broad scope of activity (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 to set restrictions regarding material interfaces between institutional entities and banks;
- 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. The Assessment Team remained divided as to the date on which such an assessment will take place.

A law memorandum - amendment of provisions set under the Strum Law

On November 27, 2023, a law memorandum was published, which suggested to amend the provisions of the Banking Law (Licensing), as set out in the "Strum Law", regarding the control of a bank with a broad scope of activity in a payment card company, such that the ban on the acquisition by an institutional entity from a bank with a broad scope of activity of means of control of a payment card company will be cancelled; it will also stipulated that a bank with a medium scope of activity (a bank whose assets have a value of between 5%-10% of the value of assets of all banks in Israel) will not be allowed to control a payment card company. On March 17, 2024, the Ministerial Committee for Legislation decided to support the bill.

These moves are supplementary moves for the publication of the **Banking Regulations (Licensing) (Bank with a Broad Scope of Activity), 2023**, which revised the definition of a bank with a broad scope of activity, such that a bank, the value of the assets of which constitute 10%-20% of the value of the assets of all banks in Israel, will be required to sell its holdings in a payment card company under its ownership.

The recommendations regarding structural separation, as well as other provisions that may be published in the future in connection with those aspects may lead to structural changes in the relevant markets.

The information pertaining to the recommendations of the review team and said memorandum of law constitutes forward-looking information, which is based on Max's assessments and assumptions as of the report publication date. The actual implementation may be materially different than that predicted and depends, among other things, on recommendations that will be adopted, on the final version of the law if and when passed, 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.

15.1.9. Letter of the General Manager of the Ministry of Finance regarding the closed brands

On August 1, 2022, the Director General of the Ministry of Finance sent a letter to Max regarding the activities of Premium Express Ltd. and Diners Club Israel Ltd., which issue American Express and Diners credit cards in Israel, respectively, and are closed to interchange acquiring (hereinafter - the "**Closed Brands**"). In accordance with the letter (which, according to various publications, was sent simultaneously to Isracard Group and CAL Group), these companies will be required to permit any acquiring license holder to engage in a payment aggregator agreement with them and to consolidate merchants debits and credits for transactions made using Closed Brands credit cards. Furthermore, within 120 days from the date of the letter (meaning, by November 29, 2022), the Ministry of Finance will review the status of the market and the progress made by the parties in regulating the mechanism, and accordingly, the need to utilize the Minister's powers as established under the Banking Law for the purpose of opening the Closed Brands to interchange acquiring. In view of the said letter, Max worked to enter into engagement with the issuers of the Closed Brands, and once these steps did not lead to an agreement in accordance with the Ministry of Finance's outline, it informed the Ministry of Finance about this. To date, the negotiations with the issuers of the Closed Brands did not result in agreements.

15.1.10. Fair Lending Law

In August 2019, **Amendment 5 to the Non-Bank Loan Arrangement Law, 1993** was published, in which the name of the law was also changed to the Fair Lending Law. This law equalized the norms applicable to non-institutional lenders and those applicable to institutional lenders and the banking system.

In addition, the interest cap mechanism was revised, so as to also apply to banking corporations (the Interest Law, 1957, pursuant to which the Interest Order, 1970 was enacted, setting the maximum interest rate applicable to a "value linked loan", will continue to apply to linked loans in parallel with the Fair Lending Law, whose provisions will apply to non-linked loans).

Limits were also established for the "the true cost rate of the credit" and a maximum interest rate of the Bank of Israel interest rate plus 15% was established, the definition of "addition" (additions to the customer's cost beyond the actual interest) was expanded to include arrears interest as well (which was limited to the Bank of Israel interest rate plus 18%), and proper disclosure provisions were prescribed.

Since the law was legislated, various regulations and directives were published (including Proper Conduct of Banking Business Directive), that deal with the implementation of the provisions of the law.

15.1.11. Credit Data Law

Under the **Credit Data Law**, 2016 entered into effect on 2019, a central Central Credit Register was established under the responsibility of the Bank of Israel, containing both negative and positive data (compliance with credit repayments, for example) about private individuals (households and small businesses), which will be provided to the database by various financial and public entities such as the Execution Office, the Official Receiver, the judicial system and in future Israel Electric Corporation too). Under the Law, reporting duties were prescribed for sources of information and types of purposes that the information in the database may be used for and conditions for using the database.

The purpose of the law is to increase accessibility to important financial information for building credit offers to customers (which until then was accessible mainly to the banking system), all in order to increase competition in the credit market, decrease its costs and increase its availability.

In addition the Supervisor of Credit Data Sharing at the Bank of Israel publishes, under the law, directives for its implementation, which pertain to the interpretation of the Credit Data Law, and which impose requirements on users of credit data, including Max.

Max is an authorized information source, that is required to report to the database according to the provisions of the law, and uses information in it.

On July 20, 2022, the Bank of Israel announced that it had decided to expand the Central Credit Register, such that the database would also include credit data for corporations. This decision constitutes a supplementary measure to the creation of the dedicated statistic database of corporate credit (the MESILA database) which will assist the Bank of Israel in fulfilling its duties as well as credit providers by expanding the data included in the database. The Bank of Israel is required to formulate the rules required for that purpose and to approve them at the Knesset's Economic Affairs Committee.

The entering into force of the Credit Data Law in April 2019, led to changes in the procedure for providing credit (providing or refusing to provide credit, terms of the credit, etc.), and Max's assessment for improving the quality of its underwriting information when providing the credit.

Max's assessments regarding the effects of the legislation outlined above constitute forward-looking information that is based on the information available Max at the report publication date. The actual effects may vary than those predicted, including, among other things, in view of various developments in the Israeli economy and/or in the regulated segment, and as a result of the actual implementation of the legislation.

15.1.12. Insolvency and Economic Rehabilitation Law

The Insolvency and Economic Rehabilitation Law, 2018 establishes arrangements (codification) to balance the interests of debtors, creditors and the general public. Inter alia, the law regulates substantive law, changes the structure of the authorities responsible for application of the law and separates insolvency proceedings of individuals from those of companies, along with a special arrangement for rehabilitation proceedings. The consequences of the law on Max's operations are immaterial.

15.1.13. Open Banking

On February 24, 2020, Proper Conduct of Banking Business Directive 368, Application of Open Banking Standard in Israel for Banks and Credit Card Companies was published. The directive defines and regulates the open banking infrastructure in Israel and includes provisions for application of the open banking standard; the obligations of the banks and credit card companies; the customer protections and risk management tools in the open environment. Among other things, the directive stipulates that a bank and credit card company will constitute an "information source" (a financial entity that allows an information consumer access to a customer account at the customer's request) with regard to banking activity, including current accounts, payment cards, deposits, credit and securities, as well as an "information consumer" (a party that seeks information from an information source at the customer's request).

On November 18, 2021, the **Financial Information Service Law, 2021** was published. The law regulates the open banking infrastructure in Israel for entities seeking to provide financial information services, including non-bank entities that are not supervised by the Banking Supervision Department. The law sets a licensing obligation that will apply to non-controlled, non-financial information service providers and imposes various obligation on financial entities defined in the law as information sources (including banks and credit card companies) and on such financial information service providers (between non-bank entities, banks, and credit card companies).

Under the **Regulation of Engagement in Payment Services and Payment Initiation Law, 2023**, which regulates the licensing and supervision aspects of payment services providers (see above), it is suggested to regulate, among other things, the engagement in the field of payments initiation as part of open banking, as well as the regulatory and licensing regime that will apply to providers of such payment initiation services, which are non-bank entities.

Max believes that regulation of open banking creates an opportunity for it to enrich and perfect the services and the value proposition for its various customers.

The information relating to the potential consequences of the provisions described in this Section 15.1.13 above 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, due to introduction of new market players, changes in competitive conditions in the market, and actual implementation.

15.1.14. Competitive aspects

Economic Competition Law, 1988 (formerly the "Antitrust Law").

The Economic Competition Law regulates three main kinds of antitrust: cartels, mergers and monopolies. The main area that affects Max's activity is supervision of cartels, both pursuant to the general provisions of the law and specific provisions imposed on Max and its competition in the credit card sector. See Section 15.1.5 above.

15.1.15. Market Concentration Law

The Market Concentration Law was enacted with the aim of applying the recommendations of the Government Committee to Encourage Competitiveness in the Economy, according to which the Israeli economy is characterized by excessive economy-wide concentration compared to other economies, expressed in a small number of business people who control a significant percentage of the financial and non-financial assets of the economy.

Max is a "significant financial entity" and a "concentrated entity" under the Market Concentration Law and is included in the list of significant financial entities published by the Market Concentration Committee.

Some of the provisions of the law apply to those classified as concentrated entities, significant financial entities and significant non-financial entities (the list of concentrated entities is composed, inter alia, from recent years).

Market concentration and competition considerations in allocation of public assets

Due to Max being a concentrated entity, if it is required to perform an action that involves allocating rights to the State (contracting with the State to receive a license or to purchase holdings from it or with its

approval), such action may be subject to consultation of the relevant regulator with the Market Concentration Committee.

Separation on financial companies from non-financial entities

The separation obligation includes a restriction on holdings and cross-office of directors. The significance of the separation obligation as far as the Company is concerned - a controlling entity, a person related to the controlling entity and an officer in a significant non-financial company may not serve as a director in Max.

On September 22, 2022, the team to review the split of non-financial corporations from financial entities, established under the Market Concentration Law, published its findings and recommendations to the Knesset Finance Committee. The team's recommendations include the recommendation to determine that acquirers will be classified as "significant financial entities" in accordance with the same parameters for classification of the other entities as such – that is, based on the value of the assets of the acquirer and not based on the rate or amount of the acquiring transactions.

It was also stated in the report that as part of the discussions concerns were raised regarding developments in the holdings of the institutional entities over the years leading up to concentration of the institutional entities in Israel. In view of the range of opinions raised within the team and the scope and consequences of this issue for the entire Israeli economy, the team decided to conduct further review and work in connection with this issue outside the framework of the report.

At this stage, an official directive that stipulates whether acquirers owned by an insurer should be classified as a financial or non-financial corporation has not yet been published.

15.1.16. A tiered outline for licensing and proportional regulation of non-bank entities

On February 14, 2024, the Banking Supervision Department published a call for proposals for a gradual outline for licensing and regulation of non-bank entities in order to boost competition in the banking system. In accordance with the call for proposals, the Bank of Israel intends to formulate a policy for licensing banking corporations, under which banking licenses and regulation will be adapted to requested activities and the level of risk inherent in the applicant's activity. Three tiers of banking license will be set in this framework: (1) A banking corporation with a financial institution license, that will allow its holder to receive deposits (without the management of current accounts) and extend credit using those deposits; (2) a banking corporation with a basic banking license, which will apply to an entity whose activity is not complex (as defined in PCBB 480) and meets the definition of a bank with small-scale activity as per the Banking Law (Service to Customer). This license will allow the banking corporation - in addition to the receipt of deposits and provision of credit using those deposits - to manage current accounts and extend credit from them; (3) a banking corporation with an extended banking license - this tier will include banking corporations with a banking license, which do not meet the above definitions of "financial institution" and "basic bank". The call for proposals is open for public comments through March 31, 2024.

Max is currently assessing this topic in its capacity as a company that controls institutional entities, and the restrictions set in the Banking Law, which were included therein following the Market Concentration Law.

15.1.17. Proper Conduct of Banking Business Directives - Corporate Governance

Proper Conduct of Banking Business Directives 301 and 301A - Board of Directors and Compensation Policy at a Banking Corporation

On January 18, 2022, an amendment to **Directive 301 (Board of Directors)** was published, stipulating that the board of directors will have adequate representation for both genders. For this purpose, the board of directors will set a policy for gender diversity and a deadline for achieving the target. The policy will be determined within six months from the publication date of the circular, and the deadline for achieving the target will be within three years from approval of the policy.

On April 10, 2022, an amendment to **Proper Conduct of Banking Business Directive 301 and 301A** was published, stipulating that the board of directors will define and describe the roles and powers of the chairperson of the board of directors, such that they do not deviate from the roles and powers conferred on the chairperson by law, that the duties and how they are performed will not be mixed with the management's roles, and they will not derogate from or replace the roles of the board of directors, or diminish the duties and responsibilities of the other directors. The amendment to Directive 301A clarified

the principle that the compensation of the chairperson of the board of directors should be determined in relation to the compensation method of the other members of the board of directors.

Proper Conduct of Banking Business Directive 312, Banking Corporation Business with Related Parties

On January 31, 2022, an amendment to Proper Conduct of Banking Business Directive 312 (Banking Corporation Business with Related Parties) was published. Under the amendment, the inclusion of officers in a corporation holding 5% or more of any means of control in the bank was removed from the definition of a "related person", the holding rate of means of control in a corporation held by the bank was increased, and the liability limit for approving transactions with a related party that is not an individual was raised to NIS 1 million (instead of NIS 100 thousand).

Proper Conduct of Banking Business Directive 473 - Distribution of Credit Cards of Issuers Contracted in a Distribution Agreement with a Banking Corporation

On July 4, 2023, the Banking Supervision Department published the above directive, which stipulates the terms and conditions of the issuing agreement, the manner of distribution, the details that the banking corporation is required to present to the customer and directives on reporting to the Banking Supervision Department - about arrangements for distribution of credit cards of issuers contracted with a banking corporation. 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. Max learns the implications of the directive.

15.1.18. Amendments to the Economic Arrangements Law

As part of the 2023 Economic Arrangements Law, which was approved on May 24, 2023, a number of legislative amendments were approved, which are relevant to Max.

As part of the Economic Arrangements Law, a number of amendments applicable to Max were proposed, 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, under the said terms and conditions. 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 passed into law, Max will be subject to a reporting duty, that will have operational consequences.

Furthermore, under the Economic Arrangements Law, Chapter G was approved, which deals with banking and credit, under which, among other things:

- A. Provisions were set that expand the Banking Supervision Department's powers to impose financial 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 the Company's published price list, or the collection of an amount higher than that agreed with the customer;
- B. The provisions set in 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. It was stipulated that, as from February 1, 2024, the protection given to the credit card companies under the Strum Law regarding capping the total amount of credit facilities for credit cards of customers of a bank with a broad scope of activity which issues payment cards is revoked. See Section 15.1.8 above.
- D. The provision set in the Banking Law, as part of the Strum Law, which prohibits non-competition and access to information, was amended. The amendment entered into force on September 1, 2023. According to the amendment, the bank will allow the operating entity (the financial entity engaged in processing of payment cards issued by the bank) to apply for and receive the customer's consent to use information about the customer which was obtained by the processing entity, as part of the issuing or processing of the issuing, in order to provide the customer with financial services, in respect of which it is regulated.

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.

Max's assessments regarding the effects of the extension of the term of the above protections constitute forward-looking information that is based on non-final assessments of Max known at the report publication date. The result may vary than that predicted, due to, among other things, the uncertainty as to various developments in the market and the conduct of competing entities.

15.1.19. Revision of Proper Conduct of Banking Business Directive 313 - Restrictions on the Indebtedness of a Borrower and a Group of Borrowers

On July 30, 2023, the Banking Supervision Department published a revision of the above directive, which extends by December 31, 2024 the stipulation 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. This revision came into force on its publication date.

15.1.20. Updates and relief due to the Iron Swords War

- On October 12, 2023, the Banking Supervision Department published a paper comprising points of emphasis for the banking system following the Iron Swords War, in connection with the need to maintain availability and continuity of banking services, providing support and assistance in handling customers' requests resulting from the War, with an emphasis on the areas under a state of emergency, drafted IDF soldiers and their families and small businesses, that were closed or operate in a reduced capacity due to the War.

The paper stated, among other things, that the Banking Supervision Department will consider the possibility of allowing exceeding the waiting time that was set in the "6 Minutes Law"; that the Banking Supervision Department emphasizes the need to be prepared for increased cyber attack attempts, and to assess capital, liquidity and credit aspects, and that the board of directors is required to discuss the preparations Max should make as a result of the War. Furthermore, the paper included a Q&A file for customers of the banking systems at times of emergency.

- On October 19, 2023, the Bank of Israel published a letter that clarifies the manner of reporting to the Central Credit Register, in view of the business expedients granted to customers by the reporting entities. In addition, a circular was published that includes a requirement to enter a comment in a report to the Central Credit Register in view of the Iron Swords War. In addition, on November 13, 2023, a Temporary Order was published, which stipulated that arrears in debt payment will be reported to the Central Credit Register as from the 60th day from the date on which the payment was due (instead of the 30th day as is currently required). In addition, on November 6, 2023, **Commissioner's Directive No. 801** was published, which constitutes a Temporary Order, and includes adjustments to the Commissioner's Directives regarding sources of information due to the War.
- On February 4, 2024, the Banking Supervision Department published a Temporary Order, that includes, among other things, the following adjustments (except for certain expedients for which different time frames were set, the Temporary Order and the amendments thereto will generally be in effect through March 31, 2024):
 - A. Expedients regarding the implementation of **Proper Conduct of Banking Business Directives 367 and 420**, whereby a banking corporation will be allowed to issue urgent messages with material effect on the customer using digital channels, even if the customer did not express a wish to joint those channels.
 - B. Expedients regarding authentication requirements in connection with prohibition on money laundering and financing of terrorism - with an emphasis on an increase in the scope of activities regarding which more lenient authentication procedures may be implemented, including - increasing the amounts accumulated in payment accounts from NIS 50 thousand to NIS 100 thousand and increasing the annual funds' transfer/crediting threshold from NIS 100 thousand to NIS 200 thousand in relation to a service recipient, that was authenticated as part of the extenuating arrangement set in Appendix B2 to Directive 411 - subject to increased monitoring and to verification that the purpose of the service recipient's activity is to raise support funds as a result of the War.

- On October 23, 2023, the Banking Supervision Department published a support outline aimed at assisting the customers of credit card companies to deal with the effects of the Iron Swords War (hereinafter - the **"Support Outline"**). The Support Outline - which was adopted by the credit card companies - enables populations belonging to the First Circle Customer Group (according to the list in the Outline) to defer certain loan payments for three months, without charging interest or fees, and exempts such populations from some of the fees and commissions charged by credit card companies, with the remaining customers (Second Circle Customers) and enables them to defer loan payments for three months, whereby the deferred payments bear interest at a rate not exceeding that in the loan agreement, all as set out in the Support Outline. On October 30, 2023 this outline was also adopted (with adjustments) by the Accountant General, in respect of loans provided under the state-backed loan fund.
- On November 8, 2023, the Banking Supervision Department announced the expansion of the Support Outline, by including residents of the northern region of Israel or owners of businesses located there, and which were evacuated by the government. In December 26, 2023, the Banking Supervision Department announced the expansion of the Support Outline by postponing the expiry date of the existing Support Outline by three further months, as from January 15, 2024 for first-degree customers and second-degree customers; and by expanding the group of second-degree customers.
- Furthermore, in view of the Iron Swords War, in recent months, since the outbreak of the War, a number of Temporary Orders were issued by the Minister of Labor, that deal with breaks and overtime; a government resolution was passed regarding the indemnification of employers in connection with contributions towards social benefits in respect of reserve service days, and two general collective agreements were signed (which will come into effect only after the issuance of an expansion order), which regulate a number of topics related to compensation to employees, who did not attend work due to the War, indemnification of employers and extension of the period during which employees returning from reserve service are protected from dismissal. In addition, the Knesset was presented with a bill that establishes the freezing and reduction of convalescence pay in Israel for 2024. These provisions do not have a material effect on Max, and Max is working to implement applicable provisions.

Deadlines Postponement Law (Temporary Order - Iron Swords) (Contract, Judgment or Payment to the Authority), 2023

On October 18, 2023, the **Deadline Postponement Law (Temporary Order - Iron Swords) (Contract, Judgment or Payment to the Authority), 2023** was approved, whose objective is to set a Temporary Order that will provide regulated legal solution for the postponement of deadlines set in a contract, judgment or regarding an authority from October 7 to November 7, 2023 (hereinafter - the **"Effective Period"**) by 30 days (hereinafter - the **"Postponement Period"**) for groups that were adversely affected by the state of emergency and are unable to meet their legal obligations on time due to the situation, as detailed in the law. On November 8, 2023 an order was published that extends the Effective Period by a month through December 7, 2023, and correspondingly also the Postponement Period, such that it will be extended from 30 days to 60 days or through December 31, 2023, the earlier of the two.

On December 31, 2023, the above law was amended and a follow-on arrangement was set, which stipulated - a first Effective Period that will start on October 7, 2023 and end on December 31, 2023 and a second Effective Period that will start on January 1, 2024 and end on February 29, 2024. With regard to the first Effective Period, the entitlement for postponement of the deadline for carrying out an action under a contract was set for 145 or through February 29, 2024, the earlier of the two. In relation to this period, no changes were made to the entitled groups as described above; the second Effective Period that will start on January 1, 2024 and end on February 29, 2024, and the deadline for carrying out an action under a valid contract during this period will be postponed by 31 days. In relation to this period, the list of those entitled to the postponement was limited. Applications to Max under the Deadline Postponement Law have no material effect on Max.

Furthermore, in view of the Iron Swords War, in recent months, since the outbreak of the War, a number of Temporary Orders were issued by the Minister of Labor, that deal with breaks and overtime; a government resolution was passed regarding the indemnification of employers in connection with contributions towards social benefits in respect of reserve service days, and two general collective agreements were signed (which will come into effect only after the issuance of an expansion order), which regulate a number of topics related to compensation to employees, who did not attend work due

to the War, indemnification of employers and extension of the period during which employees returning from reserve service are protected from dismissal. In addition, the Knesset was presented with a bill that establishes the freezing and reduction of convalescence pay in Israel for 2024. These provisions do not have a material effect on Max, and Max is working to implement applicable provisions.

Max's assessments regarding the reliefs following the Iron Swords War constitute forward-looking information, which is based on Max's assessments and assumptions as of the report publication date. Actual results may vary materially than those assessed, due to, among other things, the uncertainty regarding the development of the Iron Swords War, its duration and effects on the Israeli economy and/or materialization of all or part of the risk factors set out in the "Risk Review" Chapter in Section 15.10 above and Part B of the Report - Report of the Board of Directors, Section 5.

15.2. Human resources and organizational structure



Workforce

Below are data about Max's workforce:

	2023	2022
No. of positions* as of year end	1,518	1,337
Average number of jobs*	1,406	1,293

* The number of jobs includes full-time jobs including overtime, plus outsourced jobs and less the jobs of employees, whose salary was capitalized to property, plant, and equipment.

The increase in the workforce arises from an increase in Max's business activity.

Changes in the composition of Max's Board of Directors

On February 14, 2023, Ms. Michal Alterman, Deputy CEO, Legal Counsel and Chief of Staff ended her tenure in Max.

On February 3, 2023, Max's Board of Directors approved the appointment of Ms. Gili Basman Reingold as Deputy CEO and Legal Counsel, and on May 1, 2023 she started her tenure in Max.

On June 26, 2023 Max's Business Development Technology and Projects Department was split into 2 departments, as follows:

The Business Development, Innovation and Operation Department, headed by Mr. Meir Aharoni, deals with initiating and leading business innovation, and growing and supporting new ventures as well as leading the operations and procurement activities.

The Technology and Projects Department, headed by Mr. Guy Shabtay, leads the technology and projects processes, that enable Max's core business activity. Guy Shabtay commenced his term in office as Executive VP and the head of the department on June 26, 2023. Prior to his appointment, Mr. Shabtay served as CIO and member of management in Max.

On November 15, 2023, Mr. Yaron Tiktin, Executive VP, Head of the Credit Department, asked to end his term in office. In accordance with his employment agreement, on February 15, 2024, he ended in practice his term in office in Max.

On January 14, 2024, Ms. Lena Dubilier Avisar commenced her term in office as Executive VP, Head of the Credit Department in Max. Prior to her appointment, Ms. Dubilier Avisar served as member of management in Max as Head of Credit Risks, Models, Analytics and Growth.

Compensation plans for Max's employees and managers

The compensation policy approved by Max's board of directors in May 2020, based on Directive 301A, is submitted to Max's compensation committee for review from time to time and approved by Max's board of directors once every 3 years; most recently, it was revised in May 2023.

The policy applies to officers and employees, including the chairperson of the board of directors, the CEO, VPs, deputy VPs, and directors in Max, and it defines the frameworks and guiding principles for salaries and compensation, while setting limits for the various compensation components.

The policy is based on Max's vision, values, business strategy, management culture, ethical code, and risk management policy. When establishing the policy, Max's business and financial position and resilience, the business environment in which it operates, and accepted standards in the labor market relevant to business competition and competition for human resources were taken into consideration. Broad organizational considerations were also taken into account, including the total cost of compensation and preferable compensation differences between the various ranks in Max.

According to the compensation policy, the compensation package for Max's officers will include regular salary and related components, annual bonuses, and it may also include long-term equity-based compensation. The compensation policy also sets out severance rights, including severance pay, the advance notice period, an adjustment period, and reference to special bonuses.

In accordance with the compensation policy, the maximum total annual bonus for distribution to all Company employees (including officers) is determined by the compensation committee and the board of directors, and can be based as a percentage of total income before tax and bonuses for the bonus year or on other parameters related to Max's performance and/or work plan.

Annual bonus

The total amount of annual bonus for distribution is set by the Compensation Committee and Board of Directors, and is generally derived from the extent to which Max met its various targets, including the annual profit target compared to the work plan approved by the Board of Directors. Max's CEO recommends to the Compensation Committee and Board of Directors the amount of bonuses to some or all employees (provided that it will not exceed the total bonus amount, as defined in the Compensation Policy), and also recommends the manner of its distribution.

The annual bonus for officer is based on quantitative and qualitative criteria.

Quantifiable criteria - Payment of an annual bonus based on quantifiable criteria subject to compliance with the threshold conditions set out in the compensation policy.

Quantifiable criteria include parameters based on a combination of Max's performance, compliance with financial, business goals, general risk management, and compliance goals, and the personal performance of the officers and the units under their responsibility.

If non-recurring profits and losses are adjusted in the financial statement, they are also adjusted in the measurement of performance for calculating compensation.

The various measures and objectives which determine the amount and extent of the annual bonus for each of the officers, are derived from the work plans approved by the Board of Directors, which take into account, among other things, the various risks that Max is prepared to assume. Specifically, Company measures and risk management indexes were defined in accordance with Max's risk appetite.

The measures derived from the approved work plans include, among other things, an index of compliance with the annual profit target.

The variable annual compensation structure under the compensation policy ensures that employees who handle risks and compliance are rewarded independently of the businesses they oversee.

The annual bonus granted to officers on the basis of qualitative criteria that cannot be quantified (discretionary bonus) is limited to three monthly salaries per year.

Cancellation or reduction of annual bonus - In addition, the board of directors may reduce or cancel the annual bonus for officers, in whole or in part, at its discretion, among other things, in order to maintain the stability of Max and comply with capital adequacy requirements.

Spreading the bonus and deferred annual bonus - In accordance with the compensation policy, in a year in which the total variable compensation exceeds 40% of the fixed compensation for that year,⁹⁸ 50% of the annual bonus calculated for officers is deferred and is spread over the 3 years following the year of distribution; in each of the 3 years following the year of distribution, 33.3% of the deferred portion is paid, with the vesting of the relevant portion of the deferred bonus in each of the vesting dates being conditioned on Max meeting the capital adequacy ratio requirement in accordance with the Banking Supervision Department's directives, based on Max's financial statements published shortly before each of the payment dates of the relevant deferred portion.

In January 2022, the officer compensation policy was amended, mainly in respect of the equity compensation component.

In February 2022, further amendments were made to the compensation policy for the specified notice periods of the outgoing chairperson of the board and the amount of the deductible in directors and officers insurance.

In May 2022, the definition of a "key employee" in the compensation policy for officers and employees was amended and additional amendments that were required in the policy due to the amended definition were made.

In May 2023, the Compensation Policy of the officers and the employees was revised with regard to the equity compensation component (in view of the change in ownership), and the officers' Compensation Policy was revised with regard to the individual metrics of the Executive VPs, such that they will be determined by the CEO and reported to the Compensation Committee, except for the metrics of the CFO, CRO and the Legal Counsel, that will be proposed by the CEO and approved by the Risk Management Committee and the Board of Directors. The metrics will be determined in accordance with the annual work plan in relation to each bonus year.

Employment agreement to members of Max's management

In general, the employment agreement of the management members is for an indefinite term, and each party may terminate the agreement with 90 days' prior notice, and in any event, Max reserves the right not to utilize all or part of the specified notice period. In that event, Max shall pay the salary and the related benefits in respect of the specified notice period for which Max has waived the work of a member of management.

Under their employment terms, management members are entitled to social and related benefits (such as, executive insurance, pension fund, study fund, vacation and sick leave, convalescence allowance as required by law, cell phone, and other benefits as is standard in Max). In addition, members of management are entitled to a vehicle and Max bears the cost of its upkeep and the tax gross-up in respect of it.

Under the agreement with management members, on termination of their employment, they are entitled to severance pay equal to the number of employment years in the Company multiplied by the last salary. Furthermore, members of management are entitled to an adaptation leave of up to four months, and on the other hand they have a non-compete undertaking of 6 months, and in case of dismissal under circumstances that entitle payment of severance pay, some of the members of management are entitled to a further amount of 100% of the product of the number of years of employment (or years of service, as the case may be) multiplied by their latest salary.

Employment agreements for the former and current Chairperson of the Board at Max

For further details see Note 43(5) to the Financial Statements.

Employment agreement for Max's CEO and members of management

For further details see Notes 43(b)(7) and 25(d)(5) to the Financial Statements.

Collective agreement - Max

For details, see Note 25(c)(2) to the Financial Statements.

98. The 40% rate is applicable if the compensation ceiling for that calendar year does not exceed that which was set forth in the Officer Compensation in Financial Corporations Law (Special Approval and Non-Authorization of Deductible Expense for Tax Purposes in respect of Irregular Compensation) Law, 2016. Otherwise, the applicable rate is 6/1.

15.3. Property, plant & equipment

15.3.1. Buildings and equipment

Max House

During the first quarter of 2020, Max moved its offices to "Max House" in Bnei Brak (through that date its offices were located in nearby building). The offices were leased from Allied Real Estate Ltd. under a long-term lease agreement; the lease term is 24 years and 11 months, with Max having the right to terminate the lease on several fixed exit dates prescribed in the agreement.

IT systems and computing

Max's IT systems are at the core of its activity and include: Computers, information systems and infrastructures, including servers, communication equipment and peripheral equipment. Max's computer systems are located in two independent sites, operating in an active-active configuration (with both sites being fully active simultaneously and at any given time), and in a third site, that is used to backup information. Max's systems meet very high standards of information security and cyber security, among other things, as required under the Banking Supervision Department guidance.

15.3.2. Major technology projects

Max's core systems on which payment activity is based process very large volumes of activity. These systems are able to receive and operate volumes of activity that are higher than those currently in operation in Max.

The core systems are continuously upgraded, both technologically as well as in their software and architecture, to support Max's business development.

Below is information, as of the approval date of the report, of Max's main technology system projects:

- **Digital** - This activity includes all Max's digital assets, including its websites, applications, automated services such as IVR and WhatsApp, with emphasis on encouraging the use of these channels by ongoing development and improvement based on customer needs and market development, while simplifying and making information and operations accessible, thereby creating an improved and innovative customer experience.
- **Application** - Max is developing advanced capabilities and is adapting the application to the customer and market needs, with emphasis on smarter management of the customer, personalized services, and digital accessibility to Max's products, including payment, credit, gift cards, insurance, etc.
- In 2023, a dedicated zone was set up in the app to support customers traveling abroad, including preparations for the flight, booking holidays and benefits.
- **Foreign currency wallet** - Max launched a foreign currency wallet to its customers, which allows them to purchase foreign currency to use abroad and in e-com transactions.
- **Insurance**: Max has established a technology platform for managing an insurance agency and supporting sales and service processes. The activity focuses on marketing insurance products such as overseas travel, vehicle, apartment, mortgage, and business insurance.
- **Car loans** - In the car loan domain, capabilities such as the netting mechanism, sales processes, and anti-fraud models and laws were improved in order to support the constant expansion of operations and improve integration and distribution at the car agencies. In 2023, an infrastructure was developed that allows Max to sell CPI-linked loans in addition to the shekel denominated loans that have been sold so far.
- **Data** - Max builds and uses advanced big data and machine learning models for improvement and for better customization of services and sales (including risk management) for its customers.

Max has a number of agreements with companies for software services, including the use of third-party software used by Max in its business.

15.4. Seasonality

Max's operating segments, issuing and acquiring, are subject to fluctuations in the volume of income and expenses due to an increase in consumption mainly during the holidays and summer. The increase in consumption leads to an increase in the use of various means of payment and borrowings, and accordingly increases Max's income and expenses in this regard. The holiday seasons (the High Holidays and Passover) fall

in different quarters in various years and therefore the seasonal effect differs from year to year.

15.5. Intangible assets

Max is the sole owner of rights in the figurative trademark "Max" in the Israeli credit cards sector and in other trademarks in the field of finance, including means of payment and insurance. In addition, Max has rights of use in a number of trademarks related to the activity of the credit cards it issues and/or acquires.

Max's activity is subject to the provisions of the Privacy Protection Law. As part of the above, Max has registered databases in which it stores, among other things, information pertaining to its customers, merchants and employees; Max implements advanced technological means (including in accordance with the Proper Conduct of Banking Business Directives) designed to secure the data of customers' activity and Max's business activity.

Max has various intellectual property rights and licenses to use various computer software and IT systems for the purpose of managing its business, including the provision of services to its customers.

15.6. Description of Max's insurance policies

Max has in place an independent insurance coverage comprising various insurance policies. Following are the key components of Max's independent insurance function as of the report date:

Combined liability insurance - professional liability, embezzlement and computer crime:

- A. **Professional liability** - covers Max's liability by law due to a lawsuit dealing with professional negligence, which was initially filed to the insurer during the policy period in respect of the services it provides, and also Max's liability in respect of services provided by anyone acting on its behalf.
- B. **Embezzlement and computer crimes** - covers against damages arising from employees' dishonesty, forgery or alteration, legal expenses and computer crimes.

Liability insurance for board members and officers:

As from March 27, 2023 (the completion date of Max's acquisition by the Company), Max is included in insurance taken out by the Group, which covers the liability of directors and officers in respect of a lawsuit that was initially filed against any of them during the policy period, for allegedly committing unlawful acts in their capacity as directors or officers in Max or its subsidiaries.

It is noted that the said insurance covers other Group companies.

In addition, as part of Max's sale to the Company, a dedicated D&O run-off policy was purchased for a period of 7 years starting on March 27, 2023, to cover the liability of directors and officers, who served in Max and its subsidiaries on the sale date, and in respect of their activity through that date, and the scope of the insurance coverage was identical to the coverage that was in place prior to the sale.

As part of the separation from Bank Leumi, it was agreed between Max and the Bank that the liability of the directors and officers, who served in Max and in its subsidiaries on the separation date (February 2019) shall be insured in a run-off format under the current directors and officers insurance taken out by the Bank for a period of seven years starting on the separation date, and the scope of the insurance shall be in line with the Bank's insurance on the claim's filing date.

Furthermore, Max and its subsidiaries are covered and shall continue to be covered under a run-off professional liability insurance taken out by Max for a period of seven years as from May 13, 2019.

Cyber risks insurance:

Covers damages that are caused to Max and Max's liabilities to a third party due to cyber events.

P&C insurance:

The P&C insurance coverage includes an extended fire insurance, electronic equipment insurance, third party liability insurance and an employers' liability insurance.

The liability limits in the various policies are set in accordance with the assessment of the risk associated with the activity of Max and its subsidiaries, and in accordance with the overall risk management policy. Based, among other things, on advice Max receives on an ongoing basis. In the opinion of Max's management, taking into consideration the risks that Max faces, and in accordance with normal practice in similar businesses in Israel, and noting the conditions in the insurance market, as of the report date the said insurance coverage is appropriate.

It is noted that some of the above insurance coverages are taken out through insurance companies of the Clal Insurance Group. For further details, see Part D – Additional Details Regarding the Corporation, Section 19.

The information relating to Max's assessments in connection with the insurance coverage 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, due to the inability to assess and/or predict the materialization of the risk and its scope.

15.7. Legal proceedings

For information regarding lawsuits and contingent liabilities of Max, see Note 45(3) to the Financial Statements.

15.8. Financing

The main factors that shape Max's cash flow and which have the greatest effect on cash flows are Max's core activities, i.e. issuing and acquiring of payment cards transactions, while providing credit also have a material impact on the cash flow. These activities regularly create balances collectible from banks, card holders, and other credit card companies, and on the other hand balances payable to merchants, card holders and other credit card companies.

Max manages its financing needs and sources arranging sources of financing in advance, before the debt rescheduling dates so as to allow sufficient time for responding to changes in market conditions. In addition, Max strives to achieve efficient management of liquid reserves, while taking into consideration regulatory provisions and at the same time meeting quantitative and qualitative targets that were set by Max's Board of Directors as part of its liquidity management policy. In addition, Max placed an emphasis on the diversification of lenders in order to increase the availability of the sources and improve the finance costs.

Max's liquidity needs and management are of the utmost importance its day-to-day operations and for realizing its business strategy when the liquidity management is conducted using a holistic and dynamic approach over varying time spans and various tools and means for management, control, monitoring and reporting.

Max's operations are also significantly affected by seasonality, which has impact on the volume of transactions during the year, especially during holiday periods (High Holidays and Passover) that fall in different quarters in different years, as well as in the summer, and which affect financing, liquidity and cash flow needs during such periods.

Main effects of various segments on Max's cash flows

In general, the payment dates between the various players in a scheme are based on the system of agreements between them, subject to regulatory provisions (among others, as detailed below).

Processing activity with banks - Every day, Max collects daily charges from the various banks according to the activity of bank card holders. This collection activity expresses Max's main incoming cash flows. On the other hand, Max pays acquirers the voucher amounts in respect of transactions made at merchants (net of acquiring that takes place at Max).

Non-bank issuing activity - Card holder debit dates are on the 2nd, 10th or 15th of each month. On those debit dates, Max collects from the non-bank card holders the charges for the past month from the date of the previous charge to the date of the present charge. This collection activity expresses part of Max's incoming cash flows. On the other hand, Max pays acquirers the voucher amounts in respect of transactions made at merchants (net of acquiring that takes place at Max).

Acquiring activity - merchants that acquire with Max are credited for transactions on various dates (according to the acquiring agreements with them). On the key credit dates of merchants, the 2nd and 8th of each month, Max credits the merchants acquiring with it for the voucher amounts accrued in their favor from their activity in the previous month and in preceding months for installment transactions. The credit on the 2nd of the month is for transactions received in Max's systems between the 1st and 15th of the previous month, and the credit on the 8th of the month is for transactions received in Max's system between the 16th and the end of the previous month. This credit activity expresses Max's main outgoing cash flows.

Furthermore, the main effect on Max's cash flow structure in the medium term stems primarily from providing consumer and business credit for various periods.

Liquidity risk management

Primary liquidity risk management measures:

- **Forum for the management of financial risks** - a dedicated forum of Max, which is headed by its CEO; Max's CFO, Chief Risk Officer and Chief Internal Auditor attend the forum's meetings. Performance indices, action plans and various indicators are presented at the forum.
- **Key Performance Indicators** are quantitative indices that are routinely reported to Max's management and the board of directors, which review various aspects that affect Max's robustness, liquidity and quality.
- **Key monitoring and risk indicators** are statistic, result-driven, qualitative, business and operational indicators which present potential changes in the business environment, thereby indicating possible manifestation of liquidity risk or of an increase in the Company's risk exposure (change in the risk profile).
- **Internal Liquidity Management Model** - the Internal Liquidity Management Model is based on the rules issued by the Bank of Israel under Proper Conduct of Banking Business Directive No. 342 (with the necessary adjustments for Max's activity) and is used for estimating various aspects, including cash flow for various repayment periods, and is one of the liquidity risk management tools.

Liquidity planning and financing gap identification are carried out, among other things, by taking into account the results of the internal model and the limits that were set. As part of the liquidity risk management, an internal estimate is generated of the liquidity ratio for various repayment periods, where the model includes assumptions and assessments of cash flow behavior to provide an assessment of the liquidity risk exposure.

The model includes various assumptions regarding the liquidity level of the various assets held by Max and with regard to the behavior of its financing sources and outgoing cash flow. For details about Max Group's liquidity risk and its management, and for an assessment of the effect of the above risk factor on Max Group's activity, see Section 15.10 below and Chapter B to the Report - Report of the Board of Directors, Section 5.

Effect of material regulatory provisions on Max's cash flows

- Amendment to Proper Conduct of Banking Business Directive 470 - Payment Cards, which established that the consideration in respect of all of the transactions executed with a payment card issued by a bank issuer will be transferred from the bank issuer to the processor pursuant to the dates established in the interchange acquiring agreement, without dependence on the charge date of the customer or the identity of the acquirer to which the processor is transferring the consideration. The amendment had a material effect on the structure of Max's cash flows with respect to its payments segment.
- The Payment Services Law, 2019 - for details regarding the Payment Services Law, see Section 15.1.1 above.
- Prohibition on delaying the payment from the issuer to the acquirer (transition to daily acquiring) - for more details see the management of the liquidity and financial risk, Chapter B to the Report - Report of the Board of Directors, Section 5.

For details about Max's sources of financing, including external financing sources (banks and non-banks), Max's credit balances and significant developments in the sources of financing in 2023 and through the Report signing date, see Chapter B - Report of the Board of Directors, Section 2.5.3.1.

15.9. Taxation

For details on taxation, see Note 24 to the Financial Statements.

15.10. Risk Review

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.

Following are details of the material risks to which Max is exposed, and their definition:

- **Credit risk** - a risk that a borrower or a counterparty of Max will fail to meet its obligations to Max, as they were agreed upon.
- **Market risk** - The risk of loss in on-balance sheet and off-balance sheet positions as a result of a change in the fair value of a financial instrument due to change in market conditions (changes in price levels in various

markets, interest rates and foreign exchange rates, inflation rates, prices of shares and commodities).

- **Liquidity risk** - a risk to Max's earnings and stability arising from its inability to meet its liquidity needs.
- **Operational risk** - The risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events. This definition includes legal risk, but does not include strategic risk and reputational risk".
- **Information security and cybersecurity risk** - 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 embedded systems and infrastructures are attacked by, or on behalf of, opponents (whether external or internal to Max), and such an attack may result in the materialization of the cyber risk.
- **Legal risk** - The risk arising from an activity of Max regarding which there is a concern that it is not in line with regulations or case law, and the 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 Max's rights, or failure to give appropriate guidance due to changes in regulatory directives, case law, or Max's contractual obligations.
- **Compliance risk** - the risk of a legal or regulatory sanction being imposed, a material financial loss or reputational damage incurred by Max as a result of failing to comply with laws and regulations.
- **Regulatory risk** - the risk arising from the possible effect of application of additional regulatory provisions on the results of the business activity of Max.
- **Strategic risk** - the risk of adversely affecting Max'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.
- **Reputational risk** - the potential that negative publications, market rumors, or the public perception regarding the operating methods of Max, will lead to a decline in its customer base, or result in high legal costs, or a decrease in revenues.
- **Macroeconomic risk** - the risk that the profit and capital of Max may be adversely affected by a deterioration in the macroeconomic environment in Israel and across the world.

Manner of risk management

Risk appetite

The risk appetite is usually defined with a forward-looking view, and defines the risk level that Max is willing and able to assume, and reflects the risk perspective of the board of directors. The definition of the risk appetite of Max is one of the key tools used by Max's board of directors for control over the risks assumed by Max.

Risk tolerance is the maximum risk level that Max is willing assume considering its resources, without violating the limits dictated by regulatory capital and liquidity requirements, the operating environment and its liabilities, also from the aspect of conduct towards shareholders, customers, and other interested parties.

The risk appetite is determined taking into consideration the strategic and business targets defined by Max and the material risks to which Max is exposed. The risk appetite is determined within the limits of the risk tolerance of Max.

Max has a risk appetite document with quantitative and qualitative limits, which is approved by Max's management and board of directors. The document is reviewed and revised periodically.

Risk management principles

Risk management is carried out, inter alia, in accordance with Proper Conduct of Banking Business Directive No. 310 - Risk Management. Risk management at Max is reviewed and revised regularly subject to the directives and guidance of the Banking Supervision Department and taking into account changes in the business environment and Max's policies.

Below are the key risk management principles:

- **The risk management philosophy** is performed at the Max Group level (i.e., Max and its subsidiaries), from a forward-looking approach that includes the identification and monitoring of existing risks, alongside the identification of new risks. Risks are managed with an integrated, corporate level perspective, all along the managerial chain and across business units.

- The **corporate governance structure** at Max is based on the three lines of defense. The first line of defense is the business lines, as they assume the risks and bear full responsibility for managing such risks and implementing adequate controls over their actions. The second line of defense is the independent risk management headed by the Chief Risk Officer whose role is to help Management pursue an integrated, cross-organizational view of risks, plan, maintain and develop the risk management framework, and challenge the adequacy of the business lines' inputs for risk management and risk assumption. The third line of defense is the internal audit, which is charged with reviewing the adequacy and effectiveness of the risk management processes at Max and exposing internal control weaknesses.
- **Risk management policy papers** were drawn up for each of the material risks, and include reference to the risk management framework, limitations, and indicators for identifying the materialization of the risk. The policy papers are approved by Max's management and the Board of Directors and are revised periodically.
- **Mapping risks in new products** - The exposure of Max increases when it launches a new activity, implements new business processes or develops new products, and enters unfamiliar markets. Before launching a new product or activity, the inherent risks are mapped and assessed, and there is an assessment of the existence of appropriate tools and the expertise required to monitor and control the risks. Max has policies and procedures for mapping risks in new products, which include reference to the relevant factors that are required in the process for approving the new product or activity. The "New Products Approval Policy" was approved in 2023 by Max's management and by the Technology Committee of Max's Board of Directors; it is approved every three years.
- **Stress scenarios** are a forward-looking complementary tool for risk management at Max. Max is making preparations to address risks, which, if they materialize, could cause serious disruptions in normal business activity. The stress scenarios are used in processes such as: capital planning, liquidity management, determining risk appetite, and risk identification processes.

Max has a document of crisis management guidelines, which outlines an overall approach to various types of crisis management, and which aims to address effectively, to the extent possible, disruptions and failures that may arise due to external or internal events, and to allow maximum business continuity.

- **Conduct risk** is the risk that the conduct of Max, by act or omission, may have an undesirable result for its customers (integrity, fairness, and transparency) and as a result, may lead to the materialization of legal damages, imposition of fines, and/or reputational damage, and is integrated in all of the business activities of Max. Risk is managed routinely and includes a constant review of changes in business, consumer, competitive, and technological environments. Proper risk management aims to ensure fair treatment of customers and maintenance of public trust in Max's activity. In this context, Max ensures that the culture, processes, services, and products that it offers align with customer expectations and requirements.
- **Result of the capital adequacy assessment process at Max** - Capital planning aims to ensure capital adequacy in a normal business situation and in stress scenarios, based on the assessment of changes in activity and exposure to risks and assessments for the extent of future capital sources available to Max.

Capital planning at Max reflects a forward-looking outlook of the volume of business activities against the risks and the required capital adequacy ratio. The calculation is based on a three-year work plan approved by Max's Board of Directors, which includes assumptions relating to the expected changes, including growth in business lines and the increase in activity, regulatory requirements and changes, and macroeconomic forecasts.

As part of proper assessment of capital adequacy, Max is required to perform forward-looking stress scenarios to identify events or possible changes in market conditions that might adversely affect Max and to ensure that it has adequate capital to support its risks.

In accordance with the Internal Capital Adequacy Assessment Process (ICAAP), Max has adequate capital to meet regulatory requirements, and to address the risks and stress scenarios that may materialize. As part of the ICAAP process, in December 2022, Max's board of directors resolved to revise the internal target for Max's total capital ratio in the normal course of business to 12.0% instead of 12.5%.

Max's internal CET1 target is 10%.

For further details about the credit risk, market risks, liquidity and financial risk, operational risk and other risks of Max and their management, see Chapter B to the Report - Report of the Board of Directors, Section 5.

Risk factors and their effects

Pursuant to the Reporting to the Public Directives, Max is required to assess the effects of the risk factors on its activity, according to a scale of high, moderate and low levels. The level of the risk factors' effect on Max is assessed in accordance with an internal methodology, based primarily on expert assessments, which are subjective. The assessment methodology and level of effect were approved by Max's Management and its Board of Directors.

Severity of risk factors:

No.	Risk factor	Effect of the risk	Details
1.	Overall effect of credit risks	Moderate	The risk that a borrower or a counterparty of Max will fail to meet its obligations to Max, as they were agreed upon.
1.1	Borrowers and collaterals quality risk	Moderate	
1.2	Risk due to sector centralization	Low	
1.3	Risk involved in borrower/borrower group concentration	Low	
2.	Overall effect of market risks	Low	The risk of loss in on-balance sheet and off-balance sheet positions as a result of a change in the fair value of a financial instrument due to change in market conditions (changes in price levels in various markets, interest rates and foreign exchange rates, inflation rates, prices of shares and commodities).
2.1	Interest rate risks	Low	
2.2	Exchange rate risks	Low	
3.	Liquidity risk	Low - moderate	A risk to Max's earnings and stability arising from its inability to meet its liquidity needs.
4.	Operational risk	Moderate	The risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events. This definition includes legal risk, but does not include strategic risk and reputational risk.
5.	Legal Risk	Low - moderate	The risk that an activity of Max's is non-compliant with regulations or case law, and the risk arising from legal proceedings pending against Max, and the risk arising from a concern that Max will breach contractual obligations.
6.	Reputational risk	Low - moderate	The potential that negative publications, market rumors, or the public perception regarding the operating methods of Max, will lead to a decline in its customer base, or result in high legal costs, or a decrease in revenues.
7.	Strategic Risk	Moderate -high	The risk of adversely affecting Max'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.
8.	Compliance Risk	Moderate	The risk of a legal or regulatory sanction being imposed, a material financial loss or reputational damage incurred by Max as a result of failing to comply with laws and regulations.
9.	Information security and cyber risk	Moderate -high	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 embedded systems and infrastructures are attacked by, or on behalf of, opponents (whether external or internal to Max), and such an attack may result in the materialization of the cyber risk.
10.	Regulatory risk	Moderate	The risk of a loss due to the impact of expected future regulation and includes legislation by various regulatory bodies.
11.	Macroeconomic Risk	Moderate	The risk that the profit and capital of Max may be adversely affected by a deterioration in the macroeconomic environment in Israel and across the world.

- (1) The effect of the operational risk was increased from low-moderate to moderate in view of adjustments made by Max to operational processes in order to tackle in an optimal manner the effects of the War and the increase in cyber risks, which increase the operational risks to which Max is exposed.
- (2) The effect of the compliance risk was increased from low-moderate to moderate due to, among other things, increased enforcement activities by the various regulators. In addition, in view of the War there has been an increase in financing of terrorism risks to which local and international traders are exposed; there was also a significant increase in sanctions imposed by international entities in connection with financial activity; Max assesses on a regular basis the development of risk, and takes many actions to address the risk management adequately and effectively.

15.11. Material agreements and special commitments

15.11.1. Agreements with banking corporations

Max entered into joint processing and issuing agreements with several banks. Below is a concise description of the principles on which the agreements with the banks are based:

- A. Each bank was granted the authority to decide which customers will be issued a card jointly with Max. In addition, as a rule, each bank was given the authority to set the credit facility and terms of the credit cards.
- B. Each bank is responsible for honoring all the charges and for paying the amounts that its card holders will be charged for transactions with the cards issued under the agreements, with the exception of certain circumstances as provided in the agreement with each bank (such as responsibility for misuse, for use of a canceled card, for cash withdrawals, or for transactions made after loss or theft of a card).

Each agreement with each bank regulates various netting arrangements in respect of the issuing, processing, distribution and use of cards, whereby each parties is entitled to payments or participation in expenses or revenues, which differ from each other both in the type of payments to which each party is entitled and in the amounts/percentages paid for each such payment type and/or card brand/type and/or ascribed loyalty program of the card.

As part of accounting with the banks, Max transfers them their share of such revenues, among other things (on a case by case basis) at variable rates as agreed in each agreement.

The engagement period between the parties is generally five years with an agreement renewal option, unless one party notifies the other that it does not wish to renew the validity of the engagement (subject to the option of canceling the engagement immediately by notice by any of the parties in the cases decided between the parties). In certain cases, a limited agreement period is set, including provision regarding extension for additional periods.

Below are details of specific engagements:

BANK LEUMI LE-ISRAEL B.M.

On October 11, 2018, Max and Bank Leumi le-Israel B.M (hereinafter - "**Bank Leumi**") signed an agreement for the joint issuing of payment cards (which replaced the previous agreement of May 22, 2008) and Max will provide processing services to the bank for the issuing of these cards (hereinafter in this paragraph - the "**Agreement**"). The Agreement relates, among other things, to issuing of new cards and existing cards renewed as from February 2019. The new agreement is valid for 6 years with an extension option for another 4 years. The Agreement regulates the following matters, among others:

- Types of cards to be issued.
- Representation in international credit card organizations.
- Customer service to be provided to the Bank's customers
- Distribution of liability between the parties for damage to the card.
- Use of databases.
- Arrangement for discontinued use of the name "Leumi Card" by the parties.
- Regulation of the distribution of commission revenues and operating costs between the parties in a way that decreases Max's share in the distribution of revenues compared to the situation before the previous agreement.

The Agreement sets out several understandings between the bank and WPI under the sale transaction of Max to WPI:

The Agreements stipulates that by the end of six years from entry into force of the new Agreement, the bank will be paid a cumulative amount of up to NIS 135 million, depending partly on the card transaction turnover and partly on Max exercising its option to extend the period of the bank's commitment to a minimum percentage of cards to be issued by Max up to January 31, 2029. Max accumulates in the Financial Statements the amount that is expected to be paid to the bank, and as of December 31, 2023, Max included in its Financial Statements a provision of NIS 93 million, based on the estimated turnover of transactions in the entitling period.

In addition, Bank Leumi and WPI set an incentive regarding Max's profitability, according to which, if the target set in the sale agreement is achieved, Bank Leumi will be paid up to NIS 145 million, five years after the new Agreement enters into effect. Under certain circumstances, the payment may be postponed for up to two years, with interest. In the opinion of Max, the target that confers the abovementioned incentive has not been achieved.

On January 23, 2019, Max and Bank Leumi signed an agreement for early payment, according to which the bank will advance payment to Max for all credit card installment transactions on the first payment date, instead of the original scheduled payment dates. The agreement is valid until January 31, 2029.

Max's income from the issuing agreement with Bank Leumi constitutes approx. 23% of its income from the issuing segment and approx. 20% of Max's total income from the issuing segment. (In 2022, approx. 27% and approx. 23%, respectively).

15.11.2. Agreements with international organizations

Following is a summary of additional principles from Max's agreements with the International Organizations:

(a) Arrangements with Visa

Upon Max's split from Bank Leumi (until then, Max had an Associate status in Visa under the Principal status of Bank Leumi), Max worked with Visa to obtain a license with Principal status, which was granted on June 14, 2018.

The license granted to Max by Visa is unlimited in time, subject to compliance with Visa's rules. To the best of Max's knowledge, at the time of signing this report, it complies with the material conditions of Visa's rules.

From time to time, Visa (at its discretion) may change the rates and structure of commissions in respect of issuing and acquiring Visa cards in a way that applies to Max as well. Rate changes that constitute a price increase may affect Max's results of operations.

In 2017, Max signed an incentive agreement with Visa under which Visa undertook to grant Max retroactive refunds and discounts for development and promotion expenses of the brand as well as payment of reduced commissions for operating the issuing system over a number of years, subject to Max's compliance with several conditions such as compliance with payment card issuing turnovers.

In June 2022, Max and Visa signed an agreement renewal, in effect for 2022-2028, under which Visa has undertaken to give Max certain types of financial refunds and retroactive discounts subject to fulfillment of various conditions.

Most of Max's activities in both the issuing and acquiring segments are under the Visa brand; therefore, the arrangement with Visa has a material effect on Max's results. Max is materially dependent on its engagement with Visa.

(b) Arrangements with Mastercard

Further to delegation of authority by Mastercard to Europay International S.A. (hereinafter - "**Europay**") to approve license applications in Europe and elect companies in Mastercard for the purpose of granting an issuing and acquiring license, Max signed a license agreement with Europay on February 7, 2011 (hereinafter - the "**Mastercard License Agreement**").

The Mastercard License Agreement awards Max a principal status in Mastercard, and includes the terms and conditions for issuing and acquiring Mastercard payment cards by Max.

The Mastercard License Agreement is subject to the Mastercard's rules, which are an integral part thereof.

The license granted to Max by Mastercard is unlimited in time, subject to compliance with Mastercard's rules. To the best of Max's knowledge, at the time of signing this report, it complies with the material conditions of Mastercard's rules.

From time to time, Mastercard (at its discretion) may change the rates and structure of the commissions related to issuing and acquiring Mastercard cards in a way that applies to Max as well. Rate changes that constitute a price increase may affect Max's results of operations.

In 2018, Max signed an incentive agreement with Mastercard under which Mastercard undertook to grant Max retroactive refunds and discounts for development and promotion expenses of the brand as well as payment of reduced commissions for operating the issuing system over a number of years, subject to Max's compliance with several conditions such as compliance with payment card issuing turnovers.

During December 2023, a new agreement was signed between Max and Mastercard, which regulates the agreements and commercial conditions regarding the continuation of the engagement between the parties. The new agreement comes into effect on January 1, 2023, and is valid for 7 years. As in the previous agreement, the new agreement regulates the commercial netting between the parties, and sets mechanisms for business collaboration in various areas.

Max places importance on continuing the many years of activity with Mastercard.

(c) Arrangements with UnionPay

On September 10, 2014, Max was awarded Principal status in UnionPay, subject to the terms and conditions of the membership and license agreements signed between Max and Unionpay, which allows Max to provide acquiring services of UnionPay payment cards in Israel (hereinafter - the **"UnionPay License Agreement"**).

UnionPay's rules, as revised from time to time, are an integral part of the UnionPay License Agreement and bind the parties. The UnionPay License Agreement includes the following main conditions:

The UnionPay License Agreement is for a period of five years. The agreement period is renewed automatically for further periods of five years each unless one party notifies the other of its wish to cancel the agreement 120 days in advance, or in cases specified in the agreement;

The UnionPay License Agreement does not include provisions regarding assignment of rights or changes in control. However, based on the terms of Max's other licenses from the International Organizations and their rules, Max must notify UnionPay in such cases.

The license granted to Max by UnionPay is unlimited in time, subject to compliance with UnionPay's rules. To the best of Max's knowledge, at the time of signing this report, it complies with the material conditions of UnionPay's rules.

From time to time, UnionPay (at its discretion) may change the rates and structure of the commissions related to acquiring UnionPay cards in a way that applies to Max as well. Rate changes that constitute a price increase may affect Max's results of operations.

15.11.3. Agreements with loyalty programs

Max has several agreements with various loyalty programs for the issuing and processing of non-bank credit cards for their customers. The agreements with the loyalty programs are generally for a period of between 6 and 10 years and are usually renewed (or renewable) for additional periods. There are many and diverse collaborations that are targeted at various populations. The major loyalty programs include Dream Card VIP with Fox-Wizel Group Ltd. (hereinafter - **"Fox"**), the Beyachad Bishvilcha loyalty program of the Histadrut New Workers' Union, the Behatsdaa loyalty program for released IDF soldiers and reserve soldiers, police loyalty programs, the Market Storages loyalty program and the Teachers Organization loyalty program.

It should be noted that there has recently been a clear uptrend in competition in the loyalty program domain expressed, among other things, in applications of competitors to existing loyalty programs and occasionally in the pricing of offers by loyalty programs expressed, among others and as applicable, in increased costs (current, non-recurring and/or other) for renewal/retention of existing loyalty programs and/or acquisition of new loyalty programs. Max's ability to deal with such offers, whether during or prior to expiration of the agreement period of the loyalty program, is subject, among other things, to the availability of resources at its disposal on the relevant date and its assessment of the potential future profitability of the loyalty program, and there is no certainty regarding its ability to retain all existing engagements with loyalty programs.

As part of the various collaborations, loyalty program members enjoy current benefits provided under the loyalty program, a range of other special benefits provided by the loyalty program over the year, as well as special benefits and offers provided by Max.

The agreements with the loyalty programs regulate, among other things, provisions relating to customer acquisition, marketing and advertising budgets, as well as a mechanism for netting between the parties. Some of the agreements also set out exit points for the parties and the method for settling accounts between them after one of the parties cancels the agreement.

In addition, as part of the account settling mechanism with Fox (under the agreement signed in 2018), it was

established that as long as Fox's share in the profits of the venture fail to reach the minimum amounts agreed between the parties in a given year, Max will pay Fox the difference up to NIS 10 million for the first five years of the agreement, and an additional NIS 2 million each year for the last five years (meaning between NIS 12 million and NIS 20 million).

On November 3, 2021, an addendum was signed to the Fox agreement (hereinafter in this paragraph, the "**Addendum**" and the "**Agreement**", respectively). The Addendum sets out, among other things, Fox's undertaking to increase the point accumulation ratio of loyalty program members, extension of the original agreement period together with revocation of Max's right to terminate the Agreement in the event of non-compliance with the minimum number of active cards four and a half years after launching the loyalty program, and a netting mechanism in the extension period. Regarding the period from July 1, 2028, it was established that the Agreement will be extended until July 1, 2033, subject to the loyalty program's compliance with a minimum target of active cards at the end of 2027. On July 1, 2033, the Agreement will be renewed automatically for periods of 5 years each unless one party notifies the other of termination of the agreement by 12 months' notice.

15.11.4. Agreement with Allied Real Estate

For further details, see Section 15.3.1 above.

15.12. Main service providers

From time to time and on as needed basis Max enters into engagements with suppliers for receipt of services in various areas, including various technological services. Below are details about **Max's** key service providers:

ABS and MASAV

Automated Banking Services Ltd. (hereinafter - "**ABS**") serves as the communication switch between merchants, issuers and acquirers, and operates a payment card transaction collection system in Israel, consolidates information about transactions made at merchants, sorts them according to the identity of the relevant acquirer with which the merchant has an agreement, and transfers the electronic messages to the acquirers and issuers for authorization of the transaction. ABS also operates the movements between the credit card companies in respect of interchange and acquiring activities, for the credit card companies. As of September 2017, ABS provides the communication protocol used for execution of payment card transactions to all users in the market.

Bank Cleaning Center Ltd. (hereinafter - "**MASAV**") operates an automated acquiring center of credits and debits transferred electronically between banks and the customers of various banks in order to debit or credit (as relevant) bank accounts. Max uses MASAV services routinely.

Generally, all transactions involving Max's cards are carried out through the ABS and MASAV systems.

As of the date of this report, Max is materially dependent on the services provided by ABS and MASAV, because without receiving these services, Max's activities will be materially impaired (in the absence of a local alternative that can provide alternative services in Israel to those provided by ABS and MASAV). ABS and MASAV charge Max for their services mainly on the basis of a uniform tariff that they publish.

However, it is noted that to the best of Max's knowledge, the activity of the said companies is subject, among other things, to the provisions of the competition laws and restrictions under directives issued by the Competition Commissioner in relation to their activity (as part of which ABS and MASAV's ability to refuse services to the Group or to change their tariffs was restricted), and ABS's activity is regulated by the Bank of Israel.

Beeri Print

There are several agreements between Max and Beeri Printing Limited Partnership (hereinafter - "**Beeri Printing**") (which are revised from time to time), under which Beeri Printing provides Max with production, printing and wrapping services for the debit statements which Max sends to card holders and merchants monthly as well as wrapping and mailing services of Max's credit cards. The agreements between Max and Beeri Print include provisions regarding the consideration in respect of the services provided to Max, confidentiality, liability to damages, indemnity, etc. The agreement is renewed once a year by one further year. Each of the parties is entitled to terminate the agreement by giving written advance notice of four months before each extension period. In the opinion of Max, in the event of termination of the engagements with Beeri Print without making the required preparations in advance Max will have temporary difficulties to access the current level of service rendered to it. However, Max has prepared in advance alternative solutions.

IBM

In 2019, Max signed an agreement with IBM for providing software services and technology platforms. The terms of this agreement are in addition to the terms of the general IBM agreement. The agreement is in effect until September 30, 2024. Max is currently in the process of renewing the agreement.

15.13. Max's business strategy

Max invests considerable time and resources on strategic planning appropriate for the numerous challenges and changes in the banking world in general, and in the payment, credit card, and credit sector, in particular.

Max's vision is to help its private and business customers in maximizing value from their financial activities, while providing advanced and innovative payment solutions. The expansion of payment services contributes to achieving Max's goal of increasing the non-bank market share of credit cards and the significant growth in the credit portfolio of consumers and small enterprises by development of complementary financial products.

With this vision, Max operates according to a multiyear strategic plan as well as an annual strategic plan, highlighting:

Private customers: Reinforcing the relationship with customers while providing an advanced solution and developing new products for payments, and strengthening the activity of direct cards together with prominent customer loyalty programs (such as Dream Card and customer loyalty programs in the public sector) and the application of contactless payment solutions; growth in consumer credit and other financial products directly to consumer customers (D2C), based on the application of advanced digital capabilities and tools. In addition, in order to continue its growth as a fair and relevant credit provider, which can serve as an alternative to banks, Max focuses on expanding the credit solutions available to customers in line with their day-to-day needs.

Business customers - further development and expansion of financial solutions to businesses, with an emphasis on small businesses, including, among other things, marketing of acquiring products, discounting, guarantee, business credit and expansion of the B2B payment solutions. Max is taking steps to expand its range of services and to realize the synergy between the various solutions, expand its business customer base (including through business partners), while adapting dedicated solutions according to the size and scope of their activity.

Processing - solutions for financial institutions. Management of joint issuing and operating the issue of cards with banks and other financial entities, and providing these entities with processing services, including the issuing of prepaid cards and acquiring services for ATMs (for cards not issued in Israel).

Growth and innovation engines - Max places an emphasis on the expansion of the mix of financial products related to credit cards, from management of a foreign currency wallet, saving through a credit card, payment receipt solutions for the self-employed and for exempt dealers, a trust fund that offers financial refund in cryptocurrency, and more.

At the same time, Max will continue to develop its core systems, including with extensive investment in digital developments; generating joint ventures with companies in the fintech sector, and technology-based ventures, to expand the value proposition for Max's customers and take advantage of the changes in the competitive arena. Together with these efforts, Max is committed to the constant implementation of efficiency measures based, in part, on automation of processes in Max, with organizational excellence as a goal.

Max currently faces significant challenges in all areas of activity, multiple changes in its core businesses and opportunities alongside dealing with regulatory changes. Due to the many changes, there is still uncertainty in the competitive, economic, and regulatory environment (such as open banking, payment services, and supervision of financial players and new payment service providers, and encouragement of competition, etc.).

Strategic risk management in Max is based on creating a “breathing strategy”, which is assessed on a regular basis, validated and perfected, while maintaining the core values of Max’s strategic plan. Validation is performed in view of reviews and assessments of various events in the work environment (such as regulation, competition, and technology), and assessment of the anticipated changes in Max’s operating sectors, including risks that may arise from these changes, exposure to their materialization, and measures to be taken by Max if the risks materialize.

Max's business strategy is determined by taking into account the business environment in which it operates. This environment is affected by four key factors which are changing at an accelerated pace: regulatory developments, changes in the competitive environment, technological developments and changes in consumer behavior.

Regulatory changes: Max addresses rapidly increasing regulatory developments, both on the part of the supervisory authorities in Israel and on the part of the international credit-card organizations, which require consistent preparation and adaptation of business operations. For more information, see Section 15.1 above.

Changes in the payment sector: The economy is undergoing a significant change in payment habits, including the continued digitization of money and the shift from cash to credit cards, among other things, through new payment solutions, including P2P and A2A (account to account) solutions. The acceleration of the solutions arises from several parallel trends, including:

- Technological change in Israel's significant migration to EMV-based payments infrastructure, which directly affects the world of payments, with changes such as token and contactless payments, the introduction of international wallets in Israel (such as Apple Pay and Google Pay), issuing of debit and digital cards, and the growing trend of dynamic currency conversion (DCC), which is mainly evident in online activity.
- The growing use of digital wallets and embedded payments contributes to accelerated digitization of money, reducing cash, and improving the customer experience, alongside the introduction of new players, including the banks through digital wallets.
- The introduction of new players into the acquiring sector, with regulators encouraging the entry of new competitors, and specifically the award of acquiring license to local and international players. Max expects that the entry of competitors to this activity will accelerate the competition in this arena even further.

Development of competition in credit: This is in parallel to changes in consumer behavior in the use of credit and financial products and the decentralization of financial services, such as the **Credit Data Law, 2016** (hereinafter - the “**Credit Data Law**”) and open banking, expanding the potential of non-bank credit as an alternative to the banks for all customers, alongside increased credit activity of banks and their entry into non-bank activity.

The description in this section is forward-looking information, as defined in the Israel Securities Law, based on the assessments of the Max's management and its understanding of the business environment in which Max operates. Max's plans may not materialize, in whole or in part, or may materialize differently, including in a materially different manner than expected, due to incorrect assessments, changes in Max's work plan, unexpected changes in the payments and credit market in Israel and/or outside Israel, the uncertainty regarding the continued development of the Iron Swords War, its duration and effects on the Israeli economy, the behavior of entities and players in the payments and credit markets and/or the materialization of all or some of the risk factors set out in Section 15.10 above and Part B of the Report - Report of the Board of Directors, Section 5.

15.14. Environmental, social and governance (ESG) aspects

The field of Environmental Social Governance (ESG) is the managerial envelope that presents all of the corporation's activities in connection with social, environmental and corporate governance issues.

Max carries out significant, well-organized ESG activities arising from Max's internal values.

During 2023, management formulated and approved the organization's ESG strategy, and commenced writing an internal report, whose writing is expected to be completed at the end of the first quarter of 2024.

This report summarizes all activities and initiatives that Max promotes, and it is consistent with Max's values, and with the expectation that regulators will expand their requirements regarding transparency in connection with these issues.

Corporate Governance

Commitment to upholding the Code of Ethics

Max's Code of Ethics expresses the core values that it adopts and that it expects each its employees to follow on a day-to-day basis.

Max's core values define norms for behavior. Implementation of these norms will lead Max to realize its vision, succeed, and reach achievements in future as well.

The Code of Ethics refers to Max's interfaces with all stakeholders: employees, customers, suppliers, shareholders, regulators, authorities, competitors, the environment, and the community. Max's managers and employees are responsible for behaving according to the Code of Ethics and integrating it in the day-to-day activity with the various interfaces.

Max complies strictly with the provisions of the law and professional rules applicable to it, including Proper Conduct of Banking Business Directives 308 on Compliance. The Code of Ethics does not replace the provisions of the law nor does it contradict them.

The Code of Ethics is in addition to these provisions and is designed to direct all Max's employees, on all levels, to choose appropriate modes of action based on values and to raise the threshold for appropriate conduct in Max.

Social

Max considers its human resources a key asset and set a goal of nurturing and retaining its human resources, while promoting the creation of an organizational culture that motivates its employees to maximize their skills and reach outstanding achievements, with an organizational culture based on trust and dialog. In 2023, Max was ranked 22 by BDI among the 100 Best Companies to Work Organizational culture.

Commitment to nurture employees and the work environment

In 2023, Max expanded its activity and set up in Tiberias a new customer service center, which creates additional jobs in the periphery, including for persons from the ultra-Orthodox Jewish community.

In this year, Max continued to expand career development opportunities for its employees; approx. 64% of the jobs that became available in 2023 were manned by Max's employees. In addition, recruitment of students increased; the ReSkilling program for future employees of the intraorganizational analytics function was implemented, and an emphasis was placed on employees' development in their role, through personal development.

At the same time, learning and development programs for managers were implemented, with the aim of imparting and developing the required skills and knowledge to new and existing employees in order to support the implementation of the business work plan. Manager development processes were also carried out to address the changing reality and reinforce the mentoring capabilities of the managers.

During 2023, approx. 17,000 hours of development and learning were invested among the employees and managers.

Commitment to corporate social responsibility

Max attaches utmost importance to social commitment, which is expressed in volunteering activities and contribution to the community. The social vision according to which Max operates is to create a local impact and to promote economic independence while focusing on diversity and inclusion - by imparting knowledge, tools, and life skills.

In 2023, Max continued to deepen its involvement in the community, focusing on five areas:

- Promoting economic independence by imparting knowledge, tools, and life skills to diverse populations with employee volunteering in long-term programs of apprenticeship and mentoring.

- An innovative and unique long-term plan - City Change – a program in collaboration with Zionut 2000 Organization and the Bnei Brak municipality for economic development of the city.
- Connecting community outreach activity to business activity and the brand values, such as the Round Up (Small Change, Big Change) project that rounds up the amount of transactions for the benefit of a range of approved charities.
- Employee involvement in community activities and volunteering in various NPOs and entities with diverse communities.
- Following the Iron Swords War, Max expanded its social activity in line with the order of the day, made donations, and invested voluntary work involving a range of activities and communities.
- Over the year, approx. 900 employees volunteered in voluntary activities in the community, totaling approx. 10,000 volunteer hours. To encourage employees and managers to volunteer, and as part of its mission, Max allows volunteering on account of work hours.

Commitment to diversity and inclusion

From a moral perspective of the importance of the subject and out of the consideration that diversity and inclusion contribute to Max's business, to diverse opinions, to creativity, and to achievements, Max has a high percentage of women in general, and in management positions in particular.

60% percent of all Max's employees are women. In the various levels of management out of all managers in all levels, 58% are women, and in Max's management - 60% of VPs are women.

Max also has approx. 150 employees from the ultra-Orthodox sector, representing approx. 9.4% of its human resources.

Max encourages the hiring of employees with disabilities and also indirectly employs people with disabilities through Call Yachol, an organization providing call center services.

Environment

Climate changes are gaining momentum in Israel and globally and pose new and special challenges, risks alongside opportunities, which are characterized by significant uncertainty. Max recognizes that climate change is expected to affect all areas of life, such as society, the economy, health, and national security.

Max monitors developments in the regulation and the relevant requirements, and will work accordingly to implement the directives.

Max has in place an environmental policy; it also conducted a survey to update and improve its environmental risks survey. Max's management decided to implement environmental responsibility values and adapt its activities in order to protect the environment.

Max is committed to taking measures to continually reduce and prevent the environmental risks and hazards involved in its activities. 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.

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.

15.15. Fees of the independent auditor^{99,100}

Following are details regarding the fees of the independent auditor:¹⁰¹

	2023
	NIS thousand
For audit work ⁽¹⁾	1,715
For audit-related services	128
For tax services ⁽²⁾	306
For other services	442
Total fees of the independent auditor	2,591

(1) Auditing of annual financial statements and review of interim financial statements.

(2) Includes the auditing of adjusted reports for income tax purposes, assessment discussions and tax advisory services.

The Accountancy firm Somekh Chaikin (KPMG) has been serving as the Company's independent auditors since 2000.

99. The Board of Directors' Report to the Annual general meeting on the Independent Auditors' Fees in respect of Audit and Audit-Related Services, under Sections 165 and 167 to the Companies Law.

100. Including fees paid and accumulated fees.

101. Max was consolidated into the Company's Financial Statements as from April 1, 2023. The data in the table relate to the entire year in 2023.

Part VI - Additional Information about Insurance Subsegments Not Included in the Areas of Activity

16. Additional Information about Other Activities Not Included in the Areas of Activity

16.1. Clal Agency Holdings

Clal Agency Holdings Ltd. is a wholly-owned subsidiary of the Company, which coordinates the holding in the Group's insurance agencies. For further details, see Section 9.8 below.

16.2. Credit for financing construction projects and providing mortgages

Scope

Michlol Real Estate Urban Renewal Solutions Ltd. (hereinafter - "**Michlol**") is a company established in 2018; it is engaged in the provision of financing to developers of various real estate projects, and in particular residential and urban renewal real estate projects. In 2020, Clal Insurance sold all of its shares in Michlol (28% of Michlol's share capital) to Clal Finance, a wholly-owned subsidiary of the Company, which was previously an inactive company. Furthermore, Michlol allocated to Clal Finance 7% of its shares, such that subsequent to the allocation Clal Finance held 35% of the share capital of Michlol.

On August 22, 2021, Michlol completed an initial public offering. After the dilution due to the issuance and an acquisition made by the Company as part of the issuance, Clal Finance holds 24.9% of Michlol's shares.

In addition, Clal Finance was awarded an option - without consideration and for a period of 5 years from the date on which the Company's shares were listed for trading - in respect of 2,546,585 Michlol shares in accordance with the terms that were set.

Following the issuance and receipt of the option as described above, the Group recorded a gain at an immaterial amount.

Clal Insurance provided and continues to provide credit and Sale Law guarantees to Michlol under an agreement signed between them.

Regarding the activity of Clal Insurance in the field of guarantees and providing loans to finance residential construction projects, see Section 7.1.1.4(c) above.

Provision of mortgages

As part of its investing activities, Clal Insurance provides mortgage loans secured by liens on real estate properties; some of the mortgages provided by Clal Insurance are of the "reverse mortgage" type, which are provided to borrowers aged 55 years and older, secured against a lien over a residential apartment.

On October 2, 2022, drafts of the provisions of Proper Conduct of Banking Business Directives were published, regulating the principles of providing "reverse mortgage" type loans (loans secured by a lien over a residential apartment, provided to borrowers older than 60 years, with an indeterminate repayment date, and requiring no monthly repayments of the loan principal) by banking corporations.

The Company believes that should the aforementioned provisions become binding in their current version, it is likely they will increase competition in the field of "reverse mortgage".

The information relating to the potential consequences of the draft Proper Conduct of Banking Business Directives is forward-looking information, which is based on Company's assessments and assumptions, and actual results may vary materially from those predicted, according, among other things, to the directives' final wording, if it is published, and due to the fact that actual implementation may vary from that predicted, and depends, among other things, on the behavior of the banking corporations and on customers' preferences.

16.3. Milo

Milo is a wholly owned company of CIMax. Milo holds the following companies:

Hyp Payment Solutions Ltd. (hereinafter - "Hyp")

Hyp was created as a result of a legal merger of a number of companies, all of which engage in the field of payment solutions. The Company was established in 1984 under the name Caspit Payment Solutions Ltd., and in 2022 it changed its name to its current name, while merging four companies: Caspit Payment Technologies Ltd., Credit Guard Ltd., Yaad Acquiring and Trust (A.S.) Ltd., and KSYS Ltd. The Company is wholly owned by Milo.

The Company is engaged in the development and provision of payment solutions, which include, among other things, physical terminals and technological solutions (connectivity services for credit cards acquiring, gateway payment) 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 a bookkeeping management and digital invoice generation system.

The merchants that use Hyp's payment solutions carry out their credit card acquiring activities through credit acquiring companies, including Max. Furthermore, Hyp provides to Max a number of infrastructural technological solutions, that are used by Max in the execution of its acquiring activity, and to improve its value proposition for its business customers.

MAX EVS Ltd. (hereinafter - ("EVS"))

EVS was established in 2022. 51% of its issued and paid up share capital is held by Milo. EVS markets electric vehicles' charging stations (AC/DC) and charging solutions for car fleets and private customers, which are based, among other things, on unique technology developed by EVS. EVS is conducting negotiations in order to expand its activity to the field of DC public charging.

At the end of 2023, EVS started marketing to car fleets electric vehicle charging systems. EVS takes action in order to expand its private customers activity through, among other things, collaboration with a commercial entity operating in the field of electric vehicles.

Milo provided credit of immaterial amount for EVS's activity.

16.3.1. Data about the human capital in the said activities

16.3.1.1. Workforce

<u>Units</u>	<u>No. of employees - December 31, 2023</u>	<u>No. of employees - December 31, 2022</u>
Clal Agencies ¹⁰²	578	553
Hyp	233	229

The employees of the said activities are not subject to the collective agreements in place in relation to most Group employees, and they are employed under personal employment agreements that define their employment terms and conditions, including base salary, social benefits and related benefits.

102. Betach Toren Insurance Agencies Ltd. and Tmura Insurance Agency (1987) Ltd. The increase arises from the acquisition of the insurance portfolio of F.D Psagot Life Insurance Agency (1997) Ltd.

16.3.2. Data about property, plant & equipment in the said activities**16.3.2.1. Data of leased and owned buildings for self-use in sq.m for 2022 and 2023**

<u>Company/unit</u>	<u>Location</u>	<u>As of December 31, 2022</u>		<u>As of December 31, 2023</u>	
		<u>Owned area (m²)</u>	<u>Owned area (m²)</u>	<u>Owned area (m²)</u>	<u>Owned area (m²)</u>
Agencies under control ¹⁰³	Across the country	1,027	3,755	1,027	4,784
Hyp	Yavne	-	1,467	-	1,467
	Bnei Brak	-	720	-	720

Clal Insurance Enterprises Holdings Ltd.

Haim Samet

Chairman of the Board

Yoram Naveh

CEO

March 27, 2024

103. Betach Toren Insurance Agencies Ltd. and Tmura Insurance Agency (1987) Ltd. An area of 1,029 m² was added in 2023, following the acquisition of the insurance portfolio of the insurance agency F.D Psagot by Tmura. The offices of the said agency are located in Kiryat Ata.

Part B

Report of the Board of Directors



Report of the Board of Directors on the State of the Corporation's Affairs for the Period ended December 31, 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 2023 (hereinafter - the **"Reporting Period"**).

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 - is prepared in accordance with the Supervision of Insurance Business Regulations (Reporting), 1998, and in accordance with the circulars issued by 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 prepared in accordance with the Directives of the Banking Supervision Department (hereinafter - the **"Banking Supervision Department"**).

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

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.xe

For further details 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 17 to the Financial Statements.

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.

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 9 to the Consolidated Financial Statements.

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.

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

In the Reporting Period, the results were mainly affected by the hikes in capital markets, mostly from US stock indices - which affected investment income in the nostro portfolio, although in participating insurance policies, no variable management fees were collected during the Reporting Period (Clal Insurance has a pre-tax liability of approx. NIS 0.6 billion to policyholders, and until it meets this undertaking it shall not collect variable management fees (as of shortly before the report publication date, the balance amounted to approx. NIS 0.4 billion). In addition, during the Reporting Period, there was an increase in the risk-free interest rate curve, which caused a decrease in actuarial reserves. For details about the impact of the above on the results, see the special items table in Section 2.2 below. For details regarding the Group's sensitivity to changes in interest rates, see Note 42 to the Financial Statements.

C. Rating and issuance of bonds by the Company

In February 2023, the Company issued NIS 249.1 million p.v. in Bonds (Series A) and NIS 150 million p.v. 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 proceeds amounts to approx. NIS 397 million.

In 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 p.v. in Bonds (Series A) by way of a private placement and an expansion of an existing series for approx. NIS 244.6 million. 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 p.v. 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 August 29, 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 proceeds 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 26 to the Financial Statements and Section 2.5.4 below.

In December 2023, the Company issued NIS 500 million in Bonds (Series C) pursuant to the Company's shelf offering prospectus dated December 4, 2023, published under the Company's shelf prospectus. The issuance expenses amounted to approx. NIS 4 million; the annual effective interest rate is 5.5%, and net issuance proceeds amounted to approx. NIS 496 million.

Subsequent to the reporting date, the entire proceeds of the issuance was used for the full early repayment of the entire amount of the syndicated loan taken by CIMax Holdings Ltd. from institutional entities in 2019 (hereinafter - the **"Syndicated Loan"**). For further details, see Section J below.

D. Monitoring the Group's rating

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.

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 47 to the Consolidated Financial Statements.

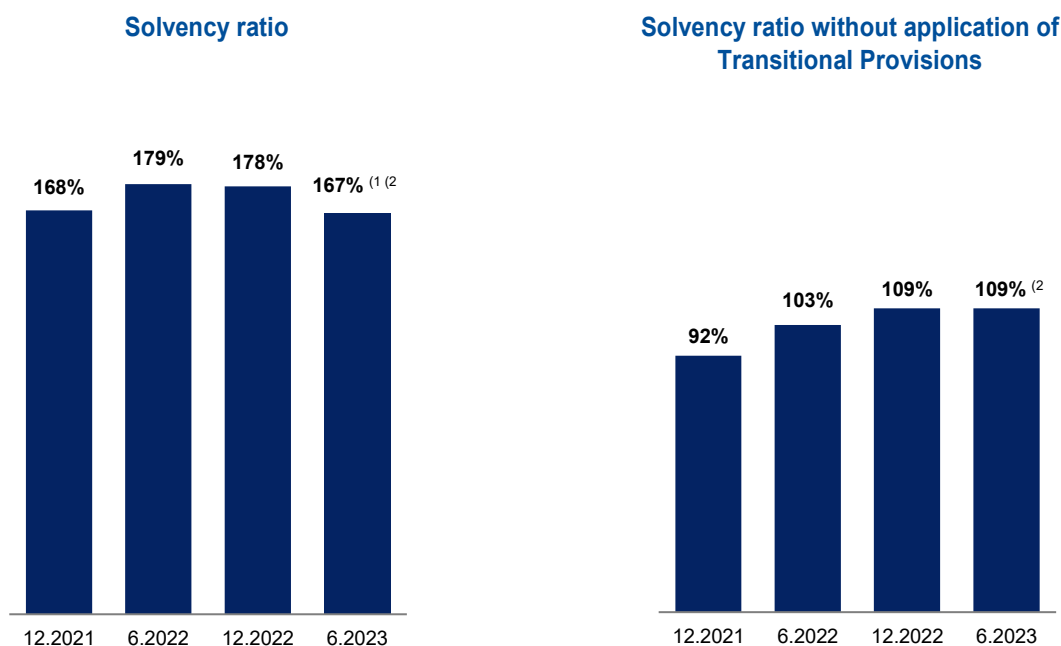
Max

In January 2024, 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, under which the ratio without the transitional provisions is 109%, the same as the ratio published 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, see Section 2.4 below, Note 17 to the Financial Statements, and the Economic Solvency Ratio Report attached to the Financial Report.



- 1) Taking into consideration equity transactions that took place subsequent to June 30, 2023, as of the publication date of the Economic Solvency Ratio Report as of June 30, 2023.
- 2) For details regarding the initial disclosure regarding the stochastic model for calculating the economic solvency ratio of Clal Insurance, see Section 2.4 below.

F. Dividend distribution policy at Clal Insurance

In June 2023, the Board of Directors of Clal Insurance approved a dividend distribution policy according to which the Company intends to distribute an annual dividend at a rate of 30%-50% of Clal Insurance's comprehensive annual income, as per its consolidated financial statements. The distribution is subject to the Company's complying with a minimum economic solvency ratio objective pursuant to the economic solvency ratio regime, without taking into account the transitional provisions at a rate of 110% (after distribution), and at a rate of 135% (after distribution), taking into consideration the transitional provisions during the transitional period.

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. Furthermore, the execution of any actual distribution shall be subject to compliance with the provisions of the law applicable to any dividend distribution, including, among other things, the provisions of the Companies Law, 1999, and to compliance with the financial covenants the Company has undertaken and/or will undertake, to having sufficient distributable profits on the relevant dates, to the condition that the distribution shall not adversely affect the Company's cash flows and its need for cash to finance its activities, including future investments, as shall be from time to time, and/or its expected and/or planned future activities.

The Company's Board of Director may review the dividend distribution policy from time to time and decide, at any given time, taking into account business considerations and the legal and regulatory provisions applicable to the Company, to change the dividend distribution policy, including the rate of dividend to be distributed.

G. Issuance of Subordinated Notes (Series M) and exchange of Series J in 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 26(b) to the Financial Statements.

Subsequent to the reporting date, in January 2024, approx. NIS 504 million p.v. in Notes (Series J) were exchanged by way of an exchange tender offer in consideration for the issuance of approx. NIS 508 million p.v. in Notes (Series L), by way of expansion of an existing series. The Notes (Series M), that were issued as stated above, were recognized (subject to restrictions) as Tier 2 capital of Clal Insurance, instead of Notes (Series F), that were exchanged, and which were recognized as hybrid Tier 2 capital.

For further details, see Note 26(b) to the Financial Statements.

H. Consolidation entry upon the acquisition of Max

In accordance with accounting standards, upon acquiring 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(i)(1)(d) to the Consolidated Annual 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 for trading on the TACT Institutionals system of the Tel Aviv Stock Exchange.

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 139 million issued in December 2018, which constitute part of the Tier 2 capital of Max. The early redemption was carried out on December 31, 2023. The effect of redemption of the notes is a decrease of approx. 0.8% in the total capital ratio.

On January 4, 2024, Max completed a private placement of a commercial security for institutional investors in the amount of NIS 230 million.

Subsequent to the reporting date, on March 11, 2024, the Board of Directors of Max resolved to perform full early redemption of a subordinated note in the amount of NIS 35 million issued in March 2019, as part of a private placement, which was included in the Company's Tier 2 capital. The date for performance of the early redemption is March 31, 2024, and it is expected to reduce Max's total capital ratio by approx. 0.2%.

J. Repayment of loan in 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. These amounts were used for full repayment of the liquid portion of the CIMax loan, such that as of December 31, 2023, the loan balance amounts to approx. NIS 875 million, of which an amount of approx. NIS 873 million is for the loan principal and the remaining balance is for interest and other fees under the provision of the syndicated loan agreement.

Subsequent to the reporting date, in February 2024, CIMax repaid the full balance of its syndicated loan, totaling an amount of approx. NIS 891 million, of which approx. NIS 873 million was the loan principal, and the remaining balance being interest in addition to an early repayment penalty and additional fees and commissions pursuant to the provisions of the syndicated loan agreement, in the total amount of approx. NIS 18 million.

Repayment of the syndicated loan was carried out via a sum of NIS 891 million that the Company invested in CIMax.

For further details, see Note 26 to the Consolidated Financial Statements.

K. Effect of the Iron Swords War

On October 7, 2023, 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 (hereinafter - the "**War**"), calling up more than 300 thousand reserve soldiers.

Since the outbreak of the War, the State of Israel has been fighting on a number of fronts, primarily the Gaza Strip and northern border.

The War has led to a series of impacts and restrictions, including, among other things, evacuation of hundreds of thousands of people from their homes and temporary closure of many businesses.

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 became less volatile.

The effect of the War is also evident on the credit rating of the State of Israel. On October 17, 2023, the Fitch rating agency announced a change in the credit rating outlook to negative. In addition, on October 19, 2023, the agency announced that it would be placing the credit rating of four Israeli banks also on its Ratings Watch Negative (RWN) list.

On October 27, 2023, the S&P rating agency announced that it had revised Israel's credit rating outlook to negative.

On February 9, 2024, the Moody's rating agency announced a downgrading of the State of Israel's debt credit rating from A1 to A2 as well as a negative rating outlook. In its notice, the agency explained that the reason for the downgrading of the rating is the uncertainty as to the timing on which the Iron Swords War will end and its result, the effect of the War on the government and the Knesset's ability to deal with core economic and social issues, and the change in the fiscal situation. In addition, the agency noted that the main reason for the negative rating outlook is the uncertainty as to the War's spilling over to the northern front. At the same time, Moody's commended the economy's recovery over the past three months, the independence of the judiciary in Israel, the resilience of the civil society in Israel before and since the outbreak of the War, and the government's willingness to raise taxes and cut the budget in 2025.

The Group is exposed to declines on the financial markets and to slowdown, as well as to additional risks arising from the War. For further details on sensitivity and exposure to risk factors, see also Note 42 to the 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

With the transition to a wartime routine, Clal Insurance and Max 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.

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 pays 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 is managed by a committee chaired by the director of the claims division at Clal Insurance, which prioritizes 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 given to it - including from the Insurance Commissioner and the Israel Money Laundering and Terror Financing Prohibition Authority - regarding the War.

Max -

Shortly after the start of the War, Max 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;
- 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 regarding benefits that were given by Max to customers as part of dealing with the War:

	December 31, 2023		
	Private individuals	Business	Total
	NIS million		
<u>Effect of benefits granted by the Company as part of dealing with the War:</u>			
Changes in debt terms and conditions	2	2	4
Zero interest or low-interest loans	-	-	-
Waiver of fees and commissions	4	-	4
Other benefits	1	*	1
Total benefits granted by the Company*	7	2	9
Unutilized benefits	16	-	16
Total estimated benefits assuming full utilization	23	2	25

Additional information on activities for the benefit of borrowers as part of dealing with the War:

Credit balance with changes in debt terms and conditions **(1)	132	228	360
Amount of deferred payments ***	11	18	29
Average deferral of payments in months ***	3	1.4	
(1) Of which: Troubled credit	1	3	4
Outstanding balance of zero-interest or low interest loans	6	-	6
Average interest rate	6.25%	-	6.25%
Average Prime interest rate in said period - %	6.25%	-	6.25%
Loans granted as part of state-backed funds			
Outstanding loan balance ****	-	76	76
Average interest rate	-	7.70%	7.70%

* Includes benefits awarded to customers for the period subsequent to the Financial Report for 2023.

** Including waiver of interest, waiver of principal, deferral of payments and/or extension of repayment period, including deferrals that have already ended on the reporting date.

*** Deferral of payments, including extension of the repayment period. The deferral of payments does not include a deferral in which an entitlement was utilized, to which the borrower is entitled as required by law.

**** Immediately prior to the reports approval date, the credit balance stands at approx. NIS 123 million.

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 formulated in these areas. However, a significant part of the permanent health insurance and disability cases arising from the events of the Iron Swords 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 catastrophe event, which limits the exposure of Clal Insurance for these insurance cases to approx. NIS 60 million, under the terms of the policy. It should be noted that the reinsurance for a catastrophe event does cover significant damage occurring during the first week of fighting in the War but not the total costs of Clal Insurance in respect of the payment of

insurance benefits arising from incidents in the Iron Swords War (depending on the date of occurrence of the specific insurance event of each policyholder), and accordingly at this time, according to the data received at Clal Insurance and its estimates, the effect of the events of the Iron Swords War on its results in this area is approx. NIS 74 million.

It is also noted that at the demand of the reinsurers, the said catastrophe insurance, which was renewed in 2024, excludes war coverage from the insurance coverage's terms and conditions.

In view of the security developments following the Ukraine war and the Iron Swords War, most reinsurers, which insure Clal Insurance under the said catastrophe insurance, excluded the active and passive war risks from the insurance coverage in life and health insurance for 2024.

In pension funds managed by the Group, there is exposure to death and disability cases resulting from the War. Since the pension fund is a product that is essentially the mutual responsibility of the fund planholders, 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, Clal Insurance believes that this will not have a material effect on the Group's results.

Contributions into savings products are adversely affected by the economic downturn in Israel, an increase in unemployment, and furloughed employees. Up to the approval date 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 LTC)

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 (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 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 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, 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 Iron Swords War had had an impact on the financial results of Max in 2023, which has been reflected in the scope of credit loss provisions, both in private and business

credit, which increased due to Max's assessment of possible impairment of the solvency of borrowers. From the outbreak of the War, Max has experienced damage to its business activity. The issuance and acquiring turnover of Max decreased, mainly 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 income of Max from interchange, acquiring, and foreign-transaction fees. In addition, in this period, the volume of credit and credit-card sales were impaired. In December 2023, there was an improvement in the issuance volumes in Israel and the acquiring volumes, which returned to similar scopes of those prior to the War.

It can be assumed that the security situation, the continued combat in southern Israel and its potential expansion to the north, as well as measures taken by the state, could affect businesses and the population, and consequently may continue to influence economic activity in Israel - which, in case of a deterioration, may also be reflected in Max's business activity.

The results of the fourth quarter of 2023 were also influenced by a number of actions taken by Max to support the needs of the population affected by the current situation, which include implementation of the outline of reliefs adopted by Max, donations, and assistance to employees, which will have an effect by way of a decrease in income from fees and commissions, interest income, as well as an increase in expenses.

For details regarding the cost of the main actions taken by Max, see the above table.

2. Effects on the credit losses of Max

The Iron Swords 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.

Pursuant to the directive of the Banking Supervision Department, Max already included in the financial statements for the third quarter the anticipated effect of the War on expected credit losses and increased 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 still uncertainty as to the extent of this impact. The economic ramifications depend on the continued duration of the fighting, the degree of effectiveness of the measures to be taken to aid the recovery of the economy and the affected population, as well as the pace of recovery and return to full economic activity.

Business customers - 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 which experienced more significant downturns in the initial weeks of the War, such as tourism, leisure and entertainment, restaurants and coffee shops, furniture, and clothing and footwear. Although in the majority of subsegments, tangible recovery was recorded in the business turnovers, there is still a high degree of uncertainty as to the effects of the War on the risk of some of the merchants included in Max's business credit portfolio.

Private customers - 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 especially of population groups directly hurt by the War, may be tempered by government aid programs and other reliefs granted to these groups by the financial entities in Israel, as well as by a decrease in households' expenses. This may allow many customers to continue required economic activity, including debt repayment. At this stage, there has yet to be a noticeable increase in the actual credit risk of these customers due to the War.

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 detailed 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 December 31, 2023.

As noted, at this stage, the effects of the War on the financial situation of Max's customers in the aspect of their ability to repay their debts are not yet significantly 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 continue to grow clearer, and as Max continues to accrue 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 as necessary.

Max's assessments regarding the effects on the Company's credit losses constitute forward-looking information, which is based on Max's assessments and assumptions as of the report publication date. The actual results might be substantively different from those assessed, among others, in view of the effects of the War, the effects of the government aid on macroeconomic conditions and economic activity, the activity and economic situation of the borrowers and the actual effect of the War on them.

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 in respect of yield-dependent policies sold in 1991-2003 due to negative cumulative real returns, until the attainment of positive cumulative returns, amounted to a total of approx. NIS 0.6 billion as of the publication date of the financial statements; subsequent to the report date and shortly before its publication date, the balance was reduced to a total of approx. NIS 0.4 billion.

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

For details regarding the effects of the interest rate environment during the reporting period, see Section 2.2A below.

For details regarding sensitivity tests for market risks, see Note 42C(2) to the Financial Statements.

3. Market risks in 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 detailed 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 income in the short term.

The exposure of Max to exchange fluctuations is immaterial.

When the War started, Max 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 - According to an assessment carried out by the Company, as of the report publication date, the War has had no material effect on the liquidity of the Company and Clal Insurance, their financial strength and funding sources available to them. The companies comply with the contractual restrictions and financial covenants set out in the deeds of trust. For details about the financial covenants of the bonds and suspending circumstances of the notes, see Note 26 to the Financial Statements and Section 2.5.2 below.

Max - As of the report publication date, despite the State of Israel's credit rating downgrade, 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 further downgraded, it is possible that the supply of financing sources in the market may decrease and Max'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. Max is preparing for thwarting potential attacks by tightening and reinforcing controls in this area, while raising awareness among employees.

D. Credit risk in Max

Consumer credit risk

The extent of the adverse effect on the economy in general and on households in particular depends on the duration, scope, and nature of the fighting.

Max monitors closely and regularly the risk indicators and the macroeconomic developments. Currently, many communities in the north and south of Israel have not returned to their homes, having previously evacuated; the scope of private consumption is still low compared to pre-War consumption levels; at the same time, the government is offering a range of support measures to those who were affected, and the Company also acted proactively for the benefit of its customers immediately after the outbreak of the War, in order to assist them; as part of these measures, customers were offered various tracks for the postponement of loan repayment, monthly payment rescheduling, etc.

Currently, there is still uncertainty as to the scope of the adverse effect on the economy, and in view of that the Company increased the provisions for credit losses due to the War. For further details regarding credit losses see below in this chapter.

Furthermore and as stated above Max takes action to provide its customers with reliefs in order to assist them to deal with the effects of the War, including, among other things, in accordance with the Bank of Israel's outline for credit card companies, which Max adopted.

Commercial credit risk

The War affects different economic sectors in different ways. While certain sectors enjoy growth, the scope of activity in other sectors is declining due to the ongoing fighting. In view of the above, Max mapped the economic sectors in accordance with their sensitivity to the effects of the fighting. Businesses that belong to highly sensitive sectors are monitored more frequently in order to identify on a timely basis a potential deterioration in their condition, which might be reflected in an adverse effect on cash flow and the debt repayment capacity to Max.

In order to support its business customers, among other things, Max postpones loan repayments in accordance with the Bank of Israel's outline. In addition, Max joined a fund for state-backed loans, and offers its customers state-backed loans. Max continuously reviews other measures designed to facilitate its customers' cash flow needs.

Max continuously monitors the development of the risk. Currently, there is still uncertainty as to the scope of the adverse effect on the Israeli economy, and in view of that Max increased the provisions for credit losses due to the War based on a specific analysis of the various portfolios and subsegments.

4. Motions to authorize class actions

In view of the limitation of business activity during the War, 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-weighted components have been significantly reduced, therefore premiums for these policies must be refunded or reduced. See Note 45 to the Financial Statements.

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 **which 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.**

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 report approval date, 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.

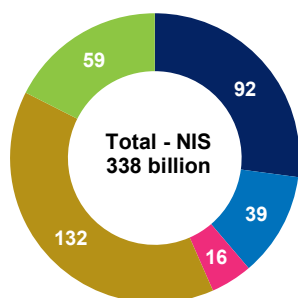
The Group continues to monitor developments on an ongoing basis, and will continue to report, as required, on material effects of the War on the Group's operations, if any.

2.2 Financial Information by Area of Activity (for details about the operating segments, see Note 5 to the Financial Statements).

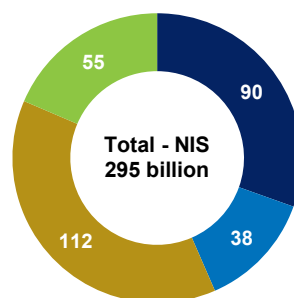
In the Reporting Period, Clal Insurance presents an increase in assets under management and in sales in all products, other than life insurance investment contracts, which were affected by the market situation.

Summary of data from the Group's consolidated Financial Statements

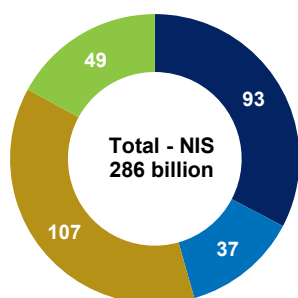
**Assets under management as of
December 31, 2023**



**Assets under management as of
December 31, 2022**



**Assets under management as of
December 31, 2021**

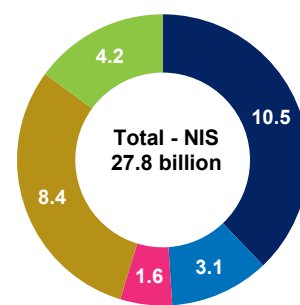
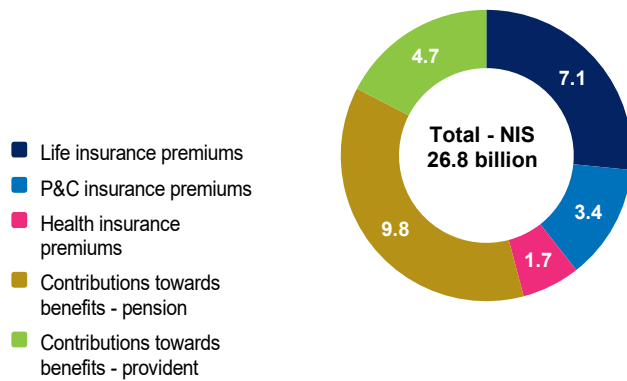


- Insurance contracts and yield-dependent investment contracts
- Nostro
- Max
- Pension
- Provident

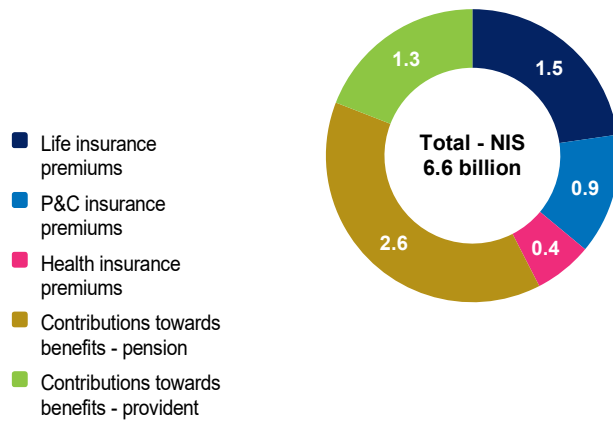
Total assets under management by provident funds, excluding guaranteed return provident fund tracks, pension funds, ETFs, and customers' investment portfolios are not included in the Company's Financial Statements. Proceeds in respect of investment contracts are not included in premiums; rather, they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

For further details on the premiums in the various operating segments, see Note 5 to the Consolidated Financial Statements.

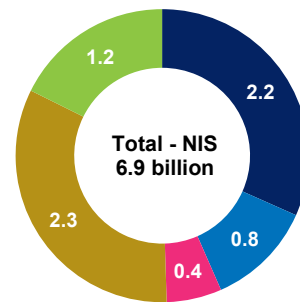
Premiums earned, gross, contributions towards benefits and proceeds for 2023



Premiums earned, gross, contributions towards benefits and proceeds for the 10-12/2023 period



Premiums earned, gross, contributions towards benefits and proceeds for the 10-12/2022 period



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	For the year		Q4		
		2023	2022	2023	2022	
Insurance and savings	Life insurance	2.1.1.1	225	(96)	120	87
	Pension	2.1.1.4	47	18	9	1
	Provident	2.1.1.3	10	(2)	2	(1)
	Total - Long-Term Savings Division		282	(81)	131	87
	P&C insurance	2.1.2	312	(91)	54	39
	Health insurance	2.1.3	(77)	353	(74)	38
	Total comprehensive income (loss) before tax from insurance subsegments		517	181	111	(225)
	Credit cards	Total profit in respect of credit cards		238	-	59
Other and unallocated	Finance expenses	2.1.6	(294)	(194)	(83)	(50)
	Other	2.1.4	138	(341)	80	(78)
Total income (loss) before consolidation entries	Total comprehensive income (loss), pre-tax before the Max consolidation entries		598	(354)	167	36
Adjustments and offsets	Provision for credit default following the acquisition of Max *)		(220)	-	-	-
	Amortization of excess cost in respect of the Max transaction		98	-	18	-
	Total adjustments and offsets before tax		(122)	-	18	-
	Total income (loss)	Total comprehensive income (loss) before tax		476	(354)	185
Taxes	Tax expenses (tax benefit)		167	(121)	80	22
Total income (loss)	Total comprehensive income (loss), post-tax for the period		309	(233)	104	14
	Attributable to Company's shareholders		305	(237)	102	12
	Attributable to non-controlling interests		4	3	2	1
	Return on equity in annual terms (by percentage) *)		3.8	(3.1)	4.8	0.6

*) 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(i)(1)(d) to the Consolidated Financial Statements.

**) The return on equity is calculated based on the net 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

The post-tax comprehensive income in the Reporting Period amounted to approx. NIS 305 million, compared with a comprehensive loss of approx. NIS 237 million in the corresponding period last year.

On March 27, 2023 the Company completed the acquisition of CIMax (see Note 9 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 detailed 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 detailed 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 for credit default of approx. NIS 220 million in respect of the above (NIS 146 million after tax), in addition to the provision 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.

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 517 million compared with an income of approx. NIS 181 million in the corresponding period last year.

Underwriting results:

In the Reporting Period, there was an improvement in the underwriting income from 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 detailed 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, see Section 2.2.2 below.

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 26.8 billion, compared with approx. NIS 27.8 billion in the corresponding period last year - a 4% decrease. The decrease stems mainly from a decrease in proceeds from investment contracts as stated above.

Financial effects, investment income and the capital markets:

In the Reporting Period, capital markets were on the rise, which affected the returns achieved by the Company, such that a positive financial margin of approx. NIS 658 million was recognized in life insurance, as well approx. NIS 192 million in investment income not allocated to segments, compared with approx. NIS 461 million in financial margin in life insurance and approx. NIS 310 million in unallocated investment losses in the corresponding period last year.

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 to policyholders of approx. NIS 607 million 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 shortly before the report publication date - a total of approx. NIS 0.4 million).

On the other hand, in the Reporting Period there was a decrease of approx. NIS 467 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 1,640 million in insurance reserves in the corresponding period last year, as detailed 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 above 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.

Updates of the actuarial models, class actions and other:

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 addition, in the reporting period, there was a change in other actuarial assumptions, which resulted in an approx. NIS 67 million decrease in the reserve in life insurance, and on the other hand the reserve in long-term care insurance increased by approx. NIS 102 million, compared with an approx. NIS 155 million increase in life insurance reserve in the corresponding period last year.

In addition, in the reporting period the provision for class actions was revised by approx. NIS 56 million, compared to an approx. NIS 100 million revision in the provision for class actions in the corresponding period last year, mainly in the life insurance segment.

On the other hand, the estimated effects of the Iron Swords War on the life insurance segment is approx. NIS 74 million, and furthermore - a provision for a voluntary retirement plan of approx. NIS 27 million was recorded.

Credit cards

Total pre-tax profit from credit cards included in these financial statements as from April 1, 2023 amounted to approx. NIS 238 million in the Reporting Period.

Max's income in this period amounted to approx. NIS 1,599 million, reflecting the continued growth in Max's activity. Of which Max's total income from credit card transactions totaled approx. NIS 999 million. Income from credit card transactions include issuer fees and commissions, service fees and commissions in respect of the activity of card holders, 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. Max's turnover, both in relation to its domestic activity and abroad, have increased significantly during 2023 through the fourth quarter - an increase which led to an increase in the Company's income from credit card transactions, both in terms of issuance and in terms of acquiring. In the fourth quarter of 2023, upon the outbreak of the War, Max's issuance turnovers - both in Israel and abroad - and its acquiring turnovers (including in respect of tourists), have declined significantly. The decrease in the volume of activity led - during the fourth quarter - to a decrease in Max's income from interchange, acquiring, and foreign transaction fees, and in total the increase in income in 2023 compared with the previous year is more moderated than the increase that would have been expected had it not been for the War. On the other hand, income from credit card transactions were affected by continued decline trajectory 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 income from credit cards.

Max's net interest income amounted to approx. NIS 594 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, during the reporting period, the Bank of Israel interest rate has increased, which resulted in an increase both in terms of interest income and interest expenses, arising mainly from credit advanced and from sources based on Prime interest.

The increase in credit loss expenses amounted to approx. NIS 191 million; the expenses were affected by the fact that in the third quarter the Company increased - in accordance with the Bank of Israel's directives - 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 provisions calculated in accordance with the current expected credit losses (CECL) calculation methodology, as well as due to an increase in the balance of troubled debts, compared with a decrease in the outstanding balance of troubled debts in the corresponding period last year.

Return on equity

The return on equity in annual terms during the Reporting Period was a positive 3.8%, compared with a negative 3.1% 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 in the pension funds subsegment and as a result of 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 reporting period last year. For further details, 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 mostly approx. NIS 16 billion in receivables in respect of credit card transactions (for further details, see Note 9 to the Consolidated Financial Statements).

Thus, as of December 31, 2023, the Group's assets under management totaled approx. NIS 338 billion compared with NIS 295 billion on December 31, 2022 - an increase of approx. 15% (of which an increase of approx. 9% without the consolidation of Max's data).

Approx. NIS 120 billion out of the said total amount 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:

In NIS million	For the year		Q4	
	2023	2022	2023	2022
Life insurance -				
Change in discount rate used in calculation of pension reserves	124	505	62	98
Income from change in the pension reserves due to the increase in expected future income (K factor)	260	637	102	193
Total effect of the changes in interest rates on pension reserves ⁴⁾	384	1,142	164	291
Loss in respect of changes to the mortality assumptions in the calculation of the liabilities to supplement reserves for pension	-	(627)	-	-
Change in other assumptions in the calculation of the liabilities for complementing the annuity reserve ¹⁾	67	(155)	67	(155)
Estimated effects of the Iron Swords War ⁵⁾	(74)	-	(74)	-
Total special items - life insurance	377	360	157	136
Financial effect on P&C insurance reserves ⁴⁾	83	219	(40)	43
Total special items - P&C insurance	83	219	(40)	43
Financial effects in the liability adequacy test (LAT) ³⁾	-	279	-	5
Changes in actuarial assumptions for incidence of long-term care claims ²⁾	(102)	-	(102)	-
Total long-term care in the health insurance segment	(102)	279	(102)	5
Total special effect prior to consolidation	358	858	15	184
Consolidation entry - Max's credit loss expenses	(220)	-	-	-
Total special items before tax	138	858	15	184

Comments:

1. For further details see Note 42(e)(e1)(d)(3) to the Financial Statements.
2. For further details see Note 42(e)(e1)(d)(4) to the Financial Statements.
3. The decrease in provision in the health insurance segment constituted most of the LAT reserve in this segment.
4. Changes in estimates and principal assumptions used to calculate the liabilities due to financial effects; for further details, see Note 42(e)(e1)(d)(1) and Note 42(e)(e2)(4)(a) to the annual financial statements.
5. See Section 2.1(k) below.

B. Company's results in the quarter

The post-tax comprehensive income to Company's shareholders in the quarter amounted to approx. NIS 102 million, compared with a comprehensive income of approx. NIS 12 million in the corresponding period last year.

As detailed below, the quarter's results also include the effects of the Iron Swords War totaling approx. NIS 74 million before tax, and the cost of voluntary retirement plan totaling approx. NIS 27 million before tax (the total amount of the said effects reduced the profit in the quarter by approx. NIS 66 million net of tax).

Insurance and savings

In the current quarter, total pre-tax profit in respect of the insurance and savings segments amounted to approx. NIS 111 million compared with a loss of approx. NIS 225 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 detailed in Sections 2.2.1-2.2.3 below.

Financial effects, investment income and the capital markets:

In the quarter, a positive financial margin of approx. NIS 183 million was recorded, compared to a positive financial margin of approx. NIS 201 million in the corresponding quarter last year.

On the other hand, during the quarter, there was a decrease of approx. NIS 124 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 339 million in the insurance reserves due to the increase in the risk-free interest rate curve in the corresponding period last year, as detailed in the table below.

Updates of the actuarial models, class actions and other:

In the quarter, there was a change in the assumptions used in the calculation of the liabilities for complementing the annuity reserve, which resulted in an approx. NIS 67 million decrease in the reserve in life insurance, and on the other hand the reserve in long-term care insurance increased by approx. NIS 102 million in the quarter, compared to an approx. NIS 155 million increase due to change in assumptions in life insurance in the corresponding period last year.

In addition, in the quarter the provision for class actions was revised by approx. NIS 24 million, compared to an approx. NIS 45 million revision in the provision for class actions in the corresponding period last year, mainly in the life insurance segment.

On the other hand, the estimated effects of the Iron Swords War on the life insurance segment is approx. NIS 74 million, and furthermore - in the quarter, a provision for a voluntary retirement plan of approx. NIS 27 million was recorded.

Credit cards

The total income from credit cards in the quarter amounted to approx. NIS 59 million before tax.

Max's income in this period amounted to approx. NIS 495 million, reflecting the continued growth in Max's activity. Of which Max's total income from credit card transactions during the quarter totaled approx. NIS 296 million. Income from credit card transactions include issuer fees and commissions, service fees and commissions in respect of the activity of card holders, 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. Upon the outbreak of the War, the company's issuance turnovers - both in Israel and abroad - and its acquiring turnovers (including in respect of tourists), have declined significantly compared to 2023. The decrease in the volume of activity led to a decrease in the company's income from interchange, acquiring, and foreign transaction fees during the quarter. On the other hand, income 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 income from credit cards.

Max's net interest income during the quarter amounted to approx. NIS 196 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, during the reporting period, following the increase in the Bank of Israel interest rate in 2023, which resulted in an increase both in terms of interest income and interest expenses, arising mainly from credit advanced and from sources based on Prime interest.

Credit loss expenses in the quarter amounted to approx. NIS 58 million. The increase in the expense is mainly attributable to an increase in provisions calculated in accordance with the current expected credit losses (CECL) calculation methodology, the implementation of which started in 2023, and due to an increase in the outstanding balance of troubled debts.

Return on equity

In the quarter, the return on equity in annual terms was a positive 4.8%, compared with a negative 0.6% in the corresponding period last year.

C. 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 reduction, and their effect on the Company's results, see Note 9 to the Consolidated Financial Statements.

2.2.1 Long-term savings

2.2.1.1 Life insurance

Life insurance	For the year		Q4	
	2023	2022	2023	2022
Premiums earned, gross	6,041	6,844	1,361	1,667
Comprehensive income (loss)	225	(96)	120	87

The Reporting Period - the results in the Reporting Period were mainly affected by the following factors:

Updates of assumptions of the actuarial models:

In 2022, an increase of approx. NIS 627 million was recorded in the reserve due to the revision of actuarial assumptions in view of the revision of mortality tables for pensioners, which allow the receipt of an annuity according to guaranteed conversion rates, without a similar effect on the Reporting Period. In addition, during the Reporting Period, there was a change in other actuarial assumptions, which resulted in an approx. NIS 67 million decrease in the reserve compared to an approx. NIS 155 million increase in the reserve in the corresponding period last year. For further details see Note 46(a) to the Financial Statements.

Financial effects, investment income and the capital markets:

On the other hand, in the Reporting Period there was an approx. NIS 384 million decrease in reserves due to an increase in the risk-free interest rate and other financial effects, compared to an approx. NIS 1,142 million decrease in reserves last year.

In the Reporting Period, an increase in gross real return was recorded in participating policies reaching a positive rate of 3.03% compared to a negative rate of 10.96% last years, such that a positive financial margin of approx. NIS 658 million was recorded, compared to a positive financial margin of approx. NIS 461 million last year. In the Reporting Period and last year no variable management fees were collected from the above amounts. As of December 31, 2023, the liability to policyholders in respect of negative returns on the portfolio of life insurance participating policies amounts to approx. NIS 609 million compared to approx. NIS 753 million as of December 31, 2022.

Quarter - the results in the quarter were mainly affected by the following factors:

Updates of assumptions of the actuarial models:

In the quarter, a decrease in reserve was recorded as a result of an approx. NIS 67 million change in other actuarial assumptions, compared to an approx. NIS 155 million increase due to change in actuarial assumptions in the corresponding period last year. For further details see Note 46(a) to the Financial Statements.

Financial effects, investment income and the capital markets:

In the quarter, there was an approx. NIS 164 million decrease in reserves due to an increase in the risk-free interest rate and other financial effects, compared to an approx. NIS 291 million decrease in reserves in the corresponding quarter last year.

In addition, in the quarter, a positive financial margin of approx. NIS 183 million was recorded, compared to a positive financial margin of approx. NIS 201 million in the corresponding quarter

last year. In the quarter and in the corresponding quarter last year no variable management fees were collected from the above amounts.

The redemption rate of the life insurance policies out of average reserve in annual terms:

	For the year		Q4	
	2023	2022	2023	2022
The redemption rate of the life insurance policies out of average reserve in annual terms	1.8%	1.7%	1.9%	1.6%

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):

For the year		Q4	
2023	2022	2023	2022
4,921	(6,599)	1,935	749

Below is a description of the key results in life insurance by product type in accordance with the details provided in Note 21 to the Financial Statements:

Life insurance	2023	2022	Comment
Policies including a savings component, which were sold through December 31, 1990			
Premiums earned, gross	138	153	
Comprehensive income	92	93	In the Reporting Period there was an approx. NIS 77 million decrease in reserves due to an increase in the risk-free interest rate, compared to an approx. NIS 515 million decrease in the corresponding period last year. This effect was mainly offset against a positive financial margin of approx. NIS 65 million in the Reporting Period, compared to a negative financial margin of approx. NIS 143 million. In addition, in the corresponding period last year an increase of approx. NIS 180 million was recorded in the reserve due to the revision of actuarial assumptions in view of the revision of mortality tables for pensioners, with no effect on the Reporting Period. This is also attributable to an approx. NIS 25 million decrease in the reserve in the Reporting Period due to revision of other actuarial assumptions, compared to an approx. NIS 10 million decrease in the reserve in the corresponding period last year.
Policies including a savings component, which were sold from January 1, 1991 through December 31, 2003			
Premiums earned, gross	1,568	1,607	
Comprehensive income (loss)	304	(172)	In the corresponding period last year an increase of approx. NIS 433 million was recorded in the reserve due to the revision of actuarial assumptions in view of the revision of mortality tables for pensioners, with no effect on the Reporting Period. In addition, in the corresponding period last year, there was an increase in the reserve due to revision of other actuarial assumptions totaling approx. NIS 171 million, compared to an approx. NIS 42 million decrease in the reserve in the Reporting Period. These effects were mainly offset against an approx. NIS 307 million decrease in reserves due to an increase in the risk-free interest rate, compared to an approx. NIS 622 million decrease in the reserve in the corresponding period last year.
Sold as from January 1, 2004			
Premiums earned, gross	3,398	4,220	
Comprehensive income (loss)	(133)	2	The loss arises, among other things, from a decrease in premiums and an increase in redemptions.
Policies without a savings component			
Coverage for risk sold as a single policy (individual)			
Premiums earned, gross	857	790	

Life insurance	2023	2022	Comment
Comprehensive income (loss)	(36)	-	The transition to loss in the Reporting Period arises mainly from the effects of the Iron Swords War.
Risk coverage sold as a collective policy			
Premiums earned, gross	80	74	
Comprehensive loss	(2)	(19)	The decrease in loss arises mainly from an increase in investment income as stated above

2.2.1.2 Data regarding premiums earned, management fees and financial margin¹

In NIS million	For the year		Q4	
	2023	2022	2023	2022
Variable management fees*)	-	-	-	-
Fixed management fees	594	605	149	148
Total management fees	594	605	149	148
Total financial margin and management fees	658	461	184	201
Current premiums	5,079	5,352	1,220	1,339
Non-recurring premiums	962	1,492	141	328
Total premiums earned, gross	6,041	6,844	1,361	1,667
Current premiums	91	53	24	18
Non-recurring premiums**)	990	3,621	124	489
Total premiums in respect of pure savings	1,081	3,674	148	507

*) As of December 31, 2023, the liability to policyholders in respect of negative returns on the portfolio of participating policies amounts to approx. NIS 0.6 billion (immediately prior to the Report publication date - approx. NIS 0.4 billion).

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

1. The financial margin comprises investment income (losses) recognized in comprehensive income, excludes other income 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 as a reduction of the amounts credited to the savings balances in the Company's systems.

Details regarding the rates of return on participating policies

In NIS million	Policies issued in 1992-2003 (Fund J)			
	For the year		Q4	
	2023	2022	2023	2022
Real return before payment of management fees	3.03	(10.96)	2.20	0.20
Real return after payment of management fees	2.43	(11.47)	2.05	0.06
Nominal return before payment of management fees	6.48	(6.26)	2.30	1.04
Nominal return after payment of management fees	5.86	(6.80)	2.15	0.90

In NIS million	Policies issued from 2004 and thereafter (the new Fund J)			
	For the year		Q4	
	2023	2022	2023	2022
Real return before payment of management fees	3.53	(11.74)	2.36	0.22
Real return after payment of management fees	2.66	(12.55)	2.21	0.00
Nominal return before payment of management fees	6.99	(7.09)	2.46	1.07
Nominal return after payment of management fees	6.10	(7.93)	2.31	0.84

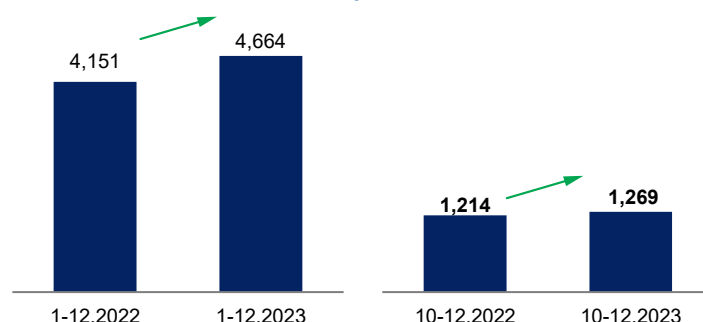
2.2.1.3 Provident funds subsegment

In NIS million	For the year		Q4	
	2023	2022	2023	2022
Comprehensive income (loss)	9	(2)	2	-
Contributions towards benefits	4,664	4,151	1,269	1,214

The increase in the comprehensive income in the Reporting Period and in the quarter arises from an increase in income from management fees as a result of an increase in the portfolio of assets under management, mainly due to the positive returns recorded in the capital markets in the period. In addition, the positive returns in the capital markets in the Reporting Period resulted in an increase in investment income of the nostro portfolio, which is attributable to the activity, compared to investment losses recorded last year; the said positive returns even reduced significantly the cost of supplementing return to planholders of a guaranteed-return provident fund.

The increase in contributions towards benefits in the Reporting Period and in the quarter arises mainly from an increase in contributions into the advanced education fund.

Contributions towards benefits - provident



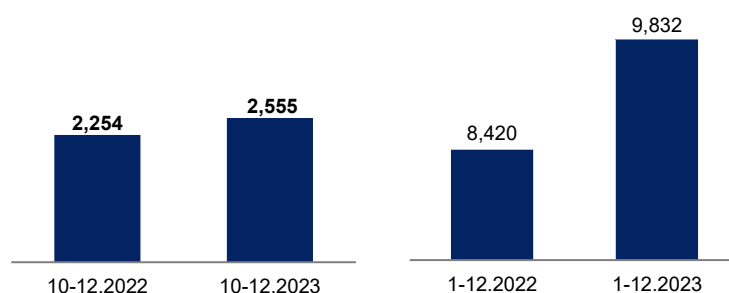
2.2.1.4 The pension subsegment

In NIS million	For the year		Q4	
	2023	2022	2023	2022
Comprehensive income	47	18	9	1
Contributions towards benefits	9,832	8,420	2,555	2,254

The increase in comprehensive income in the Reporting Period and in the quarter arises from an increase in income from management fees from contributions as a result of the increase in the contributions towards benefits in the period, and from an increase in management fees on accrual as a result of an increase in assets under management, due to the positive accrual in the pension funds and the positive returns recorded in the capital markets in the period. In addition, the positive returns in the capital markets in the Reporting Period resulted in an increase in investment income of the nostro portfolio, which is attributable to the activity, compared to investment losses recorded last year.

The increase in contributions towards benefits in the Reporting Period and the quarter arises mainly from an increase in ceded business and active planholders in the pension funds.

Contributions towards benefits - pension



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 and provident funds. For further details on the effect of various factors on the markets, see Section 3 below.

2.2.2 Property and casualty insurance - set forth below is a breakdown of the premiums and the comprehensive income:

P&C insurance	For the year		Q4	
	2023	2022	2023	2022
Gross premiums	3,596	3,275	737	714
Comprehensive income (loss)	312	(91)	54	39

Reporting Period and quarter - the increase in premium arises mainly from the increase in average premium in compulsory motor and motor property insurance and an increase in insurance of corporations.

Reporting Period - the income in the Reporting Period compared to the loss last year arises mainly from an improvement in underwriting in motor property insurance, an improvement in the development of claims in the liability subsegments, an improvement in underwriting in the Sale Law guarantee subsegment, and an increase in investment income compared to last year. On the other hand, reserves were reduced due to the effect of the interest rate environment by approx. NIS 83 million compared with a reduction of approx. NIS 219 million in the corresponding period last year. Furthermore, in the Reporting Period, reserves were reduced 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 42(e)e2(4)a to the Financial Statements.

Quarter - the improvement arises from an increase in investment income, underwriting improvement in motor property insurance, and the activity of the Sale Law guarantee subsegment. This effect was offset against an approx. NIS 40 million increase in reserves due to the effect of the interest rate environment compared to an approx. NIS 43 million reduction of reserves in the corresponding quarter last year.

	For the year		Q4	
	2023	2022	2023	2022
Motor property				
Gross premiums	1,101	942	224	213
Comprehensive income (loss), before tax	(56)	(190)	8	(41)
LR - gross	83%	100%	69%	96%
LR - retention	81%	95%	69%	91%
CR - gross	109%	127%	99%	123%
CR - retention	109%	125%	100%	121%

Reporting Period and quarter - the increase in premiums stems mainly from an increase in the average premium.

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.

Quarter - the transition from loss to profit is mainly due to an improvement in underwriting as detailed above, and an increase in investment income. These effects were offset against an approx. NIS 11 million increase in reserves due to the effect of the interest rate environment.

	For the year		Q4	
	2023	2022	2023	2022
Compulsory motor insurance				
Gross premiums	704	695	139	151
Comprehensive income (loss)	50	(30)	(17)	22

Reporting Period and quarter - the increase in premiums stems mainly from an increase in the average premium.

Reporting Period - the income in the Reporting Period compared with the loss last year is mainly due to 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 30 million compared with a reduction of approx. NIS 96 million in reserves in the corresponding period last year.

Quarter - the loss in the current quarter compared to the income in the corresponding quarter last year arises mainly from a decrease in underwriting income due to a change in development of claims compared to the corresponding quarter last year, and an approx. NIS 17 million increase in reserves compared to an approx. NIS 23 million decrease in reserves due to the effect of the interest rate environment in the corresponding quarter last year. These effects were offset by an increase in investment income.

	For the year		Q4	
	2023	2022	2023	2022
Property and other subsegments				
Gross premiums	1,152	1,019	248	226
Comprehensive income	156	68	24	9
LR - gross	17%	52%	21%	38%
LR - retention	9%	33%	26%	59%
CR - gross	39%	74%	46%	62%
CR - retention	45%	64%	77%	88%

The Reporting Period and the quarter - the increase in premiums stems mainly from an increase in corporations.

Reporting Period - 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 and an increase in investment income.

Quarter - the increase in income is mainly due to an increase in underwriting from the activities of the Sale Law guarantee subsegment, and an increase in investment income.

Credit insurance	For the year		Q4	
	2023	2022	2023	2022
Gross premiums	133	132	31	33
Comprehensive income	45	26	15	10
LR - retention	25%	19%	28%	6%
CR - retention	50%	37%	53%	28%

Reporting Period and quarter - the improvement in results is mainly due to an increase in investment income.

Liability subsegments	For the year		Q4	
	2023	2022	2023	2022
Gross premiums	506	486	94	91
Comprehensive income	117	36	25	39

Reporting Period and quarter - the increase in premiums stems mainly from an increase in the average premium and an increase in corporations.

The Reporting Period - the higher profit is mainly attributable to an increase in investment income compared to last year and an improvement in underwriting income, due to, among other things, the increase in the average premium as detailed above. 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 46 million compared with a reduction of approx. NIS 115 million in reserves in the corresponding period last year.

Quarter - the decrease in income arises mainly from an approx. NIS 11 million increase in reserves due to the effect of the interest rate environment in the corresponding quarter last year compared to an approx. NIS 19 million decrease in reserves in the corresponding quarter last year, and a decrease in underwriting income due to change in development of claims compared to the corresponding quarter last year. These effects were offset by an increase in investment income.

2.2.3. Health insurance

	For the year		Q4	
	2023	2022	2023	2022
Premiums earned, gross	1,733	1,599	427	418
Comprehensive income (loss)	(77)	353	(74)	39

Premiums earned, gross:

In the Reporting Period - in the Reporting Period there was an increase primarily in premiums in the individual insurance activity and the travel insurance subsegment.

Quarter - in the quarter there was an increase primarily in premiums in the individual insurance activity. This effect was offset against a decrease in the volume of activity in the travel insurance subsegment.

Comprehensive income (loss):

Reporting Period - the decrease in income in the Reporting Period, and the transition to loss arise mainly from an approx. NIS 102 million increase in reserves in the Reporting Period due to the effect of changes to actuarial assumptions, compared to an approx. NIS 279 million decrease in reserves last year due to financial effects and a negative development in the collective insurance of health maintenance organizations.

Quarter - the decrease in income and the transition to loss arise mainly from an approx. NIS 102 million increase in reserves in the current quarter due to the effect of changes to actuarial assumptions, compared to an approx. NIS 5 million decrease in reserves in the corresponding quarter last year due to financial effects and a negative development in the travel insurance subsegment and in collective insurance of health maintenance organizations.

	For the year		Q4	
	2023	2022	2023	2022
Long-term care subsegment - Comprehensive income (loss)				
Private individuals	(105)	290	(103)	11
Collective insurance - including health maintenance organizations	(25)	17	(18)	(29)

Private individuals:

Reporting Period and quarter - in the Reporting Period reserves increased by approx. NIS 102 million due to the effect of changes to actuarial assumptions, compared to a decrease in reserves due to financial effects in the corresponding period last year and the corresponding quarter last year amounting to approx. NIS 273 million and approx. NIS 5 million, respectively.

Collective insurance - including health maintenance organizations:

Reporting Period - the decrease in income and transition to loss in the Reporting Period stems mainly from a negative development in collective insurance - health maintenance organizations.

	For the year		Q4	
	2023	2022	2023	2022
Illnesses and hospitalization subsegment - comprehensive income (loss)				
Long-term	53	39	57	52
Short-term	-	6	(10)	5

Long-term:

Reporting Period and Quarter - the increase in income in the reporting period is mainly due to an increase in investment income compared with the corresponding period last year.

Short-term:

Reporting Period and quarter - the decrease in income in the Reporting Period and the transition to loss in the quarter arises mainly from a negative development 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			
	For the year		Q4	
In NIS million	2023	2022	2023	2022
Investment income (losses) credited to policyholders	70	(70)	26	12

2.2.4. Credit cards

	4-12	4Q	
	2023	2023	2022*)
Total income - credit cards segment	1,683	523	801
Total pre-tax income	238	59	85
Credit card transactions (Max) (see also Section 2.2.4.1)			
Income			
Income from credit card transactions	999	296	327
Interest income, net	594	196	168
Other income (expenses)	6	3	-
Total income	1,599	495	495
Expenses			
Credit loss expenses	191	58	35
Operating expenses	684	225	203
Selling and marketing expenses (see Section 2.2.6 below).	266	84	90
General and administrative expenses (see Section 2.2.6 below).	64	24	22
Payments to banks	166	51	59
Total expenses	1,371	442	409
Pretax income	228	53	86
Technological activity (Milo)			
Income from credit card transactions	84	28	26
Pretax income	10	6	(1)

*) 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 decrease in income from credit card transactions in the quarter compared with the corresponding period last year arises from the outbreak of the War in the current quarter. Consequently, the Company's issuance turnovers - both in Israel and abroad - and its acquiring turnovers (including in respect of tourists), have declined significantly compared to the corresponding period last year. The decrease in the volume of activity led to a decrease in the company's income from interchange, acquiring, and foreign transaction fees during the fourth quarter. In addition, income 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 income from credit card transactions.

The increase in interest income, net in the quarter is mainly due to an increase that is higher than 20% 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.

The increase in the credit loss expense in the fourth quarter of 2023 compared with the corresponding period last year is mainly due to the fact that, during the previous quarter, the Company began to increase the collective provision in respect of the potential credit risk arising from the War, 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 outstanding 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.

Total expenses in the fourth quarter of 2023 increased 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.

2.2.4.1 Data by areas of activity - Max

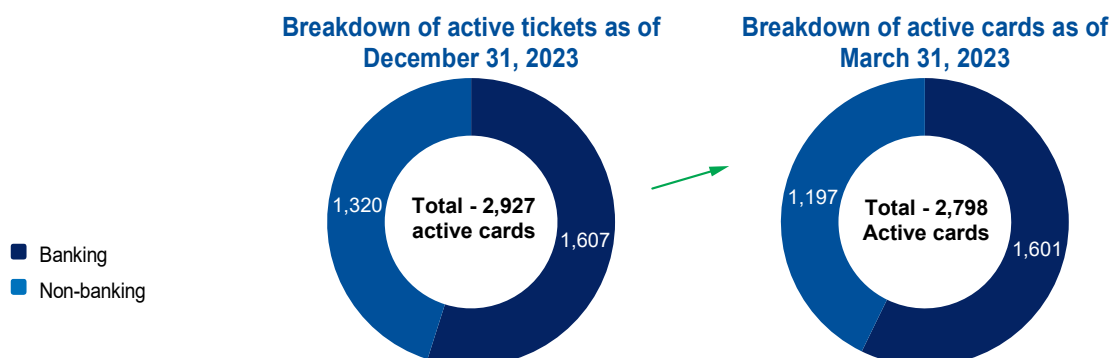
	4-12 *) 2023	10-12 2023	10-12 *) 2022	Rate of change
Total credit card transactions (Max)				
Income	1,599	495	495	-
Comprehensive income (loss)	228	53	86	(38%)
Of which - issuance activity				
Operating income from credit cards	795	232	265	(12%)
Interest income	437	148	134	10%
Total income	1,239	385	394	(2%)
Operating, marketing and general and administrative expenses	806	268	253	6%
Credit loss expenses	163	52	33	58%
Payments to banks	166	51	59	(14%)
Comprehensive income, before tax	104	14	49	(71%)
Of which - acquisition activity				
Operating income from credit cards	204	64	62	3%
Interest income	157	48	34	41%
Total income	360	110	101	9%
Operating, marketing and general and administrative expenses	208	65	62	5%
Credit loss expenses	28	6	2	200%
Comprehensive income, before tax	124	39	37	5%

*) 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 the Credit Card Activity

Definitions:

- Valid cards - valid issued cards, excluding blocked cards and prepaid cards.
- Active cards - valid cards with which at least one transaction was carried out during the last quarter.
- Issuance turnover - the turnover from transactions executed with all of the Company's cards, excluding cash withdrawals in Israel and net of cancelled 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 programs.



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

	For the three-month period ended	
	December 31, 2023	December 31, 2022 *)
Banking cards	17,121	18,033
Non-banking cards	11,332	11,102
Total	28,453	29,135

*) 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.

2.2.4.3 Key credit quality indicators

Main credit quality indicators (in %)	As of		
	December 31, 2023	September 30, 2023	March 31, 2023
Rate of balance of provision for credit losses of the balance of receivables for credit card transactions	2.65%	2.53%	2.23%
Rate of non-accruing receivable balance of receivables for credit card transactions	1.26%	1.16%	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	1.13%	0.97%	0.70%

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

	For the year		Q4	
	2023	2022	2023	2022
Total comprehensive income (loss) before tax	138	(341)	80	(78)

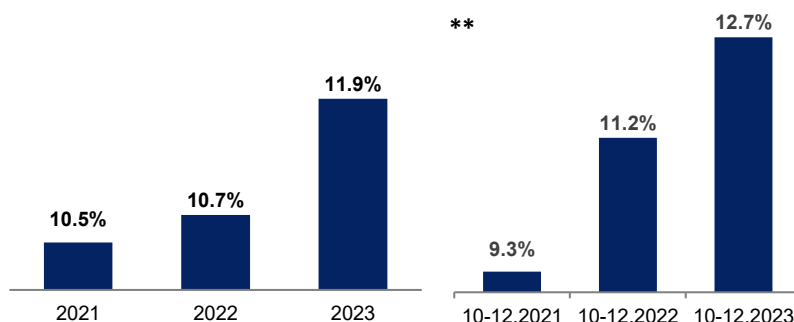
Reporting period - the transition to profit in the reporting period stems mainly from approx. NIS 192 million in investment income compared with approx. NIS 310 million in investment losses in the corresponding period last year.

Quarter - the transition to profit in the quarter stems mainly from approx. NIS 112 million in investment gains compared with approx. NIS 67 million in investment losses 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 income, 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 40 million in the first quarter, mostly due to an early retirement plan under a collective bargaining agreement during the Reporting Period and quarter (for further details see Note 25 to the Financial Statements). Total general and administrative expenses, operating and fees and commissions expenses totaled approx. NIS 3,185 million in the Reporting Period, compared with a total of approx. NIS 2,982 million last year. In the quarter they amounted to approx. NIS 844 million, compared with a NIS 767 million in the corresponding period last year.

Rate of expenses and fees and commissions in relation to income*



* Income includes premiums and contributions towards benefits.

** Including expenses in respect of early retirement plan under a collective agreement.

Credit cards

In NIS million	For the year ended December 31			
	2023*)	2022*)	Change	
	In NIS million	In NIS million	In NIS million	In %
Selling and marketing expenses	368	334	34	10%
General and administrative expenses	82	79	3	4%
Total	450	413	37	9%

In NIS million	For the year ended December 31			
	2023	2022*)	Change	
	In NIS million	In NIS million	In NIS million	In %
Credit card processing expenses	877	787	90	11%

In NIS million	For the three months ended December 31			
	2023	2022*)	Change	
	In NIS million	In NIS million	In NIS million	In %
Selling and marketing expenses	84	90	(6)	(7%)
General and administrative expenses	24	22	2	9%
Total	108	112	(4)	(4%)

In NIS million	For the three months ended December 31			
	2023	2022*)	Change	
	In NIS million	In NIS million	In NIS million	In %
Credit card processing expenses	225	203	22	11%

*) 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.

Selling and marketing expenses

In the reporting period - Max's selling and marketing expenses (excluding salary expenses) increased in 2023 compared to 2022 mainly due to growth of Max's business activities, which resulted in an increase in the costs of benefits for card holders and customer retention and acquisition costs.

Quarter - Max's expenses declined in the fourth quarter of 2023 compared to the corresponding period last year, mainly due to a decrease in advertising costs, and due to a decrease in the costs of benefits to card holders.

Operating expenses

In the Reporting Period and quarter - Max's operating expenses increased 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 activity in Israel and abroad, and as a result of an increase in the credit activity. In addition, Max's 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 294 million, compared with approx. NIS 194 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 NIS 1,549 million in the form of bonds, and a debt of approx. NIS 875 million included in consolidation as part of the Max transaction.

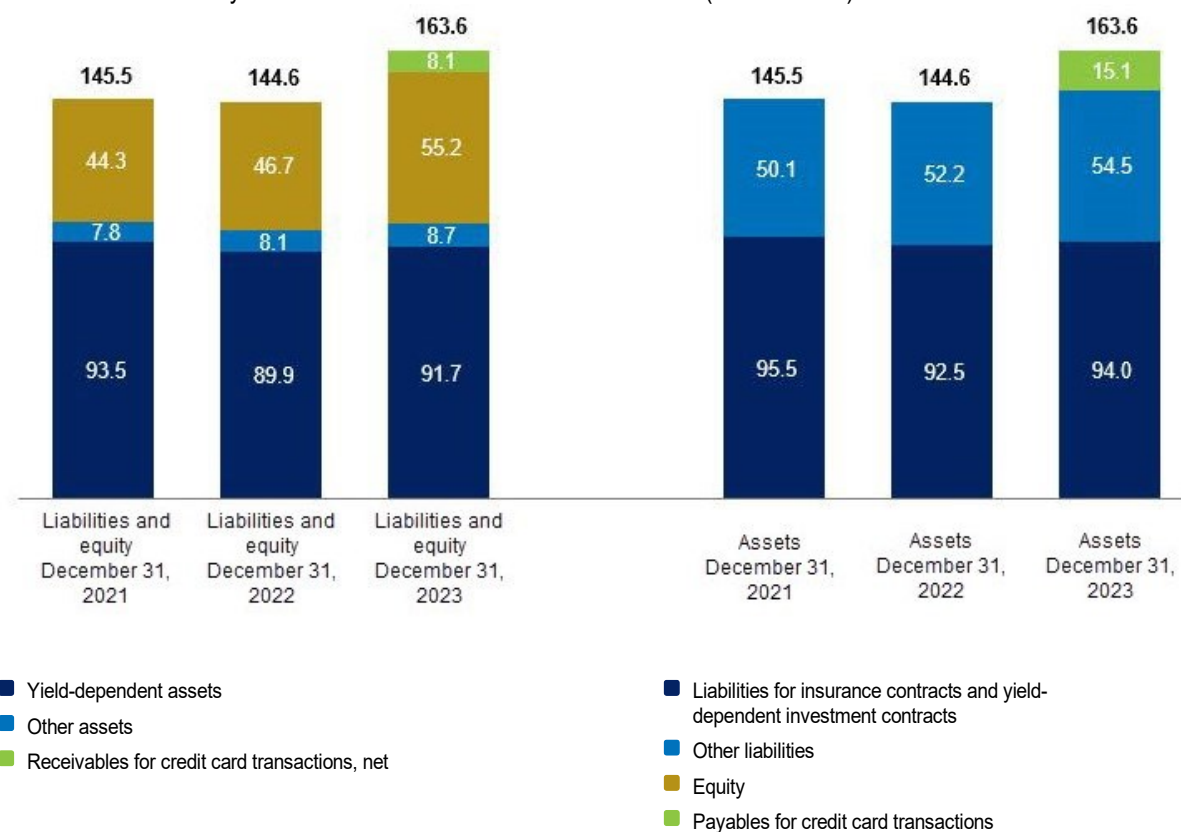
In the quarter expenses amounted to approx. NIS 83 million, compared with approx. NIS 50 million in the corresponding period last year. The increase arises mainly from debt raising by the Company and a debt consolidated as part of the Max transaction as stated above. For further details, see Section 2.1(c) above.

In NIS million	For the year		Q4	
	2023	2022	2023	2022
Clal Insurance - Tier 2 capital notes	179	175	42	45
Clal Holdings - Bonds	33	-	15	-
CIMax *)	61	-	18	-
Other (this year mainly assessments agreement and IFRS 16)	21	19	8	5
Total	294	194	83	50

*) For details regarding the repayment of the syndicated loan in CIMax subsequent to the reporting date, see Section 2.1(j) above.

2.3 Key data from the consolidated statements of financial position

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



2.3.1 Assets

Total assets as of December 31, 2023 amounted to approx. NIS 163.6 billion, compared with approx. NIS 144.6 billion as of December 31, 2022 and approx. NIS 145.5 billion as of December 31, 2021.

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 December 31	As of March 31
	2023	
Receivables for credit card transactions	14,481	14,380
Of which: Credit balance not guaranteed by banks	13,908	13,781
Of which: Receivables in respect of credit cards to private individuals	3,453	3,854
Of which: balance of credit to private individuals	9,222	8,796
Amounts receivable from banks for credit card transactions, net	1,088	1,122

2.3.2 Liabilities

Total liabilities as of December 31, 2023 amounted to approx. NIS 155 billion, compared with approx. NIS 136.6 billion as of December 31, 2022 and approx. NIS 137.7 billion as of December 31, 2021.

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.

Balance sheet line item	As of December 31, 2023	Issuance of bonds by the Company	Comment
Payables for credit card transactions	8,091	-	See Note 27 to the Financial Statements.
Financial liabilities:			
Bonds issued by the Company - par value component	-	1,557	See Section 2.5.4 below.
Bonds and subordinated notes at Max	582	-	See Note 26 to the Financial Statements.
Liabilities to banks in Max	5,202	-	See Section 2.1(j) above
Loan in CIMax and subsidiaries excluding Max	888	-	
Total financial liabilities	6,672	1,557	
Total	14,763	1,557	

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

	As of December 31 2023	As of March 31
Balance of unutilized credit card credit facilities	34,566	31,954
Of which: Under Max's responsibility	21,463	19,914
Of which: Under the banks' responsibility	13,100	12,037

2.4 Capital and capital requirements

A. Capital requirements in accordance with the application provisions 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, Clal Insurance approved and published its Economic Solvency Ratio Report as of June 30, 2023, which was attached as an appendix to the financial report for the third quarter in accordance with the provisions of the Consolidated Circular.

It is noted that the calculation of the economic solvency ratio is based on data and models that may differ from those used by Clal Insurance 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 detailed 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 17(f) 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 in relation to the previous recalculation date (June 2022), Clal Insurance recalculated the Deduction Amount as of June 30, 2023. The said deduction is amortized linearly for 13 years up to December 31, 2032, such that amortized balance that reflects 10 years as of June 30, 2023 is NIS 4,572 million.

For further information, 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 solvency capital requirement 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 1, 3.1, 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 details regarding 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

	As of June 30, 2023	As of December 31, 2022
In NIS million	Unaudited*	Audited**
Shareholders equity in respect of SCR	14,346	14,341
Solvency capital requirement (SCR)	8,669	8,076
Surplus	5,676	6,265
Economic solvency ratio (in %)	165%	178%
Effect of material equity transactions 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	-
Deviation from quantitative limitation	(165)	-
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 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 Subsection 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)

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

3. Solvency ratio without applying the Transitional Provisions for the Transitional Period, and without adjusting the stock 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 stock scenario In NIS million	As of June 30, 2023	As of December 31, 2022
	Unaudited	Audited
Shareholders equity in respect of SCR	11,321	10,984
Solvency capital requirement (SCR)	10,384	10,100
Surplus	936	885
Economic solvency ratio - in %	109%	109%
Effect of material equity transactions 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	-
Deviation from quantitative limitation	(300)	-
Shareholders equity in respect of SCR	11,321	10,984
Surplus	936	884
Economic solvency ratio - in %	109%	109%
The surplus capital in view of equity transactions made 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 (in %)	110%	-
Capital shortfall in relation to the target	(102)	-

*) For 2020 capital adequacy targets were set as detailed 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.^[1] 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,^[2]) which if it had been included in the

[1] EV (embedded value) is calculated in Israel in accordance with the rules and principles set by the Commissioner, who adopted the rules and principles of the report of the joint committee of insurance companies and the Commissioner, which worked with the guidance of consultants from Israel and abroad.

[2] See Section 6.1.2.3 in the Report on the Corporation's Business of the Company.

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 not audited or reviewed 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,^[3] 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 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.

6. Own Risk and Solvency Assessment of the Company (ORSA)

In January 2022, a principles paper regarding the implementation of the Own Risk and Solvency Assessment of an Insurance Company (ORSA) as well as an amendment to the Provisions of the Consolidated Circular regarding Reporting to the Commissioner of Capital Market about Own Risk and Solvency Assessment of an Insurance Company (ORSA) were published.

According to the Letter of Principles, the Company is required to examine, at least once a year, and to file with the Commissioner, each year, a report outlining the interrelationships between the overall strategy and annual work plan and the Company's risk profile, risk management policy, overall exposure level and the adequacy of the buffer under various assumptions and scenarios.

^[3] As defined in the provisions of Section B, Chapter 5 (Part 2, Section 2) of the Provisions of the Economic Solvency Regime.

In doing so, the risk management policy, capital targets and the range of risk management applied by the Company should be examined and taken into account. Clal Insurance filed the report to the Commissioner in January 2024.

B. Capital requirements and capital adequacy in Max

1. Equity and capital adequacy

As of the end of 2023, Max's reported equity amounted to NIS 1,847 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 1,374 million in retained earnings.

At the end of 2023, Common Equity Tier 1 capital amounted to NIS 1,855 million.

At the end of 2023, total capital amounted to NIS 2,316 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 December 31, 2023, the CET1 capital ratio amounted to 11%. Total capital to risk-weighted components ratio as of December 31, 2023 amounted to 13.7%.

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 S&P (Standard and Poor's), if this agency downgrades Israel's rating, Max's capital ratio is expected to decrease by approx. 0.3%.

As of December 31, 2023, Max's leverage ratio is 9.1%.

For further details regarding regulatory directives on capital adequacy and the leverage ratio, see Note 19 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 Max's 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 percentage points) 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-weighted 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 December 31, 2023	
	Risk-weighted assets	Capital requirements
Credit risks - standardized approach		
of banking corporations	638	73
of corporations	1,479	170
Retail to individuals	9,882	1,136
of small businesses	1,174	135
Other assets	847	97
Credit valuation adjustment (CVA)	1	-
Total credit risk	14,021	1,611
Market risk - standardized approach	19	2
Operational risk - standardized approach	2,876	331
Total risk-weighted assets and capital requirements	16,916	1,944
Capital base	2,316	
Total capital ratio (1)	13.7%	
CET1 capital ratio	11.0%	

* 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.

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

2.5.1. Cash flow for the reporting period

The consolidated cash flows used in operating activities in the reporting period amounted to approx. NIS 4,692 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 1,856 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 428 million in respect of credit advanced in Max. The consolidated cash flow provided by financing activities in the Reporting Period amounted to approx. NIS 1,436 million; the cash flows included, among other things, a total of approx. NIS 2,071 million arising from the issuance of bonds by the Company, and on the other hand a total of approx. NIS 431 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 6,966 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. Company's financing

2.5.2.1 The Company's 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 clarified that some of the investees are subject to regulatory provisions regarding dividend distribution beyond the distribution limitations set out in 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: 1999.

- A. **Clal Insurance** - the dividends from Clal Insurance depend on the policy set by the Board of Directors of Clal Insurance, see Section 2.1 above, including compliance with the solvency ratio target set by the Board of Directors, which is higher than the minimum target set by the Banking Supervision Department. 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.

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. Dividend distribution is allowed subject to the provisions of the Companies Law, 1999.

For further details regarding the restrictions placed on dividend distributions in Clal Insurance and Max, see Note 17 to the Consolidated Financial Statements.

Furthermore, the Company controls the following entities which are not subject to special Regulatory Restrictions pertaining to dividend distribution beyond those of 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.
- B. **Clal Finance** - as detailed in Note 9 to the Consolidated 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 stock exchange, is approx. NIS 63 million immediately prior to the reports publication date; furthermore, Clal Finance also has an option to purchase approx. 7% of Michlol's shares.
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 4 types of financial liabilities, subordinated notes that were issued to address Clal Insurance's capital needs, and balances used in Max's operating activities, approx. NIS 1,514 million in bonds issued by the Company, and a loan of approx. NIS 875 million in CIMax (this loan was repaid subsequent to the reporting date; for further details see Section 2.1(j) above).

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., and Clal Agency Holdings (1998) Ltd. 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 December 31, 2023
Financial assets	
Cash and cash equivalents	9
Other financial investments, mainly money market fund and Israeli T-Bills by the Company	1,011
Restricted Tier 1 capital instrument of Clal Insurance *)	481
Total assets	1,501
Less current maturities	
Financial liabilities - current **)	963
Financial assets less current maturities	538
Non-current financial liabilities	
Non-current financial liabilities: Bonds issued by the Company - liability component	1,514
Other liabilities - loan in CIMax excluding interest **)	-
Total liabilities	1,514
Net financial debt	976
Unutilized credit facility ***)	250

*) The other financial investments include an investment in a Restricted Tier 1 capital instrument of Clal Insurance amounting to NIS 502 million (fair value as of December 31, 2023 is approx. NIS 481 million).

**) The current financial liability includes the syndicated loan in CIMax, which was repaid subsequent to the reporting date, at the total amount of approx. NIS 891 million. For further details, see Section 2.1J above.

***) 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 26(j) to the Financial Statements. As of the report date and its approval date, the abovementioned credit facility has not been utilized.

2.5.2.2 The Company's 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, from investees, capital raising, loans from banking corporations and proceeds from disposal of assets.
- C. For details regarding key financial movements in the Company (on a separate basis), see the data on cash flow attributable to the Company itself (on a separate basis).
- 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 17 to the Annual Financial Statements.

2.5.2.3 Dedicated disclosure for the Company's bond holders

A. Data on bonds

Series / issuance date	Bonds (Series A)	Bonds (Series A) (expansion)	Bonds (Series A) (second expansion)	Bonds (Series B) (convertible bonds)	Bonds (Series C)
Issuance date	February 2023	June 2023	August 2023	February 2023	December 2023
Par value on issuance date (in NIS)	249,100,000	244,625,000	404,400,000	150,900,000	500,000,000
Carrying amount as of December 31, 2023 (in NIS)	Approx. NIS 247 million	Approx. NIS 241 million	Approx. NIS 392 million	Approx. NIS 142 million **)	Approx. NIS 497 million
Market value as of December 31, 2023 *)	Approx. NIS 261 million	Approx. NIS 262 million	Approx. NIS 419 million	Approx. NIS 133 million	Approx. NIS 508 million
Interest type	Fixed, non-linked	Fixed, non-linked	Fixed, non-linked	Fixed, non-linked	Fixed, non-linked
Nominal interest rate	4.7%	4.7%	4.7%	2.8%	5.25%
Effective interest rate on issuance date	4.9%	5.6%	5.3%	4.9%	5.5%
Listed on the TASE	Yes	Yes	Yes	Yes	Yes
Principal payment dates	February 28, 2028	February 28, 2028	February 28, 2028	February 28, 2028	The principal shall be repaid in three installments in each of the years 2029-2031
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	The interest will be paid in two semi-annual installments, on November 1 and May 1 of each of the years 2024-2031
Interest payable as of December 31, 2023 (increase after the interest rate)	Approx. NIS 10.3 million	Approx. NIS 10.3 million	Approx. NIS 16.5 million	Approx. NIS 3.7 million	Approx. NIS 1.8 million
Are the notes convertible	No	No	No	Yes	No
Linkage base and terms	Notes (principal and interest) are not linked to the CPI and/or to any currency	Notes (principal and interest) are not linked to the CPI and/or to any currency	Notes (principal and interest) are not linked to the CPI and/or to any currency	Notes (principal and interest) are not linked to the CPI and/or to any currency	Notes (principal and interest) are not linked to the CPI and/or to any currency
Pledged assets	None	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 notes no more than once a quarter. Payment to note holders in respect of early redemption shall amount to the higher of: A. Market value; B. Outstanding par value; C. 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 notes no more than once a quarter. Payment to note holders in respect of early redemption shall amount to the higher of: A. Market value; B. Outstanding par value; C. 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 notes no more than once a quarter. Payment to note holders in respect of early redemption shall amount to the higher of: A. Market value; B. Outstanding par value; C. 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 notes starting 30 days from their listing on the stock exchange, and no later than 180 after such a listing. The payment to note holders in respect of early redemption shall be the outstanding par value of the notes (principal and accrued interest) plus a one-off early redemption fee of 2% of the outstanding par value. The Company does not have the right to execute a forced conversion of the notes.	The Company may execute full or partial early redemption of its notes no more than once a quarter. Payment to note holders in respect of early redemption shall amount to the higher of: A. Market value; B. Outstanding par value; C. Balance of cash flow (principal and interest) discounted using the return on government bonds plus a 1% interest.
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	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	Yes

*) The market value includes interest accrued as of December 31, 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

Criterion	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 share of the Company
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 B)		
	Bonds (Series A)	(convertible bonds)	Bonds (Series C)
Rating agency	Maalot	Maalot	Maalot
Rating on issuance date	ILAA-	ILAA-	ILAA-
Current rating	ILAA-	ILAA-	ILAA-

The trustee for the Notes (Series A, Series B and Series C) is Hermetic Trust (1975) Ltd. The names of the individuals in charge of the notes 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, Series B and Series C), the Company undertook not to place a floating charge on all of its assets as long as the Bonds (Series A, Series B and Series C) are not repaid in full, unless it has obtained the bond holders' consent in advance or placed a floating charge of the same rank in favor of the bond holders. Furthermore, with respect to the expansion of the Bonds (Series A, Series B and Series C), 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 (as part of Series A and Series B) or NIS 3.4 billion (as part of Series C), 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 trust of Bonds (Series A) and (Series B) that were attached to the shelf offering report of February 9, 2023 and Section 6.3.1 to the Deed of Trust (Series C) attached to the shelf offering report dated December 4, 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 6.3 to the deeds of trust of Bonds (Series A) and (Series B) that were attached to the shelf offering report of February 9, 2023 and Section 6.3 to the Deed of Trust (Series C) attached to the shelf offering report dated December 4, 2023.

An adjustment mechanism was also introduced, whereby the interest rate will increase if the Company's rating will be downgraded. For further details, see Section 6.4 to the deeds of trust of Bonds (Series A) and (Series B) that were attached to the shelf offering report of February 9, 2023 and Section 6.4 to the Deed of Trust (Series C) attached to the shelf offering report dated December 4, 2023.

As of the reporting date, the Company complies with the covenants described above. As of December 31, 2023, the net financial debt ratio is 15%, and shareholders' equity amounts to approx. NIS 10.1 billion. In addition, as of the reporting date and the publication date of this report, and during the period starting on the notes' 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 notes. Furthermore, the Company did not receive notice from the trustee for the notes 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 key points of the deed of trust of Bonds (Series C) are attached to the shelf offering report of December 4, 2023, and the full texts of the deeds of trust are available for perusal by appointment at the Company's registered office on any business day during normal working hours.

2.5.3. Max's financing

2.5.3.1 Max's sources of financing

Management of financing needs and support thereof by liquidity management according to the nature of Max's above activities together comprehensive risk management are reviews continuously, among other things, over various time frames, with emphasis on the short and medium term, while Max's financing sources are planned to support the variable liquidity needs.

The financing sources support the nature of Max's activities while adjusting the relevant time horizon using independent financing sources (equity) and external financing sources, including mainly secured credit facilities from various banks in Israel, short-term and medium-term loans (including on call loans) and bonds.

Max manages its financing needs according to policy and goals defined in its financing strategy, such as:

- Adjustment of financing sources in advance in relation to actual refinancing needs.
- Effective management of liquidity reserves, while complying with the KPIs and monitoring the relevant indicators.
- Broad distribution of lenders to minimize dependence on a specific lender along with maintaining competitive pricing of financing sources due to competition among the lenders.
- Finance from the capital market over time to allow access to additional sources combined pricing advantages as a result.
- Strategic forecasting and planning so as to enable Max's decisions to be supported.
- Dynamic management of all assets and liabilities, among other things, striving to adjust financing sources, their characteristics and average duration in view of the characteristics of Max's various products.

Max takes measures to secure its financing sources and works continuously to diversify and spread them.

On January 23, 2019, Max and Bank Leumi signed an agreement for early repayment, according to which the bank will advance payment to the company for all credit card installment transactions carried out through credit cards of the bank's customers on the first payment date, instead of the original scheduled payment dates (the date on which the bank's customer is debited). The agreement is valid until January 31, 2029. The agreement allows the Company to substantially reduce its financing needs.

In the Reporting Period, Max fulfilled its obligations and met all the conditions in connection with the above financing agreements.

Following are details regarding Max's external sources of financing as of December 31, 2023 (NIS million):

Lender	Credit type	Amount of liabilities in balance sheet	General characteristics
			Utilization of short-term credit out of secured and non-secured credit facilities
	Short term	3,569	
			Loans from several banks repayable in installments in the next few years
Banking	Long term	1,604	
	Short term	316	Commercial Security (Series 1)
			Subordinated Notes (Series D and a loan from an institutional entity)
Non-banking	Long term	285	
Total		5,774	

Most of the external financing comes from sources within the banking system, through secured loan agreements and secured credit facilities. In order to maintain diversification of financing entities, Max focuses on diversifying the sources among the various entities at any given time.

The scope of the various credit facilities, as well as decisions regarding changes in the credit facilities and the nature of credit, are regularly assessed based on various needs, while also using stress scenarios conducted as part of Max's general risk management.

It is noted that from time-to-time Max, the banks and various financial entities conduct negotiations for the provision of various types of funding sources, which may amount to material amounts.

* On December 31, 2023 Max initiated the full early redemption of Max's outstanding Notes (Series B).

On January 4, 2024, Max completed a private placement of a commercial security for institutional investors in the amount of NIS 230 million.

Following are details regarding credit facilities and their utilization:

In NIS million	As of December 31, 2023
Total binding credit facilities	9,850
Total non-secured credit facilities	1,350
Total credit facilities (secured and unsecured)*	11,200
Total utilization of financial credit from secured facilities	3,569
Total utilization of financial credit from non-secured facilities	-
Total loans from banks out of facilities	358
Total loans from banks not out of facilities	1,246
Total financial credit utilization	5,173

* Max's credit facilities are renewed each year for a period ranging from one to three years.

Below is a breakdown of the outstanding principle of bonds and subordinated notes:

In NIS million	As of December 31, 2023
Subordinated Notes (Series B, D and a loan from an institutional entity)*	285
Commercial Security (Series 1) **	316
Total	601

* On December 31, 2023 the Company initiated a full early redemption of the outstanding Notes (Series B) of the Company in circulation.

** On January 4, 2024, the Company completed a private placement of a commercial security for institutional investors in the amount of NIS 230 million,

2.5.3.2 Details regarding outstanding bonds as of December 31, 2023:

Series	Issuance date	p.v. on issuance date	p.v. as of December 31, 2023	Balance as of December 31, 2023	Types and rates of interest	Principal payment dates	Interest payment dates	Linkage basis and conditions (principal and interest)	Rating
Subordinated Notes (Hachshara) CoCo 1)	March 27, 2019	NIS 35,000,000	NIS 35,000,000	NIS 35,000,000	NIS, fixed - 5.18%	One installment, on March 31, 2029	Paid once a year, on December 31 in each of the years 2019 to 2028 (inclusive) with the final payment to be paid on March 31, 2029	The principal and interest are not linked	1A with a stable outlook by Midroog
Commercial Security (Series 1)	December 27, 2022	NIS 316,200,000	NIS 316,200,000	NIS 316,200,000	NIS, variable, Bank of Israel + 0.5%	On installment on December 26, 2027	Paid once a year, on December 26, 2023 and December 27 in each of the years 2024 to 2027.	The principal and interest are not linked	P-1 by Midroog
Subordinated Notes (Series D) CoCo 1)	July 16, 2023	NIS 250,000,000	NIS 250,000,000	NIS 250,000,000	NIS, fixed - 7.33% 2)	One installment on October 16, 2033	Paid once a year, on July 16 in each of the years 2024 to 2033. Final payment will be made on October 16, 2033	The principal and interest are not linked	1A with a stable outlook by Midroog

For further details, see Note 26 to the Financial Statements.

1. In accordance with Proper Conduct of Banking Business Directive 202 "Measurement & Capital Adequacy - Regulatory Capital", the Subordinated Notes (Hachshara) and the Subordinated Notes (Series D) are included in Max's Tier 2 capital. The terms and conditions of the Subordinated Notes (Hachshara) and the terms and conditions of the Subordinated Notes (Series D) include, among other things, a mechanism for absorption of principal losses, as part of which, under certain circumstances which Max is not necessarily able to predict and/or are not necessarily under its control, Max will derecognize the Subordinated Notes (Series D), in whole or in part;
2. If after they are issued the Subordinated Notes (Series D) will be listed on the TASE's main list, the annual interest rate paid in respect of the outstanding principal of the Subordinated Notes (Series D) will be reduced by 0.25%, starting on the listing date of the Subordinated Notes (Series D) on the TASE's main list, and until they are repaid in full or delisted from the TASE's main list (in which case the interest rate will increase to the interest rate that was in place before the reduction), the earlier of the two.

In addition, if Max will not exercise its right to redeem the Subordinated Notes (Series D) under early redemption in accordance with Section 7 to the deed of trust of the Subordinated Notes (Series D), then the annual interest of the subordinated notes shall be revised on October 16, 2028 (the "Interest Rate Change Date"), such that the annual interest rate will increase or decrease, as the case may be, by the difference between the Benchmark Interest Rate (as defined in the deed of trust), on the Interest Rate Change Date and the Benchmark Interest Rate on the listing date of the Subordinated Notes (Series D) on the TACT Institutional System in accordance with this deed (the "Interest Difference"). It is clarified that if the Interest Difference is negative, the Annual Interest borne by the principal of the Subordinated Notes will be reduced by the amount of the Interest Difference beginning on the Interest Change Date. In no event will the interest rate fall below 0%.

Following are key data regarding Max's credit balances:

Creditor	Credit type	Linkage base	Facilities/ loans range	Book balance	Current maturities - loans	Average weighted interest rate (within the range)¹⁾
Banks	Total credit facilities (secured and unsecured) ²⁾	Variable interest	Short term	3,569	-	0.5%-P-1.5%-P
	Loans	Variable interest	Long term	1,545	529	0.3%-P-1.3%-P
	Loans	Fixed interest ³⁾	Long term	59	44	0.75-0.85%
Non-banking	Commercial Security (Series 1)	Variable interest	Short term	316	-	1%-P
	Loan with an institutional entity (CoCo)	Fixed interest	Long term	35	-	5.18%
	Subordinated Notes (CoCo)	Fixed interest	Long term	250	-	7.33%

1. Except for the Subordinated Notes, in respect of which the nominal interest rate is noted. In addition, most of the credit facility agreements include an interest adjustment mechanism, including in respect of the downgrading of the rating of the bonds due to the credit portfolio being adversely affected, or due to failure to meet a Tier 1 capital adequacy ratio of at least 8% (in addition to the interest on arrears). In most cases, the additional interest in respect of all of the adjustments (except for the interest on arrears) will not exceed 1.25%.
2. Including current loan account facilities of immaterial amount.
3. Including a loan linked to the Consumer Price Index. As of December 31, 2022, the outstanding loan principal amounts to approx. NIS 115 million.

2.5.3.3 Significant developments in Max's sources of financing in 2023 and through the report signing date

- A. In March 2023, Max was advanced - by one of the banks that advance to it secured credit facilities - a NIS 400 million loan bearing variable interest in the range of Prime minus 0.3% and Prime minus 1.3%. The loan principal and the interest thereon will be repaid in 12 semi-annual payments starting from the loan provision date.

In addition to the said loan, Max has a secured credit facility agreement with the said bank at the total amount of NIS 3,300 million, in effect through November 30, 2024 (hereinafter in this section - the "Secured Credit Facility"). The secured credit facility is for utilization of short-term credit, long-term credit, facilities of current loan accounts and guarantees. Furthermore, Max and the said bank entered into engagement in respect of a further dedicated credit facility of NIS 200 million, in effect through December 30, 2024, which will be used by Max in order to comply with its liquidity model, and which may be utilized by Max's informing the bank of its wish to utilize this facility (hereinafter - the "Dedicated Credit Facility").

Max's liabilities to repay the utilized credit in respect of these facilities are not guaranteed by any collateral or liens or in any other manner. The interest rates on utilization of the aforementioned facilities will be based on Prime interest plus a spread to be determined from time to time for each withdrawal and which, according to Max, is expected to be in accordance with market conditions. In addition, the credit facilities include a non-utilization fee at a rate in the range of 0.1%-0.7%. In relation to the Secured Credit Facility, the bank will be entitled to call for the immediate repayment of all or some of the credit amounts, under the terms and conditions set forth. In relation to the Dedicated Credit Facility, as a general rule, the bank will not be allowed to reduce or cancel the credit facility and/or call for immediate repayment any credit taken therefrom.

- B. Max has a secured credit facility of NIS 800 million with one of the banks, in effect through December 19, 2024. The facility is used to utilize short-term credit. The Company's liabilities to repay the utilized credit in respect of these facilities are not secured by any collaterals, liens or in any other manner. The interest rates on utilization of the aforementioned facilities will be based on Prime interest plus a spread to be determined from time to time for each withdrawal and which, according to Max, is expected to be in accordance with market conditions. In addition, the credit facilities include a non-utilization fee at a rate in the range of 0.1%-0.7%. The bank will be entitled to call for the immediate repayment of all or part of the credit amounts, under the terms and conditions set forth.

- C. In December 2023, Max and one of the banks that advance to it secured credit facilities entered into an engagement for renewal of the agreement for the secured credit facility totaling NIS 750 million, which will be in effect through January 21, 2025. The credit facility will be used to utilize short-term credit. In March 2023, Max and the said bank entered into an engagement for advancing a NIS 300 million loan bearing variable interest in the range of Prime minus 0.3% and Prime minus 1.3%. The loan principal and the interest thereon will be repaid in 12 semi-annual payments.

In May 2023, Max and the said bank entered into an engagement for advancing a further NIS 300 million loan bearing variable interest in the range of Prime minus 0.3% and Prime minus 1.3%. The loan principal and the interest thereon will be repaid in 12 semi-annual payments.

- D. In May 2023, Max and one of the banks that advance to it secured credit facilities entered into an engagement for advancing a NIS 300 million loan bearing variable interest in the range of Prime minus 0.3% and Prime minus 1.3%. The loan principal and the interest thereon will be repaid in 12 semi-annual payments.

In addition to the said loan, Max has a secured credit facility agreement with the said bank at the total amount of NIS 2,400 million, in effect through November 30, 2024, and a facility at the total amount of NIS 500 million in effect through November 30, 2026. (hereinafter in this section - the "Secured Credit Facility"). The secured credit facility is for utilization of short-term credit, long-term credit, facilities of current loan accounts and guarantees.

Max's liabilities to repay the utilized credit in respect of these facilities are not guaranteed by any collateral or liens or in any other manner. The interest rates on utilization of the aforementioned facilities will be based on Prime interest plus a spread to be determined from time to time for each withdrawal and which, according to Max, is expected to be in accordance with market conditions. In addition, the credit facilities include a non-utilization fee at a rate in the range of 0.1%-0.7%. The bank will be entitled to call for the immediate repayment of all or part of the credit amounts, under the terms and conditions set forth.

- E. In June 2023, Max and one of the banks that advance to it secured credit facilities entered into an engagement for increasing the secured credit facility from NIS 1,400 million to NIS 1,900 million, which will be in effect through July 1, 2024 (hereinafter in this section - the "Secured Credit Facility"). The secured credit facility is for utilization of short-term credit.

Max's liabilities to repay the utilized credit in respect of these facilities are not guaranteed by any collateral or liens or in any other manner. The interest rates on utilization of the aforementioned facilities will be based on Prime interest plus a spread to be determined from time to time for each withdrawal and which, according to Max, is expected to be in accordance with market conditions. In addition, the credit facilities include a non-utilization fee at a rate in the range of 0.1%-0.7%. The bank will be entitled to call for the immediate repayment of all or part of the credit amounts, under the terms and conditions set forth.

Immediately prior to the report signing date, the average weighted interest in respect of the secured facilities is in the range of Prime minus 0.5% and Prime minus 1.5%, which does not include a fee in respect of non-utilization of the credit facility, which is payable in accordance with the amount utilized out of the credit facility.

The banks' rights to immediate repayment

The agreements with the various banks, as detailed above, include standard provisions regarding the right to immediate repayment, including under the following circumstances (in whole or in part, as the case may be): Resolving to liquidate or filing an application to liquidate or appointment of a temporary liquidator, filing for a stay of proceedings, settlement or arrangement with creditors or summoning or convening a creditors' meetings regarding the arrangement or insolvency or negotiations for reaching a settlement, appointment of a liquidator or receiver, exercising liens or attachments, restructuring (such as a merger), changes in control, non-payment of debts, existence of a material concern of non-payment, a situation in which Max will cease or is likely to cease conducting business, material deterioration in the business situation, grounds for immediate repayment of another debt of the Company (for the bonds, calling for immediate repayment of another bond series of the Company); downgrading the rating of the bonds below BBB-, revocation of a license, non-compliance with the directives of the Bank of Israel or another authority regarding capital adequacy, non-compliance with the Company's undertakings under credit agreements (including distribution, payment of management fees, change of control, sale of

Company assets above certain amounts, and negative lien), all under certain circumstances set out in the agreements or the bonds, as the case may be.

Financial covenants

The agreements between the Max Group companies and each of the entities that provide them with credit, specify, among other things, limits and commitments for compliance with covenants, transactions with controlling shareholders, sale and transfer of assets, creation of liens, restructuring and/or change of control.

In the Reporting Period, Max fulfilled its obligations and met all the conditions in connection with the above covenants.

Subordinated Notes (Series D)

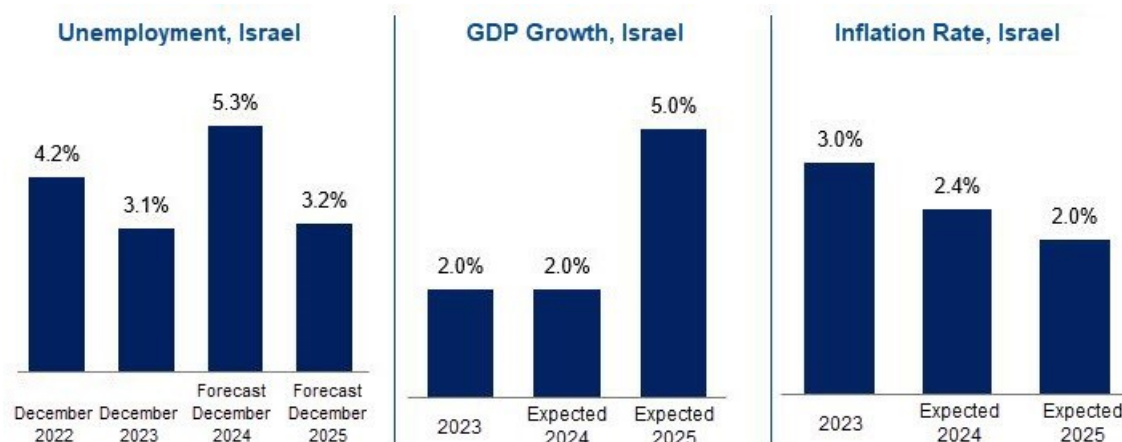
Subordinated notes can only be called for immediate repayment subject to prior written approval from the Supervisor. Furthermore, the right to call for immediate repayment will arise only upon the appointment of a liquidator or handing of a liquidation order for the Company by the court.

Guarantees

During Max's ordinary course of business, it provided bank guarantees to third parties to third parties from time to time, inter alia, for bidding in tenders. The scope of such guarantees as of December 31, 2023 is negligible.

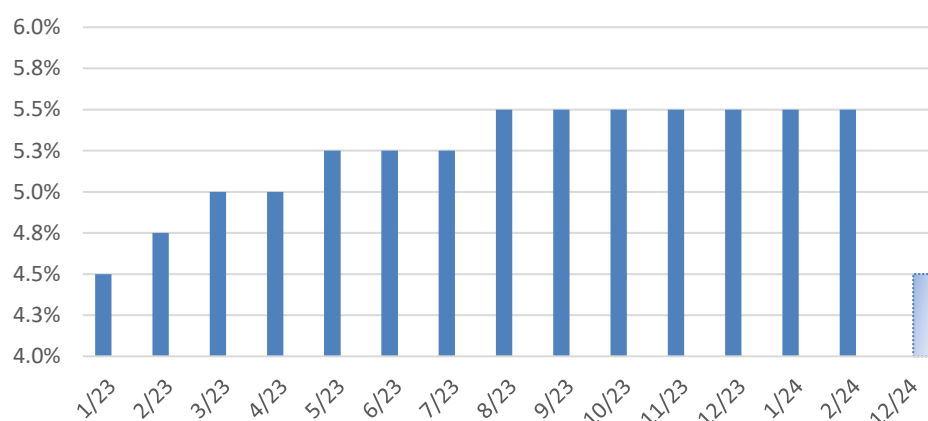
3. Developments and material changes in the macroeconomic environment in the Reporting Period

3.1 Key economic data:



* Forecast of the Bank of Israel's Research Department, January 2024

Fed interest rate, USA



* The December 2024 data represents the consensus of forecasts according to Bloomberg, March 13, 2024

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

Early 2023 was 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 on the terrorist organizations in the Gaza Strip and on the northern front. Hundreds of thousands of reserves were mobilized and the residents of the Gaza Envelope and northern confrontation line were evacuated. For further details, see Section 2.1(k) above.

Criterion	Data for the period
Development in the market and employment in Israel	In 2023, GDP increased by 2%, further to a 6.5% increase in 2022. In the fourth quarter of the year GDP fell by 19.4%. The Israeli population increased by 2.2% in 2023, such that per capita GDP declined by 0.1%, after a 4.4% increase in 2022. According to the macroeconomic forecast of the Bank of Israel's Research Department (January 2024), GDP is expected to grow by 2% in 2024, and by 5% in 2025, assuming that the fighting will take place in the southern front and will continue - at a declining intensity - through the end of 2024. The budget deficit in 2023 amounted to 4.2% of GDP; the debt-to-GDP ratio increased to 62.1% from 60.5% in 2022. The labor market - upon the outbreak of the War, the broad unemployment rate (a data which includes - in addition to those unemployed - also those who are temporarily absent due to economic reasons, such as expense for unpaid leave) increased sharply from 4.2% to 9.7% in October; however since then the broad unemployment rate declined to 7.5% in December 2023. In accordance with the Bank of Israel's forecast, the overall unemployment rate is expected to stand at approx. 5.3% in 2024 and 3.2% in 2025. According to the Central Bureau of Statistics' estimates for December 2023, the average wage of a salaried employee was NIS 13,473, a 10.6% increase compared to December 2022. The number of salaried employee positions in Israel was 3.874 million - a 3.3% decline compared to December 2022, and a 2.4% increase compared to November 2023. The housing market - during the year, the increase in house prices was curbed and prices even fell by 1.4% (for the first time since 2018). A similar trend may be observed in the development of rent - in October and November there were declines of 0.3% and 0.8%, respectively, for the first time in the past two and a half years. However, unlike in the case of house prices, the annual rate of increase in rent as of the end of the half is still positive, but the increase is more moderate. The mortgages market recorded an approx. 40% decline in the number of new mortgages, due to, among other things, the increase in interest rates. At the beginning of February 2024, the credit rating agency Moody's announced the downgrade of the credit rating of Israel by one notch to A2 with a negative outlook. At this stage, it is possible that other rating agencies will downgrade Israel's credit rating, after in October 2023 the credit rating agency S&P announced the downgrading of Israel's rating outlook from "stable" to "negative" (and reiterated the credit rating at AA-), and after in August 2023 the rating agency Fitch announced the placement of Israel on the Rating Watch Negative list.
Inflation data	In 2023, the global economy was characterized by a slowdown in the inflation rate compared to 2022. Also in Israel, the inflation rate has cooled down such that at the end of the year it was 3%. This means that the rate of inflation entered the price stability range set in the Bank of Israel Law.
Exchange rates	Upon the outbreak of the War, Israel's risk premium increased sharply, and the NIS has depreciated significantly against the USD and the euro. In order to moderate the fluctuations in the exchange rate of the shekel and provide the level of liquidity required for continued adequate operation of the markets, the Bank of Israel announced before the first trading day after the outbreak of the War, a plan to sell foreign currency at a total amount of up to USD 30 billion. As part of this plan, the Bank of Israel sold USD 8.2 billion in October, and approx. USD 338 million in November. At the beginning of November, the trend reversed and the shekel started experiencing an appreciation - a trend that continued through the end of the year.
Development of 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 in 2023, reaching a level of 4.75%, in order to curb inflation. In January 2024, the Monetary Committee decided to cut the interest rate by 0.25 percentage point to 4.5%. In February 2024, the Monetary Committee decided to leave the interest rate unchanged at 4.5%.

Criterion	In %	For the year		Q4	
		2023	2022	2023	2022
Developments in capital markets in Israel and across the world (in terms of local currency)	Share indices in Israel				
	TA 35	3.8	(9.2)	1.1	(2.2)
	TA 90	4.3	(18.2)	(0.2)	(7.9)
	TA 125	4.1	(11.8)	0.7	(3.7)
	TA-Growth	3.1	(32.3)	2.9	(15.6)
	Bond indices in Israel				
	General	3.8	(8.3)	2.3	(0.6)
	Tel Bond - CPI Linked	5.9	(8.4)	2.4	(1.2)
	Tel Bond - Shekel	5.3	(7.0)	3.7	(0.1)
	CPI-Linked Government Bonds	(0.4)	(9.8)	0.5	(0.8)
	Government - NIS	1.4	(8.8)	2.0	(0.2)
	Share indices across the world				
	Dow Jones	13.5	(9.1)	11.8	14.0
	NASDAQ	43.6	(34.0)	13.4	(2.2)
	Nikkei Tokyo	28.2	(9.4)	5.0	(1.2)
	CAC Paris	14.8	(8.5)	6.0	16.5
	FTSE London	3.0	1.3	1.7	9.8
	DAX Frankfurt	19.1	(11.5)	9.3	18.2
	MSCI WORLD	23.1	(20.6)	11.6	5.6
	S&P 500	24.0	(19.9)	10.7	6.0
	For details regarding the effects on the financial results, see Section 2 above and Notes 15 and 32 to the Financial Statements.				

Criterion	Data for the period
Global economic developments	2023 was a year in which countries tackled high inflation rates and had concerns of economic slowdown deteriorating to a recession. The quantitative tightening policy of central banks worked, curbed the increase in inflation rates and even led to a decrease in inflation rates. According to indications of central banks, it appears that the interest rate hikes cycle ended in most countries, and 2024 is expected to be a year in which interest rates will be cut. 2023 ends with successfully avoiding an economic recession, but with concerns with respect of 2024. USA - at the beginning of 2023, the inflation rate in the USA was 6.5%, and the interest rate was 4.5%. During the year, the central bank raised interest rates 4 times up to a level of 5.5%, and at the end of 2023 annualized inflation declined to a level of 3.4%. Market assessments predict 3 interest rate cuts in 2024. The US economy has grown in the fourth quarter by 3.3% in quarterly terms and by 2.5% throughout 2023 (in annual terms). However, the unemployment rate is still relatively low and stands at 3.6%. In November 2022, OPEN AI launched its artificial intelligence tool Chat GPT, and in February 2023 it was opened to the public. This launch probably ignited the artificial intelligence revolution, i.e. - processing capabilities that are much faster than was previously known, and a potential to create tools and solutions that will save time and work for all users. Consequently, the companies that are at the forefront of technological developments benefited from a sharp increase in their value; the technology sector experienced an increase of approx. 56% in value in 2023, and the value of the chips sub-sector, which serves as the cornerstone of artificial intelligence, increased by approx. 67%. Europe - after the economic recovery and the recovery from Covid-19 which characterized 2021 and 2022, Europe experienced a jump in inflation and was forced to implement a tightening monetary policy in order to curb inflation, which stood at 8.6% as of the beginning of 2023 (in annual terms), while the interest rate stood at 2.5%. During 2023, the European Central Bank increased its interest to 4.5%, and by the end of 2023 inflation declined to a level of 2.9%. Notwithstanding the geopolitical crisis and the war between Russia and Ukraine, which triggered a spike in energy prices upon its commencement, commodity prices settled and stabilized. Growth rate in Europe slowed down significantly, and in the fourth quarter the economy failed to grow (0%) in quarterly terms; key economies, such as Germany's even experienced a recession during the year. The unemployment rate remained relatively low and stands at 6.8%. China - the Chinese economy was very badly hit by Covid-19 lockdowns, which continued through the beginning of 2023; there was hope that the opening up of the economy and the lifting of the restrictions will lead to a significant economic recovery, but growth rate remained low. The Chinese economy has grown by 5.2% in 2023 (in quarterly terms). The tensions between China and the USA remained high, as trade war continued, and US companies are banned from trading with Chinese companies, which the USA claims pose a security threat.

4. Exposure to Market Risks and Management Thereof

Description of the market risks and the effect of market risks on the business results of the Company and consolidated companies except for Max

The term "market risks" relates to the effect of changes in interest rates, inflation rates, foreign currency exchange rates, share prices, credit spreads and other risk factors on the business results, shareholders' equity, cash flows, financial assets and the liabilities of the corporation and its value.

The Group's business results are materially impacted by changes in market risk factors. The activity's sensitivity to market risks arises both from the direct impact of those changes on the nostro investments of the Group's institutional entities, and from the indirect impact of the returns on planholders and policyholders' funds in yield-dependent insurance policies, provident funds and pension funds, which are managed by those entities, on the management fees they collect. For details on the exposure to market risks and their mitigation throughout the Group's activity, see Note 42 to the Financial Statements.

It is clarified that in accordance with the Securities Regulations, the sensitivity to changes in specific risk factors is assessed in relation to exposures to market risks in an activity that is not carried out by the Group's insurance companies, i.e. - financial exposures (assets and liabilities) in respect of the activity of the Company itself, Clal Agencies, Hyp and Clal Finance.

4.1 The person in charge of market risk management in the corporation

The Company officer in charge of market risk management is Mr. Avi Ben-Noon. Mr. Ben-Noon has a BA in Economics and Business Administration, and an MBA, and has been serving as the Chief Risk Officer of the Group's institutional entities since 2020.

4.2 The corporation's policy in managing market risks and supervision thereof

The main risks to which the Group is exposed are risks associated with the insurance activity, which is the Group's main activity. For a description of those risks, and the way by which they are mitigated and monitored at Group and Company level, see Note 42 to the Financial Statements.

Compliance with the policy pertaining to exposure to market risks in the Group is monitored by the management and board of directors of each Group company, which are supported and challenged by the Risk Management Department, as the case may be, and through data from their investment and accounting systems.

The Board of Directors is of the opinion that the quality of risk management in the Company is reasonable under the circumstances of the matter.

4.3 Sensitivity tests for market risks

Below is a summary of the exposure and sensitivity to changes in the risk factors in 2023 and 2022 (in NIS million):

As of December 31, 2023:

Risk factor - linked interest

Risk factor	Profit and loss from changes			Fair value of financial instruments exposed to risk factor	Profit and loss from changes		
	Maximum increase in relevant market factor	10% increase in market factor	5% increase in market factor		5% decrease in market factor	Decrease of 10% in market factor	Maximum decrease in relevant market factor
Capital note to the insurance company	(51.6)	(3.8)	(1.9)	469	1.9	3.9	59.9
Total	(51.6)	(3.8)	(1.9)	469	1.9	3.9	59.9

Risk factor - NIS-based interest

Risk factor	Profit and loss from changes			Fair value of financial instruments exposed to risk factor	Profit and loss from changes		
	2% absolute increase in market factor	10% increase in market factor	5% increase in market factor		5% decrease in market factor	Decrease of 10% in market factor	2% absolute decrease in market factor
Bonds (Series A)	68.3	13.1	6.6	(942)	(6.6)	(13.4)	(75.6)
Bonds (Series B)	11.6	2.3	1.1	(146)	(1.2)	(2.3)	(13.5)
Bonds (Series C)	53.3	10.2	5.5	(808)	(5.6)	(11.2)	(61.7)
Total	133.1	26.3	13.2	(1,596)	(13.4)	(26.9)	(150.9)

* CIMax has a syndicated loan of NIS 882 million, bearing variable interest; in accordance with the working assumptions, a test regarding sensitivity to interest in respect of that loan was not presented. It is noted that subsequent to the Reporting Period this loan was repaid, see Section 4.4 below.

As of December 31, 2022:

Risk factor - linked interest

Risk factor	Profit and loss from changes			Fair value of financial instruments exposed to risk factor	Profit and loss from changes		
	Maximum increase in relevant market factor	10% increase in market factor	5% increase in market 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. For further sensitivity tests relating to all of the Group's activities, see Note 42 to the Financial Statements.

Key working assumptions:

- Cash and cash equivalents, and short-term assets and liabilities (up to one year) as well as variable interest assets and liabilities were not included in the assessment of the exposure to changes in interest rate curves.
- 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 December 31, 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.

4.4 Events subsequent to the reporting period

Subsequent to the reporting date, in February 2024, CIMax repaid the full balance of its syndicated loan, totaling an amount of approx. NIS 891 million, of which approx. NIS 873 million was the loan principal, and the remaining balance being interest in addition to an early repayment penalty and additional fees and commissions pursuant to the provisions of the syndicated loan agreement, in the total amount of approx. NIS 18 million.

Repayment of the syndicated loan was made using NIS 891 million CIMax obtained from the Company, as part of the investment in CIMax. For further details, see Note 26(1)(3) to the Consolidated Financial Statements.

5. Risk Review for Max

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 further 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. In addition, Max also takes action and implements Proper

Conduct of Banking Business Directive No. 311A on consumer credit management.

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), 1992 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, which 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, which 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 reliably 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, which 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, which 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 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 detailed 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, Max 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 embodied 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 rating models and external information. During the Reporting Period, there were no material changes in those characteristics.

Max has set an authorization hierarchy for 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, which 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.

Breakdown of net write-offs and credit loss expenses to private individuals, at the company's sole responsibility

	Rate of expenses in respect of credit losses of the average balance of receivables for credit card transactions	Rate of net write-offs of the average balance of receivables for credit card transactions
	December 31, 2023	December 31, 2023
	%	%
Private individuals:		
Receivables for credit		
cards	0.44	0.36
Credit	2.14	1.50

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 fourth quarter of 2023, Max started advancing loans as part of a new fund for state-backed loans (as part of the Iron Swords War), 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 Max serves as an acquirer. Acquiring is a source for settling the debt. 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:

In NIS million	Balance as of December 31, 2023			
	Commercial	Private individuals	Others	Total
	Balance as of December 31, 2023			
	Commercial	Private individuals	Others	Total
Credit risk with credit performance rating (1)				
On-balance-sheet credit risk	1,121	11,713	2,193	15,028
Off-balance sheet credit risk	544	20,974	13,094	34,612
Total credit risk in credit performance rating	1,665	32,687	15,287	49,640
Credit risk not in credit performance rating:				
Non-troubled	13	363	-	376
Troubled performing	40	341	-	381
Troubled non-performing	27	148	-	175
Total on-balance sheet credit risk	80	852	-	932
Off-balance sheet credit risk	2	30	-	32
Total credit risk not in credit performance rating	82	882	-	964
Overall credit risk incl. of the public	1,747	33,569	15,287	50,604
Additional information on total non-performing assets:				
Non-performing debts	27	148	-	175
Total non-performing assets	27	148	-	175

(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 credit 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⁾

	For the year ended December 31		
	Commercial	Private individuals	Total
In NIS million	Unaudited		
Balance of outstanding non-performing debts - first-time consolidation upon the acquisition of Max	9	105	114
Loans classified as non-performing during the period	35	285	320
Non-performing debts written-off from the books of accounts	(11)	(139)	(150)
Repaid non-performing debts	(6)	(103)	(109)
Balance of non-performing as of end of the period	27	148	175

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

In NIS million	For the year ended December 31, 2023		
	Commercial	In NIS million	Commercial
Balance of outstanding troubled debts under restructuring - first-time consolidation upon the acquisition of Max	2	36	38
Restructurings carried out during the period	11	44	55
Written off restructured debts	(1)	(18)	(19)
Repaid restructured debts	(1)	(15)	(16)
Balance of outstanding troubled debts under restructuring as of the end of the period	11	47	58

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

	As of December 31, 2023		
	Commercial	Private	Total
	%		
Credit quality analysis			
Rate of non-accruing receivable balance of receivables for credit card transactions	2.19	1.17	1.26
Rate of non-accruing or 90 days or more in arrears receivable balance of receivables for credit card transactions	2.19	1.17	1.26
Rate of troubled credit of receivables for credit card transactions	5.43	3.86	4.00
Rate of credit not in credit performance rating of the balance of receivables for credit card transactions	6.49	6.72	6.70
Analysis of expenses for credit losses for the reporting period			
Rate of expenses in respect of credit losses of the average balance of receivables for credit card transactions	3.42	1.61	1.76
Rate of net write-offs of the average balance of receivables for credit card transactions	0.94	1.14	1.13
Analysis of credit loss provision			
Rate of balance of provision for credit losses of the balance of receivables for credit card transactions	5.11	2.41	2.65
Rate of balance of provision for credit losses of the balance of non-performing receivables for credit card transactions	233.33	206.76	210.86
Rate of the balance of provision for credit losses of the balance of non-accruing or 90 days or more in arrears receivables balance for credit card transactions	233.33	206.76	210.86
Rate of net write-offs of the balance of provision for credit losses for receivables for credit card transactions	17.46	47.71	42.55

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 2023, there was no material change in the Company's exposure to foreign financial institutions.

For details about the credit risk, see Pillar 3 - Disclosure of Additional Information about Risks, which was posted on Max'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-balance sheet 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. Max 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 earnings 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 profits 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 an imperfect correlation between interest rate changes in different financial markets, or different instruments with similar repricing characteristics. Alongside Max's interest-bearing credit assets, most of which bear variable interest (the Prime interest spread), the Company raises funding sources on the liabilities side, sources which include, among other things, bonds.
- 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 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:

	As of December 31, 2023				
	NIS		Foreign currency *		
In NIS million	Non-linked	CPI-linked	USD	Other	Total
Financial assets	15,382	92	64	25	15,563
Financial liabilities	14,010	45	61	9	14,125
Net fair value of financial instruments	1,372	47	3	16	1,438

* 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:

	As of December 31, 2023				
	NIS		Foreign currency *		
In NIS million	Non-linked	CPI-linked	USD	Other	Total
Concurrent changes					
Concurrent increase of 1%	8	(1)	-	-	7
Simultaneous decrease of 1%	(8)	1	-	-	(7)
Non-concurrent changes					
Steepening	4	-	-	-	4
Flattening	(4)	-	-	-	(4)
Short-term interest rate increase	(3)	(1)	-	-	(4)
Short-term interest rate decrease	3	1	-	-	4

* Including foreign-currency linked NIS.

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

In NIS million	As of December 31, 2023	
	Interest income, net	Total
Concurrent changes		
Concurrent increase of 1%	44	44
Concurrent decrease of 1%	(44)	(44)

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, i.e., 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 changes, 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 earnings 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, i.e., 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 interchange acquiring 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 billing or deferred billing 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 Chief Internal Auditor attend the forum's meetings. Among other things, the forum discusses exposures and hedging actions.

In July 2023, the rating agency Midroog Ltd. assigned a A1.il(hyb) rating for Subordinated Notes (Series D) raised by Max.

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. In January 2024, the rating agency Midroog Ltd. assigned a P-1.il rating for Commercial Security (Series 2) raised by Max.

For further details regarding liquidity and financial risk, see the Financing chapter in the Company's Report of the Board of Directors for 2023 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.

Operational risk management

Operational risk management at Max complies with Proper Conduct of Banking Business Directives, which determine, among other things, basic risk management principles. Risk management at Max is an ongoing process of identifying and assessing risks, ongoing measurement of the exposures and capital requirements to cover these risks and reporting to management and the Board of Directors.

Following are the key principles in operational risk management:

- The three lines of defense - The first line of defense is the business units that assume the risk, which is charged with formulating the internal controls to reduce exposure and minimizing the probability of the risks materializing the the resulting damage if they indeed materialize. The second line of defense is the operational risk management function, headed by the Chief Risk Officer, an independent individual who defines the risk management policy and framework. The third line of defense is the internal audit division, which conducts independent audits.
- Operational risk policy - Max has an operational risk policy, which is validated and approved by the management and Board of Directors once a year. The policy includes corporate governance for risk management, the risk management framework, and risk appetite limitations.
- Operational risk map - Max manages an operational risk map of its main processes. The risk map includes assessment of the inherent risk, assessment of the control, and assessment of the residual risk. The operational risk map serves as a support tool for business decision making and assessment of the exposure to operational risk.
- Risk identification, measurement, and assessment methodology - Max has a uniform methodology for identifying and assessing the operational risks embodied in its activities. The identification methodology uses various tools and includes quantitative and qualitative risk assessment and assessment of the effectiveness of the controls over the risks.
- Operating loss and near loss events - Max has a regulated process for reporting operating loss and near-loss events, and a process for drawing conclusions and learning from these events. Collection of data on loss events supports, among other things, the process for assessing operating risk exposure.

For further details regarding 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 incident, taking into account its probability and its severity of its impact. A cyber incident 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. As a result, decision-making on risk management takes into consideration business and legal aspects.

Max has a legal risks officer, whose job is to mitigate the 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 industry, 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, which 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 line 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 good name, and lead to a decline in its customer base, or result in high legal costs, or a decrease in income. 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, which 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 high interest rate environment in 2023 is 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 preparing for the possibility that the macroeconomic risk will increase, partly due to the economic consequences of the Iron Swords War and the effect of the downgrade of the rating of the State of Israel.

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 currently also includes the organization's effect on the environment even if it is not directly associated with 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 to 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 on managing climate risks were published in June 2023 and Max monitors developments in the regulation and the relevant requirements and works accordingly to implement the provisions.

Model risk

Model risk is the exposure to loss or to damage to Max's reputation, due to business decisions based on erroneous or biased model results, or on excessively broad interpretation of the model results. This risk may arise, among other things, due incompatibility of the model with the business reality, usability that is not in line with the designation, and errors in calculations and data when applying the model.

The principles for model risk management are defined in the Company's policy, which outlines independent validation processes, corporate governance, authorization hierarchy, and risk management processes. The use of models in decision-making processes has been growing in recent years, and accordingly the model risk management system at Max is compatible with this direction as appropriate and required.

In response to growing local and global uncertainty, Max is boosting the processes for model risk management, including the extent and frequency of monitoring, to mitigate and minimize model risks.

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

Haim Samet
Chairman of the Board

Yoram Naveh
CEO

Tel Aviv, March 27, 2024

Part C

Financial Statements



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**Building a better
working world**

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

We have audited the consolidated statements of financial position of Clal Insurance Enterprises Holdings Ltd. (hereinafter – the “Company”) as of December 31, 2023 and 2022 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion of these financial statements based on our audit.

We did not audit the financial statements of equity-accounted companies, the investment in which amounted to NIS 83 million and NIS 69 million as of December 31, 2023 and 2022, respectively, and the Company's share in the income (losses) of which amounted to NIS 10 million, NIS 6 million and 19 million for the years ended December 31, 2023, 2022 and 2021, respectively. The financial statements of the above companies were audited by other independent auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other independent auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those set forth in the Certified Public Accountants (Modus Operandi of Certified Public Accountant) Regulations, 1973. These standards require that we plan and perform the audit in order to obtain reasonable assurance that the financial statements do not contain material misstatements. An audit involves examining, on a sample basis, evidence supporting the amounts and information included in the financial statements. An audit also involves assessing the accounting principles used, and significant estimates made, by the Board of Directors and management of the Company, as well as evaluating the overall presentation of the financial statements. We believe that our audits and the reports of other independent auditors provide an adequate basis for our opinion.

In our opinion, based on our audit and the reports of the other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2023 and 2022 and their results of operations, changes in equity and cash flows for each of the three years ended December 31, 2023, in accordance with Securities Regulations (Annual Financial Statements), 2010, which pertain to holding companies of insurers and credit card companies, as described in Note 2.

Without qualifying our opinion, we would like to draw attention to that which is stated in Note 45 to the Consolidated Financial Statements regarding exposure to contingent liabilities.

Key audit matters

The key audit matters listed below are those matters that were communicated or should have been communicated to the Company's Board of Directors, and which in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters include, among other things, any matter that: (1) Relates, or may relate to material items or disclosures on the financial statements; and (2) our judgment in connection therewith was particularly challenging, subjective or complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. Communicating these matters, as set forth below, does not alter our opinion on the consolidated financial statements as a whole, and we do not use their communication to provide a separate opinion on these matters, nor on the items or disclosures to which they relate.

1. Measurement of liabilities in respect of insurance contracts in property and casualty insurance:

The financial statements as of December 31, 2023 include material liabilities in respect of property and casualty insurance contracts at the total amount of NIS 7,383 million, as described in Note 20 to the Financial Statements.

As described in Notes 3(d)(2) and 42(e)(e2) to the Consolidated Financial Statements, these liabilities are measured in accordance with the estimated cost of settling the insurance claims, and include the expected cost of the incurred but not yet reported claims (IBNR) and the incurred but not enough reported reserves (IBNER), provision for unearned premium reserve, provision for premium deficiency and direct and indirect expenses incurred in the settlement of claims.

The measurement of the liabilities in respect of insurance contracts in property and casualty insurance is mainly based on actuarial estimates. The actuarial assessment is based on statistical estimates that include a component of uncertainty. The statistical estimates are based on various assumptions, which will not necessarily materialize. The assumptions used in the actuarial forecast affect the measurement of the reserve. The actual cost of claims may be higher or lower than the statistical estimates.

In some of the insurance subsegments the inherent uncertainty is higher, especially in compulsory motor and liability claims that are characterized by a "long tail", which means that often a long time elapses from the date of the incident until the claim's final settlement date. Note 20 to the Financial Statements presents the development of the liabilities in the compulsory motor and liability subsegments.

Due to the inherent uncertainty of the estimates used to measure the liability in respect of property and casualty insurance contracts, we reached the conclusion that the measurement of the liability in respect of property and casualty insurance contracts is a key audit matter.

Key audit procedures implemented to address the key audit matter

The audit procedures we implemented to the measurement of the liabilities in respect of property and casualty insurance contracts included the following procedures:

- We assessed the planning and implementation of internal controls relating to the measurement of liabilities in respect of property and casualty insurance contracts and conducted procedures to test the effectiveness of those internal controls, including the controls applied to the IT systems used for data processing and the flow of information for financial reporting purposes.
- We checked that the methodology used to measure the liabilities in respect of property and casualty insurance contracts is implemented in accordance with the requirements of IFRS 4 regarding "Insurance Contracts", and the requirements set by the Commissioner of the Capital Market, Insurance and Savings.
- We checked, with the assistance of actuarial experts on our behalf and based on a sample and our risk assessment, the reasonableness of the significant assumptions and data used as the basis for the models implemented to measure the liabilities in respect of property and casualty insurance contracts.
- We implemented analytical procedures in order to identify and analyze extraordinary material changes.

Furthermore, we assessed the appropriateness of the key disclosures regarding liabilities in respect of property and casualty insurance contracts in the financial statements.

2. Measurement of Liabilities in respect of life and health insurance contracts:

The financial statements as of December 31, 2023 include material liabilities in respect of non-yield-dependent life and health insurance contracts, at the total amount of NIS 24,324 million, and material liabilities in respect of yield-dependent life and health insurance contracts at the total amount of NIS 81,708 million, as described in Notes 18 and 19 to the consolidated financial statements.

As described in Notes 3(d)(1) and 42(e)(e1) to the consolidated financial statements, the liabilities in respect of yield-dependent and non-yield-dependent life and health insurance contracts are measured in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (regulations and circulars), International Financial Reporting Standards, and generally accepted actuarial methods. The liabilities in respect of life and health insurance contracts are measured, among other things, based on an actuarial valuation, executed by the Company's supervisor actuary according to the relevant coverage data, such as: the age and gender of the policyholder, number of years of coverage and type and amount of insurance, etc.

A significant part of the reserves in respect of life and health insurance contracts is based on actuarial estimates and various assumptions, and therefore measuring the reserves involves inherent uncertainty. These reserves mainly include:

- Supplementary reserve for pension.
- Liability Adequacy Testing (LAT) reserve.
- Reserve in respect of paid pension and on-going claims being paid in long-term care insurance and disability insurance.

The key assumptions used in the measurement of the above liabilities pertain to rebates, cancellations, operating expenses, return, interest rates, illiquidity premiums, mortality, disability, pension uptake rates, and morbidity rates. The assumptions are assessed by the Company's supervisor actuary each year on the basis tests, past experience and other relevant studies.

Due to the inherent uncertainty of the estimates used to measure the liability in respect of life and health insurance contracts, we reached the conclusion that the measurement of the liability in respect of life and health insurance contracts is a key audit matter.

Key audit procedures implemented to address the key audit matter

The audit procedures we implemented to the measurement of the liabilities in respect of life and health insurance contracts included the following procedures:

- We assessed the planning and implementation of internal controls relating to the measurement of liabilities in respect of life and health insurance contracts and conducted procedures to test the effectiveness of those internal controls, including the key controls applied to the IT systems used for data processing and the flow of information for financial reporting purposes.
- We checked that the methodology used to measure the liabilities in respect of life and health insurance contracts is implemented in accordance with the requirements of IFRS 4, "Insurance Contracts", and the requirements set by the Commissioner of the Capital Market, Insurance and Savings.
- We checked, with the assistance of actuarial experts on our behalf and based on a sample and our risk assessment, the reasonableness of the significant assumptions and data used as the basis for the models implemented to measure the liabilities in respect of life and health insurance contracts.
- We implemented analytical procedures in order to identify and analyze extraordinary material changes.
- We checked, with the assistance of actuarial experts on our behalf and based on a sample and our risk assessment, material studies conducted by the Company during the reporting period, and their implementation in the calculation of the reserves.

Furthermore, we assessed the appropriateness of the key disclosures regarding liabilities in respect of life and health insurance contracts in the financial statements.

3. Fair value measurement of illiquid investments:

As described in Notes 10, 14 and 15 to the Consolidated Financial Statements, the balance of illiquid investments and the balance of the investment property as of December 31, 2023 amount to approx. NIS 55,194 million and approx. NIS 5,333 million, respectively.

The fair value of illiquid debt assets, which are measured at fair value, and the fair value of illiquid financial debt assets, for which fair value information is provided solely for disclosure purposes, is determined by discounting the estimated future cash flows from those assets. The interest rates used to discount the cash flows are set by Fair Spread Ltd.

The fair value of investments in illiquid shares is based mainly on external appraisals, and in investment and hedge funds it is mainly based on the fair value of the underlying assets or appraisals, and is set in accordance with each fund's reports. Valuation techniques are subjective in nature, rely on various assumptions, and use estimates that have a significant effect on the fair value.

The fair value of investment property is based on appraisals conducted by external appraisers, and include estimates and assumptions such as estimated rent and discount rates.

In some of the illiquid investments, especially those classified to Level 3 of the fair value hierarchy in accordance with IFRS 13, such as illiquid shares, investment funds and investment property, the inherent uncertainty in the fair value measurement is high, since this measurement is based on data, which are not based on observable market inputs.

Changes in estimates, assumptions or valuations that were used as part of the appraisals may have a significant influence on the measurement of the fair value of the illiquid assets.

Furthermore, fair value measurement affects the allocation of the difference between the carrying amount and the fair value of the assets that are not measured at fair value in the statement of financial position ("UGL"), for the purpose of calculating the LAT.

Due to the inherent uncertainty of estimates, assessments and appraisals as stated above, we concluded that the fair value measurement of the illiquid investments is a key audit matter.

Key audit procedures implemented to address the key audit matter

The audit procedures we conducted regarding the assessment of the fair value measurement of illiquid investments included the following procedures:

- We assessed the planning and implementation of internal controls relating to the process of determining the fair value of illiquid investments, and conducted procedures to test the effectiveness of those internal controls, including the controls regarding the appropriateness of the data and the assumptions used in appraisals and the reasonableness of the appraisals.
- We have assessed the methodology employed by the Company to measure the fair value of illiquid investments.
- We have made inquiries with finance department personnel and employees of the Company's investments department in order to obtain an understanding in connection with transactions, developments and material revaluations for the reporting period, and regarding material changes, if any, in data, assumptions and models compared to those used in the previous year.
- For certain appraisals, we examined, with the assistance of experts acting on our behalf, the reasonableness of the estimates and key underlying assumptions of the appraisals.
- We conducted a sample testing of the fair value of illiquid investments in the financial statements compared with the appraisals received by Company from external experts, against the quotations of Fair Spread Ltd., and against the financial statements and the reports of the investment funds, as the case may be.
- We conducted a sample testing of the database used to receive a quotation from Fair Spread Ltd. against loan agreements.

4. Credit loss provision:

As described in Note 11.B to the Consolidated Financial Statements, the on-balance sheet and off-balance sheet credit loss provision with respect to credit to the public in the Company's Consolidated Financial Statements amounts to approx. NIS 372 million as of December 31, 2023 and includes a specific provision and a collective provision in respect of the credit risk. A provision of approx. NIS 220 million was initially recognized upon first-time consolidation of Max, based on the fair value of the credit portfolio that was consolidated as part of the Max acquisition; the accounting policy applied by the Company in respect of credit loss provisions are specified in Notes 3.I.1.c. and 3.I.1.d to the Consolidated Financial Statements.

In the estimation process of the credit loss provision, the Company estimates the expected loss in the credit portfolio. The loss estimation process is based on significant estimates that involve uncertainty, and subjective estimates.

Since January 1, 2023, the Company applies the generally accepted accounting principles in the USA on current expected credit losses - CECL (ASC 326). When calculating the collective based provision, the expected losses throughout the credit lifetime are estimated using risk rating-based methodologies and models (such as the probability of default and loss in the event of default) as part of which the amount of the expected credit in case default is realized is estimated. The models are based, among other things, on historical data and other adjustments for the purpose of forecasting the expected credit losses. Determining the estimates in models, as well as the methodology, assumptions, data, and additional adjustments involves substantial discretion in selecting and building them.

We have identified the said estimates serving as the basis for calculating the credit loss provision as a key audit matter. Changes in these estimates or assessment may have a substantial effect on the credit loss provision presented in the Company's financial statements.

The audit of the credit loss provision required the auditor's discretion, as well as knowledge and experience in order to examine the reasonability of using models, the calculations and adjustments used by the management in determining the estimated credit loss provision.

Key audit procedures implemented to address the key audit matter

- We reviewed the work processes for calculating the credit loss provision and the effectiveness of the planning and operation of certain internal financial reporting controls related to determining the estimated provision, including in-process controls related to reviewing the adequacy of the methodology, the main data and the reasonableness of the credit loss provision.
- We reviewed the methodology for determining the credit loss provision and its adjustment to the accounting principles applicable to the Company.
- We conducted a sample review of the main data used in the credit loss provision calculation models.
- We reviewed the adequacy of the credit loss provision as a whole.
- We reviewed the fair value of the credit portfolio that was consolidated under the Max acquisition.

Furthermore, we assessed the adequacy of material disclosures about the credit loss provision in the Financial Statements.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of the Components of the Internal Control over Financial Reporting", components of internal control over financial reporting of the Company as of December 31, 2023, and our report of March 27, 2024 included an unqualified opinion on the effectiveness of these components.

Tel Aviv,
March 27, 2024

Somekh Chaikin
Certified Public Accountants

Kost Forer Gabbay & Kasierer
Certified Public Accountants
Joint Independent Auditors

Consolidated Statements of Financial Position

NIS million	Note	As of December 31	
		2023	2022
Assets			
Intangible assets	6	2,205	1,241
Deferred tax assets	24	104	17
Deferred acquisition costs	7	2,543	2,456
Property, plant & equipment	8	302	192
Right-of-use asset	29	680	483
Investments in equity-accounted investees	9	180	168
Investment property in respect of yield-dependent contracts	10, 14	3,839	3,778
Investment property - other	10	1,494	1,475
Reinsurance assets	18, 19	3,805	4,524
Current tax assets	24	306	293
Receivables for credit card transactions, net	11	15,092	-
Receivables and debit balances	12	1,867	3,294
Collectible premium	13	837	853
Financial investments in respect of yield-dependent contracts	14	84,133	77,131
Other financial investments:			
Liquid debt assets	15(a)	7,313	6,999
Illiquid debt assets	15(b)	24,444	23,024
Shares	15(d)	1,671	1,852
Other	15(e)	5,836	4,786
Total other financial investments		39,265	36,661
Cash and cash equivalents in respect of yield-dependent contracts	14, 16(a)	4,418	8,458
Other cash and cash equivalents	16(b)	2,548	3,591
Total assets		163,617	144,616
Total assets in respect of yield-dependent contracts	14	94,012	92,463

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

Consolidated Statements of Financial Position (cont.)

NIS million	Note	As of December 31	
		2023	2022
Equity			
Share capital	17	167	162
Share premium		2,390	2,127
Capital reserves		1,005	921
Retained earnings		5,019	4,785
Total equity attributable to the Company's shareholders		8,581	7,995
Non-controlling interests		71	65
Total equity		8,652	8,061
Liabilities			
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	18, 20, 21, 22, 23	34,176	33,814
Liabilities in respect of insurance contracts and yield-dependent investment contracts	19, 21, 22, 23	91,665	89,853
Deferred tax liabilities	24	592	573
Liability for employee benefits, net	25	93	65
Lease liability	29	777	582
Payables for credit card transactions	27	8,091	-
Payables and credit balances	28	3,851	3,520
Current tax liability	24	21	17
Financial liabilities	26	15,699	8,131
Total liabilities		154,966	136,555
Total equity and liabilities		163,617	144,616

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

March 27, 2024
Approval date of the
financial statements

Haim Samet
Chairman of the Board

Yoram Naveh
CEO

Eran Cherninsky
Executive Vice President
Finance Division Director

Consolidated Statements of Income

In NIS million	Note	For the year ended December 31		
		2023	2022	2021
Premiums earned, gross		11,202	11,509	10,600
Premiums earned by reinsurers		1,708	1,665	1,588
Premiums earned - retention	30	9,495	9,844	9,012
Income from credit card transactions	31	1,083	-	-
Investment income (losses), net and finance income	32	9,238	(4,097)	13,931
Income from management fees	33	1,259	1,198	1,775
Income from fees and commissions	34	390	383	337
Other income		-	-	1
Total income		21,464	7,329	25,057
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross		16,062	4,749	22,140
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts		(671)	(1,008)	(1,867)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	35	15,391	3,741	20,273
Credit loss expenses- see Note 3(i)(1)(d)		411	-	-
Credit card operations	36	739	-	-
Payments to banks		166	-	-
Fees and commissions, marketing expenses and other purchase expenses	37	2,613	2,196	2,008
General and administrative expenses	38	1,092	941	973
Impairment of intangible assets	6	5	8	9
Other expenses	39	40	18	11
Finance expenses	40	669	235	232
Total expenses		21,125	7,139	23,506
Share in results of equity-accounted investees, net	9	8	3	29
Income before income tax		347	194	1,581
Income tax	24	124	68	494
Income for the period from continuing operations		223	126	1,086
Attributable to:				
Company's shareholders		220	121	1,082
Non-controlling interests		3	6	5
Income for the period		223	126	1,086
Earnings per share attributable				
to the Company's shareholders:	41			
Basic earnings per share (in NIS)		2.83	1.63	15.99
Diluted earnings per share (in NIS)		2.79	1.62	15.97
No. of shares used to calculate				
earnings per share (in thousand):	41			
Basic		77,870	73,796	67,645
Diluted		79,034	74,327	67,743

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

Consolidated Statements of Comprehensive Income

In NIS million	Note	For the year ended December 31		
		2023	2022	2021
Income for the period		223	126	1,086
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		7	19	(7)
Foreign currency translation differences in respect of foreign operations stated in profit and loss		-	-	10
Net change in fair value of financial assets classified as available for sale carried to capital reserve		398	(299)	1,384
Net change in fair value of available for sale financial assets carried to the income statement		(336)	(393)	(939)
Impairment loss of available-for-sale financial assets carried to the income statement		60	114	34
Other comprehensive income (loss) for the period carried or to be carried to profit and loss, before tax		128	(559)	482
Tax (tax benefit) in respect of available-for-sale financial assets		41	(196)	164
Tax for other components		2	4	1
Tax (tax benefit) for items of other comprehensive income carried or to be carried to profit and loss	24(d)	43	(192)	165
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		86	(367)	317
Items of other comprehensive income not transferred to profit and loss:				
Actuarial gains from a defined benefit plan		-	11	5
Other comprehensive income for the period, before tax		-	11	5
Tax for items of other comprehensive income not transferred to profit and loss	24(d)	-	4	2
Other comprehensive income not transferred to profit and loss, net of tax		-	8	4
Other comprehensive income (loss) for the period		86	(359)	321
Total comprehensive income (loss) for the period		309	(233)	1,407
Attributable to:				
Company's shareholders		305	(237)	1,402
Non-controlling interests		4	3	5
Total comprehensive income (loss) for the period		309	(233)	1,407

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

Consolidated Statements of Changes in Equity

In NIS million	Attributable to Company's shareholders								Non-controlling interests	Total equity
	Share capital	Share premium reserve	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 year ended December 31, 2023										
As of January 1, 2023	162	2,127	(7)	788	180	(39)	4,785	7,995	65	8,061
Effect of initial application of IFRS 9 (see Note 3)	-	-	-	(1)	-	-	1	-	-	-
Income for the period	-	-	-	-	-	-	220	220	3	223
Other comprehensive income (loss) items:										-
Foreign currency translation differences in respect of foreign operations carried to capital reserve	-	-	7	-	-	-	-	7	-	7
Net change in fair value of financial assets classified as available for sale carried to capital reserve	-	-	-	398	-	-	-	398	-	398
Net change in fair value of available for sale financial assets carried to the income statement	-	-	-	(337)	-	-	-	(337)	1	(336)
Impairment loss of available-for-sale financial assets carried to the income statement	-	-	-	60	-	-	-	60	-	60
Tax benefit (tax) for items of comprehensive income (loss)	-	-	(2)	(41)	-	-	-	(43)	-	(43)
Other comprehensive income for the period, net of tax	-	-	5	79	-	-	-	85	1	86
Total comprehensive income for the period	-	-	5	79	-	-	221	305	4	309
Transactions with shareholders carried directly to equity:										-
Issuance of share capital	5	249	-	-	-	-	-	253	-	253
Share-based payments	-	-	-	-	-	-	14	14	3	17
Issuance of convertible bonds (net of tax) - capital component (see Note 17)	-	13	-	-	-	-	-	13	-	13
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(1)	(1)
As of December 31, 2023	167	2,390	(2)	866	180	(39)	5,019	8,581	71	8,652

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

Consolidated Statements of Changes in Equity (cont.)

In NIS million	Attributable to Company's shareholders								Non-controlling interests	Total equity
	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 year ended December 31, 2022										
As of January 1, 2022	155	1,642	(21)	1,167	180	(39)	4,642	7,725	62	7,787
Income for the period	-	-	-	-	-	-	121	121	6	126
Other comprehensive income (loss) items:										
Foreign currency translation differences in respect of foreign operations carried to capital reserve	-	-	19	-	-	-	-	19	-	19
Foreign currency translation differences in respect of foreign operations stated in profit and loss	-	-	-	-	-	-	-	-	-	-
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 losses from a defined benefit plan	-	-	-	-	-	-	11	11	-	11
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:										
Exercise and expiry of options for senior employees	-	-	-	-	-	-	-	-	-	-
Issuance of share capital	6	486	-	-	-	-	-	492	-	492
Share-based payments	-	-	-	-	-	-	15	15	-	15
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 financial statements are an integral part thereof.

Consolidated Statements of Changes in Equity (cont.)

In NIS million	Attributable to Company's shareholders								Non-controlling interests	Total equity
	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 year ended December 31, 2021										
As of January 1, 2021	155	1,639	(23)	852	180	(39)	3,535	6,299	57	6,356
Income for the period	-	-	-	-	-	-	1,082	1,082	5	1,086
Other comprehensive income (loss) items:										
Foreign currency translation differences in respect of foreign operations carried to capital reserve	-	-	(7)	-	-	-	-	(7)	-	(7)
Foreign currency translation differences in respect of foreign operations stated in profit and loss	-	-	10	-	-	-	-	10	-	10
Net change in fair value of financial assets classified as available for sale carried to capital reserve	-	-	-	1,382	-	-	-	1,382	2	1,384
Net change in fair value of available for sale financial assets carried to the income statement	-	-	-	(938)	-	-	-	(938)	(1)	(939)
Impairment loss of available-for-sale financial assets carried to the income statement	-	-	-	34	-	-	-	34	-	34
Actuarial gains from a defined benefit plan	-	-	-	-	-	-	5	5	-	5
Tax for comprehensive income (loss) items	-	-	(1)	(164)	-	-	(2)	(166)	-	(166)
Other comprehensive income for the period, net of tax	-	-	2	314	-	-	4	320	1	321
Total comprehensive income for the period	-	-	2	314	-	-	1,085	1,402	5	1,407
Transactions with shareholders carried directly to equity:										
Exercise and expiry of options for senior employees	-	3	-	-	-	-	(3)	-	-	-
Issuance of share capital	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	24	24	-	24
As of December 31, 2021	155	1,642	(21)	1,167	180	(39)	4,642	7,725	62	7,787

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

Consolidated Statements of Cash Flow

In NIS million	Appendix	For the year ended December 31		
		2023	2022	2021
Cash flows from operating activities				
before income tax	(a)	(4,072)	(2,175)	7,531
Paid income tax		(240)	(412)	(440)
Net cash provided by (used in) operating activities		(4,312)	(2,587)	7,092
Cash flows from investing activities				
Gains on disposal of investments in other investees		-	29	24
Credit provided to card holders and merchants, net		(428)	-	-
Proceeds from the disposal of an investment in financial assets by companies other than insurance and finance companies		106	7	183
Deferred payment in the Max acquisition		(380)	-	-
Investment in financial assets by companies other than insurance and finance companies		(908)	(181)	(64)
Investments in shares and loans in investees		(4)	(9)	(15)
Acquisition of a company consolidated for the first time net of cash received	(f)	(294)	-	(66)
Investment in property, plant and equipment		(32)	(22)	(31)
Investment in intangible assets		(296)	(190)	(192)
Net cash used for investing activities		(2,236)	(366)	(162)
Cash flows for financing activities				
Issuance of share capital (less issuance expenses)		-	492	-
Credit from banking corporations, net		46	-	-
Proceeds from the issue of subordinated notes and bonds (see Note 26)		2,071	495	731
Costs of issuing and exchanging subordinated notes and bonds		(15)	(7)	(7)
Repayment of subordinated notes		(431)	-	(530)
Repayment of lease liability		(93)	(75)	(57)
Interest paid on bonds, subordinated notes, and credit from banking corporations		(141)	(121)	(122)
Dividend paid		(1)	-	-
Net cash provided by financing activities		1,436	785	16
Effect of exchange rate fluctuations on balance of cash and cash equivalents		27	100	(51)
Net increase (decrease) in cash and cash equivalents		(5,084)	(2,067)	6,895
Cash and cash equivalents at the beginning of the year	(b)	12,050	14,117	7,222
Cash and cash equivalents at end of the year	(c)	6,966	12,050	14,117

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

Consolidated Statements of Cash Flow (cont.)

In NIS million	For the year ended December 31		
	2023	2022	2021
(a) Cash flows from operating activities before income taxes ^{1) 2)}			
Income for the period	223	126	1,086
Items not involving cash flows:			
The Company's share in profits of equity-accounted investees	(8)	(3)	(29)
Change in liabilities in respect of insurance contracts and non-yield-dependent investment contracts	362	1,039	1,697
Change in liabilities in respect of insurance contracts and yield-dependent investment contracts	1,813	(3,601)	16,162
Change in deferred acquisition costs	(87)	(261)	(197)
Change in reinsurance assets	719	(106)	(789)
Depreciation of property, plant, and equipment and right-of-use asset	125	91	91
Amortization of intangible assets	332	231	234
Credit loss expenses	411	-	-
Amortization of excess cost for credit card receivables	(103)	-	-
Impairment of intangible assets	5	8	9
Interest and linkage differentials accrued for subordinated notes and a lease liability	235	194	169
Accrued interest and revaluation of liabilities to banking and other corporations	289	(*101)	(*53)
Interest paid in Max	(340)	-	-
Change in fair value of investment property in respect of yield-dependent contracts	13	(174)	(194)
Changes in fair value of other investment property	21	(47)	(80)
Share-based payment transactions	17	15	24
Investment income, net on financial investments in respect of insurance contracts and yield-dependent investment contracts	(3,940)	(*8,038)	(*9,227)
Income tax	124	68	494
Losses (gains), net on other financial investments:			
Liquid debt assets	29	(116)	(175)
Illiquid debt assets	(1,073)	(1,441)	(862)
Shares	(66)	(55)	(299)
Other	95	(*448)	(*541)
Financial investments and investment property in respect of yield-dependent contracts:			
Acquisition of investment property	(74)	(463)	(137)
Proceeds from sale of investment property	-	-	234
Sales (acquisitions), net of financial investments	(3,528)	(*1,646)	(*1,541)
Proceeds (investments) from the sale of available-for-sale financial assets and investment property in insurance businesses:			
Liquid debt assets	665	(1,115)	(551)
Illiquid debt assets	(352)	498	874
Shares	150	61	167
Other	(450)	294	(250)
Derivatives	(864)	(*121)	(*834)
Acquisition of other investment property	(28)	(163)	(55)
Proceeds from sale of other investment property	-	-	96

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 detailed in Appendix D.

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

(*) Reclassified.

Consolidated Statements of Cash Flow (cont.)

In NIS million	For the year ended December 31		
	2023	2022	2021
(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	(4)	4	(26)
Receivables for credit card transactions, net	472	-	-
Receivables and debit balances	1,474	(2,764)	102
Collectible premium	16	(105)	(97)
Payables and credit balances	(184)	(1,003)	255
Payables for credit card transactions	(558)	-	-
Liabilities for employee benefits, net	1	(3)	2
Total cash flows from operating activities before income taxes	(4,072)	(2,175)	7,531
(b) Cash and cash equivalents at the beginning of the year:			
Cash and cash equivalents in respect of yield-dependent contracts	8,458	9,993	5,273
Other cash and cash equivalents	3,591	4,124	1,949
Balance of cash and cash equivalents at beginning of year	12,050	14,117	7,222
(c) Cash and cash equivalents at end of the year:			
Cash and cash equivalents in respect of yield-dependent contracts	4,418	8,458	9,993
Other cash and cash equivalents	2,548	3,591	4,124
Balance of cash and cash equivalents at end of year	6,966	12,050	14,117
(d) Cash flows for interest and dividend received, included in operating activity:			
Interest received	2,147	1,423	1,530
Dividend received	479	668	803
Included in investing activity by Max:			
Interest received	939	-	-
(e) Transactions not involving cash flows:			
Investment in intangible assets against payables and credit balances	-	-	6
Payables - acquisition of an associate	7	10	-
Payment of deferred deposits against payables and credit balances	-	264	-

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

Consolidated Statements of Cash Flow (cont.)

In NIS million	For the year ended December 31		
	2023	2022	2021
(f) First-time consolidation of an acquired company:			
Excess cost upon acquisition (see Note 9 below)	(281)	-	-
Goodwill upon acquisition (see Note 9 below)	(428)	-	-
Intangible assets	(255)	-	(79)
Deferred tax assets	(38)	-	-
Current tax assets	(1)	-	-
Property, plant & equipment	(131)	-	-
Right-of-use asset	(198)	-	(2)
Receivables for credit card transactions, net	(15,432)	-	-
Receivables and debit balances	(52)	-	(3)
Other financial investments	(3)	-	-
Issuance of Company shares (see Note 17 below)	253	-	-
Investments in investees	(7)	-	-
Liability for employee benefits, net	27	-	-
Lease liability	198	-	2
Deferred tax liabilities	8	-	7
Liabilities for current taxes	22	-	-
Payables for credit card transactions	8,649	-	-
Payables and credit balances	463	-	8
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)	-	(66)
Consideration paid	(790)	-	(74)
Cash of the acquired company	496	-	8
Total investment in acquisition of consolidated companies consolidated for the first time	(294)	-	(66)

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

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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 segments as well as in the credit card segment.

The consolidated financial statements as of December 31, 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 mainly in the insurance and finance segments, including pension, provident and holding insurance agencies, as well as credit card transactions, which include issuance, acquiring and processing of debit cards, providing payments solutions and financial products, including credit to private and business customers.

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

On December 8, 2019, the Company received a letter from the Commissioner (hereinafter - the **"Commissioner's Letter"**), where under, among other things, the Commissioner announced that in light of the changes in the holding rates of IDB Development Corporation Ltd. (hereinafter - **"IDB Development"**)¹ in the Company's securities, the Commissioner reviewed the issue of control in the Company. In accordance with the Commissioner's Letter, as part of the said review, the Ministry of Justice, the Israel Securities Authority and the Israel Competition Authority's positions on the matter were also received. The findings of the said review, which according to the Commissioner are based on the Company's representations, indicated that as of the date of the letter, there is no entity or person that holds, directly or indirectly, means of control in the Company in a manner that establishes a requirement to obtain a control permit in the Company in accordance with Section 32(b) to the Financial Services Supervision Law (Insurance), 1981 (hereinafter - the **"Supervision Law"**), and therefore the Company must obtain from the Commissioner a control permit in Clal Insurance Company (hereinafter - **"Clal Insurance"**). Further to the above, on October 19, 2020, the Company received a letter from the Commissioner with respect to "Update regarding the Outline for Exercising Means of Control in Clal Insurance" (which replaced the Commissioner's letter on this topic of July 21, 2020), which provides, among other things, the Commissioner's reference to the arrangements that will apply to the exercise of the Company's means of control in Clal Insurance, including with respect to the appointment of directors in Clal Insurance and in the Company, and participation in Clal Insurance's General Meeting (hereinafter - the **"Outline for Exercising Means of Control"**). On November 30, 2020, and on December 25, 2022, the Commissioner received a clarification letter in connection with the Outline for Exercising Means of Control. For further details regarding the Outline for Exercising Means of Control, including the appointment of directors in the Company and in Clal Insurance, see Section C(2) below; the Outline for Exercising Means of Control and the letters that were received replace the requirement to obtain a control permit.

On March 27, 2023, the Company received a letter from the Commissioner (hereinafter - the **"Commissioner's Letter"**), which includes, among other things, an update to the insurer license of the institutional entities that are controlled by the Company, and conditions that will apply to the Company in connection with the holding of means of control in Clal Insurance; it was decided that the Outline for Exercising Means of Control in Clal Insurance (see Section 1C below) shall continue to be in effect, and a reference was made to the Company's financial stability and its commitment to Clal Insurance, as a derivative of the Max It Finance Ltd. purchase transaction. For further details about the financial liabilities, see Note 26 below.

B. Developments in the reporting period for the control of and holdings in the Company and in Clal Insurance

In accordance with the provisions of the Supervision Law, a holding of more than five percent of a certain type of means of control in an institutional entity is conditional upon the receipt of a permit from the Commissioner to hold means of control, and a control in an institutional entity or an insurance agency also requires a permit from the Commissioner.

As of the report publication date, to the best of the Company's knowledge a number of entities received a permit to hold means of control, including institutional entities.

1. In accordance with the Commissioner's Directives, during the period from 2017 through January 2021 all Company shares that were held by IDB Development - directly and through a trustee to the Company's control shares - were sold, some through swaps, which were all completed as of the report date.

For more information about a holding permit that was awarded to Mr. Alfred Akirov, see Section B1 below.

It should also be noted that according to information provided by the Commissioner to the Company, on March 29, 2022, the Commissioner awarded to Mr. Shalom Shai and Ms. Natala Shai a permit to hold up to 10% of the means of control in the Company and in the institutional entities it controls. To date, Mr. Shalom Shai and Ms. Natala Shai hold approx. 5.07% of Clal Holdings' shares together with Dona Engineering & Construction Co. Ltd.

Among other things, the permit's terms and conditions stipulate that the permit holders will not enter into an arrangement or agreement with a third party in connection with the permit holders' holding of means of control in the Company and in the institutional entities it controls, unless the Commissioner's advance written approval was obtained.

Furthermore, the permit holders undertook to the Commissioner that they will not act - alone or with others - in a manner that will result with them controlling the Company; they also undertook not to act in collaboration with another holder of means of control in the Company in connection with a vote on the appointment of a director, or regarding the termination of his/her term in office, or any other matter on which the General Meeting will be required to decide.

It should be clarified that as of the report publication date, the requirement to report to the Company about the holdings of the Company's shareholders applies only to interested parties as defined in the Securities Law, 1968, and that the Company does not have information about the status of the holding permits or changes made thereto beyond what is stated above.

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

On May 11 and 12, 2020, Clal Insurance received the Commissioner's letters to Mr. Moshe (Mori) Arkin and Mr. Alfred Akirov (separately to each of them), in which he clarifies, following the reports of May 6 and 10, 2020, that the holding permit awarded to Mr. Arkin for the holding of up to 8% of the Company's shares, and the holding permit awarded to Mr. Akirov for the holding of up to 10% of the Company's shares of April 5, 2020, does not enable them, or anyone acting on their behalf, to act, independently or together with others, in a manner that will result in directing the activity of Clal Insurance, including, among other things, through involvement in the decision making processes regarding the appointment of its directors and officers. It is noted that to the best of the Company's knowledge, currently, Mr. Arkin does not hold Company shares, and Mr. Akirov holds 15% of the Company's shares.

It should also be noted that according to information provided by the Commissioner to the Company, on July 1, 2021, the Commissioner awarded to Mr. Alfred Akirov, Mr. Georgi Akirov and Ms. Sharon Akirov (hereinafter - the "Permit Holders") a permit to hold up to 15% of the means of control in the Company and in the institutional entities it controls. Among other things, the permit's terms and conditions stipulate that the permit holders will not enter into an arrangement or agreement with a third party in connection with the permit holders' holding of means of control in the Company and in the institutional entities it controls, unless the Commissioner's advance written approval was obtained. Furthermore, the permit holders undertook to the Commissioner that they will not act - alone or with others - in a manner that will result with them controlling the Company; they also undertook not to act in collaboration with another holder of means of control in the Company in connection with a vote on the appointment of a director, or regarding the termination of his/her term in office, or any other matter on which the General Meeting will be required to decide.

To the best of the Company's knowledge, according to information that is available to the public but was not delivered to the Company, the Permit Holders requested from the Commissioner a control permit in the Company and the institutional entities it controls.

According to an immediate report of Alrov Properties & Lodgings Ltd. (hereinafter - "**Alrov**") of March 15, 2022, discussions are held between Alrov and the Commissioner, as part of which Alrov suggested a number of outlines for obtaining a control permit in respect of the acquisition of further 15% of the Company's shares, in connection with its compliance with the Market Concentration Law. According to Alrov's report, the Commissioner asserted that he rejects Alrov's interpretation, and Alrov reported that it continues the negotiations with the Commissioner, including discussing other alternatives it wishes to consider.

In September 2022, it was published in the business press, that further to Alrov Properties & Lodgings Ltd.'s application for a control permit in Clal Insurance, the Committee for Reducing Concentration stated that in its opinion Clalbit Finance Ltd., a subsidiary of Clal Insurance (hereinafter - "**Clalbit Finance**"), should be deemed a non-financial corporation for the purpose of Chapter D of the Market Concentration Law, thereby rejecting the Capital Market Authority's interpretation, and therefore Clalbit Finance's debts are deemed as the debts of a non-financial corporation.

In September 2022, the Taskforce for Assessing Chapter D of the Market Concentration Law published its report, in which it was suggested to define an insurer's issuance corporation as a financial entity, which is to say, it is recommended that Clalbit Finance shall be deemed a financial entity for the purpose of Chapter D of the Market Concentration Law.

On December 25, 2022, Alrov reported that it received a letter from the Commissioner, in which it was noted that at this stage the Authority does not intend to issue an interpretation that is different to that of the Market Concentration Committee as stated above (according to the report, the position of the Committee for Reducing Concentration was received by the Commissioner on September 5, 2022 and attached to the Authority's letter), Alrov also reported that as of the reporting date, if it is decided to award Alrov a control permit in the Company, in view of the required credit amount, there is a deviation of approx. a NIS 163 million (as of June 30, 2022), and under those circumstances the control over the Company by those requesting the permit is not in compliance with the provisions of Section 32A(b) to the Supervision Law.

Furthermore, with regard to a number of alternatives and outlines suggested as part of the discussions with Alrov, it is noted in the Authority's letter that the outline whereby all of the Company's means of control will be held by the individuals who applied for the permit - the Akirov family members through companies under their control - is possible. In addition, in its letter, the Authority noted that it does not intend to issue a conditional control permit. In relation to the merger of Clalbit into the Company, it was noted in the Authority's position, that the Authority position is that "since Clalbit plays an important role in the management of Clal's capital. Such a merger is not consistent with proper business management, and may even have an adverse effect on it under certain scenarios". Alrov reported that it is expected to continue its negotiations with the Authority in order to try and bring it round to its point of view in connection with the issues raised above, and in order to raise other alternatives and outlines.

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 subsidiary for the purpose of the Law for the Promotion of Competition and Reduction of Concentration, 2013, without dismissing the other plans under consideration. On July 25, 2023, Alrov reported it had 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. In its financial statements for 2023 dated March 25, 2024, Alrov announced that on December 24, 2023 it refiled an application for a permit to control Clal Insurance together with a number of outlines (hereinafter - **"Revised Control Permit for Clal Insurance"**) and that it is presently negotiating with the Capital Market Authority regarding the Revised Control Permit for Clal Insurance.

It is noted that on February 23, 2023, the Company received a permit to hold means of control in WPI from the Banking Supervision Department, and on March 27, 2023, Max's acquisition transaction was completed (for further details, see Note 46 below). As a result, certain Company shareholders were required to obtain a permit if they hold more than 5% of the Company's share capital.

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, 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. Later, Alrov reported in its financial statements that it has filed the said application.

C. Provisions regarding the appointment of directors in the Group

During the period in which a trustee served in connection with the Company's control shares, the Commissioner issued various directives dealing with the appointment of directors in the Group, including through a committee for the appointment of directors in Clal Insurance and in the Company, headed by the Honorable (Retired) Judge Sara Gadot, that was appointed by the Commissioner in 2015 to recommend to the trustee suitable candidates for service as directors (hereinafter - the **"Gadot Committee"**). According to the recommendations of the Gadot Committee, directors and external directors were appointed from time to time to the Company and Clal Insurance.

In its letter of December 8, 2019, in which it was stated that no entity holds, whether directly or indirectly, the means of control in the Company, the Commissioner stipulated, bearing in mind the presumption which is prescribed in the definition of an "insurer", in accordance with Section 31(a) to the Supervision Law, that the provisions as per the Supervision Law regarding arrangements for the appointment of directors in an insurer with no controlling shareholder, apply both to the Company and to Clal Insurance.⁽²⁾

Under these circumstances, the Commissioner deemed it right to prescribe in the terms and conditions of Clal Insurance's control permit, that without derogating from the provisions of any law, the mechanism employed to appoint directors in the Company and Clal Insurance shall be similar to the mechanisms currently set in the Supervision Law regarding the appointment of directors in insurers without a controlling shareholder, without prejudice to other shareholders' right to put forward candidates, in accordance with the provisions of the law, if the shareholder has such a right.

On July 21, 2020, October 19, 2020, November 30, 2020, and December 25, 2022, the Company received from the Commissioner letters in connection with the Outline for Exercising Means of Control in Clal Insurance, which include, among other things, a reference to the mechanism for appointment of directors in Clal Insurance and in the Company, as detailed below.

On March 27, 2023, the Company received from the Commissioner a letter, which stipulated, among other things, that the Outline for Exercising Means of Control in Clal Insurance, as stated in the Commissioner's letters referred to above, shall remain valid.

In his letter of March 27, 2023, the Commissioner stipulated, among other things, as an appendix to the insurer license of the Group's institutional entities, that in accordance with the Commissioner's power to approve an officer in Clal Insurance, Clal Pension and Provident Funds, or Clal Credit Insurance, who serves at the same time as an officer in Max or in WPI, the Commissioner shall take into account, among other things, the number of officers in the institutional entities of the Clal Group, who serve at the same time as officers in Max or WPI, and their role. It is clarified that such service of up to two officers in Max or WPI - provided that none of them serves as the Chairman of the Board - shall not constitute a significant consideration in the Commissioner's assessment of the appointment of a candidate for service as an officer in Clal Insurance, Clal Pension and Provident Funds, or Clal Credit Insurance, as stated above, provided that each application shall be assessed on its own merits.

It is the Commissioner's position that in view of the corporate structure of the Group whereby Clal Insurance is a privately-held company, which is controlled by the Company - which is a publicly-traded company with no ultimate controlling shareholder - aiming to implement the purposes of the Supervision Law regarding an insurer without a controlling shareholder and set a comprehensive and adequate arrangement in relation to the holdings structure in Clal Insurance at this time, an outline should be agreed that will ensure the implementation of the relevant purposes, in accordance with the principles, the key points of which are listed below. According to the Outline for Exercising Means of Control, these principles shall be prescribed, among other things, in the control permit that will be awarded to the Company, by the power vested in the Commissioner under Section 32(b) to the Supervision Law, as follows: Clal Insurance will be subject to the provisions regarding "an insurer without a controlling shareholder", including the provisions of Sections 41K and L to The Supervision Law, and the provisions of the Board of Directors' Circular regarding an insurer without a controlling shareholder, subject to the adjustment that will be described below. An external committee will be set up, which will recommend the appointment of directors in Clal Insurance in accordance with the provisions of The Supervision Law regarding an insurer without a control core.²

In view of the above, the Commissioner set an outline for selecting directors as detailed in his letters, the key points of which are as follows:

- A. All directors in Clal Insurance (excluding EDs and independent directors) shall be put forward for appointment by the General Meeting once a year.
- B. The Company's Board of Directors will be allowed to put forward candidates for service as directors in the Board of Directors of Clal Insurance (notwithstanding the provisions of the law regarding an insurer without a controlling shareholder - the board of directors will be allowed to put forward more than one candidate);
- C. The Board of Directors of Clal Insurance will be allowed to put forward candidates on its behalf, but will not be allowed to appoint directors in Clal Insurance;
- D. The search committee will also put forward candidates for service in the Board of Directors of Clal Insurance. The search committee will put forward candidates for service at the maximum number of directors, whose appointment will be discussed in the General Meeting. In the case of appointment of directors outside the annual General Meeting, the number of candidates that will be recommended by the search committee shall be at least twice the number of available positions.
- E. In order to secure the independence of the insurance company's board of directors, and as part of the Commissioner's power to approve the appointment of officers, the Commissioner will ensure, among other things, that the majority of directors, who were appointed to serve in Clal Insurance's Board of Directors, were appointed at the recommendation of the search committee, and that there is no affiliation, as defined

² In accordance with the Commissioner's Letter, under the definitions of Section 31A to the Supervision Law, both the Company and Clal Insurance are deemed an "insurer" for the purpose of assessing control in Clal Insurance

³ The committee's work procedures shall be determined in accordance with Section 41Q of The Supervision Law. The members of the committee dealing with Clal Insurance are: The committee's chair - the Honorable (Ret.) Judge Joseph (Sephil) Eilon; Prof. Efraim Sadka; Mr. Abraham Rinot; Dr. Rachel Adatto (independent director in Clal Insurance); Prof. Orly Sade Ben Ami (independent director in Clal Insurance).

in Section 240(b) to the Companies Law, 1999, mutatis mutandis, between the candidate for service as a director and Clal Holdings. It was also clarified that in relation to directors, the appointment of which will be recommended to the General Meeting of Clal Insurance by the search committee, a service as a Company director shall not be deemed by the Commissioner - in and of itself - as grounds for refusing service as a director,³ and that the aforesaid does not derogate from the option of appointing a Company director as a director in Clal Insurance, subject to the Commissioner's discretion. It was further clarified that the Commissioner may, subject to his discretion, approve a board composition where the number of directors appointed from among those recommended by the search committee will be lower than a majority of the directors, but reasonable under the circumstances.

- F. It was clarified that the number of directors, who serve in the Board of Directors of Clal Insurance, may be determined by Clal Insurance's General Meeting, without derogating from the provisions of the Board of Directors' circular regarding institutional entities, and from the powers of the Commissioner in general.
- G. The Chairman of the Board shall be from among those whose service will be recommended by the committee, but the Board of Directors may select a chairman who was not recommended by the committee; however, in such a case, the board will be required to explain its decision and will be required attach it; in the event of a tie vote, the chairman will have a casting vote.

According to the outline, no provisions were set by the Commissioner regarding the appointment of Company directors; however, it was stipulated that the entity or person that proposed the appointment of a third of the directors serving in the Company, and whose proposition was approved, shall be deemed as the controlling shareholder thereof, and accordingly, may be required to obtain a control permit from the Commissioner. Furthermore, on December 25, 2022, a clarification was received from the Commissioner in connection with the Outline for Exercising Means of Control in Clal Insurance, whereby, so long as a director, whose candidacy was put forward by a holder or a body of holders, serves in the Board of Directors of Clal Insurance and in the Board of Directors of Clal Holdings, the candidacy of another director, who was appointed as a director in Clal Holdings, will not be proposed to the Board of Directors of Clal Insurance, in accordance with the proposition of that holder or body of holders.

According to information delivered to the Company, on January 26, 2021, the search committee published its work procedures; on April 12, 2021, the search committee published a call for proposals regarding the submission - to the committee - of a candidacy for service as a director in Clal Insurance. It is noted in the call for proposals that in view of Clal Insurance's needs, the required number of directors is up to seven ordinary directors and one independent director. On August 1, 2021, the committee's recommendations were submitted to the Board of Directors of Clal Insurance, in which the search committee recommended that the General Meeting of Clal Insurance appoints eight candidates for the role of directors in Clal Insurance, of which three directors who agreed to serve as independent directors.

Accordingly, on September 12 and 30, 2021, and in February 2023, General Meetings of Clal Insurance convened, which passed resolutions to appoint directors in Clal Insurance in accordance with the committee's recommendations regarding candidates for service in the Board of Directors of Clal Insurance, and taking into consideration other candidates put forward by the Company's Board of Directors, all in accordance with the Company's discussions with the Commissioner. In February and December 2023, the General Meeting approved the appointment of directors in Clal Insurance, from among the directors, who served in Clal Insurance and in the Company. Currently, the Company's Board of Directors comprises 8 members. Clal Insurance's board of directors comprises 11 members, 5 of whom also serve in the Company.

Noting the fact that the Company is a company without a control core, and as part of the Board of Directors' preparations for the annual General Meeting, in September 2020 the Board of Directors appointed a special board of directors committee, that will serve, among other things, as a committee that will issue recommendations to the Board of Directors in connection with the formulation of a list of recommended criteria for the appointment of directors in the Company, and will recommend other suitable candidates for service in the Company's Board of Directors (hereinafter - the "**Company's Search Committee**").

On January 3, 2021, in the general meeting, three of the directors recommended by the shareholders, two serving directors and one external director recommended by the board of directors were appointed.

On December 27, 2021, an extraordinary and annual general meeting of the Company convened with reappointment of serving directors on the agenda, as well as appointment of one external director out of two

³ Directors who were put forward for service in Clal Insurance's Board of Directors by the Gadot Committee shall be deemed by the Commissioner as directors put forward by the search committee.

candidates proposed from a list of candidates identified by the Company's search committee prior to the previous annual general meeting, who are qualified to serve as external directors and have accounting and financial expertise; in addition, Alrov applied to the Company to present the candidacy of another candidate for director in the Company, who was not appointed. At the meeting, all serving directors and one external director were reappointed.

On April 14, 2022, an extraordinary general meeting was summoned for May 23, 2022, at the request of Alrov, which holds 15% of the Company's shares, to elect and appoint more directors recommended by it.

At that meeting, the appointment of one director recommended by Alrov was approved.

On September 19, 2022, the Company published a preliminary notice regarding its intention to convene a shareholders' meeting in December 2022. Following the notice, two shareholders contacted the Company and proposed candidates to serve as directors of Clal Insurance, who were recommended to the general meeting of shareholders. Under the meeting summons, renewal of the tenure of all ordinary serving directors was proposed, among other things, due to the fact that most of the serving directors whose candidacy was proposed were appointed at the recommendation of the search committee (the external search committee on behalf of the Commissioner (Gadot Committee) and/or the internal search committee as specified above) due to the importance of maintaining the stability of the Company's board of directors.

In a shareholders' meeting convened on January 4, 2023 as stated above, 6 directors were appointed from among 7 candidates (4 serving directors (one of whom was put forward by a shareholder), and two other directors who were put forward by shareholders).

On September 19, 2023, the Company published a preliminary notice regarding its intention to convene a shareholders' meeting in December 2023. Under the meeting summons, renewal of the tenure of all the ordinary serving directors was proposed, and no additional candidates were proposed by the shareholders.

2. Implications

As of the report 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 publicly-traded 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 is 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.

D. Definitions - In these financial statements:

The Company	- Clal Insurance Enterprises Holdings Ltd.
The Group	- The Company and its consolidated companies.
Consolidated companies/ subsidiaries	- Companies, including a partnership, whose financial statements are fully consolidated, directly or indirectly, with the financial statements of the Company.
Investees	- Consolidated companies and companies, including a partnership or joint venture, the Company's investment in which is included, directly or indirectly, in the financial statements based on the equity method.
Joint arrangements	- Arrangements in which the Group has joint control that was achieved by a contractual

The Company	- Clal Insurance Enterprises Holdings Ltd. agreement, which requires unanimous consent with regard to the activities that have a significant effect on the arrangement's returns. Investment in joint arrangements is classified as joint operations or joint ventures, based on the rights and obligations of the parties to the arrangement. Joint ventures are all joint arrangements, which are incorporated as a separate entity, where the Group has rights to the net assets of the joint arrangement.
Associates	Associates are entities in which the Group has significant influence over the financial and operating policies, but is not a controlling shareholder therein, and the Company's investment in which is presented in the Company's consolidated financial statements based on the equity method.
Interested parties	- As defined in Section (1) of the definition of an "interested party" in a company in Section 1 of the Israel Securities Law, 1968.
Related party	- As defined in IAS 24 (2009), Related Party Disclosures.
The Commissioner	- Commissioner of the Capital Market, Insurance and Savings Authority.
The Supervision Law	- Financial Services Supervision Law (Insurance), 1981 and amendments thereto.
The Capital Regulations	Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required of an Insurer), 1998, including amendments thereto, which were revoked in 2018. See Note 17(f).
Investment Rules Regulations	Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012, and the Commissioner's guidance thereunder.
Economic Solvency Regime	- As defined in Insurance Circular 2017-1-9
Calculation of Reserves Regulations	- The Supervision of Financial Services Regulations (Insurance) (Calculation of Insurance Reserves in Property and Casualty Insurance), 2013.
Insurance contracts	- A contract under which one party (the insurer) assumes a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Investment contracts	- Policies that do not constitute insurance contracts.
Yield-dependent contracts	- Insurance contracts and investment contracts in life and long-term care health insurance, in which the insurer's liabilities for the savings or risk component are mostly linked to the yields on the investment portfolio (participating policies), in assets for yield-dependent contracts.
Assets for yield-dependent contracts	- Assets held against liabilities arising from yield-dependent contracts.
Hetz bonds	- CPI-linked government bonds, which the government issued to the insurance companies, and which back guaranteed return policies.
Liabilities in respect of insurance contracts	- Insurance reserves and contingent claims in the long-term savings, property and casualty insurance and health insurance segments.
Reinsurance assets	- Reinsurers' share in liabilities in respect of insurance contracts.

The Company	- Clal Insurance Enterprises Holdings Ltd.
Premiums	- Premiums including fees.
Premiums earned	- Premiums relating to the reporting period.
B2B	- Business to Business - sales conducted between companies or merchants.
B2C	- Business to Customer - sales to a single consumer.
CVA	- Credit Valuation Adjustment - the calculation of the credit risk in derivatives, which reflects the loss that the company is expected to incur if the counterparty to the transaction will experience a credit default.
CECL	- Model for estimating allowances for current expected credit losses in accordance with US GAAP, which is applied in Max's financial statements.
Restructuring of troubled debt	- A debt regarding which - for economic or legal reasons related to a debtor's financial difficulties - the Company granted a change in the debt repayment terms.
Basel	- Banks' risk management directives set by the Basel Committee on Banking Supervision, which is engaged in supervising and setting standards for the supervision of banks across the world. The directives of the Basel Committee serve as a benchmark for leading standards designed to ensure the stability of financial institutions.
Common Equity Tier 1 capital in Max	- The issued and paid-up share capital, plus accumulated earnings, premiums and capital reserves.
Issuance by Max	- The operation of a credit card function, which comprises, among other things, the issuance of credit cards, provision of services to customers holding credit cards, and the execution of ongoing settling of accounts with acquirers in exchange for an issuer's fee.
Specific provision in Max	- A provision that is set in accordance with a specific assessment of each and every debt, and determined based on the expected cash flow discounted by the debt's original interest rate.
Collective provision in Max	- A provision applied to large groups of relatively small and homogeneous debts, and in respect of debts that underwent a specific assessment and were found to be unimpaired. The collective provision with respect to off-balance-sheet credit instruments is based on the provision rates that were set for the on balance-sheet credit, while taking into account the expected materialization rate materialization of the off-balance-sheet credit risk.
Flattening in Max	- An increase in short-term interest rates and a decrease in long-term interest rates.
Steepening in Max	- A decrease in short-term interest rates, and an increase in long-term interest rates.
Debt in Max	- A contractual right to payment on demand or at fixed or determinable dates, which is recognized as an asset in the banking corporation's balance sheet.
Special mention debt in Max	- A potentially weak debt which requires special attention by the Company's management.
Substandard debt in Max	- A debt that is not covered sufficiently by the current sound worth and the borrower's repayment capacity or any collateral pledged. On-balance-sheet credit risk that has been classified as substandard debt has a well-defined weakness or weaknesses, which jeopardize the liquidation of the debt.
Impaired debt in Max	- An impaired debt is a debt regarding which the Company expects - based on up-to-date information and events - that it will not be able to collect all the amounts (principal and interest) due in accordance with contractual terms of the agreement.
Capital adequacy ratio in Max	- The ratio between the Company's regulatory capital and its risk-weighted assets in respect of credit risk, market risk, and operational risk, calculated in accordance with the Bank of Israel's directives and reflecting the risk arising from the exposures undertaken by the Company during the course of its operations.
Leverage ratio in Max	- The ratio between the capital and the Company's total exposures.
Acquiring spread in Max	- The difference between the acquirer fee collected from a merchant and the interchange fee paid by the acquirer to the issuer.

The Company	- Clal Insurance Enterprises Holdings Ltd.
Average duration in Max	- The average life until the repayment of assets and liabilities, measured in years.
Credit risk in Max	- The risk that a borrower or a counterparty will fail to meet its obligations to the banking corporation, as they were agreed upon.
Liquidity risk in Max	- A risk to the Company's income and stability stemming from its inability to meet its liquidity needs.
Interest rate risk in Max	- The exposure to changes in interest rates arising from the differences between the repayment dates and the dates on which the interest rates of the assets and liabilities change.
Market risk in Max	- The risk of a loss in on-balance sheet and off-balance sheet positions, arising from a change in the fair value of a financial instrument due to changes in market conditions.
Operational risk in Max	- Risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events.
Acquiring in Max	- Transfer of payments to a merchant against vouchers of transactions carried out using credit cards in exchange for an acquirer fee, which is collected from the merchant.
Interchange fee in Max	- Fee paid by the acquirer to the issuer.
EMV (Europay Mastercard Visa) Standard	- A technical standard for payment transactions using credit cards that contain a chip; it is designed to protect the customer's credit details, and its name is comprised of the names of the international credit organizations that created it.
Return on equity in Max	- Net income divided by average equity.

NOTE 2 - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

A. Preparation format of the financial statements

The financial statements have been prepared by the Group in accordance with International Financial Reporting Standards (hereinafter - "IFRS"). In addition, these financial statements were drawn up in accordance with the disclosure requirements as prescribed by the Commissioner in accordance with The Supervision Law, and the disclosure requirements in accordance with the Securities Regulations (Annual Financial Statements), 2010, to the extent that those regulations apply to a corporation that consolidates insurance companies.

Through December 31, 2022, the Group's consolidated financial statements were drawn up in accordance with IFRS, including in connection with the data relating to insurer consolidated subsidiaries, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010.

As from January 1, 2023, the consolidated financial statements of the Company have been drawn up in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 2010. In accordance with these provisions, those financial statements data that relate to a consolidated subsidiary, which falls within the scope of the definition of insurer, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, are drawn up in accordance with the requirements set by the Commissioner in accordance with the Financial Services Supervision Law (Insurance), 1981.

As outlined in Note 4 below, in accordance with requirements set by the Commissioner, the first-time application date of IFRS 17 regarding Insurance Contracts and IFRS 9 regarding Financial Instruments was postponed to January 1, 2025 (instead of the first-time application date that was set in the standard itself - January 1, 2023). Consequently, during the periods through the date of first-time application in Israel, those data in the financial statements that relate to the subsidiary, as stated above, continue to be drawn up in accordance with IFRS 4 regarding Insurance Contracts, and IAS 39, Financial Instruments (of 2017).

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 Preparation of Financial Statements Regulations, 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 details see Notes 3 and 9 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, with regard to the other issues, including in relation to financial statements data, which do not relate to the said subsidiaries, the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS").

The accounting policies applied to the financial statements have been applied consistently across all the periods presented, unless stated otherwise.

B. Functional currency and presentation currency

Unless otherwise stated, the financial statements are presented in NIS, which is the Company's functional currency, and rounded to the nearest million. The New Israeli Shekel (NIS) is the currency representing the primary economic environment in which the Company operates.

Following are details of rates of change in the consumer price index (hereinafter - the "CPI") and in the representative exchange rates of the euro, the US dollar (hereinafter - the "USD"), and pound sterling:

	In lieu CPI	Known CPI	EUR representative exchange rate	USD representative exchange rate	GBP representative exchange rate
	%				
For the year ended December 31					
2023		3.0	3.3	6.9	3.1
2022		5.3	5.3	6.6	13.2
2021		2.8	2.4	(10.8)	(3.3)
					9.1
					0.8
					(4.3)

	EUR representative exchange rate	USD representative exchange rate	GBP representative exchange rate
As of December 31, 2023	4.012	3.627	4.621
As of December 31, 2022	3.753	3.519	4.235
As of December 31, 2021	3.520	3.110	4.203

C. Measurement basis

The financial statements were prepared in accordance with the historical cost, excluding the following main assets and liabilities:

- Insurance liabilities.
- Financial instruments and derivatives measured at fair value through profit and loss.
- Financial instruments measured at fair value through other comprehensive income.
- investment property measured at fair value.
- Provisions.
- Deferred tax assets and liabilities.
- Assets and liabilities for employee benefits.
- Investments in associates and joint ventures.

For details regarding the measurement of those assets and liabilities, see Note 3 below regarding significant accounting policies.

D. The operating cycle period and reporting structure of the Company

The operating cycle of the Group, which comprises mainly financial institutions, cannot be clearly determined, and mainly exceeds one year, especially with regard to the long-term savings segment, the long-term care and health insurance subsegments in the health insurance segment, and the long-tail property and casualty insurance subsegments.

The consolidated statements of financial position, which include mainly the assets and liabilities of the consolidated insurance companies, were presented according to liquidity, with no distinction made between current and non-current assets. This presentation is also in accordance with the Commissioner guidance and provides information that is more reliable and relevant.

E. Use of estimates and judgments

1. Judgment with significant effect

In applying the Group's significant accounting policies regarding the following topics, management exercised judgment with significant effect on the financial statements:

Classification between insurance contracts and investment contracts - insurance contracts are contracts in which the insurer assumes a significant insurance risk from another party. For each contract, or group of similar contracts, management considers whether they embody a significant insurance risk and should therefore be classified as either insurance contracts or alternatively - investment contracts.

2. Critical estimates

The preparation of financial statements in accordance with IFRS, the Supervision Law, the regulations promulgated thereunder and the Commissioner's guidance, and in accordance with Israeli GAAP and the directives and guidance of the Banking Supervision Department requires that the Group's management use judgments, assessments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. It is clarified that actual results may differ from these estimates, inter alia due to regulatory changes published or expected to be published in the areas of insurance, pension, and provident funds, and there is uncertainty as to the manner of their materialization and implications.

When formulating estimates used in the preparation of the Group's financial statements, the Group's management is required to make assumptions regarding circumstances and events involving considerable uncertainty. When exercising its judgment to determine the estimates, the Group's management relies on past experience, various facts, external circumstances, and reasonable assumptions, including expectations as to the future, where it is possible to formulate such expectations, according to the relevant circumstances of each estimate.

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 revised and for any future affected period.

Following are the key assumptions made in the financial statements in connection with the uncertainty as of the reporting date, and critical estimates that were calculated by the Group, a material change therein - specifically in view of the above-mentioned regulatory changes - may result in a material adjustment to the carrying values of assets and liabilities in subsequent reporting periods:

- a) Liabilities in respect of insurance contracts** - the liabilities in respect of insurance contracts and the liability adequacy testing (LAT) are mainly based on actuarial valuation methods and on assumptions listed in Note 42(e).

The various actuarial valuations and the assumptions are mainly derived from past experience and are based on the fact that past behavior patterns and claims represent what will happen in the future, taking into account, as far as possible, regulatory and business changes. The actuarial valuations and assumptions are checked at least once a year. Changes in risk factors, prevalence or severity of events, as well as changes in the legal situation could have a material effect on the amounts of liabilities in respect of insurance contracts. It should be noted that among other things the following changes may have a material effect on the financial statements: Changes in the estimated life expectancy, the rate of policyholders that opt to withdraw the funds in the form of a pension, the selection of the various annuity tracks, the morbidity rate, the policyholders' retirement age, and the cancellation rate.

As to changes in key assumptions that were used in the calculation of the insurance liabilities in life insurance and health insurance, including the liability to supplement the annuity reserve, see Note 42(e)(e1)(d). As to changes in the calculation of insurance liabilities in property and casualty insurance, see Note 42(e)(e2).

For sensitivity analyses of the insurance risk, see Note 42(e)(e1)(c).

Legal claims outside the ordinary course of business - the assessments as to the chances of the legal claims filed against Group companies rely on the opinion of the legal counsels in relation to the outcome at the end of the proceedings. These opinions are based on their best professional judgment, taking into account the stage of the proceedings, any past legal experience gained with regard to the various issues, and the estimates of the relevant companies regarding the settlement arrangements' amounts, which consolidated companies' managements expect that it is more likely than not that they will pay. It should be emphasized that the results of the legal claims, which will be decided by the courts, might vary from the said assessments. 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 the financial statements. In relation to this matter, it should be noted that events occurring during the litigation process might require renewed assessment of this risk.

It should be emphasized that in the professional opinions of the attorneys in relation to class action certification motions, the attorneys' estimate relates to the chances of the class action certification motion being approved, and only in some of the cases it relates to the odds of the claim itself, should it be certified as a class action. This is so, among other things, due to the stage in which the proceeding is at and since 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.

Where a court rules against Group companies in its judgment in a legal claim (for the avoidance of doubt it is hereby clarified that such a judgment does not include decisions relating to motions to certify claims as class actions and other interim motions), a provision shall be recognized or revised in the first financial statements published after the judgment date, even if in the opinion of the Group's management, based on the opinion of its legal counsels, the outcome of an appeal to a higher court will be different, and that at the end of the proceedings the Group will not be required to pay any amounts (except for cases where it is highly likely that the appeal will be allowed).

In addition to the aforesaid claims, the Group companies are exposed to unasserted claims/lawsuits, where, among other things, there is doubt as to the interpretation of an agreement and/or the provisions of the law and/or the manner of their implementation. Group companies are informed of this exposure in a number of ways, including, among other things: By inquiries made by customers to various functions in the Group, and especially the Group's Ombudsman, via customer complaints to the Public Inquiries Unit in the Capital Market, Insurance and Savings Authority of the Ministry of Finance, and via legal claims (that are not class actions) filed with the court. These issues are brought to the attention of the Group's management to the

extent the relevant functions identify that the claims might have wide-ranging implications. When assessing the risk arising from claims/lawsuits that have not yet been filed, the Group's management relies on internal assessments of the relevant parties and its own assessments, which take into account the chances that a lawsuit will be filed and the prospects of its success if filed. The assessment is based on experience gained with respect to the filing of lawsuits and an analysis of each claim on its own merit. Naturally, actual results may vary from the assessment made prior to the filing of the claim due to the preliminary stage of the legal claim.

For further details, see Note 45.

- b) Impairment of non-financial assets, including goodwill** - the value in use of the asset or the cash generating unit, as the case may be, for the purpose of impairment testing of non-financial assets or goodwill, is estimated based on past experience and on Group management's best estimate regarding the economic conditions that will prevail over the remaining useful life of the asset or the cash generating unit. Changes in the estimates used to measure the recoverable amount may change the recognition of impairment loss.

For further information, see Notes 3(i)(2) and 6(b).

- c) Fair value estimates** - See Section 3 below.

- d) Determining the recoverability of deferred acquisition costs** - the recoverability of deferred acquisition costs is assessed at least once a year by using work assumptions, for example - for life insurance and long-term care insurance policies - the assumptions as to cancellation, mortality and morbidity rates and other factors, as stated in Note 38(e). If those assumptions do not materialize, it may be necessary to accelerate the amortization of the deferred acquisition expenses or even to write them off.

- e) Deferred tax assets** - Deferred tax assets are recognized in respect of carryforward losses for tax purposes and temporary differences which have not yet been utilized, provided that a future taxable income is expected against which they can be utilized. Management is required to exercise judgment in order to determine whether a deferred tax asset should be recognized and the amount of such deferred tax asset that may be recognized, based on the assumption that a taxable income will arise, and the timing and amount of the expected taxable income. For further information, see Note 24.

- f) Impairment of financial assets**

- 1) Financial assets at amortized cost** - provision for doubtful accounts and credit losses for illiquid debt assets, including in respect of loans and receivables, including reinsurers, collectible premium and other debts, and receivables for credit cards is determined for specific debts, and based on a collective assessment of debts that have been grouped based on shared credit risk characteristics. For further information, see Notes 3(f) and (i)(1) and Note 42(f)(2)(a2).
- 2) Available for sale financial assets** - on each reporting date, the Group assesses whether there is objective evidence that the value of the asset was impaired and that impairment should be recorded in respect thereof. In order to test the asset for such impairment, the Group exercises judgment regarding indications that there is objective evidence relating to the percentage of decrease in the fair value and the period over which the fair value decreased. See also Note 3(i)(1).

3. Determining fair value

In order to prepare the financial statements, the Group is required to determine the fair value of financial and non-financial assets and liabilities.

Fair value is the price 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. Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market - in the most advantageous market. The fair value of an asset or liability is based on assumptions to be used by market participants to price the asset or liability, assuming that market participants act in their economic interests. Fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through the highest and best use of the asset, or by selling it to another market participant who will make optimal use of the asset.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observable data and minimizing the use of non-observable inputs.

The fair values were determined for measurement and/or disclosure purposes based on the methods described

below. Further information regarding the assumptions used in determining the fair values is included in the following notes:

- Note 10 - Investment Property, including for yield-dependent contracts
- Note 14, Assets for Yield-Dependent Contracts
- Note 15, Other Financial Investments
- Note 26, Financial Liabilities
- Note 44, Share-Based Payment

The fair value hierarchy

In determining the fair value of an asset or liability, the Group uses as much observable market inputs as possible. Fair value measurements are divided into three levels in the fair value hierarchy, based on the inputs used in the valuation, as follows:

Level 1 - fair value measured using quoted prices (unadjusted) in an active market for identical instruments.

Level 2 - fair value measured using observable inputs, either directly or indirectly, that are not included in Level 1 above.

Level 3 - fair value measured using inputs that are not based on observable market inputs.

The level in the fair value hierarchy, to which the fair value measurement of the asset as a whole belongs, is determined based on the lowest level of inputs which are significant to the fair value measurement as a whole.

F. Reclassified

In the reporting period, immaterial reclassifications were made in the statement of cash flows and Note 28, as well as other immaterial reclassifications.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policy described below was applied consistently by the Group for all periods presented in these consolidated financial statements.

A. Basis of consolidation**1. Business combinations**

The Group applies the acquisition method to all business combinations.

The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Group is exposed, or has rights to, variable returns from its involvement with the acquiree and has the ability to affect those returns through its power over the acquiree. When testing for control, substantive rights held by the Group and others are taken into account.

The Group recognizes goodwill as of the acquisition date at the fair value of the consideration paid, including amounts that were recognized in respect of any non-controlling interests in the acquiree, and the fair value as of the acquisition date of an equity interest previously held in the acquiree by the Group, less the net amount assigned in the acquisition to identifiable assets acquired and liabilities assumed.

Costs associated with the acquisition incurred by the acquirer in respect of a business combination, such as: brokers' commissions, consultants' fees, legal fees, valuations and other fees and commissions relating to professional services or consulting services, except for those relating to issuance of debt or equity instruments in connection with the business combination, are recognized as expenses in the period in which the services were received.

Contingent consideration is recognized at its fair value at acquisition date. If the contingent consideration is classified as a financial asset or liability according to IAS 39 or IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in the income statement or statement of other comprehensive income.

Goodwill is initially measured at cost, which represents the difference between the acquisition consideration and the amount of non-controlling interests and net identified assets acquired and liabilities assumed. If the resulting amount of goodwill is negative, the acquirer will recognize the resulting gain on acquisition date.

2. Subsidiaries

Subsidiaries are entities which are controlled by the Company, whether directly or indirectly. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date of loss of control.

The financial statements of Group-managed pension funds and provident funds (except for Bar A Provident Fund, to whose planholders the Company has guaranteed minimum returns - see Note 42(d)(1)) were not consolidated, since the Group is not directly exposed to variable returns in respect thereof, and therefore does not control those entities.

When assessing control, the Group also took into account the overall relationship between the Group and those entities, and the Group's exposure to variability of returns from other rights it holds. This assessment also relates to the Group's maximum exposure to variability of the returns, such as in respect of management fees, and the Group's undertaking to guarantee returns on planholders' rights in retirement benefit plans.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

3. Non-controlling interests

Non-controlling interests are the portion of equity ownership in a subsidiary not attributable to the Company, whether directly or indirectly.

Measurement of non-controlling interests on the business combination date

Non-controlling interests, which are instruments that grant present ownership rights and grant the holder a share of the net assets in the event of liquidation (for example: ordinary shares), are measured on the business combination date at fair value or based on their proportionate share of the identified assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Allocation of profit or loss and other comprehensive income among shareholders

Profit or loss and any component of other comprehensive income are attributed to the owners of the Company

and to non-controlling interests. The total profit or loss and other comprehensive income or loss are attributable to the Company's shareholders and to the non-controlling interests even if the resulting balance of non-controlling interests is negative.

Transactions with non-controlling interests, while maintaining control

Transactions with non-controlling interests while maintaining control are treated as equity transactions. The Company opted to recognize any difference between the consideration paid or received and the change in non-controlling interests in capital reserve from transactions with non-controlling interests.

4. Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method (except as detailed in Section (f)(6) below), and initially recognized at cost. The investment cost includes transaction costs. The consolidated financial statements include the Group's share in net income or loss, other comprehensive income or loss and net assets of equity-accounted investees, after the adjustments required to reconcile the accounting policies to those of the Group, from the date on which significant influence or joint control is achieved until the date on which significant influence or joint control ceases.

5. Transactions eliminated as part of the preparation of the consolidated financial statements

Intra-group balances and unrealized income and expenses from intra-group transactions were eliminated as part of the preparation of the consolidated financial statements. Unrealized gains from transactions with associates and joint ventures were eliminated against the investment in accordance with the Group's interest in those investments. Unrealized losses were eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

6. Acquisition of a single asset entity

When it acquires a single asset entity, the Group exercises judgment in order to assess whether it acquired a business or an asset for the purpose of determining the accounting treatment that will be applied to the transaction. When it assesses whether the single asset entity constitutes a business, the Group considers, among other things, the nature of the single asset entity's existing processes, including the scope and nature of management, security, cleaning and maintenance services provided to tenants. Where the acquired company is a business, the transaction is accounted for as a business combination as detailed above. However, where the acquired company is not a business, the transactions are accounted for as an acquisition of a group of assets and liabilities. In business combination transactions, the overall acquisition cost, which includes transaction costs, is allocated on a proportionate basis to the identifiable assets and liabilities purchased, based on their proportionate fair value on acquisition date. In the latter case, goodwill is not recognized and neither are deferred taxes in respect of temporary differences existing as of acquisition date.

B. In foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the relevant functional currency of the Group companies at the exchange rates effective on the transaction dates. Monetary assets and liabilities denominated in Foreign Currencies on the reporting date are translated to the functional currency at the exchange rates at that date. Exchange rate differences in respect of monetary items are the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for the effective interest rate and payments during the year, and the amortized cost in foreign currency translated at the exchange rates at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates as of the date on which the fair value was determined. Non-monetary items denominated in Foreign Currencies that are measured at historical cost are translated using the exchange rates at the transaction date.

Exchange rate differences from translation into the functional currency are normally recognized in profit and loss, except for differences arising from translation of non-monetary equity financial assets, which are classified as available for sale and recognized in other comprehensive income (except for impairment, in which case the translation differences that were recognized in other comprehensive income are reclassified to profit and loss).

C. Segment reporting

For details about the financial reporting by segments, see Note 5.

D. Insurance contracts, investment contracts and asset management contracts

IFRS 4, Insurance Contracts, allows an insurer to continue applying the accounting policy it applied prior to the transition date to IFRS reporting in respect of insurance contracts that it issues (including related acquisition costs and related intangible assets) and reinsurance contracts that it acquires.

Following are the Group's significant accounting policies in connection with insurance contracts:

1. Long-term savings and long-term care insurance in the health insurance segment

a) **Revenue recognition** - see Section (I) below.

b) **Liabilities for life insurance contracts and long-term care insurance in the health insurance segment**

The liabilities are calculated according to the Commissioner's Directives (regulations and circulars), generally accepted accounting principles and generally accepted actuarial methods in Israel. The liabilities are included based on an actuarial valuation, and calculated according to the relevant coverage data, such as: the age of the policyholder, number of years of coverage, the insurance type and the amount of insurance, etc. The liabilities also include provisions for ongoing claims and contingent claims, the direct and indirect expenses arising therefrom, and provisions for claims incurred but not reported (IBNR). The reinsurers' share in liabilities is based on the terms and conditions of the relevant contracts.

The liabilities and the reinsurers' share therein are determined by the supervisor actuaries in Clal Insurance, Ms. Debbie Farkash Ollech, F.I.L.A.A. and Mr. Yehoshua Mezin, F.I.L.A.A.

The CPI-linked liabilities, and the CPI-linked investments, which cover these liabilities, were included in the financial statements according to the latest CPI published before the end of the reporting period, including insurance liabilities in respect of life insurance contracts, which were linked to the CPI on a semi-annual basis as per their conditions.

Liabilities to supplement the annuity reserve

Liabilities for future payment of annuity in life insurance contracts are calculated in accordance with the Commissioner's directives, taking into account the improvement in life expectancy, and the change in the annuity realization rate upon retirement of policyholders, which require the Group to monitor the adequacy of the liabilities with respect of insurance contracts, that allow the receipt of an annuity and proper supplementation thereof. Accordingly, where required the Group supplements immediately the liabilities in respect of insurance contracts, for which an annuity is being paid to policyholders that reached retirement age, and in respect of a group of insurance contracts that is not profitable. With regard to other insurance contracts, the Group supplements the liability in respect of the funds accrued in the insurance contracts by the end of the reporting period, in amounts that correspond to the expected income over the insurance contract's period.

For further details, see Note 42(e)(e1).

Contingent claims and claims incurred but not yet reported (IBNR)

Contingent claims, net of the reinsurers' share therein, are calculated on a specific basis, in accordance with Company's experts assessment, based on the notices regarding the insured events and the insurance amounts, and included in the liability in respect of insurance contracts and investment contracts. For claims incurred but not yet reported (IBNR), a provision is calculated based on a statistical model.

Provisions for ongoing claims

The provisions for paid pensions and ongoing claims in disability insurance and long-term care insurance, the direct and indirect expenses arising therefrom, and provisions for claims incurred but not reported (IBNR) are calculated by the Company's supervisor actuaries and included in liabilities in respect of insurance contracts and investment contracts.

c) **Deferred acquisition costs (DAC)**

1) **Life and long-term care insurance contracts**

DAC of life and long-term care insurance contracts sold as from January 1, 1999 includes fees and commissions to agents and purchasing supervisors, and other expenses, including those general and administrative expenses that are related to the acquisition of new insurance contracts. DAC is amortized at equal annual rates over the term of the insurance contract but no longer than 15 years. DAC for canceled or settled insurance contracts are written off at the cancellation or settlement date.

Every year, the supervisor actuaries in the consolidated insurance companies check the recoverability of DAC in accordance with the Commissioner's Directives. This assessment verifies that the insurance contracts are expected to generate future income to cover the DAC deduction and the insurance liabilities, operating expenses and fees and commissions for these insurance contracts. The assessment was conducted collectively at the level of all individual products for all underwriting years. The assumptions used in this assessment, which include assumptions regarding cancellations, operating expenses, return on assets, mortality and morbidity rates, are determined by the Company's actuaries every year on the basis of past experience and relevant current studies.

2) Asset management contracts

Incremental acquisition expenses, which are directly attributed to the acquisition of an investment contract in life insurance, and asset management contracts of pension funds and provident funds, are recognized as DAC when it is expected that the Company will recover those costs. Otherwise, they are recognized as an expense as incurred.

Acquisition expenses that were capitalized as an asset are amortized in the statement of income on a systematic basis, which is consistent with the estimated period of transferring the asset management service, which is validated from time to time. The DAC balance that was accrued through December 31, 2017 is tested for impairment once a year using the discounted cash flow method, under which the projected cash flows from the acquired activity are discounted. In addition, in accordance with IFRS 15, the Company assesses - at least once a year - whether the carrying value of assets recognized on January 1, 2018 and thereafter exceeds the consideration that the entity expects to receive in exchange for the service to which the asset relates, net of the costs directly attributable to the provision of the asset, and which were not recognized as expenses, at undiscounted values. Where necessary, impairment loss is recognized in profit or loss.

d) Liability Adequacy Testing (LAT) reserve

Every year, the insurance company's supervisor actuaries liability adequacy testing in respect of life insurance and long-term care insurance contracts (hereinafter - "**LAT**"), in accordance with the provisions of the Consolidated Circular, Title 5, Part 2, Chapter 1, Appendix C regarding the measurement of liabilities Section 1.1.4 (hereinafter - the "**LAT Circular**"). The LAT is designed to verify that the amount of total liabilities is sufficient to cover the discounted value of the projected cash flows from the insurance contracts: claims, fees and commissions and expenses, net of premiums, and taking into consideration the excess of fair value over the carrying values of the backing assets. The cash flow is discounted by a real risk-free interest rate plus a proportion of the illiquidity premium in accordance with the type of liability. As of December 31, 2023, the illiquidity premium is 0.76% (as of December 31, 2022 - 1.11%), and it was calculated based on the Commissioner's Directives regarding this matter (hereinafter - "**Liability Value**").

If the test shows that the liability amount in the books of accounts is lower than the above Liability Value, a special provision is recorded in respect of the shortfall.

Groups of policies defined by the Commissioner are tested separately. For individual policies, the test is carried out in relation to groups of insurance contracts (including their appendices). The assumptions used for the above-mentioned tests, including assumptions regarding cancellations, operating expenses, return on assets, mortality and morbidity rates, are determined by the Company's supervisor actuaries on the basis of past experience and other relevant current studies, including margin for adverse deviations, all in accordance with the LAT Circular, see Note 42(e)(e1)(d), including with regard to the effects of revisions to the illiquidity premium rate.

e) Investment contracts

Proceeds in respect of investment contracts are charged directly to the liabilities in respect of insurance contracts and investment contracts line item in the statement of financial position, rather than being included in the premiums earned line item in the statement of income. Investment recovery in respect of redemptions and end of period in respect of these contracts are derecognized directly from the liabilities in respect of insurance contracts and investment contracts line item, and not recognized in the statement of income.

The following are charged to the statement of income in respect of these contracts: Investment income, management fees collected from policyholders, changes in liabilities for insurance contracts and investment contracts for the policyholders' share in investment income (profit participation), fees and commissions to agents, and general and administrative expenses.

f) **Provision for profit participation of policyholders in collective insurance**

The provision is included in the payables and credit balances line item in the statement of financial position and the change - in the provision is credited to the premiums line item.

2. P&C insurance and health insurance excluding long-term care

a) **Revenue recognition** - see Section (I) below.

b) **Liabilities for property and casualty insurance and health insurance contracts, excluding long-term care**

The insurance reserves and contingent claims reserves included in the liability in respect of insurance contracts line item in the statement of financial position, and the reinsurers' share in the reserve and in the contingent claims, which is included in the reinsurance assets line item in the statement of financial position were calculated in accordance with the Calculation of Reserves Regulations, the Commissioner's Directives and generally accepted actuarial methods for calculation of contingent claims, which are implemented at the discretion of the Company's actuaries. The liabilities in respect of insurance contracts were mainly calculated by the Company's supervisor actuaries.

The liabilities in respect of insurance contracts line item is composed as follows:

- 1) Provision for unearned premium reserve. This provision reflects the insurance premium relating to an insurance period subsequent to the reporting date.
- 2) Provision for premium deficiency. This provision is recognized, where necessary, if the unearned premium (less deferred acquisition costs, see Section C below) does not cover the expected cost in respect of insurance contracts.
- 3) Insurance reserves in the long-term health insurance subsegments. This provision is calculated in accordance with actuarial assessments, and includes, where necessary, a provision in respect of expected loss (retention) (premium deficiency), which is calculated based on the estimated cash flow expected in respect of the contacts in accordance with the relevant coverage data, such as: The policyholder's age, length of coverage, insurance type, insurance amount, etc.
- 4) Contingent claims and reserves, calculated according to the following methods:
 - 4.1 Contingent claims and the reinsurers' share therein are included on the basis of an actuarial valuation, except for the subsegments listed in Section 4.2 below. Provision for indirect expenses for settlement of claims is included based on an actuarial valuation. The actuarial calculation was carried out by the supervisor actuaries in Clal Insurance, Ms. Galit Robstein, F.I.L.A.A., and Mr. Yehoshua Mezin, F.I.L.A.A.
 - 4.2 In cargo insurance for marine, aircraft, Sale Law guarantees, financial guarantees, credit insurance, foreign trade risks and ceded business - for which the actuary determined that an actuarial model is inapplicable, due to lack of statistically significant data - the contingent claims were included based on assessments by external experts and Company employees handling claims, reports by ceding companies for ceded business, with the addition of IBNR and reserves where necessary.
 - 4.3 Excess of income over expenses - regarding the foreign trade risks subsegment, the excess of income over expenses is in the aggregate, based on the annual report.
 - 4.4 Subrogation and salvage recoveries are taken into consideration in the underlying data by which the actuarial valuations of the contingent claims are calculated.
 - 4.5 The Company believes that the contingent claims are adequate, given that the contingent claims are calculated mainly on an actuarial basis and their balance includes appropriate provisions where required for IBNR.
- 5) Liability Adequacy Testing (LAT) reserve in accordance with the principles set out in Note 42(e)(e2)(4).

c) **Deferred acquisition costs (DAC)**

Gross DAC and reinsurance of property and casualty insurance and health insurance except for long-term care as stated above, were calculated in accordance with the Calculation of Reserves Regulations and the Commissioner's Directives:

- (1) DAC in property and casualty insurance, and in the short-term health insurance subsegments include fees and commissions to agents and some of the general and administrative expenses in connection

with the purchase of insurance contracts, relating to unearned premiums (retention). DAC is calculated separately for each subsegment on the basis of the actual rates of expenses or according to standard rates as determined in the Calculation of Reserves Regulations and the Commissioner's Directives, as a percentage of the unearned premium, whichever is lower. Reinsurers share in DAC is classified to the payables and credit balances line item; for information about changes in the calculation of reinsurer's share in DAC, see Section B above.

- (2) DAC of long-term health insurance subsegments includes fees and commissions to agents and purchasing supervisors, and those general and administrative expenses that are related to the acquisition of new insurance contracts. DAC is amortized at equal rates over the term of the insurance contract but no longer than six years. DAC for canceled insurance contracts are derecognized at the cancellation date.

In accordance with the Commissioner's Directives, the insurance company's actuary checks - every year - the recoverability of DAC in the long-term health insurance subsegments. As part of this calculation, an assessment is made that verifies that the insurance contracts are expected to generate future income to cover the insurance liabilities, the DAC deduction, the operating expenses and fees and commissions for these insurance contracts. The assessment was conducted collectively for all underwriting years. The assumptions used in this assessment, which include assumptions regarding cancellations, operating expenses, return on assets, mortality and morbidity rates, are determined each year by the supervisor actuary in the insurance company on the basis of examinations, past experience and relevant current studies.

d) The payments and change in liabilities line items

The payments and change in liabilities in respect of insurance contracts (gross and retention) line items in the statement of income include, among other things, settlements and direct handling costs in respect of paid claims, indirect expenses to settle claims, and revision of the provision for contingent claims, direct handling costs and indirect costs to settle claims, that was recognized in previous years.

e) Provision for policyholders' profit participation in collective insurance in long-term health insurance subsegments

The provision is included in the payables and credit balances line item in the statement of financial position and the change - in the provision is credited to the premiums line item.

f) The Israeli Compulsory Motor Insurance Pool of the Israel Insurance Association and other ceded business

Businesses received from the Israeli Compulsory Motor Insurance Pool Ltd. (hereinafter - the "**Pool**"), from other insurance companies (including co-insurance and ceded business from abroad) and from underwriting agencies, are included based on accounts received through the reporting date plus provisions, as the case may be, all in accordance with Clal Insurance's participation rate.

E. Statements of cash flows

In its statements of cash flows, the Group Companies, except for Max, opted to present interest and dividends received as part of the cash flows from operating activities. Interest and dividend paid are presented under cash flows from financing activities.

Max data in the cash flow statement were reported according to generally accepted accounting principles at banks in the USA and the provisions of Subtopic 230-10 in the Codification regarding "Statement of Cash Flows" are applied.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or canceled.

F. Financial instruments

The accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer is in accordance with IAS 39 (from 2017). The accounting policy applied by the Company and Group Companies except Max, in respect of the remaining financial instruments is in accordance with IFRS 9.

A. Following are the accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer:

1. Non-derivative financial assets

Non-derivative financial assets include investments in shares and debt instruments, cash and cash equivalents and other account receivable.

Initial recognition

The Group initially recognizes loans and receivables and deposits as they are incurred. All other financial assets acquired as part of a regular way purchase, including assets designated to fair value through profit and loss, are initially recognized on the trade date, when the Group becomes a party to the instrument's contractual terms, that is to say, the date on which the Group has undertaken to buy or sell the asset. A financial asset is initially measured at fair value plus the transaction costs attributable directly to the acquisition or issuing of the financial asset.

Derecognition

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows arising from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are effectively transferred.

Regular way sales of financial assets are recognized on the trade date, that is to say, the date on which the Group has undertaken to sell the asset.

Classification of financial assets into groups and the accounting treatment of each group

On the initial recognition date, the Group classifies financial assets into groups as follows:

Financial assets at fair value through profit and loss

A financial asset is classified as measured at fair value through profit and loss if it is classified as held-for-trading, or if it was designated as such upon initial recognition. Financial assets are designated at fair value through profit and loss if the Group manages investments of this type and makes buying and selling decisions in respect thereof based on the fair value, in accordance with the method employed by the Group to document the risk management or the investment strategy, if the designation is meant to prevent an accounting mismatch, or if the asset in question is a hybrid financial instrument that includes an embedded derivative (see Section 3 below). Attributable transaction costs are recognized in profit and loss as incurred. These financial assets are measured at fair value, and changes therein are carried to the investment income (losses), net and finance income line item in the statement of income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. These assets are initially recognized at fair value plus attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, net of impairment losses (see Section (i)(1) below). Gains and losses on the realization of investments are calculated as the difference between the net realization consideration and the amortized cost and are recognized on the sale date.

Loans and receivables include cash and cash equivalents and investment in illiquid debt instruments, which are not included in investment portfolios against participating policies (nostro), including designated bonds (Hetz agreements), deposits with banks, and loans and receivable debit balances.

Cash include readily available cash balances. Cash equivalents include highly liquid short-term investments, which have an original maturity of 3 months or less and are readily convertible to known amounts of cash, and are exposed to insignificant risk of changes in value and are not limited as to withdrawal or use.

Receivables and payables for credit card transactions by 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 card holders - with a charge for interest - including loans provided to card holders, 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 card holder'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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that were designated as available for sale or were not classified into any of the other categories. At the initial recognition date, available-for-sale financial assets are recognized at fair value plus all attributable transaction costs. In subsequent periods, these investments are measured at fair value, and changes therein, other than impairment losses, gains or losses from changes in the CPI and exchange rates, and accumulation of effective interest rate in debt instruments classified as available-for-sale, are charged directly to other comprehensive income and presented in capital reserve in respect of financial assets classified as available for sale. Dividend received in respect of available-for-sale financial assets is carried to the statement of income. When the investment is derecognized, the gains or losses accrued in capital reserve in respect of financial assets classified as available for sale are transferred to profit and loss.

Available-for-sale financial assets include: Liquid debt instruments without embedded derivatives requiring bifurcation, and investments in shares that are not classified as held for trading investments, and which are not included in investment portfolios against participating policies (nostro).

2. Non-derivative financial liabilities

Non-derivative financial liabilities include: Liabilities to banking corporations and other, and subordinated notes and other payables.

Initial recognition of financial liabilities

The Group initially recognizes debt instruments as they are incurred. Other financial liabilities are initially recognized at the trade date when the Group becomes party to the contractual provisions of the instrument.

Non-derivative financial liabilities are initially recognized at fair value net of any attributable transaction costs. Transaction costs that are directly attributed to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset under the deferred expenses line item in the statement of financial position. These transaction costs are deducted from the financial liability upon initial recognition thereof, or amortized as finance expenses in the statement of income, when it is no longer expected that the issuance will take place.

Subsequent to initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method. Finance expenses are recognized in the statement of income using the effective interest method.

Changes in terms of debt instruments

An exchange between a borrower and lender of debt instruments at series level with substantially different terms, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. In addition, a substantial modification of the terms of an existing financial liability or part thereof is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

In such a case, the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit and loss in the finance expenses line item.

The terms and conditions are substantively different if the discounted present value of the cash flows according to the new terms and conditions, including any fees and commissions paid, less any fees and commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

In addition to the quantitative test described above, the Group assesses whether changes took place in connection with various qualitative parameters embodied in the exchanged debt instruments. Generally, exchanges of debt instruments that cause a substantial change in qualitative parameters are considered as exchanges with substantially different terms even if they do not meet the quantitative test implemented above.

If the exchange or modification is immaterial, it is accounted for as a change in the terms of the original liability and no profit or loss is recognized from the exchange. Any costs or fees and commissions incurred adjust the carrying value of the liability and are amortized over the remaining period of the modified liability.

3. Derivative financial instruments

The Group holds derivative financial instruments such as options, foreign exchange forwards and interest rate swaps (IRS).

Derivative financial instruments are initially recognized at fair value, and attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Gains or losses arising from changes in the fair value of derivative financial instruments are carried immediately to the net gains (losses) from investments and finance income line item in the statement of income. Derivative financial instruments are recognized in the statement of financial position as assets when their fair value is positive and as liabilities when their fair value is negative.

Embedded derivatives in a hybrid instrument should be measured at fair value through profit and loss separately from the host contract if: (a) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid instrument is not measured at fair value through profit and loss.

Embedded derivatives in an insurance contract are not bifurcated when the embedded derivative itself is an insurance contract.

Economic hedging

Hedge accounting is not applied to derivative instruments used as economic hedges of financial assets and liabilities. Changes in the fair value of those derivatives are carried to profit and loss as part of the gains or losses from net investments and finance income.

4. CPI-linked financial assets and liabilities not measured at fair value

The Company opted to revalue CPI-linked financial assets and liabilities not measured at fair value in each period in accordance with the actual rate of change in the known CPI.

5. The Group decided to designate financial assets as follows:

Assets in investment portfolios of participating policies

These assets, which include liquid and illiquid financial instruments (including investments in associates and joint ventures), were designated at fair value through profit and loss, for the following reasons: These are discretionary portfolios, which are separate and identifiable, whose presentation at fair value significantly reduces an accounting mismatch of reporting financial assets and financial liabilities at different bases of measurement; furthermore, their management is based on fair value, and the portfolio's performance is measured at fair value, in accordance with a documented risk management strategy. The information about the financial instruments is reported to management (the relevant investments committee) internally, at fair value.

Financial assets that include embedded derivatives requiring bifurcation

Financial assets that include embedded derivatives requiring bifurcation were designated to the fair value through profit or loss category.

B. The Group companies, except Max and the insurer - for details regarding the treatment of financial instruments, see Section F above. Following is a description of the material changes to the accounting policies applied by them in respect of the remaining financial instruments:

1. Financial assets

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, net of impairment losses. Interest income, income or losses from exchange rate differences and impairment are recognized in the profit and loss. Any profit or loss arising from derecognition is also recognized in profit and loss.

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 underlying financial liabilities are also measured at fair value through profit or loss.

1b) Equity instruments

Financial assets that constitute investments in equity instruments do not comply with the said criteria and are therefore measured at fair value through profit or loss.

In connection with equity instruments that are not held for trading the Company may, at the initial recognition date, irrevocably opt to present in other comprehensive income subsequent changes in fair value, which would have otherwise been measured at fair value through profit or loss. These changes will not be recognized in profit or loss in the future, even when the investment is derecognized. The Company did not choose this designation. As a result, investments in equity instruments, which until January 1, 2023 were classified as available for sale, are measured, as from that date, at fair value through profit or loss.

G. Intangible assets

1. Goodwill

Goodwill resulting from the acquisition of consolidated companies is presented under intangible assets.

For information about the measurement of goodwill upon initial recognition, see Section (a)(1) above.

2. Other intangible assets

Separately acquired intangible assets are measured on initial recognition at cost plus direct acquisition costs. Intangible assets, which are purchased as part of a business combination, are measured at fair value as of the business combination date.

The fair value of intangible assets, which were purchased as part of a business combination, is based on the discounted value of the cash flows that are expected to arise from the use of the assets and their disposal. The method requires the setting of a discount rate that is suitable for the asset type and its risk level.

Software including research and development costs

The Group's assets include IT systems consisting of hardware and software. Software that is an integral part of hardware, which cannot function without the software installed on it, is classified as property, plant and equipment. However, licenses for standalone software which adds functionality to the hardware, are classified as intangible assets.

Implementation costs of cloud computing arrangements are discounted to an asset if the asset meets the definition of an intangible asset, particularly if the Group controls the asset. If the Company does not recognize an intangible asset, the parent company assesses the services received by distinguishing them from the cloud computing service. If the services received by the Company are distinguished from the cloud computing service or are provided by a third party provider that is not the cloud computing provider, the Group recognizes an expense upon provision of the implementation services; if the services are not distinguished, the implementation costs are recognized as an expense at the rate of consumption of the cloud computing services.

Useful life

The estimated useful life for the current and comparative periods are (in %):

Future management fees provided by pension funds activity	3
Future management fees provided by provident funds activity	5-14
Customer portfolios and brand	7-10
Acquisition expenses of insurance portfolios	7
Computer software	10-33

Classification of amortization and impairment losses

The current amortization in respect of the intangible assets, including expenses incurred in the acquisition of life insurance and property and casualty insurance portfolios, and excluding computer software, is carried to the other expenses line item in the statement of income.

The amortization of computer software is charged to acquisition and marketing and other expenses, indirect expenses for settlement of claims or general and administrative expenses, according to the purpose of the relevant computer software.

Impairment losses are carried to the impairment of intangible assets line item.

H. Investment property

Investment property is a real estate asset (land or building – or part of a building – or both) held by the Group either as the owner or under finance lease to earn rental income and/or for capital appreciation or both, but not for the supply of services or for administrative purposes.

Investment property is initially measured at cost, plus expenses directly attributable to the acquisition of the investment property.

In subsequent periods, investment property is measured at fair value, and changes in fair value are carried to the statement of income under the investment income (losses), net and finance income line item. Investment property under construction for future use as investment property is also measured at fair value as set out above, when fair value can be reliably measured. However, when the fair value cannot be reliably measured, due to the nature and scope of the project's risks, investment property is measured at the fair value of the land plus construction costs during the construction period net of any impairment losses, until the earlier of the completion of construction work and the date on which the fair value of the property can be reliably measured.

Profit or loss on derecognition of investment property is measured by comparing the net consideration from derecognition of the property to its carrying value as of the latest financial reporting date, and recognized in the investment income (losses), net and finance income line item in the statement of income. When an investment property that was previously classified as a property, plant and equipment item is sold, the revaluation reserve included in equity in respect of investment property is carried directly to retained earnings.

I. Impairment

1. Non-derivative financial assets

a) In the insurance company

On each reporting date, the Group assesses whether there is objective evidence of impairment in respect of financial asset or a group of the following financial assets:

Financial assets at amortized cost

When there is objective evidence of impairment, the need to recognize impairment loss is assessed. The need for impairment of individually significant financial assets is tested on an individual asset basis. For all other financial assets, the need to recognize impairment is tested collectively, on the basis of asset groups with shared credit risk characteristics. For assets included in the loans and receivables groups, objective evidence of impairment exists when one or more event, that occurred after initial recognition, had a negative impact on the estimated future cash flows from the asset or class of assets with shared credit risk characteristics (hereinafter - the "Asset").

Evidence of impairment includes indications that the debtor is experiencing financial difficulties, including liquidity difficulties and failure to meet interest or principal payments. The amount of the loss carried to the statement of income is measured as the difference between the asset's balance in the financial statements and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) capitalized at the original effective interest rate of the financial asset (the effective interest rate calculated on initial recognition). If the financial asset bears variable interest, capitalization is carried out according to the present effective interest rate. The asset's balance as per the financial statements is written-down by recording a provision. In subsequent periods, impairment losses are reversed when the recovery of the asset's value can be objectively attributed to an event that has occurred after the recognition of the loss. Such reversal is carried to profit and loss up to the amount of what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Available-for-sale financial assets

Regarding available-for-sale financial assets that are equity instruments, the objective evidence for impairment includes a significant or prolonged decline in the fair value of the asset below its cost and assessment of changes in the technological, economic or legal environment in which the issuer of the instrument operates. The testing for significant or prolonged impairment depends on the circumstances at each financial reporting date; the testing takes into account historical volatility in fair value and the period during which the fair value of the asset is lower than its original cost. In addition, according to the Group's policy, a 20% or more decline in fair value below the cost, as of the financial statements date, or a prolonged decline in fair value of nine months or more (even if the rate of decline is lower) constitutes objective evidence of impairment. Where there is objective evidence of impairment, the accumulated loss that was recognized in capital reserve, and measured as the difference between the acquisition cost (net of previous impairment losses) and the fair value, is transferred from the capital reserve and recognized as an impairment loss in the statement of income. In subsequent periods, any further decline in fair value is recognized as an impairment loss; a reversal of an impairment loss is not carried to profit and loss, but rather to capital reserve as other comprehensive income.

For available-for-sale financial assets, which are debt instruments, objective evidence of impairment exists when one or more event, that occurred after the investment date, had a negative impact on the estimated future cash flows from the asset, and the impact can be measured reliably. **Evidence of impairment includes indications that the debtor is experiencing financial difficulties, including liquidity difficulties and failure to meet interest or principal payments.** Where there is objective evidence of impairment, the accumulated loss that was recognized in capital reserve, and measured as the difference between the acquisition cost (net of principal payments, amortization according to the effective interest method and previous impairment losses) and the fair value, is transferred from the capital reserve and recognized as an impairment loss in the statement of income. In subsequent periods: Any further decline in the fair value is recognized as an impairment loss; an impairment loss is reversed when the increase in fair value can be objectively attributed to an event that has occurred after the recognition of the impairment loss, and which was included in the original impairment calculation. Such reversal due to an increase in the fair value is carried to profit and loss up to the amount of what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

b) Group companies, excluding the insurer and Max

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;

- 1) Debt instruments with no significant impairment in credit quality since the initial recognition date or with a low credit risk - 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;
- 2) Debt instruments with significant deterioration in credit quality since their initial recognition date and their credit risk is not low, the provision for loss recognized will take into account the 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 ate 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 against capital reserve, and will not reduce the carrying amount of the financial asset in the statement of financial position.

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 current expected credit losses throughout the entire life of the instrument. The Company opted to apply the expedient available in respect of these financial assets.

c) Non-performing debts, credit risk and credit loss provision in Max

1. Credit loss provision at Max - measurement

When applying the standard, Max established methodology for measuring the credit 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 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 group 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 commercial credit.

To estimate the expected credit losses throughout the contractual period of the assets, Max takes into account historical information while assessing the need to adjust such historical information to reflect the extent to which the current conditions and reasonable and substantiable forecasts be different than the conditions in place during the period in which the historical information was assessed.

2. Credit 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.

3. Credit 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.

4. Credit loss provision - off-balance sheet credit exposures

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

The credit 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.

5. Credit 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 various entities.

6. Assessment of the overall adequacy of the provision

Max also reviews the overall adequacy of the credit loss provision. The adequacy testing 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 Max when determining the provision.

The entire process, including its various 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.

Charge-off

Max charges off any debt or part thereof which is assessed on a specific basis and is considered uncollectible and has a low value such that maintaining it as an asset is unjustifiable or a debt which Max has attempted to collect over a considerable period of time (in most cases, for more than two years). Regarding debts estimated on a group basis, charging off principles were established based on their arrears period (mostly cases of over 150 consecutive arrears days) and other problematic parameters. It should be clarified that charge-offs do not involve a legal concession and reduce the reported outstanding debt for accounting purposes only, while establishing a new cost basis for the debt in Max's books of accounts.

Disclosure requirements

Max implements the disclosure requirements regarding credit quality of receivables and credit loss provision specified in Topic 310 of the Codification, Receivables and Topic 326, Troubled Debt Restructurings and Vintage Disclosures, with the necessary adjustments and as adopted in the Reporting to the Public Directives and new rules.

See Note 11, "Credit Risk, Receivables for Credit Card Transactions and Loan Loss Provision" below.

Regulatory highlights regarding treatment of debts and reporting to the public due to the Iron Swords War

On October 18, 2023, the Bank of Israel published a letter on the "Iron Swords War" - Regulatory Highlights regarding Treatment of Debts and Reporting to the Public", addressing actions performed by banks to temporarily allow borrowers affected by the war further flexibility in repayment of loans. The circular stipulates that the arrears status of debts whose terms and conditions were revised under the new repayment

arrangement (whether agreed with a specific borrower or decided across the board for all borrowers in the affected area) will be adjusted to the current contractual terms, and that regarding debts for which payments were in arrears when the War began, the arrears status should be adjusted to the state as it was at the beginning of the War, and in fact - should be suspended throughout the payment deferment period. The circular also stipulates that as a rule, there is no need due to the aforesaid repayment arrangement to classify the debts as debts that have undergone troubled debt restructuring. The circular has no material effect on Max's financial statements.

d) **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 credit 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 Initial 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.

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	(216)
Total receivables for credit activity consolidated for the first time	15,534
Provision for credit default recognized under first-time consolidation	(102)
Receivables for credit card transactions, net consolidated for the first time	15,432
Post-acquisition provision	(220)
Balance of receivables for credit card transactions, net, immediately subsequent to the acquisition	15,212

2. Non-financial assets

Timing of impairment testing

Financial assets, except goodwill in the Max acquisition

The carrying value of the Group's non-financial assets, other than deferred acquisition costs, investment property, and deferred tax assets, is assessed on each reporting date in order to determine whether there are indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated. On the same date every year, or more frequently if there are indications of impairment, the Group assesses the recoverable amount of each cash-generating unit that includes goodwill, or intangible assets with indefinite useful life, or are not yet available for use.

Cash-generating unit, including goodwill in the Max acquisition

According to ASC 350, once a year the Company may conduct a preliminary assessment of qualitative factors to determine whether the fair value of a cash-generating unit will most likely be lower than its carrying amount. In such case, it will estimate the recoverable amount. Otherwise, it is not obligated to perform the estimation. The Company may choose not to conduct the preliminary assessment and estimate the recoverable amount directly.

For purposes of goodwill impairment testing, when the non-controlling interests were initially measured according to their relative share of the acquiree's net assets, the Group opted to represent the carrying value of the goodwill according to the rate of Group's holding in the cash-generating unit to which the goodwill is allocated.

Recognition of impairment loss

Impairment losses are recognized if the carrying value of an asset or cash-generating unit exceeds its recoverable amount and are recognized in profit and loss. With regard to cash-generating units that include goodwill, an impairment loss is recognized when the carrying value of the cash-generating unit, after grossing up the goodwill balance, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are first allocated to impairment of the carrying value of goodwill attributed to those units and then to impairment of the carrying value of the other assets in the cash-generating units, proportionally.

Allocation of impairment loss to non-controlling interests

The Company opted to allocate impairment loss between the Company's owners and non-controlling interests using the allocation basis employed to allocate profit or loss.

Reversal of impairment loss

Impairment loss for goodwill is not reversed. In connection with other assets for which impairment losses were recognized in previous periods, on each reporting date the Group tests whether there are indications that these losses decreased or no longer exist. An impairment loss is canceled in the event of a change in the estimates used to determine the recoverable amount, only if the carrying value of the asset, after cancellation of the impairment loss, does not exceed the carrying value after deduction of depreciation or amortization, which would have been determined had the impairment loss not been recognized.

3. Equity-accounted associates and joint arrangements

On each reporting date, the Company determines - after the implementation of the equity method - whether there is objective evidence for impairment, and whether it should recognize an impairment loss in respect of the investment of equity-accounted investees (hereinafter - the **"Investment"**).

Impairment is tested for the entire investment, including goodwill attributable to the equity-accounted investee (hereinafter - the **"Investee"**). Where such objective evidence is present, an impairment loss is recognized, at the amount of the difference between the recoverable amount of the investment and its amount as per the financial statements. The recoverable amount is the higher of the net sale price and value in use calculated based on a valuation of the net cash flow expected to arise from the investee, including the cash flows from the investee's operations and the proceeds from the final disposal of the investment, or an estimation of the present value of the estimated future cash flows that are expected to arise from the dividends that will be received and from the final disposal. Such an impairment loss is not allocated specifically to the goodwill included in the investment, and therefore, in subsequent periods a loss may be reversed up to its full amount only if there have been favorable changes in the estimates previously used to determine the recoverable amount of the investment from the date on which the impairment loss was last recognized. The investment's carrying value, after the reversal of the impairment loss, shall not exceed the investment's carrying value, which would have been determined by the equity method, had an impairment loss not been recognized.

4. Collectible premiums

Allowance for doubtful accounts in respect of premiums collectible, whose collection is doubtful in the management's opinion, is determined specifically based on individual risk assessments, and collectively based on past collection experience in populations with shared credit risk characteristics.

5. Reinsurers' debts

Reinsurers' failure to meet their undertakings towards the Company does not release the latter from its undertakings towards the policyholders in accordance with the insurance policies. If a reinsurer fails to meet its liabilities under the reinsurance contracts, the Company may incur losses.

The allowance for doubtful accounts in respect of reinsurers debts, whose collection is doubtful, is made based on specific risk assessments. In addition, when determining the reinsurers' share in contingent claims and insurance reserves, the consolidated companies take into account, among other things, the likelihood of collection from the reinsurers. When the reinsurers' share as aforesaid is calculated on an actuarial basis, the share of those reinsurers who are in financial difficulties is calculated by the actuary, which takes all risk factors into account. In addition, when preparing the provisions, consolidated companies take into account, among other things, the willingness of the reinsurers to reach cutoff agreements (termination of agreements by final repayment of debts).

J. Share-based payment transactions

The fair value on award date of share-based payment awards to employees is charged as a payroll expense in profit and loss with a corresponding increase in equity, over the period during which the employees' entitlement to the equity instruments is achieved, that is to say, the period during which the performance and/or service conditions are satisfied (hereinafter - the **"Vesting Period"**). The vesting period ends when the relevant employees become entitled to the compensation (hereinafter - the **"Vesting Date"**). The Group opted to implement a policy whereby the increase in equity is carried to the retained earnings line item.

When the parent company grants employees of the Group companies rights to its equity instruments, the grant is treated as an equity-settled share-based payment.

Group companies excluding Max

The recognized cumulative expense at each reporting date in respect of transactions settled in equity instruments up to the vesting date reflects the extent to which the Vesting Period has elapsed and the Group's best estimate of the number of equity instruments that are eventually expected to vest. The amount debited or credited to the statement of income reflect the change in the cumulative expense that was recognized as of the beginning and end of the reporting period.

Max

Max recognizes share-based payment transactions according to generally accepted accounting principles at banks in the USA and applies the provisions of Topic 718 of the Codification regarding share-based payments.

K. Provisions

Group companies excluding Max

Provisions are recognized when the Group has a present, legal or constructive obligation as a result of past events, a reliable estimate can be made of the amount of the obligation, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the Company opted to measure the provisions by discounting the future cash flows by the pre-tax interest rate, that reflects current market assessments of the time value of money and the risks specific to the liability. In each period, the carrying value of the provision is adjusted to reflect the passage of time.

The Group recognizes an indemnification asset if it is virtually certain that the indemnity will be obtained if the Company settles the obligation. The amount recognized in respect of indemnification does not exceed the amount of the provision.

Legal claims

Legal claims, which have unique characteristics, are not grouped, but rather assessed separately. The provision for such unasserted claims is recognized according to the overall chance of the claim being successful, if filed against the Group companies (based on the probability of filing the claim and the probability of the claim being successful).

Max

The financial statements include adequate provisions for lawsuits, in accordance with the assessment of Max's management 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 45 below.
- Remote risk – the probability that the risk exposures will materialize is less than or equal to 20 percent. 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 45 below 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 December 31, 2023.

L. Revenue recognition

1. Following is the Group Companies' revenue recognition policies, excluding Max:

a) Premiums

1. The long-term savings segment and the health insurance segment

Premiums in life, long-term care and long-term health insurance subsegments, including savings premiums, and excluding proceeds in respect of investment contracts, are recognized as income on collection date.

Short-term health subsegment premiums are recorded as income based on monthly output reports.

Cancellations are recorded when a notification is received from the policyholder or when initiated by the

Company due to arrears in payments, subject to the provisions of the law. Policyholders' participation in profits is deducted from the premiums.

2. Property and casualty insurance segment

Property and casualty segment premiums are recorded as income based on monthly output reports. The insurance premium relate mainly to a one-year insurance period. Gross income from premiums and changes in unearned premium are recorded under premiums earned, gross.

Premiums in the compulsory motor subsegment are recorded when the premium is paid, since insurance coverage is contingent upon payment of the premium.

Premiums from insurance contracts, whose inception date falls after the end of the reporting period, are recorded as premiums paid in advance.

The income included in the financial statements is after cancellations requested by policyholders and net of cancellations and provisions due to non-payment of premiums, subject to the provisions of the law, and net of the profit participation, based on valid agreements.

b) Investment income (losses), net and finance income

Interest income and premium amortization or discount are recognized as incurred using the effective interest method.

Dividend income is recognized when the entitlement to payment is established. If the dividend is in respect of liquid shares, the Group recognizes the income on the ex-dividend date.

Rental income from investment property is recognized in profit and loss on a straight-line basis over the lease term. Lease incentives that were awarded are recognized as an integral part of the rental income over the lease term.

Gains and losses on foreign exchange rate differences and changes in the fair value of investments are reported on a net basis.

c) Income from management fees

1. Management fees for yield-dependent insurance contracts

The management fees are calculated in accordance with the Commissioner's Directives and the terms of the contract, based on the return and the policyholders' savings accrual in an investment portfolio for these contracts. Management fees include the following components:

For insurance contracts sold as from January 1, 2004 - fixed management fees only;

For insurance contracts sold through December 31, 2003 - fixed and variable management fees.

The fixed management fees are calculated at fixed percentages out of the aggregate savings and recorded on an accrual basis.

The variable management fees are calculated as a proportion of the annual real profit (from January 1 to December 31), charged to the insurance contract, net of the fixed management fees that were collected from that insurance contract. Only positive variable management fees can be collected, net of negative amounts accumulated in previous years. The variable management fees are calculated at the individual policy level (see also Note 33).

During the year, the variable management fees are recorded on an accrual basis in accordance with the real monthly return to the extent that such a return is positive. In months when the real return is negative, the variable management fees are reduced to the amount of the aggregate variable management fees collected since the beginning of the year. Negative return for which a reduction of the management fees was not made during a current year, will be deducted for the purpose of calculating the management fees from positive return in subsequent periods.

2. Management fees from pension funds and provident funds

Income from management fees from pension funds and provident funds are carried based on the balances of assets under management and proceeds from planholders, on an accrual basis, in accordance with the Commissioner's Directives.

d) Income from fees and commissions

1. Life insurance

Income from life insurance fees and commissions in the consolidated insurance agencies is recognized on the basis of the dates of entitlement for payment of the fees and commissions according to agreements with the insurance companies, net of provisions for refunds of fees and commissions due to expected cancellations of insurance policies.

2. Property and casualty insurance

Consolidated insurance agencies' income from fees and commissions in property and casualty insurance are recognized as incurred.

3. Reinsurance

Fees and commissions income from reinsurance in life insurance, health insurance and property and casualty insurance are recognized as incurred.

2. Following is Max's revenue recognition policy:

Income and expenses are stated on accrual basis, except as detailed 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.

M. Costs and expenses

General and administrative expenses in the insurance companies

General and administrative costs and expenses in the insurance companies are classified as indirect expenses to settle claims (included under payments and changes in the liability for insurance contracts and investment contracts), acquisition-related costs (included under fees and commissions, marketing expenses and other acquisition expenses) and the balance of general and administrative and other expenses included in this section. The classification was carried out in accordance with internal models of the Group and in accordance with the identification of the expenses and the allocation of overheads.

Max's customer loyalty programs

Max recognizes amounts paid when signing agreements with customer loyalty programs as marketing and selling expenses in profit and loss throughout the agreement term and accordingly, as prepaid expenses for the period which have not yet been recognized in profit and loss.

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.

Provision for customer loyalty programs

The financial statements include a provision for customer loyalty programs for card holders, calculated according to historical data, based on the usage rate of points accrued by card holders and their cost.

N. Finance expenses

All uncapitalized borrowing costs are charged to the statement of income using the effective interest method.

O. Income tax

Income tax includes current and deferred taxes. Current and deferred taxes are stated in profit and loss unless the tax derives from a business combination or are stated directly in equity or other comprehensive income if derived from items recognized directly in equity or other comprehensive income, respectively. The provision for income tax of Max and its consolidated companies that are financial institutions for VAT purposes, includes profit tax on income pursuant to the Value Added Tax Law. Value added tax on salary at financial institutions is included in the statement of income under "Salaries and related expenses".

Current taxes

The Group offsets deferred tax assets and liabilities if there is a legally enforceable right to offset current tax liabilities and assets, and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Group companies excluding Max

The current tax is the amount of tax expected to be paid (or received) in respect of the taxable income for the year, calculated using the tax rates applicable under the tax laws enacted, or substantively enacted, as of the reporting date; this amount also includes changes in previous years taxes.

Max

Current taxes are the total income tax 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.

P. Income tax**Deferred taxes****Group companies excluding Max**

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects to recover or settle the carrying value of its assets and liabilities at the end of the reporting period according to the tax rate expected at the reversal date. For investment property measured using the fair value model, there is a rebuttable presumption that the carrying value of investment property will be recovered entirely through sale.

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 reporting date. Deferred taxes in respect of subsidiaries operating abroad were calculated at the relevant tax rates in each country.

Group companies excluding Max

Deferred taxes are recognized for temporary differences between the carrying value of assets and liabilities as reported in the financial statements and those taken into account for tax purposes. The Group does not recognize deferred taxes in respect of the following temporary differences: Initial recognition of goodwill; Initial recognition of assets and liabilities in a transaction that does not constitute a business combination and does not affect the accounting profit and the profit for tax purposes; and the differences are due to an investment in investees, if the Group controls the reversal date of the difference and, they are not expected to reverse in the foreseeable future, whether by way of disposal of an investment or by way of distribution of dividends in respect of an investment.

A deferred tax asset is recognized in the books of accounts for carryforward losses and/or deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the carryforward losses and/or deductible temporary differences can be utilized, or it is not probable that future taxable income will be available in the future, a deferred tax asset is recognized only up to the amount of the taxable temporary differences. Deferred tax assets are examined on every reporting date, and if the attributable tax benefits are not expected to materialize, they are amortized.

Deferred tax assets which were not recognized are reassessed on every reporting date and recognized if the expectation changes such that future taxable income will be available against which they can be utilized.

Max

Deferred tax liabilities and deferred tax assets represent the future effects on income tax arising from temporary differences and carryforward losses at the end of the period.

Max recognizes deferred tax liabilities in respect of all taxable temporary differences, except the following temporary differences:

- Undistributed profits of a local subsidiary that over time are in essence constant;
- Differences associated with goodwill (or part thereof) for which amortization of goodwill cannot be deducted for tax purposes;
- Differences arising from intercompany transactions.

Max recognizes deferred tax assets in respect of all deductible temporary differences and carryforward losses, and simultaneously, recognizes a separate valuation allowance for the same amount that is included in an asset that most likely will not be disposed of. Max deducts from the deferred tax assets any tax benefits that are not expected to be utilized based on the available evidence - both positive evidence supporting the recognition of a deferred tax asset and negative evidence supporting the creation of a provision in respect of a deferred tax asset, in order to assess whether a net deferred tax asset can be recognized.

Offsetting deferred tax assets and liabilities

Group companies excluding Max

The Company offsets deferred tax assets and liabilities if it has a legally enforceable right to offset current tax assets and liabilities, and they are attributed to that taxable income taxed by the same tax authority in the same taxable company or different taxable companies, and they intend to dispose of deferred tax assets and extinguish deferred tax liabilities on a net basis, or to dispose of the assets and extinguish the liabilities simultaneously.

Max

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 a specific tax jurisdiction.

Intra-group transactions

Deferred tax in respect of intra-group transactions in the consolidated financial statements is recorded at the tax rate applicable to the acquiring company.

Q. Earnings per share

The Company presents basic and diluted earnings per share data regarding its ordinary shares.

Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, and after adjustment for the effects of any potentially dilutive ordinary shares (that is to say, the shares that reduce earnings per share or increase losses per share), which include share options awarded to employees.

R. Accounting policy change - Including first-time application of new financial reporting standards and amendments to existing accounting standards

1. First-time application of IFRS 9 - Financial Instruments

In July 2014, the IASB published the full and final version of IFRS 9 - *Financial Instruments*, which replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 (hereinafter - the "**New Standard**").

The New Standard is applied for the first time in these financial statements to the financial instruments that are not owned by a consolidated subsidiary, which falls within the scope of the definition of insurer, to which the Company continues to apply the provisions of IAS 39 and which is not applicable to Max's financial instruments.

The New Standard is applied retrospectively without restating the comparative figures, as allowed under the provisions of the New Standard. The Company recognizes any difference between the previous carrying amount and the carrying amount on the first-time application date in the opening balance of retained earnings (or another capital component, as the case may be).

The New Standard's effect on the Company's financial statements is as follows:

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 liquid 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

2. Amendment to IAS 1, Disclosure of Accounting Policies

In February 2021, the IASB issued an amendment to IAS 1: *Presentation of Financial Statements* (hereinafter - the "Amendment"). In accordance with the Amendment, companies are required to disclose their material accounting policies; this will replace the requirement to disclose companies' significant accounting policies. One of the main reasons for this amendment stems from the fact that the term "significant" is not defined in IFRS, whereas the term "material" is defined in various standards, and specifically in IAS 1. According to the amendment, information about accounting policies is material if, when taken into account together with other information provided in the financial statements, it is reasonable to expect that it will affect the decisions made by the users of the financial statements based on those statements.

The amendment to IAS 1 clarifies that information about accounting policies may be material if without it, users of the financial statements are prevented from understanding other material information in the financial statements. Furthermore, the amendment clarifies that information about immaterial accounting policies need not be disclosed.

The Amendment was applied as from annual periods beginning on January 1, 2023.

Due to application of the amendment, the scope of disclosure of accounting policies provided under the financial statements for 2023 was reduced and adjusted to the specific circumstances of the Company.

NOTE 4 - NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A. Disclosure regarding new IFRSs prior to their application by the Group's Israeli insurance companies 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	The Standard 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 gain from the group of contracts (the contractual service margin). Income 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.	The first-time application of the Standard is for the annual periods beginning on January 1, 2023, with an early application option, under certain conditions. However, as specified below, in accordance with the draft revision of the "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts - Third Revision" (hereinafter - "Third Revision of the Roadmap") published by the Commissioner of Capital Market, Insurance and Savings, the first-time application of IFRS 17 and IFRS 9 in Israel will be postponed to the quarterly and annual periods beginning on January 1, 2025. At this stage, the Capital Market Authority has no intention of allowing early adoption of the standard in Israel. The Standard should be applied retrospectively, while in cases where retrospective application is impracticable, one of the following approaches may be selected: retrospective application with certain relief (adjusted retrospective application); or application of the fair value approach. However, in 2024, the companies will be required to include, under a dedicated note in the financial statements, main pro forma statements prepared according to the provisions of IFRS 17 and IFRS 9, in the disclosure format attached in the appendix of the Third Revision of the Roadmap as follows: Under the financial statements for the third quarter of 2024, disclosure will be provided of the pro forma statement of financial position as of January 1, 2024 (transition date to application of the Standard), including disclosure of the contractual service margin and the amount of the risk adjustment for each of the operating segments separately. Furthermore, under the financial statements for 2024, disclosure will also be provided for specific sections of the pro forma statement of comprehensive income for a period of six months ended June 30, 2024 (without comparative figures). In addition, in the said note, the companies will be required to provide supplementary qualitative disclosure referring, among other things, to topics listed in the Third Revision of the Roadmap. Furthermore, the Third Revision of the Roadmap lists the key preparations and time tables that the Capital Market, Insurance and Savings Authority believes should be taken and met in order to ensure the Israeli insurance companies' preparedness for an appropriate application of the Standard, including, among other things, in connection with the adaptation and operation of the IT systems, application and due diligence of controls, management and documentation of the project, finalizing the formulation of accounting policies and preparations for the various required disclosures, conducting quantitative assessments, preparations for the calculation of the risk adjustment for non-financial risk, as well as preparations for the independent auditors' audit.	As part of the standards' adoption process, the Company is implementing and integrating IT systems that are necessary for applying the provisions of Standard 17. In addition, the Group is testing and mapping the required controls and the flow of information to 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 4 - NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (cont.)

B. 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
Circular regarding changes to the terms and conditions of debts of borrowers struggling financially	On October 19, 2023, the Banking Supervision Department published a circular on "Changes in Terms and Conditions of Debts of Borrowers Struggling Financially", revising the accounting treatment of debts that have undergone troubled debt restructuring in accordance with ASU 2022-02 standardization, which incorporates the revision in the Reporting to the Public Directives and expands the credit quality disclosure according to the year in which the credit was provided. The main changes expected in the financial statements are: 1. The term "debts that have undergone troubled debt restructuring" was changed to "changes in terms and conditions of debts of borrowers struggling financially". 2. The disclosure requirements for "debts that have undergone troubled debt restructuring" were replaced with current disclosure requirements about "changes in terms and conditions of debts of borrowers struggling financially". 3. The requirement to calculate the credit loss provision using the discounted cash flow method for a debt that has undergone troubled debt restructuring was canceled. 4. A requirement was added to disclose gross charge-offs as part of the disclosure about "credit quality according to the year the credit was provided".	The provisions of the circular will apply to banking corporations and acquirers from January 1, 2024 onwards. Upon first-time application, the transitional provisions set forth in the generally accepted accounting principles at banks in the USA should be followed, with the necessary changes. According to the transitional provisions, there is no need to disclose in the financial statements in 2024 onwards, information relating to troubled debt restructuring carried out until December 31, 2023, if such information was not required before in according with the Reporting to the Public Directives. In addition, the outstanding debt balances of borrowers struggling financially that have undergone a change in terms and conditions by December 31, 2023 may be determined according to the balance of outstanding debts that have undergone troubled debt restructuring by December 31, 2023, provided that disclosure thereof is provided. For practical reasons, in the report for the first quarter of 2024, a banking corporation may not include quantitative disclosure in the format established for details of the types of changes made during that quarter to debts of borrowers struggling financially, details of the financial effects of such changes, and details of the types of changes to debts that were defaulted on during that quarter after undergoing a change in terms and conditions. Alternatively, the said report will contain information regarding the types of changes made during that quarter to debts of borrowers struggling financially and their financial effects.	The new provisions regarding changes to the terms and conditions of debts of borrowers struggling financially apply from January 1, 2024 onwards. Furthermore, upon first-time application Max intends to adopt the relief provided under the Banking Supervision Department's circular according to which a banking corporation may determine the outstanding debt balances of borrowers struggling financially that underwent a change in terms and conditions by December 31, 2023 according to the balance of outstanding debts that have undergone troubled debt restructuring by that date. Application of the directive is not expected to affect the measurement method of the credit loss provision and is not expected to lead to any change in the credit loss provision.

NOTE 5 - SEGMENT REPORTING

A. Property and casualty

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 funds 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. Property and casualty

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, credit insurance and other liability 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 subsegment).

- **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, employer liability, professional liability and product liability.

4. The credit card segment

The Company was initially consolidated as from March 31, 2023, such that the quantitative segment information below includes only the results of the second, third and fourth quarters 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(i)(1)(d).

Includes credit cards operating results, divided into two main subsegments: issuing and acquiring.

Issuing subsegment

The issuing subsegment focuses on 2 main activities:

- a) **Solutions for financial institutions** - joint credit card issuing and processing with banks, for their customers (B2B2C); hereinafter - bank payment cards.
- b) **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.

Within the issuing subsegment, Max issues its customers payment 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 Max. Max's income from card holders is from fees and commissions collected from the card holders and issue 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 HoldCo Milo Brom Holdings Ltd. (hereinafter - "Milo"), a subsidiary of Max, 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 joint technological venture in the field of charging systems and other services relevant to electric vehicles and solar roofs.

5. Other

Includes operating segments that do not meet the quantitative and qualitative 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, as well as the Company's separate balances and results.

B. Operating segments reporting

In NIS million	Long-Term Savings											
	Provident funds			Pension			Life insurance			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Premiums earned, gross	-	-	-	-	-	-	6,041	6,844	6,391	6,041	6,844	6,391
Premiums earned by reinsurers	-	-	-	-	-	-	171	162	147	171	162	147
Premiums earned - retention	-	-	-	-	-	-	5,870	6,683	6,244	5,870	6,683	6,244
Income from credit card transactions	-	-	-	-	-	-	-	-	-	-	-	-
Investment income (losses), net and finance income	217	248	191	1	3	2	7,425	(4,783)	12,490	7,643	(4,532)	12,683
Income from management fees	293	252	203	371	339	310	594	605	1,261	1,258	1,196	1,774
Income from fees and commissions	-	-	-	-	-	-	30	36	22	30	36	22
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Total income	510	501	394	372	342	312	13,919	2,540	20,018	14,801	3,383	20,724
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	212	249	184	-	-	-	12,679	1,742	18,131	12,891	1,991	18,315
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	-	-	-	-	-	-	(144)	(110)	(162)	(144)	(110)	(162)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	212	249	184	-	-	-	12,535	1,632	17,969	12,747	1,881	18,153
Fees and commissions, marketing expenses and other purchase expenses	141	117	78	118	111	95	721	729	690	979	957	863
General and administrative expenses	142	123	123	204	193	192	368	371	387	713	688	702
Impairment of intangible assets	-	2	-	1	1	-	-	3	7	1	6	7
Other expenses	6	6	3	5	7	4	-	-	-	11	13	7
Finance expenses (income)	-	-	-	-	-	-	19	3	28	19	4	28
Total expenses	501	497	389	327	313	290	13,642	2,738	19,081	14,471	3,548	19,760
Share in results of equity-accounted investees, net	-	-	-	-	-	-	-	(3)	4	-	(3)	4
Income (loss) before income tax	9	4	6	45	28	22	277	(201)	940	331	(168)	968
Other comprehensive income (loss) before income tax	2	(6)	3	2	(11)	5	(52)	104	167	(48)	87	175
Total comprehensive income (loss) before income tax	10	(2)	8	47	18	28	225	(96)	1,107	282	(81)	1,143

	Health			Property and casualty			Credit cards			Other		
In NIS million	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Premiums earned, gross	1,733	1,599	1,406	3,432	3,068	2,804	-	-	-	-	-	-
Premiums earned by reinsurers	90	84	72	1,447	1,420	1,369	-	-	-	-	-	-
Premiums earned - retention	1,644	1,515	1,334	1,984	1,648	1,436	-	-	-	-	-	-
Income from credit card transactions	-	-	-	-	-	-	1,083	-	-	-	-	-
Investment income (losses), net and finance income	265	180	432	227	202	240	948	-	-	(8)	(3)	1
Finance income (expenses) from fees and commissions	10	11	6	222	225	221	7	-	-	220	201	172
Total income	1,919	1,707	1,773	2,434	2,075	1,896	2,038	-	-	212	198	173
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	1,348	746	1,050	1,825	2,013	2,778	-	-	-	-	-	-
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(81)	(105)	(79)	(446)	(793)	(1,626)	-	-	-	-	-	-
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	1,267	641	970	1,379	1,220	1,151	-	-	-	-	-	-
Credit loss expenses- see Note 3(i)(1)(d)	-	-	-	-	-	-	191	-	-	-	-	-
Credit card operations	-	-	-	-	-	-	739	-	-	-	-	-
Payments to banks	-	-	-	-	-	-	166	-	-	-	-	-
Fees and commissions, marketing expenses and other purchase expenses	625	578	523	675	613	587	278	-	-	155	139	120
General and administrative expenses	90	83	84	102	80	82	71	-	-	16	16	16
Impairment of intangible assets	-	1	-	-	1	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-	-	6	5	4
Finance expenses	4	9	17	18	27	-	356	-	-	1	1	1
Total expenses	1,986	1,312	1,594	2,174	1,940	1,821	1,801	-	-	178	161	141
Share in results of equity-accounted investees, net	-	-	-	-	(3)	2	1	-	-	10	6	19
Income (loss) before income tax	(67)	394	179	259	132	77	238	-	-	44	43	51
Other comprehensive income (loss) before income tax	(11)	(41)	14	53	(224)	35	-	-	-	-	2	1
Total comprehensive income (loss) before income tax	(77)	353	193	312	(91)	112	238	-	-	44	45	52

In NIS million	Not allocated to segments			Adjustments and offsets			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Premiums earned, gross	-	-	-	(4)	(2)	(2)	11,202	11,509	10,600
Premiums earned by reinsurers	-	-	-	-	-	-	1,708	1,665	1,588
Premiums earned - retention	-	-	-	(4)	(2)	(2)	9,495	9,844	9,012
Income from credit card transactions	-	-	-	-	-	-	1,083	-	-
Investment income, net and finance income	60	57	576	104	-	-	9,238	(4,097)	13,931
Income from management fees	-	-	-	1	1	1	1,259	1,198	1,775
Finance income (expenses) from fees and commissions	-	-	-	(99)	(90)	(85)	390	383	337
Other income	-	-	-	-	-	-	-	-	1
Total income	60	57	576	2	(90)	(85)	21,464	7,329	25,057
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	-	-	-	(2)	(1)	(2)	16,062	4,749	22,140
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	-	-	-	-	-	-	(671)	(1,008)	(1,867)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	-	-	-	(2)	(1)	(2)	15,391	3,741	20,273
Credit loss expenses- see Note 3(i)(1)(d)	-	-	-	220	-	-	411	-	-
Credit card operations	-	-	-	-	-	-	739	-	-
Payments to banks	-	-	-	-	-	-	166	-	-
Fees and commissions, marketing expenses and other purchase expenses	-	-	-	(99)	(90)	(85)	2,613	2,196	2,008
General and administrative expenses	97	74	90	2	1	(2)	1,092	941	973
Impairment of intangible assets	4	-	2	-	-	-	5	8	9
Other expenses (income)	-	(1)	-	23	-	-	40	18	11
Finance expenses (income)	294	194	186	(22)	-	-	669	235	232
Total expenses	395	267	278	121	(90)	(88)	21,125	7,139	23,506
Share in results of equity-accounted investees, net	(3)	3	5	-	-	-	8	3	29
Income (loss) before income tax	(338)	(207)	303	(120)	(1)	3	347	194	1,581
Other comprehensive income (loss) before income tax	135	(374)	262	-	2	-	129	(547)	487
Total comprehensive income (loss) before income tax	(203)	(581)	565	(120)	2	3	476	(354)	2,068

C. Additional data regarding key insurance subsegments included in the P&C insurance segment

In NIS million	Liability subsegments					
	Compulsory motor insurance			Liability and other subsegments ¹⁾		
	2023	2022	2021	2023	2022	2021
Gross premiums	704	695	599	506	486	498
Reinsurance premiums	168	275	259	258	251	268
Premiums - retention	536	419	340	248	236	231
Change in unearned premium balance, retention	(43)	(43)	(14)	(8)	(7)	(10)
Premiums earned - retention	493	376	326	240	229	220
Investment income, net and finance income	87	80	95	78	76	101
Income from fees and commissions	23	36	45	23	22	23
Total income	602	492	466	342	327	344
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	637	484	820	104	135	961
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(187)	(164)	(429)	20	(42)	(766)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	450	320	391	125	93	194
Fees and commissions, marketing expenses and other purchase expenses	100	97	94	104	101	103
General and administrative expenses	18	14	15	9	8	9
Finance expenses (income)	4	4	3	4	6	(2)
Total expenses	572	435	503	242	208	304
Share in results of equity-accounted investees, net	-	(1)	1	-	(1)	1
Income (loss) before income tax	30	56	(36)	100	118	40
Other comprehensive income (loss) before income tax	19	(86)	12	16	(83)	12
Total comprehensive income before income tax	50	(30)	(24)	117	36	52
Liabilities in respect of insurance contracts						
Gross	2,967	2,843	2,770	2,289	2,941	3,048
Reinsurance	1,236	1,297	1,289	959	1,551	1,567
Retention	1,731	1,546	1,482	1,329	1,390	1,481

- 1) 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 reporting period and in the corresponding period last year constitutes approx. 80% and, in the year, ended December 31, 2021, approx. 79% of total premiums in these subsegments.

In NIS million	Property subsegments											
	Motor property			Credit insurance			Property and other subsegments ¹⁾			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Gross premiums	1,101	942	790	133	132	123	1,152	1,019	932	3,596	3,275	2,942
Reinsurance premiums	59	114	89	69	72	67	899	792	712	1,452	1,503	1,395
Premiums - retention	1,042	829	701	64	60	56	253	228	220	2,143	1,772	1,547
Change in unearned premium balance, retention	(94)	(70)	(80)	(2)	(1)	-	(12)	(3)	(7)	(159)	(124)	(111)
Premiums earned - retention	948	758	621	62	59	56	241	225	213	1,984	1,648	1,436
Investment income, net and finance income	27	20	20	8	9	6	28	16	18	227	202	240
Income from fees and commissions	7	8	6	20	21	20	149	138	127	222	225	221
Total income	982	786	647	90	90	82	418	379	358	2,434	2,075	1,896
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	857	862	616	44	35	41	182	497	340	1,825	2,013	2,778
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(89)	(140)	(138)	(30)	(23)	(28)	(160)	(423)	(266)	(446)	(793)	(1,626)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	768	722	478	14	11	13	22	74	75	1,379	1,220	1,151
Fees and commissions, marketing expenses and other purchase expenses	249	212	187	13	12	13	210	191	191	675	613	587
General and administrative expenses	27	20	20	22	20	21	25	18	18	102	80	82
Impairment of intangible assets	-	-	-	-	-	-	-	-	-	-	1	-
Finance expenses (income)	-	2	1	1	4	(1)	9	11	(1)	18	27	-
Total expenses	1,045	956	685	51	47	46	265	294	282	2,174	1,940	1,821
Share in results of equity-accounted investees, net	-	-	-	-	-	-	-	-	-	-	(3)	2
Income (loss) before income tax	(62)	(169)	(38)	39	42	36	152	85	75	259	132	77
Other comprehensive income (loss) before income tax	6	(21)	3	6	(17)	6	4	(17)	3	53	(224)	35
Total comprehensive income (loss) before income tax	(56)	(190)	(35)	45	26	41	156	68	78	312	(91)	112
Liabilities in respect of insurance contracts												
Gross	790	784	593	93	100	89	1,244	1,294	1,094	7,383	7,963	7,594
Reinsurance	58	117	88	51	58	51	995	1,014	809	3,299	4,037	3,804
Retention	732	667	505	42	42	38	249	280	284	4,084	3,926	3,790

2. Property and other subsegments mainly include results from the business, home and engineering property insurance subsegments, the activity of which in the reporting period and the corresponding period last year constitutes approx. 76% and, in the year, ended December 31, 2021 - approx. 77%, of total premiums in these subsegments.

D. Operating segments reporting as of December 31

In NIS million	Long-Term Savings		Health insurance		Property and casualty		Credit cards		Other		Not allocated to segments		Adjustments and offsets		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Assets:																
Intangible assets	773	791	77	76	215	216	245	-	157	143	14	14	725	-	2,205	1,241
Deferred acquisition costs	1,602	1,540	635	627	301	284	-	-	5	4	-	-	-	-	2,543	2,456
Investments in equity-accounted investees	39	38	-	-	-	(3)	8	-	106	94	27	39	-	-	180	168
Investment property in respect of yield-dependent contracts	3,839	3,778	-	-	-	-	-	-	-	-	-	-	-	-	3,839	3,778
Investment property - other	1,238	1,215	14	14	171	186	-	-	-	-	70	59	-	-	1,494	1,475
Financial investments in respect of yield-dependent contracts	82,990	76,079	1,144	1,052	-	-	-	-	-	-	-	-	-	-	84,133	77,131
Other financial investments:															-	-
Liquid debt assets	1,378	823	465	446	855	2,251	-	-	-	-	4,615	3,479	-	-	7,313	6,999
Illiquid debt assets	18,774	19,272	2,309	1,970	3,056	1,630	-	-	-	-	332	153	(28)	-	24,444	23,024
Shares	400	457	8	18	3	4	-	-	7	17	1,253	1,356	-	-	1,671	1,852
Other	2,527	2,006	78	123	424	129	3	-	-	-	2,804	2,528	-	-	5,836	4,786
Total other financial investments	23,079	22,557	2,861	2,557	4,338	4,015	3	-	7	17	9,005	7,515	(28)	-	39,265	36,661
Cash and cash equivalents in respect of yield-dependent contracts	4,418	8,458	-	-	-	-	-	-	-	-	-	-	-	-	4,418	8,458
Other cash and cash equivalents	724	449	75	155	279	586	531	-	39	63	900	2,338	-	-	2,548	3,591
Reinsurance assets	368	332	138	156	3,299	4,037	-	-	-	-	-	-	-	-	3,805	4,524
Receivables for credit card transactions, net	-	-	-	-	-	-	15,205	-	-	-	-	-	(113)	-	15,092	-
Collectible premiums	173	206	69	74	591	568	-	-	4	5	-	-	-	-	837	853
Other assets	1,423	2,948	104	28	306	310	503	-	80	58	976	975	(132)	(40)	3,259	4,279
Total Assets	120,666	118,391	5,116	4,740	9,499	10,199	16,495	-	398	385	10,992	10,941	451	(40)	163,617	144,616
Total assets for yield-dependent contracts	92,849	91,394	1,163	1,070	-	-	-	-	-	-	-	-	-	-	94,012	92,463
Liabilities:																
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	23,889	23,239	2,906	2,614	7,383	7,963	-	-	-	-	-	-	(1)	(1)	34,176	33,814
Liabilities in respect of insurance contracts and yield-dependent investment contracts	90,528	88,780	1,156	1,092	-	-	-	-	-	-	-	-	(18)	(19)	91,665	89,853
Payables for credit card transactions	-	-	-	-	-	-	8,091	-	-	-	-	-	-	-	8,091	-
Financial liabilities	2,139	2,478	22	12	88	48	5,812	-	-	-	7,662	5,593	(23)	-	15,699	8,131
Other liabilities	1,453	1,228	308	320	1,504	1,576	713	-	214	209	1,308	1,536	(166)	(113)	5,334	4,756
Total liabilities	118,008	115,726	4,392	4,037	8,975	9,587	14,616	-	214	209	8,970	7,129	(208)	(133)	154,966	136,555

NOTE 6 - INTANGIBLE ASSETS ²⁾

A. Composition and changes

In NIS million	Goodwill	Customer portfolios and future management fees	Licenses, trade name, brand and other	Insurance portfolios	Computer software	Total
Cost						
Balance as of January 1, 2022	645	272	9	699	3,138	4,762
Purchases and internal-use software ^{1) 3)}	-	-	-	-	190	190
Derecognitions of fully depreciated assets	-	-	-	-	(3)	(3)
Balance as of December 31, 2022	645	272	9	699	3,325	4,949
Purchases and internal-use software ^{1) 3)}	4	-	-	16	283	303
Purchases as part of business combinations ⁴⁾	428	188	73	-	1,366	2,056
Balance as of December 31, 2023	1,077	461	82	715	4,974	7,309
Amortization and impairment losses						
Balance as of January 1, 2022	298	253	9	654	2,259	3,472
Amortization for the year	-	3	-	5	223	231
Impairment loss	-	-	-	-	8	8
Derecognitions of fully depreciated assets	-	-	-	-	(3)	(3)
Balance as of December 31, 2022	298	256	9	659	2,487	3,709
Amortization for the year	-	20	5	6	301	332
Impairment loss	-	-	-	-	5	5
Purchases as part of business combinations ⁴⁾	-	-	-	-	1,058	1,058
Balance as of December 31, 2023	298	276	14	665	3,851	5,104
Carrying value, net						
Balance as of January 1, 2022	347	20	-	45	879	1,290
Balance as of December 31, 2022	347	17	-	40	838	1,241
Balance as of December 31, 2023	779	185	68	50	1,124	2,205

- 1) Additions in respect of computer software include additions in respect of internal-use software at the total amount of approx. NIS 172 million and approx. NIS 114 million in the years ended December 31, 2023 (in the reporting period, including balance in respect of Max from the consolidation date) and 2022, respectively.
- 2) For details regarding the policy for classifying current amortization and impairment losses, and the amortization periods, see Note 3(g).
- 3) Betach Toren signed agreements to purchase several insurance portfolios over the years; as of December 31, 2023, Betach Toren recognized liabilities in its financial statements in the amount of the payments not yet transferred to the sellers in respect of them, and undertook in purchase agreements an amount of approx. NIS 3 million in respect of them; in return it signed agreements to purchase several insurance portfolios over the years; as of December 31, 2023, it recognized the consideration in its financial statements in the amount of the payments not yet transferred to the seller in respect of them, and undertook in the purchase agreements amounting to approx. NIS 6 million in respect of them.
- 4) For details of excess cost in the Max acquisition, see Note 9 below.

B. Impairment testing and further details

Following is the composition of the carrying value of the intangible assets, excluding computer software:

In NIS million	Original differences attributable to the value of insurance portfolios		Customer portfolios and future management fees		Licenses, trade name, brand and other		Goodwill	
	2023	2022	2023	2022	2023	2022	2023	2022
Provident activity 1)	-	-	14	17	-	-	125	125
Pension activity 2)	-	-	-	-	-	-	135	135
P&C insurance activity - Clal Credit	-	-	-	-	-	-	2	2
Credit cards 4)	-	-	171	-	68	-	432	-
Insurance agencies 3)	50	40	-	-	-	-	85	85
Total	50	40	185	17	68	-	779	347

1. Provident fund management activity

The Company assessed the need to record a provision for impairment of the goodwill allocated to the provident funds management activity through an appraisal by an external independent appraiser, which is based on the discounted cash flow method, under which the projected cash flows from the activity (value in use) are discounted, based, among other things, on the Company's projected rate of management fees, assets under management and expenses of the segment.

According to the valuation as of December 31, 2023 and 2022, the recoverable amount that was calculated is higher than the carrying value of the provident funds activity, and therefore no impairment was recorded in respect of goodwill.

The following key assumptions and parameters were used in the calculation of the recoverable amount:

	As of December 31	
	2023	2022
Valuation methodology	DCF	DCF
WACC operating discount rate before tax	11.1%	11.8%
WACC operating discount rate after tax	9.7%	9.7%
Long-term growth rate in the subsegment excluding investment provident fund	0%	0%
Long-term growth rate of investment provident fund	1.5%	1.5%
Effective marginal tax rate	34.2%	34.2%
Average management fees rate in the Tamar Provident Fund in the long term	0.53%	0.53%
Average management fees rate in advanced education fund in the long term	0.53%	0.52%
No. of years in the projected cash flows	5	5

2. Pension fund management activity

For the purpose of preparing the financial statements as of December 31, 2023 and 2022, the Company tested for impairment of the goodwill allocated to the pension funds activity through an appraisal of an external independent appraiser. The assessment was based on the discounted cash flow method. As part of its appraisal, the appraiser uses embedded value calculations made by the Company in respect of the pension funds activity.

Based on the appraisal that was received, the recoverable amount that was calculated is higher than the carrying value of the pension funds activity, and therefore no impairment was recorded in respect of goodwill as of December 31, 2023 and 2022.

The following key assumptions and parameters were used in the calculation of the recoverable amount:

	<u>As of December 31</u>	
	<u>2023</u>	<u>2022</u>
Valuation methodology	DCF	DCF
WACC operating discount rate before tax	12.2%	11.9%
WACC operating discount rate after tax	9.1%	9.1%
Effective marginal tax rate	34.2%	34.2%
Weighted return on available assets (excluding designated bonds and guaranteed-return track) - planholders' assets	5.3%	5.3%
Weighted return on available assets (excluding designated bonds and guaranteed-return track) - annuity recipients	3.2%	3.2%

3. Agencies

For the purpose of preparing the financial statements, the Company tested for impairment of the goodwill allocated to the agencies activity.

As of December 31, 2023 and 2022, the value in use attributed to the agencies activities was higher than the carrying value of these activities, and therefore no impairment loss was recorded in respect of the goodwill.

4. Credit cards

As of December 31, 2023, the Company conducted a preliminary assessment of qualitative factors, mainly market input and profitability of the unit, and found that the fair value of a cash-generating unit will most likely be higher than its carrying amount and therefore, it did not assess the recoverable amount.

NOTE 7 - DEFERRED ACQUISITION COSTS**A. Composition**

In NIS million	As of December 31	
	2023	2022
Life insurance and long-term savings	1,602	1,540
Health Insurance	635	627
Property and casualty *)	301	284
Other	5	4
Total	2,543	2,456

*) For further details, see Note 20(a).

B. Changes in deferred acquisition costs in the long-term savings segment and the health insurance segment

In NIS million	Long-term savings			Health		
	Life insurance	Pension and provident funds	Total	LTC	Illnesses and hospitalization	Total
Balance as of January 1, 2022	935	394	1,329	83	522	605
Additions:						
Purchase fees	206	259	465	-	122	122
Other purchase expenses	120	-	120	-	175	175
Total additions	326	259	585	-	298	298
Current amortization	(97)	(83)	(180)	(11)	(138)	(149)
Deduction for cancellations	(194)	-	(194)	(3)	(124)	(127)
Balance as of December 31, 2022	970	570	1,540	69	558	627
Additions:						
Purchase fees	167	191	358	-	150	150
Other purchase expenses	113	-	113	-	159	159
Total additions	279	191	470	-	309	309
Current amortization	(93)	(101)	(194)	(10)	(149)	(160)
Deduction for cancellations	(215)	-	(215)	(2)	(139)	(142)
Balance as of December 31, 2023	941	660	1,602	57	578	635

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT²⁾

A. Composition and changes

In NIS million	Land and office buildings	Computers and servers	Vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost						
Balance as of January 1, 2022	66	311	-	73	238	687
Purchases	-	21	-	1	-	22
Derecognitions	-	(3)	-	(1)	(1)	(5)
Balance as of December 31, 2022	66	328	-	72	238	704
Purchases	-	27	-	1	4	32
Derecognitions	-	-	-	-	-	-
Purchases as part of business combinations ¹⁾	-	412	2	39	137	590
Balance as of December 31, 2023	66	767	2	113	379	1,327
Depreciation and impairment losses						
Balance as of January 1, 2022	55	249	-	50	129	483
Depreciation per year	1	18	-	4	12	35
Derecognitions	-	(3)	-	(1)	(1)	(5)
Balance as of December 31, 2022	56	264	-	53	140	512
Depreciation per year	1	33	-	4	15	53
Derecognitions	-	-	-	-	-	-
Acquisitions as part of business combinations ¹⁾	-	373	1	24	61	459
Balance as of December 31, 2023	57	670	1	81	216	1,025
Carrying value, net						
Balance as of January 1, 2022	11	62	-	22	110	205
Balance as of December 31, 2022	10	65	-	19	98	192
Balance as of December 31, 2023	9	97	1	31	163	302

1. In 2023, the Company acquired CIMax and the companies that it controls. For further details, see Note 9 to the Financial Statements.
2. For further details regarding leased property, plant, and equipment, see Note 29.

NOTE 9 - INVESTMENTS IN INVESTEES**A. Further details regarding key subsidiaries****1. Further details regarding key subsidiaries held directly by the Company¹⁾**

In NIS million	Comment	Country of incorporation	Company's rights in equity - %	Investment in the consolidated company	Capital notes
2023					
Clal Insurance Company Ltd. (hereinafter - "Clal Insurance")		Israel	99.98	6,713	⁽³⁾ 502
CIMax Holdings	1)	Israel	100.00	1,509	76
Clal Agency Holdings (1998) Ltd. ("Clal Agencies")		Israel	100.00	152	58
Clalbit Systems Ltd.		Israel	100.00	8	-
Clal Finance Ltd.	2)	Israel	100.00	42	53
2022					
Clal Insurance Company Ltd. (hereinafter - "Clal Insurance")		Israel	99.98	6,497	⁽³⁾ 486
Clal Agency Holdings (1998) Ltd. ("Clal Agencies")		Israel	100.00	152	58
Clalbit Systems Ltd.		Israel	100.00	9	-
Clal Finance Ltd.		Israel	100.00	32	51

1. In 2023, CIMax Holdings issued capital notes to the Company in an amount of NIS 76 million.

2. In 2023, Clal Finance issued to the Company a NIS 2 million capital note.

3. Notes for Tier 1 capital purposes.

2. Business combination during the reporting period

On March 27, 2023 the Company completed the acquisition of the entire issued and paid-up 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%).⁴ 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 income in CIMax's consolidated financial statements. Max engages in the issuing, acquiring and processing of payment 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 Law (Licensing), 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.

For details regarding the subsegments of Max and the other companies controlled by CIMax, see Note 5A(4) above.

CIMax's contribution to the Group's income in the nine months ended December 31, 2023 amounted to:

- Operating income provided by credit card transactions (results of Max and Hyp for nine months) amounted to a total of approx. NIS 238 million before tax and was included under the credit card segment.
- Provision for credit default as part of initial consolidation of Max's results, see Note 3(i)(1)(d) above, and amortization of excess cost in respect of the acquisition in the period amounted to approx. NIS 122 million before tax and was included under adjustments and offsets.
- Finance expenses in respect of the syndicated loan in CIMax in the period amounted to approx. NIS 61 million before tax and was included under unallocated segment.

4. In economic value terms.

Following are data regarding the consideration paid 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

a) 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.

b) 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. Valuation methods 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. The fair value of the brand was estimated using the relief from royalty method. The lifetime used is approx. 10 years; the discount rate of this asset is 15.5%.
- B. Technology - The fair value of technology was assessed according to the income approach, using the MPEEM method, while the value of the asset was estimated based on the future cash flows arising from Hyp's income from technology. Assumed economic life - 9 years and discount rate - 17.0%.
- C. Customer relations of the acquiring segment - The fair value of customer relations was assessed according to the income approach, using the MPEEM method, while the value of the asset was estimated based on the future cash flows arising from income of this segment, with an estimated churn rate of approx. 20.5% per year. A cash flow forecast of operating income and expenses was established, which is attributable to the acquiring segment only, with a lifetime of approx. 7 years. Assumed discount rate - 16.5%.
- D. Customer relations of the issuing segment - The fair value of customer relations under the issuing segment was assessed according to the income approach, using the MPEEM method, while the value of the asset was estimated based on the future cash flows arising from income of this segment, with an estimated churn rate of approx. 10.9% per year. A cash flow forecast of operating income and expenses was established, which is attributable to the issuing segment only, with a lifetime of approx. 9 years. Assumed discount rate - 16.5%.

E. Interest-bearing financial assets and liabilities - The fair value of credit balances was calculated according to the fair value calculation made by Max for its financial statements.

F. 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, which will be depreciated concurrently with the depreciation of the assets.

The growth rate of income according to which the above valuation was conducted for the Company and from which the forecast of income to be generated from the above assets were estimated fluctuates between 3% and 5% per year based on the type of asset and the relevant year in the forecast.

The Group's financial statements as of March 31, 2023 included provisional amounts in respect of identified assets and liabilities of CIMax Group that were acquired. At the reporting date, the provisional amounts for the business combination were revised retrospectively as part of progress of the external appraiser's work as follows:

Identifiable assets and liabilities acquired:

In NIS million	Balance on March 31, 2023	Retrospective adjustment	As reported in these financial statements
Cash and cash equivalents	496	-	496
Receivables and debit balances	52	-	52
Receivables for credit card transactions, net*)	15,408	24	15,432
Excess cost on acquisition **)	240	41	281
Intangible assets	-	255	255
Property, plant & equipment	386	(255)	131
Right-of-use asset	198	-	198
Deferred tax assets	53	(23)	30
Investments in equity-accounted investees	7	-	7
Other financial investments	3	-	3
Payables and credit balances	(463)	-	(463)
Payables for credit card transactions	(8,649)	-	(8,649)
Financial liabilities	(6,535)	-	(6,535)
Liability for employee benefits, net	(27)	-	(27)
Lease liability	(198)	-	(198)
Current tax liabilities	(21)	-	(21)
Net identifiable assets	949	43	992

Composition of receivables for credit card transactions, net*)

In NIS million	Amor-tization	Balance on March 31, 2023	Retro-spective adjustment	As reported in these financial statements
Receivables for credit card transactions in CIMax's books of accounts		15,750	-	15,750
Excess cost for credit card transactions	Effective interest rate	(240)	24	(216)
Receivables for credit card transactions		15,510	24	15,534
Provision for default recognized as part of the business combination		(102)	-	(102)
Receivables for credit card transactions, net		15,408	24	15,432

Composition - excess cost)**

In NIS million	Amortization period (in years)	Balance on March 31, 2023	Retro-spective adjustment	As reported in these financial statements
Brand	10	79	(6)	73
Technology	8.75	66	(6)	60
Customer relations	6.75-8.75	108	80	188
Payables and credit balances	0.25	(13)	-	(13)
Financial liabilities	1	-	(28)	(28)
Total		240	41	281

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

	Balance on March 31, 2023
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	(992)
Goodwill	428

Costs associated with the business combination -

The Group incurred legal expenses and due diligence costs attributable to the acquisition totaling NIS 3.5 million.

The Company also paid bonuses to employees amounting to approx. NIS 2.7 million.

These costs were included in administrative and general expenses in the income statement; most were recognized in 2022.

B. Changes in investment in investees

In NIS million	2023	2022
Balance as of January 1	168	172
Investment in the period	9	9
Equity gains	8	3
Other comprehensive income	1	4
Additions under business combinations	7	-
Dividend received	(13)	-
Other	-	8
Proceeds from sale of an investment	-	(29)
Balance as of December 31	180	168

NOTE 10 - INVESTMENT PROPERTY, INCLUDING FOR YIELD-DEPENDENT CONTRACTS**A. Composition and changes**

In NIS million	Investment property						
	Yield-dependent contracts						
	Office space in Israel ²⁾		Logistics and commercial centers in Israel ²⁾		Office space - abroad		Total
	2023	(* 2022)	2023	(* 2022)	2023	2022	2023 2022
Balance as of January 1	2,209	1,933	1,171	843	398	365	3,778 3,141
Additions							
Purchases, net additions to existing assets	15	144	38	289	-	-	53 433
Capitalized costs and expenses	16	29	4	2	-	-	20 30
Total additions	32	172	42	291	-	-	74 463
Translation differences	-	-	-	-	20	35	20 35
Changes in fair value in respect of real estate properties yet undisposed of	10	103	(9)	38	(35)	(2)	(33) 139
Changes in fair value 1)	10	103	(9)	38	(14)	33	(13) 174
Balance as of December 31	2,251	2,209	1,204	1,171	384	398	3,839 3,778
Details regarding the discount rates used to determine the fair value	5.5%-10% 5.25%-10% 5.75%-10% 5.5%-9.5% 5.25%-9.7% 5.125%-8%						

*) Reclassified.

1) Income from changes in fair value are recognized in the line item investment income, net and finance income.

2) Includes an advance for investment property.

In NIS million	Other						
	Logistics and commercial centers in						
	Office space in Israel ²⁾		Israel ²⁾		Office space - abroad		Total
	2023	(*2022)	2023	(* 2022)	2023	2022	2023 2022
Balance as of January 1	959	855	331	221	185	175	1,475 1,251
Additions							
Purchases, net additions to existing assets	6	51	16	101	-	-	22 152
Capitalized costs and expenses	5	10	1	-	-	-	6 11
Total additions	12	61	17	101	-	-	28 163
Translation differences	-	-	-	-	11	15	11 15
Changes in fair value in respect of real estate properties yet undisposed of ¹⁾	3	43	(2)	9	(21)	(5)	(21) 47
Changes in fair value	3	43	(2)	9	(10)	10	(10) 62
Balance as of December 31	973	959	345	331	175	185	1,494 1,475
Details regarding the discount rates used to determine the fair value	5.5%-10% 5.25%-10% 5.75%-10% 5.5%-9.5% 5.25%-9.7% 5.125%-8%						

*) Reclassified.

1) Income from changes in fair value are recognized in the line item investment income, net and finance income.

2) Includes an advance for investment property.

B. Determining fair value

1. Fair value hierarchy

All fair value measurements are Level 3 measurements in the fair value hierarchy. For the definitions of the different levels in the hierarchy, see Note 2(e)(3) above.

2. Appraisal processes implemented by the Group and valuation techniques used to determine the fair value

The fair value of investment property is an estimate of the amount that would have been received in a sale of the investment property, in an orderly transaction between market participants at the measurement date.

In the absence of current PPPs in an active market, the fair value of investment property is determined based on appraisals conducted by independent external appraisers, with suitable professional qualifications and recent experience as to the location and type of the assessed asset. The appraisals of the investment property are conducted in accordance with a valuation method appropriate for the type of asset as detailed below. External appraisals are conducted in different periods for different assets in the investment property portfolio. All valuations were forwarded for review by the relevant entities in the Company.

3. Data regarding measurements of fair value of investment property

Type of asset	Fair value valuation techniques	Significant non-observable inputs	The inter-relationships between the significant non-observable inputs and the fair value measurement
Rental properties used for commercial /residential /office use	The fair value is measured using an income discounting technique: The fair value model is based on the present value of the estimated NOI arising from the asset. The appraisal of the value of the real estate is based on the net annual cash flows, discounted by a discount rate that reflects the specific risks embodied therein. When actual leases are in place, the payments in respect of which vary from appropriate rent, adjustments are made to reflect the actual rent paid in the contract period. The appraisals take into account the type of tenants that actually occupy the leased property, or who are responsible to meet the lease obligations, or those who might be in the leased property after an unoccupied property is rented out, including a general assessment of their credit worthiness; and the remaining economic useful life of the asset, where those parameters are relevant. The appraisal also takes into account cash outflows in respect of improvement levies, expected refurbishment, and lease payments. When there is reliable comparative information, the fair value is estimated using the comparison technique, while the valuation model is based on price per square meter of comparable properties arising from transactions observed in an active market.	• Market value of future rental payments at the end of the contract period • Discount rate of the cash flows (from 5.25% to 10%)	The estimated fair value will increase if: • The NOI arising from the asset will increase • The discount rate of the cash flows will decrease
Investment property under construction	The appraisal is based on the estimated fair value of the investment property, after the completion of its construction, net of the present value of the estimated construction costs expected to be incurred in order to complete its construction, and net of a reasonable developer's profit, where relevant, while taking into account a discount rate that is adjusted to reflect the property's relevant risks and characteristics. Where the real estate asset is in its preliminary stages, it is presented at cost.		There were no significant inter-relationships between the significant non-observable inputs.

4. Sensitivity analysis

The discount rate constitutes a critical estimate in determining the fair value, since a change in the discount rate will have a material effect on the investment property's fair value. However, it is noted that a change in the fair value of the investment property in respect of yield-dependent contracts does not affect the Group's profit and loss.

The following sensitivity analysis reflects the effect of a change in the discount rate by the rates listed below:

Investment property in respect of yield-dependent contracts

In NIS million	Increase (decrease) in the fair value As of December 31	
	2023	2022
0.5% increase	(239)	(264)
Decrease of 0.5%	280	307

Investment property in respect of non-yield-dependent contracts

In NIS million	Increase (decrease) in profit and loss before tax for the year ended December 31	
	2023	2022
0.5% increase	(92)	(105)
Decrease of 0.5%	108	121

C. The amounts recognized in the statement of income (except for the changes in the fair value and exchange rate differences)

In NIS million	For the year ended December 31		
	2023	2022	2021
Rental income from investment property	299	264	261
Direct operating expenses arising from investment property generating rental income during the period	(16)	(20)	(26)
	283	244	235

D. Details regarding interests in real estate properties used by the Group as yield-dependent investment property

In NIS million	As of December 31	
	2023	2022
Owned	3,336	3,336
Capitalized lease:		
Up to 15 years	122	443
15-50 years	1,546	1,157
Over 50 years	329	317
Total	5,333	5,253

Some of the ownership and lease rights have not yet been registered in the name of group companies with the Land Registry and the Israel Lands Authority, as applicable, mainly due to technical registration arrangements.

E. As to investment property lease commitments, see Note 29.

F. As of December 31, 2023, the balance of the Group's liability in respect of further investments in investment property amounted to approx. NIS 686 million, of which approx. NIS 486 million out of participating policies' funds. (and last year - approx. NIS 723 million, of which approx. NIS 520 million out of participating policies' funds).

NOTE 11 - CREDIT RISK, RECEIVABLES FOR CREDIT CARD TRANSACTIONS AND CREDIT LOSS PROVISION

A. Receivables for credit card transactions

In NIS million	As of December 31, 2023
Credit risk without bank guarantees:	
Private individuals: ⁽¹⁾	
Of which: Receivables for credit card transactions ⁽²⁾	3,451
Of which: Credit ⁽²⁾⁽³⁾	9,127
Private individuals - total	12,578
Commercial:	
Of which: Receivables for credit card transactions ⁽²⁾	237
Of which: Credit ⁽²⁾⁽³⁾	964
Commercial - total	1,201
Total credit risk without bank guarantees	13,779
Credit risk guaranteed by banks and others:	
International credit card companies and organizations	276
Income receivable	153
Others	170
Total receivables for credit card transactions	14,378
Credit loss provision	(372)
Total receivables for credit card transactions	14,006
Amounts receivable from banks for credit card transactions, net	1,085
Receivables for credit card transactions, net	15,092

- (1) Private individuals, as defined in the Reporting to the Public Directives - Report of the Board of Directors and Management, 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. The balance is presented after the invoice factoring transaction. For details, see Note 10D below. 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 2,205 million.

B. Debts* and off-balance-sheet credit instruments

1. Change in outstanding credit loss provision

	As of December 31, 2023					
	Credit loss provision					
	Credit risk without bank guarantees					
	Private individuals		Commercial		Credit risk guaranteed by banks and others (2)	Total
In NIS million	Receivables for credit cards *)	Credit (1)	Receivables for credit cards	Credit (1)		
Balance of credit loss provision as of December 31, 2022	-	-	-	-	-	-
Provision for MAX consolidated credit default (see Note 3(i)(1)(d))	5	82	1	11	4	102
Application of CECL subsequent to Max's acquisition (see Note 3(i)(1)(d))	18	177	2	23	-	220
Credit loss expenses	11	151	2	35	-	199
Write-downs	(11)	(128)	-	(10)	-	(149)
Collection of debts written off in previous years	1	15	-	1	-	17
Write-downs, net	(10)	(113)	-	(9)	-	(132)
Balance of credit loss provision as of December 31, 2023 ⁽³⁾	24	297	5	60	4	389
(3) Of which:						
For off-balance sheet credit instruments	13	-	2	-	1	16
For deposits with banks and amounts receivable from banks ³⁾	-	-	-	-	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 card holders, credit non-card holders and other transactions.

(2) Amounts receivable from banks, deposits with banks, global credit card companies and organizations, accrued income and other accounts receivables.

2. Additional information on calculating the credit loss provision for debts and for the debts for which it was calculated

In NIS million	As of December 31, 2023					
	Credit loss provision					
	Private individuals		Commercial		Credit risk guaranteed by banks and others (2)	Total
	Receivables for credit cards *)	Credit (1)	Receivables for credit cards	Credit (1)		
Recorded outstanding debt:						
Examined on a specific basis	9	11	66	526	-	612
Examined on a collective basis	3,442	9,116	171	438	2,220	15,388
Total debts	3,451	9,127	237	964	2,220	16,000
Of which:						
Non-performing debts	12	136	3	24	-	175
Other troubled debts	5	336	1	39	-	381
Total troubled debts	17	472	4	63	-	556
Credit loss provision in respect of debts:						
Examined on a specific basis	-	-	-	20	-	20
Examined on a collective basis	11	295	2	41	4	353
Total credit loss provision	11	295	2	61	4	373
Of which: For non-performing debts	2	60	1	14	-	77
Of which: For other troubled debts	-	41	-	7	-	48

*) 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 card holders, credit non-card holders and other transactions.

(2) Amounts receivable from banks, deposits with banks, global credit card companies and organizations, accrued income and other accounts receivables.

3. Credit quality by credit granting year

Current	As of December 31, 2023						Recorded out-standing debt of renewed loans	Total
	Recorded debt balance of fixed term credit							
In NIS million	2023	2022	2021	2020	2019	Previous		
Private individuals								
Receivables for credit cards:								
Non-troubled credit	3,323	90	19	2	-	-	-	3,434
Troubled performing credit	3	2	-	-	-	-	-	5
Non-performing credit	11	1	-	-	-	-	-	12
Total receivables for credit cards	3,337	93	19	2	-	-	-	3,451
Credit:								
Non-troubled credit	3,547	2,052	905	256	96	7	1,792	8,655
Troubled performing credit	48	115	57	20	8	1	87	336
Non-performing credit	28	36	16	6	5	2	43	136
Total credit	3,623	2,203	978	282	109	10	1,922	9,127
Total private individuals	6,960	2,296	997	284	109	10	1,922	12,578
Commercial								
Receivables for credit cards:								
Non-troubled credit	211	2	-	1	-	1	-	215
Troubled performing credit	1	-	-	-	-	-	-	1
Non-performing credit	3	-	-	-	-	-	-	3
Total receivables for credit cards	215	2	-	1	-	1	-	219
Credit:								
Non-troubled credit	570	192	64	32	-	(2)	63	919
Troubled performing credit	21	9	5	1	-	-	3	39
Non-performing credit	16	4	1	-	-	1	2	24
Total credit	607	205	70	33	-	(1)	68	982
Commercial - total	822	207	70	34	-	-	68	1,201
Total debts	7,782	2,503	1,067	319	109	10	1,990	13,779

*) Receivables for credit card transactions, deposits with banks, and other debts.

c. Debts ⁽¹⁾

1. Credit quality and delinquency

	As of December 31, 2023			
	Troubled ⁽²⁾			
In NIS million	Per- forming	Per- forming	Non-per- forming	Total
Private individuals				
Receivables for credit cards ¹⁾	3,434	5	12	3,451
Credit (3)	8,655	336	136	9,127
Commercial				
Receivables for credit cards	233	1	3	237
Credit ⁽³⁾	901	39	24	964
Other accounts receivables ⁽⁴⁾	2,220	-	-	2,220
Total debts	(* 15,444	381	175	16,000

*) 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 15,160 million.

(1) Receivables for credit card transactions, deposits with banks, and other debts.

(2) Performing and non-performing debts.

(3) Including credit provided in car collateral at a value of NIS 2,205 million.

(4) Amounts receivable from banks, deposits with banks, global credit card companies and organizations, accrued income, and other accounts receivable.

2. Additional information on non-performing debts

(a) Non-performing debts and provision

	As of December 31, 2023			
	Outstanding debts			Outstanding contractual principal in respect of non-performing debts
In NIS million	Outstanding non-performing debts for which there is a provision (2)	Out-standing provision	Total outstanding non-performing debts (2)	
Private individuals				
Receivables for credit cards ¹⁾	12	2	12	12
Credit	136	60	136	136
Commercial				
Receivables for credit cards	3	1	3	3
Credit	24	14	24	24
Total debts	175	77	175	175
Of which:				
Measured according to the present value of cash flows	-	-	-	-
Restructured troubled debts	58	31	58	58

(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 December 31, 2023	
	Recorded outstanding debt	
In NIS million	Non-performing interest income	Total
Private individuals		
Receivables for credit cards ¹⁾	3	3
Credit	44	44
Commercial		
Credit	11	11
Total debts	58	58

	As of December 31, 2023					
	Restructurings carried out during the reporting period			Restructurings carried out and failed (2)		
	No. of debt settle-ments	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of debt settle-ments	Recorded outstanding debt	
In NIS million						
Private individuals						
Receivables for credit cards	113	2	2	35	1	
Credit	2,143	43	43	670	11	
Commercial						
Receivables for credit cards	108	3	3	-	-	
Credit	2	8	8	-	-	
Total debts	2,366	56	56	705	12	

(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.

D. Credit acquisition and sale during the year

In 2023, the Company acquired credit card vouchers in an amount of NIS approx. 963 million.

In 2023, new transactions of between NIS 400-1,000 million each, were entered into. Transactions were entered into under the agreement, subject to the discretion of the parties.

E. Receivables for credit card transactions ⁽¹⁾ and off-balance-sheet credit risk based on the amount of the borrower's debts ^{(1), (3)}

	As of December 31, 2023		
	Receivables for credit card transactions		Off-balance-sheet credit risk 1) 3)
	No. of borrowers 2)	Total	
	NIS million		
Maximum credit (in NIS thousand)			
Borrower's outstanding balance is up to 5	167,063	137	429
Borrower's outstanding balance is over 5 and up to 10	320,826	383	2,508
Borrower's outstanding balance is over 10 and up to 15	158,743	468	1,578
Borrower's outstanding balance is over 15 and up to 20	146,661	600	2,042
Borrower's outstanding balance is over 20 and up to 30	192,911	1,249	3,553
Borrower's outstanding balance is over 30 and up to 40	112,854	1,141	2,773
Borrower's outstanding balance is over 40 and up to 80	191,432	3,873	6,210
Borrower's outstanding balance is over 80 and up to 150	56,721	3,752	1,840
Borrower's outstanding balance is over 150 and up to 300	9,191	1,399	328
Borrower's outstanding balance is over 300 and up to 600	972	269	109
Borrower's outstanding balance is over 600 and up to 1,200	188	122	36
Borrower's outstanding balance is over 1,200 and up to 2,000	70	110	14
Borrower's outstanding balance is over 2,000 and up to 4,000	36	100	10
Borrower's outstanding balance is over 4,000 and up to 8,000	18	100	7
Borrower's outstanding balance is over 8,000 and up to 20,000	17	196	9
Borrower's outstanding balance is over 20,000 and up to 40,000	2	21	20
Borrower's outstanding balance is over 40,000 and up to 200,000	2	264	-
Total	1,357,707	14,184	21,466
Receivables and other receivables		195	
Total	1,357,707	14,379	21,466

(1) Receivables for credit card transactions and off-balance sheet credit risk are stated before the effect of credit loss provision and the effect of deductible collateral for the purpose of borrower indebtedness.

(2) Number of borrowers according to total payables and off-balance-sheet credit risk.

(3) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower indebtedness limitations (excluding credit facilities provided by banks).

NOTE 12 - RECEIVABLES AND DEBIT BALANCES

A. Composition

NIS million	As of December 31	
	2023	2022
Government institutions and authorities	3	37
Prepaid expenses	89	66
Collateral in respect of the securities	1,006	2,744
Receivables for purchase of securities	493	261
Advances on account of fees and commissions to insurance agents	15	16
Insurance companies and insurance brokers	94	50
Trade receivables and accrued income	117	93
Subrogation and salvage recoveries	27	30
Inventories	9	-
Others	31	18
Total	1,884	3,313
Less provision for doubtful debts, mostly in respect of reinsurers (see B below)	(18)	(19)
Total receivables and debit balances	1,867	3,294

Regarding the Group's exposure to credit risks and market risks, see Note 42 below.

Regarding receivables and debit balances constituting related parties and interested parties, see Note 43 below.

B. Following is the change in provision for doubtful debts

NIS million	As of December 31	
	2023	2022
Balance as of January 1	19	21
Bad debts	(4)	(6)
Change in provision during the period - stated in profit and loss	3	4
Total provision for doubtful debts	18	19

NOTE 13 - COLLECTIBLE PREMIUM

A. Composition^{1), 2)}

In NIS million	As of December 31	
	2023	2022
Collectible premiums	900	915
Less provision for doubtful debts	(62)	(62)
Total premiums collectible	837	853
Including checks collectible and direct debits	506	607

1) Regarding the Group's exposure to credit risks and market risks, see Note 42.

2) Regarding the collectible premium from related parties and interested parties, see Note 43.

B. Following is the change in provision for doubtful debts for the collectible premium

In NIS million	2023	2022
Balance as of January 1	62	58
Change in provision during the period - stated in profit and loss	-	5
Balance as of December 31	62	62

C. Aging

In NIS million	As of December 31	
	2023	2022
Unimpaired collectible premium		
No arrears	567	560
In arrears: *)		
Under 90 days	91	116
Between 90 and 180 days	55	60
Over 180 days	109	101
	254	277
Total unimpaired collectible premium	822	837
Impaired collectible premium	16	16
Total collectible premium	837	853

*) Includes an amount of NIS 151 million (December 31, 2022 - NIS 179 million) debts in arrears in the life insurance segment. These debts are mainly backed by the repayment value of the policy.

NOTE 14 - ASSETS FOR YIELD-DEPENDENT CONTRACTS**A. Composition**

Following is a breakdown of assets held against insurance contracts and yield-dependent investment contracts presented at fair value through profit and loss:¹⁾

In NIS million	As of December 31	
	2023	2022
Investment property	3,839	3,778
Financial investments:		
Liquid debt assets	28,065	25,380
Illiquid debt assets	8,199	9,592
Shares	17,378	19,701
Other financial investments ²⁾	30,491	22,458
Total financial investments	84,133	77,131
Cash and cash equivalents	4,418	8,458
Other ³⁾	1,622	3,096
Total assets in respect of yield-dependent contracts	94,012	92,463

1) For information regarding the exposure in respect of assets for yield-dependent contracts, see Note 42.

2) Other financial investments mainly include investments in ETNs/ETFs, participation certificates in mutual funds, investment funds, derivatives, futures, options and structured products.

3) The balance includes mainly collectible premiums, reinsurer balances, collateral for activity in futures and outstanding securities transactions as of the date of the financial statements.

B. Fair value of financial assets**(1) Fair value hierarchy of financial assets measured at fair value**

The following table presents the financial assets measured at fair value from time to time, using a valuation method according to the different fair value levels. For the definitions of the levels in the hierarchy, see Note 2(e)(3). For further details regarding fair value measurements, see Note 14.

For information about the fair value of investment property in respect of yield-dependent assets, see Note 10 below.

In NIS million	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Liquid debt assets	23,410	4,655	-	28,065
Illiquid debt assets	-	8,170	29	8,199
Shares	14,899	511	1,968	17,378
Other financial investments *)	16,002	1,950	12,539	30,491
Total financial investments	54,311	15,286	14,536	84,133
*) Of which for derivatives	280	284	9	573

During the period there were no material transfers between Level 1 and Level 2.

In NIS million	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
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 *)	11,327	1,104	10,027	22,458
Total financial investments	48,826	16,111	12,194	77,131
*) Of which for derivatives	49	178	9	236

During the period there were no material transfers between Level 1 and Level 2.

(2) Change in financial assets measured at fair value - Level 3

In NIS million	Illiquid debt assets	Shares	Other financial investments	Total
Balance as of January 1, 2023	61	2,106	10,027	12,194
Total income (losses) recognized in profit and loss	4	(161)	517	360
Purchases	-	393	2,989	3,382
Sales	-	(367)	(1,005)	(1,372)
Redemptions	(12)	-	-	(12)
Proceeds from interest and dividend	(13)	(3)	-	(16)
Debt-to-equity swap	(11)	-	11	-
Balance as of December 31, 2023	29	1,968	12,539	14,536

Total income (losses) for the period included in profit and loss in respect of financial assets held as of December 31, 2023 ¹⁾

4 (163) 540 381

In NIS million	Illiquid debt assets	Shares	Other financial investments	Total
Balance as of January 1, 2022	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	30	-	-	30
Transfers from Level 3 ³⁾	-	(485)	(14)	(499)
As of December 31 2022	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⁾

1 359 1,468 1,828

1) Under investment income, net and finance income

2) In respect of debt assets for which quotes were discontinued, which were transferred to Level 3.

3) Regarding the fair value measurement method, see Note 15(f)(3).

NOTE 15 - OTHER FINANCIAL INVESTMENTS

In NIS million	As of December 31, 2023			
	Fair value through profit and loss 1)	Available-for-sale	Loans and receivables	Total
Liquid debt assets (a)	1,101	6,212	-	7,313
Illiquid debt assets (b)	-	-	24,444	24,444
Shares (d)	24	1,647	-	1,671
Other (e)	1,017	4,819	-	5,836
Total	2,142	12,678	24,444	39,265

In NIS million	As of December 31, 2022			
	Fair value through profit and loss	Available-for-sale	Loans and receivables	Total
Liquid debt assets (a)	130	6,869	-	6,999
Illiquid debt assets (b)	1	-	23,023	23,024
Shares (d)	-	1,852	-	1,852
Other (e)	552	4,234	-	4,786
Total	683	12,955	23,023	36,661

1) Of which investments valued at approx. NIS 992 million are treated according to IFRS 9 at fair value through profit and loss.

A. Liquid debt assets**Composition**

In NIS million	As of December 31	
	2023	2022
Government bonds:		
Presented at fair value through profit or loss		
Designated as of initial recognition date	902	-
Available-for-sale	3,131	4,206
Total government bonds	4,033	4,206
Other debt assets:		
Non-convertible		
Presented at fair value through profit or loss:		
Designated as of initial recognition date	174	104
Available-for-sale	3,081	2,663
Total other non-convertible debt assets	3,255	2,767
Convertible		
Presented at fair value through profit or loss:		
Designated as of initial recognition date	25	26
Total other convertible debt assets	25	26
Total liquid debt assets	7,313	6,999
Impairments carried to profit and loss (cumulative)	2	1

B. Illiquid debt assets

(1) Composition, fair value against carrying value and level in the fair value hierarchy

In NIS million	As of December 31, 2023				As of December 31, 2022			
	Fair value 1)				Carrying Fair value 1)			
	Carrying amount	Total	Level 2	Level 3	Carrying amount	Total	Level 2	Level 3
Government bonds accounted for as loans and receivables								
Designated bonds	14,441	19,542	-	19,542	14,252	20,670	-	20,670
Treasury deposits	2,193	2,737	-	2,737	2,165	2,788	-	2,788
Total government bonds	16,634	22,279	-	22,279	16,417	23,458	-	23,458
Other non-convertible debt assets Presented at fair value through profit or loss:								
Designated as of initial recognition date	28	28	28	-	1	1	1	-
Presented as loans and receivables, excluding deposits with banks ²⁾	7,232	7,242	5,062	2,180	5,953	6,054	4,558	1,496
Deposits with banks	550	566	566	-	653	688	688	-
Total other non-convertible debt assets	7,810	7,836	5,656	2,180	6,607	6,743	5,247	1,496
Total illiquid debt assets	24,444	30,115	5,656	24,459	23,024	30,201	5,247	24,954
Impairments carried to profit and loss (cumulative)	42				43			

1) Further to Note 3(d)(1)(d), in the liability adequacy testing (LAT), the Company takes into account excess fair value over the carrying value of illiquid debt assets.

2) For further details, see Note 42(e)(e1)(d).

(2) Aging of investments in illiquid financial debt assets

In NIS million	As of December 31	
	2023	2022
Government bonds	16,634	16,417
Specifically unimpaired debt assets, gross:		
No arrears	7,804	6,591
In arrears: (*)		
Under 90 days	1	4
Between 90 and 180 days	-	-
Over 180 days	2	4
Total in arrears	3	8
Total debt assets whose value is specifically unimpaired, gross	24,441	23,016
Collective provision	(4)	(4)
Total debt assets whose value is specifically unimpaired, net	24,437	23,012
Impaired debt assets:		
Impaired assets, gross	45	51
Provision for loss	(38)	(39)
Impaired debt assets, net	7	12
Total illiquid debt assets	24,444	23,024

*) Mainly loans on policies against which there are full redemption values and/or mortgages.

It is noted that the above amounts do not constitute the actual amount in arrears, but rather the portion of the outstanding debt involved in arrears.

C. Details on paid interest and linkage in respect of debt assets

In percentage	As of December 31	
	2023	2022
Liquid debt assets		
Linkage basis		
CPI-linked	2.14	1.55
NIS	4.40	3.92
Linked to foreign currency	5.27	5.70
Illiquid debt assets		
Linkage basis		
CPI-linked	4.62	4.70
NIS	5.97	4.85
Linked to foreign currency	7.47	6.15

D. Shares

In NIS million	As of December 31	
	2023	2022
Liquid		
Held for trading		
Presented at fair value through profit or loss:		
Designated as of initial recognition date	17	-
Available-for-sale	897	915
Total liquid shares	914	915
Illiquid		
Presented at fair value through profit or loss:		
Designated as of initial recognition date	7	-
Available for sale	750	937
Total illiquid shares	757	937
Total shares	1,671	1,852
Impairments carried to profit and loss (cumulative)	344	212

E. Other financial investments**1. Composition**

In NIS million	As of December 31	
	2023	2022
Liquid		
Presented at fair value through profit and loss:		
Designated as of initial recognition date	638	473
Derivative instruments ²⁾	7	6
Available for sale	365	563
Total liquid financial investments	1,010	1,042
Illiquid		
Presented at fair value through profit and loss:		
Designated as of initial recognition date	67	26
Derivative instruments ²⁾	304	48
Available for sale	4,455	3,670
Total illiquid financial investments	4,826	3,744
Total other financial investments	5,836	4,786
Impairments carried to profit and loss (cumulative)	125	174

Other financial investments mainly include investments in ETNs/ETFs, participation certificates in mutual funds, investment funds, financial derivatives, futures, options and structured products.

2. Additional Information on derivative instruments

Following is the amount of net exposure to the underlying asset, presented in delta terms of transactions involving derivative instruments carried out by the Group's insurance companies as of the financial statements dates:

In NIS million	As of December 31	
	2023	2022
Shares	478	132
CPI	104	1,575
Foreign currency	(3,691)	410
Fixed interest	762	445

The amount of net exposure to the underlying asset, presented in delta terms of transactions involving derivative instruments carried out as of the financial statements dates, which are included in the financial liabilities are described in Note 26.

F. Fair value

1. Fair value hierarchy of financial assets measured at fair value

The following table presents the financial assets measured at fair value from time to time, using a valuation method according to the different fair value level. For details about the levels in the hierarchy, see Note 2(e)(3) above.

In NIS million	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Liquid debt assets	7,130	183	-	7,313
Illiquid debt assets	-	-	-	-
Shares	867	47	757	1,671
Other financial investments *)	1,007	301	4,528	5,836
Total financial investments	9,004	531	5,285	14,820
*) Of which for derivatives	4	301	3	308

During the period there were no material transfers between Level 1 and Level 2.

In NIS million	Balance as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Liquid debt assets	6,821	178	-	6,999
Illiquid debt assets	-	1	-	1
Shares	878	37	937	1,852
Other financial investments *)	1,045	44	3,697	4,786
Total financial investments	8,744	260	4,634	13,638
*) Of which for derivatives	6	44	4	54

During the period there were no material transfers between Level 1 and Level 2.

2. Change in assets measured at fair value - Level 3

In NIS million	Fair value measurement, at the reporting date, of financial assets at fair value through profit and loss and available-for-sale financial assets		
	Shares	Other financial investments	Total
Balance as of January 1, 2023			
Total income (losses) recognized:	937	3,697	4,634
In profit and loss	41	96	137
In other comprehensive income	(142)	134	(8)
Purchases	117	944	1,061
Sales	(190)	(343)	(533)
Dividend and interest received	(6)	-	(6)
Balance as of December 31, 2023	757	4,528	5,285
Total income for the period included in profit and loss in respect of financial assets held as of December 31, 2023	9	97	106

In NIS million	Fair value measurement, at the reporting date, of financial assets at fair value through profit and loss and available-for-sale financial assets		
	Shares	Other financial investments	Total
Balance as of January 1, 2022	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)
Dividend and interest received	(9)	(2)	(11)
Transfers from Level 3 ¹⁾	(196)	(5)	(201)
As of December 31, 2022	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.

3. Fair value valuation techniques and valuation processes implemented by the Company

A Investments in shares and debt instruments

The fair value of investments traded actively in regulated financial markets is determined based on their quoted closing bid price as of the measurement date.

Regarding investments traded over the counter (OTC), the Group receives quotes from recognized pricing services.

For investments where there is no active market, fair value is determined by external appraisers using valuation techniques. Such techniques include using transactions that were recently made at fair market value, reference to the current market value of another instrument which is substantially the same, discounted cash flows, or other valuation methods.

The fair value of illiquid debt assets in Israel, including bonds, loans and deposits, is calculated using a model based on the present value of the discounted cash flows calculated using a discount rate set by a provider of interest rate quotes (see Section 4(a)(1) below).

The fair value of illiquid debt assets abroad is calculated using a model based on the present value of the discounted cash flows calculated using a discount rate set by an expert (see Section 4(a)(2) below).

The fair value of Hetz bonds is calculated according to actuarial average duration and by discounting the expected cash flows based on a risk-free interest rate curve.

The valuations, methodology and trends are reviewed and approved by the relevant investment managers and investment finance personnel.

The fair value of the investment funds is based on net asset value (NAV) reported by the fund managers - mostly once a quarter; the fund's reports are reviewed and approved by the investment manager based on his/her knowledge of the fund.

The fair value of hybrid instruments is determined based on a quote.

B. Derivatives

The fair value of forwards, cross currency swaps (CCS) and options is based on their quoted price, if available. Where such a quoted price is unavailable, the fair value of forwards and CCSs is estimated by discounting the difference between the forward price as per the contract and the current forward price in respect of the period to maturity, using quotes of suitable interest rates, while the fair value of options is determined using the B&S model.

The fair value of interest rate swaps (IRS) is calculated according to the discounted cash flow model according to the terms of the contracts, and based on quoted prices received from recognized pricing services.

4. Data used in the fair value calculation

A. The interest rates used in determining the fair value

1. The discount rates used to calculate the fair value of illiquid assets, which is determined by discounting the estimated cash flows in respect thereof are based primarily on yields on government bonds and margins of corporate bonds as measured on the Tel Aviv Stock Exchange. The quoted prices and interest rates used for discounting purposes are determined by a company which won the tender, published by the Ministry of Finance, for the setting up and operating a database of quoted prices and interest rates for institutional entities.
2. The discount rates used to calculate the fair value of illiquid assets abroad, which is determined by discounting the estimated cash flows in respect thereof are based primarily on yields on corporate bonds as measured in stock exchanges abroad.
3. **The interest rate for illiquid debt assets in Israel, by ratings:¹⁾**

<u>In percentage</u>	<u>As of December 31</u>	
	<u>2023</u>	<u>2022</u>
AA and above	2.1	1.4
BBB to A	5.2	3.9
Unrated	6.6	6.4

The interest rate for illiquid debt assets abroad, by international ratings²⁾:

<u>In percentage</u>	<u>As of December 31</u>	
	<u>2023</u>	<u>2022</u>
Unrated	7.8	7.6

- 1) The sources for the ratings in Israel are Maalot, Midroog and internal rating. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: A rating includes A- up to A+.
- 2) All debt assets rated abroad were rated by well-recognized foreign rating agencies. Each rating includes all ranges, for example: A rating includes A- up to A+.

G. Disclosure required in connection with the provisional exemption from the implementation of IFRS 9

The following table presents the fair value of the financial assets divided into two groups: Assets that meet the solely principal and interest (SPPI) criteria, excluding all assets held for trading or assets under management measured at fair value (hereinafter - "Group A"), and all other financial assets (hereinafter - "Group B")

In NIS million	As of December 31, 2023		As of December 31, 2022 *)	
	Class A	Class B	Class A	Class B
Financial investments in respect of yield-dependent contracts	-	84,133	-	77,131
Cash and cash equivalents in respect of yield-dependent contracts	-	4,418	-	8,458
Other financial investments - shares	-	1,647	-	1,852
Other financial investments - other	-	5,746	-	4,786
Other financial investments - liquid debt assets	6,211	196	6,869	130
Other financial investments - illiquid debt assets	30,137	5	30,189	12
Cash and cash equivalents	1,944	-	3,591	-

Regarding the testing of the compliance of debt assets with the solely principal and interest criteria according to IFRS 9, see Note 42(f)(2)(a1).

*) Including companies applying the temporary exemption of IFRS 9.

NOTE 16 - CASH AND CASH EQUIVALENTS**A. Cash and cash equivalents in respect of yield-dependent contracts****1. Composition**

NIS million	As of December 31	
	2023	2022
Cash and deposits available for immediate withdrawal	3,364	3,243
Short term deposits	1,054	5,216
Cash and cash equivalents	4,418	8,458

2. Further details

As of financial reporting date, the cash with banking corporations bear current interest of approx. 4.5% based on interest rates applicable to daily deposits with banks (as of December 31, 2022 - approx. 3.0%).

Other deposits with banking corporations are for periods ranging between one week and three months. The deposits carry an interest rate of 4.58%-5.23% (as of December 31, 2022 - 3.05%-3.6%)

B. Other cash and cash equivalents**1. Composition**

NIS million	As of December 31	
	2023	2022
Cash and deposits available for immediate withdrawal	1,647	2,285
Short term deposits	901	1,307
Cash and cash equivalents	2,548	3,591

2. Further details

As of financial reporting date, the cash with banking corporations bear current interest of approx. 4.5% based on interest rates applicable to daily deposits with banks (as of December 31, 2022 - approx. 3.0%).

Other deposits with banking corporations are for periods ranging between one week and three months. The deposits carry an interest rate of 4.32%-5.23% (as of December 31, 2022 - 3.05%-3.6%)

C. For further details regarding the Group's exposure to interest rate risk, market risk and regarding sensitivity analysis, see Note 42(c)(2)-(3).

NOTE 17 - EQUITY AND RESERVES

A. Share capital

	Ordinary shares *)		
	2023	2022	2021
	In thousands of shares of NIS 1 p.v.		
Issued and paid up share capital as of January 1	74,061	67,649	67,645
Issuance of shares **)	4,970	6,411	-
Exercise of options for senior employees ***)	-	1	4
Issued and paid up share capital as of December 31	79,031	74,061	67,649
Registered capital	100,000	100,000	100,000

*) The shares are listed 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 D2 below.

***) For further details, see Note 44 below.

B. Capital reserves

1. The translation reserve of foreign operations is composed primarily from the effects of the exchange rates of the GBP and USD.
2. Other capital reserves include capital reserve in respect of transactions with controlling shareholders, and other capital reserves which are immaterial.

C. Dividends in the Company and consolidated companies

1. Dividend in the Company

Over the past three years no dividends were distributed.

The Company's Board of Directors decides the amounts of the dividends distributed to the shareholders.

The distribution of dividends is also affected by investees' ability to distribute dividends subject to their capital requirements and liquidity needs. For details regarding capital requirements in consolidated insurance companies and Max, see Section F below.

2. Dividend in Clal Insurance

Over the past three years no dividends were distributed.

In June 2023, Clal Insurance approved dividend distribution policy according to which the Company intends to distribute an annual dividend at a rate of 30%-50% of Clal Insurance's annual comprehensive income, as per its consolidated financial statements, with a possible interim dividend. The distribution is subject to the Clal Insurance's compliance with a minimum economic solvency ratio objective pursuant to the economic solvency ratio regime, without taking into account the transitional provisions at a rate of 110% (after distribution), and at a rate of 135% (after distribution), taking into consideration the transitional provisions during the transitional period.

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 prudential economic solvency ratio target 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. Furthermore, the execution of any actual distribution shall be subject to compliance with the provisions of the law applicable to any dividend distribution, including, among other things, the provisions of the Companies Law, 1999, and to compliance with the financial covenants the Company has undertaken and/or will undertake, to having sufficient distributable profits on the relevant dates, to the condition that the distribution shall not adversely affect the Company's cash flows and its need for cash to finance its activities, including future investments, as shall be from time to time, and/or its expected and/or planned future activities.

The Company's Board of Director may review the dividend distribution policy from time to time and decide, at any given time, taking into account business considerations and the legal and regulatory provisions applicable to the Company, to change the dividend distribution policy, including the rate of dividend to be distributed.

3. Dividend in Max

Dividend distribution by Max is subject to the restrictions of the Companies Law as well as the Banking Supervision Department's directives, 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 of more of the last 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 regarding which the last financial report was published shows a loss or comprehensive loss.
3. Max might not comply with the capital target requirements.

Notwithstanding the above, in certain cases Max may distribute dividends also under the above circumstances, if it receives prior written consent from the Banking Supervision Department for the distribution, and up to the maximum amount approved, as aforesaid.

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; (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 income under the Company's last consolidated financial statements; (2) Max meets all its material liabilities, including not deviating from the financial covenants; (3) there is no cause to call for immediate repayment.
- 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 income under the Max's last consolidated financial statements; (2) Max meets all its material liabilities, including not deviating from the financial covenants; (3) there is no cause to call for immediate repayment.

On June 22, 2023, Max's Board of Directors approved a dividend distribution in the amount of NIS 40 million. On June 23, 2023, the dividend was paid. The distribution was made in compliance with all restrictions applicable to Max.

D. Issuance of share capital by the Company

On January 16, 2022, the Company issued 6,410,700 shares of NIS 1 p.v. each, under an IPO pursuant to its shelf offering report dated January 13, 2022 which was published under a shelf prospectus dated August 29, 2019, the validity of which was extended until August 28, 2022. The proceeds of the issuance, net of issuance expenses, amounted to approx. NIS 492 million.

In March 2023, as part of the consideration for the Max transaction, the Company allocated to the seller - on the transaction completion date - 4,970,310 ordinary shares of the Company of NIS 1 p.v. each (hereinafter - the "**Allocated Shares**"). The allocated shares constituted - immediately following their allocation - approx. 6.29% of the issued and paid-up share capital of the Company and approx. 6.05% of the issued and paid-up share capital of the Company, fully diluted. For details about Max's acquisition, see Note 9 above.

E. Control status and management of the capital requirements of the Company and consolidated institutional entities

1. Capital management by the Company

It is the Company's policy to maintain a strong capital base as a central loss absorption buffer in order to retain Company's ability to continue its activities, such that it will be able to generate returns to its shareholders and support its consolidated companies' capital needs, as detailed in Section E below, and in order to support future business development.

With regard to capital management, the Company also assesses the need to maintain an absorption buffer,

noting negative developments that might affect the capital and the capital requirements. The Board of Directors monitors the return on equity, which is defined by the Group as comprehensive income (loss) for the period attributable to the Company's shareholders divided by the equity attributable to the Company's shareholders.

For details about the Company's undertaking to the Capital Market, Insurance and Savings Authority (hereinafter - the "Authority") regarding compliance with an equity to asset ratio in the separate balance sheet, as given as part of the completion of the Max transaction, and for details about the Company's undertaking to meet financial ratios as part of the control permit in Max and CIMax, as issued by the Governor of the Bank of Israel, see Sections 3 and 4 below.

2. Status of the Company's control over consolidated companies

A. Clal Insurance

On December 8, 2019, the Company received a letter from the Commissioner (hereinafter - the "Commissioner's Letter"), under which, among other things, the Commissioner announced that in light of the changes in the holding rates of IDB Development in the Company's securities, the Authority's position is that at the present time, no entity holds, directly or indirectly, means of control of the Company in a way that establishes the obligation to obtain a control permit in the Company pursuant to Section 32(b) of the Insurance Law; therefore, the Company is required to obtain from the Commissioner, a control permit in Clal Insurance. Later, the Commissioner sent further letters regulating, as of now, the arrangements applicable to activation of means of control by the Company (hereinafter - the "Outline").

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

In the Authority's letter to the Company in connection with the Max acquisition transaction, the Authority noted that the outline set out regarding the activation of means of control in Clal Insurance, as outlined above, shall remain in effect, and the following was added to it - an undertaking by the Company to complete the Company's share capital of Clal Insurance, as detailed in Section 3 below. Amendment of the license of Clal Insurance and the control permit in the agent Max Insurance Agency Ltd.

For details about the holding and control in the Company, and regarding the cancellation of the control permit, see Note 1 above.

B. Max

On February 23, 2023, the Company received a permit from the Governor of the Bank of Israel to control and hold means of control in Max and WPI (hereinafter - the "Control Permit"). According to the permit, the Company is required to maintain certain financial ratios in the Company and in WPI, which mainly include the following: (a) The Company's equity to asset ratio will be at least 50%; (b) WPI's equity to asset ratio will be at least 50%, and under certain conditions - at least 45%. For that purpose, the calculation was carried out with certain adjustments. The Company is required to maintain these ratios both for the separate financial statements and the consolidated financial statements, with the main adjustments being that the calculation in the Company's consolidated financial statements will be carried out while presenting Clal Insurance Group and Max's assets and liabilities using the equity method, and that WPI's existing debt will be added to the calculation in the Company's separate financial statements. Currently, the Company and WPI meet those ratios. The control permit also provides that the minimum rate of the Company's holding in Max not fall below 30% of any type of means of control (hereinafter - the "Control Core"). The Control Permit also sets limits on a pledge of 20% of the means of control in Max, which constitute a part of the Control Core, and conditions applicable to the transfer of the means of control in WPI and in Max, which are not a part of the Control Core.

Subject to the exceptions set out in the control permit, which refer, among other things, to the activities of Clal Insurance Group, the Company will consolidate its activities in the operating segment of Max under Max. This does not impose any restrictions on other activities or investments by Clal Insurance Group for the planholders and policyholders of Clal Insurance Group, or activities that are carried out in the ordinary course of business of the Group's institutional entities, which do not compete with the businesses of Max.

For further details about the Max purchase agreement, see Note 46.

3. Liabilities for supplementation of capital of institutional entities in the Group:

- On March 26, 2023, as part of the completion of the Max transaction (as stated in Note 42(j) below), the Company undertook towards the Authority and Clal Insurance to supplement Clal Insurance's equity capital to the amount set in the definition of the "minimum capital requirement (MCR)" as per the Economic Solvency Regime appendix to circular no 2017-1-9 published by the Commissioner of the Capital Market, Insurance and Savings regarding provisions for the Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies, or any other law that will supersede it. As part of the undertaking, it was clarified

that the Company may fulfill it or a part thereof, by executing equity transactions to increase Clal Insurance's equity in order to supplement the required capital, while diluting the Company's ownership interest.

In order to meet the undertaking to supplement the capital as stated above, the Company even undertook to ensure that its equity will not fall below 50% of the Company's total assets at any given time.

It is noted that to date the Company meets the equity to asset ratio in the balance sheet referred to above.

- Under the control permit in Max, the Company has undertaken to inject capital into Max or, alternatively, not to prevent Max from raising further capital in a manner that might dilute the Company's ownership interest therein, such that Max will be able to meet the regulatory capital adequacy requirements.

Under the previous control permits in the Group companies, before the Outline, gave commitments to supplement capital, which were replaced with the above capital supplementation commitment.

F. Capital requirements and management by the Group Companies

1. Clal Insurance

A. Scope of the Economic Solvency Regime

The consolidated insurance companies are subject to the provisions of the Solvency II-based Economic Solvency Regime that sets guidance regarding the calculation of the shareholders' equity and the solvency capital requirement on the economic basis.

B. Economic solvency ratio

In accordance with the provisions of the Consolidated Circular, the Economic Solvency Ratio Report as of the December 31 and June 30 data of each year shall be included in the first periodic report published subsequent to the calculation date.

On November 30, 2023, the insurance 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 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, published on November 30, 2023, Clal Insurance has excess capital over the capital requirement, both including and excluding the Transitional Provisions (the provisions for the Transitional Provisions and stock scenario adjustment).

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.

C. Additional details about economic solvency regime and updates in the reporting period

The Provisions of the Economic Solvency Regime set guidance regarding an economic calculation of the shareholders' equity and the solvency capital requirement.

- In accordance with the Provisions of the Economic Solvency Regime, in general, the economic balance sheet line items are calculated 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, and plus a risk margin that reflects the total cost of capital that another insurance company or reinsurer would have been required to bear, in order to assume the insurance liabilities of an insurance company, calculated on a best estimate basis, as defined in the Provisions of the Economic Solvency Regime. Generally, intangible assets are not recognized in the economic balance sheet; it is prepared based on the Company's separate financial statements 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.

- B. The Economic Solvency Regime includes, among other things, transitional provisions in connection with compliance with capital requirements, and which allow increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the Provisions of the Economic Solvency Regime (hereinafter - the "Deduction"). The Deduction will decrease gradually until 2032 (hereinafter - the "Transitional Period"). In addition to a reduced capital requirement, that will increase gradually until the end of 2023, in respect of certain investment types.
- C. 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 component is carried out based on a scenario set out in the guidance. 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 correlations assigned to them, and net a loss absorption adjustment for deferred tax, as set out in the Provisions of the Economic Solvency Regime. Furthermore, the calculation of the solvency capital requirement includes components of capital required in respect of operational risk and in respect of management companies.

It is 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. Actual results may vary from the forecasts and guidance used in the calculation of the economic solvency ratio. Specifically, and as detailed in the Economic Solvency Regime provisions, the calculation of the economic solvency ratio is based, to a large extent, on the model used to calculate the embedded value. The model for calculating the embedded value is executed in accordance with the practice implemented in Israel, whose principles and rules were set by the Capital Market Authority, that adopted the rules and principles stipulated under a report of a joint committee of the insurance companies and the Capital Market Authority, which was supported by Israeli and foreign consultants. The model is based, among other things, on internal studies that reflect the Company's best estimate, subject to qualifications and limitations that were set as part of the said principles and rules.

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 Directives are implemented. The economic solvency ratio is highly sensitive to market variables and other variables, and accordingly may be volatile.

- D. **Minimum capital requirement and regulatory intervention hierarchy**
In addition to a solvency capital requirement (SCR), The Provisions of the Economic Solvency Regime also define a minimum capital requirement (MCR) (hereinafter - the "Minimum Capital Requirement"), which will not fall below 25% of the SCR according to the transitional provisions during the Transitional Period and will not exceed 45% of the SCR. In addition, a regulatory intervention hierarchy was put in place, whereby a company that will fail to meet the required solvency ratio upon the implementation of the transitional provisions during the Transitional Period, or where there is real concern that its solvency ratio will be lower than required, will file to the Commissioner a plan for ensuring its compliance with the required solvency ratio within 6 months from its filing date. Should the insurance company fail to meet the plan's requirements, in accordance with the conditions set out in the provisions, the Commissioner will consider a regulatory intervention according to his powers. It is noted that if the Commissioner declared an extraordinary negative development upon the occurrence of one of the circumstances listed in the economic solvency ratio regime, it may extend the rectification period to up to 7 years. Furthermore, a company that will not meet the Minimum Capital Requirement (MCR), or where there is real concern that its MCR will be lower than required, will file to the Commissioner a plan for ensuring its compliance with the MCR within three months from its filing date. Should the insurance company fail to meet the plan's requirements, in accordance with the conditions set out in the provisions, the Commissioner will take regulatory measures according to the powers vested in him in The Supervision Law.
- E. **Composition of eligible economic capital**
The Provisions of the Economic Solvency Regime set guidance regarding the composition of the eligible capital on an economic basis, where under the eligible shareholders' equity shall be the total of Tier 1 capital and Tier 2 capital, as defined in the provisions, where Subordinated Tier 2 capital instruments,

Hybrid Tier 2 capital and Tier 3 capital, which were issued prior to June 30, 2017, shall be classified as Tier 2 capital, and recognized according to the criteria used for recognizing them before this date. Furthermore, it was stipulated that the maximum rate of Tier 2 capital shall stand at 40% of the solvency capital requirement. Regarding the compliance with the Minimum Capital Requirement, it was stipulated that the maximum rate of Tier 2 capital shall stand at 20% of the Minimum Capital Requirement.

1. Management of capital requirements in Max

A. Capital adequacy, as per the Banking Supervision Department's directives (in %)

In NIS million		As of December 31, 2023
1. Capital for capital ratio calculation purposes:		
Common Equity Tier 1 capital		1,855
Tier 2 capital (1)		461
Total capital		2,316
2. Balance of risk-weighted assets:		
Credit risk - standardized approach		14,021
Market risks - standardized approach		19
Operational risk - standardized approach		2,876
Total balance of risk-weighted assets		16,916
		In percentage
3. Ratio of capital to risk-weighted components:		
Ratio of CET1 capital to risk-weighted components		11.0
Total capital ratio to risk-weighted components (1)		13.7
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.

B. 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%.

C. Capital components for the calculation of capital ratio in Max

	As of December 31, 2023
In NIS million	
1. Common Equity Tier 1 capital	
Equity	1,847
Net of goodwill	(*)
Total Common Equity Tier 1 capital	1,847
<u>Adjustments according to Banking Supervision Department's requirements:</u>	
Adjustments for current expected credit losses - CET1 capital *	8
Total CET1 capital, after adjustments according to the requirements of the Banking Supervision Department	1,855
2. Tier 2 capital	
Tier 2 capital: Instruments	285
Tier 2 capital: Provisions	176
Total Tier 2 capital	461
Total capital	2,316

*) An amount lower than NIS 1 million.

**) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses (hereinafter - "adjustments for current expected credit losses"), which are gradually amortized until January 1, 2026.

D. Effect of adjustments for current expected credit losses on the CET1 capital ratio at Max

	As of December 31 2023
In percentage	
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	10.9
Effect of adjustments for current expected credit losses	0.05
Ratio of CET1 capital to risk-weighted components	11.0

E. Leverage ratio in Max pursuant to the Banking Supervision Department directives

As from April 1, 2015, Max has been implementing Proper Conduct of Banking Business Directive No. 218 on 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. On-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 the Coronavirus, 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.

The above relief was extended in the Banking Supervision Department's circular for the amendment to the Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio" published on December 20, 2023. According to the circular, against the background of a review conducted by the Banking Supervision Department to amend the directive and a review of the leverage ratio and its mix, the above relief was 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.

Following is the leverage ratio calculated in accordance with Proper Conduct of Banking Business Directive No. 218:

	As of December 31 2023
In NIS million	
Consolidated data:	
Tier 1 capital	1,855
Total exposures	20,405
	In percentage
Leverage ratio	9.1
Minimum total leverage ratio set by the Banking Supervision Department	4.5

F. Capital requirements in management companies of pension funds and provident funds

The Supervision of Financial Services Regulations (Provident Funds) (Minimum Capital Requirements from a Provident Fund or a Pension Fund's Management Company), 2012, and the Income Tax Regulations (Rules for the Approval and Management of Provident Funds) (Amendment No. 2), 2012, set capital requirements for a management company in accordance with its total assets under management and annual expenses (with a minimum capital amount of NIS 10 million), as well as liquidity requirements.

A management Company will be allowed to distribute a dividend only if its shareholders' equity is equal to or higher than the shareholders' equity it is required to hold under those regulations. In addition, a management company will be required to hold additional capital in respect of controlled management companies.

As of the end of the reporting period, the management company controlled by Clal Insurance have an excess capital over the minimum capital requirement of management companies according to the Capital Regulations.

NOTE 18 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND NON-YIELD-DEPENDENT INVESTMENT CONTRACTS ¹⁾

In NIS million	As of December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
Life insurance and long-term savings						
Insurance contracts	21,418	20,798	(14)	(13)	21,404	20,785
Investment contracts	2,470	2,441	-	-	2,470	2,441
	23,889	23,239	(14)	(13)	23,875	23,226
Less amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees ¹⁾	(1)	(1)	-	-	(1)	(1)
Total long-term savings	23,887	23,238	(14)	(13)	23,873	23,225
Insurance contracts included in the health insurance segment (Note 22)	2,906	2,614	(118)	(138)	2,788	2,475
Insurance contracts included in the property and casualty insurance segment (Note 20)	7,383	7,963	(3,299)	(4,037)	4,084	3,926
Total liabilities in respect of insurance contracts and non-yield-dependent investment contracts	34,176	33,814	(3,431)	(4,189)	30,745	29,626

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND NON-YIELD-DEPENDENT INVESTMENT CONTRACTS ¹⁾

NIS thousand	As of December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
Life insurance and long-term savings						
Insurance contracts	80,553	77,514	(354)	(318)	80,199	77,196
Investment contracts	9,975	11,266	-	-	9,975	11,266
	90,528	88,780	(354)	(318)	90,174	88,462
Less amounts deposited in a consolidated company as part of a defined benefit plan for the Group's employees ¹⁾	(18)	(19)	-	-	(18)	(19)
Total long-term savings	90,510	88,761	(354)	(318)	90,156	88,443
Insurance contracts included in the health insurance segment (Note 22)	1,156	1,092	(20)	(17)	1,136	1,074
Total liabilities in respect of insurance contracts and yield-dependent investment contracts	91,665	89,853	(374)	(335)	91,292	89,517

- 1) In yield-dependent insurance contracts, the insurance benefits payable to the policyholder are dependent on or linked to the return on certain investments of the Group, net of management fees. These contracts include, among other things, bonus-malus insurance plans in which the policyholder is credited/debited in accordance with the investment results of the Group's participating policies portfolio. In non-yield-dependent insurance contracts, the insurance benefits to which the policyholder is entitled are not dependent on the profit or loss from investments made by the Group.

The distinction between yield-dependent contracts and non-yield-dependent contracts is made at the individual coverage level, such that there are insurance policies with several coverages, some of which are yield-dependent contracts and some are non-yield-dependent contracts.

NOTE 20 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT
A. Liabilities in respect of insurance contracts included in the property and casualty segment by type

	As of December 31					
	2023	2022	2023	2022	2023	2022
NIS million	Gross		Reinsurance		Retention	
Compulsory motor and liability subsegments						
Provision for unearned premium reserve	576	562	207	244	369	318
Contingent claims and provision for premium deficiency	4,679	5,222	1,988	2,604	2,691	2,618
Total compulsory motor and liability subsegments	5,256	5,784	2,195	2,848	3,060	2,936
Of which - total liability in respect of the compulsory motor subsegment	2,967	2,843	1,236	1,297	1,731	1,546
Property and other subsegments						
Provision for unearned premium reserve	1,093	943	502	461	591	483
Provision for premium deficiency	4	68	4	17	-	50
Contingent claims	1,030	1,167	598	711	432	456
Total property and other subsegments	2,127	2,178	1,104	1,189	1,023	989
Total liabilities in respect of insurance contracts included in the property and casualty insurance segment	7,383	7,963	3,299	4,037	4,084	3,926
Deferred acquisition costs						
Compulsory motor and liability subsegments	91	91	24	30	66	61
Property and other subsegments	211	193	94	81	117	112
Total deferred acquisition costs	301	284	118	111	183	174
Liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs						
Compulsory motor and liability subsegments (see C1 below)	5,165	5,693	2,171	2,818	2,994	2,875
Property and other subsegments (see C2 below)	1,916	1,985	1,010	1,108	907	877
Total liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs	7,081	7,678	3,181	3,926	3,900	3,752

B. Liabilities in respect of insurance contracts included in the property and casualty segment by calculation methods

NIS million	As of December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
Actuarial assessments						
Ms. Galit Robstein ¹⁾	5,625	6,286	2,538	3,242	3,086	3,044
Provisions based on other estimates						
Claims Department's estimates in respect of known contingent claims	39	46	25	31	14	14
Addition for contingent claims in respect of claims incurred but not yet reported (IBNR) *)	26	101	18	50	8	51
Provision for unearned premium reserve	1,670	1,505	710	705	960	801
Other assessments	1	1	-	-	1	1
Excess of income over expenses (accrual) for foreign trade risk insurance	23	24	8	9	14	15
Total liabilities in respect of insurance contracts included in the property and casualty segment in Israel	7,383	7,963	3,299	4,037	4,084	3,926

1) See statements of the supervisor actuary in property and casualty insurance in Israel, attached as an appendix to the financial statements. The actuary's assessments do not add to/detract from the amount included in the financial statements.

*) For further details, see Note 45.

C. Change in liabilities in respect of insurance contracts included in the property and casualty segment, net of deferred acquisition costs

1. Compulsory motor and liability subsegments

NIS million	As of December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
Balance at beginning of year	5,693	5,731	2,818	2,824	2,875	2,907
Ultimate cost of claims in respect of current underwriting year	966	1,020	286	422	680	599
Change in balances at beginning of year as a result of linkage to the CPI and investment income in accordance with the discount assumption implicit in the liabilities	169	284	81	143	88	141
Effect of change in discount rate *)	(54)	(493)	22	(282)	(76)	(211)
Balance of change in the estimated cost of claims in respect of previous underwriting years **)	(324)	(139)	(253)	(67)	(72)	(71)
Total change in ultimate cost of claims	757	672	136	215	621	457
Payments to settle claims during the year:						
In respect of current underwriting year	(3)	(5)	(1)	(1)	(3)	(3)
In respect of previous underwriting years	(1,282)	(705)	(783)	(220)	(499)	(485)
Total payments	(1,285)	(710)	(783)	(221)	(502)	(489)
Balance at end of year	5,165	5,693	2,171	2,818	2,994	2,875

1. The opening and closing balances include: contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims is: the balance of contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs plus total payments in respect of claims including direct and indirect expenses associated with the settlement of claims.
3. The payments include indirect costs associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the relevant underwriting year.

*) For further details, see Note 42(e)(e1)(d).

**) A change in the estimated cumulative cost of claims in respect of previous underwriting years stems mainly from an improvement in the development of an executive liability insurance claim, which is backed by a reinsurance policy.

2. Property and other subsegments

	As of December 31					
	2023	2022	2023	2022	2023	2022
NIS million	Gross		Reinsurance		Retention	
Balance at beginning of year	1,985	1,605	1,108	882	877	723
Ultimate cost of claims in respect of events in the reporting year	1,279	1,428	390	648	890	780
Change in the ultimate cost of claims in respect of events prior to the reporting year	(135)	(71)	(98)	(69)	(38)	(2)
Total change in ultimate cost of claims	1,144	1,358	292	579	852	779
Payments to settle						
claims during the year:						
In respect of events in the reporting year	(802)	(762)	(172)	(240)	(630)	(522)
In respect of events prior to the reporting year	(480)	(378)	(233)	(183)	(246)	(196)
Total payments	(1,282)	(1,140)	(406)	(423)	(876)	(717)
Change in provision for unearned premium reserve, net of deferred acquisition costs	133	127	29	62	104	65
Change in provision for premium deficiency	(64)	35	(14)	8	(50)	27
Balance at end of year	1,916	1,985	1,010	1,108	907	877

1. The opening and closing balances include: contingent claims, with the addition of a provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims in respect of events in the reporting year includes the balance of contingent claims as of the end of the reported year plus total payments in respect of claims in the reporting period, including direct and indirect expenses associated with the settlement of claims.
3. Payments to settle claims during the year include payments in respect of events prior to the reporting year plus the change in the balance of contingent claims in respect of events prior to the reporting year.
4. Payments to settle claims include direct and indirect expenses associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the damage years.

D1.Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor and liability insurance subsegments in Israel, and in subsegments estimated based on underwriting years

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	As of December 31, 2023										
	Underwriting year										
In NIS thousand, adjusted to the November 2023 CPI ¹⁾	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Claims paid (cumulative) as of the end of the year											
After the first year	5	2	4	7	6	6	4	6	5		3
After two years	46	38	42	46	49	40	38	48	57		
After three years	148	132	137	141	129	142	134	191			
After four years	266	241	240	247	237	241	237				
After five years	382	326	318	334	308	315					
After six years	474	394	390	412	378						
After seven years	576	468	455	477							
After eight years	976	548	525								
After nine years	1,031	610									
After ten years	1,559										
Estimated cumulative claims (including payments, including accrual) as of the end of the year											
After the first year ²⁾	872	744	720	713	753	791	991	1,163	1,054	966	
After two years	901	754	706	738	784	804	1,021	1,053	978		
After three years	890	716	730	784	842	847	903	1,012			
After four years	885	747	765	832	880	754	825				
After five years	915	753	766	807	783	713					
After six years	1,117	719	755	733	756						
After seven years	1,190	723	715	712							
After eight years	1,759	697	705								
After nine years	1,750	699									
After ten years	1,698										
Surplus (deficit) relating to the first year that does not involve accrual ³⁾	⁽⁴⁾ (797)	45	15	1	(2)	78	166	151	77	-	(267)
Deviation rate in respect of the first year that does not involve accrual, in %	(88.51%)	6.10%	2.08%	0.13%	(0.33%)	9.92%	16.75%	12.96%	7.28%		(3.40%)
Cumulative cost of claims as of December 31, 2023	1,698	699	705	712	756	713	825	1,012	978	966	9,063
Aggregate payments through December 31, 2023	1,559	610	525	477	378	315	237	191	57	3	4,352
Total liabilities as of December 31	139	89	180	235	377	398	588	821	920	963	4,711
Contingent claims for the years up to and including the underwriting year 2013											454
Total gross liability in respect of insurance contracts in compulsory motor and liability insurance subsegments in Israel less deferred acquisition costs as of 2023											5,165

1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

3) The difference between the assessment of the cumulative claims in the first year that does not include the accrual and the assessment of the cumulative claims as of the report date.

4) The shortfall stems mainly from a development of a claim in the executive liability insurance subsegment, which is backed by a reinsurance.

Comment: The significance level of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the Company's assessments together for all underwriting years rather than separately for each underwriting year.

D2.Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, own retention, in the compulsory motor and liability subsegments in Israel, and in subsegments estimated based on underwriting years

	As of December 31, 2023											
	Underwriting year											
In NIS thousand, adjusted to the November 2023 CPI ¹⁾	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
Claims paid (cumulative) as of the end of the year												
After the first year	5	2	4	6	3	3	4	4	4	3		
After two years	42	37	42	32	26	22	26	30	38			
After three years	137	126	134	90	63	66	83	104				
After four years	253	234	229	156	118	109	145					
After five years	361	318	304	212	156	146						
After six years	447	383	373	257	194							
After seven years	507	445	437	299								
After eight years	625	514	498									
After nine years	671	556										
After ten years	700											
Estimated cumulative claims (including payments, including accrual) as of the end of the year												
After the first year ²⁾	754	650	649	409	382	380	513	629	619	680		
After two years	744	657	605	440	386	367	522	593	599			
After three years	738	621	628	466	393	375	474	576				
After four years	732	638	659	482	393	345	442					
After five years	748	650	673	458	361	323						
After six years	751	649	653	430	346							
After seven years	783	640	623	421								
After eight years	795	624	623									
After nine years	784	630										
After ten years	769											
Surplus (deficit) relating to the first year that does not involve accrual ³⁾	(25)	20	27	(12)	36	57	71	53	20	-	247	
Deviation rate in respect of the first year that does not involve accrual, in %	(3.40%)	3.14%	4.10%	(2.84%)	9.35%	14.97%	13.83%	8.46%	3.15%	-	4.96%	
Cumulative cost of claims as of December 31, 2023	769	630	623	421	346	323	442	576	599	680	5,409	
Aggregate payments through December 31, 2023	700	556	498	299	194	146	145	104	38	3	2,684	
Outstanding contingent claims	69	73	124	122	152	177	297	472	561	677	2,724	
Contingent claims for the years up to and including the underwriting year 2013											269	
Total liability (own retention) in respect of insurance contracts in the compulsory motor and liability subsegments, net of deferred acquisition costs as of 2023											-	2,994

1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

3) The difference between the assessment of the cumulative claims in the first year that does not include the accrual and the assessment of the cumulative claims as of the report date.

Comment: The significance level of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the Company's assessments together for all underwriting years rather than separately for each underwriting year.

D3.Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor subsegment

	As of December 31, 2023										
	Underwriting year										
In NIS thousand, adjusted to the November 2023 CPI ¹⁾	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Claims paid (cumulative) as of the end of the year											
After the first year	2	2	2	2	3	4	2	4	3	2	
After two years	28	27	28	31	28	27	27	34	46		
After three years	95	95	95	109	90	112	104	130			
After four years	179	173	162	188	170	191	191				
After five years	259	232	209	253	219	243					
After six years	323	276	258	296	269						
After seven years	356	329	306	344							
After eight years	448	394	350								
After nine years	479	429									
After ten years	498										
Estimated cumulative claims (including payments, including accrual) as of the end of the year											
After the first year ²⁾	530	446	448	433	442	492	555	737	699	622	
After two years	534	450	416	441	457	471	617	677	687		
After three years	515	441	428	493	497	515	557	684			
After four years	513	476	445	524	511	472	528				
After five years	520	485	442	506	459	455					
After six years	517	474	432	485	448						
After seven years	528	479	418	479							
After eight years	545	469	415								
After nine years	542	473									
After ten years	530										
Surplus (deficit) relating to the first year that does not involve accrual ³⁾	4	(27)	33	(46)	(5)	36	27	52	13		87
Deviation rate in respect of the first year that does not involve accrual, in %	0.84%	(6.09%)	7.34%	(10.50%)	(1.24%)	7.33%	4.84%	7.11%	1.82%		1.82%
Cumulative cost of claims as of December 31, 2023	530	473	415	479	448	455	528	684	687	622	5,322
Aggregate payments through December 31, 2023	498	429	350	344	269	243	191	130	46	2	2,501
Total liabilities as of December 31, 2023	32	44	65	135	179	213	337	554	641	620	2,821
Contingent claims for the years up to and including the underwriting year 2013											109
Total gross liability in respect of insurance contracts in compulsory motor insurance subsegments less deferred acquisition costs as of December 31, 2023											2,931

1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

3) The difference between the assessment of the cumulative claims in the first year that does not include the accrual and the assessment of the cumulative claims as of the report date.

Comment: The significance level of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the Company's assessments together for all underwriting years rather than separately for each underwriting year.

D4.Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, own retention, in the compulsory motor insurance subsegment

	As of December 31, 2023										
	Underwriting year										
In NIS thousand, adjusted to the November 2023 CPI ¹⁾	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Claims paid (cumulative) as of the end of the year											
After the first year	2	2	2	1	1	1	1	2	2	1	
After two years	28	27	28	17	11	10	15	19	27		
After three years	95	95	95	58	34	38	57	73			
After four years	179	172	162	100	63	61	105				
After five years	259	231	209	134	81	78					
After six years	323	273	257	156	99						
After seven years	356	315	304	181							
After eight years	446	368	344								
After nine years	476	399									
After ten years	495										
Estimated cumulative claims (including payments, including accrual) as of the end of the year											
After the first year ²⁾	517	437	439	221	181	173	293	388	408	472	
After two years	513	438	403	232	165	148	312	362	397		
After three years	502	410	407	255	174	153	288	367			
After four years	499	430	426	266	171	146	277				
After five years	513	438	428	252	160	141					
After six years	512	433	417	245	157						
After seven years	523	435	401	243							
After eight years	542	430	407								
After nine years	538	434									
After ten years	527										
Surplus (deficit) relating to the first year that does not involve accrual ³⁾	(14)	3	32	(21)	24	32	15	20	11		102
Deviation rate in respect of the first year that does not involve accrual, in %	(2.72%)	0.64%	7.35%	(9.70%)	13.33%	18.37%	5.21%	5.22%	2.73%		3.36%
Cumulative cost of claims as of December 31, 2023	527	434	407	243	157	141	277	367	397	472	3,422
Aggregate payments through December 31, 2023	495	399	344	181	99	78	105	73	27	1	1,802
Total liabilities as of December 31, 2023	32	35	63	62	58	63	173	295	370	471	1,620
Contingent claims for the years up to and including the underwriting year 2013											81
Total gross liability in respect of insurance contracts in compulsory motor insurance subsegments less deferred acquisition costs as of December 31, 2023											1,701

1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

3) The difference between the assessment of the cumulative claims in the first year that does not include the accrual and the assessment of the cumulative claims as of the report date.

Comment: The significance level of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the Company's assessments together for all underwriting years rather than separately for each underwriting year.

D5. Composition of comprehensive income (loss) in the compulsory motor insurance subsegment (in NIS thousand)

Reporting year	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years
	Gross		Retention	
2023	(21)	79	(26)	75
2022	(97)	130	(49)	19
2021	(174)	(70)	(63)	39

D6. Data regarding underwriting years 2017-2023 in the compulsory motor subsegment (in NIS thousand)

Underwriting year	Underwriting years						
	2023	2022	2021	2020	2019	2018	2017
Gross premiums (including fees)	704	694	599	538	460	465	477
Cumulative retention comprehensive income (loss) for the underwriting year until the report date	(26)	(23)	(63)	-	17	35	26
Effect of investment income on cumulative income for an underwriting year	9	26	28	31	16	25	34

D7. Composition of retention comprehensive income (loss) in the foreign trade risks insurance subsegment (in NIS thousand)

Reporting year	Comprehensive income (loss) for open-ended years	Comprehensive income (loss) for the underwriting year released in the reporting year	Adjustments for the underwriting years released in previous years	Activity not included in the calculation of reserves	Total reported comprehensive income
2023	-	10	(1)	-	9
2022	-	7	-	(2)	5
2021	-	6	-	(1)	5

D8. Composition of comprehensive income (loss) in other liability insurance subsegments (in NIS thousand)

Reporting year	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income (loss) in respect of previous underwriting years
	Gross		Retention	
2023	-	357	(54)	171
2022	(5)	232	(56)	92
2021	(19)	(466)	(63)	115

*) Stems mainly from a development of a claim in the executive liability insurance subsegment, which is backed by a reinsurance

D9.Data regarding underwriting years 2017-2023 in the other liability insurance subsegment

Underwriting year	Underwriting years						
	2023	2022	2021	2020	2019	2018	2017
Gross premiums (including fees)	445	487	506	423	347	342	309
Cumulative retention comprehensive income (loss) for the underwriting year until the report date	(54)	(32)	(37)	(23)	(30)	(24)	(14)
Effect of investment income on cumulative income for an underwriting year	2	8	22	12	28	33	34

E1. Assessment of development in estimated contingent claims - gross - in the property and other subsegments

In NIS thousand, adjusted to the November 2023 CPI ¹⁾	As of December 31, 2023										
	Damage year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Claims paid (cumulative) as of the end of the year											
After the first year	627	669	533	559	496	512	484	565	748	762	
After two years	747	1,152	897	913	833	819	714	896	1,207		
After three years	816	1,217	976	962	902	855	763	940			
After four years	857	1,277	1,008	971	922	868	771				
After five years	875	1,277	1,015	972	926	878	-				
After six years	893	1,284	1,019	972	929						
After seven years	903	1,288	1,026	972							
After eight years	907	1,296	1,026								
After nine years	911	1,299									
After ten years	912										
Cumulative claims (including payments)											
After the first year	1,073	1,284	971	1,037	891	916	834	1,065	1,437	1,239	
After two years	930	1,355	1,060	1,041	1,045	964	832	1,054	1,417		
After three years	941	1,349	1,082	1,025	1,028	989	860	1,015			
After four years	924	1,368	1,058	997	996	942	812	-			
After five years	920	1,353	1,052	990	986	943					
After six years	932	1,351	1,056	984	997						
After seven years	922	1,346	1,045	973							
After eight years	920	1,328	1,040								
After nine years	921	1,328									
After ten years	922										
Estimated cost of cumulative claims as of December 31, 2023	922	1,328	1,040	973	997	943	812	1,015	1,417	1,239	10,687
Cumulative payments through December 31, 2023	912	1,299	1,026	972	929	878	771	940	1,207	762	9,695
Outstanding contingent claims	10	30	14	2	69	66	41	75	210	477	992
Contingent claims for the years up to and including damage year 2013											38
Total contingent claims in property and other subsegments as of December 31, 2023											1,030

1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

E2. Assessment of development in estimated contingent claims - retention - in the property and other subsegments

In NIS thousand, adjusted to the November 2023 CPI ¹⁾	As of December 31, 2023										
	Damage year										
	2014	2015	2016	2017	2018	2019	2020	2021	2014	2023	Total
Claims paid (cumulative) as of the end of the year											
After the first year	521	543	427	422	398	391	272	375	501	589	
After two years	548	798	674	629	582	555	391	564	743		
After three years	601	850	719	661	607	576	411	591			
After four years	635	892	738	669	610	582	415				
After five years	652	892	745	672	612	584					
After six years	665	902	751	672	614						
After seven years	676	913	757	672							
After eight years	681	922	758								
After nine years	685	925									
After ten years	686										
Cumulative claims (including payments)											
After the first year	846	855	737	674	611	578	428	608	772	849	
After two years	672	929	753	687	640	608	437	615	793		
After three years	688	928	778	690	643	617	454	612			
After four years	685	947	773	680	623	591	428				
After five years	684	938	777	681	621	590					
After six years	698	939	782	682	632						
After seven years	694	936	775	673							
After eight years	693	939	772								
After nine years	695	939									
After ten years	695										
Cumulative cost of claims as of December 31, 2023	695	939	772	673	632	590	428	612	793	849	6,984
Cumulative payments through December 31, 2023	686	925	758	672	614	584	415	591	743	589	6,578
Outstanding contingent claims	9	15	14	1	18	6	13	21	50	260	407
Contingent claims for the years up to and including damage year 2013											26
Total contingent claims in property and other subsegments as of December 31, 2023											432

1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 21 - ADDITIONAL DATA ON THE LONG-TERM SAVINGS SEGMENT

A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposures

As of December 31, 2023	Policies which include a savings component (including appendices) by policy issuance date				Policies without a savings component Risk insurance sold as a single policy		Total
	Until 1990 ¹⁾	Until 2003	From 2004		Individual	Collective	
			Non yield- dependent	Yield- dependent			
In NIS million							
By insurance exposure							
Liabilities in respect of insurance contracts							
Annuity without guaranteed coefficients	-	-	-	11,107	-	-	11,107
Annuity with guaranteed coefficients							
Until May 2001	10,759	31,470	-	-	-	-	42,229
From June 2001	-	5,731	-	15,141	-	-	20,872
Annuity paid	6,346	5,265	-	754	-	-	12,366
Equity (without an option for annuity)	1,610	5,802	1	2,130	-	-	9,543
Supplementary reserve for pension ²⁾	1,304	1,705	-	18	-	-	3,028
Other risk-weighted components	83	636	-	1,040	835	232	2,826
Total in respect of insurance contracts	20,104	50,609	1	30,190	835	232	101,971
Liabilities in respect of investment contracts in life insurance	-	-	-	9,975	-	-	9,975
Total in life insurance	20,104	50,609	1	40,165	835	232	111,946
Liability in respect of consolidated provident fund management companies ³⁾							2,470
Total							114,417
By financial exposure							
Non yield-dependent	19,858	265	1	519	545	231	21,418
Yield-dependent	246	50,345	-	39,646	291	-	90,528
Total in life insurance	20,104	50,609	1	40,165	835	232	111,946
Guaranteed return liability in respect of consolidated provident fund management companies ³⁾							2,470
Total							114,417

- 1) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
- 2) The supplementary retirement pension reserve included in the above table is in respect of the deferred annuity component. Additional amount in respect of the existing accrual of NIS 2,743 million, shall be charged to profit and loss over the remaining life of the policy until the retirement age. For further details, see Note 42(e)(e1)(a)(3).
- 3) For information regarding the financial exposure in respect of Bar A Provident Fund, for the planholders of which Clal Insurance guarantees a minimum return, see Note 42(d)(1)(c).

As of December 31, 2022

As of December 31, 2022			Policies which include a savings component (including appendices) by policy issuance date		Policies without a savings component Risk insurance sold as a single policy				
In NIS million			Until 1990 ¹⁾	Until 2003	From 2004		Individual	Collective	Total
					Non yield- dependent	Yield- dependent			
1	By insurance exposure								
	Liabilities in respect of insurance contracts								
	Annuity without guaranteed coefficients								
	Annuity with guaranteed coefficients								
	Until May 2001								
	From June 2001								
	Annuity paid								
	Equity (without an option for annuity)								
	Supplementary reserve for pension ²⁾								
	Other risk-weighted components								
	Total in respect of insurance contracts								
	Liabilities in respect of investment contracts in life insurance								
	Total in life insurance								
	Liability in respect of consolidated provident fund management companies ³⁾								
	Total								
2	By financial exposure								
	Non yield-dependent								
	Yield-dependent								
	Total in life insurance								
	Guaranteed return liability in respect of consolidated provident fund management companies ³⁾								
	Total								

*) Reclassified.

- 1) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
- 2) The supplementary retirement pension reserve included in the above table is in respect of the deferred annuity component. Additional amount in respect of the existing accrual of NIS 2,474 million, shall be charged to profit and loss over the remaining life of the policy until the retirement age. For further details, see Note 42(e)(e1)(a)(3).
- 3) For information regarding the financial exposure in respect of Bar A Provident Fund, for the planholders of which Clal Insurance guarantees a minimum return, see Note 42(d)(1)(c).

B. Breakdown of results by type of policy

For the year ended December 31, 2023

For the year ended December 31, 2023	Policies which include a savings component (including appendices) by policy issuance date				Policies without a savings component Risk insurance sold as a single policy		
	Until 1990 ¹⁾	Until 2003	From 2004		Individual	Collective	Total
			Non yield-dependent	Yield-dependent			
In NIS million							
Gross premiums:							
Traditional / mixed	12	9	-	-	-	-	20
Savings component	110	1,367	-	3,093	-	-	4,570
Other	17	192	-	305	857	80	1,451
Total	138	1,568	-	3,398	857	80	6,041
Proceeds in respect of investment contracts credited directly to insurance reserves ²⁾	-	-	-	1,081	-	-	1,081
Financial margin including management fees ³⁾	65	253	-	340	-	-	658
Payments and change in liabilities in respect of insurance contracts, gross	1,510	4,492	-	5,387	529	77	11,995
Payments and change in liabilities for investment contracts ⁴⁾	-	-	-	684	-	-	684
Profit (loss) from life insurance business	129	309	1	(129)	(31)	(2)	277
Other comprehensive loss from life insurance business	(37)	(5)	-	(5)	(5)	(1)	(52)
Comprehensive income (loss) from life insurance business	92	304	1	(134)	(36)	(2)	225
Profit from pension and provident funds							53
Other comprehensive income from pension and provident							4
Total comprehensive income from pension and provident							57
Total income from life insurance and long-term savings							331
Total comprehensive income from life insurance and long-term savings							282
Annualized premium for insurance contracts - new business	-	-	-	128	123	-	251
One-off premium for insurance contracts	-	3	-	961	-	-	964
One-off premium for investment contracts	-	-	-	990	-	-	990
Transfers to the Company in respect of insurance contracts and investment contracts ⁵⁾	-	-	-	849	-	-	849
Transfers from the Company in respect of insurance contracts and investment contracts ⁵⁾	56	803	-	2,416	-	-	3,275

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. Excluding premiums for investment contracts in consolidated provident fund (Bar A) in the amount of NIS 1 million.
3. The financial margin comprises gains (losses) on investments recognized in other comprehensive income, excludes other income 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 as a reduction of the amounts credited to the savings balances in the Company's systems.
4. The line item "payments and changes in liabilities in respect of investment contracts" includes only the investment income amount in respect of investment contracts.
5. Excluding internal transfer.

For the year ended December 31, 2022

For the year ended December 31, 2022	Policies which include a savings component (including appendices) by policy issuance date				Policies without a savings component Risk insurance sold as a single policy		
	Until 1990 ¹⁾	Until 2003	From 2004		Individual	Collective	Total
			Non yield-dependent	Yield-dependent			
In NIS million							
Gross premiums:							
Traditional / mixed	15	10	-	-	-	-	25
Savings component	120	1,394	-	3,895	-	-	5,409
Other	19	203	-	325	790	74	1,411
Total	153	1,607	-	4,220	790	74	6,844
Proceeds in respect of investment contracts credited directly to insurance reserves ²⁾	-	-	-	3,674	-	-	3,674
Financial margin including management fees ³⁾	(143)	257	-	347	-	-	461
Payments and change in liabilities in respect of insurance contracts, gross	1,580	(1,430)	-	1,947	369	69	2,536
Payments and change in liabilities for investment contracts ⁴⁾	-	-	-	(794)	-	-	(794)
Profit (loss) from life insurance business	19	(181)	-	(9)	(9)	(20)	(201)
Other comprehensive income (loss) from life insurance business	74	9	-	10	9	2	104
Comprehensive income (loss) from life insurance business	93	(172)	-	2	-	(19)	(96)
Profit from pension and provident funds							33
Other comprehensive loss from pension and provident							(17)
Total comprehensive income from pension and provident							16
Total loss on life insurance and long-term savings							(168)
Total comprehensive loss from life insurance and long-term savings							(81)
Annualized premium for insurance contracts - new business	-	-	-	273	136	-	409
One-off premium for insurance contracts	-	4	-	1,488	-	-	1,492
One-off premium for investment contracts	-	-	-	3,621	-	-	3,621
Transfers to the Company in respect of insurance contracts and investment contracts ⁵⁾	-	-	-	1,343	-	-	1,343
Transfers from the Company in respect of insurance contracts and investment contracts ⁵⁾	42	532	-	1,513	-	-	2,087

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. Excluding premiums for investment contracts in consolidated provident fund (Bar A) in the amount of NIS 2 million.
3. The financial margin comprises gains (losses) on investments recognized in other comprehensive income, excludes other income 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 as a reduction of the amounts credited to the savings balances in the Company's systems.
4. The line item "payments and changes in liabilities in respect of investment contracts" includes only the investment income amount in respect of investment contracts.
5. Excluding internal transfer.

For the year ended December 31, 2021

For the year ended December 31, 2021	Policies which include a savings component (including appendices) by policy issuance date				Policies without a savings component		Total
	Until 1990 ¹⁾	Until 2003	From 2004		Risk insurance sold as a single policy		
			Non yield-dependent	Yield-dependent	Individual	Collective	
In NIS million							
Gross premiums:							
Traditional / mixed	18	11	-	-	-	-	29
Savings component	130	1,393	(1)	3,529	-	-	5,051
Other	18	203	-	324	700	61	1,307
Total	167	1,607	(1)	3,853	700	61	6,387
Proceeds in respect of investment contracts credited directly to insurance reserves ²⁾	-	-	-	6,030	-	-	6,030
Financial margin including management fees ³⁾	441	943	3	313	-	-	1,699
Payments and change in liabilities in respect of insurance contracts, gross	1,330	8,709	(6)	6,905	424	65	17,426
Payments and change in liabilities for investment contracts ⁴⁾	-	-	(2)	707	-	-	705
Profit (loss) from life insurance business	330	797	7	(187)	(14)	7	940
Other comprehensive income (loss) from life insurance business	118	13	-	14	14	7	167
Comprehensive income (loss) from life insurance business	448	810	8	(173)	-	14	1,107
Profit from pension and provident funds							28
Other comprehensive income from pension and provident							8
Total comprehensive income from pension and provident							36
Total income from life insurance and long-term savings							968
Total comprehensive income from life insurance and long-term savings							1,143
Annualized premium for insurance contracts - new business	-	-	-	268	116	-	385
One-off premium for insurance contracts	-	4	-	1,211	-	-	1,216
One-off premium for investment contracts	-	-	-	5,993	-	-	5,993
Transfers to the Company in respect of insurance contracts and investment contracts ⁵⁾	-	-	-	957	-	-	957
Transfers from the Company in respect of insurance contracts and investment contracts ⁵⁾	41	586	-	1,348	-	-	1,975

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. Excluding premiums for investment contracts in consolidated provident fund (Bar A) in the amount of NIS 2 million.
3. The financial margin comprises gains (losses) on investments recognized in other comprehensive income, excludes other income 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 as a reduction of the amounts credited to the savings balances in the Company's systems.
4. The line item "payments and changes in liabilities in respect of investment contracts" includes only the investment income amount in respect of investment contracts.
5. Excluding internal transfer.

NOTE 22 - ADDITIONAL DATA REGARDING THE HEALTH INSURANCE SEGMENT**A. Breakdown of liabilities in respect of insurance contracts****1. Breakdown of liabilities in respect of insurance contracts by financial exposure****As of December 31, 2023**

In NIS million	Long-term care		Illnesses and hospitalization *)		Total
	Indivi- dual	Collec- tive	Long- term	Short- term	
Yield-dependent	1,155	1	-	-	1,156
Other	1,899	230	710	67	2,906
Total insurance liabilities	3,054	230	710	67	4,062

As of December 31, 2022

In NIS million	Long-term care		Illnesses and hospitalization *)		Total
	Indivi- dual	Collec- tive	Long- term	Short- term	
Yield-dependent	1,091	1	-	-	1,092
Other	1,561	336	661	55	2,614
Total insurance liabilities	2,652	337	661	55	3,705

2. Breakdown of liabilities in respect of insurance contracts by insurance exposure**As of December 31, 2023**

In NIS million	Long-term care		Illnesses and hospitalization *)		Total
	Indivi- dual	Collec- tive	Long- term	Short- term	
Reserve for payable claims	362	125	56	-	544
Other risk-weighted components	2,692	105	654	67	3,519
Total insurance liabilities	3,054	230	710	67	4,062

As of December 31, 2022

In NIS million	Long-term care		Illnesses and hospitalization *)		Total
	Indivi- dual	Collec- tive	Long- term	Short- term	
Reserve for payable claims	308	221	54	-	583
Other risk-weighted components	2,345	115	607	55	3,122
Total insurance liabilities	2,652	337	661	55	3,705

*) The most substantial coverage included in long-term critical illnesses and hospitalization insurance is medical expenses and in short-term health insurance - travel.

NOTE 22 - ADDITIONAL DATA REGARDING THE HEALTH INSURANCE SEGMENT (cont.)

B. Breakdown of results by type of policy

For the year ended December 31, 2023

In NIS million	Long-term care		Illnesses and hospitalization		Total
	Individual	Collective	Long-term	Short-term	
Gross premiums	278	22	⁽¹⁾ 1,278	⁽¹⁾ 152	1,731
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	524	64	655	105	1,348
Profit (loss) from health insurance business	(105)	(25)	65	(1)	(67)
Other comprehensive income (loss) from health insurance business	-	-	(11)	1	(11)
Total comprehensive income (loss) from health insurance business	(105)	(25)	53	-	(77)
Annualized individual premium - new	-	-	⁽²⁾ 159	-	159

1) Of which, individual premiums in the amount of NIS 1,225 million and collective premiums in the amount of NIS 205 million.

2) Excluding in the following subsegments: dental, foreign workers, travel and Israelis abroad.

For the year ended December 31, 2022

In NIS million	Long-term care		Illnesses and hospitalization		Total
	Individual	Collective	Long-term	Short-term	
Gross premiums	271	24	⁽¹⁾ 1,177	⁽¹⁾ 132	1,603
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	41	67	561	78	746
Profit (loss) from health insurance business	290	17	78	10	394
Other comprehensive income (loss) from health insurance business	-	-	(38)	(3)	(41)
Total comprehensive income (loss) from health insurance business	290	17	39	6	353
Annualized individual premium - new	-	-	⁽²⁾ 144	-	144

1) Of which, individual premiums in the amount of NIS 1,121 million and collective premiums in the amount of NIS 188 million.

2) Excluding in the following subsegments: dental, foreign workers, travel and Israelis abroad.

For the year ended December 31, 2021

In NIS million	Long-term care		Illnesses and hospitalization		Total
	Individual	Collective	Long-term	Short-term	
Gross premiums	264	35	⁽¹⁾ 1,062	⁽¹⁾ 47	1,408
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	428	68	517	36	1,050
Profit (loss) from health insurance business	73	43	76	(13)	179
Other comprehensive income (loss) from health insurance business	-	-	15	(1)	14
Total comprehensive income (loss) from health insurance business	73	43	90	(14)	193
Annualized individual premium - new	3	-	⁽²⁾ 164	-	167

1) Of which, individual premiums in the amount of NIS 989 million and collective premiums in the amount of NIS 119 million.

2) Excluding in the following subsegments: dental, foreign workers, travel and Israelis abroad.

NOTE 23 - CHANGE IN LIABILITIES FOR LIFE INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND HEALTH INSURANCE

In NIS million	Life insurance and long-term savings			Health insurance	Reinsurance assets in health insurance
	Insurance contracts	Investment contracts	Total		
Balance as of January 1, 2022	102,498	12,270	114,768	3,889	302
Interest, linkage differentials and investment gains ²⁾	(3,514)	(544)	(4,059)	109	16
Increase in premiums charged to liabilities ³⁾	5,552	3,676	9,228	242	-
Decrease in respect of management fees on accruals	(519)	(87)	(605)	-	-
Decrease in respect of claims, redemptions and end of term	(4,889)	(1,608)	(6,497)	-	-
Changes due to change in assumptions	⁽¹⁾ (360)	-	(360)	⁽¹⁾ 11	14
Other changes ⁴⁾	(456)	-	(456)	(545)	(175)
Balance as of December 31, 2022	98,313	13,707	112,019	3,705	156
Interest, linkage differentials and investment gains ²⁾	6,765	898	7,663	213	8
Increase in premiums charged to liabilities ³⁾	4,697	1,082	5,778	249	-
Decrease in respect of management fees on accruals	(509)	(86)	(594)	-	-
Decrease in respect of claims, redemptions and end of term	(5,983)	(3,155)	(9,137)	(1)	-
Changes due to change in assumptions	⁽¹⁾ (452)	-	(452)	⁽¹⁾ 85	-
Other changes ⁴⁾	(860)	-	(860)	(190)	(26)
Balance as of December 31, 2023	101,971	12,445	114,417	4,062	138

*) See Note 42(e)(e1)(a) for the section regarding the main assumptions used to calculate the insurance liabilities.

1) Derived from the experience gained regarding cost and incidence of the claims and their effect on the expected results.

2) This line item includes interest, linkage differentials and investment gains in respect of the balance as of the beginning of the year, plus interest, linkage differentials and investment gains in respect of premiums paid solely for savings, which were recorded in the reporting period.

3) This premium includes the savings premium and part of the premium in products with fixed premium, net of the management fees that are collected as a rate of the premium, and excluding the premium amount recognized as income.

4) The line item includes changes in the contingent claims reserve, reserve for periodic claims, IBNR, paid annuities etc., in accordance with the assumptions used at the end of the previous year. The line item also includes the interest rate effect, linkage differentials and investment income not included under the "interest, linkage differentials and investment gains" item, such as: interest, linkage differentials and investment gains on claim payments and non-saving premiums.

NOTE 24 - INCOME TAXES

A. Tax laws applicable to the Group companies

1. General

Most of the consolidated companies (insurance companies, management companies of pension funds and provident funds and other companies) are "financial institutions" as defined in the Value Added Tax Law, 1975. The tax applicable to income of financial institutions is composed of corporate income tax and profit tax.

The income of the Company and all other Israeli investees is subject to corporate income tax.

2. Tax arrangements unique to the insurance industry

The Israel Insurance Association and the tax authorities have in place sectoral arrangements (hereinafter - the "Tax Arrangements"), which are renewed and revised every year and address tax issues unique to the industry. Among other things, the Tax Arrangements cover the following topics:

- Deferred Acquisition Costs (DAC) - direct expenses incurred by insurance companies to purchase life insurance contracts in respect of underwriting years through 2014 shall be deductible for tax purposes in equal shares over four years, and in respect of underwriting years 2015 through 2020 - over ten years. Such expenses relating to canceled life insurance contracts shall be deductible for tax purposes in the

cancellation year. Purchase expenses in respect of pension and provident funds contracts (as defined in the agreement) in respect of underwriting years 2015 through 2020 shall be deductible for tax purposes in equal shares over 10 years or in accordance with the period over which they are expensed in the books of accounts, as decided by the Company. The expense in respect of pension and provident funds contracts cannot be brought forward. Deferred acquisition costs relating to critical illnesses and hospitalization insurance are amortized over a 6-year period, in accordance with their amortization period as per the books of accounts. The Company will comply with the above arrangement in years subsequent to 2020 as well.

- b) Attribution of expenses to preferred income - expenses will be attributed to income subject to reduced tax rates and to tax-exempt income earned by Clal Insurance (hereinafter - "**Preferred Income**"), which will result with some of the Preferred Income becoming taxable at the full tax rate in accordance with the attribution rate. The attribution rate set in the agreement depends on the source of funds generating the Preferred Income.
- c) The method employed to tax income from assets held as investments matches yield-dependent liabilities.
- d) Taxation of liquid securities and derivatives - it was agreed that income and/or expenses from securities, shall be reported for tax purposes based on disposal. Except for the following exclusions:
 - linkage differentials, interest and amortization of discount in respect of liquid bonds shall be reported on an accrual basis.
 - Impairment charged to profit and loss shall not be calculated as loss for tax purposes, but rather on an accrual basis.
 - Income and/or expenses in respect of various types of derivatives shall be reported on an accrual basis.
- e) The last agreement signed in February 2024 extends the validity of the last agreement relating to the tax years 2017-2019 by three additional years such that it will also apply to tax years 2020-2022 with the exception of the tax applicable to the cancellation of the reserve to extraordinary risks in life insurance - see Section F below.
- f) The tax applicable to cancellation of the reserve for extraordinary risks - on June 1, 2017, Insurance Circular 9-1-2017 of the Capital Market Authority was published regarding "Application of Solvency II-based Economic Solvency Regime" that became effective on June 30, 2017 (hereinafter - the "**New Capital Regulations**"), cancelling the old capital requirement for the reserve. As a result, the new sectoral agreement specifies that:
 - 1) In the 2020 tax year, income for corporate income tax purposes will be recorded as will profit tax at a rate of 0.01% of the insured amount at risk - own retention - as calculated as of December 31, 2006.
 - 2) If the new capital regulations regarding components relating to special risks in life insurance are cancelled or reduced, the parties will discuss the resulting tax consequences, if any.

The effect of the above arrangement on the Company's financial statements is immaterial.

The provisions for taxes in the 2023 financial statements is made in accordance with the principles of the above-mentioned agreement.

3. The OECD's International Tax Reform (hereinafter - "**Pillar 2**")

The Company has not yet started implementing the temporary exemption for the year ended December 31, 2023, since the Group Companies are active in jurisdictions in which the Pillar 2 rules have not yet been enacted or substantively enacted.

It is unclear whether the Pillar 2 rules create further temporary differences in respect of which deferred taxes should be created, and which tax rate should be used in the measurement of the deferred taxes. In response to this uncertainty, in May 2023 the IASB published an amendment to IAS 12 - Income Tax - which grants a mandatory temporary exemption from the implementation of the provisions of the standard in respect of accounting for and disclosing deferred tax assets and liabilities arising from the adoption of the Pillar 2 rules. The Company applied the temporary exemption in its financial statements as of December 31, 2023.

B. Tax rates applicable to the Group companies

- 1. The statutory tax applicable to financial institutions, including the Company, which constitutes most of the Group's activities, is composed of corporate income tax and profit tax.
- 2. The statutory tax rates applicable to financial institutions, including the Company, are as follows:

In percentage	Corporate income tax rate	Profit tax rate	Total tax rate in financial institutions
	23.00	17.00	34.19

Current taxes for the reported periods are calculated according to the tax rates presented in the table above.

- Subsequent to the reporting date, in March 2024 an amendment was published to the Value Added Tax Order (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "Order"), which prescribes that as from January 1, 2025 the rate of payroll tax applicable to financial institutions will stand at 18% of the wage paid for work, and the profit tax shall stand at 18% of the profit generated.

The deferred tax balances included in the financial statements as of December 31, 2023 are calculated according to the tax rates in effect as of balance sheet date, and do not take into account the effects that might arise due to the increase in tax rates as described above. The said effects will be included in the financial statements that will be published as from the date on which the Order was effectively completed, that is to say - in the first quarter of 2024.

The Company estimates that the effect of the change in tax rates is not expected of be material.

C. Components of income tax expenses (income)

In NIS million	For the year ended December 31		
	2023	2022	2021
Current tax expenses (income)			
In respect of the current period	193	93	455
Adjustments in respect of prior years, net	15	(11)	(12)
Total current tax expenses	208	82	443
Deferred taxes expenses (income)			
Creation and reversal of temporary differences	(83)	(42)	52
Adjustments in respect of prior years, net	(1)	28	-
Total deferred taxes expenses (income)	(84)	(14)	52
Total income taxes	124	68	494

D. Components of income tax in respect of the other comprehensive income component

In NIS million	For the year ended December 31		
	2023	2022	2021
Foreign currency translation differences in respect of foreign operations	2	4	1
Available-for-sale financial assets	41	(196)	164
Actuarial gains from a defined benefit plan	-	4	2
Total tax expenses (tax benefit) for other comprehensive income components	43	(188)	166

E. Adjustments between theoretical tax on pre-tax income and tax expenses

In NIS million	For the year ended December 31		
	2023	2022	2021
Profit before income tax	347	194	1,581
Main tax rates applicable to the Group companies	34.19%	34.19%	34.19%
Tax is calculated according to the Group's primary tax rate	119	66	540
Addition to (savings on) tax liability for:			
Adjustment with respect to a lower tax rate in investees that are not insurance companies	(24)	(11)	(9)
Neutralized tax calculated in respect of the Company's share in income of equity-accounted investees	(7)	(2)	(8)
Differences in measuring assets and liabilities for tax purposes and for the purposes of adjusted statements	13	7	10
Difference in respect of the tax rate used to calculate the deferred taxes	2	(5)	(9)
Rental income that is exempt from profit tax	(5)	(4)	(4)
Tax-exempt income	(9)	(7)	(21)
Non-deductible expenses	10	7	3
Non-deductible expenses for share-based payment (see Note 44)	2	3	5
Utilization of losses and benefits from previous years for which deferred taxes were not recorded	(2)	(3)	(1)
Losses and benefits for tax purposes from the period for which no deferred taxes were recorded	10	-	-
Taxes for previous years	14	17	(12)
Total income taxes	124	67	494
Effective tax rate	35.75%	34.80%	31.24%

F. Deferred tax assets and liabilities

1. Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributed to the following items:

In NIS million	Intangible assets	Property, plant & equipment	Investment property	Financial Instruments	Deferred acquisition costs in life insurance	Deductions and carryforward losses for tax purposes	Employee benefits	Investees	Credit losses	Other ¹⁾	Total
Balance of deferred tax asset (liability) as of January 1, 2022	(183)	(17)	(64)	(489)	(130)	38	41	(5)	-	58	(752)
Changes carried to profit and loss	11	16	(68)	24	36	(8)	7	5	-	(7)	14
Changes carried to other comprehensive income	-	-	(4)	196	-	-	(4)	-	-	-	188
Classification of current taxes into deferred taxes	-	(1)	11	(4)	6	(5)	5	-	-	(18)	(6)
Balance of deferred tax asset (liability) as of December 31, 2022	(172)	(3)	(125)	(274)	(89)	25	49	-	-	33	(555)
Changes carried to profit and loss	16	(3)	(2)	29	3	(9)	(1)	-	52	(1)	84
Changes carried to other comprehensive income	-	-	(2)	(41)	-	-	-	-	-	-	(43)
Commencement of consolidation (for further details, see Note 9)	(76)	(5)	-	-	-	-	13	-	91	2	24
Classification of current taxes into deferred taxes	-	-	-	-	-	3	-	-	-	-	3
Balance of deferred tax asset (liability) as of December 31, 2023	(233)	(11)	(129)	(287)	(86)	19	62	-	143	35	(487)

1) Stems mainly from provision for doubtful debts.

In NIS million	As of December 31	
	2023	2022
Deferred tax assets	104	17
Liability in respect of deferred taxes	(592)	(573)
Total	(487)	(555)

2. Deferred tax assets that were not recognized

Deferred tax assets that were not recognized are in respect of the following items:

In NIS million	As of December 31	
	2023	2022
Losses for tax purposes	57	57
Capital losses and real difference from liquid securities	690	692
Total	747	750

According Israeli tax laws, the utilization of losses for tax purposes, and the utilization of deductible temporary differences is not limited in time. However, deferred tax assets were not recognized in respect of those items, since it is not expected that there will be a taxable income in the foreseeable future, against which the tax benefits may be utilized.

G. Tax Assessments

Clal Insurance has final tax assessments through the 2021 tax year.

Other Group companies' tax returns through tax year 2017 are deemed final assessments according to the provisions of Section 145 to the Income Tax Ordinance.

NOTE 25 - EMPLOYEE BENEFITS

Employee benefits include post-employment benefits, termination benefits, other long-term benefits and short-term benefits, and share-based payments.

For details regarding benefits for key management personnel, see Note 43.

For details regarding share-based payments, see Note 44.

A. Composition

In NIS million	Details	As of December 31	
		2023	2022
Group companies excluding Max			
Present value of funded obligations		94	80
Present value of unfunded obligations		25	23
Total present value of obligations	B1(b)	119	104
Fair value of plan assets	B1(b)	66	53
Liability recognized for defined benefit plan in Group Companies, excluding Max.		53	51
Liability recognized for other long-term benefits in Group Companies, excluding Max	C	12	15
Liability for short-term benefits, excluding Max *)		267	192
Max			
Liability recognized for defined benefit plan - Max		29	-
Liability for short-term benefits - Max *)		107	-
Total employee benefits		468	258
Presented under the following line items:			
Payables and credit balances		375	193
Liabilities for employee benefits, net		93	6

*) The liabilities for short-term benefits include liabilities in respect of salaries, holiday, retirement benefits and annual bonuses to employees.

Furthermore, in the reporting period, an early retirement provision was included (Section D below), which led to an increase in the balance compared to the previous year.

In addition, the balance includes ClMax, which was consolidated in the financial statements in 2023.

For information regarding amounts deposited with Clal Insurance as part of a defined benefit plan for Group employees, see Notes 17 and 18.

B. Additional details in respect of the benefit plans of the Group companies, excluding Max**1. Post-employment benefit plans - defined benefit plan**

The Group has defined benefit plans, in respect of which amounts are deposited with provident funds, pension funds, qualifying insurance policies, and insurance policies issued by Clal Insurance.

Under labor laws in Israel and the Severance Pay Law, 1963 (hereinafter - the "Severance Pay Law") in Israel the Group is required to pay severance pay to an employee upon dismissal or retirement. The Group's liability in respect of employee benefits is calculated based on employment agreements in force and the employee's salary, which, in the opinion of management, give rise to the right to receive severance pay.

For details about collective agreement and an appendix to the agreement, including its effects on the payment of severance pay to employees and voluntary retirement plan, see Section D below.

A. Composition of plan assets

Plan assets are composed as follows:

In percentage	As of December 31	
	2023	2022
Central severance pay funds	1%	-
Executive insurance	39%	33%
Provident funds and pension funds	60%	67%
	100%	100%

B. Change in liabilities (assets), net for defined benefit plans and their components

In NIS million	Obligation in respect of defined benefit plan		Fair value of plan assets		Total liability (asset), net recognized for defined benefit plan	
	2023	2022	2023	2022	2023	2022
Balance as of January 1	104	113	(53)	(53)	51	60
Purchases as part of business combinations 3)	12	-	(9)	-	3	-
Expense/income imputed to profit and loss ¹⁾						
Current service cost	9	10	-	-	9	10
Cost of past services	-	1	(1)	-	(1)	1
Costs / interest income	6	3	(3)	(2)	3	2
Discharges	(2)	-	1	-	(1)	-
Total income/expense charged to profit and loss	13	14	(2)	(2)	10	12
Recognized in other comprehensive income:						
Actuarial losses (gains) arising from changes in the financial assumptions ²⁾	(1)	(16)	-	2	(1)	(14)
Other actuarial losses (gains)	1	2	-	-	1	2
Total recognized in other comprehensive income (loss)	(1)	(14)	-	2	-	(11)
Additional movements						
Benefits paid	(9)	(10)	4	5	(5)	(5)
Contributions by the Group	-	-	(6)	(6)	(6)	(6)
Total additional movements	(9)	(10)	(2)	(1)	(11)	(10)
Balance as of December 31	119	104	(66)	(53)	53	51

1) The expenses are included in general and administrative expenses in the income statement, see Note 38.

2) Such as discount rate.

3) Hyp acquisition.

C. Actuarial assumptions and sensitivity analysis

The key actuarial assumptions as of the end of the reporting period:

In percentage	2023	2022	2021
Average real discount rate for December 31 (according to weighted average)	2.98	2.86	0.67
Rate of future salary costs	2.83-4.00	3.00-4.00	3.00-4.00

1) The discount rate is based on high-quality CPI-linked corporate bonds.

Potential changes that are considered to be reasonable as of the reporting date for each of the actuarial assumptions, assuming that all other actuarial assumptions remain constant, have the following effect on the defined benefit obligation:

In NIS million	As of December 31			
	Increase by one percent		Decrease by one percent	
	2023	2022	2023	2022
Rate of future salary costs	3	4	(3)	(4)
Discount rate	(3)	(4)	3	4

D. The plan's effect on the Group's future cash flows

For details about the collective agreement, including its effects on the payment of severance pay to employees, see Section D below.

The Company's estimate of the expected contributions in 2023 into a funded defined benefit plan, for plan assets is NIS 6.4 million.

The Group's estimate as to the term of the plan (according to a weighted average) as of the end of the reporting period is 7.8 years (2022 - 9 years).

E. Actual return

In NIS million	For the year ended December 31		
	2023	2022	2021
Actual return on plan assets	3	1	5

2. Post-employment benefit plans - defined contribution plan

The Group has the following defined contribution plans:

1. The provisions of Section 14 to the Severance Pay Law, 1963 apply to most severance pay payments; pursuant to that section, the Company's regular contributions to pension funds and/or insurance policies exempt it from any further obligation to the employees in respect of whom the amounts were deposited as described above. See also Section D below with regard to this issue.
2. Contributions towards retirement benefits in Israel.

For details about the collective agreement, including its effects on the payment of severance pay to employees, see Section D below.

In NIS million	For the year ended December 31		
	2023	2022	2021
Amount recognized as an expense in respect of defined contribution plans	117	104	98

3. Liability for other long-term benefits

In NIS million	As of December 31	
	2023	2022
Liability for sick leave	4	7
Liability for long service award	8	8
Total liability recognized for other long-term benefits	12	15

C. Collective agreements in the Group

1. Collective agreement between the Group's companies (except Max and Hyp), the Histadrut and the Group's Workers Committee

In April 2022, a collective agreement was signed between the Company's subsidiaries, Clal Insurance, Clal Pension and Provident Funds, Clal Credit Insurance, Clalbit Systems and Canaf (hereinafter - the "Companies") and the New Histadrut Workers' Union (hereinafter - the "Histadrut"), and the Group's Workers Committee (hereinafter - the "New Collective Agreement"), which incorporates all the agreements and collective agreements

signed between the parties since 2014 into a combined agreement, subject to the changes and additions that were agreed, the key points of which are follows:

1. The payment of an annual pay rise of 3% of the base salary to employees, who are entitled to a pay rise, remained unchanged. As in the case of the previous collective agreement, an additional budget will be earmarked in April 2025 for pay rises at a maximum rate of 4% (a pay rise of up to 1% per year), provided that the Company will meet an average annual profit target agreed upon for 2021-2024. As a general rule, half of the total pay rise budget will be paid as a uniform increase, and the remaining half will be paid as a differential rise according to the managers' decision.
2. Increasing the minimum wage to monthly employees in 3 phases, up to a wage of NIS 6,600 in September 2024.
3. Increasing the minimum wage of those employees who have been working for the Companies for more than 5 years, such that their wage increases to between NIS 6,950 to NIS 9,450 starting September 2023.
4. Increasing the hourly rate paid to call center's employees in 3 phases, up to an hourly rate of NIS 34 in September 2024.
5. Every year - provided the minimum annual profit conditions are met, as defined in the new collective agreement, totaling NIS 200 million - the employees will be paid a special payment, that will depend on the actual profit, and whose total cost will be between NIS 11 million to NIS 55 million, insofar as the Company's annual profit will be higher than NIS 1,200 million.
6. Where the Company's annual profit will be between NIS 300 million to NIS 600 million at the very least, employees will be paid a further payment, whose cost will be between NIS 4.25 million to NIS 17 million, according to the results. The payment will be made to eligible employees by way of options, at an exercise price that will reflect the average closing price of the Company's share in the 30 trading days that preceded the approval of the outline by the Company's Board of Directors, and no less than the price on the TASE on the day before the resolution.
7. Furthermore, it agreed to change the convalescence pay tariff according to the employee's number of service years, and the date on which he/she started working for the Company; it was also agreed to increase the participation in, and the conditions of Company's employees health insurance policies, increase the participation in holiday clubs, change the format of participation in employees' meals, cancel the persistency bonus that was set in the previous agreement and replace it with a retention bonus to employees, that will depend on of the Company's income.
8. In addition to the above, the companies recognized a one-off expense in 2023, in respect of a voluntary retirement plan offered to employees under the collective agreement from age 60 onwards, in the amount of approx. NIS 27 million. Under the agreement, 37 Group employees retired during the reporting year.
9. The term of the agreement will be 3 years, from January 1, 2022 to December 31, 2024. In addition, the agreement exhausts the claims and assertions of all of the parties throughout the agreement term.
10. In 2021, due to the Company's results that year, the Group included in its financial statements variable salary costs and a special welfare increment, amounting to approx. NIS 60 million.

Other than that stated in Section 9 above, in the reporting period the changes and additions in the agreement did not have a material effect on manpower expenses compared to the previous collective agreement, and the Company estimates that no material effects are expected in the remaining years of the agreement either.

The new collective agreement applies to most Group companies' employees, except Max and Hyp and except employees serving in specific roles that were defined therein and managers at the rank that was defined.

As of December 31, 2023, the Group, excluding Max and Hyp, has approx. 806^[1] employees to whom the new collective agreement does not apply, including senior management, and they are employed under personal employment agreements that define their employment terms and conditions, including base salary, social benefits and related benefits.

2. Collective agreement - Max

In 2015, a collective agreement was signed for the first time between Max, the New Histadrut Workers' Union and Max employees' representatives. The agreement applies to most Max employees, other than positions predefined as excluded from the collective agreement and listed in Appendix A of the agreement. After the agreement ended, on November 27, 2018 signed another collective agreement. The agreement is valid from April 1, 2018 to June 30, 2023 (hereinafter - the **"2018 Agreement"**).

^[1] Excluding suppliers' employees.

The collective agreement prescribes the working conditions at Max. The agreement includes an organizational chapter and an economic chapter.

The organizational chapter defines the process of granting tenure in Max, manner of staffing the jobs, performance improvement and dismissal procedures, and eligibility to voluntary retirement in case of job redundancy. That chapter also includes rules for outsourcing employment, work procedures, and disciplinary rules, and defines the hours and breaks required for the various types of jobs.

The economic chapter defines the annual salary increase processes, which is carried out in the April salary in each of the agreement years. The salary increase defined in the agreement is 3%, of which a 1% increment is granted to every employee and the remainder is distributed to employees at the discretion of the managers. It is also defined in this matter that in years in which Max complies with 100% or more of the profit target, a salary increase of 3.25% will be granted, while the distribution is 1.125% to every employee and the balance is distributed at the discretion of the managers. Furthermore, that chapter defines the minimum salaries in Max and the salary for certain jobs, mainly in the service centers, additional employment terms to which Max employees are entitled such as leave, sick leave, convalescence pay, annual bonus, social benefit contributions and various welfare benefits.

In addition, on May 26, 2021, another collective agreements was signed following the Covid-19 crisis, which includes, among other things, agreements regarding postponement of reduction dismissal proceedings, postponement of the salary increase for 2021 by two months, utilization of leave days in 2021, reduction of the welfare budget for 2021, and payment of a special bonus. That agreement stipulates that until December 31, 2021, no Max employees will be dismissed for reasons of reduction and streamlining, including not by virtue of the 2018 Agreement.

In March 2023, another collective agreement was signed in respect of a bonus to Max employees following the sale of Max to ClaI Holdings. Under that agreement, the validity of the collective agreement was extended until June 30, 2024, and it was agreed to settle claims by that date.

D. Employee benefits in Max

1. Max employees, other than the CEO and members of management, signed agreements pursuant to Section 14 of the Severance Pay Law (hereinafter - the **"Section 14 Arrangement"**) (sometimes after completion of a six-month employment period). That obligation is treated as a defined contribution plan which pays benefits for services rendered, and provides an individual account for each participant in the plan. Accordingly, Max does not have any other obligation to pay severance pay beyond the current deposits into the insurance company and pension funds, except as described in Section 2 below. It should be clarified that in respect of the service representatives at Max, there is an immaterial liability in respect of the initial period until signing of Section 14 of the Severance Pay Law.
2. Liability in respect of severance pay, retirement and pension - the liability in respect of severance pay as of December 31, 2023 amounts to NIS 29 million. The amount of this liability is after offsetting the fair value of the plan assets (which constitute current deposits in the insurance companies and pension funds in respect of the employment agreements of the Company CEO and members of management) in the amount of NIS 6 million.
3. Leave reserve - Max employees are entitled to annual leave according to the employment agreements and subject to the provisions of the law. The "other liabilities" note includes a provision in respect of unutilized paid leave, calculated based on the last salary plus related benefits. The provision as of December 31, 2023 amounts to NIS 20 million.

NOTE 26 - FINANCIAL LIABILITIES**A.1. Financial liabilities**

		As of December 31			
		Carrying amount		Fair value ²⁾	
In NIS million	Additional Information	2023	2022	2023	2022
Financial liabilities presented at amortized cost					
Bonds	C	1,557	-	1,583	-
Subsidiaries:					
Loans in CIMax and its subsidiaries, excluding Max ³⁾		889	-	889	-
Liquid subordinated notes in Clal Insurance	B	4,639	4,596	4,315	4,249
Credit from banking corporations in Max	D	5,202	-	5,202	-
Bonds and subordinated notes at Max	E	582	-	581	-
Total liabilities presented at amortized cost		12,869	4,596	12,569	4,249
Less interest payable		99	48	99	48
Total financial liabilities presented at amortized cost net of interest payable		12,770	4,548	12,471	4,201
Total liabilities measured at fair value through profit and loss					
Futures		1,683	2,272	1,683	2,272
Interest rate, foreign exchange and stock swaps		89	180	89	180
Stock options		5	-	5	-
Options on indices		5	13	5	13
Liabilities for REPO		1,147	1,118	1,147	1,118
Total liabilities measured at fair value through profit and loss ¹⁾		2,929	3,583	2,929	3,583
Total financial liabilities		15,699	8,131	15,400	7,784
1) Of which in respect of yield-dependent liabilities					
		1,786	2,252	1,786	2,252

2) Including approximation of fair value, where the difference is immaterial. For further information regarding fair value measurement, see Section G below.

Additional information regarding the Group's exposure to interest rate, foreign currency and liquidity risks is provided in Note 42(d).

3) 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 at 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 December 31, 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.

Under the Syndicated Loan agreement, CIMax has the option for early repayment of the loan, using a mechanism set out in the agreement, while paying a early repayment fine that is amortized over the life of the loan. Furthermore, CIMax may repay the amounts accrued in the liquidity portion, using a mechanism set out in the agreement without paying any early repayment fine.

CIMax's debt, as it appeared in its consolidated and reviewed financial statements as of the consolidation date, i.e., March 31, 2023, was approx. NIS 941 million (approx. NIS 873 million of which is the loan principal and the balance - interest), which constituted full utilization of both financing portions as well as partial utilization of the liquidity portion.

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 a capital note for the Company. These amounts were used for full repayment of the liquid portion, such that as of December 31, 2023, the loan balance amounts to approx. NIS 875 million, of which an amount of approx. NIS 873 million is for the loan principal and the remaining balance is for interest and other fees under the provision of the syndicated loan agreement.

Subsequent to the reporting date, in February 2024, CIMax repaid the full balance of its syndicated loan, totaling an amount of approx. NIS 891 million, of which approx. NIS 873 million was the loan principal, and the remaining balance being interest in addition to a early repayment penalty and additional fees and commissions pursuant to the provisions of the syndicated loan agreement, in the total amount of approx. NIS 18 million.

Repayment of the syndicated loan was carried out via a sum of NIS 891 million that the Company invested in CIMax.

A.2. Movement in the liabilities arising from financing activities

In NIS million	Subor- dinated notes	Bonds	Notes / bonds - Max	Total net of interest payable	Interest payable in respect of subordina- ted notes	Total
Balance as of January 1, 2022	4,280	-	-	4,280	37	4,317
Changes arising from cash flows and financing activities	-	-	-	-	-	-
Proceeds from the issue of subordinated notes	495	-	-	495	-	495
Repayment and exchange of subordinated notes	(264)	-	-	(264)	-	(264)
Issuance costs	(7)	-	-	(7)	-	(7)
Interest paid	-	-	-	-	(121)	(121)
Total cash provided by financing activities	225	-	-	225	(121)	104
Effect of changes in the CPI	37	-	-	37	-	37
Changes in effective interest rate	6	-	-	6	131	138
Balance as of December 31, 2022	4,548	-	-	4,548	48	4,596
Acquisitions as part of business combinations	-	-	490	490	6	496
Changes arising from cash flows and financing activities	-	-	-	-	-	-
Proceeds from the issue of subordinated notes	300	1,549	250	2,099	-	2,099
Repayment of subordinated notes	(292)	-	(139)	(431)	-	(431)
Expansion of series - and classification of the premium component in Series B	-	(27)	-	(27)	14	(13)
Issuance costs	(4)	(12)	-	(15)	-	(15)
Interest paid	-	-	-	-	(141)	(141)
Total cash provided by financing activities	5	1,510	111	1,626	(127)	1,499
Inter-company cancellations	-	-	(28)	(28)	-	(28)
Effect of changes in the CPI	25	-	-	25	-	25
Other changes (premium amortization / factoring and deferred issuance expenses)	14	4	-	19	-	19
Other changes (accrued interest and linkage for interest)	-	-	-	-	172	172
Balance as of December 31, 2023	4,592	1,514	573	6,679	99	6,778

B. Subordinated notes - composition as of December 31^{a)}

	Additional Information	Type of capital	Linkage terms	Interest type	Annual interest rate		Level of Liquid / fair value illiquid hierarchy	Early redemption date ^{b)}	Original amount issued	Carrying amount		Fair value	
					Effective	Nominal				2023	2022	2023	2022
					%					In NIS million			
Notes (Series G)	(1)	Hybrid Tier 2	CPI-linked	Fixed	2.39-2.45	2.32	Liquid	December 12023	365	-	285	-	285
Notes (Series H)	(1)	Hybrid Tier 2	Non-CPI-linked	Fixed	2.98-4.31	4.14	Liquid	December 12022	-	-	(* 5	-	-
Notes (Series I)	(1)	Hybrid Tier 2	CPI-linked	Fixed	2.51-3.85	2.48	Liquid	1July 2025	423	474	457	482	471
Notes (Series J)	(1)	Hybrid Tier 2	Non-CPI-linked	Fixed	3.39-4.61	3.92	Liquid	1July 2024	960	974	972	974	971
Notes (Series K)	(1)	Tier 2 Capital	Non-linked	Fixed	2.42-2.79	2.64	Liquid	1March 2027	1,636	1,651	1,652	1,450	1,428
Notes (Series L)	(1)	Tier 2 Capital	Non-linked	Fixed	2.66-5.01	2.50	Liquid	1March 2030	1,334	1,235	1,225	1,102	1,095
Notes (Series M)	(1)	Tier 2 Capital	Non-linked	Fixed	5.31	5.53	Liquid	1July 2032	300	304	-	305	-
Total notes									5,018	4,639	4,596	4,315	4,249

a) The issuer of all notes is Clalbit Finance, the issuer of the capital instrument is Clal Insurance.

b) For further details, see Section 1(j)(1) below.

*) Interest payable was paid in January 2023.

1.

- A. Notes (Series G) were issued in July 2014, and the series was expanded in December 2016. For details regarding exchange of some of these notes with Notes (Series L), by way of a series expansion, see Section G below.

The interest on the notes was paid annually in two semi-annual installments on June 30 and December 31 of each calendar year between 2014 and 2023. The notes were repaid in full by early repayment on December 31, 2023, in accordance with their terms.

- B. Notes (Series I) were issued in July 2015, and the series was expanded in December 2016. The principal is repaid in a single payment on July 31, 2028, subject to an early redemption right, as set out in Section J(1) below. The interest on the notes is paid annually in two semi-annual installments on January 31 and July 31 of each calendar year between 2016 and 2028.
- C. Notes (Series J) were issued in July 2015, and the series was expanded in April 2016. The principal is repaid in a single payment on July 31, 2027, subject to an early redemption right, as set out in Section J(1) below. The interest on the notes is paid annually in two semi-annual installments on January 31 and July 31 of each calendar year between 2016 and 2027. For details regarding exchange of some of these notes with Notes (Series M), by way of a series expansion, see Section I below.
- D. Notes (Series K) were issued in September 2019, and the series was expanded in December 2019, as detailed in Section E below.

The principal is repaid in a single payment on March 31, 2033, subject to an early redemption right, as set out in Section J(1) below. The interest on the notes is paid annually in two semi-annual installments on March 31 and September 30 of each calendar year between 2020 and 2032 and on March 31, 2033.

- E. In December 2019, NIS 698 million p.v. in outstanding Notes (Series C) were exchanged by way of an exchange tender offer (Notes (Series C) were repaid in full by early repayment on August 1, 2021, according to its terms), in consideration for the issuance of approx. NIS 806 million p.v. in Notes (Series K), by way of expansion of an existing series. The Notes (Series K), that were issued as stated above, were recognized (subject to restrictions) as Tier 2 capital of Clal Insurance, instead of Notes (Series C), that were exchanged, and which were recognized as hybrid Tier 2 capital.
- F. Notes (Series L) were issued in August 2021, and the series was expanded in December 2021 and in September 2022, as detailed in Section G below. The principal is repaid in a single payment on March 31, 2035, subject to an early redemption right, as set out in Section J(1) below. The interest on the notes is paid annually in two semi-annual installments on March 31 and September 30 of each calendar year between 2022 and 2034 and on March 31, 2035.
- G. In December 2021, approx. NIS 103 million p.v. in Notes (Series G) were exchanged (Notes (Series G) were repaid in full by way of early repayment on December 31, 2023, according to their terms), by way of an exchange tender offer; in return for issuance of approx. NIS 117 million p.v. in Notes (Series L) by expansion of an existing series. Furthermore, on that date, approx. NIS 206 million p.v. in Notes (Series H) were exchanged by way of an exchange tender offer (Notes (Series H) were repaid in full by early repayment on January 1, 2023, according to their terms), in consideration for the issuance of approx. NIS 218 million p.v. in Notes (Series L), by way of expansion of an existing series. The Notes (Series L), that were issued as stated above, were recognized (subject to restrictions) as Tier 2 capital of Clal Insurance, instead of Notes (Series G and Series H), that were exchanged, and which were recognized as hybrid Tier 2 capital.
- H. Notes (Series M) were issued in July 2023; the principal is repaid in a single installment on July 31, 2037, subject to an early redemption right, as set out in Section J(1) below. The interest on the notes is paid annually in two semi-annual installments on January 31 and July 31 of each calendar year between 2024 and 2037.
- I. Subsequent to the reporting date, in January 2024, approx. NIS 504 million p.v. in Notes (Series J) were exchanged by way of an exchange tender offer in consideration for the issuance of approx. NIS 508 million p.v. in Notes (Series M), by way of expansion of an existing series. The Notes (Series M), that were issued as stated above, were recognized (subject to restrictions) as Tier 2 capital of Clal Insurance, instead of Notes (Series J), that were exchanged, and which were recognized as hybrid Tier 2 capital.

J. Additional terms and conditions of the notes

1. Right to early redemption

- A. Clalbit Finance shall be allowed to redeem the notes via full or partial early redemption, without granting noteholders and/or to the trustee the right to redeem the notes via full or partial early redemption, provided that the following conditions are met and the Commissioner's approval is obtained (where required):

The first date on which Clalbit Finance will be allowed to execute full or partial early redemption of the Notes (hereinafter with regard to any series: the **"First Early Redemption Date"**):

Series I - on July 31, 2025;

Series J - on July 31, 2024;

Subsequent to First Early Redemption Date, there is an early redemption right on each interest payment date regarding all notes of the relevant series.

Series K - on March 31, 2027;

Series L - on March 31, 2030.

Series M - on July 31, 2032.

After this date, Clalbit Finance may execute full or partial early redemption of the notes on any date.

The frequency of the early redemptions shall not exceed one redemption per quarter. To the extent that early redemption will be executed as from the First Early Redemption Date and until 3 years before the principal repayment date, the payment to noteholders in respect of early redemption shall amount to the higher of: a. market value. b. the carrying amount; c. the value based on a discount rate equal to the yield on government bond plus interest of 0.8%.

- B. If the right to early redemption of all of the notes is not exercised, then, from the date of payment of interest on the notes, which shall be 3 years before the principal repayment date, added interest shall be paid to the holders of the relevant notes on the interest borne by the notes at that time, in respect of the remaining period at a rate of 50% of the original risk margin determined in the issuance in relation to the notes of the relevant series.

The original risk margin is as follows:

Series I - 1.83%;

Series J - 1.76%;

Series K - 1.69%;

Series L - 1.52%;

Series M - 1.87%;

- C. The minimum amount for the execution of early redemption with respect of Notes (Series I and J) is NIS 25 million p.v. and in respect of Notes (Series K, L and M) the minimum amount for early redemption is NIS 1 million p.v. in notes. Furthermore, regarding Notes (Series K, L and M) early redemption of part of the 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.

- D. The conditions for early redemption is:

- (1) With regard to Series I and J, obtaining advance approval of the Commissioner and at the terms set by him. As a general rule, early redemption will be possible if the shareholders' equity of Clal Insurance after the early redemption would exceed 120% of the minimum capital requirement as per the Capital Regulations. See J(3) below.
- (2) With regard to Series K, L and M, obtaining advance approval of the Commissioner and at the terms set by him. In general, early redemption will be possible if the economic capital of Clal Insurance after the early redemption would exceed the solvency capital requirement (SCR), as defined in the circular on the economic solvency regime.
- (3) Furthermore, in relation to all series, early redemption may also be executed if at the same time the Company will issue a capital instrument of identical or better quality;

2. Deferral of principal and/or interest repayment 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 notes shall be deferred:

- A. In relation to deferral of interest repayment only - unavailability of distributable profits of Clal Insurance, as defined in the Companies Law, based on the latest financial statements (annual or quarterly) published before the relevant interest repayment date.

With regard to the deferral of a principal and/or interest payments:

- B. With regard to Series I and J, the amount of the eligible shareholders' equity of Clal Insurance fell below its minimum capital requirement (see J(3) below), based on the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date, and Clal Insurance did not execute capital supplementation as of the report publication date (as this term is defined in the Commissioner's guidance regarding "Composition of Eligible Shareholders' Equity of an Insurer of August 2011").

With regard to Series K, L and M - according to the latest financial statements of Clal Insurance published prior to the payment date, the shareholders' equity of Clal Insurance is lower than the capital required from Clal Insurance for suspending circumstances, as this term is defined in the Economic Solvency Regime Circular, and Clal Insurance did not execute capital supplementation (as this term is defined in the Economic Solvency Regime Circular) as of the financial statements publication date.

- C. The Board of Directors of Clal Insurance has ordered the deferral of a principal and/or interest payment, if it had stipulated that there is a real, imminent concern regarding Clal Insurance's ability to comply with the capital requirement (as stated in Section B above, as the case may be), or to perform timely repayment of obligations with higher precedence than the notes, provided that the advance approval of the Commissioner has been received.

- D. With regard to Series I and J - the Commissioner ordered the deferral of principal and/or interest payment due to a significant decline in Clal Insurance's eligible shareholders' equity, or if it saw an imminent concern regarding Clal Insurance's ability to comply with the capital requirement.

With regard to Series K, L and M - The Commissioner ordered the deferral of an interest and/or principal payment, if it saw a decline in the solvency ratio, or if it saw an imminent concern regarding Clal Insurance's ability to comply with the solvency capital requirement (as this term is defined in the Economic Solvency Regime Circular).

- E. Such deferred principal and/or interest amounts shall accrue linkage differentials, if the original principal is index-linked, from the date of the deferral to the date of actual payment, at the known index as of the actual payment date, and interest as from the deferral date and through the date of actual payment, at the interest rate specified in the terms of the notes as of the deferral date.

3. Commissioner's Position - "Definition of Recognized Capital and Required Capital in Hybrid Capital Instruments"

In view of the coming into force of the Economic Solvency Regime (see Note 17(f) above), in March 2018, the Capital Market Authority published a position paper whereby the correct interpretation of the terms "capital requirement" and "eligible shareholders' equity", which are pertinent to hybrid capital instruments issued by insurance companies, that received the Commissioner's approval regarding the audit of the implementation of an economic solvency regime, regarding suspending circumstances, shall be as follows:

The term "capital requirement" (including similar terms) will be interpreted according to the definition of the term "minimum capital requirement" (MCR) within its top limit (45% of SCR), calculated without taking into account the transitional provisions during the Transitional Period and without adjusting the stock scenario, and the term "equity" (including similar terms) will be interpreted according to the definition of the term "equity" in an economic solvency regime.

In view of the above, the relevant provisions in the notes that were issued through the date on which the Economic Solvency Regime came into force (Series I and J), shall be interpreted in accordance with the said position paper.

- K. In accordance to an amendment to the agreement between Clalbit Finance and Clal Insurance of August 2019 (hereinafter - the "**Agreement Amendment**"):

1. The deposits that will be deposited with Clal Insurance out of the proceeds of the issuances of notes and/or options to notes (including from disposal of options as stated above), to be issued after the Agreement Amendment date, and which will be deemed as Tier 2 capital of Clal Insurance, and Clal Insurance's undertaking to meet the conditions of the said notes, shall have the following status:

- Equal priority to subordinated Tier 2 capital instruments, hybrid Tier 2 capital, and hybrid Tier 3 capital that were issued by Clal Insurance and/or Clalbit Finance until the Agreement Amendment date.
- Equal priority to components and instruments that will be included in Clal Insurance's Tier 2 capital, that will be issued by Clal Insurance and/or Clalbit Finance as from the Agreement Amendment date.

- Precedence over components and instruments that will be included in Clal Insurance's Tier 1 capital, that will be issued by Clal Insurance and/or Clalbit Finance.
 - Subordinated to all of Clal Insurance's other liabilities to its creditors.
2. The deposits that were deposited with Clal Insurance out of the proceeds of the issuances of notes recognized as hybrid Tier 2 capital of Clal Insurance, and Clal Insurance's undertaking to meet the conditions of the said notes have equal priority to that of subordinated notes that were issued by Clal Insurance and/or Clalbit Finance, and which are deemed subordinated Tier 2 capital, hybrid Tier 2 capital and hybrid Tier 3 capital; and subordinated to all of Clal Insurance's other liabilities to its creditors.
 2. The balance of the notes is presented net of issuance expenses of approx. NIS 23 million, which are amortized using the effective interest method.
 3. In October 2020, Clal Insurance issued to the Company a capital note that constitutes an Additional Tier 1 capital instrument in accordance with the economic solvency regime, at a total amount of NIS 450 million, which is CPI-linked and bears annual interest of 4.53%, which will be paid to the owner of the capital note (the Company) in annual payments on October 31 of each of the years 2021 and through the final repayment date of the capital note. The amount of the capital note is repayable (principal only) in one installment, which will be paid within 49 years, unless the Company exercised its early redemption right in connection with the capital note amount as detailed below.

Other conditions of the capital note

A. Right to early redemption

The Company will have the right to exercise full or partial early redemption regarding the capital note amount on any date as from October 31, 2030, subject to obtaining the Commissioner's advance approval.

B. Deferral of principal and/or interest repayment under suspending circumstances

The Company has the right to cancel interest payment and defer payment of the amount of the capital note (principal), without prejudice to the Company's right to pay other payments with higher priority, in the following circumstances (hereinafter - "suspending circumstances"):

- A. Regarding interest payments, according to the latest financial statements of the Company, that were published prior to the payment date, the Company does not have distributable profits.
- B. According to the latest financial statements of the Company, that were published prior to the payment date, the Company's eligible shareholders' equity is lower than the SCR;
- C. The Company's Board of Directors ordered not to pay interest or to defer the payment of the amount of the capital note (principal), if it saw an imminent concern regarding the Company's ability to comply with the SCR, or to meet timely repayment of undertakings which take precedence over the capital note, provided that the Commissioner's advance approval was obtained;
- D. The Commissioner ordered not to pay interest or to defer the payment of the amount of the capital note (principal), if it saw that there is a significant decline in the economic solvency ratio, or if there is an imminent concern regarding the Company's ability to meet the SCR.

C. Conversion of the capital note amount (principal) into ordinary shares of the Company

1. The balance of the capital note amount (principal) will be converted into ordinary shares of the Company, when one of the following occurs (hereinafter - the "Trigger Event"):
- A. According to the financial statements published prior to the Company's latest published financial statements, the Company's shareholders' equity is lower than the SCR, and the Company did not execute capital supplementation as of the publication date of its latest financial statements; or
- B. According to the Company's latest published financial statements, the Company's economic solvency ratio is lower than 75%, and the Company did not execute capital supplementation as of the publication date of its latest financial statements; or
- C. In its opinion or review report that was attached to the latest financial statements, which were published by the Company before the payment date of the amount of the capital note (principal), the Company's independent auditor has drawn attention to the notes that describe significant doubts as to the Company's ability to continue operating as a going concern.
2. Notwithstanding the above, when a Trigger Event occurs, the Company may decide, at its sole discretion, to write-off the amount of the capital note (principal) (instead of converting the amount of the capital note (principal) into Company shares).

4. Repayment dates

Following are the contractual repayment dates of the subordinated notes*):

In NIS million	December 31	
	2023	2022
First year	1,007	330
Second year	473	960
Third year	-	457
Fourth year	-	-
Fifth year and onwards	3,270	2,970
	4,749	4,717
Less balance of deferred issuance expenses, discount balance, plus premium balance	(111)	(121)
Total	4,639	4,596

*) Assuming early redemption, see Section B(1)(j)(1) above.

C. 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 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.

In June 2023, the Company issued NIS 250 million p.v. in Bonds (Series A) by way of a private placement and an expansion of an existing series for approx. NIS 244.6 million. The issuance expenses amounted to approx. NIS 592 thousand; the annual effective interest rate is 5.6%, and net proceeds of the issuance amounted to approx. NIS 244 million.

In August 2023, the Company issued NIS 400 million p.v. 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 August 29, 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 proceeds of the issuance amounted to approx. NIS 401 million.

In December 2023, the Company issued NIS 500 million in Bonds (Series C) pursuant to the Company's shelf offering report dated December 4, 2023, published under the Company's shelf prospectus. The issuance expenses amounted to approx. NIS 4 million; the annual effective interest rate is 5.5%, and net proceeds of the issuance amounted to approx. NIS 496 million.

Following are the details of the bonds:

	Addi- tional Infor- mation	Type of capital	Link- age terms	In- terest type	Annual interest rate		Level of Liquidity / fair value illiquid hierarchy	Redem- ption date	Original amount issued	Carrying amount		Fair value	
					Effective	Nominal				2023	2022	2023	2022
					%					In NIS million			
Bonds (Series A) - corporate bonds	(1)	Straight	Non- linked	Fixed	4.89-5.64	4.7	Liquid	February 128	899	918	-	942	-
Bonds (Series B) - convertible bonds	(2)	Conver- tible bonds	Non- linked	Fixed	4.91	2.8	Liquid	February 128	150	142	-	133	-
Bonds (Series C) - corporate bonds		Straight	Non- linked	Fixed	5.48	5.25	Liquid	Repayment in 3 installments in November in 2029- 12031	500	497	-	508	-
Total notes									1,549	1,557	-	1,583	-

- Furthermore, with respect to Bonds (Series A-B and C), 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 reporting date and the approval date of the financial statements, the Company complies with the financial covenants that were set.

Following are the contractual repayment dates of the Company's bonds:

In NIS million	December 31	
	2023	2022
First year	43	-
Second year	-	-
Third year	-	-
Fourth year	-	-
Fifth year and onwards	1,549	-
	1,592	-
Less balance of deferred issuance expenses, discount balance, plus premium balance	(35)	-
Total	1,557	-

D. Credit from banking corporations in Max

In NIS million	December 31, 2023		
	Average annual interest rate		
	For transactions in the past month		
	Balance as of		NIS million
	%		
Other loans	5.2	5.1	5,202
Total credit from banking corporations	-	-	5,202

E. Additional information regarding bonds and subordinated notes in Max

	Additional Information	Type of capital	Linkage terms	Interest type	Annual interest rate		Liquid / illiquid	Level of fair value hierarchy	Average duration	Internal rate of return	Original amount issued	Carrying amount		Fair value	
					Effective	Nominal						2023	2022	2023	2022
					%	%						In NIS million			
CoCo Note (Series B)		Tier 2	Non-Capital linked	Fixed	5.18%	5.18%	Illiquid	2			139	-	-	-	-
CoCo Note (Series C)		Tier 2	Non-Capital linked	Fixed	5.18%	5.18%	Illiquid	2	3.63	7.37	35	35	-	35	-
CoCo Note (Series D)		Tier 2	Non-Capital linked	Fixed	7.33%	7.33%	Illiquid	2	3.63	7.37	223	231	-	230	-
Commercial security (CS 1)			Non-linked variable		5.25%	5.25%	Illiquid	2	0.02	5.25	316	316	-	316	-
Total notes											713	582	-	581	-

CoCo subordinated notes

- On December 17, 2018, Max raised from institutional entities subordinated notes with a CoCo contractual loss absorption mechanism, amounting to approx. NIS 139 million par value, which were recognized as Tier 2 capital. The Subordinated Notes (Series B) are repayable by a lump sum on December 31, 2028 with an early repayment option for the issuer, not before December 31, 2023 and no later than January 31 2024. 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 139 million. Early redemption was implemented on December 31, 2023, and its effect is a decrease of approx. 0.8% in the total capital ratio. For further details, see Max's report dated November 19, 2023.
- On July 2019, Max raised by private placement subordinated notes with a CoCo contractual loss absorption mechanism, in the amount of approx. NIS 35 million. The note carries a fixed annual interest rate of 5.18% per year until March 31, 2024. On that date, if Max fails to exercise its early redemption right, the nominal interest rate will be revised according to the terms of the subordinated notes. Under the instrument's terms, upon occurrence of a trigger event, it may be delisted to absorb the principal loss. A trigger event for Tier 1 capital ratio purposes is defined as falling below 5% or a trigger event for non-viability which is defined as the earlier of the following two: (a) a written notice by the Banking Supervision Department to Max requiring it to write off its subordinated notes, since Max would otherwise reach the point of non-viability; or (b) a written notice by the

Banking Supervision Department to Max regarding a decision to inject capital from the public, or equivalent support, without which Max will reach the point of non-viability, as determined by the Banking Supervision Department. On March 11, 2024, the board of directors of Max resolved to perform full early redemption of the above subordinated notes in the amount of NIS 35 million. The date for performance of the early redemption is March 31, 2024, and it is expected to reduce the Company's total capital ratio by approx. 0.2%.

- 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. Subordinated Notes (Series D) include a contractual loss absorption mechanism, according to which if the circumstances for a trigger event exists (trigger event for non-compliance or trigger event for absorption of principal loss), a full or partial delisting of the subordinated notes will be performed, all according to the definitions and terms of the subordinated notes.

Commercial securities

- On December 27, 2022, Max raised from institutional entities Commercial Securities (CSs Series 1) in the amount of NIS 316 million at a variable NIS annual interest rate at the Bank of Israel interest rate + 0.5%. The CSs were issued for a period of 5 years, with the holders and Max having the right to notify the other party in writing of their wish to repay it with a 7 business days' notice. The CSs were rated P-1 by Midroog.
- Subsequent to the reporting date, on January 4, 2024, Max completed a private placement of another commercial security to institutional investors in the amount of NIS 230 million, at between 0.2%-0.5% above the Bank of Israel interest rate. The CSs were issued for a period of 5 years, with the holders and Max having the right to notify the other party in writing of their wish to repay it with a 7 business days' notice. The CSs were rated P-1 by Midroog.

In the Reporting Period, Max fulfilled its obligations and met all the conditions in connection with the bonds.

Following are the contractual repayment dates of the bonds

	<u>December 31</u>
<u>In NIS million</u>	<u>2023</u>
First year	359
Second year	-
Third year	-
Fourth year	223
Fifth year and onwards	-
	582
Less balance of deferred issuance expenses, discount balance, plus premium balance	-
Total	582

F. Rating

Following are details regarding the rating of the Company, Group companies, and notes they issued, as of the report publication date, and changes therein during the reporting period:

Rating agency	Company	Rating	Outlook	Last revision date	Last reiteration date
Maalot	Clal Insurance	(IFS) ¹⁾	(AA+)	Stable	
		Debt rating - additional Tier 2 capital	(AA-)	Stable	July 2023 ²⁾ July 2023 ²⁾
Midroog	Clal Insurance	(IFS) ¹⁾	Aa1(hyb)	Stable	
		Debt rating - additional Tier 2 capital	Aa3(hyb)	Stable	July 2023 ³⁾ July 2023 ³⁾
Maalot	Clal Holdings	The Company's rating	(AA-)	Stable	July 2023 July 2023
Midroog	Max It Finance	Issuer ratings	Aa3	Stable	
		Max It SN-TACT Institutional	A1(hyb)	Stable	January 2024 January 2024
		Max It CS1-L*	P-1	-	
International rating agency Moody's	Clal Credit Insurance	(IFSR)	A3	Stable	May 2023 May 2023

(*) Illiquid CSs

1) Insurer Financial Strength Rating (IFSR).

2) In July 2023, Maalot reiterated the ratings and outlook presented in the above table. In December 2023, Maalot assigned identical rating and outlook to the expansion of the Notes (Series M).

3) In July 2023, Midroog reiterated the ratings and outlook presented in the above table. In December 2023, Midroog assigned identical rating and outlook to the expansion of the Notes (Series M).

4) Clal Credit Insurance was assigned an A3 Insurer Financial Strength Rating (IFSR) by the international rating agency Moody's. In March 2020, the Company's international rating became public. In January 2022, this rating was reiterated.

G. Fair value of liabilities for derivative financial instruments and short sale

1. Fair value measurement

The fair value of financial liabilities is determined based on their quoted closing price asking price as of the reporting date. Where a quoted price is not available, the fair value is measured using a valuation technique based on the discounted future cash flow method in respect of the principal and interest components, discounted using the market interest rates of similar liabilities as of the calculation date, which are determined by a company that provides interest rates quotes (for further details, see Note 15(f)).

2. The fair value hierarchy

The following table presents the financial liabilities by levels in the fair value hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) above.

In NIS million	As of December 31, 2023		
	Level 1	Level 2	Total
Derivatives	10	1,772	1,782
Short sale	-	1,147	1,147
Total	10	2,919	2,929

In NIS million	As of December 31, 2022		
	Level 1	Level 2	Total
Derivatives	13	2,452	2,465
Short sale	-	1,118	1,118
Total	13	3,570	3,583

H. Additional information on derivatives

Following is the amount of net exposure to the underlying asset, presented in delta terms of the transactions involving derivative instruments carried out by Group companies, which are Israeli insurance companies, as of the financial statements dates:

In NIS million	As of December 31	
	2023	2022
Shares	20	4
Foreign currency	(2,106)	(5,341)
Fixed interest	(102)	278

I. Shelf prospectus in the Company and in Clalbit Finance

In July 2022, the Company and Clalbit Finance published shelf prospectuses. The Company's shelf prospectus allows it, among other things, to issue ordinary shares of the Company, preferred shares, bonds (including by way of expansion of existing series of Companies' bonds, if issued), bonds convertible into Company shares, options exercisable into Company shares, options exercisable into bonds or into bonds convertible into Company shares, commercial securities, and any other security that may be lawfully issued by virtue of shelf prospectuses on the relevant date. The shelf prospectus of Clalbit Finance enables Clalbit Finance, among other things, to issue bonds (including by way of expansion of existing series of Companies' bonds, if issued).

J. Credit facilities

1. The Company

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.

2. Max

Following are details regarding credit facilities and their utilization:

	<u>As of December 31, 2023</u>
	<u>Audited</u>
In NIS million	
Total binding credit facilities	9,850
Total non-secured credit facilities	1,350
Total credit facilities (secured and unsecured)*	11,200
Total utilization of financial credit from secured facilities	3,569
Total utilization of financial credit from non-secured facilities	-
Total loans from banks out of facilities	358
Total loans from banks not out of facilities	1,246
Total financial credit utilization	5,173

* Max's credit facilities are renewed each year for a period ranging from one to three years.

K. Contractual restrictions and financial covenants

The agreements between the Group companies and each of the entities that provide them with credit, specify, among other things, limits and commitments for compliance with covenants, transactions with controlling shareholders, sale and transfer of assets, creation of liens, restructuring and/or change of control.

In the Reporting Period, the Company fulfilled its obligations and met all the conditions in connection with the above covenants.

L. Off-balance-sheet financial instruments and derivatives in Max

NIS million **As of December 31, 2023**

Unutilized credit card credit facilities

Credit risk for Max	21,463
The credit risk for banks	13,100
Credit risk for others	3
Total unutilized credit card credit facilities	34,566
Credit loss provision (1)	(15)
Total unutilized credit card credit facilities, net	34,551

Guarantees and other commitments:

Exposure in respect of guarantees to merchants	84
Total guarantees and other commitments	84
Credit loss provision	(1)
Total guarantees and other commitments, net	83

(1) The decrease in provision as of December 31, 2023 compared to the previous period is due to the effect of first-time application of numerous new accounting principles on current expected credit loss provisions (CECL).

Derivatives activity - Scope and repayment dates

- In 2023, Max and Israeli banking corporations entered into currency option transactions at a par value of USD 58 million and EUR 9 million for repayment in March 2024. The transactions are stated in the balance sheet at a positive fair value of approx. NIS 2 million.
- In 2023, Max and banking corporations entered into forward currency swaps at a par value of USD 4 million, which were repaid in January 2024. The transactions are stated in the balance sheet at a positive fair value of approx. NIS 1 million.
- In 2023, Max and Israeli banking corporations entered into CPI hedges at a par value of NIS 120 million, which were repaid in February 2024. The transactions are stated in the balance sheet at a positive fair value of less than NIS 1 million.

NOTE 27 - PAYABLES FOR CREDIT CARD TRANSACTIONS

In NIS million	For the year ended December 31, 2023	
	Net of balances for factoring and vouchers	
Merchants ⁽¹⁾	7,272	2,077
Liabilities for deposits ⁽²⁾	155	
Credit card companies	414	
Prepaid income	18	
Benefit plan for card holders ⁽³⁾	72	
Others	160	
Total payables for credit card transactions	8,091	2,077

- (1) Net of balances for factoring credit card vouchers for merchants in the amount of NIS 1,768 million and for early payments to merchants in the amount of NIS 309 million.
- (2) All of Max'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 Max's customer loyalty programs, there is a liability towards card holders 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 card holders.

NOTE 28 - PAYABLES AND CREDIT BALANCES**A. Composition**

In NIS million	As of December 31	
	2023	2022
Employees and other liabilities in respect of compensation and salaries ¹⁾	375	193
Accrued expenses	167	133
Provisions for lawsuits ^{b)}	67	59
Trade payables	62	52
Government institutions and authorities	28	10
Reinsurers' share of deferred acquisition costs	118	111
Insurance companies and insurance brokers:		
Deposits by reinsurers	1,149	1,192
Other accounts	297	308
Total insurance companies and insurance brokers	1,446	1,500
Insurance agents	489	537
Policyholders and planholders	407	405
Provision for policyholders' share in profits	61	51
Interest payable in respect of subordinated notes	99	48
Prepaid premium	89	64
Payables for collateral for illiquid futures	21	9
Payables for purchase of securities	186	35
Equity-accounted investees	-	13
Credit loss provision in respect of off-balance sheet balance in Max	16	-
Other payables ^{2) 3)}	221	301
Total payables and credit balances	3,851	3,520

- 1) The increase is mainly due to the provision for early retirement under the collective agreement.
- 2) The decrease stems mainly from Notes (Series H), that were repaid on January 1, 2023, see Note 26 above.
- 3) Most of the increase is as part of business combinations in the Max acquisition. For further details, see Note 9 above.

B. Provisions for lawsuits

In NIS million	For the year ended December 31	
	2023	2022
Balance as of January 1	59	(*59)
Provisions used during the year	(3)	(4)
Provisions created during the year	11	5
Balance as of December 31	67	59

*) Reclassified.

NOTE 29 - LEASES

A. Leases in which the Group is the lessee

1. Disclosures regarding right-of-use assets

In NIS million	Buildings	Sites	Vehicles	Total
Cost				
Effect of initial application as of January 1, 2022	529	24	65	618
Additions to right-of-use assets due to new leases in the period	-	-	24	24
Revisions to right-of-use assets for CPI linkages	27	1	2	30
Derecognitions	-	-	(23)	(23)
Balance as of December 31, 2022	556	25	69	650
Commencement of consolidation - CIMax	207	-	8	215
Additions to right-of-use assets due to new leases in the period	-	-	58	58
Revisions to right-of-use assets for CPI linkages	17	-	2	19
Derecognitions	-	-	(35)	(35)
Balance as of December 31, 2023	780	25	102	907
Accumulated depreciation				
Balance as of January 1, 2022	93	6	31	130
Depreciation for the period	31	2	23	56
Derecognitions from right-of-use assets	-	-	(20)	(20)
Balance as of December 31, 2022	124	8	34	166
Commencement of consolidation - CIMax	18	-	-	18
Depreciation for the period	36	2	33	71
Derecognitions from right-of-use assets	-	-	(29)	(29)
Balance as of December 31, 2023	178	10	38	226
Balance of amortized cost as of December 31, 2022	432	17	35	483
Balance of amortized cost as of December 31, 2023	602	15	64	680

2. Disclosures regarding lease liability

In NIS million	Buildings	Sites	Vehicles	Total
Liability				
Balance as of January 1, 2022	531	20	34	585
Additions to lease liability in respect of new leases in the period	-	-	25	25
Revisions to the lease liability for CPI linkages	27	1	2	30
Finance expenses	17	1	1	19
Payment of lease liability	(48)	(3)	(24)	(75)
Derecognitions of lease liability	-	-	(3)	(3)
Balance as of December 31, 2022	527	19	35	581
Commencement of consolidation - CIMax	189	-	8	197
Additions to lease liability in respect of new leases in the period	-	-	58	58
Revisions to the lease liability for CPI linkages	17	1	2	20
Finance expenses	17	1	1	19
Payment of lease liability	(54)	(3)	(36)	(93)
Derecognitions of lease liability	(1)	-	(4)	(5)
As of December 31, 2023	696	18	63	777

3. Maturity analysis of lease liability

In NIS million	As of December 31, 2023	As of December 31, 2022
Up to one year	64	54
Over one year and up to two years	68	35
Over two years and up to 3 years	53	40
Over 3 years and up to 4 years	42	38
Over 4 years and up to 5 years	43	34
Over 5 years	507	381
Total	777	582

B. Leases in which the Group is the lessor

The Group leases a number of commercial and office buildings (classified as investment property) to external entities under operating leases. The lease agreements are for variable periods (up to approx. 38 years) that cannot be canceled, taking into consideration the lessees' options to renew the contracts at the end of the period.

Following is a breakdown of the minimum future lease payments receivable in respect of lease contracts including in respect of extension options that, as of the engagement dates, were reasonably certain to be exercised:

In NIS million	As of December 31, 2023	As of December 31, 2022
Up to one year	296	287
From one year to five years	961	953
More than five years	2,171	2,198
Total	3,428	3,438
Of which the minimum lease payments receivable related to properties in which the Company is a lessee under a finance lease	963	932

For further details regarding the agreements for the lease of investment property, see Note 10 above.

1. Information about the Group's main lease agreements

A. Agreement for the lease of spaces with Atidim - High Tech Industrial Park Ltd. - On March 12, 2013, the Company entered into a binding memorandum of understanding with Atidim - High Tech Industrial Park Ltd., where under, the Company rents - for its own use and the use of some of the Group companies - approx. 47,000 sq.m in office space (comprising of 24 floors), a lobby floor, warehouses and approx. 1,000 underground parking spaces in the Atidim Tower in Ramat HaHayal, Tel Aviv. The term of the agreement between the parties is approx. 24 years, with a breakout clause at the end of approx. 16 years.

B. Max has lease agreements in respect of buildings and cars which are classified as operating leases.

On May 19, 2015, Max and Allied Real Estate Ltd. (hereinafter - "**Allied**") signed a long-term lease agreement under which Allied constructed an employment construction project on land in Bnei Brak, with separate adjustment and planning for the space which Max leases for its business operations.

Max started moving to the new building at the end of February 2020 and completed the move by the end of March 2020. The lease term is for 24 years and 11 months, with Max having the right to terminate the lease on several fixed exit dates prescribed in the agreement:

A 10-year lease with 12 months' advance notice. A 15-year lease with 9 months' advance notice. A 20-year lease with 6 months' advance notice.

As of the approval date of the financial statements, Max reasonably estimates that it will exercise the entire lease period.

The annual rent is approx. NIS 12 million plus CPI-linkage. The discounted interest rate is set according to the interest rate curve of the risk-free NIS interest yield, plus the customary risk margin at Max for the relevant period of duration.

2. Expenses for operating leases in Max

	For the nine-month period ended December 31, 2023 NIS million
Expenses for operating leases	23
Variable lease expenses	1
Total	24

NOTE 30 - PREMIUMS EARNED

	For the year ended December 31, 2023		
In NIS million	Gross	Reinsurance	Retention
Life insurance premiums	6,041	171	5,870
Health insurance premiums	1,731	90	1,641
Property and casualty insurance premiums	3,596	1,452	2,143
Total premiums	11,368	1,713	9,655
Changes in balance of unearned premium and other changes *)	(166)	(5)	(160)
Total premiums earned	11,202	1,708	9,495

	For the year ended December 31, 2022		
In NIS million	Gross	Reinsurance	Retention
Life insurance premiums	6,844	162	6,683
Health insurance premiums	1,603	84	1,520
Property and casualty insurance premiums	3,275	1,503	1,772
Total premiums	11,723	1,749	9,974
Changes in balance of unearned premium and other changes *)	(214)	(83)	(130)
Total premiums earned	11,509	1,665	9,844

	For the year ended December 31, 2021		
In NIS million	Gross	Reinsurance	Retention
Life insurance premiums	6,387	147	6,240
Health insurance premiums	1,408	72	1,335
Property and casualty insurance premiums	2,942	1,395	1,547
Total premiums	10,737	1,614	9,123
Changes in balance of unearned premium and other changes *)	(136)	(26)	(110)
Total premiums earned	10,600	1,588	9,012

*) With regard to the changes in unearned premium in property and casualty, see Note 20.
Furthermore, there are changes arising from a deduction in respect of amounts deposited with the Company as part of a defined benefit plan for the Group's employees.

NOTE 31 - INCOME FROM CREDIT CARD TRANSACTIONS

In NIS million	As of December 31, 2023 *)
Income from merchants	
Merchants fees and commissions	564
Other income	123
Total income from merchants - gross	687
Net of fees and commissions to other issuers	(261)
Total income from merchants - net	426
Income from credit card holders	
Issuer fees and commissions	382
Service fees and commissions	134
Fees and commissions from cross-border transactions	141
Total income for credit card holders	657
Total income from credit card transactions	1,083

*) 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 nine-month period which began on that date. For further details, see Note 9 above.

NOTE 32 - INVESTMENT INCOME (LOSSES), NET AND FINANCE INCOME

In NIS million	For the year ended December 31		
	2023	2022	2021
Gains (losses) on assets held against yield-dependent liabilities			
Investment property	189	349	361
Financial investments			
Liquid debt assets	1,514	(1,649)	845
Illiquid debt assets	443	(196)	465
Shares	1,059	(4,356)	7,498
Other	2,470	(635)	1,934
Cash and cash equivalents	195	178	(24)
Other	9	(12)	-
Total income (losses) on assets held against yield-dependent liabilities, net	5,879	(6,321)	11,079
Gains (losses) on assets held against non-yield-dependent liabilities, capital and other			
Income from investment property			
Revaluation of investment property	(21)	47	91
Current income in respect of investment property	84	71	50
Total income from investment property	63	118	141
Gains (losses) on financial investments, excluding interest, linkage differentials, exchange rate differences and dividend in respect of:			
Available-for-sale assets (a)	152	231	853
Assets presented at fair value through profit or loss (b)	(271)	(509)	195
Assets presented as loans and receivables (c)	16	19	34
Total	(103)	(259)	1,082
Interest income ¹⁾ and linkage differentials on financial assets not accounted for at fair value through profit and loss	2,256	2,265	1,590
Interest income (*) and linkage differentials on financial assets accounted for at fair value through profit and loss	18	1	1
Interest income - Max			
From credit to private individuals	778	-	-
From commercial credit	152	-	-
From deposits with banks	15	-	-
From other assets	3	-	-
Total interest income from Max	948	-	-
Amortization of excess cost for Max loans (see Note 9 above)	103	-	-
Gain (loss) on exchange rate differences on investments not accounted for at fair value through profit and loss and on other assets ²⁾	28	47	(14)
Dividend income	46	52	52
Total investment income (losses), net and finance income	9,238	(4,097)	13,931
1) The above income includes interest in respect of impaired financial assets which are not measured at fair value through profit or loss	3	1	2

2) Regarding exchange rate differences in respect of financial liabilities, see Note 40.

A. Net gains on investments in available-for-sale financial assets

In NIS million	For the year ended December 31		
	2023	2022	2021
Net gains on realized securities	336	393	939
Net impairments carried to profit and loss	(184)	(162)	(86)
Total income (losses) on investments for financial assets presented as available-for-sale assets	152	231	853

B. Gains (losses) on investments in respect of assets presented at fair value through profit or loss

In NIS million	For the year ended December 31		
	2023	2022	2021
Changes in net fair value, including realization gains			
In respect of assets designated on initial recognition	7	37	(21)
In respect of held-for-trading assets	(278)	(546)	216
Total income (losses) on investments for assets presented at fair value through profit or loss	(271)	(509)	195

C. Gains (losses) on investments for assets presented as loans and receivables

In NIS million	For the year ended December 31		
	2023	2022	2021
Net gains on realization of assets presented as loans and receivables	18	16	34
Reversal of impairments (impairments), net carried to profit and loss	(2)	3	-
Total investment income for assets presented as loans and debit balances	16	19	34

NOTE 33 - INCOME FROM MANAGEMENT FEES

In NIS million	For the year ended December 31		
	2023	2022	2021
Management fees in the pension and provident subsegments	665	593	514
Variable management fees for life insurance contracts *)	-	-	689
Fixed management fees for life insurance contracts	509	519	520
Management fees for investment contracts	86	87	53
Total income from management fees	1,259	1,198	1,775

*) As of the reporting date, there is an outstanding liability to policyholders in respect of collection of variable management fees on the portfolio of life insurance participating policies in the amount of approx. NIS 0.6 billion (compared to approx. NIS 0.8 billion as of December 31, 2022), as a result of which no variable management fees were collected in 2022 and 2023, and until it meets this undertaking, Clal Insurance will not collect variable management fees.

NOTE 34 - INCOME FROM FEES AND COMMISSIONS

In NIS million	For the year ended December 31		
	2023	2022	2021
Insurance agency fees and commissions	128	111	88
Reinsurance fees and commissions, net of change in deferred acquisition costs in respect of reinsurance	263	272	249
Total income from fees and commissions	390	383	337

NOTE 35 - PAYMENTS AND CHANGE IN LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND INVESTMENT CONTRACTS - RETENTION

In NIS million	For the year ended December 31		
	2023	2022	2021
Total payments and change in liabilities - retention, for insurance contracts and investment contracts in long-term savings			
For life insurance contracts			
Paid and contingent claims			
Fatalities, disability and other	(*978)	785	854
Less - reinsurance	(109)	(89)	(99)
	869	696	755
Redeemed policies	5,726	4,382	3,775
Expired policies	127	121	89
Pension	956	846	725
Expenses for settlement of claims	71	72	74
Total claims	7,748	6,116	5,418
Increase (decrease) in liabilities in respect of life insurance contracts (except for a change in contingencies) - retention	4,101	(3,691)	11,844
Increase (decrease) in liabilities in respect of life insurance investment contracts due to the yield component	684	(794)	705
Increase in liabilities for a contract to manage a guaranteed-return provident fund	212	249	184
Total payments and change in liabilities - retention, for insurance contracts and investment contracts in long-term savings	12,745	1,880	18,151
Total payments and change in liabilities in respect of property and casualty insurance contracts			
Gross	1,825	2,013	2,778
Reinsurance	(446)	(793)	(1,626)
Retention	1,379	1,220	1,151
Total payments and change in liability in respect of health insurance contracts			
Gross	1,348	746	1,050
Reinsurance	(81)	(105)	(79)
Retention	1,267	641	970
Total payments and change in liabilities in respect of insurance contracts and investment contracts - retention	15,391	3,741	20,273

*) For details regarding the effects of the Iron Swords War, see Note 46(k) above.

NOTE 36 - PROCESSING EXPENSES FOR CREDIT CARDS

In NIS million	For the nine-month period ended December 31, 2023 *)
Salaries and related expenses	229
Data processing and computer maintenance	29
Payments to international organizations	127
Depreciation and amortization	95
Communication	6
Mailings	28
Damages from credit card misuse	2
Rent and building maintenance	28
Card issuance and printing production	21
Processing fees and commissions ¹⁾	42
Vehicle maintenance	6
Other	126
Credit card operations	739

(1) Of which: Fees to ABS and MASAV in 2023 amounting to NIS 25 million.

*) 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 nine-month period which began on that date. For further details, see Note 9 above.

NOTE 37 - FEES AND COMMISSIONS, MARKETING EXPENSES AND OTHER PURCHASE EXPENSES

In NIS million	For the year ended December 31		
	2023	2022	2021
Purchase expenses:			
Purchase fees	925	966	837
Other purchase expenses	542	555	532
Change in deferred acquisition costs	(86)	(260)	(194)
Total acquisition expenses	1,381	1,260	1,174
Other fees and commissions	703	709	624
Other marketing expenses	529	226	211
Total fees and commissions, marketing expenses and other purchase expenses	2,613	2,196	2,008

NOTE 38 - ADMINISTRATIVE AND GENERAL EXPENSES

In NIS million	For the year ended December 31		
	2023	2022	2021
Salaries and related expenses ²⁾	1,373	1,148	1,175
Depreciation and amortization	327	314	317
Office maintenance and communications	74	73	72
Marketing and advertising	229	45	48
Legal and professional advice	80	54	42
Operating expenses for provident funds in banks	12	12	11
Other ³⁾	256	258	232
Total ¹⁾	2,350	1,904	1,897
Less:			
Amounts classified under change in liabilities and payments in respect of insurance contracts	187	181	181
Amounts classified under fees and commissions, marketing expenses and other purchase expenses	1,071	781	743
General and administrative expenses	1,092	941	973

1) General and administrative expenses include automation expenses totaling

477 490 476

2) Salaries and related expenses include share-based payment; for further details, see Note 44; for further details regarding provisions in respect of employee benefits, including bonuses for achieving targets and consequences of collective agreement, see Notes 25(c) and 25(d).

3) Most of the amount stems from automation expenses other than depreciation and amortization.

*) Max's results were first consolidated as from April 1, 2023, as noted above, the cumulative effect on the Company's results is presented for the nine-month period which began on that date. For further details, see Note 9 above.

NOTE 39 - OTHER EXPENSES

In NIS million	For the year ended December 31		
	2023	2022	2021
Amortization of intangible assets (Note 6)*	31	8	7
Clearing fees	8	10	4
Total other expenses	40	18	11

*) Regarding Max valuation in connection with the allocation of excess cost, see Note 9 above.

NOTE 40 - FINANCE EXPENSES

In NIS million	For the year ended December 31		
	2023	2022	2021
Interest expenses and linkage differentials in respect of subordinated notes	179	175	166*)
Interest expenses to banking corporations - Max	255	-	-
Interest expenses and linkage differentials in respect of subordinated notes - Max	31	-	-
Interest expenses and linkage differentials for the Company's bonds	33	-	-
Interest expenses in respect of a loan from others in CIMax 4)	38	-	-
Interest expenses for reinsurers	29	19	50
Exchange rate differences, net in respect of liabilities ^{1) 2)}	16	20	(5)
Lease finance expenses 3)	19	19	20
Fees and commissions and other finance expenses	1	2	1
Expense in respect of a taxable discounting transaction and processing arrangement with Bank Leumi in Max	67	-	-
Total finance expenses	669	235	232

*) In 2021, the expenses include an early repayment fee of approx. NIS 17 million.

1) Due mainly to exchange rate differences in respect of accounting with reinsurers.

2) Regarding exchange rate differences in respect of financial investments, see Note 32.

3) For further details, see Note 29 above.

4) See Note 26 regarding repayment of the loan subsequent to the reporting date.

*) Since Max's results were first consolidated as from April 1, 2023, as noted above, the effect on the Company's results is for 2023 alone for a period of nine months, which began on that date. For further details, see Note 9 above

NOTE 41 - EARNINGS PER SHARE

A. Income attributable to the holders of the Company's ordinary shares (basic and diluted)

In NIS million	For the year ended December 31		
	2023	2022	2021
Profit attributable to the holders of ordinary shares	220	121	1,082

B. Weighted average number of ordinary shares (basic)

In thousand	For the year ended December 31		
	2023	2022	2021
	Shares of NIS 1 p.v.		
Balance as of January 1	74,061	67,649	67,645
Effect of shares issued in the year ¹⁾	3,810	6,147	-
Effect of options exercised for shares	-	1	1
Weighted average of the number of ordinary shares used to calculate basic earnings per share	77,870	73,796	67,645

C. Weighted average of the number of ordinary shares (diluted)²⁾

In thousand	For the year ended December 31		
	2023	2022	2021
	Shares of NIS 1 p.v.		
Weighted average of the number of ordinary shares used to calculate basic earnings per share	77,870	73,796	67,645
Effect of shares issued in the year ¹⁾	1,161	264	-
Effect of stock options	3	267	97
Weighted average number of ordinary shares used in calculation of diluted earnings per share	79,034	74,327	67,743

1) For further details regarding issuance of shares in the Company during the reporting period and last year, see Note 17 above.

2) The average market value of the Company's shares for calculation of the diluted effect of options was based on the quoted market prices for the period in which the options were outstanding.

NOTE 42 - RISK MANAGEMENT**A. General**

The Group's activities expose it to the following main risks: Market risks, liquidity risks, insurance risks, credit risks and operational risks.

This note provides information on the Group's exposure to these risks, the Group's objectives, policies and processes regarding risk measurement and management. Additional quantitative disclosure is included throughout the financial statements.

A1. Description of risk management procedures, methods, measurement and control

The main risks to which the Group is exposed are risks associated with the insurance activity (see Section A2 below). The underlying principles of the policy for management of financial risks are determined by Group companies' relevant organs, which convene from time to time. The Board of Directors receives reports and updates on a regular basis and holds discussions of those exposures from time to time.

The Group's Risk Management Department is charged with risk management in the Group's institutional entities and coordinates the Group's financial exposures on a periodic basis.

Professional Group forums headed by the CEO convene on a periodic basis, which discuss, among other things, also risk aspects in the Group's areas of activity.

The Company invests its liquidity balances in short-term investments and in accordance with the risk appetite limits set by the Board of Directors.

For subsidiaries that invest in financial assets, a specific investment policy is set, which is relevant to the nature of the subsidiary's activities. This policy is determined by the Board of Directors of the subsidiary and monitored by it.

The Company has an undertaking to the Commissioner to complete the equity of Clal Insurance, an undertaking regarding compliance with an equity to asset ratio in the separate balance sheet, as part of the completion of the Max transaction, and an undertaking to comply with financial ratios under the control permit in Max and CIMax, as issued by the Governor of the Bank of Israel (for details, see Note 17(e)(3)). For information regarding changes in the Company and their effects on the control permits, see Note 1 above. From time to time, the Board of Directors assesses the capital buffer that is required in addition to the minimum capital requirements as stated above, in relation to unexpected developments that may take place in the capital and the capital requirement, as a result of changes in the key risk factors to which the Group is exposed.

A2. Description of risk management, procedures, methods, and measurement in the consolidated insurance companies

The risk management policy of the consolidated insurance companies and their investees (hereinafter - the "**Clal Insurance Group**"), which was approved by their boards of directors, aims to ensure a controlled exposure to the risks to which the Clal Insurance Group is exposed, while meeting the regulatory requirements and maintaining Clal Insurance Group's business targets and financial strength.

Clal Insurance Group's risk management is based on three "lines of defense":

- The business entities charged with identifying, assessing, monitoring, mitigating and reporting the risks inherent in the products, activities, processes and systems that are under their responsibility and control. Among other things, this responsibility includes defining processes, internal procedures and making decisions. The business entities are assisted by supporting units, including actuary, accounting, regulation and legal counseling, reinsurance and IT systems.
- The Risk Management Control and Compliance Department supplements the risk management activity of the business entities and is charged with the formulation of the work framework for risk management in the Group, challenging the activity of the first line, developing tools and methods for risk assessment, and assessing the overall risk to which it is exposed. The Risk Management Department is engaged independently in the formulation of recommendations to management and board of directors regarding the overall risk level, risk appetite and capital adequacy, analyzing and reporting the level of exposure to risks, approval of products, analyzing the risks involved in significant business engagements, and implementing the Commissioner's Directives regarding risk management. As an important part of its role, the Risk Management Department challenges the identification and assessment of the risks of the business entities, and the actions they take in order to mitigate the risk and assists in enhancing the business entities' ability to identify, assess and mitigate risks and implement controls over risks. The Risk Management Department collaborates with the Actuary Department, Accounting Department and SOX Department, which also constitute part of the second line of defense.

- The Internal Audit Department independently audits and challenges the internal processes, the controls and the systems that are used, among other things, in risk management, and monitors the rectification of the deficiencies it identified.
- On December 24, 2023, the Chief Internal Auditor announced his intention to end his tenure in the Group having served in this position for 10 years. On February 13, 2024, the Company's Board of Directors approved, in accordance with the recommendation of the Audit Committee, the appointment of Mr. Tomer David as the Chief Internal Auditor of the Group companies as from June 1, 2024, subject to the approval of the Commissioner regarding the institutional entities.

Clal Insurance Group takes action to implement an enterprise risk management framework, in order to create awareness to risk in all of its activities, create capabilities for assessing the various risks, integrate risk measurement into the business processes, and adapt the overall exposure to the Group's ability to bear the risks over time. In this framework, action is taken to create a technological infrastructure and processes for mitigating the risks to which the Clal Insurance Group is exposed, work is performed to identify, map, assess and quantify financial and insurance risks, which are material in terms of planholders and policyholders' rights and the resilience of the Group's institutional entities, and the controls over those risks are assessed across all activities of Clal Insurance Group, while constantly improving the ability to quantify the various risks.

As part of the implementation of the Solvency II-based economic solvency regime (see Note 17(e)), Clal Insurance Group assesses the economic capital required for its activity, and reviews these assumptions in accordance with Pillar II (ORSA); as part of the risk management, the Company takes action to assess and implement control over significant business activities, also with regard to capital aspects and the use of economic capital considerations in the decision making processes. The Board of Directors of Clal Insurance has set a solvency ratio target range which the Company will aspire to maintain during and after the transitional period. Furthermore, the Board of Directors has set an internal prudential economic solvency ratio threshold (for further details, see Note 17(f)).

Furthermore, Clal Insurance assesses its capital adequacy in relation to the overall risk, also in respect of the effect of the changes in risk factors on accounting capital adequacy. This assessment is carried out based on scenarios regarding risk factors, and assessments regarding the correlations between them, and their effect on profit at risk, and provides Clal Insurance with an indication as to the accounting capital adequacy in relation to risks.

Boards of Directors in the Clal Insurance Group set a policy regarding the exposure to risks, the methods employed to measure them, the limitations regarding the various risks and the methods employed to report them and implement controls thereon and monitor compliance with the restrictions set through the reports submitted to them. Clal Insurance's Board of Directors appointed a Risk Management Committee to increase the supervision of these issues. Ongoing monitoring of and control over investment management are carried out by separate investment committees, for the nostro funds, the funds under management in the pension funds and the provident funds, and in yield-dependent insurance policies.

Processes and methods for managing and measuring the various risks:

1. Market and liquidity risks

The market risks in the portfolios under management of the Clal Insurance Group are managed by Canaf, Clal Insurance Group's investment company, under the supervision of the investment committees.

As part of its investment activities, Clal Insurance Group operates according to the provisions of the law and the investments policy, the credit policy and the risk management policy set by the boards of directors, subject to the restrictions set thereunder.

The financial risks are mitigated by ensuring diversification of investments between investment channels, issuers and assets in Israel and assets abroad, assessment and analysis of the resilience of the entities to which the Clal Insurance Group is exposed, and their solvency before the execution of the investment and during the term of the investment, assessment of the asset profile compared with the profile of the liabilities that they back, including in relation to liquidity aspects and compliance with limits set on exposure to credit risks and market risks, as set by the board of directors and investment committees from time to time.

The investment committees and boards of directors monitor the exposure to various investment channels, and the results of scenarios, sensitivity analyses and other risk indicators, in order to verify that the exposures to market risks are in line with Clal Insurance Group's risk appetite and limitations. The calculation of the risk indicators, the scenarios and their analysis is carried out by the Risk Management Department, while using a dedicated system. Information regarding the risk indicators and exposures against the limitations that were set is presented to the investment and risk management committees and boards of directors on a regular basis and supports the decision making and investment management processes.

These periodic analyses constitute a key tool in the quantification and management of the market risks of Clal Insurance Group's asset portfolios. At the same time, controls are implemented on a regular basis in the investment control unit of Canaf, which manages the investments, to ensure compliance with the Investment Regulations and the investment and credit policies of the various investment portfolios, as well as operational controls with regard to operations.

For details regarding the exposure to market risks, see Section C below. For details regarding the exposure to liquidity risks, see Section D below.

2. Insurance risks

The insurance risks are mitigated, subject to the risk management policy approved by the Board of Directors, by the business managers of the various insurance segments, including, among other things, by setting guidance on underwriting and accepting businesses and authorization hierarchies, and by transferring risks to reinsurers as part of contracts or through facultative insurance, in accordance with the retention policy approved by the Board of Directors.

The insurance risks are mitigated through diversification of the insurance contracts and transfer of risk through, and the use of, reinsurance, and by selecting and implementing underwriting and diversification strategies based on industries, geographical areas, risk types, amount of coverage, etc.

As part of the process of developing new products, and before the engagement in significant transactions, the risks involved in the product or the transaction are identified and assessed in a comprehensive manner, and ways to mitigate those risks and implement controls thereon are set. When there is a concern that underwriting results have deteriorated other than due to random fluctuations, in-depth checks are conducted, among other things, to assess the inherent risk, and where necessary, the valuation of the insurance liabilities is adjusted, and the underwriting policy is reviewed.

In addition, in order to reduce the exposure to risks, Clal Insurance Group implements a strict claims assessment policy, conducts regular assessments of claims handling processes, and investigations to detect fraud. Furthermore, Clal Insurance Group implements a policy of ongoing active management of the claims, in order to reduce the exposure to unexpected developments that may have an adverse effect thereon.

Clal Insurance Group implements a policy whereby the exposure to catastrophes is limited by setting maximum coverage amounts in certain contracts, and by purchasing appropriate reinsurance coverage. One of the goals of the underwriting policy and the reinsurance policy is to cap the exposure to catastrophes at a predetermined estimated maximum loss, with reference to a given probability, based on models and/or studies, and in accordance with Clal Insurance Group's risk appetite as determined by the Board of Directors.

The total quantitative assessment of the exposure to insurance risks is carried out based on the Provisions of the Economic Solvency Regime, which include the application of stress scenarios to various risk categories, and the assessment of the overall risk, taking into consideration the correlations between them. The Group takes steps to conduct internal assessments, based on the same methodology and based on various parameters, as needed.

The Actuary Department conducts studies, exposure analyses, and periodic checks of risk factors, such as: Assessment of the profitability of areas of activity, specific products and collective businesses, mortality and morbidity studies, deficiency reserves and exposure to earthquakes. These analyses are used both as the basis for the risk assessment, while using statistical metrics and sensitivity tests, in collaboration with the Risk Management Department, and as part of the control function in connection with the insurance activity.

Clal Insurance Group uses an automated system to calculate the best estimate of the insurance liabilities in life insurance, health insurance and pension, and property and casualty insurance to analyze the profitability and to conduct sensitivity tests in connection with the main risk factors in these areas. As part of this, the profitability of new businesses that were sold during the year was also assessed.

The assessment of the exposure of the property and casualty insurance business of Clal Insurance Group to the earthquake risk in Israel, which is the main catastrophe event to which it is exposed, is carried out using international models, and Clal Insurance acquires protection in respect of this risk based on this assessment. The assessment of the exposure to other catastrophe risks is carried out mainly by internal studies.

The risks assessments are presented periodically to managements and boards of directors of the insurers in the Group.

For further details regarding insurance risks, see Section E below.

3. Credit Risks

With regard to credit risks in its investment assets, Clal Insurance Group operates in the various areas of credit through dedicated units. The boards of directors and investment committees of the Group's institutional entities have set a detailed credit policy, that sets guidance and restrictions with regard to credit types, credit ratings, exposure to economic sectors, geographic exposure, exposure to borrower groups and individual borrowers, the various portfolios under management in accordance with their characteristics, and the regulations to which they are subject. This activity is supported by a procedural, organizational and technological infrastructure for assessing the credit risks, implementing controls over the activity, early identification of troubled debt and the handling of those debts. The institutional entities set an authorization hierarchy for approval of credit, and reports are submitted on a regular basis to senior management, the investment, Credit and Risk Management Committees and boards of directors regarding credit exposures in the portfolios.

Among other things, the work processes include checks and analyses carried out when credit is provided, and regular controls over the composition and the quality of the credit exposures, including through automated systems that monitor the exposures, with various cross-sections and against restrictions that were set, at the level of the individual portfolio, at the level of various Group companies, and at the level of Clal Insurance Group. Before entering into significant transactions, a comprehensive procedure for identifying and assessing the risks is carried out, including challenging and obtaining opinions of the Risk Management Department.

When assessing credit risks of certain transactions, Clal Insurance Group also uses a self-developed internal rating model, which was approved by the insurance company's board of directors.

Credit transactions at an amount that exceeds the threshold that was set are brought for discussion by a special-purpose forum and advance approval by the credit committee and/or the relevant investment committee, as the case may be, in accordance with the authorization hierarchy that was set for approval of credit transactions.

Clal Insurance Group implements a regular procedure for identifying sensitive and troubled debts, which is also assessed by the Risk Management Department. The Group has a troubled debt forum, comprised of a team of relevant officers, and charged with the execution of the regular procedure for assessing the status of the debt for the Group's institutional entities.

Canaf's investment control department monitors the credit exposures in respect of the investments carried out in Canaf in the various portfolios, and their compliance with the credit policy set for those portfolios. Monitoring is based on specific exposure data per each borrower, including whether the borrower belongs to a group of borrowers, the rating and the sectoral classification. Canaf's investment control department implements operational controls over the credit activity as part of the operations of the organizational credit function.

In addition to the restrictions that were set regarding credit risks in the investments activity, Clal Insurance's Board of Directors has set restrictions regarding the overall exposure to counter-parties in all of the Group's activities. The Risk Management Department assesses the aggregation of the different exposures to counter-parties arising from all Group activities, with the support of automated systems that allow the Group to monitor exposures at the level of individual portfolios, at the level of the various Group companies, and at the level of Clal Insurance Group, with various cross-sections, and assesses compliance with the restrictions that were set. Based on this information, the Risk Management Department assesses and analyzes the exposure to counter-parties, with regard to the exposure's quantitative data, such as: The breakdown of the portfolio by sectors, and average rating and concentration indicators that monitor the changes in the portfolio's risk level.

For details regarding the exposure to credit risks, including the policy regarding exposure to reinsurers, see Section F below.

4. Operational risks

The management and control of operational risks are conducted by the business managers as part of the organization's routine work, with professional support from the Risk Management Department. The organization's function for the management and control of operational risks includes the following entities/officers:

- Operational risks and control managers in the business units and employees who report to them (hereinafter - "Controllers").
- Manager of operational risks and control in the Risk Management Department, and his/her employees.
- "Regulatory organs", which include dedicated functions/officers, specializing in specific categories of operational risks, including the Chief Compliance Officer, SOX, the Cyber Security and Business Continuity Department, and the Ombudsman.

Furthermore, the internal audit function conducts audits with regard to various areas of activity, which also include the identification of operational risks, the assessment of exposures and the effectiveness of controls.

The Controllers report to the heads of the business units. As part of their role, they identify operational exposures in their units, and work to mitigate them, while addressing the adequacy of the processes from a range of perspectives, including prevention of embezzlement and fraud, compliance with regulations and procedures, compliance with policies and the adequacy of financial reporting. The Controllers receive professional guidance by way of matrix management from the head of operational risks and control in the Risk Management Department, who, as part of his/her role, is also in charge of professional guidance of the Controllers, challenging their work, coordinating between the regulatory organs and the Controllers, monitoring the findings, drawing up the overall exposure picture and reporting it.

A quantitative estimate of the exposure to operational risks is also carried out as part of the calculation of the solvency ratio in accordance with the Provisions of the Economic Solvency Regime.

The risk management policy set by the boards of directors in the Clal Insurance Group also refers to the management of the operational risks. Furthermore, specific policies were set for various categories of operational risks, including the prevention of embezzlement and fraud, cyber risks, business continuity, outsourcing and compliance, including with regard to regulatory requirements on these issues.

A3. Control over risks

Clal Insurance Group views effective controls as an important component in the risk management function.

As described extensively below, the Group operates an organizational control function. This function is in charge of implementing controls over a range of aspects in the activity of the Clal Insurance Group, including control over all types of risks.

In addition, the independent activity of the Risk Management Department, the Actuary Department, the Accounting Department and SOX, provides additional control over the risks.

Specifically, the Risk Management Department quantifies, monitors and audits the overall exposure to risks in the activity of Clal Insurance Group, performs controls over financial and insurance risks, including control over the compliance with the limits set on exposure to market risks in the nostro activity of Clal Insurance Group, the limits set on exposure to reinsurers, and the limits set on exposure to counter-parties as set in the risk management policy, and monitors the risks in planholders' portfolios. Furthermore, the Risk Management Department assesses the quality of risk identification and assessment in relation to certain transactions that are carried out in Canaf.

Furthermore, the Company's Chief Internal Auditor conducts periodic audits, based on, among other things, risk surveys.

B. Legal requirements from institutional entities

Institutional entities are legally required to appoint a Chief Risk Management Officer, whose main duties are:

- To ensure that qualitative processes are in place, that are aimed to identify material insurance and financial risks inherent in the assets held against planholders and policyholders' savings, and in other assets of the insurance company, and in the liabilities of the insurance company or the pension fund, as the case may be, which may have a material effect on planholders and policyholders' rights and the financial resilience of the institutional entity.
- To quantify the exposure and assess the potential effect of the material risks, which were identified by using tools and criteria that will be defined by the insurer, and to assess the manner by which the identified risks were mitigated.
- To periodically report about the risks to the CEO, the Board of Directors, the investment committees and the credit committee.
- To refer to the risks inherent in new products, changes in rules and regulations, entry into a new area of investment, and the engagement in a transaction, which according to the Board of Directors can have a significant effect on the business results of the institutional entity or its customers' funds.

The Group appointed a risk manager who, among other things, takes action to implement the regulatory requirements in this area.

Clal Insurance's institutional entities are subject to various regulatory requirements regarding risk management; the key requirements are:

- The provisions of the Consolidated Circular regarding the appointment of an officer in charge of risk management, his/her powers, roles and methods of work.
- A requirement to set a risk exposure policy, exposure limits, and procedures and tools to measure and control the risks.

- Provisions regarding credit risk management, their assessment and controls.
- Provisions regarding management of the exposure to reinsurers.
- Provisions regarding the way to address specific categories of operational risks: Embezzlement and fraud, cyber risks, outsourcing, compliance, prevention of money laundering, and control over financial reporting (SOX).

Furthermore, the Company is subject to the Provisions of the Economic Solvency Regime (for further details, see Note 17(f)).

With regard to legal requirements and capital management policy, see Note 17(f).

C. Market risks

Market risk is the risk that the reported value, the fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among other things, risks arising from changes in interest rates, share prices, the Consumer Price Index and foreign currency.

1. Yield-dependent contracts

Most of Clal Insurance's yield-dependent liabilities are liabilities in respect of insurance contracts, where the insurance benefits payable to the beneficiary are dependent on the yield on certain investments of Clal Insurance, net of management fees, as detailed below:

- A. Regarding policies that were issued until 2004, fixed management fees and variable management fees at a rate of 15% of the real return after deduction of the fixed management fees.
- b. In policies issued in 2004 and thereafter - fixed management fees.

As a general rule, with regard to these products Clal Insurance has no direct exposure to market risks due to their impact on the fair value of the investments. However, Clal Insurance has an indirect exposure to market risks due to their potential impact on the variable management fees in accordance with the fluctuations in the return carried to policyholders, but only with respect to yield-dependent insurance policies that were issued until 2004, and due to their potential impact on the total amount of the liability, from which Clal Insurance's fixed management fees are derived with regard to all of the yield-dependent products. In addition, under certain conditions, the Company might be exposed to changes in interest rates and margins that affect the discount rates that the Company uses to calculate the liabilities, including the effect on the K factor and the liabilities for deferred annuity (for details see Section E below). Furthermore, in respect of these products Clal Insurance has an indirect exposure to changes in the Consumer Price Index, which will affect the real return that was achieved, and accordingly, the variable management fees that will be collected.

As of December 31, 2023, the amount of liabilities as part of yield-dependent contracts in respect of policies issued until 2004 is approx. NIS 50.4 billion (last year - approx. NIS 48.4 billion); any 1% change in the accrual amount affects the fixed management fees by approx. NIS 3 million. Any 1% change in the real return in this portfolio affects the variable management fees by approx. NIS 71 million.

For details about management fees collected in the reporting period, see Note 33.

2. Sensitivity analyses relating to market risks

The following is a sensitivity analysis for the effect of the change in the variables described below on the net income for the period and on the comprehensive income.

The sensitivity analysis pertains to financial assets, financial liabilities and liabilities in respect of insurance contracts and investment contracts, for the relevant risk variable at each reporting date and assuming that all other variables remain constant. For example, the change in interest rate is taken into account assuming that all other parameters remain constant. As stated above, the sensitivity analysis does not include the effect of yield-dependent contracts, and specifically, it does not take into consideration indirect effects on assets in respect of yield-dependent liabilities, through their impact on the management fees that will be collected. It has also been assumed that the aforementioned changes do not reflect an impairment of assets presented at amortized cost or of available-for-sale financial assets and, therefore, in the sensitivity analysis, no impairment losses were included for these assets. The sensitivity analysis, which reflects only direct effects and no secondary effects.

It should also be noted that the sensitivities are not necessarily linear, such that greater or more minor changes relative to the changes described below are not necessarily a straightforward extrapolation of the effect of these changes.

As of December 31, 2023

	Interest rate		Investments in equity instruments		% of change in the Consumer Price Index		% of change in foreign currency exchange rates	
In NIS thousand	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
Profit and loss	72	(806)	35	(33)	(34)	34	(268)	268
Comprehensive income (shareholders' equity)	(195)	(491)	463	(462)	(34)	34	67	(67)

As of December 31, 2022

	Interest rate		Investments in equity instruments		% of change in the Consumer Price Index		% of change in foreign currency exchange rates	
In NIS million	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
Profit and loss	262	(594)	26	(26)	(24)	24	(254)	254
Comprehensive income (shareholders' equity)	(84)	(217)	441	(441)	(24)	24	57	(57)

- 1) The interest rate sensitivity analysis reflects the impact of a corresponding change along the entire curve and applies both to instruments bearing fixed interest and to instruments bearing variable interest. With regard to instruments bearing fixed interest, the exposure is in relation to the instrument's carrying amount. With regard to instruments bearing variable interest, the exposure is in relation to the cash flow from the financial instrument.
The sensitivity analyses are based on the carrying amount, rather than on economic value. Therefore, out of the assets and liabilities with direct interest rate risk and bearing fixed interest, the sensitivity tests did not take into account illiquid debt assets classified as loans and receivables (amounting to approx. NIS 21 billion), cash and cash equivalents, reinsurance assets, liabilities in respect of insurance contracts and investment contracts, except as stated below, financial liabilities and deposits and reinsurers' balances. Also, the assets to which the interest rate sensitivity analysis was applied constituted approx. 19% of total assets for non-yield dependent contracts. The liabilities to which the sensitivity analysis was applied constituted approx. 1.8% of total liabilities for non-yield dependent insurance contracts.
The sensitivity analysis includes the impact on the insurance liabilities, due to the low interest rate environment in which the Company has been operating in recent years, which affects the amount of insurance liabilities. The effect of a 1% decrease in the interest rate on the pre-tax comprehensive income is estimated at an approx. NIS 1,214 million loss (an approx. NIS 932 million loss last year). The effect of a 1% increase in the interest rate on the pre-tax comprehensive income is estimated at an income of approx. NIS 93 million (an approx. NIS 373 million income last year).
For further details about the boosting of the insurance reserves in view of the low interest rate environment and its effect on the discount rates in life insurance in the reporting year, see Section (e)(e1)(d) below.
- 2) Investments in instruments with no fixed cash flows, or alternatively, where the Company has no information about this cash flow in accordance with the definitions in IFRS 7, do not include investments in equity-accounted investees.
- 3) The primary foreign currency is the USD, as detailed in the breakdown of assets and liabilities by linkage bases in Section 4 below.
- 4) The sensitivity analyses in relation to the comprehensive income also reflect the effect on the income for the period.
- 5) The sensitivity analyses were carried out in relation to the post-tax net income for the period, and in relation to the post-tax comprehensive income.
- 6) The foreign currency sensitivity analyses presented above include sensitivity in respect of non-monetary items denominated in foreign currency at the total amount of approx. NIS 5,643 million (NIS 4,968 million last year); in respect of a 10% increase in the exchange rate of the foreign currency an approx. NIS 47 million net income and approx. NIS 371 million comprehensive income were included (2022: approx. NIS 23 million and approx. NIS 327 million, respectively); the main currency in these instruments is the USD.

3. Direct interest rate risk

Direct interest rate risk is the risk that a change in the market interest rate will cause a change in the fair value or cash flow resulting from the asset or liability. This risk relates to assets that are settled in cash. The addition of the word "direct" highlights the fact that the change in interest rates can also affect other types of assets, but not directly, such as the effect of the change in interest rates on stock prices. It should be emphasized that changes in the fair value are not necessarily reflected in the carrying amount of the financial instruments, see Note 3(f).

Following is the breakdown of the assets and liabilities by exposure to interest rate risk:

- *) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and investment property, deferred acquisition costs and intangible assets, as well as on-balance sheet classes of financial assets (receivables and debit balances, collectible premiums and current account balances of insurance companies), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

Comments:

- 1) In yield dependent life insurance policies - most of the life insurance portfolio is for guaranteed-return policies, which are mainly backed by designated bonds (linked life insurance bonds, hereinafter - "Hetz") issued by the Bank of Israel throughout the policy period. Therefore, the Company has overlapping financial coverage in respect of most of its interest and linkage liabilities for the life of the policies. As of December 31, 2023 and 2022, the designated bonds covered approx. 73% and approx. 74%, respectively, of total insurance liabilities in life insurance in those plans.
- 2) For Clal Insurance's other investments in the life and health insurance business, there is exposure to interest rates that will prevail upon refinancing the investments whose duration may be less than the average duration of insurance liabilities. For these products, as well as for ongoing payment claims, long-term care insurance and income protection, the calculation of the insurance liability is based on the policy's calculative interest rate, subject to the assessment of the discount rate in some of the reserves for pension and LAT, which is calculated based on the risk-free interest rate curve. For further details regarding the discount rates of insurance liabilities, see Section (e)(e1)(d) and (e)(e2)(4)(a) below.

As of December 31, 2023

In NIS million	Non yield-dependent	Yield-dependent	Total
Assets with direct interest rate risk			
Liquid debt assets	7,313	28,065	35,378
Illiquid debt assets:			
Hetz bonds and treasury deposits	16,634	-	16,634
Other	7,810	8,199	16,009
Other financial investments	973	7,230	8,203
Cash and cash equivalents	2,017	4,418	6,435
Reinsurance assets	3,805	374	4,179
Total assets with direct interest rate risk	38,552	48,286	86,838
Assets without direct interest rate risk *)	14,147	45,726	59,874
Balance sheet adjustments for the assets of Max	16,906	-	16,906
Total assets	69,605	94,012	163,617
Liabilities with direct interest rate risk			
Financial liabilities	8,101	1,786	9,887
Liabilities in respect to insurance contracts and investment contracts	34,176	91,665	125,842
Others	1,400	292	1,692
Total liabilities with direct interest rate risk *)	43,677	93,744	137,421
Liabilities with no direct interest rate risk	2,749	102	2,851
Balance sheet adjustments for the liabilities of Max	14,694	-	14,694
Equity	8,652	-	8,652
Total capital and liabilities	69,772	93,846	163,617
Total assets less liabilities	23,179	167	23,346
Off-balance-sheet credit risk	1,319	1,918	3,237

- *) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and investment property, deferred acquisition costs and intangible assets, as well as balance sheet classes of financial assets (receivables and debit balances, collectible premiums and current account balances of insurance companies), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

Comments:

- 1) In yield dependent life insurance policies - most of the life insurance portfolio is for guaranteed-return policies, which are mainly backed by designated bonds (linked life insurance bonds, hereinafter - "Hetz") issued by the Bank of Israel throughout the policy period. Therefore, the Company has overlapping financial coverage in respect of most of its interest and linkage liabilities for the life of the policies. As of December 31, 2023 and 2022, the designated bonds covered approx. 73% and approx. 74%, respectively, of total insurance liabilities in life insurance in those plans.
- 2) For Clal Insurance's other investments in the life and health insurance business, there is exposure to interest rates that will prevail upon refinancing the investments whose duration may be less than the average duration of insurance liabilities. For these products, as well as for ongoing payment claims, long-term care insurance and income protection, the calculation of the insurance liability is based on the policy's calculative interest rate, subject to the assessment of the discount rate in some of the reserves for pension and LAT, which is calculated based on the risk-free interest rate curve. For further details regarding the discount rates of insurance liabilities, see Section (e)(e1)(d) and (e)(e2)(4)(a) below.

In NIS million	As of December 31, 2022		
	Non yield- dependent	Yield- dependent	Total
Assets with direct interest rate risk			
Liquid debt assets	6,999	25,380	32,379
Illiquid debt assets:			
Hetz bonds and treasury deposits	16,417	120	16,537
Other	6,607	9,472	16,079
Other financial investments	554	4,730	5,284
Cash and cash equivalents	3,591	8,458	12,049
Reinsurance assets	4,189	335	4,524
Total assets with direct interest rate risk	38,357	48,495	86,852
Assets without direct interest rate risk *)	13,795	43,968	57,763
Total assets	52,152	92,463	144,616
Liabilities with direct interest rate risk			
Financial liabilities	5,880	2,252	8,131
Liabilities in respect to insurance contracts and investment contracts	33,814	89,853	123,667
Others	1,464	263	1,727
Total liabilities with direct interest rate risk *)	41,158	92,367	133,525
Liabilities with no direct interest rate risk	2,936	94	3,030
Equity	8,061	-	8,061
Total capital and liabilities	52,155	92,461	144,616
Total assets less liabilities	8,058	3	8,061
Off-balance-sheet credit risk	1,190	1,023	2,213

*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and investment property, deferred acquisition costs and intangible assets, as well as on-balance sheet classes of financial assets (receivables and debit balances, collectible premiums and current account balances of insurance companies), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

4. Breakdown of assets and liabilities by linkage bases

As of December 31, 2023:

In NIS million	NIS		Foreign currency				Non-monetary items	Liabilities for yield-dependent contracts ¹⁾	Total
	Non-linked	CPI-linked	USD	EUR	GBP	Other			
Assets									
Intangible assets	-	-	-	-	-	-	2,205	-	2,205
Deferred tax assets	-	-	-	-	-	-	104	-	104
Deferred acquisition costs	-	-	-	-	-	-	2,539	4	2,543
Property, plant & equipment	-	-	-	-	-	-	302	-	302
Right-of-use asset	-	-	-	-	-	-	680	-	680
Investments in equity-accounted investees	-	-	-	-	-	-	180	-	180
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	-	3,839	3,839
Investment property - other	-	-	-	-	-	-	1,494	-	1,494
Reinsurance assets	8	3,415	8	1	-	-	-	374	3,805
Current tax assets	-	306	-	-	-	-	-	-	306
Receivables for credit card transactions, net	14,835	94	52	9	1	-	101	-	15,092
Receivables and debit balances	188	90	374	4	7	-	86	1,118	1,867
Collectible premiums	4	651	54	1	-	-	-	127	837
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	-	84,133	84,133
Other financial investments:									
Liquid debt assets	2,507	4,637	138	23	8	-	-	-	7,313
Illiquid debt assets	2,576	21,672	81	35	80	-	-	-	24,444
Shares	-	-	-	-	-	-	1,671	-	1,671
Other	397	50	541	2	1	1	4,844	-	5,836
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	-	4,418	4,418
Other cash and cash equivalents	1,843	-	667	23	14	1	-	-	2,548
Total assets	22,359	30,915	1,915	97	110	1	14,206	94,012	163,617

1) Most of the insurance contracts issued by the consolidated insurance companies are denominated in NIS, and their exposure to changes in exchange rates is immaterial. Where there is exposure to exchange rates it is mainly due to exposure to the USD.

2) See Note 42(g) below.

4. Breakdown of assets and liabilities by linkage bases (cont.)

As of December 31, 2023:	NIS		Foreign currency				Non-monetary items	Liabilities for yield-dependent contracts ¹⁾	Total
In NIS million	Non-linked	CPI-linked	USD	EUR	GBP	Other			
Total equity	-	-	-	-	-	-	8,652	-	8,652
Liabilities									
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	28	34,073	74	1	-	-	-	-	34,176
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	-	91,665	91,665
Deferred tax liability	-	-	-	-	-	-	592	-	592
Liabilities for employee benefits, net	93	-	-	-	-	-	-	-	93
Payables for credit card transactions	8,001	3	60	7	2	-	18	-	8,091
Payables and credit balances	2,570	504	300	5	-	-	78	394	3,851
Lease liability	-	777	-	-	-	-	-	-	777
Current tax liabilities	-	21	-	-	-	-	-	-	21
Financial liabilities	12,543	874	471	13	-	12	-	1,786	15,699
Total liabilities	23,236	36,252	905	26	2	12	687	93,846	154,966
Total equity and liabilities	23,236	36,252	905	26	2	12	9,339	93,846	163,617
Total balance sheet exposure	(877)	(5,336)	1,009	71	108	(10)	4,869	167	-
Exposure to underlying assets through derivatives in delta terms	5,196	104	(4,926)	(404)	(407)	(60)	498	-	-
Total exposure	4,319	(5,233)	(3,917)	(333)	(299)	(70)	5,367	167	-

- 1) Most of the insurance contracts issued by the consolidated insurance companies are denominated in NIS, and their exposure to changes in exchange rates is immaterial. Where there is exposure to exchange rates it is mainly due to exposure to the USD.

4. Breakdown of assets and liabilities by linkage bases (cont.)

As of December 31, 2022:	NIS		Foreign currency				Non-monetary items	Liabilities for yield-dependent contracts ¹⁾	Total
In NIS million	Non-linked	CPI-linked	USD	EUR	GBP	Other			
Assets									
Intangible assets	-	-	-	-	-	-	1,241	-	1,241
Deferred tax assets	-	-	-	-	-	-	17	-	17
Deferred acquisition costs	-	-	-	-	-	-	2,450	5	2,456
Property, plant & equipment	-	-	-	-	-	-	192	-	192
Right-of-use asset	-	-	-	-	-	-	483	-	483
Investments in equity-accounted investees	-	-	-	-	-	-	168	-	168
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	-	3,778	3,778
Investment property - other	-	-	-	-	-	-	1,475	-	1,475
Reinsurance assets	9	4,172	5	3	-	-	-	335	4,524
Current tax assets	-	293	-	-	-	-	-	-	293
Receivables and debit balances	133	100	398	5	-	-	62	2,596	3,294
Collectible premiums	5	615	73	1	-	-	-	158	853
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	-	77,131	77,131
Other financial investments:									
Liquid debt assets	1,577	5,306	89	19	8	-	-	-	6,999
Illiquid debt assets	2,015	20,787	79	27	116	-	-	-	23,024
Shares	-	-	-	-	-	-	1,852	-	1,852
Other	218	78	253	-	1	-	4,236	-	4,786
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	-	8,458	8,458
Other cash and cash equivalents	3,202	-	366	14	8	1	-	-	3,591
Total assets	7,159	31,352	1,263	69	133	1	12,175	92,463	144,616

1) Most of the insurance contracts issued by the consolidated insurance companies are denominated in NIS, and their exposure to changes in exchange rates is immaterial. Where there is exposure to exchange rates it is mainly due to exposure to the USD.

2) See Note 42(g) below.

4. Breakdown of assets and liabilities by linkage bases (cont.)

As of December 31, 2023:

In NIS million	NIS		Foreign currency				Non-monetary items	Liabilities for yield-dependent contracts ¹⁾	Total
	Non-linked	CPI-linked	USD	EUR	GBP	Other			
Total equity	-	-	-	-	-	-	8,061	-	8,061
Liabilities									
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	31	33,723	56	4	-	-	-	-	33,814
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	-	89,853	89,853
Deferred tax liability	-	-	-	-	-	-	573	-	573
Liabilities for employee benefits, net	65	-	-	-	-	-	-	-	65
Payables and credit balances	2,455	530	127	2	-	-	49	356	3,520
Lease liability	-	582	-	-	-	-	-	-	582
Current tax liabilities	-	17	-	-	-	-	-	-	17
Financial liabilities	3,838	1,602	413	23	-	3	-	2,252	8,131
Total liabilities	6,389	36,454	597	29	-	3	621	92,461	136,555
Total equity and liabilities	6,389	36,454	597	29	-	3	8,682	92,461	144,616
Total balance sheet exposure	770	(5,102)	666	39	133	(2)	3,494	3	-
Exposure to underlying assets through derivatives in delta terms	3,220	1,575	(4,222)	(359)	(303)	(47)	136	-	-
Total exposure	3,990	(3,527)	(3,556)	(320)	(170)	(49)	3,630	3	-

- 1) Most of the insurance contracts issued by the consolidated insurance companies are denominated in NIS, and their exposure to changes in exchange rates is immaterial. Where there is exposure to exchange rates it is mainly due to exposure to the USD.

5. Breakdown of exposure to economic sectors in respect of equity instruments

In NIS million	As of December 31, 2023					
	Traded on the TA 100 Index	Included in the Yeter - Rest of Shares Index	Illiquid	Overseas	Total	% of total
Industry	45	-	12	-	57	3%
Construction, real estate and infrastructures	117	34	126	199	476	29%
Electricity and water	93	2	9	35	139	8%
Commerce	8	4	-	6	18	1%
Communications and IT services	118	1	148	230	497	30%
Banks	200	17	-	4	221	14%
Financial services	35	-	11	-	46	3%
Other business services	2	5	30	14	51	3%
Medicines and medical services	7	8	78	67	160	9%
Total	625	71	414	555	1,665	100%

In NIS million	As of December 31, 2022					
	Traded on the TA 100 Index	Included in the Yeter - Rest of Shares Index	Illiquid	Overseas	Total	% of total
Industry	65	-	10	9	84	4%
Construction, real estate and infrastructures	88	53	107	420	668	36%
Electricity and water	70	2	7	49	128	7%
Commerce	4	-	-	-	4	0%
Communications and IT services	125	-	168	226	519	28%
Banks	212	11	-	7	230	13%
Financial services	46	-	17	-	63	3%
Other business services	-	10	-	4	14	1%
Medicines and medical services	-	-	83	59	142	8%
Total	610	76	392	774	1,852	100%

D. Liquidity risks

1. General

It is the Company's policy to ensure that it has in place the cash balances it requires to meet its financial liabilities, including, among other things, through dividend distributions and coupon payments from investees, a liquidity buffer and adequate financial flexibility.

Clal Insurance Group Insurance is exposed to risks arising from uncertainty as to when it will be required to pay claims and other benefits to policyholders in relation to the amount of funds available for that purpose at that date. It should be noted that a possible need for unexpected short-term borrowing may require the disposal of assets with very short notice at prices that will not necessarily reflect their market value.

A significant part of Clal Insurance's insurance liabilities in the long-term savings segment and in the health insurance segment is not exposed to liquidity risk due to the nature of the various insurance contracts as described below:

- A. Yield-dependent contracts - under the terms of the contracts, their owners are entitled to receive only the value of the said investments. Therefore, if the value of investments declines for any reason, there would be a corresponding decline in the level of Clal Insurance's liabilities. As of December 31, 2023 and 2022, total liabilities under these contracts amounted to approx. NIS 91.7 billion and approx. NIS 89.9 billion, respectively.

- B. Approx. 73% of the liabilities in respect of insurance contracts and non-yield-dependent investment contracts in the life insurance subsegment, which were issued until 1990 are backed by designated bonds (Hetz), which are issued by the Bank of Israel. Clal Insurance is entitled to sell these bonds when the said policies are redeemed. As of December 31, 2023 and 2022, the amount of Hetz bonds was approx. NIS 14.4 billion and approx. NIS 14.3 billion, respectively.
- C. In respect of approx. 89% of the liabilities to planholders of the guaranteed-return provident fund "Bar A Provident Fund Ltd." (hereinafter - "**Bar A**"), there are deposits with the Accountant General, which Bar A is entitled to withdraw when planholders' funds are redeemed. As of December 31, 2023 and 2022, the amount of those deposits was approx. NIS 2.2 billion.

The potential liquidity risk of the Group stems, therefore, mainly from the balance of the Group's assets against non-yield-dependent liabilities, and which are not backed by designated bonds (Hetz) or deposits with the Accountant General. The total amount of these assets was approx. NIS 27.4 billion (last year - approx. NIS 27.8 billion), constituting approx. 17% (last year approx. 19%) of total assets in the statement of financial position.

Out of total assets not held against yield-dependent liabilities, a total of approx. NIS 11.3 billion (last year - approx. NIS 12.6 billion) are liquid assets, and cash and cash equivalent balances.

It should be noted that under the Investment Rules Regulations, the consolidated insurance companies must hold liquid assets against liabilities not arising from insurance business, at an amount that will not be lower than 30% of the minimum shareholders' equity required therefrom. In that regard, liquid assets, as defined in the Investment Rules Regulations, include, among other things, government bonds, cash and cash equivalents, corporate bonds, and short-term deposits with high rating, shares included in key indices, ETFs and mutual funds.

The Group's institutional entities manage their assets and liabilities according to the requirements of The Supervision Law and the regulations promulgated thereunder in that respect.

2. Expected repayment dates of liability amounts

The tables below summarize the estimated repayment dates of the Company's uncanceled insurance and financial liabilities. Since these amounts are not capitalized, there is no adjustment between them and the balance of insurance and financial liabilities as per the statement of financial position.

- A. The estimated repayment dates of the liabilities in the long-term savings segment and the health insurance segment are included in the tables as follows:

Savings - based on contractual repayment dates, i.e. retirement age, excluding cancellation assumptions, assuming that all savings will be withdrawn as capital rather than as annuity.

Paid pension, paid disability insurance and paid long-term care - based on an actuarial estimate.

Contingent claims and risk reserves - reported under the column "no defined repayment date".

- B. For the purpose of this note, the liabilities in property and casualty insurance also include excess of income over expenses, see Note 3(d)(2)(b)(4)(4.3), provision of unexpected deviations, and reserve for unearned premium, and are net of deferred acquisition costs.

The above estimated repayment dates are included in the tables as follows:

Liabilities in statistical subsegments, which are estimated by an actuary - are reported in the columns based on an actuarial estimate, which allocates to the total undiscounted liabilities an estimated date based on past claims payment experience.

Insurance liabilities in non-statistical liability insurance subsegments, and excess of income over expenses - are reported in the "no defined repayment date" column.

Insurance liabilities in non-statistical property and other insurance subsegments or in subsegments the estimate of which is not approved by an actuary - are reported in the "up to 3 years" column.

The liabilities are exposed to a reserve risk, which is described in Section E below. The actuarial models are based on the fact that the pattern of behavior and claims in the past represents that which is to happen in the future. The estimated cash flow is exposed to model risk and parameter risk, including the risk that the amount paid for the settlement of Clal Insurance's insurance liabilities or the date of settlement of the insurance liabilities will be other than expected.

- C. The repayment dates of financial liabilities and liabilities in respect of investment contracts were included based on the contractual repayment dates. In contracts where the counterparty may select the timing of payment, the liability is included based on the earliest date on which the Company may be required to pay the liability.

The repayment dates of liabilities in respect of investment contracts in Bar A were included based on churn rate and average redemption rate.

Liabilities in the long-term savings segment and health insurance segment^{*)}

In NIS million	Up to one year ^{**)}	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Over 15 years	No defined repayment date	Total
As of December 31, 2023	3,440	6,918	4,198	2,944	3,247	3,081	23,829
As of December 31, 2022	2,310	7,530	4,431	3,082	3,546	2,830	23,728

^{*)} Excluding liabilities for yield-dependent contracts.

^{**)} Liabilities of up to one year include a total of approx. NIS 54 million (as of December 31, 2022 - approx. NIS 33 million), which are repayable upon request. These liabilities were classified as repayable within up to one year, although actual repayment dates may be in later years.

Liabilities in respect of property and casualty insurance contracts

Over 3 years and up to 5			No defined repayment date	Total	
In NIS million	Up to 3 years	Over 5 years			
Balance as of					
December 31, 2023	4,353	1,169	1,231	670	7,424
As of December 31, 2022	4,438	1,257	1,518	788	8,002

Financial liabilities and liabilities in respect of investment contracts

In NIS million	Carrying value	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Over 15 years	No defined repayment date	Total
As of December 31, 2023								
Liabilities in respect of investment contracts	2,470	192	630	549	366	733	-	2,470
Liabilities in respect of yield-dependent investment contracts	9,975	-	-	-	-	-	9,975	9,975
Liquid subordinated notes in Clal Insurance	4,639	1,125	830	4,209	-	-	-	6,165
The Company's bonds	1,557	8		1,549				1,557
Loans in CIMax and its subsidiaries, excluding Max	889	889	-	-	-	-	-	889
Bonds and subordinated notes at Max	582	359	223	-	-	-	-	582
Payables and credit balances	3,774	3,774	-	-	-	-	-	3,774
Lease liability	777	85	265	393	170	-	-	912
Total	24,663	6,432	1,948	6,700	535	733	9,975	26,324
As of December 31, 2022								
Liabilities in respect of investment contracts	2,441	218	699	573	358	593	-	2,441
Liabilities in respect of yield-dependent investment contracts	11,266	-	-	-	-	-	11,266	11,266
Subordinated notes	4,548	44	134	90	-	-	-	269
Payables and credit balances	3,471	3,471	-	-	-	-	-	3,471
Lease liability	582	72	211	239	208	-	-	731
Total	22,307	3,806	1,044	903	565	593	11,266	18,177

E. Insurance risks

Among other things, insurance risks include:

Underwriting risks: The risk of using incorrect prices due to deficiencies in the underwriting process and the gap between the risk when pricing and setting the premium, and the actual materialization, such that the premiums collected are insufficient to cover future claims and expenses. The discrepancies may be due to accidental changes in business results and changes in average claim costs and/or the incidence of claims as a result of various factors.

Reserve risks: The risk of inadequate assessment of insurance liabilities which may result in actuarial reserves being insufficient to cover all liabilities and claims. The actuarial models, according to which - among other things - the Group's insurance companies estimate their insurance liabilities are mostly based on the assumption that the pattern of behavior and claims in the past represent that which is to happen in the future. The exposure of the Group's insurance companies is composed of the following risks:

Model risk - the risk of selecting the wrong model for pricing and/or assessing the insurance liabilities;

Parameter risk - the risk that incorrect parameters will be used, which may lead, among other things, to the amount paid for the settlement of Clal Insurance's insurance liabilities or the date of settlement of the insurance liabilities will be other than expected.

The amount of the maximum expected loss in the property and casualty insurance business as a result of the exposure to a single large damage event or accumulated damages due to a particularly large event with a maximum possible loss (according to weighted MPL of 2.05%) is approx. NIS 10 billion (gross) and approx. NIS 53 million (own retention), as of December 31, 2023 (last year - approx. NIS 10 billion and approx. NIS 49 million, respectively).

For data regarding the various insurance products in respect of which the insurer accrues an exposure to insurance risk, see the details of insurance liabilities by insurance risks in Notes 5, 19, 20(a) and 21.

E1. Insurance risk in life and health insurance contracts

General

The following is a description of the various insurance products and assumptions used to calculate the liabilities in respect thereof according to the product type.

In general, according to the Commissioner's Directives, the insurance liabilities are calculated by an actuary according to generally accepted actuarial methods in Israel and consistently with the previous year. The liabilities are calculated according to the relevant coverage data, such as: age and gender of the policyholder, the insurance term, the policy commencement date, type of insurance, periodic premium and insurance amount.

A. The actuarial methods for calculating insurance liabilities

1. "Adif" and "Investment Tracks" type of insurance plans

There is an identified savings component in "Adif" and "Investment Tracks" type insurance plans. The basic and principal reserve is the amount of savings accrued plus the return according to the policy's terms and conditions as follows:

- Principal linked to investment portfolio's yield (for yield-dependent contracts).
- Principal linked to the CPI plus a guaranteed fixed interest rate or guaranteed return against adjusted assets (for guaranteed return contracts).

For insurance components attached to these policies (income protection, life, long-term care, etc.), an insurance liability is calculated separately, as stated below.

2. "Traditional" insurance plans with a fixed premium

There are "traditional" insurance plans with a fixed premium, such as a "mixed" insurance plan, and the like, which combines a savings component, if the policyholder is alive at the end of the term of the plan, with a life insurance component during the term of the plan, as well as pure risk plans (primarily income protection and long-term care insurance) with a fixed premium.

For these products, an insurance liability is calculated for each cover as discount of the cash flow in respect of the expected claims, including payment at the end of the period, less expected future premiums. This calculation is based on the assumptions on which the products are priced and/or the assumptions derived from the claims history, including interest rates (hereinafter - the "calculative interest rate"), mortality or morbidity table. The calculation is done using a method known as net premium reserve, which does not include in the expected revenue stream the component included in the premium rate to cover fees and expenses, but on the other hand - does not deduct the expected expenses and fees.

In respect of yield-dependent “traditional” insurance plans, the reserve also includes a provision at the amount of the actual balance of accumulated bonus. The bonus reflects the difference between the actual return net of management fees and the calculative interest rate.

3. Liabilities for paid pensions and supplementing the annuity reserve:

Liabilities to paid pensions are calculated in accordance with the guidance set in the Consolidated Circular Title 5, Part 2, Chapter 1(c), according to the expected life expectancy, based on mortality tables, which were prepared based on the tables that were published in 2022 (hereinafter - the “Reserves for Annuity Circular”).

Liabilities in respect of supplementation of annuity reserve are calculated for policies which are in effect (paid and settled), that allow lifetime annuity payouts, and have not yet reached the stage of annuity payout, or whose policy holders have reached retirement age but have not yet started receiving the annuity (hereinafter - the “Policies”).

A. Calculations of liabilities to supplement the annuity reserve

Liabilities for supplementation of annuity reserve are calculated, among other things, in accordance with the probability of withdrawal of the annuity when retiring (exercising the entitlement to annuity), in accordance with the expected annuity tracks to be selected by policyholders, and according to the expected life expectancy based on mortality tables that were published in the Reserves for Annuity Circular.

The higher the probability of withdrawal of the annuity, the higher the liabilities for supplementation of the annuity reserve. In addition, the greater the difference between the revised mortality tables under the Reserves for Annuity Circular (which indicate longer life expectancy) and the mortality tables on the basis of which the annuity coefficients guaranteed by the policies were priced, the greater the liability for paid pensions and the liability for supplementation of annuity reserve.

From time to time, the Company conducts studies in which it assesses the rate of policyholders that are expected to exercise their entitlement to receive an annuity, the mix of annuity tracks selected by the policyholders, according to which the annuity payment period is estimated, and other parameters that effect the amount of the liability for supplementation of annuity reserve. The uptake rates and the annuity tracks are adapted to the various types of insurance plans and types of savings.

B. Gradual provision to complement the annuity reserve by using the K factor

In addition, in accordance with the Reserves for Annuity Circular, the provision for supplementation of annuity reserve is carried out on a gradual basis in respect of the funds that accumulated in policies through the end of the reporting period, by using a K-value that was set upon initial application of the Reserves for Annuity Circular, in order to achieve a reserve for payment of full annuity in accordance with the expected annuity uptake date of policyholders (hereinafter - “Basic K”, 0.2% for guaranteed return policies and 0.96% for yield-dependent policies).

Each 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 profitability of management fees and/or financial margin arising from the investments held against the reserve for the policy and the premium payments for the policy, may generate future income in excess of the basic K-value, which will be sufficient to cover all expenses; if any gap exists, the liabilities for supplementing the annuity reserve are updated by updating the K-value. The higher the K Factor, the lower the liability for the supplementary annuity reserve that will be recognized in the financial statements and the higher the amount that will be deferred and recorded in the future.

As a general rule, the K-value that is used to spread the liability for supplementation of annuity reserve shall not exceed the Basic K rate.

In the reporting period, there was an increase in the forecast profitability from the forecast management fees and/or financial margin, due to the increase in the risk-free interest rate curve and from the financial effects (see Section D below), and consequently, the revised K value rate as set out in the table below:

As of December 31	2023	2022	2021
In respect of guaranteed-return policies	0.0%	0.0%	0.0%
In respect of yield-dependent insurance policies	0.96%	0.85%	0.66%

The estimated total cost of the increase in life expectancy may change due to several factors, which include, among other things, changes in life expectancy and in the rate of policyholders who exercise their entitlement to annuities, change in the reasons of policyholders for opting for the annuity tracks upon retirement, increase in the savings accruals of policyholders due to payment of future premiums and/or an increase in investment income, and due to changes in discount rate assumptions, and other assumptions.

For further details regarding the amount of the provision and the total cost, see Note 20A above.

For information about the discount rate applied to the liabilities for supplementation of annuity reserves, see Subsection B(1) below.

- 4. Other life insurance plans include pure risk products at a fixed premium** (disability insurance, life insurance, long-term care insurance, etc.), which are sold as independent policies or attached to policies with a basic "Adif", "Investment Tracks" or "Traditional" plan. For these plans, an actuarial liability is calculated. The calculation was made using the net premium reserve method. For all other plans, the reserve is calculated at the amount of contingent claims and IBNR (incurred but not yet reported claims).

5. Medical expenses, critical illness and personal accidents insurance plans -

The medical expenses insurance plans mainly include coverage in respect of surgical procedures in Israel, and transplants and special treatments abroad, selection of a private surgeon in private hospitals, drugs that are not included in the Healthcare Services Basket, and other ambulatory coverages.

The critical illness and hospitalization subsegment includes the basic insurance coverages, as follows:

- Insurance coverage that confers upon the policyholder the right to fund private medical services. In this framework, the policyholder is given the right to select the date on which the medical services will be rendered, the identity of the physician who will render the service, and the medical center in which it will be rendered. The said insurance coverage provides reimbursement of medical expenses or compensation in connection with, among other things, a surgical procedure, transplants and/or special treatments abroad, and more.
- Insurance coverage for critical illness, under which the policyholder is entitled to receive compensation at an amount that was determined when he/she signed-on to the insurance.
- Insurance coverage in respect of purchase of drugs, which are not included in the government's Healthcare Services Basket.
- Furthermore, policyholders will be able to purchase additional coverages, as an appendix to the policy or as a chapter in the basic policy, such as ambulatory services (medical services provided on an outpatient basis, including a consultation with a specialist physician, tests and physiotherapy sessions). Personal accidents insurance is sold in the Company as an independent policy or an appendix to health insurance policies under the critical illness and hospitalization insurance subsegment. The insurance coverages include:
 - Accidental death
 - Disability due to an accident or loss of function/functional impairment
 - Fractures due to accidents
 - Burns due to accidents
 - Daily compensation following hospitalization due to accident
 - Compensation in respect of long-term care required due to an accident

In respect of those plans, which are sold as individual policies, a reserve is calculated using the "Gross Premium Reserve" method, which includes the expected proceeds from all premium components and deducts the cost of the liability, the expenses and the expected fees and commissions and expected reinsurance payments (if the coverage has a reinsurance arrangement). The calculation assumptions regarding parameters related to morbidity, demographic and economic assumptions were made on a strict basis compared to the pricing basis, as is generally accepted in pricing of reserves.

The travel insurance subsegment is composed of a basket of insurance coverages aimed at policyholders in connection with their stay abroad, which include, among other things, coverage in respect of sickness, personal accidents, cutting the travel period, search and rescue and luggage. The insurance period of a travel insurance policy is stated in days, in accordance with the period, during which the policyholder will stay abroad, or for all of the travel days in one calendar year.

In the travel insurance subsegment, contingent claims are calculated based on the reports of Clal Insurance's claims department and an actuarial valuation based on the portfolio's past experience.

The contingent claims are calculated based on the reports of the claims department and a statistical model of claims payments, based on past experience. The calculation was made based on the triangle methods (Bornhuetter-Ferguson, Chain Ladder) for paid and contingent claims amounts, and for the number of claims by damage months, including discount and confidence range for the pupils personal accidents insurance subsegment.

6. **In respect of ongoing payment claims, in long-term care insurance and disability insurance**, the insurance liability is calculated in accordance with the expected duration of the payment period, discounted at the calculative interest rate of the product.
7. **The insurance liability in respect of collective insurance** is composed of a liability in respect of unearned premium, reserve for ongoing claims, contingent claims, continuity of cover reserve, and provision for future losses, where required. Furthermore, a profit participation provision is calculated, which is presented under the accounts payable line item, where relevant.
8. **The liability in respect of contingent claims in life insurance** mainly includes provisions for contingent claims in respect of death and disability.

B. The main assumptions used to calculate the insurance liabilities

1. Discount rate

- A. In respect of insurance plans and pure risk products with fixed premium, the discount rate is as follows:

For "Mixed" (traditional) and "Adif" insurance plans, which are not yield-dependent and mainly backed by designated bonds, real calculative interest of 3.5% and 4.8%;

For yield-dependent products issued in 1991 and thereafter, a real calculative interest rate of 2.5% was set. According to the policy terms and conditions, changes in interest rates will be credited to policyholders;

In respect of non-yield-dependent long-term care and long-term individual health insurance products, a real calculative interest rate of 2.5%.

- B. In respect of liabilities for guaranteed-return paid pensions and supplementation of the guaranteed-return annuity reserve, the discount rate is calculated on a fund-by-fund basis, by weighting the estimated market return on the available asset mix was 4.50% (last year - 4.25%-4.50%), and the gross interest of the Hetz bonds per fund. The weighting will be carried out based on the weight of the available assets and the weight of the Hetz bonds in the fund, which back those reserves.

In respect of liabilities for participating paid pensions and supplementation of the participating annuity reserve, in accordance with the estimated market return on the asset mix including in respect of the investment tracks in which the funds are intended to be invested (3.47%-3.54%, last year - 3.35%-3.54%).

The Company may decide to change the discount rate as a result of changes in the risk-free interest rate curve and/or the estimated rate of return in the assets portfolio held against insurance liabilities. For information about the effect of updating the interest rates used to discount the liabilities for supplementation of annuity and paid pensions reserves, see Section D below.

2. Mortality and morbidity rates

- A. The mortality rates used to calculate insurance liabilities in respect of policyholders who die before they reach retirement age (i.e., excluding the death of policyholders receiving pension annuities and of recipients of monthly income protection or long-term care compensation) are generally identical to the rates used in determining the rate, which is approved by the Commissioner.
- B. The liability for lifetime annuities is calculated according to mortality tables, which were published by the Ministry of Finance Actuary, in the Reserves for Annuity Circular.

An increase in the mortality rate assumption due to an increase in the actual mortality rate to a level that exceeds the current assumption, shall result in an increase in insurance liabilities in respect of the death of policyholders before they reach retirement age, and a decrease in the liability for lifetime annuities.

It should be noted that in recent decades, there has been a reversal of the trajectory - of increasing life

expectancy and lower mortality rates. The mortality assumption that is used to calculate the liability for annuity takes into account an assumption of a future increase in life expectancy.

For information regarding the effect of the revision of mortality tables in 2022, see Section D(2) below.

- C. Morbidity rates refer to the prevalence of claims for morbidity from critical illnesses, PHI, long-term care, surgery and hospitalization, accidental disability, etc. These rates are determined based on Clal Insurance's experience and/or data from studies by reinsurers. In the long-term care and disability subsegments, the annuities payment period used by the Company to calculate the liabilities is determined based on Clal Insurance's past experience or information received from reinsurers' studies.

The higher the assumption regarding the discount rate and/or the longer the duration of the annuity payment, the higher the insurance liability for critical illness, PHI, long-term care, surgery and hospitalization and accidental disability.

As to the effect of the revision of incidence and the duration of the payment period of long-term care claims, see Subsection D(4) below.

3. Annuity uptake rate upon retirement and selection of annuity tracks upon retirement

Life insurance contracts containing a savings component in respect of funds deposited by 2008, offered two ways of withdrawing funds: equity (one-off withdrawal), or an annuity (with a secured conversion factor), which also offers various tracks that can be selected (such as: life-long, policyholder and spouse, annuity secured for 10 years, and more). In some of the contracts, the policyholder may select the manner of receiving the funds at the time of their withdrawal. Since the amount of the insurance liability is different in each of those tracks, from time to time the Company estimates the annuity uptake rate and the track that will be selected. As from 2008, new contributions to all plans are towards annuity. As to the effect of updating the annuity uptake rate and the expected reasons of policyholders for opting for the annuity tracks upon retirement, see Section D(3) below.

4. Cancellation rates

The cancellation rate affects insurance liabilities in respect of some health and life insurance policies, as well as lifetime annuities in the period before the commencement of payments. Cancellation of insurance contracts may stem from the cancellation of policies initiated by Clal Insurance due to termination of premium payments or policy redemptions at the request of the policyholders. The cancellation rates assumptions are based on Clal Insurance's experience and on the product type, product life and sales trends.

5. Continuity rates

In some collective life, health and long-term care insurance policies, the policyholders are entitled to continue to be insured under the same conditions even if the collective contract is not renewed. In respect of this option available to the policyholder, Clal Insurance has a liability based on assumptions regarding the continuity rates of the collective insurance, and the continuity rates of the contracts with the policyholders after the termination of the collective contract. See Section E1(a)7 regarding the actuarial methods for calculating insurance liabilities referred to above.

The higher the probability that the collective contract will not be renewed (and therefore the continuity rate is higher), the higher the insurance liability for continued coverage under previous conditions, without adjustments to the underwriting, such that it reflects the changes in the policyholder's health.

C Life and health insurance sensitivity analyses

As of December 31, 2023

In NIS million	Cancellation rate (redemptions, settlements, and reductions)		Morbidity rate		Mortality rate		Rate of annuity uptake	
	+10%	-10%	+10%	-10%	+10%	-10%	+5%	-5%
Profit (loss)	6	(9)	(273)	100	607	(1,111)	(178)	93

*) For the amount of the supplementary retirement pension reserve, see Note 20(a).

As of December 31, 2022

In NIS million	Cancellation rate (redemptions, settlements, and reductions)		Morbidity rate		Mortality rate		Rate of annuity uptake	
	+10%	-10%	+10%	-10%	+10%	-10%	+5%	-5%
Profit (loss)	15	(15)	(163)	73	634	(913)	(180)	180

*) For the amount of the supplementary retirement pension reserve, see Note 20(a).

D. Changes in estimates and principal assumptions used to calculate the insurance liabilities

The effect on the financial results of the revision to the assumptions in the life insurance and long-term insurance subsegments is set out below:

In NIS million	For the year ended December 31		
	2023	2022	2021
Life insurance			
Change in the discount rate is taken into account in the calculation of the liability for complementing the reserves for paid pensions and annuity	124	505	83
Change in the pension reserves due to the expected reduction in future income from change in interest rate (K factor)	260	637	28
The total effect of changes in interest on the liabilities for complementing the reserves for paid pensions and annuity	384	1,142	111
Change in mortality assumptions in the calculation of liabilities for paid pensions and supplementing the annuity reserve (see Section 2)	-	(627)	-
Changes to other assumptions in the calculation of the liabilities to supplement the annuity reserve (see Section 3)	67	(155)	(28)
Change of estimate of the duration of disability claims (see Section 5(b))	-	-	(59)
Total life insurance	451	360	24
Long-term care in the health segment			
Changes in actuarial assumptions for incidence of long-term care claims, including from the aspect of the liability adequacy test (LAT) reserve (see Section 4)	(102)	-	(76)
Financial effects in the liability adequacy test (LAT)	-	279	42
Total long-term care in the health insurance segment	(102)	279	(34)
Total profit (loss) before tax	349	639	(10)

1. Boosting 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). In the reporting year, there was an increase in the risk-free interest rate curve.

- A. The Commissioner's Directives regarding the liability adequacy testing (LAT)

Further to what is stated in Note 3(d)1(d), the Company conducts liability adequacy testing (LAT) on a periodic basis, in accordance with the LAT Circular.

In respect of illiquid debt assets, such as illiquid bonds other than Hetz bonds, loans and bank deposits, a fair value surplus (deficit) balance in Clal Insurance Ltd. of approx. NIS 38 million (last year - NIS 131 million). The total fair value surplus (deficit) attributed to the long-term care insurance liability is approx. NIS 106 million (last year - NIS 144 million), to life insurance liability - approx. NIS (94) million (last year - NIS 5 million), and to property and casualty insurance liability - approx. NIS 26 million (last year - NIS (8) million). It is clarified that as part of the liability adequacy testing (LAT), the Company does not take into consideration assets with a fair value deficit.

- B. Revision of the insurance reserves in view of the interest rate environment

Further to what is stated in Section B(1) above, the discount rates used to calculate the liabilities for supplementation of annuity and paid pension reserves may change as a result of changes in the risk-free interest rate curve and/or the estimated rate of return in the assets portfolio held against insurance liabilities.

2. A change to the provisions relating to life insurance plans incorporating savings that include "annuity conversion factors taking into account guaranteed life expectancy"

In June 2022, the Commissioner published the "Amendment of the Consolidated Circular on Measurement of Liabilities - Update of the Life Insurance Demographic Assumptions and Mortality Improvement Model for Insurance Companies and Pension Funds" (hereinafter - the "Circular"). The Circular is an update to 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, based on updated demographic assumptions. In addition, the pension fund management companies, which operate in the form of mutual insurance, will calculate the actuarial balance sheet of the funds under their management based on these assumptions, and determine the coefficients included in their policies, beginning from the following periods.

The Circular refers, among other things, to a change in life expectancy, including future improvements, and the resulting consequences for the level of reserves and how they are created. The Circular includes the expansion of the use of the new mortality table for retirees of insurance companies, which is based, among other things, on mortality experience of retirees of the insurance companies.

Further to what is stated in Note 42(e)(e1)(a)3, the liabilities in respect of supplementation of annuity and paid pensions reserves are calculated in accordance with the mortality tables included in the Reserves for Annuity Circular, and therefore, in its financial statements as of June 30, 2022, the Company increased its estimates regarding the liabilities in respect of insurance contracts by approx. NIS 627 million, of which approx. NIS 149 million in respect of the liability for paid pensions, and approx. NIS 478 million for liabilities in respect of supplementation of annuity reserve, in view of the trends arising from the circular.

3. Change in other assumptions in the calculation of the liabilities for complementing the annuity reserve

Further to that which is stated in Note 42(e)(e1)(b)(3) regarding the periodic estimation of the annuity uptake rate upon retirement, during the reporting period, the Company updated various assumptions, including the assumption regarding the annuity uptake rate upon retirement, which resulted in an approx. NIS 47 million decrease in the reserve, and the expected change in the reasons of policyholders for opting for the annuity tracks upon retirement, which resulted in an NIS 18 million decrease in the reserve, and consequently the Company decreased its estimates regarding the liabilities by approx. NIS 67 million (last year - NIS 155 million).

4. Changes in actuarial assumptions in long-term care

Further to Note 42(e)(e1)(b)3 above, regarding morbidity rates, the morbidity rates were determined in accordance with the experience of Clal Insurance and/or based on studies of reinsurers. During the reporting period, various assumptions of long-term care policies were updated, including the incidence of long-term care claims, which caused an approx. NIS 102 million increase in the reserves, and further to Note 3(d)1(d), regarding the liability adequacy test (LAT), these assumptions were also taken into account in the LAT of the reserve.

E2. Insurance risk in property and casualty insurance contracts

1. Summary description of the main insurance subsegments in which the Group operates

The Group underwrites property and casualty insurance contracts, mainly in the compulsory motor insurance, liability insurance, motor property insurance, and property insurance subsegments.

A compulsory motor insurance policy covers the policyholder and driver for any liability they may incur under the Road Accident Victims Compensation Law, 1975 for bodily harm caused by the use of a motor vehicle to the driver, passengers or pedestrians injured by the vehicle. Compulsory motor claims are characterized by a "long tail", which means that often a long-time elapses from the date of the incident until the claim's final settlement date.

Liability insurance is intended to cover a policyholder's liability for damage that he/she may cause to a third party. The main types of insurance are: third party liability insurance, employers' liability insurance, other liability insurance such as professional liability, product liability and directors' and officers' liability. The timing of claims' filing and settlement is influenced by a number of factors, such as the type of coverage, policy terms and conditions, as well as legislation and legal precedents. Liability claims are typically characterized by a "long tail", that is, sometimes a long-time elapses from the date of the incident to the final settlement date of the claim.

Motor property damage insurance policies and motor property damage third-party policies provide policyholders with coverage for property damage. The coverage is normally limited to the value of the damaged car and/or the liability limit to a third party in the policy. The motor property insurance rate and the policy as a whole require

approval by the Insurance Commissioner and is a statistical, partially differential rate (non-uniform for all policyholders and risk-adjusted). The said rate is based on a number of parameters, both those related to the vehicle insured under the policy (such as vehicle type, year of manufacture, etc.) and those related to characteristics of the policyholder (driver's age, claim history, etc.). The underwriting process is carried out partly through the rate itself and partly through a system of procedures designed to review the policyholder's claims history, including presenting a no claims certificate for the past three years from the previous insurer, presenting evidence of up-to-date protection, etc., and incorporated automatically into the policies' production process. In most cases, motor property insurance policies are issued for a one-year period. In addition, in most cases, claims in respect of these policies are investigated close to the date of the insured event and characterized by a short tail.

Property insurance is intended to provide policyholders with coverage against physical damage to his/her property and loss of income due to damage to the property. The main risks covered by property policies are fire, explosion, burglary, earthquake and natural disasters. Property insurance often includes loss-of-income damage due to the physical damage caused to the property. Property insurance is an important part of home insurance, business insurance, engineering insurance, cargo in transit (maritime, land and air), etc. In most cases, claims in respect of these policies are investigated close to the date of the insured event and characterized by a short tail.

2. Principles of calculating the actuarial assessment in property and casualty insurance

General

- A. The liabilities in respect of property and casualty insurance contracts include the following key components: Provision for unearned premium reserve; premium deficiency; contingent claims; and excess of income over expenses, all in accordance with the relevant subsegment. The provision for unearned premium and excess of income over expenses are calculated using a method that is not dependent on any assumptions, and therefore not exposed to reserve risk in and of themselves. With regard to the method employed to calculate these provisions, see Note 3(d)(2).
- B. In accordance with the Commissioner's Directives, contingent claims are calculated by an actuary, using generally acceptable actuarial methods that are consistent with the previous year. The choice of the appropriate actuarial method for each insurance subsegment and for each event or underwriting year is determined by exercising judgment on the degree of the method's suitability to the subsegment, and sometimes the various methods are combined. The assessments are mainly based on past experience in the development of claim payments and/or development of the amount of specific payments and estimates. The assessments include assumptions about the average claim cost, claims handling costs, and prevalence of claims. Additional assumptions may take into account changes in interest rates, exchange rates and timing of payments. Claim payments include direct and indirect expenses to settle claims, less subrogation and deductibles.
- C. The use of actuarial methods based on the development of claims is particularly appropriate when there is concrete and satisfactory information on claims payments and/or individual assessments to estimate the total expected cost of claims. When the information available in the actual claims history is insufficient, the actuary sometimes uses a calculation that weights a known estimate (in the Company and/or industry) such as loss ratio and the actual claims development. Greater weight can be estimated based on experience as time goes on and more information about the claims accumulates.
- D. In addition, qualitative assessments and judgment are included regarding the extent to which past trends will not continue in the future. For example, due to a one-off event, internal changes such as a change in the portfolio mix, underwriting policies and claims handling procedures, as well as the effect of external factors such as court rulings, legislation, etc. When such changes were not fully reflected in past experience, the actuary updates the models and/or makes specific provisions based on statistical and/or legal assessments, as applicable.
- E. In large claims of a non-statistical nature, the reserve is determined (gross and retention) based on the opinion of Clal Insurance's experts and in accordance with the recommendations of their legal counsel.
- F. The share of reinsurers in the contingent claims is estimated taking into account the type of agreement (proportional or non-proportional) and the actual claims history, and the premium paid to reinsurers.
- G. The estimation of contingent claims in respect of Clal Insurance's share in the pool, incoming businesses and joint insurance received from other insurance companies (leading insurers - "Leader"), was based on a calculation carried out by the pool or by the leading insurers or on a separate calculation in Clal Insurance.

3. Details of actuarial methods in the main property and casualty insurance subsegments

For the purpose of calculating the contingent claims, the following actuarial models were used in combination with the various assumptions:

- A. Chain ladder - this method is based on the development of the historical claims (development of the payments and/or development of the payments amount and the estimation of the individual claims, development of the number of claims, and more), in order to estimate the expected development of existing and future claims. The use of this method is best suited after a sufficient period has elapsed since an event has occurred or the policy underwritten, where sufficient information is available from past claims in order to estimate the total expected claims.
- B. Bornhuetter-Ferguson - this method combines a preliminary estimate which is known among the consolidated insurance companies or in the subsegment, and another estimate, which is based on the claims themselves. The preliminary estimate uses the premiums and the rate of damages to estimate total claims. The second estimate uses actual claims history, based on other methods (such as chain ladder). The combined claims assessment weighs both estimates, giving greater weight to an assessment based on the claims history based on longer periods of time in which additional information about the claims accumulates. The use of this method is suitable mainly in instances where there is no sufficient information from the claims, or when the business in question is new or does not have sufficient historical information.
- C. The averages - Sometimes, such as in the case of the Bornhuetter-Ferguson method, where the claims history in recent periods are insufficient, historical averaging is used. In this method, the cost of claims is determined based on the cost of the claim per policy in the early years and the number of policies in later years. Similarly, the cost of claims is calculated based on the forecast number of claims (the chain ladder method), and the historical average claim.
- D. Other - for occupational diseases claims under employers liability insurance, which are claims in respect of ongoing damage, a provision is calculated based on expected future cost. In this type of claim, there is no specific date on which damage was caused to the employee, and the damage is caused due to prolonged exposures to the risk factors. Such claims are characterized by a very long time from the date on which the employee was first exposed to the risk factors (the insurer's exposure) until the date on which the claim is reported (long-tail claims). This pattern of the claims reporting rate and the exposure of the insurer to prolonged damages, require a provision for each exposure year in the employers liability policy, even if no claims were reported or that the policy expired many years ago.

In the motor property, comprehensive home, personal accidents, property loss and engineering insurance subsegments a payment development model was used for payments and gross contingent claims, and in periods in respect of which there are insufficient data, both the average method and the Bornhuetter-Ferguson method were used. The model is calculated at the gross claims level. Where relevant, the reinsurer's share was estimated based on the estimate of the individual claims plus IBNR, in accordance with the gross IBNR rate that was set in the actuarial model.

In the compulsory motor and liability insurance subsegments, semi-annual models were used for the development of payments, and the development of payments and contingent claims. For periods in respect of which there are insufficient data, the Bornhuetter-Ferguson method and/or the Expected Loss Ration method were used. In the liability insurance subsegments, the claims development model is based on net claims from facultative reinsurance. The share of reinsurers in the non-proportional contract is estimated based on estimated individual contingent claims for early years and according to loss ratio for the later years.

In subsegments where no actuarial valuation was carried out, such as cargo insurance, marine and aircraft insurance, guarantees, credit risk insurance, and incoming businesses subsegments, the contingent claims were included according to assessments by external experts, as detailed in Note 3(d)(2)(b) in Section 4.2.

It is noted that during 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. As a result, the Company reduced its insurance liabilities in retention by a total of approx. NIS 39 million.

4. The main assumptions underlying the actuarial assessment

- A. The reserves for contingent claims in the compulsory motor, liability and personal accidents subsegments are discounted using a real annual interest rate set by the supervisor actuary. As part of the preparation of the financial statements, the actuary checks the discount rate on a quarterly basis in relation to the indicators, which include:
 - The implicit returns in the portfolio of assets held against the insurance liabilities, after amortization with

respect to expected credit defaults;

- Market returns - reflected in the “deposit yield” curve in accordance with average duration and the rating of the portfolio’s investments.

These indicators are also assessed in combination with the assessment of macroeconomic assessments regarding long-term developments in the interest rate environment, and with respect to the average duration of the relevant liabilities.

The Company may decide to change the discount rate as part of the overall testing of the adequacy of insurance liabilities, as a result of material and ongoing changes in the risk-free interest rate curve and/or the implicit return in the assets portfolio held against insurance liabilities in property and casualty insurance and/or changes in market returns.

Further to what is stated above, in view of the interest rate environment, the Company updated the estimated discount rate, according to the best practice (see (e)1 below), based on the risk-free interest rate curve adjusted according to the illiquid nature of the liability, and taking into consideration the method employed to revalue the assets held against those liabilities (as of December 31, 2023 - NIS 79 million). The total effect of the change resulted in an approx. NIS 83 million decrease in insurance reserves (retention) in the reporting year; last year - an approx. NIS 219 million decrease in insurance reserves (retention).

It is noted that, from time to time, Clal Insurance’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) and for determining the discount rate, as set out in Section E(2) below.

Following the revision, in 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.

The amortization in respect of the discounting in Clal Insurance (retention) as of the update date of the actuarial model is approx. NIS 210 million in the reporting year (last year - an approx. NIS 181 million increase).

- B. In the compulsory motor, liabilities and pupils personal accidents subsegments an addition was included in the basic reserve in respect of risk margin (standard deviation). The addition amount in Clal Insurance (retention) as of the update date of the various actuarial models is approx. NIS 166 million (last year - approx. NIS 145 million).
- C. In the analysis of the development of payments, Clal Insurance adds a claim tail, where needed. In the analysis of the development of the payment amounts and individual contingent claims, actuarial judgments will generally not allow negative IBNR at the level of each underwriting year.
- D. See also Note 20(c).
- E. Implementation of the Commissioner’s position regarding the best practice for calculating insurance reserves in property and casualty insurance (hereinafter - the “Practice”), which constitutes the basis for setting a minimum amount for the required reserves.

Among other things, the Practice includes the following stipulations:

1. The use of “prudence” means, that with regard to a reserve that was calculated by an actuary “an adequate reserve to cover the insurer’s obligations” implies that it is fairly likely that the insurance liability that was set will suffice to cover the insurer’s obligations. In the case of contingent claims in the compulsory motor and liability subsegments, the estimate of “fairly likely” shall mean a probability of at least 75%.

Nevertheless, where the statistical analysis is limited, the actuary will exercise judgment, and will refer, for example:

- A. To a random risk (risk of random deviation from the results of the actuarial model).
- B. To a systemic risk (risks that are not included in the model, for example the risk of using the wrong model or incorrect parameters, or external changes that are not reflected in the model).

The discount rate appropriate for the prudence test is based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities. In addition, this test must take into account the revaluation of the assets in the financial statements against the liabilities.

2. Selecting a discount rate to be applied to the liabilities.
3. Aggregation - for the purpose of the precautionary principle, in non-aggregated subsegments (as defined in the Circular - Non-Aggregated Subsegments), each subsegment should be taken into consideration separately, but all underwriting (or damage) years in the subsegment may be aggregated. In aggregated subsegments (aggregated), they can all be taken into consideration as a single unit. In addition, the lack of full correlation between various subsegments may be taken into account in order to reduce the overall margin.
4. Determining the amount of insurance liabilities in respect of policies that were sold close to the balance sheet date, and risks that have not yet passed.

It should be noted that according to the LAT Circular, the implementation of the precautionary principle, as stated above, constitutes a sufficient calculation for purposes of liability adequacy testing in property and casualty insurance.

5. Sensitivity analyses

Actuarial assessment is subject to significant uncertainty. The actuarial estimates for predicting contingent claims relate to the claims' expected value. Due to the stochastic nature of claims payments, there may be deviations around the expected value. In addition, the statistical estimate is based on various assumptions, which will not necessarily materialize. If there is a change in the manner in which the claims are settled or, alternatively, the total claim amount reported, a difference may arise between the actuarial assessment and actual outcome. In addition, a change in the yield may cause discrepancies between the estimates and the actual outcome.

Since the actuarial model is based on past experience, an unexpected change in the model's assumptions or the claims' behavior will result in a change in the reserve.

It should be noted that these risks were taken into account under the requirements of the Commissioner's position in the systemic risk estimates.

F. Credit risks

1. Distribution of debt assets by location

In NIS million	Balance as of December 31, 2023		
	Liquid ¹⁾	Illiquid	Total
In Israel	7,168	24,337	31,505
Abroad	145	107	252
Total debt assets	7,313	24,444	31,757

In NIS million	As of December 31, 2022		
	Liquid ¹⁾	Illiquid	Total
In Israel	6,909	22,882	29,791
Abroad	90	142	232
Total debt assets	6,999	23,024	30,023

- 1) For further details about liquid debt assets, see Note 15(a).
See also Section 2 below regarding the breakdown of assets by rating.
It should be noted that the above data are not in respect of debt assets for yield-dependent contracts.
For details regarding financial investments for yield-dependent contracts, see Section G below.

2. Breakdown of assets by rating
A.1. Debt assets

In NIS million	Local rating ¹⁾ as of December 31, 2023				Total
	AA and above	A to BBB	Lower than BBB	Unrated	
Debt assets in Israel					
Liquid debt assets					
Government bonds	4,034	-	-	-	4,034
Corporate bonds	2,467	586	-	81	3,134
Other debt assets	-	-	-	-	-
Total liquid debt assets in Israel	6,501	586	-	81	7,168
Illiquid debt assets					
Government bonds	16,634	-	-	-	16,634
Corporate bonds	284	30	-	-	314
Deposits with banks and financial institutions	550	-	-	-	550
Other debt assets by collateral:					
Mortgages	-	-	-	4,114	4,114
Loans against policies	-	-	-	6	6
Loans secured by real estate properties	210	257	-	869	1,336
Guaranteed by a bank guarantee	191	-	-	-	191
Loans secured by shares attributable to controlling shareholders	-	29	-	6	35
Other collateral	469	456	84	148	1,157
Total illiquid debt assets in Israel	18,338	772	84	5,143	24,337
Total debt assets in Israel	24,839	1,835	84	5,224	31,505
Of which - internally rated debt assets	209	39	-	-	248
Of which - debt assets that meet the principal and interest test only ²⁾	24,677	1,332	84	5,211	31,304

- 1) The sources for the ratings in Israel are Maalot, Midroog and internal rating. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: rating A includes from A- to A+.
- 2) Regarding debt assets that meet the principal and interest test, see Note 15(g).

In NIS million	Global rating ¹⁾ as of December 31, 2023				Total
	A and above	BBB	Lower than BBB	Unrated	
Debt assets abroad					
Liquid debt assets					
Corporate bonds	-	67	67	11	145
Total liquid debt assets abroad	-	67	67	11	145
Illiquid debt assets					
Loans secured by real estate properties	-	-	-	29	29
Other debt assets	-	-	-	78	78
Total illiquid debt assets abroad	-	-	-	107	107
Total debt assets abroad ²⁾	-	67	67	118	252
Of which - debt assets that meet the principal and interest test only ³⁾	-	67	67	118	252

- 1) All debt assets rated abroad were rated by well-recognized foreign rating agencies. Each rating includes all ranges, for example: rating A includes from A- to A+.
- 2) The Group does not have financial guarantees that are not accounted for as insurance contracts.
- 3) Regarding debt assets that meet the principal and interest test, see Note 15(g).

NOTE 42 - RISK MANAGEMENT (cont.)

F. Credit risks (cont.)

2. Breakdown of assets by rating (cont.)

A.1. Debt Assets (cont.)

In NIS million	Global rating ¹⁾ as of December 31, 2022				Total
	AA and above	A to BBB	Lower than BBB	Unrated	
Debt assets in Israel					
Liquid debt assets					
Government bonds	4,206	-	-	-	4,206
Corporate bonds	2,086	526	-	91	2,703
Total liquid debt assets in Israel	6,292	526	-	91	6,909
Illiquid debt assets					
Government bonds	16,417	-	-	-	16,417
Corporate bonds	271	56	-	5	332
Deposits with banks and financial institutions	653	-	-	-	653
Other debt assets by collateral:					
Mortgages	-	-	-	3,404	3,404
Loans against policies	-	-	-	9	9
Loans secured by real estate properties	95	186	-	606	887
Guaranteed by a bank guarantee	173	-	-	-	173
Loans secured by shares attributable to controlling shareholders	9	12	-	8	29
Other collateral	501	417	-	59	977
Unsecured	-	-	-	1	1
Total illiquid debt assets in Israel	18,119	671	-	4,092	22,882
Total debt assets in Israel	24,411	1,197	-	4,183	29,791
Of which - internally rated debt assets	109	122	-	-	231
Of which - debt assets that meet the principal and interest test only ²⁾	24,315	1,171	-	4,163	29,649

- 1) The sources for the ratings in Israel are Maalot and Midroog. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: rating A includes from A- to A+.
- 2) Regarding debt assets that meet the principal and interest test, see Note 15(g).

NOTE 42 - RISK MANAGEMENT (cont.)

F. Credit risks (cont.)

2. Breakdown of assets by rating (cont.)

A.1. Debt Assets (cont.)

In NIS million	Global rating ¹⁾ as of December 31, 2022				Total
	A and above	BBB	Lower than BBB	Unrated	
Debt assets abroad					
Liquid debt assets					
Corporate bonds	-	17	65	8	90
Total liquid debt assets abroad	-	17	65	8	90
Illiquid debt assets					
Loans secured by real estate properties	-	-	-	50	50
Other debt assets	-	-	-	92	92
Total illiquid debt assets abroad	-	-	-	142	142
Total debt assets abroad ²⁾	-	17	65	151	232
Of which - debt assets that meet the principal and interest test only ³⁾	-	17	65	151	232

1) All debt assets rated abroad were rated by well-recognized foreign rating agencies. Each rating includes all ranges, for example: rating A includes from A- to A+.

2) The Group does not have financial guarantees that are not accounted for as insurance contracts.

3) Regarding debt assets that meet the principal and interest test, see Note 15(g).

The following table presents a comparison between the fair value and the carrying amount of the assets that meet the solely principal and interest (SPPI) criteria and do not have a low credit risk. The carrying amount is measured in accordance with IAS 39 but before provision for impairment.

In NIS million	Balance as of December 31, 2023		Balance as of December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
Liquid debt assets	67	67	64	64
Illiquid debt assets	134	64	45	6

A.2. Credit risks in respect of other assets (in Israel)

In NIS million	Local rating ¹⁾ as of December 31, 2023			
	AA and above	A to BBB	Unrated	Total
Receivables and debit balances, excluding balances for reinsurers	28	153	528	709
Deferred tax assets	-	-	104	104
Other financial investments	124	1	167	292
Cash and cash equivalents	2,202	165	-	2,367
Total	2,435	319	799	3,472

In NIS million	Local rating ¹⁾ as of December 31, 2022			
	AA and above	A to BBB	Unrated	Total
Receivables and debit balances, excluding balances for reinsurers	178	243	253	674
Deferred tax assets	-	-	17	17
Other financial investments	37	5	255	297
Cash and cash equivalents	3,316	143	2	3,461
Total	3,531	391	527	4,449

1) The sources for the ratings in Israel are Maalot, Midroog and internal rating. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: rating A includes from A- to A+.

NOTE 42 - RISK MANAGEMENT (cont.)

F. Credit risks (cont.)

2. Breakdown of assets by rating (cont.)

A.3. Credit risks for off-balance sheet instruments (in Israel) ²⁾

Local rating¹⁾ as of December 31, 2023				
In NIS million	AA and above	A to BBB	Unrated	Total
Unutilized credit facilities	97	357	865	1,319

Local rating¹⁾ as of December 31, 2022				
In NIS million	AA and above	A to BBB	Unrated	Total
Unutilized credit facilities	27	364	789	1,180

- 1) The sources for the ratings in Israel are Maalot and Midroog. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: rating A includes from A- to A+.
- 2) The Group does not have financial guarantees provided in Israel that are not accounted for as insurance contracts.

A.4. Credit risks in respect of other assets (abroad)

Global rating¹⁾ as of December 31, 2023					
In NIS million	A and above	BBB	Lower than BBB	Unrated	Total
Receivables and debit balances, excluding balances for reinsurers	39	-	-	-	39
Other financial investments	677	-	-	4	681
Cash and cash equivalents	170	-	-	11	181
Total	886	-	-	15	901

Global rating¹⁾ as of December 31, 2022					
In NIS million	A and above	BBB	Lower than BBB	Unrated	Total
Receivables and debit balances, excluding balances for reinsurers	26	-	-	-	26
Other financial investments	253	-	-	4	257
Cash and cash equivalents	130	-	-	-	130
Total	410	-	-	4	414

- 1) All debt assets rated abroad were rated by well-recognized foreign rating agencies. Each rating includes all ranges, for example: rating A includes from A- to A+.

A.5. Credit risks for off-balance sheet instruments (abroad) ²⁾

Global rating¹⁾ as of December 31, 2023					
In NIS million	AA and above	A to BBB	Lower than BBB	Unrated	Total
Unutilized credit facilities	-	-	-	-	-

Global rating¹⁾ as of December 31, 2022					
In NIS million	AA and above	A to BBB	Lower than BBB	Unrated	Total
Unutilized credit facilities	-	-	-	10	10

- 1) All debt assets rated abroad were rated by well-recognized foreign rating agencies. Each rating includes all ranges, for example: rating A includes from A- to A+.
- 2) The Group does not have financial guarantees provided abroad that are not accounted for as insurance contracts.

NOTE 42 - RISK MANAGEMENT (cont.)

F. Credit risks (cont.)

3. Additional information regarding the rating of debt assets

Internal credit rating based on a model created by Clal Insurance. Clal Insurance validates the internal model on a periodic basis against the ratings by external rating agencies, and other credit rating models. These checks showed a good correlation between the internal rating and the external ratings.

4. The information regarding credit risks in this note does not include the assets for yield-dependent contracts presented in Section G below.

5. For collectible premium balances, see Note 13.

6. Regarding the aging of investments in illiquid financial debt assets, see Note 15(b)(2).

7. Details of exposure to economic sectors in respect of investments in liquid and illiquid financial debt assets

In NIS million	As of December 31, 2023		Off-balance-sheet credit risk
	Amount	% of total	
Economic sector			
Manufacturing	25	0%	-
Construction & real estate	3,449	11%	1,000
Electricity and water	1,146	4%	125
Commerce	33	0%	-
Communications and IT services	83	0%	-
Banks	1,512	5%	-
Financial services	258	1%	-
Other business services	274	1%	26
Private individuals	4,310	14%	168
Government bonds	20,667	64 %	-
Total	31,757	100%	1,319

In NIS million	As of December 31, 2022		Off-balance-sheet credit risk
	Amount	% of total	
Economic sector			
Manufacturing	19	0%	-
Construction & real estate	3,018	10%	1,028
Electricity and water	1,001	3%	30
Commerce	36	0%	-
Communications and IT services	67	0%	-
Banks	1,216	4%	-
Financial services	112	0%	-
Other business services	259	1%	-
Public services	86	0%	-
Private individuals	3,586	12%	132
Government bonds	20,623	70%	-
Total	30,023	100%	1,190

NOTE 42 - RISK MANAGEMENT (cont.)**F. Credit risks (cont.)****8. Reinsurance****A. Clal Insurance's policy regarding the management of credit risks in connection with reinsurers**

Clal Insurance Group reinsures part of its business - mostly through foreign reinsurers. However, the reinsurance does not release the consolidated insurance companies from their obligation to their policyholders under the insurance policies.

The Group is exposed to risks arising from uncertainty about the ability and/or willingness of reinsurers to pay their share of liabilities in respect of insurance contracts (reinsurance assets) and their debts in respect of claims paid. This exposure is managed by ongoing monitoring of the reinsurer's position in the global market, as well as fulfillment of its financial obligations.

In accordance with the Commissioner's guidance, once a year the boards of directors of the consolidated insurance companies set maximum exposure limits to specific reinsurers and groups of reinsurers, with which the Clal Insurance Group entered and/or will enter into engagements - based on their international rating. These exposures are managed by specific assessments of the reinsurers, the exposure to which is significant, and by monitoring indications of the risk level in relation to all reinsurers with which the Clal Insurance Group enters into engagements. The Risk Management Department conducts quarterly monitoring of the exposures to reinsurers, which are reported to it, monitors the large reinsurers' financial position based on a range of data sources, including from international capital markets, and implements a credit control to analyses performed in relation to specific reinsurers. Every quarter, the Risk Management Department reports to the boards of directors about the exposure compared with the limits that were set.

In addition, these companies' exposures are diversified among various reinsurers; the main exposures are in respect of reinsurers who have high international ratings.

As a result of the implementation of the policy described above, the concentration of the exposure to a single reinsurer is not high, although the Company may be exposed to a concentration of credit risk in respect of a single reinsurer in a catastrophe event.

NOTE 42 - RISK MANAGEMENT (cont.)

F. Credit risks (cont.)

8. Reinsurance (cont.)

B. Information on exposure to credit risks of reinsurers

As of December 31, 2023

In NIS million	Total pre- miums to rein- surers for 2023	Net recei- vable (payable) balances ²⁾	Reinsurance assets net of the reinsurers' share of deferred acquisition costs					Deposits by rein- surers	Amount of letters of credit received from rein- surers	Total expo- sure ¹⁾	Delinquent debt	
			In life insu- rance	In health insu- rance	In pro- perty insu- rance	In liability insu- rance	Total rein- sur- ance assets				Be- tween six months and one year	Over one year
Rating group AA and above Swiss												
Re	324	(73)	238	62	181	77	558	224	65	196	-	-
Others	478	(67)	129	62	312	652	1,155	358	3	726	6	-
Total	802	(140)	367	124	493	729	1,712	582	68	922	6	-
A	889	(80)	1	14	499	1,213	1,727	435	20	1,193	1	1
BBB	15	6	-	-	14	171	185	132	-	59	-	-
Less than BBB - or unrated	7	(5)	-	-	4	59	63	-	-	58	-	-
Total	1,713	(220)	368	138	1,010	2,171	3,687	1,149	87	2,231	7	1

NOTE 42 - RISK MANAGEMENT (cont.)

F. Credit risks (cont.)

8. Reinsurance (cont.)

B. Information regarding exposure to credit risks of reinsurers (cont.)

As of December 31, 2022

In NIS million	Total pre-miums to reinsurers for 2022	Net receivable (payable) balances ²⁾	Reinsurance assets net of the reinsurers' share of deferred acquisition costs					De-posits by reinsurers	Amount of letters of credit received from reinsurers	Total exposure ¹⁾	Delinquent debt	
			In life insurance	In health insurance	In property insurance	In liability insurance	Total reinsurance assets				Between six months and one year	Over one year
Rating group AA and above Swiss												
Re	301	(103)	201	55	199	85	540	191	43	203	-	-
Others	585	(89)	130	65	378	1,186	1,759	544	5	1,122	1	-
Total	885	(192)	331	120	577	1,272	2,300	735	48	1,325	1	-
A												
Lloyd's	104	(15)	-	-	49	298	348	-	-	332	-	-
Others	674	(48)	-	36	459	989	1,484	304	19	1,113	2	1
Total	778	(63)	-	36	508	1,287	1,832	304	19	1,445	2	1
BBB	72	-	-	-	14	197	211	153	-	58	-	-
Less than BBB - or unrated	13	(4)	-	-	9	62	71	-	-	67	-	-
Total	1,749	(260)	332	156	1,108	2,818	4,413	1,192	67	2,895	3	2

- (1) Total exposure to reinsurers is: Total insurance assets (the reinsurers' share in the liabilities in respect of insurance contracts net of deferred acquisition costs for reinsurance), net of the deposits and net of the amount of letters of credit received from the reinsurers as guarantee for their liabilities plus (less) the net current receivable (payable) balances.
- (2) Net of allowance for doubtful accounts of NIS 6.5 million (last year - NIS 6.3 million). The balances do not include insurance companies' balances in respect of co-insurance.
- (3) Total allowances for doubtful account plus the reduction of reinsurers' share in the liabilities in respect of insurance contracts amounts to NIS 9.4 thousand (last year - NIS 7.5 million), which constitute 0.4% of total exposure (last year - 0.3%).
- (4) The rating is mainly assigned by the rating agency S&P; where S&P does not assign a rating, it is assigned by another rating agency and converted according to a formula set in the Investment Methods Regulations.
- (5) Total exposure of the reinsurers to an earthquake event with maximum potential loss (MPL) ranges between 1.55% and 3% of the insurance amount, according to the insurance subsegments and the characteristics of the insured property, is NIS 11,985 million, of which the share of the most significant reinsurer is 16.3%.
- (6) There are no additional reinsurers in addition to those listed above the exposure to which exceeds 10% of total reinsurance exposure or the premium in respect of which exceeds 10% of total reinsurance premiums for 2023.
- (7) The non-rated group includes balances in respect of contingent claims through brokers through 2003, the exposure in respect of which is NIS 0 million (last year - NIS 0.2 million).
- (8) The data include balances of Israeli companies, which were included in accordance with a rating conversion table as stated in Section D above, of NIS 0.6 million (last year - NIS (1) million).

NOTE 42 - RISK MANAGEMENT (cont.)

G. Information on financial investments for yield-dependent contracts

1. Breakdown of composition of investments by linkage bases

As of December 31, 2023					
In NIS million	Non-linked	CPI-linked	In foreign currency or linked thereto ¹⁾	Non-financial and other items	Total
Cash and cash equivalents	3,084	-	1,334	-	4,418
Liquid assets	8,077	15,704	10,806	25,961	60,548
Illiquid assets	4,875	3,286	657	14,767	23,585
Total Assets	16,036	18,990	12,797	40,728	88,551

As of December 31, 2022					
In NIS million	Non-linked	CPI-linked	In foreign currency or linked thereto ^{1) *)}	Non-financial and other items	Total
Cash and cash equivalents	6,884	-	1,574	-	8,458
Liquid assets	8,104	12,844	8,956	25,324	55,228
Illiquid assets	5,337	3,640	749	12,177	21,390
Total Assets	20,325	16,484	11,279	37,501	85,589

1. The primary foreign currency is the USD.

2. Credit risk for assets in Israel

As of December 31, 2023

In NIS million	Local rating ¹⁾				Total ²⁾
	AA and above	A to BBB	Lower than BBB	Unrated	
Debt assets in Israel:					
Government bonds	8,823	-	-	-	8,823
Other debt assets - liquid	11,407	2,669	133	487	14,696
Other debt assets - illiquid	2,311	1,280	96	4,182	7,869
Total debt assets in Israel	22,541	3,949	229	4,669	31,388
Of which - internally rated debt assets	521	160	-	-	681

As of December 31, 2022

In NIS million	Local rating ¹⁾				Total ²⁾
	AA and above	A to BBB	Lower than BBB	Unrated	
Debt assets in Israel:					
Government bonds	9,092	-	-	-	9,092
Other debt assets - liquid	8,875	2,169	-	448	11,492
Other debt assets - illiquid	2,394	1,732	-	4,923	9,049
Total debt assets in Israel	20,361	3,901	-	5,371	29,633
Of which - internally rated debt assets	181	404	-	-	585

1) The sources for the ratings in Israel are Maalot and Midroog. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: rating A includes from A- to A+.

2) The carrying amount is an approximation of the maximum credit risk. Therefore, the "Total" column represents a maximum credit risk.

NOTE 42 - RISK MANAGEMENT (cont.)

G. Information on financial investments for yield-dependent contracts (cont.)

3 Credit risk for assets abroad

As of December 31, 2023

In NIS million	International ratings ¹⁾				Total ²⁾
	AA and above	A to BBB	Lower than BBB	Unrated	
Total debt assets abroad	466	2,010	2,009	391	4,876

As of December 31, 2022

In NIS million	International ratings ¹⁾				Total ²⁾
	AA and above	A to BBB	Lower than BBB	Unrated	
Total debt assets abroad	207	2,004	2,008	1,120	5,339

1) All debt assets rated abroad were rated by well-recognized foreign rating agencies. Each rating includes all ranges, for example: rating A includes from A- to A+.

2) The carrying amount is an approximation of the maximum credit risk. Therefore, the "Total" column represents a maximum credit risk.

H. Geographical risks

As of December 31, 2023

In NIS million	Government bonds	Corporate bonds	Shares	ETF / ETNs *)	Mutual funds	Investment property	Other investments	Total balance sheet exposure	Derivatives in delta terms	Total
Israel	20,667	3,582	1,124	97	146	1,319	10,535	37,470	48	37,518
USA	-	2	328	223	519	101	3,058	4,231	450	4,681
UK	-	-	-	-	-	-	488	488	-	488
Germany	-	-	-	-	-	-	838	838	-	838
Switzerland	-	-	-	-	-	-	601	601	-	601
Emerging markets	-	-	-	-	-	-	216	216	-	216
Others	-	8	219	7	8	74	2,216	2,532	-	2,532
Total Assets	20,667	3,592	1,671	327	673	1,494	17,952	46,376	498	46,874

As of December 31, 2022

In NIS million	Government bonds	Corporate bonds	Shares	ETFs / ETNs *)	Mutual funds	Investment property	Other investments	Total balance sheet exposure	Derivatives in delta terms	Total
Israel	20,623	3,117	1,096	66	207	1,290	10,723	37,122	16	37,138
USA	-	-	543	483	252	98	2,537	3,913	112	4,025
UK	-	-	-	-	-	-	730	730	-	730
Germany	-	-	-	-	-	-	1,095	1,095	-	1,095
Switzerland	-	-	-	-	-	-	629	629	-	629
Emerging markets	-	-	-	-	-	-	239	239	-	239
Others	-	8	213	21	1	87	2,026	2,356	8	2,364
Total Assets	20,623	3,125	1,852	570	460	1,475	17,979	46,084	136	46,220

*) Including foreign ETNs

NOTE 42 - RISK MANAGEMENT (cont.)

2. Review of Risks - Max

A. 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 operational risks, including information security and cyber risks, compliance risks, reputational risk and ESG risks arising from the business activities. In addition, Max operates in a developing business environment with regulations that also expose it to strategic and regulatory risks. 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.

Following are details of the material risks to which Max is exposed, and their definition:

- **Credit risk** - a risk that a borrower or a counterparty of Max will fail to meet its obligations to Max, as they were agreed upon.
- **Market risk** - The risk of loss in on-balance sheet and off-balance sheet positions as a result of a change in the fair value of a financial instrument due to change in market conditions (changes in price levels in various markets, interest rates and foreign exchange rates, inflation rates, prices of shares and commodities).
- **Liquidity risk** - a risk to Max's income and stability arising from its inability to meet its liquidity needs.
- **Operational risk** - The risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events. This definition includes legal risk but does not include strategic risk and reputational risk".
- **Information security and cybersecurity risk** - the potential for damage resulting from an occurrence of a cyber incident, taking into account its probability and the severity of its impact. A cyber incident is an event during which the Company's IT and/or embedded systems and infrastructures are attacked by, or on behalf of, opponents (whether external or internal to Max), and such attack may result in the materialization of the cyber risk.
- **Legal risk** - The risk arising from an activity of Max regarding which there is a concern that it is not in line with regulations or case law, and the 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 Max's rights, or failure to give appropriate guidance due to changes in regulatory directives, case law, or Max's contractual obligations.
- **Compliance risk** - the risk of a legal or regulatory sanction being imposed, a material financial loss or reputational damage incurred by Max as a result of failing to comply with laws and regulations.
- **Regulatory risk** - the risk arising from the possible effect of the application of additional regulatory provisions on the results of the business activity of Max.
- **Strategic risk** - the risk of adversely affecting Max's income, 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.
- **Reputational risk** - the potential that negative publications, market rumors, or the public perception regarding the operating methods of Max, will lead to a decline in its customer base, or result in high legal costs, or a decrease in income.
- **Macroeconomic risk** - the risk that the income and capital of Max may be adversely affected by a deterioration in the macroeconomic environment in Israel and across the world.
- **Environmental and climate risks (ESG)** - the risk of loss resulting from non-compliance with environmental directives and their enforcement. In recent years, the definition of environmental risk has expanded, and currently also includes the organization's effect on the environment even if it is not directly associated with a financial loss.
- **Model risk** - the risk that the model is exposed to loss or to reputational damage incurred by Max, due to business decisions based on erroneous or biased model results, or on excessively broad interpretation of the model results.

B. Risk appetite

The risk appetite is usually defined with a forward-looking view and defines the risk level that Max is willing and able to assume and reflects the risk perspective of the Board of Directors. The definition of the risk appetite of Max is one of the key tools used by the Board of Directors for control over the risks assumed by Max.

Risk tolerance is the maximum risk level that Max is willing assume considering its resources, without violating

the limits dictated by regulatory capital and liquidity requirements, the operating environment and its liabilities, also from the aspect of conduct towards shareholders, customers, and other interested parties.

The risk appetite is determined taking into consideration the strategic and business targets defined by Max and the material risks to which Max is exposed. The risk appetite is determined within the limits of the risk tolerance of Max.

Max has a risk appetite document with quantitative and qualitative limits, which is approved by the management and the Board of Directors. The document is reviewed and revised periodically.

C. Risk management principles

Risk management is performed, among other things, in accordance with Proper Conduct of Banking Business Directive No. 310 - Risk Management. Risk management at Max is reviewed and revised regularly subject to the directives and guidance of the Banking Supervision Department and taking into account changes in the business environment and policy of Max.

Following are the key risk management principles:

- The risk management concept is formed at the Group level (Max and its subsidiaries), from a forward-looking approach that includes the identification and monitoring of existing risks, alongside the identification of new risks. Risks are managed with an integrated, corporate level perspective, all along the managerial chain and across business units.
- The corporate governance structure at Max is based on the three lines of defense. The first line of defense is the business lines, which assume the risk and bear full responsibility for risk management and for implementing an adequate control environment for their activities. The second line of defense is an independent risk management function headed by the Chief Risk Officer, who is charged with assisting management in promoting an integrated, corporate-level risk perspective, planning, maintaining, and developing the risk management framework, and reviewing the adequacy of business line inputs for risk management and risk-taking processes. The third line of defense is the internal audit, which is charged with reviewing the adequacy and effectiveness of the risk management processes at Max and exposing internal control weaknesses.
- Risk management policy papers were drawn up for each of the material risks, and include reference to the risk management framework, limitations, and indicators for identifying the materialization of the risk. The policy papers are approved by the management and the Board of Directors and are revised periodically.
- Mapping risks in new products - The exposure of Max increases when it launches a new activity, implements new business processes or develops new products, and enters unfamiliar markets. Before launching a new product or activity, the risks embodied therein are mapped and assessed, and there is an assessment of the existence of appropriate tools and the expertise required to monitor and control the risks. Max has policies and procedures for mapping risks in new products, which include reference to the relevant factors that are required in the process for approving the new product or activity.
- Stress scenarios are a forward-looking complementary tool for risk management at Max. Max is making preparations to address risks, which, if they materialize, could cause serious disruptions to normal business activity. The stress scenarios are used in processes such as: capital planning, liquidity management, determining risk appetite, and risk identification processes.

Max has a document of crisis management guidelines, which outlines an overall approach to various types of crisis management, and which aims to address effectively, to the extent possible, disruptions and failures that may arise due to external or internal events, and to allow maximum business continuity.

- Conduct risk is the risk that the conduct of Max, by act or omission, may have an undesirable result for its customers (integrity, fairness, and transparency) and as a result, may lead to the materialization of legal damages, imposition of fines, and/or reputational damage, and is integrated in all of the business activities of Max. Risk is managed routinely and includes a constant review of changes in business, consumer, competitive, and technological environments. Proper risk management aims to ensure fair treatment of customers and maintenance of public trust in the activity of Max. In this context, Max ensures that the culture, processes, services, and products that it offers align with customer expectations and requirements.

- Result of the capital adequacy assessment process at Max - Capital planning aims to ensure capital adequacy in a normal business situation and in stress scenarios, based on the assessment of changes in activity and exposure to risks and estimates for the extent of future capital sources available to Max.

Capital planning at Max reflects a forward-looking view of the scope of business activity compared with the risks and required capital adequacy ratio. The calculation is based on a three-year work plan approved by the Board of Directors, which includes assumptions relating to the expected changes, including growth in business lines and the increase in activity, regulatory requirements and changes, and macroeconomic forecasts.

As part of the capital adequacy assessment process, Max is required to perform forward-looking stress scenarios to identify events or possible changes in market conditions, which may have an adverse effect on Max, and to ensure that Max has adequate capital to support its risks.

In accordance with the Internal Capital Adequacy Assessment Process (ICAAP), Max has adequate capital to meet regulatory requirements, and to address the risks and stress scenarios that may materialize.

D. Processes for managing the various risks:

1. Credit risk

Credit risk is defined in accordance Proper Conduct of Banking Business Directive 311, as a risk that a borrower or counterparty of Max will fail to meet their obligations to Max, as they were agreed upon.

In accordance with Proper Conduct of Banking Business Directive 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.

2. 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 credit segment, 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.

3. 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 various 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.

4. Model-based underwriting

Most of the consumer credit underwriting that is advanced by Max, is provided through a model-based underwriting process, which is based on statistical credit scoring models, which 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, which 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, so as to make it possible to estimate the risk level of customers included in the credit portfolio.

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.

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, Max 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 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 Max'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 various 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 various 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 for 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, which 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.

5. **Commercial credit**

This credit is advanced to small and micro merchants and limited liability companies. The risk arises from the exposure in respect of various 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 fourth quarter of 2023, Max started advancing loans as part of a new fund for state-backed loans (as part of the Iron Swords War), which offers loans to all 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 Max serves as an acquirer. Acquiring is a source for settling the debt. Alongside with its activities with customers that use its acquisition services, Max 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.

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 2023, there was no material change in Max's exposure to foreign financial institutions.

6. **Market risks**

Market risk is defined in Proper Conduct of Banking Business Directive 339 as risk of a loss in on-balance - sheet and off-balance sheet positions arising from a change in the fair value of a financial instrument due to a change in market conditions (such as changes in price levels in different markets, interest rates, foreign exchange rate, inflation, and share and commodities prices).

Max has a policy for the management of market risks, which is approved by Max'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. Max 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

Interest rate risk is defined in Proper Conduct of Banking Business Directive No. 333 as the risk to income 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 an imperfect correlation between interest rate changes in different financial markets, or different instruments with similar repricing characteristics. Alongside Max's interest-bearing credit assets, most of which bear variable interest (the Prime interest spread), Max raises liabilities in the form of funding sources which include, among other things, bonds.
- 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 income 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 hedges only.

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 Max in order to increase income.

Most of Max's exposure to changes in exchange rates arises from its activities, that is to say, acquiring and issuing, 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 changes, the steps required to mitigate it will be considered.

7. Liquidity and financial risk

In accordance with Proper Conduct of Banking Business Directive 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, i.e. - issuing, acquiring 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 acquiring 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.

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

8. 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 issuing 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 acquiring 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.

Operational risk management

Operational risk management at Max complies with Proper Conduct of Banking Business Directives, which determine, among other things, basic risk management principles. Risk management at Max is an ongoing process of identifying and assessing risks, ongoing measurement of the exposures and capital requirements to cover these risks and reporting to management and the Board of Directors.

Following are the key principles in operational risk management:

- **The three lines of defense** - The first line of defense is the business units that assume the risk, which is charged with formulating the internal controls to reduce exposure and minimizing the probability of materialization of the risks and the damage arising from materialization. The second line of defense is operational risk management, headed by the Chief Risk Officer, who is an independent entity that outlines the risk management policy and work framework. The third line of defense is the internal audit, which performs independent audits.

- **Operational risk policy** - Max has an operational risk policy, which is validated and approved by the management and Board of Directors once a year. The policy includes corporate governance for risk management, the risk management framework, and risk appetite limitations.
- **Operational risk map** - Max manages an operational risk map of the main processes at Max. The risk map includes assessment of the inherent risk, assessment of the control, and assessment of the residual risk. The operational risk map serves as a support tool for business decision making and assessment of the exposure to operational risk.
- **Risk identification, measurement, and assessment methodology** - Max has a uniform methodology for identifying and assessing the operational risks inherent in its activities. The identification methodology uses various tools and includes quantitative and qualitative risk assessment and assessment of the effectiveness of the controls over the risks.
- **Operating loss and near loss events** - Max has a regulated process for reporting operating loss and near-loss events, and a process for drawing conclusions and learning from these events. Collection of data on loss events supports, among other things, the process for assessing operating risk exposure.

Other risks

9. 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 incident, taking into account its probability and its severity of its impact. A cyber incident 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 Max), 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.

10. 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 308 on compliance, Max manages 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.

11. 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 Max'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. As a result, decision-making on risk management takes into consideration business and legal aspects.

12. 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 industry, 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.

13. Strategic Risk

A strategic risk is the risk of adversely affecting Max's income, 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 continual assessment of its strategy, while maintaining the core values of Max's strategic plan. Validation is performed in view of reviews and assessments of different events in the work environment (such as regulation, competition, and technology), and assessment of the anticipated changes in Max's operating sectors, including risks that may arise from these changes, exposure to their materialization, and measures to be taken by Max if the risks materialize. Strategic risk management at Max includes the following activities:
 - Formulating a long-term strategic plan, which 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 line 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.

14. Reputational risk

Reputational risk is the potential that negative publications, whether true or false, market rumors, public perception, or social protests regarding the operating methods of Max and its employees, will have an adverse effect on its reputation and good name, or lead to a decline in its customer base, or result in high legal costs, or a decrease in income. 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, as well as Max's collaborations with other companies and entities, embody 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 by Max is composed, first and foremost, of a process for identifying reputational exposures (any action that may be associated with the brand and lead to negative media coverage or discourse), which is addressed using the New Product Procedure. Monitoring and response are carried out continuously. The management of the reputational risk is regulated as part of a dedicated policy.

15. Macroeconomic risk

Macroeconomic risk is the risk that Max's income 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, which 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 high interest rate environment in 2023 is 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 preparing for the possibility that the macroeconomic risk will increase, partly due to the economic consequences of the Iron Swords War and the effect of the downgrade of the rating of the State of Israel.

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 Max's CEO, in its top risk management committee, and the Board of Directors' Risk Committee.

16. Environmental and climate risks (ESG)

The definition of environmental risk is the risk of loss resulting of non-compliance with environmental protection directives and enforcement thereof. In recent years, the definition of environmental risk has expanded, and currently also includes the organization's effect on the environment even if it is not directly associated with 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 to 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.

Max monitors developments in the regulation and the relevant requirements and works accordingly to implement the directives.

17. Model risk

Model risk is the exposure to loss or to damage to Max's reputation, due to business decisions based on erroneous or biased model results, or on excessively broad interpretation of the model results. This risk may arise, among other things, due incompatibility of the model with the business reality, usability that is not in line with the designation, and errors in calculations and data when applying the model.

The principles for model risk management are defined in Max's policy, which outlines independent validation processes, corporate governance, authorization hierarchy, and risk management processes. The use of models in decision-making processes has been growing in recent years, and accordingly the model risk management system at Max is compatible with this direction as appropriate and required.

In response to growing local and global uncertainty, Max is boosting the processes for model risk management, including the extent and frequency of monitoring, to mitigate and minimize model risks.

NOTE 43 - RELATED AND INTERESTED PARTIES**A. Parent company, controlling shareholder and subsidiaries**

- (1) Further to Note 1, as of the report publication date, the Company does not have a core control interest.

On October 19, 2020, the Company received a letter from the Commissioner with respect to "Update regarding the Outline for Exercising Means of Control in Clal Insurance" (which replaced the Commissioner's letter on this topic of July 21, 2020), which provides, among other things, the Commissioner's reference to the arrangements that will apply to the exercise of the Company's means of control in Clal Insurance, including with respect to the appointment of directors in Clal Insurance and in the Company, and participation in Clal Insurance's General Meeting (hereinafter - the "Outline for Exercising Means of Control"). On November 30, 2020, the Commissioner sent a clarification letter in connection with the Outline for Exercising Means of Control. On December 25, 2022, an additional clarification letter was received in connection with the tenure of directors at Clal Insurance.

On March 27, 2023, the Company received a letter from the Commissioner, which includes, among other things, an update to the insurer license of the institutional entities that are controlled by the Company, and conditions that will apply to the Company in connection with the holding of means of control in Clal Insurance; it was decided that the Outline for Exercising Means of Control in Clal Insurance shall continue to be in effect, and a reference was made to the Company's financial stability and its commitment to Clal Insurance, as a derivative of the Max It Finance Ltd. acquisition transaction (hereinafter - the "Max"). For further details, see Note 17 above.

For more information, see Note 1 above.

As of this time, permits have been received for holding means of control in the Company for a number of entities. As of this time, the interested parties in the Company (namely shareholders holding more than 5% of the Company shares) are The Phoenix group, Harel group, Dona Engineering & Construction Co. Ltd. and Alrov Properties & Lodgings Ltd.

- (2) Regarding investees, see Note 9.

During the ordinary course of its business, the Group conducted transactions with interested parties in the Company or with interested parties with a vested interest (hereinafter - "**Interested Party Transactions**"), including transactions with companies whose interested parties are interested parties in them, as well as undertakings to conduct transactions under regular commercial conditions, as part of the provision of services by the Group to interested parties and their investees (such as: insurance, insurance brokerage services, provident fund and/or pension fund management services including loans based on the savings accrued in the provident funds or the insurance policies and various financial and/or economic services and renting out assets) and/or as part of the acquisition of services and products from interested parties in the Company and/or from their investees and/or as part of the Group's investments (including investments in securities, credit, real estate and funds). Insofar as these transactions constitute negligible transactions which are not exceptional transactions pursuant to the guidelines and rules established in the procedure adopted by the Company as provided in Article 41(a3)(1) of the Securities Regulations (Annual Financial Statements), 2010, then they shall not be described separately in these statements.

B. Benefits for key management personnel (including directors)

In addition to their salaries, the Group's CEO and senior executives are entitled to non-cash benefits (such as cars, etc.). The Group also deposits monies for them in a defined benefit plan and a defined contribution plan post-employment. The chairman of the board of directors is entitled to management fees.

Senior executives also participate in the plan for options for shares of the Company granted in the years preceding the reporting year and in the reporting year (see Note 44).

1. Benefits in respect of employment of key management personnel (including the chairman of the board of directors) include¹⁾:

In NIS million	For the year ended December 31					
	2023		2022		2021	
	No. of people	NIS thousand	No. of people	NIS thousand	No. of people	NIS thousand
Short-term employee benefits	16	34	15	26	16	28
Post-employment benefits	15	2	14	1	14	1
Share-based payments ²⁾	14	5	13	5	13	8
		40		31		36

- 1) The benefits include benefits for key management personnel until the end of their employment, and benefits in respect of key management personnel from the day they are appointed.
- 2) The amount is determined based on the value of the options on the day they are granted, such that the fair value of each tranche is spread over its vesting period.

2. Benefits in respect of employment of key management personnel who are directors not employed by the Company:

In NIS million	For the year ended December 31					
	2023		2022		2021	
	No. of people	NIS thousand	No. of people	NIS thousand	No. of people	NIS thousand
Directors' compensation ¹⁾	8	4	9	4	9	3

- 1) The compensation given to directors at the Company, with the exception of the chairman of the board and the directors on behalf of the controlling shareholders, if any, is in accordance with the Company's rank, and is the maximum compensation for an expert external director pursuant to the Companies Regulations (Rules Regarding Compensation and Expenses for External Directors), 2000. It is noted that Clal Insurance bears 80% of the compensation for a joined director, if the director is paid compensation by both companies. The aforesaid amount is after participation by Clal Insurance. With regard to the terms of compensation for the chairman of the board of directors, see Section 4 below.

3. The Company acquires directors' and officers' insurance (for itself and for the Group companies); see Section 8 below. The amount paid for the Company and the Group companies:

In NIS million	For the year ended December 31		
	2023	2022	2021
For insurance for board members and officers	6	5	4

4. Chairman of the Board

- A. On February 3, 2021, the board of directors of the Company approved the appointment of Mr. Haim Samet (hereinafter - "Mr. Samet" or the "Board Chairman") as chairman of the board of directors of the Company. On April 11, 13, and 20, 2021, the Compensation Committee and the board of directors of the Company, respectively, approved the terms of office of Mr. Samet as executive chairman of the board of directors, at a 50% position, all as detailed below (hereinafter - the "**Terms of Office**"). The Terms of Office were approved by the general meeting on June 17, 2021, retrospectively, as of the date of commencement of Mr. Samet's service as Board Chairman.

The annual consideration approved for the chairman's service is in a total amount of 50% of the ceiling established in Section 2(b) of the Officer Compensation Law, plus VAT according to the law; i.e., an amount equal to 50% of the lowest cost of employment of an employee at the Company (including a contract worker employed directly by the Company or employed by a service provider employed by the Company), multiplied by 35 (hereinafter - the "Annual Consideration"), plus VAT according to the law.

Accordingly, the Board Chairman was entitled to Annual Consideration in a total amount of approx. NIS 1.6 million. The aforesaid amount is linked to the rate of increase of the lowest compensation at the Company, as stated in the Officer Compensation Law, and also in the event that it emerges that additional components are not included in the compensation ceiling established in the Officer Compensation Law (including compensation for overtime), but in any case it shall not exceed a total cost of NIS 1.75 million (including following the update of the Annual Consideration, as noted above).

The Terms of Office are consistent with the statements in the Officer Compensation Law and the Company's compensation policy, which was established, among other matters, with due attention to the provisions of Institutional Entities Circular 2019-9-6 (Amendment of the Provisions of the Consolidated Circular, Part 1, Section 5, Chapter 5, Titled "Compensation," dated July 11, 2019) (hereinafter - the "Compensation Circular"), all as detailed below.

- B. On October 13, 2021, Mr. Samet was appointed as a director of Clal Insurance, and on November 2, 2021, the board of directors of Clal Insurance approved the appointment of Mr. Samet as Board Chairman of Clal Insurance; this appointment took effect on December 23, 2021, with the approval of the Supervisor.

On November 4 and 11, 2021, the Compensation Committee and the board of directors of the Company and Clal Insurance, respectively, approved the Terms of Office of Mr. Samet as executive chairman of the board of directors, at an 80% position, as of the date of commencement of Mr. Samet's service as Board Chairman of Clal Insurance, and they shall be in effect for as long as Mr. Samet serves as Board Chairman of the companies. The Terms of Office were approved by the general meeting on December 27, 2021, retrospectively, as of the date of commencement of Mr. Samet's service as Board Chairman of Clal Insurance.

The annual consideration for the chairman's service will be in a total amount of 80% of the ceiling established in Section 2(b) of the Officer Compensation Law, plus VAT according to the law; i.e., an amount equal to 80% of the lowest cost of employment of an employee at the Company (including a contract worker employed directly by the Company or employed by a service provider employed by the Company), multiplied by 35 (hereinafter - the "Annual Consideration"), plus VAT according to the law. As long as Mr. Samet serves as joint chairman of the companies, the companies shall share the cost of the payments such that Clal Insurance bears 80% of the compensation and the Company bears 20% of the compensation.

In light of the foregoing, at this time, the Board Chairman is entitled to Annual Consideration in a total amount of approx. NIS 2.64 million. The aforesaid amount is linked to the rate of increase of the lowest compensation at the Company, as stated in the Officer Compensation Law, and also in the event that it emerges that additional components are not included in the compensation ceiling established in the Officer Compensation Law (including compensation for overtime). Once annually, an update will be provided to the Compensation Committee and the board of directors regarding the update of the Annual Consideration, as noted above (if any). It is clarified that in any case the Annual Consideration shall not exceed a total cost in the amount of NIS 2.8 million (including due to an update of the Annual Consideration, as noted above).

The aforesaid Terms of Office apply from the date of commencement of Mr. Samet's service as Board Chairman of Clal Insurance and shall be in effect for as long as Mr. Samet serves as Board Chairman of the Company and of Clal Insurance. It is clarified that these statements shall not detract from the resolution of the Company's meeting regarding the Terms of Office of Mr. Samet as Board Chairman of the Company; i.e., if he serves as chairman of the Company only, he will continue to serve in a 50% position and will be entitled to pay in the amount of NIS 1.6 million, and no more than NIS 1.75 million.

The Terms of Office include an additional immaterial cost in respect of "surplus expense cost," pursuant to the Officer Compensation Law, due to the fact that this double expense is not tax-deductible for the Company.

In accordance with the Company's compensation policy, which was established, among other matters, with due attention to the provisions of the Compensation Circular, the Board Chairman is not entitled to any variable component (cash or equity).

The Board Chairman is entitled to the reimbursement of expenses in connection with the performance of his duties, according to common practice at the Company and the Company's procedures.

The chairman is permitted to request that the Company place an appropriate vehicle at his disposal, to be fully maintained by the Company, or reimburse expenses for the use of a private vehicle of the chairman, and/or that a mobile phone be placed at his disposal, and/or additional benefits, reimbursements, and terms, taking into consideration his role as Board Chairman, all in accordance with common practice at the Company, provided that the total annual cost to the Company in respect of the Terms of Office does not exceed the Annual Consideration.

Payment to the Board Chairman for regular absence days and absence due to a health condition is also included in the Annual Consideration, according to the common practice at the Company.

The engagement with the Board Chairman is not limited in duration, and either party may give notice of termination of the engagement at any time and for any reason, with 6 months' advance notice in writing (hereinafter - the "Advance Notice Period"). The Advance Notice Period shall also apply at the end of the term of office, if it is not renewed and/or extended. The board of directors shall be permitted to waive the chairman's service during all or part of the Advance Notice Period.

All of the foregoing notwithstanding, in the event that the Board Chairman's work ends under exceptional circumstances (e.g. circumstances due to which an employee is denied eligibility for severance pay), the Company is permitted to bring about the immediate termination of this agreement without providing advance notice fees.

During the period of the agreement, the Board Chairman is permitted to engage in another/other role/s, either as an employee or as a service provider, subject to the dedication of the scope of employment stated above to the Company and the Group, and subject to restrictions concerning the avoidance of conflicts of interest and/or competition with the business of the Company and the Group and/or the Commissioner's Directives.

During the period of his service as Board Chairman, Mr. Samet may be required to serve as a director at additional companies in the Group, and he shall do so without payment of any additional consideration (except as stated with regard to Clal Insurance). If Mr. Samet is required to serve as chairman of the board of directors of additional Group companies, as stated, Mr. Samet may be entitled to the payment of additional consideration, subject to approvals as shall be required according to the law, if required. It is noted that Mr. Samet was not entitled to additional directors' compensation from Clal Insurance in respect of his service as a director, and accordingly, prior to his appointment as Board Chairman of Clal Insurance, he did not receive additional compensation in respect of this office.

Mr. Samet is providing his services as a self-employed Board Chairman, and accordingly, it was agreed that there would be no employee-employer relationship between the Company and Mr. Samet. Mr. Samet shall bear any tax payment and mandatory payments in accordance with the law in respect of any payment and benefit he receives for his Terms of Office.

The insurance, exemption, and indemnity arrangements in effect with regard to directors and officers of the Company apply to the Board Chairman.

5. Employment agreements for the former and current Chairman of the Board at Max

Mr. Yaron Bloch has served as a director at Max since March 9, 2017, and also served as Chairman of the Board at Max from March 23, 2017, until May 17, 2023.

Pursuant to his employment agreement as Chairman of the Board, Mr. Bloch was entitled to a 12-month advance notice period, insofar as his employment is terminated as stated. Accordingly, commencing from the date on which Mr. Bloch ceased to serve as Chairman of the Board (May 2023) and for a period of 12 months, Mr. Bloch continued to be entitled to the terms and conditions of his employment as these were provided in the said employment agreement.

Pursuant to the employment agreement, Mr. Bloch is entitled to an annual fixed and CPI-linked compensation as well as related benefits as is customary at Max, including annual vacation, a vehicle (Max shall bear the cost of its upkeep and the tax gross-up in respect of it), sick leave, convalescence, meals, reimbursement of expenses, a cellphone and accompanying accessories, pension contributions and advanced education fund, and in addition the arrangement provided in Section 14 of the Severance Pay Law shall apply. Mr. Bloch received a letter of indemnity and exemption from Max, and he is included in the liability insurance policy for company officers, as per the accepted norm at Max.

In 2023, Mr. Bloch's (gross) annual salary amounted to NIS 3.2 million.

In July and August 2023, the competent organs at Max approved the terms of service and employment of Ms. Maya Liquornik for her tenure as Chair of the Board of Directors at Max commencing from May 17, 2023.

Ms. Liquornik serves as an independent director at the Company, the owner of all the shares of Max's parent company, CIMax Holdings Ltd. (hereinafter - "CIMax"). Therefore, pursuant to the provisions of the law, the compensation that she is able to receive for her tenure at Max is limited to the lower of the following two amounts: (a) an amount to be calculated according to the number of meetings she has attended, whereby the amount for each meeting shall be determined in accordance with the Companies Regulations (Rules Regarding Compensation and Reimbursement of Expenses for External Directors), 2000 (hereinafter - the "External Directors Compensation Regulations"); (b) the annual amount of compensation established in the External Directors Compensation Regulations, in accordance with the Company's ranking. Ms. Liquornik has been classified as having accounting and financial expertise, and she is thus considered to be an expert director pursuant to the External Directors Compensation Regulations, and the compensation to be calculated for her is in accordance with the maximum amounts set forth in the External Director Compensation Regulations in relation to an expert director, which are updated once a year. Ms. Liquornik received a letter of indemnity and exemption, and she is included in the liability insurance policy for company officers, as per the accepted norm at Max. Furthermore, Ms. Liquornik is entitled to payment for expenses that she is required to pay out in respect of her service as the Chair of Max, pursuant to the provisions of the law.

6. CEO's employment agreement

On June 17, 2018, the board of directors of the Company and Clal Insurance approved the appointment of Mr. Yoram Naveh to the position of CEO of the Company and of Clal Insurance as of July 1, 2018.

On July 5 and 8, 2018, the Compensation Committee and board of directors of the Company and Clal Insurance, respectively, approved the terms of the engagement with Mr. Yoram Naveh in an employment agreement for an unlimited period, beginning July 1, 2018, where either party may end the engagement with 6 months' advance notice (hereinafter - the "Agreement"). On August 14, 2018, the general meeting of shareholders of the Company approved the terms of the Agreement.

The main points of the Agreement for the employment of Mr. Naveh (hereinafter - the "**CEO**") are detailed below:

The CEO's compensation will be calculated according to the provisions of the Officer Compensation Law, such that the expected expense with respect to the CEO's compensation will be calculated according to the total cost of the compensation components per year, in accordance with Section 2 of the Officer Compensation Law at the higher of: (1) two and a half million shekels (NIS 2.5 million) per year⁵ (hereinafter - the "**Sum Limit**"); or (2) the lowest compensation the Company paid an employee according to the cost of a full-time, 100% appointment percentage, directly or indirectly (including to a contract worker the Company employs directly or an employee who is employed by a service provider the Company retains), multiplied by 35 (respectively, hereinafter - the "**Minimum Salary**" or the "**Minimum Salary Limit**").

"Compensation Limit" - The higher of the Minimum Salary Limit and the Sum Limit.

The fixed salary may change from time to time, according to the mechanism noted above, with updates to the Compensation Committee and the board of directors. In addition, the fixed salary may change, in accordance with and subject to the decision of the Compensation Committee and the board of directors, in the event that it emerges that additional components (beyond the contributions towards pension and severance pay in accordance with the law) are not included in the Sum Limit or the Minimum Salary Limit established in the Officer Compensation Law.

It is clarified that such a decision is binding for the Company, even if it emerges that there is additional cost for the Company in respect of "surplus salary cost," as defined in the Officer Compensation Law (e.g. as a result of the interpretation of the provisions of the Officer Compensation Law), i.e. due to the fact that such expense is not deductible from the Company's taxable income.

The CEO shall be entitled to convert associated compensation components (such as a vehicle and benefits that exceed the relevant ceilings) into a monthly salary, provided that such conversion does not raise the cost of employment beyond the Compensation Limit.

All of the foregoing notwithstanding, it is clarified that the total compensation, as defined in the Officer Compensation Law, for the CEO shall not, in any event, exceed three and a half million NIS (NIS 3.5 million) per year (hereinafter - the "**Compensation Mechanism**").

In accordance with the foregoing, the monthly salary of the Company's CEO was in the amount of approx. NIS 211 thousand as of January 2023 (plus the value of a vehicle), and is approx. NIS 215 thousand as of January 2024, plus social benefits, with the expense in respect of the CEO's compensation based on the total cost of the compensation components for the year, totaled approx. NIS 3.3 million. A "tax penalty" may arise in respect of this expense, according to the statements in the Officer Compensation Law.

In addition, the CEO is entitled to reimbursement of expenses in connection with the performance of his duties, a mobile phone, a newspaper, and an appropriate vehicle (subject to replacement of the vehicle periodically, according to the common practice at the Company), including expenses for its maintenance and including gross-up of the value of charging the benefit in respect of the vehicle and phone for tax purposes, as well as additional related benefits as stated in the Company's compensation policy, all subject to the Compensation Limit.

The Agreement contains non-compete restrictions during the period of the Agreement. The aforesaid restrictions shall apply to the CEO with regard to the fields of insurance and finance, for a period of nine months from the date on which advance notice is given. During the 6-month advance notice period, the CEO shall receive the full linked monthly salary and the full benefits and related benefits. The Company shall be permitted to waive the work of the CEO in practice during this period, without detracting from his rights to the aforesaid terms during the advance notice period.

Various additional commonly accepted provisions and arrangements were established in the Agreement. It was also established that in the event of termination of the employee-employer relationship, for any reason (excluding exceptional circumstances in which the CEO is not entitled to severance pay, according to the provisions of the law, in respect of the period of his work for the Company), the CEO shall be entitled to the

5 CPI-linked since the Officer Compensation Law publication date (April 12, 2016). For the purpose of the calculation of the total compensation, as noted, contributions towards pensions, including disability, and contributions towards severance pay in accordance with the law that can be applied to the total compensation components shall not be taken into account.

release and/or transfer to his ownership of all monies accrued in his favor in the executive insurance plan and study fund, including the profits thereof. In addition, if and inasmuch as the amount accrued in the severance pay component of the executive insurance does not reach the amount of severance pay to which the CEO would be entitled under the law (if he were to be dismissed), the Company shall supplement the difference owed to the CEO.

The CEO is not entitled to a variable annual bonus in respect of his service as CEO.

It is noted that in accordance with the compensation policy, the compensation policy shall not impair rights accrued or created in respect of previous periods, and therefore the provisions of the Compensation Circular shall not apply to an adjustment bonus for which a provision was recorded for Mr. Naveh prior to the inception of the circular.

The CEO continues to be entitled to the adjustment bonus, as established in his previous employment agreement, in which it was determined that he would be entitled to 6 months of work, without related benefits. The provisions of the Compensation Circular with regard to retirement bonuses apply to the supplementation of the adjustment bonus, as stated above.

The existing insurance, exemption, and indemnity arrangements for directors and officers of the Company will continue to apply to the CEO.⁶

In addition, on July 3, 2018, the CEO privately purchased 3,934 shares of the Company.

During the term of his service, the Company will request that the CEO serve as a director at various companies in the Group of the Company, without payment of any additional consideration beyond the consideration paid to him under the power of and in accordance with the provisions of the Agreement.

7. Employment agreement of Max's CEO

Max's CEO and the management members are employed on personal contracts that include a fixed (CPI-linked) wage and social benefits, as well as variable compensation in accordance with Max's compensation policy.

The Max CEO's employment agreement is for an indefinite period, commencing from August 21, 2016, and each party is entitled to terminate the agreement subject to 6 months advance notice, and in any event, Max reserves the right not to use up the notice period in full or in part. In that event, Max shall pay the CEO the wage and the related benefits in respect of the advance notice period in respect of which Max has waived his work. Max's CEO is entitled to social and related benefits (executive insurance, pension fund, advanced education fund, vacation and sick leave, convalescence pay, cellphone and additional benefits, as is the accepted norm at the Company. In addition, the CEO is entitled to a vehicle and Max bears the cost of its upkeep and the tax gross-up in respect of it.

On termination of his work, under the agreement, the CEO is entitled to payment of severance pay at a rate of 250%, minus those amounts that have accrued to the CEO's credit in respect of his period of employment due to the provisions for the compensation component. Furthermore, the CEO is entitled to an adjustment period in accordance with the circumstances set forth in the agreement. In addition, the CEO is committed to a non-compete period of 6 months.

The existing insurance, exemption, and indemnity arrangements for Max's directors and officers apply to the CEO.

In 2019, Max's CEO was awarded restricted stock units (RSU) of CIMax 2019 as part of an equity compensation plan for managers at Max as this was updated in January 2022. Furthermore, in January 2022, he was awarded special stock options (which are not included in Section 102 to the Income Tax Ordinance), which vest on the occurrence of a sale or issuance event, subject to the terms and conditions in the plan, until the date set forth in the plan. On March 27, 2023, on completion of the transaction for the acquisition of CIMax by the Company, the vesting of all the bonuses that had not yet vested was expedited and the Max managers joined in the transaction and sold their shares in CIMax as a part of it.

On May 23, 2023, the Max Board of Directors decided to approve the allocation of option warrants for the Max CEO, the Max company officers and some of its managers, which would be exercisable as ordinary shares of the Company (see Note 44 to the Financial Statements).

⁶ The CEO received a letter of exemption and a letter of indemnity from the Company, like the directors and officers of the Company.

8. Exemption from insurance or indemnification undertaking for officers effective as of the end of the reporting period

A. The following is a description of the arrangement applicable with regard to directors' and officers' liability insurance at the Company:

- (1) Beginning December 1, 2014, the Company purchased officers' liability insurance policies for a period of one year. Each of these policies is jointly for the Company and companies in the Company's Group, including Clal Finance and CIMax group. Clal Insurance is not the insurer in the aforesaid policies. On December 18, 2016, for the first time, the general meeting of shareholders of the Company approved a compensation policy that includes a section on exemption, indemnity, and insurance for officers. According to the Compensation Policy, the Company may purchase officer liability insurance for the Group's officers, at insurance amounts no higher than USD 400 million; on January 3, 2021, the Compensation Policy was updated, such that the annual premium cost and the deductible amount in respect of the policy shall be in accordance with prevailing market conditions when drafting the relevant policy, and at an immaterial cost to the Company. In addition, the Company may purchase run-off officer insurance if the control of the Company and/or a subsidiary is transferred.

Pursuant to the aforesaid resolution, the Company entered into an insurance policy issued by an insurer that is not a related party, for the period from December 1, 2022, to November 30, 2023, and later from December 1, 2023, to November 30, 2024 (hereinafter - the **"2023 and 2024 Policies"**), in which the Company acquired insurance coverage for officers of the Company and its investees, including Clal Finance Ltd. and its investee companies. The overall liability limit of each of the 2023 and 2024 Policies is up to USD 130 million, in respect of one claim or cumulatively, respectively (coverage over USD 100 million does not apply to past activity). The total annual premium is within the amount and/or mechanism approved in the resolution of the general meeting, as stated above.

B. The following is a description of the arrangement applicable with regard to directors' and officers' indemnity at the Company:

- (1) On October 10, 2002, the general meeting of the Company approved an undertaking to indemnify directors and officers of the Company and of additional companies in the Group, up to a rate of 25% of the shareholders' equity of the Company at the date of the indemnity. Accordingly, the Company grants letters of indemnity to officers in the Company and certain subsidiaries.
- (2) On April 16, 2008, the audit committee and board of directors of the Company approved the granting of updated letters of indemnity to officers of certain companies in the Group, which are similar in essence to the letters of indemnity approved as stated.
- (3) On May 3, 2012, in light of Amendment 16 to the Companies Law, and in accordance with the provisions of the Law for More Efficient Enforcement Procedures at the Israel Securities Authority (Legislative Amendments), 2011, and the Law for Increased Enforcement in the Capital Market (Legislative Amendments), 2011, the general meeting of the Company approved the granting of new letters of indemnity by the Company to directors and officers of the Company and/or of additional companies in the Group (hereinafter - the **"New Indemnity Letter"**), up to a rate of 25% of the equity attributable to the Company's shareholders at the date of the indemnity. Accordingly, the Company grants letters of indemnity to officers in the Company and certain subsidiaries.

The provisions of the New Indemnity Letter supersede any prior commitment or agreement (preceding the signing of the New Indemnity Letter), whether written or oral, between the Company and the officer on the matters stated in the New Indemnity Letter, also with reference to events that occurred before the New Indemnity Letter was signed. The aforesaid is subject to the previous indemnity letter granted to the officer, if any, continuing to apply and remaining in effect with regard to any event that occurred prior to the signing of the New Indemnity Letter (even if the proceeding in respect thereof was filed against the officer after the signing of the New Indemnity Letter), if the terms of the New Indemnity Letter worsen the terms of the indemnity for the officer with respect to such event, subject to all laws.

On July 28, 2013, the general meeting of shareholders of the Company approved the correction of omissions in the definitions of "administrative proceeding" and "payment to a party harmed by a breach" in the New Indemnity Letter that were not in accordance with the definitions as they appear in the articles of the Company. Accordingly, the definitions of "administrative proceeding" and "payment to a party harmed by a breach" in the New Indemnity Letter were adjusted to the definitions that appear in the Company's articles.

- (4) Beginning in 2017, the Company's compensation policy, as approved from time to time by the general meeting of shareholders of the Company, includes, as stated, a section on exemption, indemnity, and insurance for officers.

The Company's compensation policy states that the Company shall be permitted to grant letters of indemnity in the format it decides upon and that has been approved and/or will be approved by the general meeting of shareholders of the Company.

Accordingly, the Company granted letters of indemnity to directors and officers of the Company and to other position holders.

Some of the Group's subsidiaries gave indemnity letters to their officers (sometimes in addition to the Company's indemnity letters), such that the indemnity amount therein does not exceed 25% of the shareholders' equity of those companies or NIS 1 million.

- C. The following is a description of the arrangement applicable with regard to exemption for directors and officers of the Company:

On October 9, 2016, the Company's Compensation Committee and Board of Directors approved the granting of a release of liability to the Company's officers, subject to receiving the approvals required to grant the exemption under the law. Such an exemption will not apply to a decision or transaction in which the controlling shareholder or any officer in the Company (including an officer other than the one to which the exemption is granted) has a vested interest. The Company's compensation policy as of 2017, as approved by the meeting from time to time, states that the Company shall be permitted to grant release of liability to officers of the Company, as stated above.

Accordingly, the Company granted letters of exemption to directors and officers of the Company.

C. Balances of related parties and interested parties

	As of December 31, 2023		As of December 31, 2022	
	Related party/ interested party			
In NIS million	Other related parties	Investees	Other related parties -	Investees
Financial investments in respect of yield-dependent contracts	1,371	3	1,201	13
Other financial investments:				
Liquid debt assets	118	-	71	-
Illiquid debt assets	24	122	27	1
Shares	57	-	65	-
Loans to equity-accounted investees ¹⁾	-	2	-	7
Receivables and debit balances	-	2	-	4
Payables and credit balances	-	-	-	13

1) Included in the investments in investees line item.

D. Amounts included in the statement of income in respect of transactions with related and interested parties, and description of the transactions

	For the year ended December 31, 2023		For the year ended December 31, 2022		For the year ended December 31, 2021	
	Related party/ interested party					
	Other related parties	Investees	Other related parties	Investees	Other related parties	Investees
In NIS million						
Gross premiums	9	-	22	-	6	-
Investment income (losses), net and finance income	(14)	9	(1)	3	306	3
Payments in respect of insurance contracts	5	-	5	-	6	-
General and administrative expenses	2	-	2	-	1	-

NOTE 44 - SHARE-BASED PAYMENT

A. Details of plans for the allocation of option warrants for shares of the Company

1. Plan for 2021

In accordance with the Company's compensation policy, on March 25, 2021, the board of directors of the Company adopted a performance-based equity compensation plan for 2021 (hereinafter - the **"Plan for 2021"**), pursuant to which the Company is permitted to award option warrants to employees and officers.

The option warrants are each exercisable into a common share of par value NIS 1, according to the value of the monetary benefit inherent in the option at the exercise date, subject to adjustments and conditions, primarily those detailed below.

The exercise price shall not be lower than the average closing price of the Company's share in the last 30 trading days, and in any event shall not be lower than the closing price of the Company's share on the last trading day on the stock exchange, at the date of approval of the board of directors. In addition, beyond the requirements under the compensation policy, an incremental premium over the share price shall be added to each tranche - the exercise prices shall be at a premium of 2.5%, 5%, and 7.5% for each tranche, except with respect to Class B options, which the Company intends to allocate to certain employees in accordance with the collective agreement, as stated in Note 24(d), at an exercise price as stated above, with no premium.

The exercise price of the option warrants shall be subject to adjustments in respect of the following events: distribution of benefit shares; a share exchange arrangement (such as a merger transaction or restructuring); issuance of rights; cash dividend payment; and a split or consolidation of the equity capital of the Company, or any other corporate equity event of essentially similar nature. Adjustments will be made as stipulated in the Plan for 2021. The Plan for 2021 will be approved under the work income track pursuant to Section 102 to the Income Tax Ordinance.

The Class A options will be allocated in three tranches, spread over three years, and shall be exercisable beginning when one year (with regard to the first tranche, at least two years of vesting and holding are required), two years, and 3 years have elapsed from the allocation date, up to two years from the vesting date (with regard to the first tranche, from the holding date).

The Class B options will be allocated in one tranche and shall be exercisable beginning when one year has elapsed (at least two years of vesting and holding are required), and in accordance with the terms of the collective agreement, as detailed in Note 25 above.

Each vested tranche is exercisable up to two years from the vesting date.

Each tranche of options shall vest on the condition that the offeree is an employee of the Group as of December 31st of the year preceding the vesting date, and subject to fulfillment of all of the following conditions: a. attainment of the Minimum Solvency Ratio (125% according to the economic solvency regime directives, calculated taking into account the transitional provisions established by the Commissioner), and non-existence of suspending circumstances of any of the notes issued by Clalbit Finance Ltd. (hereinafter - **"Threshold Conditions"**); b. absence of a comprehensive loss (after tax) at the Company; and c. compliance with the salary ceiling under the Officer Compensation Law. It is clarified that each option tranche shall expire in the event of failure to fulfill the Threshold Conditions; however, if conditions b and/or c are not fulfilled, the vesting date can be deferred to the following year, provided that all of the conditions are fulfilled.

This applies for a period of up to four (4) years, in total, from the original vesting date. The offeree is not required to be an employee of the Company at the deferred vesting date, unless the deferral was effected due to the non-fulfillment of condition c.

Notwithstanding the foregoing, if the option period of any tranche ends during a period designated by the Company as a blocked period due to the existence or potential existence of insider information, then, subject to the terms of the plan, the option period shall be automatically extended for an additional period, by a number of days equal to the number of days included in the blocked period.

The plan manager is permitted to establish a ceiling price, as defined above, when allocating option warrants. It is noted that such a ceiling price has been established for all option warrants allocated under the Plan for 2021 (see Section C below).

In 2021, the Company's board of directors resolved to publish an outline referring to the allocation of up to 3,500,000 option warrants to be offered thereunder, in accordance with the plan, to employees and officers of the Company and/or companies under its control (hereinafter - the **"2021 Outline"**). 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

option warrants will be exercisable for ordinary shares of the Company at the value of the benefit inherent in 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 15 per option, and the fair value of each tranche will be spread over the vesting period.

In June 2021, the Company allocated 2,493,200 Class A options and 175,247 Class B options to officers and employees of the Company and/or companies under its control, in accordance with the 2021 Outline.

The shares underlying the exercise of these options represent approx. 1.87% of the Company's equity capital, assuming maximum exercise.

For further details, see Sections B and C below.

In addition, in April 2022, according to the 2021 Plan, an outline was published regarding the allocation of up to 370,000 option warrants to be offered thereunder, in accordance with the plan, to employees and officers of the Company and/or companies under its control (hereinafter - the "2022 Outline"). 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 option warrants will be exercisable for ordinary shares of the Company at the value of the benefit inherent in 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 21 per option, and the fair value of each tranche will be spread over the vesting period.

In July 2022, the Company allocated 213,000 Class A options and 137,396 Class B options to officers and employees of the Company and/or companies under its control, in accordance with the 2022 Outline.

The shares underlying the exercise of these options represent approx. 1.71% of the Company's equity capital as of the reporting date, assuming maximum exercise.

In addition, 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 approx. 0.77% of the Company's equity capital as of the reporting date, 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 principles.

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 20 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 employee-employer 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 principles.

B. Movement in options and additional details

	Average duration*) in years	Weighted average of exercise money in NIS ¹⁾	No. of Options
Balance as of January 1, 2021	0.88	69.75	212,879
Allocated during 2021		57.71	2,668,447
Forfeited in 2021		57.55	(52,613)
Expired during 2021		68.94	(127,533)
Realized during 2021		70.49	(58,469)
Total options in circulation as of December 31, 2021	3.14	57.85	2,642,711
Allocated during 2022		75.10	350,396
Forfeited in 2022		60.54	(189,673)
Realized during 2022		71.39	(11,890)
Total options in circulation as of December 31, 2022	2.39	59.78	2,791,544
Allocated during 2023		58.17	1,247,670
Forfeited in 2023		64.37	(141,509)
Expired during 2023		72.42	(14,987)
Realized during 2023		56.24	(10,362)
Total options in circulation as of December 31, 2023	2.62	59.05	3,872,356
Of which options in circulation as of December 31, 2023			
Outline for 2021	1.96	57.61	2,378,259
2022 Outline	2.60	74.69	286,534
2023 Outline	3.93	58.17	1,207,563
Total exercisable options:			
As of the end of 2021		71.95	26,877
As of the end of 2022		72.42	14,987
As of the end of 2023		56.97	974,477

*) The weighted average remaining contractual life until expiration.

1) The weighted average of the exercise money in respect of forfeitures and expirations was calculated based on the value of the exercise money at the end of each year. The range of exercise prices of the share options as of December 31, 2023, is NIS 55.13-78.35 (2022 - NIS 55.13-NIS 78.35; 2021 - NIS 55.13-72.42).

Under the theoretical maximum assumption of exercising all of the option warrants from the 2021 Outline, 2022 Outline, and 2023 Outline, when the Company's share price on the Stock Exchange reaches the price at which, according to the terms of the option plan, automatic exercise is carried out, subject to adjustments, as detailed in the 2021 Outline, 2022 Outline, and 2023 Outline, the option warrants in circulation would confer upon their recipients, as of December 31, 2023, 2022, and 2021, approx. 2.38%, approx. 1.79%, and approx. 1.82%, respectively, of the issued and paid-up share capital of the Company after the allocation.

This assumption regarding the full exercise of the option warrants is purely theoretical; offerees who exercise the option warrants will not be allocated the shares arising from the option warrants in full, instead receiving only the quantity of shares that reflects the amount of the monetary benefit inherent in the option warrants, according to the actual amount of the benefit at the exercise date, i.e. the difference between the price of a common share of the Company at the exercise date and the exercise price of the option.

C. Details regarding the fair value measurement of the option plans

The fair value of the option warrants is estimated using a binomial model, with reference to option warrants allocated, as stated, to offerees within the 2021 Outline, 2022 Outline, and 2023 Outline.

The main assumptions of the models include the closing rate of the share at the measurement date, the exercise price of the instrument, the expected volatility (based on the average historical volatility of the Company's shares over the expected life of the option warrants), the expected life of the instruments (based on past experience and the general behavior of the option warrants holders), and the risk-free interest rate according to the life of the option warrants (based on an interest-rate curve). Service conditions and execution conditions other than market conditions are not taken into account when determining the fair value.

The parameters used to implement the models and the fair value at the award date are detailed below:

	2021		2022		2023
	2021 Outline ¹⁾	2021 Outline ¹⁾	2022 Outline ¹⁾	2022 Outline ¹⁾	2023 Outline ¹⁾
	Option A	Option B	Option A	Option B	Option A
No. of option warrants granted net of forfeitures up to the reporting date	2,219,467	169,154	154,093	132,441	1,207,563
Weighted average of the exercise price (in NIS)	55.13	55.13	72.80	72.80	52.78
Weighted average of the exercise money at allotment date (in NIS)	57.80	55.13	76.25	72.88	58.17
Weighted average of expected volatility 2)	36.34%	37.01%	37.90%	40.26%	38.40%
Average duration of option warrants (in years) 3)	3.94	3.00	3.85	3.00	4.34
Weighted average of the risk-free interest rate 4)	0.50%	0.46%	1.74%	1.65%	3.79%
Ceiling price	110	110	149	149	114
Fair value on award date of total option warrants allocated by the Company (in NIS million) ⁵⁾	34	3	3	3	20

- 1) The data presented are a weighted average of the allocations at the different dates, by tranche, net of forfeitures and exchanges of the offerees.
- 2) The expected volatility of the share price over the expected life of the option warrants was determined based on the historical volatility of prices of the Company's shares, under the assumption that the historical volatility of the share price constitutes a good indication of the expected future trend.
- 3) The forecast average duration of the option warrants was determined based on past experience and the general behavior of the option warrants holders, which does not necessarily represent the future pattern of exercise of the options into shares. Accordingly, it was assumed that the option warrants would be exercised at the expiration date.
- 4) The risk-free interest rates were determined by a company that provides interest-rate quotes (for further details, see Note 15(f)(4)); interest-rate periods are aligned with the expected life of the option warrants (based on an interest-rate curve).
- 5) The cumulative fair value of all of the awards in each of the option plans.

D. Salary expenses for share-based payments

In NIS thousand	2021 Outline - Option A	2021 Outline - Option B	2022 Outline - Option A	2022 Outline - Option B	2023 Outline - Option A	Total
In 2021	21	-	-	3	-	24
In 2022	10	-	2	-	-	12
In 2023	6	1	1	-	6	14

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS

1. Preamble - Claims not in the Ordinary Course of Business

Below are details regarding legal actions not in the ordinary course of business, as follows: material claims⁷ 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 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.⁸

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. In legal actions not pertaining to insurance benefits, the prescription period is pursuant to what is prescribed in the Prescription Law, 1985. In February 2024, in view of the Iron Swords War, an amendment to the prescription period was approved, primarily stating that the period from October 7, 2023 to April 6, 2024 will not be taken into account in the calculation of the prescription period required by law, subject to the established exceptions. 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 class action certification motions have been filed against the Group companies, and over the years there has been an increase in the number of actions filed against the Group companies 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 companies 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 representative 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 "representative 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 is 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.

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

⁷ See Footnotes 3 and 19 below.

⁸ See Footnote 12.

the dispute that is the subject of the claim, under the circumstances; (6) that the plaintiff is suitable to act as the representative 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 is 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 agreements 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 agreement, together with the right of the Attorney General and additional entities stipulated in the Law to file an objection to the proposed settlement agreement, and in addition the Law also provides that an examiner should be appointed pertaining to the settlement agreement 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 representative plaintiff's attorney; imposing a requirement to mention the number of class actions filed by a specific representative 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 agreement 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 class action certification motions detailed below are currently in the various stages of procedural adjudication, some have been approved and some are undergoing appeal proceedings.

1.2 Additional exposures

It is 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 companies, as well as exposure resulting from the complexity of the regulation applying to the activity of the Group's companies.

The Group 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 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 details, 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. (hereinafter and hereinafter, respectively - "**Max**" and "**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 Max and the consolidated companies in Max's statements (hereinafter - the "**Max Group Companies**") and the other Group companies.

2. Exposures against the Company and the consolidated companies, not including the Max Group Companies

Below are details regarding material lawsuits⁹ 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 **Max Group Companies**.

⁹ It is noted 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 odds 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. In relation to the consolidation of Max's reports with the Company's financial statements and for immediate reporting purposes, regarding the disclosure policy in the financial statements in relation to the Max claims, in the financial statements, see Section 3 below.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies

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	Represented class	Status / additional details	Claim amount
1.	5/2013 District Court - Tel Aviv	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. Alternatively, 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. 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.	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 due to the First 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 agreement 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. 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. 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.	The plaintiff estimates the cumulative amount due to the First Class at NIS 518 million (if it is 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 or the insurance agent, whichever is earlier, first receive an inquiry indicating that the policyholder, a third party, or the 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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

<i>Serial and No.</i>	<i>Date court</i>	<i>Key claims and Defendants causes of action</i>	<i>Key remedies</i>	<i>Represented class</i>	<i>Status / additional details</i>	<i>Claim amount</i>
1. (cont.)					In May 2021, the defendants filed an appeal, or, alternatively, a motion for leave to appeal the Judgment the motion to certify was denied) that had been filed as said above, in the absence of a cause for judicial interference, mainly because the at an additional partial judgment constituted "a non-judgment ruling," and the appellate court's starting point is that it amount of NIS 490 would only interfere in the trial court's interim rulings in highly unusual cases. Accordingly, it was held million, due to that the appropriate venue for investigating the defendants' claims was in an appeal on the final judgment linkage in the lawsuit, insofar as an appeal is filed. The Supreme Court clarified that it was not taking a stand on differentials. 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. In December 2023, the defendants submitted a motion for clarification regarding the court's ruling. As part of the plaintiffs' response to the motion for clarification, the court was asked to award expenses as well as exceptional/special interest in favor of each of the members of the class, as well as expand the definition of the class such that it includes all the policyholders, third parties and beneficiaries to whom the interest has not been paid as of the date of the partial judgment (June 28, 2021), and until the date of the judgment.	

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
2.	1/2008 District Court Tel Aviv	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" component, 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 February 2010, the parties reached a procedural arrangement according to which the plaintiff's claims defendants or any of them and was charged Sub-Annuals with respect to that Clal Insurance had the following components: with respect to the "mixed" life insurance overcharged on Sub-savings component sold by Clal Insurance in the past, with respect to the Annuals, compared with the "policy factor" (which is a fixed monthly amount that is added to the permissible charges in premium whose aim is to cover expenses), and with respect to health connection with insurance policies, disability policies, critical illness policies, disability policies, and policies that had been issued before 1992, and that Clal Insurance charged the which had been stated at the request of the court, as said above. The maximum Sub-Annuals even cause of action for which the claim has been certified as a class action is when the number of the unlawful collection of Sub-Annuals due to the Collection payments was lower than Components. The relief sought is a refund of the sums that had been twelve payments, would be collected unlawfully in the seven years preceding the date of filing the withdrawn from the motion lawsuit and thereafter, i.e., from January 2001, as well as a mandatory and the lawsuit. Accordingly, injunction ordering the defendants to rectify their conduct and to cease the amount claimed from Clal charging sub-annuals on collection components. Insurance was revised and In December 2016, the defendants filed a motion for leave to appeal set at approx. NIS 398.2 against the ruling to certify the claim as a class action to the Supreme million. 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 Market 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, such 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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
3.	5/2011 District Court - Central	Clal Insurance and additional insurance companies	According to the plaintiff, in combined life insurance and savings policies, the defendants charged policyholders – without that consent and without any justification originating from the class members as policies – sums of money that sometimes comprised a considerable rate of the yield the premiums the policyholders had paid, known as the “policy factor” and/or “other management fees” (hereinafter amount because - the “Policy Factor”), the Policy Factor unlawfully and without this being grounded on any suitable from the premium contractual provision, even had not been though the defendants were, in principle, allowed to charge the Policy Factor in life insurance modus operandi policies in accordance with the Commissioner’s circulars. collection of the Policy Factor.	Payment of an amount equal to the Policy Factor insurance and savings collected from the defendants and from future actual collection of the Policy Factor. damages/recovery, collected as a Policy Factor.	Anyone who had a combined life to the court, according to which, the defendants were supposed to pay a total of NIS 100 million in respect of the past (Clal Insurance’s share of the Factor they were charged since 2004. In November 2016, the court decided to dismiss the motion to approve the settlement agreement, 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 collection of the Policy Factor in the seven policies made between 1982 and 2003 (with respect to Clal Insurance years preceding the policies in the “Adif,” “Meitav” and “Profile” categories), in which the date the defendants savings accrued in favor of the policyholders were diminished due to the filed the claim and the collected Policy Factor, with the cause being a breach of the insurance relevant annual policy due to collecting the Policy Factor in a manner that diminished the returns, the plaintiffs savings the policyholders accumulated, in respect of the period starting estimated the amount seven years before the date of filing the claim, in April 2011. The claim has of the class members’ not been approved with respect to other types of policies (jointly claim against all the hereinafter - the “Ruling”). defendants, as of the	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 annual relevant amount of the class members’ claim against all the defendants, as of the date of filing the claim, are to rectify the date of filing the claim, breach by way of adjusting the policyholders’ accumulated savings at a nominal amount according to the amount of the additional savings they would have accrued 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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	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 agreement (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 agreement 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 agreement for approval by the court. As part of the settlement agreement, 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 agreement, the main consideration to the class members would be as follows (in accordance with the provisions of the arrangement): (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 returns, and with respect to the period from the beginning of 2013 and onward, the amounts would be revalued in accordance with the court's ruling, by virtue of the authority granted to the court by the parties (hereinafter - the "Supplementary Ruling"). It was also agreed that, under the settlement agreement, Clal Insurance paid the plaintiffs and their counsel the reward and legal fees. (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 agreement. 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 agreement 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 January 2024, 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 agreement April 2024.	

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

Date		Serial and No.	court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
4.	7/2014	Clal Pension Funds Ltd.	According to the plaintiffs, who are two associations that claim their objective is to aid the elderly population, the defendants raised the management fees charged from the class as well as it charged from pensioners in the other four pension funds they manage at the stage linkage; against the other pension fund of paying the pension, to the maximum lawful management fees ceiling (0.5% of management fees charged the accumulated balance), while taking advantage of the pensioners' position as they do not exceed the a "captive audience," while active planholders paid significantly lower before each one of them management fees, on average. It was further claimed that the defendants do not disclose to their planholders that planholders' management when they become pensioners, the fees immediately before they management fees they pay the retire. 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 to require the defendants to lower the management fees charged old-age pensioners, such that and/or will be entitled to be paid an old-age pension in the future.	Anyone who is a planholder of a new comprehensive pension fund, among other things, a new claim was raised: that the defendants did not send the planholders prior notice of pensioners are estimated at NIS 48 million, the management fees that will be collected from current pensioners in the future according to the provisions of the law. As per the court's request, the Commissioner submitted its position in September 2017, which held, inter alia, that current pensioners in the future in accordance with the provisions of the law and the by the defendants are July 2014 circular, management fees lower than 0.5% estimated at NIS 152 million, could be collected during the pension payment period, and the management fees the and that the defendants had no regulatory duty to notify defendants will unlawfully of a management fee increase once the planholders collect from future pensioners reached retirement age. In the future, due to the accrual In March 2022, the District Court decided to grant the to date, are estimated at NIS motion to certify against the defendants, with respect to 2,800 million. The said amounts whether the defendants had had to notify the are claimed with respect to all planholders of the management fees they would be the defendants. charged in the pension period in advance, and if so, what damage had been caused by the failure to provide such a notice. The certified class includes 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. It is noted 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. In December 2023, a joint notice was submitted on behalf of the parties according to which they intend to resort to mediation.	According to the plaintiffs' response to the motion to certify assessment, the management fees the defendants collected from current pensioners are estimated at NIS 48 million, the management fees that will be unlawfully collected from current pensioners in the future according to the provisions of the law. As per the court's request, the Commissioner submitted its position in September 2017, which held, inter alia, that current pensioners in the future in accordance with the provisions of the law and the by the defendants are July 2014 circular, management fees lower than 0.5% estimated at NIS 152 million, could be collected during the pension payment period, and the management fees the and that the defendants had no regulatory duty to notify defendants will unlawfully of a management fee increase once the planholders collect from future pensioners reached retirement age. In the future, due to the accrual In March 2022, the District Court decided to grant the to date, are estimated at NIS motion to certify against the defendants, with respect to 2,800 million. The said amounts whether the defendants had had to notify the are claimed with respect to all planholders of the management fees they would be the defendants. charged in the pension period in advance, and if so, what damage had been caused by the failure to provide such a notice. The certified class includes 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. It is noted 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. In December 2023, a joint notice was submitted on behalf of the parties according to which they intend to resort to mediation.			

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
5.	9/2015 District Court - Central	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 damage caused to the latter 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 heirs of the above, as alleged breaches of the applicable agreement, and to comply with the agreement from here and 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 three other insurance companies. The defendants (or the heirs of the above, as applicable), and who suffered from poor health as a result of an illness or accident or health impairment, because of examining their claim to receive long-term care insurance benefits, such that their rights to insurance incontinence and/or benefits were impaired between September 8, 2012 regularly used a stoma, a urinary catheter, or diapers or absorption products of all kinds, and who suffer from incontinence due to functional despite the above – were disabilities or mobility impairments, and experience not assigned a score incontinence due to this, as well as in respect of a from the defendants (as class of policyholders who suffer from cognitive applicable) for the impairments and who were not recognized as incontinence "mentally frail," was denied.	In April 2020, the court partially certified the lawsuit against Clal Insurance and the damage cannot be estimated at this stage, but the certification relates to anyone who was insured by they estimate it in the tens 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).	According to the plaintiffs, the damage cannot be estimated at this stage, but they estimate it in the tens 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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

<i>Serial No.</i>	<i>Date and court</i>	<i>Defendants</i>	<i>Key claims and causes of action</i>	<i>Key remedies</i>	<i>Represented class</i>	<i>Status / additional details</i>	<i>Claim amount</i>
6.	10/2016 District Court - Central	Clal Insurance	According to the plaintiff, within an engagement with a collective 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 the class members who 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, was denied. The causes of action for which the claim was caused to the class members between October 30, 2009, and December 31, 2018, while they were insured under the Collective Policy, and 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 of purchase in respect of procedural arrangement, according to which the individual policies that parties agreed on giving or supplementing a discount for the relevant policyholders at the rates the policyholder had agreed upon by the parties. The procedural chosen, for a arrangement is subject to examination by an policyholder of external expert, according to the agreed outline of comparable age and principles, following and according to which the health condition, settlement agreement will be formulated and 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 estimated the alleged damage to all class members with respect to any group of 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 in the next 10 years.	

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
7.	11/2019 Regional Labor Court - Tel Aviv	Clal Insurance	According to the plaintiff, Clal Insurance charged management members fees in life insurance charged, as well as a mandatory integrated profit-sharing to change its modus operandi savings component with respect to the collection of 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 due to management fees in the Relevant 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.	Anyone who is or has been insured by Clal Insurance under the Relevant Policies and whom Clal Insurance charged due to management fees 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 in savings at a rate that exceeded than the rate permitted by law.	In June 2023, the Regional Labor Court decided to reject the claims that Clal Insurance charged management fees out of the accrued savings in 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 are conducting mediation proceedings and the deadlines for submitting the appeal and motion for permission to appeal against the Regional Court's decision have been postponed following the agreement of the parties.	NIS 120 million

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies¹⁰**

<i>Serial No.</i>	<i>Date and court</i>	<i>Defendants</i>	<i>Key claims and causes of action</i>	<i>Key remedies</i>	<i>Represented class</i>	<i>Status / additional details</i>	<i>Claim amount</i>
1.	9/2015 District Court - Tel Aviv	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 Planholders of provident funds to alter the mechanism and to pay charged back fees from which the excessive agents' commission is derived based on the management fees amount.	the Planholders of provident funds managed by the District Court's assessment, the damage to all defendants, who were rendered its judgment, class members is approx. NIS 2 billion, reflecting approx. NIS 300 million in annual damage since 2008.	In November 2022, the According to the plaintiffs' Court's assessment, the damage to all defendants, who were rendered its judgment, class members is approx. NIS 2 billion, reflecting approx. NIS 300 million in annual damage since 2008. In January 2023, the plaintiffs appealed the judgment. The proceeding is at the stage of hearing the appeal.	

¹⁰ Including such motions that were denied and the ruling to deny them was appealed.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
2.	8/2016 Regional Court - Tel Aviv (1) 10/2016 Regional Labor Court - Jerusalem (2) 11/2016 Regional Court - Jerusalem (3) 12/2016 Regional Court - Tel Aviv (4) 7/2019 Regional Court - Tel Aviv (5)	Clal Pension and Provident Funds Clal Insurance "Atudot" Pension Fund Independent Workers Ltd. (a subsidiary of Clal Insurance (held at 50%)) "Atudot")	The five lawsuits concern the allegation that the pension funds, the study excessive management, and amounts they executive were charged. In addition, some of the plaintiffs charge of the planholders – in also wish to who management fees – the defendant investment "investment management companies for the expenses" return differences seven years itself ought to be granted, in the sense that the Certification Ruling amount was set at approx. NIS 181 million, based on an assessment.	The plaintiffs in the pension motion to certify a class action lawsuit due to the collection of Direct funds, the study Expenses in individual life insurance policies (hereinafter - the approx. NIS 341 million in respect of the "Certification Ruling"). In the Certification Ruling, it was determined years 2009 to 2015, plus the investment fund that the absence of a clear provision in the policy regarding the management expenses the defendant had collected from the class members in 2016 Expenses is a negative arrangement, and the additional return the funds that managed by the therefore, the defendants were not prohibited from charging these and the have been deducted as investment expenses would have the "Motion for Leave to Appeal". The Company is not a party to yielded.	The planholders In May 2019, the Central District Court rendered a ruling granting the In Lawsuit 1, which concerns the pension motion to certify a class action lawsuit due to the collection of Direct funds, the study Expenses in individual life insurance policies (hereinafter - the approx. NIS 341 million in respect of the "Certification Ruling"). In the Certification Ruling, it was determined years 2009 to 2015, plus the investment fund that the absence of a clear provision in the policy regarding the management expenses the defendant had collected from the class members in 2016 Expenses is a negative arrangement, and the additional return the funds that managed by the therefore, the defendants were not prohibited from charging these and the have been deducted as investment expenses would have the "Motion for Leave to Appeal". The Company is not a party to yielded.	In Lawsuit 1, which concerns the pension motion to certify a class action lawsuit due to the collection of Direct funds, the study Expenses in individual life insurance policies (hereinafter - the approx. NIS 341 million in respect of the "Certification Ruling"). In the Certification Ruling, it was determined years 2009 to 2015, plus the investment fund that the absence of a clear provision in the policy regarding the management expenses the defendant had collected from the class members in 2016 Expenses is a negative arrangement, and the additional return the funds that managed by the therefore, the defendants were not prohibited from charging these and the have been deducted as investment expenses would have the "Motion for Leave to Appeal". The Company is not a party to yielded.	In Lawsuit 1, which concerns the pension motion to certify a class action lawsuit due to the collection of Direct funds, the study Expenses in individual life insurance policies (hereinafter - the approx. NIS 341 million in respect of the "Certification Ruling"). In the Certification Ruling, it was determined years 2009 to 2015, plus the investment fund that the absence of a clear provision in the policy regarding the management expenses the defendant had collected from the class members in 2016 Expenses is a negative arrangement, and the additional return the funds that managed by the therefore, the defendants were not prohibited from charging these and the have been deducted as investment expenses would have the "Motion for Leave to Appeal". The Company is not a party to yielded.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
3.	12/2017 District Court - Jerusalem	Clal Insurance, two other insurance companies, Clalit Health Services, 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 of People with Disabilities Law, 1998, the policy offered by any of the Equal Rights for People with Disabilities Regulations (Insurer's Notice Regarding Different Treatment of a discriminated Person or Refusal to Insure) the defendants, without the (2016) (hereinafter - the defendants basing the judgment, in which the motion to certify was plaintiff. "Equality Law"), and other statutes; issuing a relevant mandatory injunction compelling the defendants to stop discriminating against the class members and an explanation for this, as establish clear work required under the Equality procedures regarding individual, egalitarian, and statutory provisions, in the impartial treatment of people with disabilities; issuing mandatory injunction certify. 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 conduct spectrum disabilities who applied for insurance under the policy offered by any of the defendants, and were expressed his opinion that the company's reliance on the reinsurers' individual damage and underwriting procedures is compatible with the at tens of thousands of shekels per	In January 2020, the Attorney General announced that he would not be seeking to not quantify the damage to all class members, had submitted in another similar case, in which he and they estimate the plaintiffs' insurance the plaintiffs' damage is compatible with the at tens of thousands of shekels per In September 2022, the court rendered its judgment, in which the motion to certify was plaintiff. In April 2023, the plaintiff filed an appeal against the judgment.	The plaintiffs do not quantify the damage to all class members, they estimate the plaintiffs' damage is compatible with the at tens of thousands of shekels per

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

<u>Serial No.</u>	<u>Date and court</u>	<u>Defendants</u>	<u>Key claims and causes of action</u>	<u>Key remedies</u>	<u>Represented class</u>	<u>Status / additional details</u>	<u>Claim amount</u>
4.	11/2018 District Court - Central	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. In December 2023, the parties submitted to the court a motion for approval of a settlement agreement that was amended in March 2024; in accordance with the amended settlement agreement, the defendant will pay the class members an amount agreed upon by the parties and will also send a clarifying letter to the external appraiser. The settlement agreement is subject to the court's approval, which will not necessarily be granted.	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.
5.	3/2019 District Court - Jerusalem	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 agreement, under which, certain policyholders who have claims regarding the insurance sale process would contact the 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 agreement 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 agreement was submitted in September. The settlement agreement 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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
6.	5/2019 Regional Labor Court - Tel Aviv	Clal Insurance	According to the plaintiff, the defendant class members were unlawfully systematically reduces denied, according to the plaintiff, the disability insurance and with respect to the premium benefits it pays its release funds – crediting the policyholders under its policies' savings. The plaintiff also participating disability petitions to declare that certain insurance policies, by provisions of the policies, in relation unlawfully deducting to the interest and management fees management fees and deduction from the return to which calculative interest the policyholders are entitled, are rates.	Restitution in kind of the funds the defendant class members were unlawfully denied, according to the plaintiff, the investment portfolio return, 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 return.	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 return, 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 return.	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.
7.	2/2020 District Court - Central	Clal Insurance and another insurance company	According to the plaintiffs, due to "lack of knowledge" following the discovery of documents and failure to present the data; order the extension of the personal accidents prescription period; order the insurance policy appointment of a committee that will (hereinafter - the "Policy") to the include independent members and students, to the will be authorized to discuss and decide all personal claims under the policyholders, and to Policy for three years, in respect of their relatives, and the all cases before October 25, 2016 Policy's non-publication, (hereinafter - the "Committee"), and the policyholders have will also be authorized to discuss the not been exercising their issue of the Policy's delivery; order a right to benefits under procedure for transferring the the Policy, and they are 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.	Issue orders against the defendants and the Insurance Commissioner for knowledge" following the the discovery of documents and failure to present the data; order the extension of the personal accidents prescription period; order the insurance policy appointment of a committee that will (hereinafter - the "Policy") to the include independent members and students, to the will be authorized to discuss and decide all personal claims under the policyholders, and to Policy for three years, in respect of their relatives, and the all cases before October 25, 2016 Policy's non-publication, (hereinafter - the "Committee"), and the policyholders have will also be authorized to discuss the not been exercising their issue of the Policy's delivery; order a right to benefits under procedure for transferring the the Policy, and they are 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. Insurance at approx. Let it be noted that NIS 1.4 billion, plus similar motions and approx. NIS 1.5 billion in damage Clal Insurance and were attributable to the stricken out by the court two defendants due on procedural grounds, to breaching their autonomy.	

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
8.	3/2020 Regional Labor Court - Tel Aviv	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 writing). Alternatively, coverage when the regular funds collected for the period after 3 or deposits into a savings policy 5 months from the termination of their with combined insurance components are discontinued), relevant statutory arrangement 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" prohibition on making "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 the respect of the entire period following the termination of employment (except within which employers and/or employees reviewed. Pursuant to the court's ruling, the insurance coverage in and/or insurance in case of death, or any other insurance risk. The represented class for the purpose of the Savings Authority not to be subject to any pecuniary remedies is: (a) all the policyholders for whom funds were collected for disability insurance or insurance in case of his position, clarifying that pecuniary remedies is death or any other insured event, out of the collecting insurance made for the period prior notice; (b) alternatively, policyholders in accordance with the lawsuit was filed, i.e., who were charged insurance premiums for provisions of the law and the 2020, and until the lawsuit 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 request active policyholders and/or who were charged this it in writing; (3) compelling Clal for new insurances that they did not have prior Insurance to return the excess to the termination of their work; (d) insurance premiums paid by policyholders who were charged double 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 The proceeding is in the The class action lawsuit stage of the class action motion being conservatively, according to the to the plaintiff, at no less than NIS 7 million per Commissioner of the Capital year. According to the Market, Insurance and plaintiff, the lawsuit ought The Savings Authority not to be subject to any (hereinafter - the statute of limitations. "Commissioner") submitted Alternatively, the claim for disability insurance or insurance in case of his position, clarifying that pecuniary remedies is death or any other insured event, out of the collecting insurance made for the period prior notice; (b) alternatively, policyholders in accordance with the lawsuit was filed, i.e., who were charged insurance premiums for provisions of the law and the 2020, and until the lawsuit 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 request active policyholders and/or who were charged this it in writing; (3) compelling Clal for new insurances that they did not have prior Insurance to return the excess to the termination of their work; (d) insurance premiums paid by policyholders who were charged double 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).	is certified as a class action.	

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
9.	4/2020 District Court - Tel Aviv-Jaffa	Clal Insurance and 12 additional insurance companies	According to the plaintiffs, the respondents must be all the class members and fully compensated 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 significantly reduced risk level.	Compensate the class members, repair the harm they suffered, issue a mandatory injunction ordering the respondents are actually exposed to during the effective period, rendering a declaratory judgment on the date of full and final removal of movement restrictions imposed on residents of Israel due to the coronavirus, as had occurred, for example, during the effective period, or part of it. 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 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, as had occurred, for example, during the effective period, 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 at NIS 103 million, and lawsuit, with respect to jointly for all the compulsory motor and property insurances, with a motion to certify a separate class action 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 1.2 billion. Alternatively, for 8 of the defendant companies (that do not include Clal), 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.
10.	4/2020 District Court - Central	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; an Israeli standard-compliant replacement windshield or an OEM windshield, as well as monetary damages per each windshield or an OEM windshield, as well as 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 one of the defendants has made an undertaking to provide the customer with a 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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
11.	7/2020 District Court - Central	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 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 were overcharged by, with linkage 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.	Anyone who was a policyholder in the class period beginning 7 years before the day the class action certification motion being reviewed.	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.
12.	9/2020 District Court - Haifa	Clal Insurance	According to the plaintiff, Clal Insurance does not act in accordance with its undertakings, to regularly refunds its members 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 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 not 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 45 - CONTINGENT LIABILITIES AND CLAIMS (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	Represented class	Status / additional details	Claim amount
13.	9/2020 District Court - Central	Clal Insurance and another insurance company	The lawsuit concerns the allegation that the defendants acted contrary to the provisions of critical illness policies, the class members due to under critical illness insurance 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 change amount and the monthly premium amount will be reduced by 50%.	The relief the plaintiffs are petitioning for is damages to past damages, as well as a declaratory relief and a mandatory injunction and/or any other similar 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 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.
14.	4/2021 District Court - Tel Aviv-Jaffa	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), parties, to act in accordance with the law and guard and 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 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 damage 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 45 - CONTINGENT LIABILITIES AND CLAIMS (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	Represented class	Status / additional details	Claim amount
15.	7/2021 District Court - Tel Aviv-Jaffa	Cial 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 accrued savings and monthly return is a breach of investment profit participation, the policies, and alternatively – a declaratory relief according to which this is a depriving and/or will be deducted at a rate condition in a standard contract not specified in the policy, and a motion to order its nullity, based on the provision in the and to order a refund of the policy, according to which the amounts deducted from the amount of the monthly pension class members' monthly will change "each month annuity, plus linkage according to the results of the differentials and interest, investments net of the interest starting seven years prior to the according to which the amount date of filing the lawsuit and of the monthly pension was until the final ruling on it is calculated, and the appropriate rendered, and to order the provisions for this matter in the defendants to cease deducting insurance plan" and/or any interest out of the monthly other similar provision. return.	The defendants' policyholders who purchased from them a life class action certification motion being reviewed.	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.
16.	10/2021 District Court - Lod	Cial 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 all the damage they were long-term care insurance policy, caused and compelling the even though, according to the defendants to comply with the plaintiffs, they meet the definition of insurance agreements. 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 under (or their heirs), who have special needs and who are a motion for leave to appeal the Court's ruling regarding the removal of defendants, jointly, at the expert opinion and striking out approx. NIS 2.97 billion. the defendants and who suffer sections of the response to the plaintiffs from "mental frailty," who were reply. In May 2023, the Supreme Court not recognized by the rendered a ruling according to which the defendants as being "mentally motion for leave to appeal is granted, frail" and whose rights under the subject to granting the defendants the policy were denied, with respect right to a supplementary response. to the past period and the future.	All of the defendants' policyholders aged 21 and class action certification motion being reviewed. In April 2023, the plaintiff filed the class members a motion for leave to appeal the District Court against the two Court's ruling regarding the removal of defendants, jointly, at the expert opinion and striking out approx. NIS 2.97 billion. the defendants and who suffer sections of the response to the plaintiffs from "mental frailty," who were reply. In May 2023, the Supreme Court not recognized by the rendered a ruling according to which the defendants as being "mentally motion for leave to appeal is granted, frail" and whose rights under the subject to granting the defendants the policy were denied, with respect right to a supplementary response. 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 the class members a motion for leave to appeal the District Court against the two Court's ruling regarding the removal of defendants, jointly, at the expert opinion and striking out approx. NIS 2.97 billion. the defendants and who suffer sections of the response to the plaintiffs from "mental frailty," who were reply. In May 2023, the Supreme Court not recognized by the rendered a ruling according to which the defendants as being "mentally motion for leave to appeal is granted, frail" and whose rights under the subject to granting the defendants the policy were denied, with respect right to a supplementary response. to the past period and the future.	The plaintiffs estimate the total alleged damage to class members against the two defendants, jointly, at approx. NIS 2.97 billion.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
17.	04/2022 District Court - Tel Aviv-Jaffa	Clal Insurance	The lawsuit concerns the allegation that Clal Insurance continues to charge premiums from to which a policyholder's policyholders, even after the latter announce their policy's effect within 3 days from the date of its delivery, and a cancellation, as the cancellation date of its delivery, and a following calendar month after Clal returning all premiums Insurance receives the notice, policyholders were charged rather than within 3 days from the date of delivering the policyholders' from the fourth day after the cancellation notice; (c) all policyholders who cancellation notices, as required in delivery of the cancellation wanted to cancel the policy at any time in the defendant. accordance with the legislative notice, and 50% of the average previous calendar month before the last 3 days of arrangement. It was claimed that no monthly premium as that month, and delayed their cancellation notice full disclosure is made to compensation to the class due to the contractual arrangement whereby the policyholders of the applicable members whose respective cancellation would take effect from the 1st of the arrangement in case the cancellation notice had been calendar month following Clal Insurance's receipt of policyholder cancels the delayed due to the provisions the cancellation notice. policyholder, before purchasing the of the policy, with added linkage differentials and interest. Alternatively, other policy. declaratory / monetary reliefs.	The main claimed remedies are policyholders who notified Clal Insurance of the the stage of the policy's cancellation and Clal Insurance did not class action cancel their respective policy within 3 days from the certification motion date of delivering the cancellation notice; (b) all being reviewed. In September, the Supervisor submitted his position, which generally supports the position of the defendant.	The class the movant seeks to represent is: (a) all The proceeding is in the stage of the 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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
18.	05/2022 District Court - Central	Clal Insurance	The lawsuit concerns the allegation that in policies that cover surgeries in Israel that stipulate compensation for surgeries performed without financing from the implant and/or accessory in 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 plaintiffs are seeking are judgment compelling 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 Insurance is compelled it to indemnify the surgery is performed without the surgery, and also class members for the Clal Insurance's financing, or to deductible amounts they paid a compensation derived from in connection with the various the cost of the surgery to the surgeries and to calculate the health maintenance compensation accordingly, as organization at a private well as a judgment compelling hospital.	The class the movant seeks to represent, regarding the future class action certification motion being the aggregate damage caused to the class members is over NIS 2.5 million.	The proceeding is in the stage of the class action certification motion being the aggregate damage caused to the class members is over NIS 2.5 million.	The plaintiff estimates that the aggregate damage caused to the class members is over NIS 2.5 million.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
19.	07/2022 District Court - Tel Aviv-Jaffa	Clal Insurance	The lawsuit concerns the allegation that Clal Insurance denies policyholders' insurance claims in private health insurance policies it had marketed until February 2016, as an "insured event," which include a basic insurance medically necessary surgery is and whose claim due to a surgery was tier, on the grounds of the claim being filed due to "preventive surgery that is intended to grounds that it is a "preventive surgery" that surgery" that does not meet the prevent a disease, defect, or is not covered by the policy, until a final and definition of the term "surgery" in deformity in the policyholder irreversible ruling is made in the class the policy (hereinafter - the "Basic Tier Policies"); as well as the above; a declaration that Clal Insurance had denying policyholders' represent is all former or current Clal marketed (for increased premiums) insurance claims for coverage policyholders who purchased private policies that supposedly offer wider in respect of a preventive health insurance policies that expand the coverage than the Basic Tier surgery under a Basic Tier insurance coverage to include preventive Policies and that include coverage Health Insurance Policy surgery from Clal Insurance and/or from for preventive surgeries, while this violates the insurance contract; anyone on its behalf until February 1, 2016, component is already covered by and an order that requires Clal and for which they paid excessive the Basic Tier Policies.	The main claimed remedies are a declaration that in Clal represent is Insurance's health insurance 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 surgery" that does not meet the prevent a disease, defect, or is not covered by the policy, until a final and definition of the term "surgery" in deformity in the policyholder irreversible ruling is made in the class the policy (hereinafter - the "Basic Tier Policies"); as well as the above; a declaration that Clal Insurance had denying policyholders' represent is all former or current Clal marketed (for increased premiums) insurance claims for coverage policyholders who purchased private policies that supposedly offer wider in respect of a preventive health insurance policies that expand the coverage than the Basic Tier surgery under a Basic Tier insurance coverage to include preventive Policies and that include coverage Health Insurance Policy surgery from Clal Insurance and/or from for preventive surgeries, while this violates the insurance contract; anyone on its behalf until February 1, 2016, component is already covered by and an order that requires Clal and for which they paid excessive the Basic Tier Policies.	The First Class the movant seeks to represent is all former or current Clal marketed (for increased premiums) insurance claims for coverage policyholders who purchased private policies that supposedly offer wider in respect of a preventive health insurance policies that expand the coverage than the Basic Tier surgery under a Basic Tier insurance coverage to include preventive Policies and that include coverage Health Insurance Policy surgery from Clal Insurance and/or from for preventive surgeries, while this violates the insurance contract; anyone on its behalf until February 1, 2016, component is already covered by and an order that requires Clal and for which they paid excessive the Basic Tier Policies.	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.
20.	10/2022 District Court - Lod	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 extended without their consent, and/or all Insurance acted unlawfully, to order Clal to refrain from automatic policy renewals insurance policy without their consent and/or policy renewals at less (including Clal Insurance's customers favorable conditions, and to whose insurance premiums were raised compensate the class without their consent when the policy was members for the damage they renewed), in the period starting 7 years incurred, with interest and before the claim was filed and to date. linkage.	The class the plaintiffs seek to represent is all of the respondent's customers, whose home insurance policy the respondent had certification motion being reviewed.	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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
21.	11/2022 Regional Labor Court - Tel Aviv	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 and when regular contributions to the pension fund are suspended) by planholders making deductions out of the grace 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, insurance grace period arrangement request, in February 2024, at no less than NIS 2.5 million per year and at which approx. NIS 17.5 million in preceding the date of filing the motion to certify.	The represented class is all planholders (past and present) whose pension fund, stage of the class action estimate, the class action being lawsuit amount is reviewed. At the court's estimated by the plaintiff states, inter alia, that the total for the seven years activated automatically upon the motion to certify. With respect to monetary remedies, the extension of the insurance is preceding the date of filing the motion to certify. The represented class is all planholders who did not continue to make contributions to their cessation of pension funds after the insurance grace contributions to the fund and period had ended and did not seek to that the management extend the insurance arrangement, as well company must notify the as all the planholders who opened an planholder of the cessation additional pension fund and paid double of the planholder's deposits. 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 As a conservative The plaintiffs estimate that the aggregate damage being caused to the class members exceeds NIS 2.5 million.	
22.	12/2022 District Court - Lod	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 insurer, a refund of the motion; or, alternatively or in addition: all damage caused to a third party, as it has undertaken to pay in the mandatory injunction ordering purchased a trailer and/or towing vehicle policy, and pays only half of it, on Clal Insurance to indemnify the third-party and/or compulsory insurance the grounds that the liability for third parties for the full damage policy from it, who had to pay a double 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 policyholders who purchased a trailer and/or towing vehicle third-party insurance deductible paid to the other years preceding the submission of this motion; or, alternatively or in addition: all damage caused to a third party, as it has undertaken to pay in the mandatory injunction ordering purchased a trailer and/or towing vehicle policy, and pays only half of it, on Clal Insurance to indemnify the third-party and/or compulsory insurance the grounds that the liability for third parties for the full damage policy from it, who had to pay a double damage caused by a trailer or by a towing vehicle must always be disclosed with respect to new forced to pay out of pocket for half or part of 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 policy in the 7 years preceding the submission of this motion; or, alternatively or in addition: all 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 The plaintiffs estimate that the aggregate damage being caused to the class members exceeds NIS 2.5 million.	

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

<i>Serial No.</i>	<i>Date and court</i>	<i>Defendants</i>	<i>Key claims and causes of action</i>	<i>Key remedies</i>	<i>Represented class</i>	<i>Status / additional details</i>	<i>Claim amount</i>
23.	01/2023 Regional Labor Court - Tel Aviv	Clal Insurance	The lawsuit concerns the allegation that Clal Insurance unlawfully reduced the insurance benefits to which policyholders suffering from a disability are entitled, without obtaining the policyholders' explicit prior consent and in breach of the provisions of the policy and the Capital Market 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 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 respect to the Insurance from reducing the insurance benefits for disability without obtaining the policyholder's explicit written consent, and a monetary remedy that requires Clal be reduced in the future due to the Insurance to pay the class 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 represented class is: with the future class action certification motion being reviewed. The Insurance policyholders who have 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.	
24.	03/2023 District - Tel Aviv	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 for the appraisal and the payment made to the class members as insurance order to assess the damage to benefits for this component the injured party's vehicle, if Clal (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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
25.	03/2023 District Court - Tel Aviv-Jaffa	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 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. ¹¹	The plaintiffs estimate the total claim amount for all class members at approx. NIS 13.5 million.
26.	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 planholder require long-term care, and as a result, the fund does not pay eligible planholders 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 return losses 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 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.

¹¹ In July 2022 and in September 2022, motions to certify the claims as class actions against Clal Insurance, concerning similar claims and causes of action (hereinafter - the "Earlier Proceedings") were submitted to the District Court in Tel Aviv-Jaffa. In January 2023, the court decided in favor of consolidating the Earlier Proceedings, and accordingly, the plaintiffs filed this proceeding in March 2023.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

<i>Serial No.</i>	<i>Date and court</i>	<i>Defendants</i>	<i>Key claims and causes of action</i>	<i>Key remedies</i>	<i>Represented class</i>	<i>Status / additional details</i>	<i>Claim amount</i>
27.	05/2023 District Court (Economic Department) - Tel Aviv-Jaffa	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. (hereinafter - "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, 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.
28.	06/2023 Regional Court - Haifa	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 or, alternatively, to set beneficial factors 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, 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 the Increased Contributions into the Contribution 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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
29.	06/2023 District Court - Tel Aviv- Jaffa	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 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 as a class action, the respondents 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. At the same time as submitting the answer to the motion to certify the claim submitted a motion for permission to send a third-party notice to the Tax Authority.	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.
30.	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 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 update the insurance policies with insurance coverage of the type of perpetual disability due to accident, required to provide the class members with functioning" in contradiction of the statements in the insurance offer form, which noted insurance coverage of the type "accidental disability," as well as Clal Insurance policyholders with this policy who were denied their entitlement to receive insurance benefits for perpetual disability due to an accident event based on the argument that no such coverage exists in the policy.	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 "accidental disability," as well as Clal Insurance policyholders with this policy who were denied their entitlement to receive insurance benefits 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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
31.	09/2023 District Court - Tel Aviv	Cla 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 rider 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 riders.	The remedies sought are among other matters, compensation in respect of reimbursement of premium payments, towing costs, and claim, until a verdict is given, whose vehicle motion being necessary or requires towing via lift (requiring towing to a garage).	The class in the name of which the claim is filed is defined as the "the class of consumers who hold or held is in the stage of filing of the claim and in the period after the filing of this certification, until a verdict is given, whose vehicle motion being necessary or requires towing via lift (requiring towing to a garage).	The proceeding is in the stage of the class action being reviewed.	The plaintiff estimates the aggregate damage to all class members at approx. NIS 80 million.
32.	11/2023 District Court - Tel Aviv	Cla Insurance and 7 additional insurance companies	The lawsuit concerns the claim that 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-weighted 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-classes 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 certification under Order 8, the actuarial risk in connection with whom has decreased, and accordingly, reviewed. (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.	(1) The proceeding is in the stage of the class action being reviewed. 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).	The plaintiff estimates that the aggregate damage the class members incurred exceeds NIS 2.5 million.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
33.	12/2023 Regional Labor Court - Haifa	Clal Pension and Provident Funds	The action involves the claim that the defendant unlawfully collects insurance premiums in the comprehensive pension fund under its management that are higher than those it was entitled to collect, while reducing the amount of the accrual: (a) when receiving the retroactive contributions - insurance premiums are collected that are higher than the insurance premiums that the defendant was supposed to collect; (b) as a result of attributing "insured income" that is higher than the planholder's salary when the rate of contribution for rewards was more than 11.5% of the planholder's salary and less than 13%; (c) as a result of collecting insurance premiums due to the portion of the planholder's income that exceeds the monthly contribution ceiling for the pension fund stipulated in the law.	Restitution of insurance premiums that were collected from the class members plus interest and linkage during the 7 years that ended on the day the motion was submitted, was a planholder of the comprehensive pension fund of "Clal Pension," and from the relevant years and a whom the respondent collected an insurance premium company to carry out the actions mentioned in Sections (a) to (c) above.	The class the plaintiff seeks to represent is everyone who during the 7 years that ended on the day the motion was submitted, was a planholder of the comprehensive pension fund of "Clal Pension," and from whom the respondent collected an insurance premium calculated on the basis of an amount greater than the maximum amount for this matter, according to the law and/or according to the fund's regulations that were in effect on the collection day, the lower of the two.	The proceeding is in the stage of the class action certification motion being reviewed.	The class action amount is estimated conservatively, according to the plaintiff, at millions of shekels, without specifying an amount.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

<i>Serial No.</i>	<i>Date and court</i>	<i>Defendants</i>	<i>Key claims and causes of action</i>	<i>Key remedies</i>	<i>Represented class</i>	<i>Status / additional details</i>	<i>Claim amount</i>
34.	01/2024 District Court - Jerusalem	Clal Pension and Provident Funds	The action involves the claim that the defendant raised the management fees in planholders' accounts in the products managed by it without sending them any notice in advance according to the law.	Restitution of the all the amounts that were unlawfully collected from each of the class members together with the returns that said funds would have yielded in the accrued savings.	The class the plaintiff seeks to represent is all planholders of provident funds and/or pension funds and/or any other instrument managed by the respondent (including savings instruments that were managed by those replaced by the respondent and anyone who was a planholder thereof during the relevant years) - including deceased planholders and/or their beneficiaries, for whom management fees were raised without being notified as required by law, during the period starting in January 2008 and ending in January 2017, with the exception of three price increases for which a court ruling was granted in the class action (Jerusalem) 15-03-59823 Yair Zedkani v. Clal Pension and Provident Ltd. (December 13, 2018).	The proceeding is in the study stage of the class action certification motion being reviewed.	The claimed amount is estimated by the plaintiff to be more than NIS 2.5 million.
35.	01/2024 District Court - Jerusalem	Clal Pension and Provident Funds	The action involves the claim that the defendant charged management fees at a rate that exceeds the rate permitted by law, members in the accounts of planholders with whom contact has been lost or in the accounts of deceased planholders.	Restitution of the all the amounts that were unlawfully collected from each of the class members together with the returns that said funds would have yielded in the accrued savings.	The class the plaintiff seeks to represent is all planholders of provident funds and/or pension funds and/or any other instrument managed by the respondent (including savings instruments that were managed by those replaced by the respondent and anyone who was a planholder thereof during the relevant period) - including deceased planholders and/or their beneficiaries, from whom management fees were collected at a rate higher than the maximum rate stipulated in Regulation 8 of the Supervision of Financial Services Regulations (Provident Funds) (Management Fees), 2012, during the period beginning on January 1, 2013, (the date of entry into force of the aforementioned regulations) and ending with a final and decisive ruling in the action.	The proceeding is in the study stage of the class action certification motion being reviewed.	The claimed amount is estimated by the plaintiff to be more than NIS 2.5 million.

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies¹²

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
1.	3/2010 District Court - Central	Clal Insurance	According to the plaintiff, Clal Insurance unlawfully and wrongfully link its policyholders' lump-sum policies to the same 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 pension savings funds into withdrawal (a lump-sum policy with 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 the above amendment to the law, was not guaranteed an annuity factor in the lump-sum policy with the annuity factor ¹³ in the lump-sum policy, or was guaranteed a less beneficial annuity factor, retroactively from the effective date of Amendment No. 3 (January 2008), and the annuity factor in their policies, Clal Insurance had to link Alternatively, to compel Clal Insurance to compensate the plaintiff and the other class members for the amount of 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 policy issued by another insurance company), and who, following the amendment, were not given an annuity factor in the lump-sum policy or were given an inferior annuity factor compared to the lump-sum policy compared with Insurance.	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 pecuniary damages issued by Clal Insurance or another insurance company), and who, as a result of the amendment, were not given an estimated at NIS 107 million per year. ¹⁴ 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.	The plaintiff estimates that the class has 37,752 members, and accordingly, the class damages are accordingly, the class members are estimated at NIS 107 million per year. ¹⁴

¹² Not including lawsuits that concluded in the reporting year, but that were reported to have been concluded in the 2022 financial statements.

¹³ 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.

¹⁴ The stated amount relates to the assessment for only one damage year in the lawsuit. It is noted that the lawsuit was filed in March 2010, due to a legislative amendment in 2008.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date court	and Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
2.	11/2014	Bank of Jerusalem Ltd. (hereinafter - "Bank of Jerusalem"). Economic Department – District Court of Tel Aviv	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 time. (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. In January 2023, the parties presented a settlement agreement 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 settlement agreement. The settlement agreement includes instructions on how to pay the class members. It was also agreed that as part of the settlement agreement, 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 agreement. 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.	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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
3.	4/2017 National Labor Court	Tmura Insurance Agency (1987) Ltd. (hereinafter - "Tmura"), a sub-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 all class members is which, the motion to certify the lawsuit as a approx. NIS 357 million class action lawsuit was denied. against all the In September 2022, the National Labor Court defendants, of which rendered its judgment, and the appeal was approx. NIS 88 million denied (hereinafter - the "Judgment"). were attributed to Tmura. 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.	
4	1/2018 District Court - Central	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 beneficiary and/or third party, rejecting the motion for approval of the claim that the damages owed to the class members; to in any type of insurance, who as a class action lawsuit. determine and declare that the on the date of filing the In April 2022, the plaintiff filed an appeal 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.	Any policyholder and/or third party, who as a class action lawsuit. In January 2022, the judgment was rendered that the damages owed to the class members 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.	In January 2022, the judgment was rendered that the damages owed to the class members 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 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
5.	10/2019 District Court - Central	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 it, within this, to refund the class members for the insurance without specifying in the annuals" supplement charge and of their option to change the future premium payment method to an annual payment. 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 (hereinafter - the "settlement agreement"), which were amended in May 2022; the gist of the settlement agreement 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 agreement, Clal Insurance would pay the premium in plaintiffs and their counsels the reward and legal fees. In September 2022, an objection to the settlement agreement was filed, within which it was argued, inter alia, that the settlement agreement 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 agreement 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 agreement, which claimed, among other things, that the provisions of the arrangement should be modified such that no <i>res judicata</i> shall apply to the policyholders who would not be entitled to compensation according to the settlement agreement. In July 2023, the court approved the settlement agreement agreement, with immaterial changes, and validated it is a judgment.	NIS 1.8 billion	

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
6.	12/2021 Regional Labor Court - Tel Aviv-Jaffa	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. (hereinafter - "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 pecuniary damages for 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 class members at approx. NIS 134 million. 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 District Court (Economic Department). For further details, see Section 2.1.2.27 above.	The plaintiff estimates the aggregate damage to all class members at approx. NIS 134 million.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
7.	5/2015 Jerusalem District Court	Clal Insurance and the Association (the policyholder)	According to the plaintiff, To require Clal Insurance to pay insured with Clal Insurance under a collective life members who did not the Policy, which the Association, with the causes of action being a breach of the according to the plaintiff's insurance policy, which had benefit from the fruit was canceled on provisions of the Insurance Contract Law, 1981, the Supervision of estimate, to approx. NIS 90 million.	to require Clal Insurance to pay insured with Clal Insurance under a collective life members who did not the Policy, which the Association, with the causes of action being a breach of the according to the plaintiff's insurance policy, which had benefit from the fruit was canceled on provisions of the Insurance Contract Law, 1981, the Supervision of estimate, to approx. NIS 90 million.	Clal Anyone who was In May 2019, the court dismissed the claim with respect to the The total claimed damage to	In May 2019, the court dismissed the claim with respect to the The total claimed damage to	The total claimed damage to

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
8.	2/2014 District Court - Tel Aviv	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 differential component, and fundamentally and blatantly violates the terms of the policy by making changes to the policy unilaterally continuing (shortening the policy period, moving the insurance start date, and raising the policyholder's age at the start of the insurance), and consequently, an appropriate and adequate amount in favor of the general public at an amount equal to premium for the policy's life component has been paid for in full. Thus, according to the plaintiff, Clal Insurance causes substantial financial damage.	To require Clal Insurance to pay the excess premium fees and/or it had charged due to moving under a life insurance policy and who did not pay the savings with a savings component and a risk differential and the maximum lawful interest. To obtain an order prohibiting Clal Insurance from for a monthly pension settlement agreement or until the repayment of the policy, and the policy, for whom the respondent had been moved.	Anyone who entered into a life insurance policy and who did not 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 full from the date the policy was made and until the date of eligibility to a monthly pension according to the policy or until its settlement agreement or until the repayment of the policy, and the policy, for whom the respondent had been moved.	In December 2017, the court certified the lawsuit. The certified class is anyone who entered into a life insurance policy the plaintiff's assessment, to members sums up, according to the plaintiff's assessment, to approx. NIS 20 million.	The total alleged damage Clal Insurance caused all class members sums up, according to the plaintiff's assessment, to approx. NIS 20 million.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)**

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
9.	7/2015 District Court - Tel Aviv	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 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 specific period or over specific periods, life insurance premiums under the policy over a temporary period. With respect to the pecuniary damages, the plaintiff requests that Clal Insurance pay the full insurance premiums for differentials or the pension receiving a monthly pension from Clal was granted. Insurance, that is lower than the monthly pension that would have been payable to them submitted and approved in the previous provisions of the policy, and contrary to the Mandatory Formula, as proceeding, in December 2023, a judgment to the mandatory formula for required by law. Alternatively, well as Policyholders who chose to have their pension capitalized, and whose pension withdrawal from this motion to certify. As a policy (hereinafter - the "Mandatory Formula"); it is also claimed that Clal Insurance is in pension capitalization that would have been payable in accordance with the Mandatory policies.	With respect to non-pecuniary remedies – all Clal Insurance policyholders who hold similar to the plaintiff's policy (hereinafter - the "Policyholders") and who did not pay the as described in Section 2.1.3.8 above, members sums regarding the calculation of the rights under up, according to the plaintiff's estimate, to at least NIS 25 million. Further to the withdrawal motion that was submitted and approved in the previous proceeding, in December 2023, a judgment confirming the plaintiff's motion to certify. As a result, the motion to certify was deleted and the plaintiff's personal claim was dismissed.	The total claimed damage sums up, according to the plaintiff's estimate, to at least NIS 25 million.	

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
10.	12/2015 District Court - Tel Aviv	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 payment between payments. To pay the 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 plaintiff's lawsuit, and until a judgment is rendered in the lawsuit. Alternatively, the unlawful and goes against procedure plaintiff is petitioning for a declaratory and against the norms in the finance judgment according to which the sub-annual industry, while ignoring the monthly component calculation method Clal Insurance premium payment dates and the fact applies is unlawful, or another declaratory that the annual premium decreases judgment, as the court deems suitable and over the year.	To order the defendants to change the Sub-Annuals component calculation method such that it would be calculated while taking into account the actual premium payment dates which the reduction in the annual premium component is collected while the premium is paid in installments throughout the year.	Policyholders in life insurance policies issued from August 1, 1982, in which the Sub-Annuals certify the claim as a class according to the plaintiffs' action. In September 2020, the assessment, to no less than plaintiffs filed an appeal against the ruling. 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. In February 2024, the Supreme Court dismissed the appeal.	The total alleged damage to all class members with respect to Clal Insurance sums up, to no less than NIS 50 million.	

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. Class actions against the Company and the consolidated companies, with the exception of the Max 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 Max Group companies (cont.)

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
11.	7/2014 District Court - Central	Clal Insurance	According to the plaintiff, Clal Insurance overcharges insurance premiums in compulsory and/or third-party and/or comprehensive insurance policies: (hereinafter - as specified in the motion, without prompting; prohibit Clal Insurance to the youngest driver who is expected to use the vehicle regularly (hereinafter - "Driver") is expected to reach the age and/or number of the new policy is required through no 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 award of any other remedy for the 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 during the insurance and third-party motor insurance in the past period, the youngest seven years, who reached the age and/or fault of the policyholder; require Clal Insurance to compensate the class members for the damage they had suffered, plus lawful linkage 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 benefit of the classes or public compensation, as the court deems appropriate under the circumstances.	Anyone who has purchased and/or renewed and/or 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, insured under compulsory, comprehensive, and third-party insurance appeal and charged the appellant for legal policy is in the "any costs. driver" category.	In January 2017, the court handed down a ruling that dismissed the plaintiff's claims, and/or will except with respect to the claim regarding the prevailing practice of updating the policies and returning excess insurance premiums, in the motion to litigate the chief on behalf of the plaintiff in the class action was approved. The class members, as determined in the NIS 100 million, in the respondent's policyholders aggregate, due to a period of compulsory, comprehensive, 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.	The total amount of the claim was estimated by the plaintiff at approx. NIS 26 million. The assessment of the damage in the affidavits of evidence in the chief on behalf of the plaintiff in the class action was approx. NIS 100 million, in the aggregate, due to a period of compulsory, comprehensive, 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 45 - CONTINGENT LIABILITIES AND CLAIMS (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 Max Group companies

2.2.1. In addition to the material class action lawsuits, described in [Note 45\(2.1.1\)](#), the pending motions to certify material lawsuits as class actions, described in [Note 45\(2.1.2\)](#), and the motions to certify material lawsuits as class actions that were dismissed in the reporting period, described in [Note 45\(2.1.3\)](#), there are pending motions to certify class actions against the Company and its consolidated companies (except for the **Max** Group Companies) that, according to the Company's estimate, are immaterial,¹⁵ and therefore there is no detailed description thereof in the financial statements. As of the date of the report, 7 lawsuits are litigated against the Company and/or its consolidated companies, as said above, not including **Max**, and the total amount specified by the plaintiffs in these lawsuits is approx. NIS 140 million¹⁶ (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 companies, inter alia as a result of the Company's control structure (for additional details, see Note 1 to the financial statements, 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 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 agreement pursuant to an agreement, which apply to and impact the relationship between the Group 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 may be applied to them than those that were customary when they were drafted. Moreover, the policies in these aforementioned areas remain valid for decades, such 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.

There is also exposure, which at this stage can neither be evaluated nor 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 area of activity 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

¹⁵ See Comment 3 above regarding the materiality threshold.

¹⁶ The aforementioned number of lawsuits includes one lawsuit in which Clal Insurance is a formal defendant and no remedies are sought against it. In one action that was certified as a class action the plaintiff did not specify the amount but estimated it in tens of millions of NIS. For further information about all class actions against the Company and its consolidated companies, other than the CIMax Group Companies, see Note 8(2.4.1) below.

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 imputation, 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 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 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.

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 savings, 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.

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 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 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 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.

2.2.3.2 Exposure of the Group companies due to regulatory directives, audits and position papers

A. Furthermore and in general, in addition to the overall exposure to which the Group companies are exposed, in respect of future claims, as specified in Section 45(2.2.2) above, from time to time, including due to complaints of customers and suppliers, 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 taking of certain actions pertaining to past actions and/or change in behavior, 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 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 authorizations.

The Group 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 yield-dependent insurance contract portfolio, 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.
 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 groups, the fund's articles of association, 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.

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 Max Group Companies

In November 2022, a motion was filed with the District Court of Tel Aviv-Jaffa, 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 (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 control core 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 Demand for information from the Competition Authority against Hyp

In January 2024, Hyp Payment Solutions Ltd, a sub-subsidiary of the Company (hereinafter - "Hyp"), received a demand for data and request for an examination of conduct that raises concern of a breach of the provisions of the Economic Competition Law, 1988, regarding the interface of new acquirers to Hyp systems. Hyp replied to the Israel Competition Authority after conducting an examination on the subject, while rejecting the aforementioned concern and even offering an alternative solution to the interface issue. To the best of the Company's knowledge, the Israel Competition Authority is examining Hyp's reply.

2.5 Summary of exposures to lawsuits against the Company and the consolidated companies, not including the Max Group Companies

Type of claim	No. of claims	Amount claimed in NIS million
A. Claims certified as class actions¹⁷		
1. An amount relating to the Company has been specified	5	2,240
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	2	-
B. Pending motions to certify claims as class actions		
1. An amount relating to the Company has been specified ¹⁹	20	4,306
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	19	-
4. An annual amount was specified (and accordingly, the total amount depends on the period) ²²	1	7

2.5.1 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 Max 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 representative 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

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.

¹⁸ These lawsuits include a lawsuit that has been estimated in hundreds of millions of shekels and a lawsuit that has been estimated in tens 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, a motion in which the plaintiffs estimate that the total damage exceeds NIS 3 million, and eleven 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 classes in the claim, contend that the damage is estimated at a total of NIS 10.02 million (with respect to all of the defendants); it is noted that within these motions, there is one motion that has been filed against the Company and against Max; see Sections 2.1.2.14 and 3.1.2.6, 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.

higher,²³ 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 the exposure due to these claims could be substantially higher than noted, and that the amount claimed usually relates to the period preceding the date of filing suit and does not include the following period.

In addition to that specified in Sections 45(1) and 45(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.

- 2.5.2 Regarding the Companies and the consolidated companies, except the Max Group companies, in respect of the costs that might derive from the claims and exposures described in Sections 45(1) and 45(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 agreement 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 odds 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 45(2.1.2) (30), (31), (32), (33), (34), and (35) would be granted.

The provision in the financial statements with respect to the Company and the consolidated companies, excluding the Max Group Companies, as of December 31, 2023, for all the lawsuits and the exposures described in Sections 45(1) and 45(2) above, totals approx. NIS 409 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.

²³ 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 counsel's legal fees, they do not include a lawsuit against Atudot, as specified in Section 2.1.2.2, 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.

3. Exposures against the CIMax Group companies

During the regular course of business, material legal claims were filed against Max,²⁴ 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,²⁵ the disclosure format is in accordance with the Banking Supervision Department's instructions, such that material lawsuits are disclosed. Regarding the provisions in the financial statements, the lawsuits filed against Max are classified into three categories, as follows²⁶:

- 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 less than or equal to 20 percent. 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 counsel, 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 180 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 relate 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.

²⁴ It is noted 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 odds or amount specified in it on their merits, may exceed 1% of Max's equity as of the reporting date, as outlined in Note 17, Equity, in the Company's periodic report. Further to Section 11.3.1.5 of Chapter A of the Company's Annual Reports for 2023, 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.

²⁵ 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.

²⁶ The risk assessments are based on the opinions of the legal advisors who handle the lawsuits and/or Max's estimate, including an estimate of the amounts of the expected settlement agreements, that Max's management anticipates will be concluded. In the first stages after the receipt of the claim, in a period of up to 4 quarters, it is not possible to assess the chances of the motions to certify the actions and therefore no provision is made for them.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**3.1. Class actions against Max Group companies****3.1.1 A material lawsuit that has been certified as a class action lawsuit against the Max Group companies**

<i>Serial No.</i>	<i>Date and court</i>	<i>Defendants</i>	<i>Key claims and causes of action</i>	<i>Key remedies</i>	<i>Represented class</i>	<i>Status / additional details</i>	<i>Claim amount</i>
1.	5/2019 District Court - Tel Aviv-Jaffa	Max	The lawsuit concerns the allegation that Max is in breach of the provisions of its agreement with the class members – a company that receives acquiring services from Max (or, alternatively, agreements and/or as a result of unlawful provisions unlawfully), as when a transaction is partially canceled, the acquirer fee refund for the relative share of the canceled transaction is lower than the transaction cancellation fee charge by Max.	The main remedy claimed in the lawsuit is restitution of the cancellation fee the class members were with it and charged a transaction fee.	All Max customers who entered into the acquiring agreement denied.	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 are in mediation.	The plaintiff estimates the total claim amount for all class members at approx. NIS 22 million.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

3.1. Class actions against Max Group companies (cont.)

3.1.2 Pending motions to certify material claims as class actions against Max Group companies²⁷

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
2.	6/2016 Central District Court - Lod	Max and 2 additional companies	The lawsuit concerns the allegation that the defendants are parties to an illegal cartel, in connection with debit cards and prepaid cards, whereby they charge 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 cartel 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 cartels.	All merchants and their customers that honor payment cards.	In March 2017, the court ruled that claims regarding the stipulated interchange fee rates should be raised before the Competition Court. Accordingly, in October 2017, the movant filed another lawsuit with the Competition Court, seeking a declaratory relief stating class members at that the interchange fee in debit card transactions was not approx. NIS 7.1 discussed or decided by the Tribunal within the overall regulation billion. of the interchange fee rates in the payment card market. In October 2018, the Competition Court 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 Competition Commissioner to request that the Competition Court 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. In December 2023, a motion was filed to approve a settlement agreement. According to which the respondents will act to transfer rechargeable cards and "gift cards," which will be recharged, as a donation and will also pay legal fees to the plaintiff and the representative thereof for compensation, legal fees and reimbursement of the applicant's expenses. The settlement is subject to court approval and there is no certainty that it will be accepted.	The plaintiff estimates the total amount of the claim for all class members at approx. NIS 7.1 billion.
3.	7/2018 District Court - Tel Aviv-Jaffa	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, regarding the direct marketing products and/or services and/or transaction executed due to improper pressure on an elderly customer by direct-marketing companies. The companies had objected to this position.	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 had objected to this position. In August 2022, the District Court rendered a judgment that the other charge that they have not denied the motion to certify. In November 2022, the plaintiffs filed an appeal against the ruling with the Supreme Court.	The plaintiffs estimate the total claim amount for all class members at NIS 900 million.

²⁷ Including such motions that were denied and the ruling to deny them was appealed.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)**3.1. Class actions against Max Group companies (cont.)****3.1.2 Pending motions to certify material claims as class actions against Max Group companies (cont.)**

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
4.	06/23 District Court Tel Aviv	Max and Max IT Credit - wholly owned 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 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 3.1.3.1 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.
5.	03/2024 District Court Tel Aviv	Max and other	1 The motion to certify involves the claim that Bank Leumi and Max raise the card fees for their customers without a proper update. It is argued that, according to the law, the amount that was actually charged, without the defendants have the duty to notify of changes of this type, in an effective manner, in a separate and clear notice and/or in a prominent manner that will allow the notice of any increase in the price of the service, as part regarding the increase in card fees (or of a collection of payments) to be distinguished from other current notices. All of the above is contrary to the duties of good faith and disclosure that apply to the defendants.	The main relief sought is compensation and/or restitution of the difference between the price that the customers originally paid and the amount that was actually charged, without them being duly notified of the increase in card fees. And, in addition, a mandatory order instructing the defendants to actively inform their customers of any increase in the price of the service, as part of a separate and clear notice on the website, including in the application.	Any customer of the defendants, whose express consent was not given or who was not actively informed about the increase of the price of services involving the credit card prior to the increase in the price of the services, in the 7 years preceding the submission of the motion to certify and until the date of certification of the action as a class action.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates the amount of the claim at over NIS 2.5 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 45(2.1.2.14) above.

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

3.1. Class actions against Max Group companies (cont.)

3.1.3 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 Max Group companies

Serial No.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / additional details	Claim amount
1.	06/23 District Court - Central	Max and 1 other	Bank Hapoalim, acting as the issuer of payment cards to its customers, including through Max, as well as Max, that engages in payment card processing, issuance, and acquiring, do not give their card holder 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 the expiration of the payment benefit expiration date and without card benefit for payment cards notifying of the benefit's expiration, or, issued to them by the defendants alternatively, to the extent that a later in the 7 years before the motion matter, as detailed in Section 3.1.2(4). the later notice, plus linkage the lawsuit is certified. 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 accepted the motion submitted by estimates the expiration of the payment Max, and ordered the deletion of the total claim for payment cards aforementioned motion to certify, in amount for all class members view of the proceeding in the same class members matter, as detailed in Section at approx. NIS 74 million	In December 2023, the court The plaintiff accepted the motion submitted by estimates the total claim amount for all class members in the same class members matter, as detailed in Section at approx. NIS 74 million. In January 2024, an appeal was filed against Max. by the applicant, and on February 11, 2024, it was held that the above proceeding will continue to be conducted against Bank Hapoalim only (and not against Max). Also, the motion to certify detailed in Section 3.1.2(4) will be amended such that the applicant (appellant) is joined as an additional applicant to the proceeding. It was also determined that the two proceedings will be conducted jointly.	

NOTE 45 - CONTINGENT LIABILITIES AND CLAIMS (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 merchants 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 approx. NIS 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. In July 2023, an arrangement was approved, according to which the court's determinations in the consolidated appeal will also apply to the appeal regarding the second assessment. 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 counsel 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 December 31, 2023.

NOTE 46 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD**A. Actuarial estimates**

1. The interest rate environment and its effect on the discount rates in the insurance subsegments.

In the reporting period, financial effects applied, including a change in the illiquidity premium in accordance with regulatory requirements, an increase in the risk-free interest rate curve, and an adjustment of assets to liabilities was made that had an impact on the estimated rate of return in the portfolio of assets held against insurance liabilities. For further details, see Notes 42(e)(e1)(d)(1) and 42(e)(e2)(4)(a).

2. A change to the provisions relating to life insurance plans incorporating savings that include "annuity conversion factors taking into account guaranteed life expectancy"; see Note 42(e)(e1)(d)(2).
3. Update of assumptions in the calculation of the liabilities to supplement the annuity reserve, see Note 42(e)(e1)(d)(3).
4. For an improved estimate of liabilities in the Sale Law guarantee subsegment, see Note 42(e2)(3).

B. Issuance of bonds by the Company

For details regarding the issuance of bonds by the Company during the reporting period, see Note 26(c) above.

Subsequent to the reporting date, the entire proceeds of the issuance was used for the early repayment of the full amount of the syndicated loan. For further details, see Note 26(a1)(3) above.

C. 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 26 above.

Subsequent to the reporting date, in January 2024, approx. NIS 504 million p.v. in Notes (Series J) were exchanged by way of an exchange tender offer in consideration for the issuance of approx. NIS 508 million p.v. in Notes (Series L), by way of expansion of an existing series. The Notes (Series M), that were issued as stated above, were recognized (subject to restrictions) as Tier 2 capital of Clal Insurance, instead of Notes (Series F), that were exchanged, and which were recognized as hybrid Tier 2 capital.

For further details, see Note 26(b) above.

D. Rating

The Company

In July 2023, S&P Maalot published a rating report that set an AA- rating for the Company and bonds it issued.

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.

Max

In January 2024, the rating agency Midroog Ltd. reiterated Max's rating of Aa3.il, and the rating's stable outlook.

E. Issuance of bonds by Max

For details regarding the issuance of bonds by Max, see Note 26(e) above.

F. Option plan

For details regarding the Company's option plan and bonuses given during the reporting period and in 2021, see Note 44 above.

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

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 9 to the Consolidated Financial Statements.

H. Dividend distribution policy at Clal Insurance

In June 2023, the Board of Directors of Clal Insurance approved a dividend distribution policy according to which the Company intends to distribute an annual dividend at a rate of 30%-50% of Clal Insurance's distributable comprehensive annual income, as per its consolidated financial statements. The distribution is subject to the Company's complying with a minimum economic solvency ratio objective pursuant to the economic solvency ratio regime, without taking into account the transitional provisions at a rate of 110% (after distribution), and at a rate of 135% (after distribution), taking into consideration the transitional provisions during the transitional period.

I. Collective agreements in the Group

For details regarding salary and welfare costs recognized by the Group, see Note 25(c) in the Financial Statements.

J. Provision for credit default following Max's acquisition

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.

K. Effect of the Iron Swords War

On October 7, 2023, 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 Iron Swords 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.

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 detailed below.

The effect of the War is also evident in the credit rating of the State of Israel. On October 17, 2023, the Fitch rating agency announced a change in the credit rating outlook to negative. In addition, on October 19, 2023, the agency announced that it would be placing the credit rating of four Israeli banks also on its Ratings Watch Negative (RWN) list.

On October 27, 2023, the S&P rating agency announced that it had revised Israel's credit rating outlook to negative.

On February 9, 2024, the Moody's rating agency announced a downgrading of the State of Israel's debt credit rating from A1 to A2 as well as a negative rating outlook.

The Group is exposed to declines on the financial markets and to slowdown, as well as to additional risks that may arise from the War. For further details on sensitivity and exposure to risk factors, see also Note 42 to the 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.

Following 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 returns, until the attainment of positive cumulative returns, amounted to a total of approx.

NIS 0.6 billion as of the reporting date (shortly before the report publication date, the balance is approx. NIS 0.4 billion).

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

For details regarding the effects of the interest rate environment during the reporting period, see Section 42(e1)(d) above.

For details regarding sensitivity tests for market risks, see Note 42C(2) above.

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, disability insurance, and disability insurance marketed by Clal Insurance, if claims are formulated in these areas. However, a significant part of the disability insurance and disability cases arising from the events of the Iron Swords 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 catastrophe event, which limits the exposure of Clal Insurance for these insurance cases to approx. NIS 60 million, under the terms of the policy. It is noted that the reinsurance for a catastrophe event does cover significant damage occurring during the first week of fighting in the War but not the total costs of Clal Insurance in respect of the payment of insurance benefits arising from incidents in the Iron Swords War (depending on the date of occurrence of the specific insured event of each policyholder), and accordingly at this time, according to the data received at Clal Insurance and its estimates, the effect of the events of the Iron Swords War on its results in this area is approx. NIS 74 million.

In view of the security developments following the Ukraine war and the Iron Swords War, most reinsurers, which insure Clal Insurance under the said catastrophe insurance, excluded the active and passive war risks from the insurance coverage **in life and health insurance** for 2024.

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 planholders, the exposure to the payment of survivor and disability claims in the pension fund is expected to affect the demographic return 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. In addition, 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 Iron Swords 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 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, 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. Effects of the War on the financial statements of Max

The Iron Swords War had had an impact on the financial results of Max in 2023, which has been reflected in the scope of credit-loss provisions, both in private and business credit, which increased due to Max's assessment of possible impairment of the solvency of borrowers. From the outbreak of the War, Max has experienced damage to its business activity. The issuance and acquiring turnover of Max decreased, mainly 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 Max's income from interchange, acquiring, and foreign transaction fees. In addition, in this period, the volume of credit and credit card sales were impaired. In December 2023, there was an improvement in the issuance turnovers in Israel and the acquiring turnovers, which returned to similar scopes of those prior to the War.

From a forward-looking perspective, it can be assumed that the security situation, the continued combat in southern Israel and its potential expansion to the north, as well as measures taken by the state, could affect businesses and the population, and consequently influence the economic activity in the country, reflected in the business activity of Max.

The results of the fourth quarter of 2023 were also influenced by a number of actions taken by Max to support the needs of the population affected by the current situation, which include implementation of the outline of reliefs adopted by Max, donations, and assistance to employees, which will have an effect by way of a decrease in income from fees and commissions and interest income, as well as an increase in expenses.

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 Max, donations, and assistance to employees, may reach approx. NIS 20-30 million, which will have an effect by way of a decrease in income from fees and commissions and interest income, as well as an increase in expenses. The cost of the benefits provided in the fourth quarter is approx. NIS 9 million. The board of directors of Max is authorized to limit or change the type and scope of these activities at any time.

2. Effects on the credit losses of Max

The Iron Swords 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.

Pursuant to the directive of the Banking Supervision Department, Max already included in the financial statements for the third quarter, the anticipated effect of the War on expected credit losses, and enlarged 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 still uncertainty as to the extent of this impact. The economic ramifications depend on the continued duration of the fighting, the degree of effectiveness of the measures to be taken to aid the recovery of the economy and the affected population, as well as the pace of recovery and return to full economic activity.

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 which experienced more significant downturns in the initial weeks of the War, such as tourism, leisure and entertainment, restaurants and coffee shops, furniture, and clothing and footwear. Although in the majority of subsegments, tangible recovery was recorded in the business turnovers, there is still a high degree of uncertainty as to the effects of the War on the risk of some of the merchants included in Max's business credit portfolio.

With regard to the credit risk of Max's private customers, 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 especially of population groups directly hurt by the War, 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. At this stage, there has yet to be a noticeable increase in the actual credit risk of these customers due to the War.

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 detailed 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 its credit portfolio, would lead to additional growth of approx. NIS 15 million in the provision for credit losses as of December 31, 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 significantly 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 continue to grow clearer, and as Max continues to accrue 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 as necessary.

Max's assessments regarding the effects on its credit losses constitute forward-looking information, which is based on Max's assessments and assumptions as of the report publication date. The actual results might be substantively different from those assessed, among others, in view of the effects of the War, the effects of the government aid on macroeconomic conditions and economic activity, the activity and economic situation of the borrowers and the actual effect of the War on them.

L. Events subsequent to the report date

1. Repayment of loan in CIMax

Subsequent to the reporting date, in February 2024, CIMax repaid the full balance of its syndicated loan, totaling an amount of approx. NIS 891 million, of which approx. NIS 873 million was the loan principal, and the remaining balance being interest in addition to an early repayment penalty and additional fees and commissions pursuant to the provisions of the syndicated loan agreement, in the total amount of approx. NIS 18 million.

Repayment of the syndicated loan was carried out via a sum of NIS 891 million that the Company invested in CIMax.

For further details, see Note 26 above.

M. Further market developments in the reporting period and thereafter

As of the report date, the Company has a negative fees balance in the collection of variable management fees which until coverage of the loss, will prevent the Company from collecting variable management fees amounting to a pre-tax sum of approx. NIS 0.6 billion.

In the period subsequent to the reporting date and until the approval date of the Financial Statements, there were upswings in the capital markets in which liquid investments are traded, which led to a reduction of this balance in the amount of approx. NIS 0.2 billion, such that just prior to the approval date of the Financial Statements, the balance of the variable management fees that the Company will refrain from collecting amounts to a pre-tax sum of approx. NIS 0.4 billion.

It is not currently possible to assess the continued developments in the markets and the interest rate curve and their effect on the results of the first quarter of 2024 as well as the entire 2024; thus, accordingly, the above does not constitute any assessment for the anticipated financial results of the Company for 2023 and the economic solvency ratio, and this is so among other things, when relating to the continued developments in the said markets.

Appendix A - Breakdown of Other Financial Investments of Consolidated Insurance Companies Registered in Israel

Following are data included in the Consolidated Financial Statements:

In NIS million	As of December 31, 2023			
	Fair value through profit and loss	Available-for-sale receivables	Loans and	Total
Liquid debt assets (1)	195	6,212	-	6,407
Illiquid debt assets	28	-	24,444	24,472
Shares (2)	-	1,647	-	1,647
Other (3)	926	4,820	-	5,746
Total other financial investments	1,149	12,679	24,444	38,272

In NIS million	As of December 31, 2022			
	Fair value through profit and loss	Available-for-sale receivables	Loans and	Total
Liquid debt assets (1)	130	6,865	-	6,995
Illiquid debt assets	1	-	23,023	23,024
Shares (2)	-	1,824	-	1,824
Other (3)	372	4,233	-	4,605
Total other financial investments	503	12,923	23,023	36,449

1. Liquid debt assets

In NIS million	As of December 31			
	2023		2022	
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Government bonds				
Presented at fair value through profit or loss:				
Available for sale	3,131	3,247	4,206	4,383
Total government bonds	3,131	3,247	4,206	4,383
Other debt assets				
Non-convertible				
Presented at fair value through profit or loss:				
Designated as of initial recognition date	170	77	104	68
Available-for-sale	3,081	3,222	2,659	2,845
Total other non-convertible debt assets	3,251	3,299	2,763	2,913
Convertible				
Presented at fair value through profit or loss:				
Designated as of initial recognition date	25	29	26	32
Total other convertible debt assets	25	29	26	32
Total liquid debt assets	6,407	6,575	6,995	7,328
Regular impairments carried to profit and loss (cumulative)	2		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 amortization for impairment recognized in profit and loss.

Appendix A - Breakdown of Other Financial Investments of Consolidated Insurance Companies Registered in Israel (cont.)

2. Shares

In NIS million	As of December 31			
	2023		2022	
	Carrying amount	Amortized cost	Carrying amount	Amortized cost
Liquid				
Presented at fair value through profit or loss:				
Available for sale	897	910	904	914
Total liquid shares	897	910	904	914
Illiquid				
Presented at fair value through profit or loss:				
Available for sale	750	833	920	777
Total illiquid shares	750	833	920	777
Total shares	1,647	1,743	1,824	1,691
Regular impairments carried to profit and loss (cumulative)	330		196	

3. Other financial investments

In NIS million	As of December 31			
	2023		2022	
	Carrying amount	Amortized cost	Carrying amount	Amortized cost
Liquid				
Presented at fair value through profit or loss:				
Designated as of initial recognition date	551	521	292	270
Available-for-sale	365	361	563	589
Derivative instruments	7	5	6	9
Total liquid financial investments	923	887	861	868
Illiquid				
Presented at fair value through profit or loss:				
Designated as of initial recognition date	67	65	26	25
Available-for-sale	4,455	3,267	3,670	2,614
Derivative instruments	301	10	48	10
Total illiquid financial investments	4,823	3,342	3,744	2,649
Total other financial investments	5,746	4,229	4,605	3,517
Regular impairments carried to profit and loss (cumulative)	125	-	174	-

Appendix B - Interest income and expenses of the Company and its consolidated companies and analysis of the changes in the interest income and expenses

Average balances and interest rates

	For the year ended December 31, 2023			For the year ended December 31, 2022			For the year ended December 31, 2021		
	Average out- stan- ding ba- lance ⁽¹⁾	Interest income (expen- ses)	% of in- come (ex- pense) Percent- age	Average outstan- ding balance ⁽¹⁾	Inter- est in- come (ex- pen- ses)	% of in- come (ex- pense) Percent- age	Average outstan- ding balance ⁽¹⁾	Interest income (expen- ses)	% of in- come (expen- se) Percent- age
In NIS million									
Interest-bearing assets									
Credit to private individuals ⁽²⁾	9,088	1,006	11.07	7,355	599	8.14	5,565	* 391	7.03
Commercial credit (2)(5)	3,426	199	5.81	2,994	106	3.54	2,476	59	2.38
Total credit	12,514	1,205	9.63	10,349	705	6.81	8,041	450	5.60
Deposits with banks	603	19	3.15	495	4	0.81	484	-	-
Other assets	25	1	4.00	22	-	-	50	-	-
Total interest-bearing assets	13,142	1,225	9.32	10,866	709	6.52	8,575	450	5.25
Non-interest-bearing receivables for credit card transactions	4,323			4,226			3,342		
Amounts receivable for credit card transactions	1,078			1,039			2,801		
Other non-interest- bearing assets (3)	464			505			499		
Total assets	19,007			16,636			15,217		
Interest bearing liabilities									
Credit from banking corporations	5,170	(323)	(6.25)	4,162	(106)	(2.55)	2,781	(31)	(1.11)
Bonds and subordinated notes	607	(36)	(5.93)	218	(10)	(4.59)	1,131	(36)	(3.18)
Other liabilities	37	(83)		21	(23)	(109.52)	13	(6)	(46.15)
Total interest-bearing liabilities	5,814	(442)	(7.60)	4,401	(139)	(3.16)	3,925	(73)	(1.86)
Payables for credit card transactions ⁽⁵⁾	10,771			10,128			9,353		
Other non-interest- bearing liabilities	670			577			511		
Total liabilities	17,255			15,106			13,789		
Total capital resources	1,752			1,530			1,428		
Total capital commitments and resources	19,007			16,636			15,217		
Interest rate spread			1.72			3.36			3.39
Net return on interest- bearing assets ⁽⁴⁾	13,142	783	5.96	10,866	570	5.25	8,575	377	4.40

	For the year ended December 31, 2023			For the year ended December 31, 2022			For the year ended December 31, 2021		
	Average outstan- ding balance ⁽¹⁾	Interest income (expen- ses)	% of income (ex- pense) Per- centage	Average outstan- ding balance ⁽¹⁾	Interest income (ex- penses)	% of income (ex- pense) Per- centage	Average outstan- ding balance ⁽¹⁾	Interest income (expen- ses)	% of income (ex- pense) Per- centage
In NIS million									
Non-linked NIS									
Total interest-bearing assets	13,000	1,219	9.38	10,671	* 696	6.52	8,340	* 433	5.19
Total interest-bearing liabilities	5,742	(439)	(7.65)	4,255	(130)	(3.06)	4	(66)	(1.79)
Interest rate spread			1.73			3.46			3.40
CPI-linked NIS									
Total interest-bearing assets	71	5	7.04	127	13	10.24	215	17	7.91
Total interest-bearing liabilities	71	(3)	(4.23)	143	(9)	(6.29)	237	(7)	(2.95)
Interest rate spread			2.81			3.95			4.96
Foreign currency (including foreign-currency linked NIS)									
Total interest-bearing assets	71	1	1.41	68	-	-	20	-	-
Total interest-bearing liabilities	1	-	-	3	-	-	1	-	-
Interest rate spread			1.41			-			-
Total activity									
Total interest-bearing assets	13,142	1,225	9.32	10,866	709	6.52	8,575	450	5.25
Total interest-bearing liabilities	5,814	(442)	(7.60)	4,401	(139)	(3.16)	3,925	(73)	(1.86)
Interest rate spread			1.72			3.36			3.39

In NIS million	2023 vs. 2022			2023 vs. 2022		
	Increase (decrease) due to change		Net change	Increase (decrease) due to change		Net change
	Quantity	Price		Quantity	Price	
<u>Interest-bearing assets</u>						
Receivables for credit card transactions	192	215	407	146	62	208
Commercial credit	25	68	93	18	29	47
Total credit	217	283	500	164	91	255
Deposits with banks	3	12	15	-	4	4
Other assets	-	1	1	-	-	-
Total interest income (expenses)	220	296	516	164	95	259
<u>Interest bearing liabilities</u>						
Credit from banking corporations	(63)	(154)	(217)	(35)	(40)	(75)
Bonds and subordinated notes	(23)	(3)	(26)	42	(16)	26
Other liabilities	(36)	(24)	(60)	(9)	(8)	(17)
Total interest income (expenses)	(122)	(181)	(303)	(2)	(64)	(66)
Total interest income, net	98	115	213	162	31	193

* Reclassified.

- (1) Based on beginning-of-month balances.
- (2) Before deducting the average on-balance sheet balance of credit loss provisions. Including non-accrual impaired debts.
- (3) Including other non-interest-bearing assets and less credit loss provision.
- (4) Net return – 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.

Actuary's Statements



Statement of the Health Insurance Actuary - Life

Clal Insurance Company Ltd.

Chapter A - Actuary's Statement

Following is an actuarial statement regarding health insurance - Businesses reported in the Company's life insurance:

Section A.1 - The Actuary

I have been asked by Clal Insurance Company to examine the provisions listed in Section A.2 below in health insurance for the Insurer's financial statements (hereinafter - the "**Provisions**") Clal Insurance Company Ltd. as of December 31, 2023, as detailed below.

I am a salaried employee of Clal Insurance Company Ltd. The merger was completed in January 2024. I am neither an interested party in the Insurer nor a family relative of an interested party in the insurer.

Section A.2 - Scope of the Actuarial Opinion

1. Actuarial opinion

- A. To calculate the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I have examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.
- B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Section A.3 below.
- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
 - 1) The provision calculated for ceded business. In this context, "ceded business" as defined in the Supervision of Insurance Business Regulations (Method of Calculation of Reserves for Future Claims in Property and Casualty Insurance), 1984 - the Company has no such business.
 - 2) The provision calculated in respect of joint insurance in which the Company does not serve as an insurer - the Company has no such business.

2. Estimated data for reserves amount

A. Breakdown of provision amounts

Following is a breakdown of provisions reported in the life insurance report at the gross and retention levels (see details in Forms 11A and B attached below in the appendixes to the report).

Description (in NIS thousands)	Life insurance - health Individual insurance business
Gross	
Contingent claims	495
IBNR	11,036
Insurance contracts T&C	0
Total - gross	11,531
Retention	
Contingent claims	297
IBNR	6,407
Insurance contracts T&C	0
Total - retention	6,704

B. Effect of the changes on the provisions

Following is the effect of changes at the gross and net level for:

1. For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision - no such adjustment was required during the reporting period.
2. For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected and from other amendments - no such adjustment was required in the reporting period.

Section A.3 - The Opinion

I hereby state and confirm that for the following critical illness subsegment:

1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
 - A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
 - B. The Insurance Commissioner's directives and guidelines;
 - C. Generally Accepted Actuarial Principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. To the best of my knowledge, the provisions specified in Chapter A.2 above, form an adequate reserve to cover the Insurer's liabilities in respect of health insurance contracts in the abovementioned health insurance subsegments, in effect as of the financial statements date.

Section A.4 - Comments and Clarifications

1. Details about reserve types, interest rates, etc. are included in Note 37 to the Financial Statements.
2. **Statistical and actuarial uncertainty**

The results presented in this report rely, among other things, on the calculation of contingent claims and IBNR claims based on a statistical model for future claim payments that relies on experience of claims paid in the past, in terms of both the rate of payment and the amounts paid.

These models and working assumptions were developed based on my understanding of the Company's current business environment, and in accordance with my assessment of the development of the Company's future business environment. Therefore, it should be acknowledged that it is highly probable that the future business results will vary from those projected by the actuarial models for calculation of reserves.

3. Exposure to future developments and changes

Changes and developments may occur in the environment in which the Israeli insurance industry operates due to regulatory changes, judicial decisions, technological developments and changes in social and environmental conditions. These factors cannot be predicted and may impact the ultimate cost of the claims and consequently the actuarial assessment of the provisions.

Section A.5 - Material Changes

There were no material changes during the reporting period.

March 27, 2024

Date

Michael Hahn-Markowitz, F.I.L.A.A

Name of supervisor actuary



Signature

Actuary's Statement - Property and Casualty Insurance Clal Insurance Company Ltd.

Chapter A - Actuary's Identity

I have been asked by Clal Insurance Company Ltd. to examine the provisions listed in Chapter B below in property and casualty insurance subsegments for the Insurer's financial statements (hereinafter - the "**Provisions**") Clal Insurance Company Ltd. as of December 31, 2023 as detailed below.

I serve as a Supervising Actuary of P&C insurance as from June 10, 2020. I am a salaried employee of the insurer. I am not an interested party in the insurer. (hereinafter - the "**Insurer**").

Chapter B - Scope of the Actuarial Opinion

1. Scope of the Actuarial Opinion

- A. To calculate the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I have examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.
- B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed in Section 2 below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.
- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
 - 1) The provision calculated in respect of the residual insurance arrangement (hereinafter - the "Pool") was based on a calculation carried out by the Pool's actuary.
 - 2) The provision calculated in respect of joint insurance in which the Company does not serve as the lead insurer was based on information received from the lead company; this provision is immaterial.
 - 3) A reduction was made in calculating the risk margin alone, in respect of the lack of full correlation among the various subsegments, in accordance with the Commissioner's position for calculation of P&C insurance reserves.

2. Data included in the section on the scope of the actuarial opinion

Below is the estimated reserves amount:

	As of December 31, 2023	
	In NIS thousand	
	Gross	Retention
Contingent claims ¹		
Non-aggregated subsegments		
Compulsory motor	2,617,460	1,444,752
Third-party liability	848,059	555,881
Professional liability	514,479	164,240
Employers' liability	411,313	408,368
Motor property	284,966	251,025
Product liability	26,050	23,364
Comprehensive home	65,786	11,735
Mortgages	20,405	129
Total non-aggregated subsegments	4,788,518	2,859,494
Total non-aggregated and aggregated subsegments ²	5,448,859	2,913,571
Indirect expenses	109,556	109,556
Difference between the reserve for unexpired risks and the unearned premium net of deferred acquisition costs.		
Compulsory motor	No statement is required	4,683
Motor property	No statement is required	No premium deficiency
Comprehensive home	No statement is required	No premium deficiency
Total insurance liabilities in respect of insurance contracts included in the property and casualty segment calculated in accordance with actuarial assessment	5,565,871	3,027,810

1 In liability subsections, which are estimated based on an underwriting year and in which premium deficiency need not be declared, the contingent claims also include the premium deficiency component, if any.

2 Aggregated subsegments - property loss (including business and agricultural insurance, diamonds and terror), engineering, all risk, executive liability and other liability insurance.

Chapter C - The Opinion

I hereby declare and confirm that in the following subsegments, as defined in the Notice of the Commissioner of Insurance Business (Insurance Subsegments), 1985:

- a) Employers' liability insurance Section 1(a)(7)
- b) Insurance pursuant to the Motor Insurance Ordinance [New Version], 1970 - Section 1(a)(8)
- c) Motor insurance - property (self and third party) - (Section 1(a)(9))
- d) Comprehensive home and business insurance - Section 1(a)(12)
- e) Third-party liability insurance - Section 1(a)(14)
- f) Property loss insurance - Section 1(a)(15)
- g) Agricultural insurance, excluding natural hazards insurance in agriculture (Section 1(a)(17)
- h) Engineering insurance - Section 1(a)(18)
- i) Product liability insurance - Section 1(a)(22)
- j) Insurance against other risks – Section 1(a)(25)

1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
 - A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
 - B. Directives and guidance by the Commissioner of the Capital Market, Insurance and Savings;
 - C. The Commissioner's position on calculation of reserves in property and casualty insurance;
 - D. Generally accepted actuarial principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. The provisions for contingent claims listed in Chapter B in respect of the non-aggregated subsegments - compulsory motor, third party liability (excluding executive liability), employers' liability, professional liability, motor property, product liability, home and mortgage banks - form, to the best of my knowledge and assessment - an adequate reserve for covering the Insurer's liabilities in respect of the contingent claims defined above, for each separately-listed subsegment, in effect as of the financial statements date.
5. To the best of my knowledge, the total amount of the provisions for contingent claims specified in Chapter B form an adequate reserve for covering the Insurer's liabilities in respect of the contingent claims, in all aggregated and non-aggregated subsegments, in effect as of the financial statements date.
6. To the best of my knowledge, the provision for indirect expenses specified in Chapter B, forms an adequate reserve for covering the Insurer's liabilities in respect of indirect expenses to settle the claims, in effect as of the financial statements date.
7. The provisions for premium deficiency specified in Chapter B form - to the best of my knowledge and assessment - an adequate reserve for covering the Insurer's liabilities in respect of the difference between the unexpired risks and the unearned premium (retention), net of deferred acquisition costs (if any) in said subsegments, as of the financial statements date.

Chapter D - Comments and Clarifications

1. The nominal reserve is based on actuarial assessment based on statistical estimates that include a component of uncertainty. The statistical estimate is based on various assumptions which reflect what we currently know. These assumptions may change in accordance with new information obtained in the future, changes in the constitutional, legal, social and economic environment and events that will take place; these may cause a change in the estimates.
2. In several large claims of a non-statistical nature, the reserve was determined (gross and retention) based on the opinion of the Company's experts and in accordance with the recommendations of their legal counsel. Accordingly, a development in the Company experts' assessment might have an impact on the cost of claims.
3. The Company continues to implement the Commissioner's position regarding the best practice for calculating insurance reserves in property and casualty insurance. The Commissioner's position sets forth, among other things, principles that form the basis of the reserves assessment: professionalism, consistency and prudence.

As far as the principle of prudence is concerned, it was determined that the meaning of the term prudence is that "the reserve should be adequate to cover the insurer's liabilities". In other words, it is "fairly likely" that the reserve defined in the retention will suffice to cover the insurer's liabilities. In the compulsory motor subsegment and liability subsegments, the test of "fairly likely" shall mean an estimated probability at least 75%. This margin includes random risk (risk of volatility embodied in the model), which is measurable with statistical methods, using accepted actuarial models, and systematic risks (risks not included in the model), which require qualitative assessment methods characterized by considerable discretion.

4. The Company discounts future claims payments in the compulsory motor and liability subsegments according to the risk-free interest rate curve, while adjusting to the illiquid nature of the insurance liabilities and taking into account the manner in which the assets against these liabilities are revalued. In 2023, the Company revised the illiquid asset allocation procedure. Due to the revision, an excess fair value of illiquid assets in the amount of approx. NIS 76 million was obtained, which was allocated to the P&C insurance segment.
5. During 2023, 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. As a result, the Company reduced its insurance liabilities in retention by a total of approx. NIS 39 million.
6. The actuarial opinion for aggregated subsegments is given based on the total provisions for all the subsegments (aggregated and non-aggregated) as a whole, due to the high level of uncertainty.
7. In the following subsegments: cargo in transit insurance, aircraft insurance including third party liability, marine insurance including third party liability, providing guarantees and ceded business, no actuarial assessment of contingent claims are made because of the nature of coverage and the limited data.

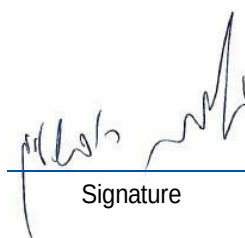
In addition, the reserve in respect of special medical negligence transactions, which are classified under the professional liability segment, was calculated, in accordance with the insurance policy, for the amount of the claim above the payable liability amount of the medical facility.

March 27, 2024

Date

Galit Robstein, F.I.L.A.A

Name of supervisor actuary



Signature

Statement of the Health Insurance Actuary, December 2023 Clal Insurance Company Ltd.

Chapter A - Actuary's Identity

I have been asked by Clal Insurance Company Ltd. (hereinafter - the "Insurer") to examine the provisions listed in Chapter B below in health insurance for the Insurer's financial statements (hereinafter - the "Provisions") Clal Insurance Company Ltd. as of December 31, 2023 as detailed below.

I am a salaried employee of the insurer. I am not an interested party in an affiliate of the insurer. I was appointed as Supervising Actuary in September 2023.

Chapter B - Scope of the Actuarial Opinion

1. Actuarial opinion

- A. To calculate the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I have examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.
- B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.
- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
 - 1) Provision calculated for ceded business - the provision is recorded according to a calculation made by the ceding insurance company.
 - 2) The provision calculated in respect of joint insurance in which the Company does not serve as lead insurer - the Company does not have any joint insurance in the health segment in which the Company does not serve as lead insurer.

2. Estimated data for reserves amount

A. Following is a breakdown of provision amounts - in NIS thousand

Following is a breakdown of provisions reported in the health insurance report at the gross and retention levels.

(in NIS thousand)	Individual	Collective	Total
Gross			
Contingent claims	361,716	68,183	429,899
Indirect expenses	6,180	4,032	10,211
Insurance contracts T&C	305,015	25,349	330,365
Total - gross	672,911	97,564	770,476
Retention			
Contingent claims	331,865	68,183	400,049
Indirect expenses	6,180	4,032	10,211
Insurance contracts T&C	276,930	25,349	302,280
Total - retention	614,976	97,564	712,540

B. Effect of the changes on the provisions

Following is the effect of changes at the gross and retention level in NIS thousands for:

- 1) For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision.

Reserve component	Total provisions
Provision for new policies - gross	3,482
Provision for new policies - retention	3,326

- 2) For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected and from other amendments - gross and retention.

Reserve component	Total provisions
Amount of adjustments to reserves - gross	(15,934)
Amount of adjustments to reserves - retention	(15,934)

Chapter C - The Opinion

I hereby state and confirm that for the following health insurance subsegments:

- Medical expenses
- Critical illnesses
- Personal accidents
- Travel abroad
- Dental

1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
 - A. Financial Services Supervision Law (Insurance), 1981 and regulations promulgated thereunder.
 - B. The Insurance Commissioner's directives and guidelines.
 - C. Generally Accepted Actuarial Principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of health insurance contracts in the abovementioned health insurance subsegments, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

1. Comments, clarifications and explanations

- A. Details about reserve types, interest rates, etc. are included in Note 37 to the Financial Statements of Clal Insurance.
- B. The calculation of reserves arising from the terms and conditions of the contract was based on an actuarial model of future cash flows, based on demographic and economic assumptions and other working assumptions that may change in future and could affect the above estimated reserve.
- C. The calculation of provisions for contingent and IBNR claims was based on a statistical forecast model for determining future claim payments based on past experience.
- D. The models and assumptions for determining the provisions were developed, in my understanding, based on the current business environment and future developments. The medical expenses subsegment is exposed to future medical inflation as a result of medical and technological developments. Furthermore, the fact that the models are exposed to actuarial and statistical volatility should be recognized and it is reasonable that future results will be different to the provisions determined according to the models.

2. Changes in actuarial assumptions and methods

During the reporting year, the Company revised the basis of the main assumptions used to calculate the provisions in respect of individual health policies. These assumptions are determined annually according to tests, past experience and current relevant studies (for the effect of the revision, see Chapter B, Section 2.B).

3. Material changes in provisions compared to last year

For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected and from other amendments: is a decrease of approx. NIS 16 million, as detailed below in Chapter B.

4. Businesses for which it was impossible to conduct an actuarial valuation

- A. In the travel insurance and collective subsegments, there is a provision in respect of unearned premium. The calculation is made by the finance department.
- B. The data in Chapter B above include provisions in respect of ceded business; such provisions are recorded according to a calculation made by the ceding insurance company.

March 27, 2024

Date

Yehoshua Mezin, F.I.L.A.A. F.I.A.

Name of supervisor actuary



Signature

Actuary's Statement - Long-Term Care Insurance - December 2023 Clal Insurance Company Ltd.

Chapter A - Actuary's Identity

I have been asked by Clal Insurance Company Ltd. (hereinafter - the "Insurer") to examine the provisions listed in Chapter B below in long-term care insurance for the Insurer's financial statements (hereinafter - the "Provisions") Clal Insurance Company Ltd. as of December 31, 2023 as detailed below.

I am a salaried employee of the insurer. I am not an interested party in an affiliate of the insurer. I was appointed as Supervising Actuary in September 2023.

Chapter B - Scope of the Actuarial Opinion

1. Actuarial opinion

- A. To calculate the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I have examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.
- B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.
- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
 - 1) The provision for ceded business - the Company does not have ceded business in the long-term care segment.
 - 2) The provision calculated in respect of joint insurance in which the Company does not serve as the lead insurer was based on a calculation made by the lead insurers of the joint insurance.

2. Data included in the section on the scope of the actuarial opinion

A. Breakdown of provision amounts:

In Appendices A and B below, the provision amounts are provided in NIS thousand both at the gross level and at the retention level, as follows:

- 1) Provision for contingent claims (claims that were incurred but not yet fully paid regardless of whether they were approved or not, excluding claims paid in the form of allowances, such as: long-term care, permanent health insurance and income protection) and the direct and indirect expenses stemming therefrom (including IBNR reserve).
- 2) Provision (reserve) stemming from the terms of the life insurance contract, separately, including -
 - a) Reserve for plan with accrual;
 - b) Provision required where some of the premium collected in the early years of the contract is designated to provide coverage at a later date, such as: provision in respect of fixed premium, insurability and continuity;
- 3) Reserve's portion in respect of claims being paid, including claims paid in the form of allowances, such as: long-term care, permanent health insurance and income protection).
- 4) Provision for profit participation
- 5) Supplement resulting from liability adequacy test - in view of the increase in incidence of claims, a provision was required from the liability adequacy test.
- 6) Other - additional provisions according to the Commissioner's directives, such as: provision for Deferred Annuity Contracts (DAC), the supplemental annuity reserve - there was no need for a further provision.
- 7) Provision in respect of extraordinary risk reserve - this provision was cancelled and classified as part of the Company's equity.

B. Effect of the changes on the provisions:

Following is the effect of changes at the gross and net level for:

- 1) Policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision; no such adjustment was required during the reporting period.
- 2) For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from the differences from changes in assumptions, methods or premiums expected to be collected and from other amendments - a provision was made in the amount of approx. NIS 101 million in retention arising mainly from an update of the morbidity study in long-term care policies.

Chapter C - The Opinion

I hereby state and confirm that in the long-term care subsegment:

1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
 - A. Financial Services Supervision Law (Insurance), 1981 and regulations promulgated thereunder;
 - B. The Insurance Commissioner's directives and guidelines;
 - C. Generally Accepted Actuarial Principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of long-term care insurance, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

1. Comments, clarifications and explanations

- A. Details about reserve types, interest rates, etc. are included in Note 37 to the Financial Statements of Clal Insurance.
- B. The long-term care insurance portfolio is exposed to regulatory changes as well as market condition developments, such as revision of the long-term care plans sold by the supplementary health services of the health maintenance organizations. The reserve is based on assumptions of morbidity, mortality and duration of claim payments. These assumptions are subject to unforeseen demographic and economic changes.

2. Businesses for which it was impossible to conduct an actuarial valuation

The data include provisions in respect of joint business in which the Company is not the lead and the actuarial assessment provided by the actuary of the lead company.

March 17, 2024

Date

Yehoshua Mezin, F.I.L.A.A. F.I.A.

Name of supervisor actuary



Signature

Appendix A - Form 12A

Contingent Claims, Reserve and Reserve
for Extraordinary Risks - **Gross**

Name of the company: **Clal Insurance Company Ltd.**

		December 31, 2023			
		The gross data are in NIS thousand			
		Total	Long-term care		Other covers ¹⁾
			Individual	Collective	
			5A	5B	6
1	Contingent claims	0	0	0	0
2	Reserve (total of lines 2A1 to 6)	3,300	3,054	246	0
2A1	Policies which	Policies issued until 1990	0	0	0
2A2	include a savings	Policies issued between 1991			
	component	and 2003	0	0	0
2A3	(including	Policies issued after 2004	0	0	0
2A4	appendices) by	Total (2A1 to 2A3)			
	policy issuance date:	0	0	0	0
2B	Policies without a savings component	2,584	2,562	22	0
3	Percentage of reserve for paid claims	682	457	225	0
4	Profit participation	0	0	0	0
5	Supplement resulting from liability adequacy test	35	35	0	0
6	Other	0	0	0	0
7	Extraordinary risk reserve	0	0	0	0
8A	Effect of adjusting provisions for new businesses	0	0	0	0
8B1	Effect of adjusting	Changes in assumptions	101	108	(6)
8B2	provisions for	Changes in methods	0	0	0
8B3	existing businesses	Differences in premium rates	0	0	0
8B4		Other changes	0	0	0

1) Other coverages, including: disabilities, double indemnity, etc.

Appendix B - Form 12B

Contingent Claims, Reserve and Reserve
for Extraordinary Risks - **Retention**

Name of the company: **Clal Insurance Company Ltd.**

			December 31, 2023			
			The gross data are in NIS thousand			
			Total	Long-term care		Other covers ¹⁾
				Individual	Collective	
				5A	5B	6
1	Contingent claims		0	0	0	0
2	Reserve (total of lines 2A1 to 6)		3,220	2,979	242	0
2A1	Policies which include	Policies issued until 1990	0	0	0	0
2A2	a savings component	Policies issued between 1991				
	(including appendices)	and 2003	0	0	0	0
2A3	by policy issuance	Policies issued after 2004	0	0	0	0
2A4	date:	Total (2A1 to 2A3)	0	0	0	0
2B	Policies without a savings component		2,584	2,562	22	0
3	Percentage of reserve for paid claims		602	382	220	0
4	Profit participation		0	0	0	0
5	Supplement resulting from liability adequacy test		35	35	0	0
6	Other		0	0	0	0
7	Extraordinary risk reserve		0	0	0	0
8A	Effect of adjusting provisions for new businesses		0	0	0	0
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	101	108	(6)	0
8B2		Changes in methods	0	0	0	0
8B3		Differences in premium rates	0	0	0	0
8B4		Other changes	0	0	0	0

1) Other coverages, including: disabilities, double indemnity, etc.

Statement of the Health Insurance Actuary

Clal Insurance Company Ltd.

Chapter A - Actuary's Identity

I have been asked by Clal Insurance Company Ltd. to examine the provisions listed in Chapter B below in health insurance subsegments for the Insurer's financial statements (hereinafter - the "**Provisions**") Clal Insurance Company Ltd. as of December 31, 2023 as detailed below.

I serve as a Supervising Actuary of P&C insurance as from June 10, 2020. I am a salaried employee of the insurer. I am not an interested party in the insurer. (hereinafter - the "**Insurer**").

Chapter B - Scope of the Actuarial Opinion

1. Actuarial opinion

- A. To calculate the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements.

I have examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.

- B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.

- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.

- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.

- E. The following matters were also taken into account in my opinion:

- 1) The provision calculated for ceded business - no ceded business.
- 2) The provision calculated in respect of joint insurance in which the Company does not serve as the lead insurer was based on a calculation made by me.

2. Data included in the section on the scope of the actuarial opinion

Below is the estimated reserves amount:

		As of December 31, 2022	
		In NIS thousand	
		Gross	Retention
Contingent claims			
1) a)	Non-aggregated subsegments:		
	Personal accidents ³	54,242	54,210
	Total non-aggregated subsegments	54,242	54,210
1) b)	Total non-aggregated and aggregated subsegments	54,242	54,210
2)	Indirect expenses	4,466	4,466
3)	The provision deriving from the terms and conditions of insurance contracts	None	
4)	Provision for profit participation	None	
	Total insurance liabilities in respect of insurance contracts included in the property and casualty segment calculated in accordance with actuarial assessment	58,709	58,677

³ Including personal accidents and pupils personal accidents subsegments.

Chapter C - The Opinion

I hereby declare and confirm that in the following health insurance subsegments, as defined in the Notice of the Commissioner of Insurance Business (Insurance Subsegments), 1985:

a) Personal accidents insurance, Section 1(a)(5)

1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
 - A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
 - B. Directives and guidance by the Commissioner of the Capital Market, Insurance and Savings;
 - C. The Commissioner's position on calculation of reserves in property and casualty insurance;
 - D. Generally accepted actuarial principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.

To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of health insurance contracts in the abovementioned health insurance subsegments, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

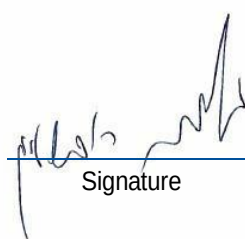
1. The nominal reserve is based on actuarial assessment based on statistical estimates that include a component of uncertainty. The statistical estimate is based on various assumptions which reflect what we currently know. These assumptions may change in accordance with new information obtained in the future, changes in the constitutional, legal, social and economic environment and events that will take place; these may cause a change in the estimates.
2. The Company discounts future claims payments in the pupils personal accidents subsegment according to the risk-free interest rate curve, while adjusting to the illiquid nature of the insurance liabilities.

March 27, 2024

Date

Galit Robstein F.I.L.A.A

Name of supervisor actuary



Signature

Statement of the Life Insurance Actuary Business

Clal Insurance Company Ltd.

Chapter A - Actuary's Statement

Following is an actuarial statement regarding the Company's life business.

All parts of this statement should be read as a single unit. Special attention is drawn to Part D of the statement regarding comments and clarifications.

Section A.1 - The Actuary

I have been asked by Clal Insurance Company to examine the provisions listed in Section A.2 below in life insurance for the Insurer's financial statements (hereinafter - the "**Provisions**") Clal Insurance Company Ltd. as of December 31, 2023, as detailed below.

I am a salaried employee of Clal Insurance Company Ltd. I was appointed to the position in the listed life insurance subsegments from January 2024. I am neither an interested party in the Insurer nor a family relative of an interested party in the insurer.

Section A.2 - Scope of the Actuarial Opinion

1. Actuarial opinion

- A. To calculate the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I have examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.
- B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section A.3.1 to Chapter C below.
- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:

The provision calculated in respect of joint insurance in which the Company does not serve as the lead insurer was based on a calculation made by the actuary of the lead insurers of the joint insurance, including the life insurance portfolio of Hassneh Insurance Company of Israel, which was jointly acquired by the insurer and Migdal Insurance Company Ltd., in respect of policies managed by Migdal Insurance Company.

2. Breakdown of provision amount data

A. Breakdown of provision amounts - gross and net

In Appendices A and B below, the provision amounts are provided in NIS thousand both at the gross level and at the retention level, as follows:

- 1) Provision for contingent claims (incurred but unpaid claims excluding claims paid in the form of annuities (such as disability and income protection) and the unpaid and unallocated loss adjustment expenses (including IBNR reserve).
- 2) Provision (reserve) stemming from the terms of the life insurance contract, separately, including -
 - a) Reserve for plan with accrual;
 - b) Provision required where some of the premium collected in the early years of the contract is designated to provide coverage at a later date, such as: provision in respect of fixed premium, insurability and continuity.
- 3) Reserve's portion in respect of claims being paid, including claims paid in the form of allowances, such as: permanent health insurance and income protection).
- 4) Provision for profit participation.

- 5) Supplement resulting from liability adequacy test - in a liability adequacy test conducted, the total provision as of the reporting date is NIS 0.
- 6) Other - additional provisions according to the Commissioner's directives, such as the reserve supplement for annuity policies.

B. Effect of the changes or revisions on the provisions

The effect of the below listed changes on the amounts of the provisions (gross and retention), in NIS thousand:

1. For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision - no such adjustment was required during the reporting period.
2. For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected and from other amendments - the provision was reduced by a total of approx. NIS 452 million - gross and retention - arising mostly from adjusting the assumptions to the paid annuity and deferred policies.

Section A.3 - The Opinion

I hereby state and confirm that in the life insurance subsegment:

1. I examined the insurer's provisions listed in Section A.2 above in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
 - A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
 - B. Directives and guidance by the Commissioner of the Capital Market, Insurance and Savings;
 - C. Generally Accepted Actuarial Principles.
2. After reviewing the data mentioned in Section A.2 above, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. The provisions specified in Section A.2 above form - to the best of my knowledge and assessment - an adequate reserve to cover the Insurer's liabilities in respect of life insurance contracts, in effect as of the financial statements date.

Section A.4 - Comments and Clarifications

1. Comments and clarifications

A. Types of reserves and assumptions

Details about reserve types, interest rates, etc. are included in Note 37 regarding risk management in the financial statements of Clal Insurance.

B. Statistical and actuarial uncertainty

The reserves calculated in respect of the insurance coverages are partly based on assumptions as to mortality and morbidity rates, which reflect the Company's or segment's actual experience or reinsurers' past experience or well-based regulatory assumptions. The calculations and models, including the working assumptions, were developed based on my understanding of the Company's current business environment, and in accordance with my assessment of the development of the Company's business environment and policyholders' future behavior. Therefore, it should be acknowledged that it is highly probable that the future business results will vary from those projected by the actuarial models for calculation of reserves.

C. Exposure to future developments and changes

Changes and developments may occur in the environment in which the Israeli life insurance industry operates due to regulatory changes, judicial decisions, technological developments and changes in social and environmental conditions. These factors cannot be predicted and may impact the ultimate cost of the claims and consequently the actuarial assessment of the provisions.

D. Consistency between data in the appendices and financial statements data

The tables in the following appendixes were prepared in accordance with the Insurance Commissioner's directives, and the composition of the data presented therein is not necessarily consistent with the composition of the data presented in the Company's financial statements and the notes thereto.

2. Material adjustments and changes

A. Liability adequacy testing (LAT)

On March 29 2020, Insurance Circular 2020-1-5, Amendment of the Provisions of the Consolidated Circular regarding Measurement of Liabilities - Liability Adequacy Test (LAT) was published. According to the circular, the LAT shall be calculated while combining all life insurance segment products instead of a calculation for groups of policies as defined by the Commissioner in the past.

This change allows the policies that embody income to be examined together with those that embody a loss. As a result and since there is more embodied income than embodied loss in all policies in the life insurance segment, no provision is required due to the LAT in the life insurance segment.

B. Adjustments in respect of annuity payment reserves

Periodically, the Company examines the working assumptions for calculating the annuity payment reserves according to the directives of the Supervision Department's circular published in March 2013 on calculation of reserves for annuity payments in life insurance policies.

From time to time, the Company conducts studies in which it assesses the rate of policyholders that are expected to exercise their entitlement to receive an annuity when they retire, the mix of annuity tracks selected by the policyholders, according to which the annuity payment period is determined, and other parameters relevant to estimating the provision.

In the reporting period, the Company made several revisions: the interest rates for discounting the annuity payment reserves, the mix of annuity tracks selected by the policyholder, the assumptions regarding the retirement age of the policyholders, the rates of taking the annuity at any retirement age, the cancellation rates and the K factor. The K factor which, as of the report date, the Company left unchanged in respect of guaranteed return policies at 0.0% (0% last year) and revised in respect of yield dependent policies to a rate of 0.96% (0.845% last year). The overall effect of these revisions led to a decrease in the provision for paid and deferred annuities in the amount of approx. NIS 452 million. For further details, see Note 37.E. e1 to the Financial Statements.

The provision in respect of supplementation of annuity reserve is calculated for policies which are in effect (paid and settled), that allow lifetime annuity payouts, and have not yet reached the stage of annuity payout, or whose policyholders have reached retirement age but have not yet started receiving the annuity. The provision amount accumulated in the books of accounts over the years until December 31, 2023, which includes the above revisions, amounted to approx. NIS 3,030 million (compared to approx. NIS 3,181 million last year). The balance of provisions in an estimated amount as at December 31, 2023 of approx. NIS 2,743 million (compared to approx. NIS 2,474 million last year) will be carried throughout the remaining life of the policy until retirement age, according to a geometric formula that considers, among other things, K-factors of the discounted interest rates, as detailed above.

The total cost (arising from lengthening of the life expectancy) of annuity payments in respect of deferred annuity, which are expected to be paid over the years in future, in respect of funds accumulated in policies as of the end of the reporting period, amounts to approx. NIS 5,771 million (compared to approx. NIS 5,655 million last year) in respect of the entire portfolio (including the Company' share of the Hassneh portfolio).

The estimated total cost of the provision for deferred annuity may change due to several factors, which include, among other things, changes in life expectancy and in the rate of policyholders who exercise their entitlement to annuities, change in the reasons of policyholders for opting for the annuity tracks upon retirement, increase in the savings accruals of policyholders due to payment of future premiums and/or an increase in investment income, and due to changes in discount rate assumptions, and other assumptions.

March 27, 2024

Date

Michael Hahn-Markowitz, F.I.L.A.A

Name of supervisor actuary



Signature

Appendix A - Form 12A

Contingent Claims, Reserve and Reserve for
Extraordinary Risks - **Gross**

Name of the company: **Clal Insurance Company Ltd.**

Data - gross

December 31, 2023

The gross data are in NIS thousand

Data - gross			Total	Savings and mortality risk (classic, traditional)		Pure savings or the savings component in policies (Preferred, Track)		Pure mortality risk or mortality risk component in policy			Long-term care		
				Guaran- teed-re- turn	Partici- pating	Guaran- teed-re- turn	Partici- pating	Indi- vidual	Col- lective	Disabil- ity	Indi- vid- ual		Other co- vers ¹⁾
											Indi- vid- ual	Col- lective	
			1A	1B	2A	2B	3A	3B	4	5A	5B	6	
1	Contingent claims		178,089	21,815	9,838	16,675	9,349	97,524	12,419	-	-	-	10,470
2	Reserve (total of lines 2A1 to 6)		111,819,481	4,917,123	984,976	14,864,088	88,315,020	152,784	72,388	2,453,560	-	-	59,542
2A1	Policies which	Policies issued until 1990	18,676,332	4,738,617	-	13,735,554	194,105	1,123	-	4,919	-	-	2,014
2A2	include a savings component	Policies issued between 1991 and 2003	48,389,963	-	973,428	-	47,327,194	10,192	-	62,932	-	-	16,218
2A3	(including	Policies issued after 2004	39,229,018	879	-	-142	39,080,660	5,186	-	141,853	-	-	582
2A4	appendices) by policy issuance date:	Total (2A1 to 2A3)	106,295,313	4,739,496	973,428	13,735,412	86,601,959	16,500	-	209,703	-	-	18,814
2B	Policies without a savings component		323,902	-	-	-	-	118,386	40,119	124,669	-	-	40,728
3	Percentage of reserve for paid claims		2,118,200	-	-	-	-	-	-	2,118,200	-	-	-
4	Profit participation		51,154	-	-	-	-	17,897	32,269	988	-	-	-
5	Supplement resulting from liability adequacy test		-	-	-	-	-	-	-	-	-	-	-
6	Other		3,030,912	177,627	11,548	1,128,676	1,713,062	-	-	-	-	-	-
7	Extraordinary risk reserve		-	-	-	-	-	-	-	-	-	-	-
8A	Effect of adjusting provisions for new businesses		-	-	-	-	-	-	-	-	-	-	-
8B1	Effect of adjusting	Changes in assumptions	(451,919)	(11,103)	(1,315)	(89,397)	(350,104)	-	-	-	-	-	-
8B2	provisions for	Changes in methods	-	-	-	-	-	-	-	-	-	-	-
8B3	existing	Differences in premium rates	-	-	-	-	-	-	-	-	-	-	-
8B4	businesses	Other changes	-	-	-	-	-	-	-	-	-	-	-

1) Other coverages, including: disabilities, double indemnity, etc.

Appendix A - Form 12B

Contingent Claims, Reserve and Reserve for Extraordinary Risks - **Retention**

Name of the company: **Cial Insurance**

Company Ltd.

Data - gross

December 31, 2023

The gross data are in NIS thousand

	Total	Savings and mortality risk (classic, traditional)		Pure savings or the savings component in policies (Preferred, Track)		Pure mortality risk or mortality risk component in policy		Disability	Long-term care		
		Guaran- teed-re- turn	Partici- pating	Guaran- teed-re- turn	Participat- ing	Individ- ual	Col- lective		In- divid- ual	Col- lective	Other co- vers ¹⁾
		1A	1B	2A	2B	3A	3B		5A	5B	6
1	Contingent claims	168,896	21,788	9,729	16,675	9,349	90,678	11,830	-		8,847
2	Reserve (total of lines 2A1 to 6)	111,460,444	4,917,123	984,976	14,863,897	88,315,020	146,174	72,197	2,101,515		59,542
2A1	Policies which include a savings component (including appendices) by policy issuance date:	18,673,479	4,738,617	-	13,735,363	194,105	1,123	-	2,257		2,014
2A2	Policies issued until 1990										
2A3	Policies issued between 1991 and 2003	48,388,189	-	973,428	-	47,327,194	10,192	-	61,157		16,218
2A4	Policies issued after 2004	39,226,737	879	-	-142	39,080,660	5,186	-	139,572		582
	Total (2A1 to 2A3)	106,288,404	4,739,496	973,428	13,735,221	86,601,959	16,500	-	202,986		18,814
2B	Policies without a savings component	292,373	-	-	-	-	111,777	39,928	99,941		40,728
3	Percentage of reserve for paid claims	1,797,600	-	-	-	-	-	-	1,797,600		-
4	Profit participation	51,154	-	-	-	-	17,897	32,269	988		-
5	Supplement resulting from liability adequacy test										
6	Other	3,030,912	177,627	11,548	1,128,676	1,713,062	-	-	-		-
7	Extraordinary risk reserve										
8A	Effect of adjusting provisions for new businesses										
8B1	Changes in assumptions	(451,919)	(11,103)	(1,315)	(89,397)	(350,104)					
8B2	Effect of adjusting provisions for existing businesses										
8B3	Changes in methods	-	-	-	-	-	-	-	-	-	-
8B4	Differences in premium rates	-	-	-	-	-	-	-	-	-	-
	Other changes	-	-	-	-	-	-	-	-	-	-

1) Other coverages, including: disabilities, double indemnity, etc.

Part D

Additional Details about the Corporation



Company: Clal Insurance Enterprises Holdings Ltd. (hereinafter - the "Company")
Company No. at Registrar of Companies: 52-003612-0
Address: 36 Raoul Wallenberg Street, Kiryat Atidim, Tower 8, Tel Aviv 6136902
Email: TomerDa@Clal-Ins.co.il
Tel. 03-6387403
Fax: 03-7965678
Balance sheet date: December 31, 2023
Report publication date: March 27, 2024

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working world

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Somekh Chaikin

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To the Shareholders of Clal Insurance Enterprises Holdings Ltd.

Re: Special report of the independent auditors on Separate Financial Information in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the Separate Financial Information disclosed in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970 of Clal Insurance Enterprises Holdings Ltd. (hereinafter – the “**Company**”) as of December 31, 2023 and 2022, and for each of the three years, the last of which ended December 31, 2023; this Separate Financial Information is included in the Company’s periodic report. The Separate Financial Information is the responsibility of the Company’s Board of Directors and management. Our responsibility is to express an opinion on this Separate Financial Information based on our audit.

We did not audit the Separate Financial Information of investees the assets of which, less the liabilities attributable thereto, net totaled approx. NIS 83 million and approx. NIS 69 million as at December 31, 2023 and 2022, respectively, and the Company’s share in the profits of these companies, which totaled approx. NIS 10 million, approx. NIS 6 million and approx. NIS 19 million as of December 31, 2023, 2022 and 2021, respectively. The financial statements of the above companies were audited by other independent auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other independent auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel. These standards require that we plan and perform the audit in order to obtain a reasonable degree of assurance that the Separate Financial Information does not contain material misstatement. An audit involves examining, on a sample basis, evidence supporting the amounts and details included in the Separate Financial Information. An audit also involves examining the accounting principles used in preparing the Separate Financial Information and the significant estimates made by the Company’s Board of Directors and management, as well as evaluating the overall presentation of financial information. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other independent auditors, the Separate Financial Information has been prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
March 27, 2024

Somekh Chaikin
Certified Public Accountants
Joint Independent Auditors

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Data on Financial Position

In NIS million	Additional Information	As of December 31	
		2023	2022
Assets			
Investment in investees	2.5	8,418	6,684
Loans and balances of investees	2.5	704	606
Receivables and debit balances		-	-
Other financial investments:			
Liquid debt assets		906	4
Shares		17	11
Other		87	181
Total other financial investments	2.2 (a)	1,011	195
Cash and cash equivalents	2.3	9	529
Total assets		10,142	8,013
Equity			
Share capital	2.7	167	162
Share premium	2.7	2,390	2,127
Capital reserves		1,005	921
Retained earnings		5,019	4,785
Total equity		8,581	7,995
Liabilities			
Payables and credit balances	2.2 (b)	45	8
Balances of investees		1	1
Current tax liability		-	4
Deferred tax liability		-	5
Financial liabilities	2.7	1,514	-
Total liabilities		1,561	18
Total equity and liabilities		10,142	8,013

The attached additional information is an integral part of the Company's separate interim financial information.

Approval date of the
financial statements:
March 27, 2024

Haim Samet

Chairman of the
Board of Directors

Yoram Naveh

CEO

Eran Cherninsky
Executive VP, Head
of Finance Division

Profit and Loss Data

In NIS million	Additional Information	For the year ended December 31		
		2023	2022	2021
Company's share in the profits (losses) of investees, net of tax		206	89	1,059
Investment income (losses), net and finance income:				
From investees	2.7	39	46	32
Other		24	10	7
Total income		269	145	1,097
General and administrative expenses		16	15	11
Finance expenses	2.7	33	-	-
Total expenses		49	15	11
Income (loss) before taxes on income		220	130	1,087
Income tax expense (tax benefit)		-	9	5
Income (loss) for the period		220	121	1,082

The attached additional information is an integral part of the Company's separate interim financial information.

Comprehensive Income Data

In NIS million	For the year ended December 31		
	2023	2022	2021
Income (loss) for the period	220	121	1,082
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	-	(3)	2
Net change in fair value of available for sale financial assets carried to the income statement	-	-	(7)
Impairment loss of available-for-sale financial assets carried to the income statement	-	-	2
Other comprehensive income (loss) in respect of investees	84	(362)	318
Other comprehensive income (loss) for the period carried or to be carried to profit and loss, before tax	84	(365)	316
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	84	(365)	316
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	-	8	4
Other comprehensive income for the period, not transferred to profit and loss, net of tax	-	8	4
Other comprehensive income (loss) for the period	85	(357)	320
Total comprehensive income for the period	305	(237)	1,402

The attached additional information is an integral part of the Company's separate interim financial information.

Cash Flow Data

		For the year ended December 31		
In NIS million	Additional Information	2023	2022	2021
Cash flows from operating activities				
Income (loss) for the period		220	121	1,082
Reconciliations:				
Company's share in the profits (losses) of investees		(206)	(89)	(1,059)
Dividend from investees		25	13	39
Interest accrued on deposits with banks		(9)	(8)	-
Accrued interest and linkage differences in respect of the capital note for the investee		(31)	(36)	(32)
Accrued interest and deduction of issuance costs and discount for bonds		33	-	-
Loss (income) from other financial investments		(14)	(1)	(4)
Income tax		-	9	5
		(203)	(112)	(1,052)
Changes in other items in the data on financial position, net:				
Change in receivables and debit balances		-	-	-
Change in payables and credit balances		(5)	3	(2)
		(6)	3	(2)
Cash received during the period for:				
Net cash provided by operating activity for transactions with investees		3	7	15
Interest received		9	8	-
Income tax received (paid)		(9)	(5)	-
Net cash provided by operating activities		15	21	43
Cash flows provided by investing activities				
Repayment of interest from the capital note to the investee		23	22	21
Investment in capital notes of an investee	2.5	(79)	-	(58)
Investment in available-for-sale financial assets		(908)	(181)	(64)
Proceeds from sale of available-for-sale financial assets		106	7	183
Investment in investees	2.5	(1,215)	-	(15)
Net cash provided by (used for) investing activities		(2,072)	(151)	66
Cash flows provided by financing activities				
Proceeds from issuance of share capital (less issuance expenses)	2.7	-	492	-
Proceeds of bond issuance (less issuance expenses)		1,537	-	-
Net cash used for financing activities		1,537	492	-
Increase (decrease) in cash and cash equivalents				
		(520)	362	109
Cash and cash equivalents at the beginning of the period		529	166	58
Cash and cash equivalents at the end of the period		9	529	166

2.1. General

The following is the financial data from the Company's Consolidated Financial Statements as of December 31, 2023 (hereinafter - the "**Consolidated Statements**"), published in the Periodic Statements (in Chapter C – Financial Statements) and attributable to the Company itself (hereinafter - the "**Separate Financial Information**"), presented pursuant to Regulation 9C and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 2010 (hereinafter - the "**Regulation**" and the "**Tenth Addendum**," respectively) regarding the Separate Financial Information of the Company. The Separate Financial Information should be read in conjunction with the Consolidated Financial Statements.

Significant Accounting Policies Implemented in the Separate Financial Information:

The accounting policy rules set forth in the Consolidated Statements were implemented consistently throughout all of the periods presented by the Company in the Separate Financial Information, including the way that the financial data was classified in the Consolidated Financial Statements, *mutatis mutandis*, from the following:

A. Presentation of the Financial Data

1. Data on Financial Position

These data, that include information regarding the amounts of the assets and liabilities included in the Consolidated Financial Statements attributable to the Company itself (except in respect of investees) are classified according to types of assets and liabilities. In addition, these data include a net amount is presented, based on the Consolidated Financial Statements, which is attributable to shareholders of the Company itself, of total assets less total liabilities, which present financial information regarding investees (including goodwill) in the consolidated statements of financial position.

2. Data on Comprehensive Income

This data includes information regarding the amounts of the income and expenses included in the Consolidated Financial Statements, separated between profit or loss and other comprehensive income, which are attributable to the Company itself (except in respect of investees) and classified according to types of income and expenses. In addition, data include information regarding the net amount – based on the Consolidated Financial Statements - attributable to shareholders of the Company itself, of total income net of total expenses which reflect the operating results of investees in the Consolidated Financial Statements, including impairment of goodwill, impairment of investment in associate or reversal thereof, and impairment of investment in an equity-accounted investee or reversal thereof.

3. Cash Flow Data

These data include a breakdown of the cash flows included in the Consolidated Financial Statements attributable to the Company itself (excluding investees), taken from the consolidated statement of cash flows, with breakdown according to cash flow from operating activities, investing activities and financing activities, and details of their components. Cash flows for operating activities, investing activities and financing activities for transactions with investees are presented separately, in net figures, under the relevant item based on the nature of the transaction.

B. Transactions between the Company and investees

1. Presentation

Intra-group balances and income and expenses arising from intra-group transactions, which were eliminated in the preparation of the Consolidated Financial Statements, were presented separately from the balance in respect of investees and the income in respect of investees, together with similar balances with third parties.

Unrealized gains and losses, arising from transactions between the Company and its investees, were presented as the balance with respect to investees and as the income with respect to investees.

2. Measurement

Transactions between the Company and its consolidated companies were measured in accordance with the recognition and measurement principles set in the relevant IFRSs outlining the accounting treatment applicable to such transactions with third parties.

2.2. Financial Instruments

A. Financial investments

The composition is as follows:

In NIS million	As of December 31	
	2023	2022
Liquid debt assets		
Government bonds	902	-
Corporate bonds	4	4
Total liquid debt assets	906	4
Shares (1)		
Liquid	17	11
Total shares	17	11
Other financial investments (money market funds)	87	181
Total financial investments (2)	1,011	195

- (1) The expected exercise date of the shares has not yet been determined.
 (2) Subsequent to the balance sheet date, the Company transferred to CIMax approx. NIS 891 million for repayment of the syndicated loan. For further details, see Section 2.11 below.

B. Payables and credit balances

The composition is as follows: *)

In NIS million	As of December 31	
	2023	2022
Accrued expenses	2	3
Interest payable - in respect of bonds	43	-
Government authorities	-	2
Other **)	1	4
Total	45	8

*) Payables are unlinked.

**) Mainly in respect of provision for claims. For further details, see Note 45 to the Consolidated Financial Statements.

2.3. Cash and cash equivalents

Composition of linkage:

In NIS million	Interest as of December 31, 2023	As of December 31	
	%	2023	2022
NIS, non-linked	4.25-4.70	9	526
Linked to the USD	-	-	3
Total		9	529

Most of the cash and cash equivalents are current account balances and short-term deposits at banks. The interest rates on the current account balances are based on the interest rates in respect of daily deposits.

2.4. Income tax

- A. For details regarding the tax environment in which the Company operates, see Note 24(a) to the Consolidated Financial Statements.
 B. Regarding unrecognized deferred tax liabilities, and carryforward losses and deductions for tax purposes, see Note 24(f) to the Consolidated Financial Statements.

2.5. *Investees - Investments, balances, commitments, and material transactions*

The composition is as follows:

In NIS million	Additional Information	As of December 31	
		2023	2022
Investments in investees		8,418	6,684
Capital note to Clal Insurance	2.8	502	486
Capital notes to Clal Finance	2.9	53	51
Capital notes to Clal Agencies		58	58
Capital notes to CIMax Holdings	2.10	76	-
Current balances		15	11
Total loans and debit balances of investees		704	606
Total		9,122	7,289

- A. Regarding the list of main investees, see Note 9(b) in the Consolidated Financial Statements.
- B. Regarding the Company's commitments to supplement the required equity of its investees, see Note 17(e) in the Consolidated Financial Statements.
- C. Expenses of the Company include participation in the proportionate share according to the Group's cost allocation mechanism.

2.6. *Rating*

In February 2023, S&P Maalot published a rating report that set an AA- rating for the Company and bonds it issued. The rating was confirmed during 2023 for additional series expansions as well as issuance of a new series, which were implemented during the year (see Section 2.7 below). For further details, see Note 26F to the Consolidated Financial Statements.

2.7. *Equity and debt issued by the Company*

Equity and debt issued by the Company

In January 2022, the Company issued approx. NIS 6.411 million shares in the amount of approx. NIS 506 million, at a share price of NIS 78.95. Net of issuance expenses, the net amount received by the Company amounted to approx. NIS 492 million.

In February 2023, the Company issued NIS 249.1 million p.v. in Bonds (Series A) and NIS 150 million p.v. in 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; net consideration amounted to approx. NIS 397 million. For further details, see Note 26C to the Consolidated Financial Statements.

In March 2023, and as part of the consideration for the Max IT Finance Ltd transaction (hereinafter - "Max"), the Company allocated to the Offerees - on the transaction completion date - 4,970,310 ordinary shares of the Company of NIS 1 p.v. each (hereinafter - the "Allocated Shares"). The allocated shares constituted - immediately following their allocation - approx. 6.29% of the issued and paid-up share capital of the Company and approx. 6.05% of the issued and paid-up share capital of the Company, fully diluted. For details about Max's acquisition, see Note 46(j) to the Consolidated Financial Statements.

In June 2023, the Company implemented an expansion of NIS 250 million p.v. Bonds (Series A) to qualified investors and in August 2023, it implemented another expansion of NIS 400 million p.v. Bonds (Series A) of the Company.

In December 2023, the Company issued NIS 500 million p.v. in Bonds (Series C) of the Company.

For details regarding the terms of the bonds issued by the Company, see Note 26 to the Consolidated Financial Statements.

For details on the purpose of the proceeds of the share issuance, see Note 26 to the Consolidated Financial Statements.

2.8. Investment in Tier 1 capital instruments by Clal Insurance

In October 2020, the Company invested in Additional Tier-1 capital instrument issued by Clal Insurance, in an amount of NIS 450 million at an annual interest rate of 4.53% linked to the CPI. The balance of the Tier 1 capital instrument as of December 31, 2023 is approx. NIS 502 million. For further details, see Note 26 to the Consolidated Financial Statements.

2.9. Michlol Finance Ltd. (hereinafter - "Michlol")

In 2023, Clal Finance issued another capital note to the Company in the amount of NIS 2.2 million; in return, Clal Finance invested in Michlol shares under a rights issue according to its holding rate in Michlol.

The capital note is unlinked to the Consumer Price Index and does not bear interest. The repayment date of the capital note will be as agreed by the parties, but not before the five years from its date of issue.

2.10. Capital notes to CIMax Holdings

During and subsequent to the reporting year, the Company issues capital notes to CIMax Holdings, which were given for the liquid portion of the syndicated loan.

The capital notes are not linked to the Consumer Price Index and does not bear interest. The repayment date of the capital notes will be as agreed by the parties, but not before the five years from its date of issue.

2.11. Events subsequent to the report date

Subsequent to the reporting date, in February 2024, CIMax repaid the full balance of its syndicated loan, totaling an amount of approx. NIS 891 million, of which approx. NIS 873 million was the loan principal, and the remaining balance being interest in addition to an early repayment penalty and additional fees and commissions pursuant to the provisions of the syndicated loan agreement, in the total amount of approx. NIS 18 million.

Repayment of the syndicated loan was made using NIS 891 million CIMax obtained from the Company, as part of the investment in CIMax. For further details, see Note 26.A.3 to the Consolidated Financial Statements.

3. Report of Status of Liabilities of the Reporting Company and the Consolidated Companies According to Repayment Dates as of December 31, 2022 (Regulation 9D)

As at December 31, 2023, the Company and its consolidated companies do not have any liabilities pursuant to Regulation 9D

4. Condensed Statements of Quarterly Comprehensive Income (Regulation 10A)

Condensed Statements of Quarterly Comprehensive Income (consolidated) for 2023

In NIS million	Q1	Q2	Q3	Q4	Total
Premiums earned, gross	2,883	2,824	2,826	2,670	11,202
Premiums earned by reinsurers	428	426	434	419	1,708
Premiums earned - retention	2,455	2,398	2,391	2,251	9,495
Income from credit card transactions	-	367	393	323	1,083
Investment income (losses), net and finance income	1,227	3,841	981	3,189	9,238
Income from management fees and from portfolio management	307	316	317	320	1,259
Income from fees and commissions	93	91	98	109	390
Other income	-	2	1	(3)	-
Total income	4,081	7,016	4,180	6,188	21,464
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	3,374	5,649	2,630	4,409	16,062
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	266	139	184	82	671
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	3,108	5,510	2,446	4,327	15,391
Loan loss expenses	220	47	86	58	411
Credit card operations	-	258	238	243	739
Payments to banks	-	56	59	51	166
Fees and commissions, marketing expenses and other purchase expenses	579	658	706	670	2,613
General and administrative expenses	253	258	252	329	1,092
Impairment of intangible assets	-	-	-	5	5
Other expenses	4	10	11	14	40
Finance expenses	61	208	212	188	669
Total expenses	4,225	7,006	4,010	5,885	21,125
Share in results of equity-accounted associates, net	3	2	3	-	8
Income (loss) before taxes on income	(141)	12	173	303	347
Taxes on income (tax benefit)	(53)	3	53	120	124
Profit (loss) for the period	(88)	8	120	183	223
Company's shareholders	(89)	7	121	182	220
Minority interests	1	1	(1)	1	3
Profit (loss) for the period	(88)	8	120	183	223
Earnings per share attributable to the Company's shareholders					
Basic earnings (loss) per share (in NIS)	(1.20)	0.09	1.53	2.30	2.83
Diluted earnings (loss) per share (in NIS)	(1.20)	0.09	1.53	2.30	2.79
No. of shares used to calculate earnings per share					
Basic	74,284	79,031	79,031	79,031	77,870
Diluted	74,284	79,031	79,038	79,031	79,034

4. *Condensed Statements of Quarterly Comprehensive Income (Regulation 10A) (cont.)*

Condensed Statements of Quarterly Comprehensive Income (consolidated) for 2023 (cont.)

In NIS million	Q1	Q2	Q3	Q4	Total
Net income for the period	(88)	8	120	183	223
Components of other comprehensive income					
Foreign currency translation differences in respect of activities carried to capital reserve	5	4	4	(6)	7
Foreign currency translation differences in respect of foreign operations carried to profit and loss	-	-	-	-	-
Net change in fair value of available for sale financial assets, carried to capital reserves	(48)	456	80	(90)	398
Net change in fair value of available for sale financial assets carried to the income statement	3	(240)	(63)	(36)	(336)
Impairment loss of available-for-sale financial assets carried to the income statement	20	4	23	13	60
Tax effect	7	(76)	(15)	40	(43)
Total components of net income line items, subsequently reclassified to profit and loss	(13)	148	29	(79)	85
Actuarial gains (losses) from a defined benefit plan	-	-	-	-	-
Taxes in respect of components of other comprehensive income line items	-	-	-	-	-
Total components of net income (loss) line items, not subsequently reclassified to profit and loss	-	-	-	-	-
Other comprehensive income (loss) for the period, before income tax	(13)	148	29	(79)	86
Other comprehensive income (loss) for the period	(101)	156	150	104	309
Attributable to:					
Company's shareholders	(102)	154	151	102	305
Non-controlling interests	1	2	(1)	2	4
Total comprehensive income (loss) for the period	(101)	156	150	104	309

5. *Use of Proceeds for Securities (Regulation 10C)*

On February 13, 2023, the Company issued, as part of the preparations for the completion of the Max acquisition transaction (as detailed in Note 46 to the Financial Statements), and in order to create a liquidity and financial flexibility buffer for the Company, two series of bonds, as part of a public offering in accordance with a shelf offering report of the Company of February 9, 2023, which was published pursuant to a shelf prospectus bearing the date July 25, 2022, which was published on July 24, 2022, as detailed below:

NIS 249.1 million p.v. in Bonds (Series A) of the Company bearing an annual interest rate of 4.7%.

NIS 150 million p.v. in convertible Bonds (Series B) of the Company, bearing an annual interest rate of 2.8% and are convertible into the Company's shares, such that each NIS 85 par value of the Bonds (Series B) will be convertible into one ordinary share of the Company, as set out in the deed of trust for the Bonds (Series B).

The principal of the Bonds shall be repayable in one lump sum within 5 years from the issuance date.

The gross proceeds of the issuance in respect of the two series, net of issuance expenses, totaled approx. NIS 397 million.

The proceeds received by the Company in respect of issuance of the bonds were used for payment in respect of the acquisition of WPI's issued and paid-up share capital on the transaction completion date.

In June 2023, the Company implemented a private expansion of NIS 250 million p.v. in Bonds (Series A) to qualified investors and in August 2023, it implemented another expansion of NIS 400 million par value Bonds (Series A) of the Company.

In December 2023, the Company issued NIS 500 million p.v. in Bonds (Series C) of the Company.

All proceeds of the above issuance were used, among other things, to create a liquid buffer for the Company's current activity and to supplement payments in respect of the Max transaction and early repayment of the syndicated loan (as stated in Section 2.5.1.6(f) below) 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 redemption 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. For details, see Note 26(a.1)(3) to the Financial Statements.

In February 2024, CIMax settled the entire balance of the Syndicated Loan by a payment received from the Company as part of the investment in CIMax. For details, see Note 26(a.1)(3) to the Financial Statements.

6. Investments in Material Subsidiaries and Affiliates that are Active Companies as of the Date of the Statement of Financial Position (Regulation 11)

Company	Share class in p.v.	No. of shares	Total par value - NIS	Value in the separate financial statements within its meaning in Regulation 9C in NIS million	Rate of ownership in %		
					In equity	In voting	In right to appoint directors
Clal Insurance Company Ltd. (hereinafter - "Clal Insurance") ¹	Ordinary - NIS 1	119,038,221	119,038,221	6,713	99.98	99.98	99.98
	Ordinary - type A	1,030,101	-			100.00	100.00
CI Max Holdings Ltd.	Ordinary	192,702	-	*1,509	100.00		
	Special items	4,000	-				
Clal Agency Holdings (1998) Ltd. (hereinafter - "Clal Agencies") ²	Ordinary - NIS 1	99	99	*152	100.00	100.00	100.00
Clalbit Systems Ltd. (hereinafter - "Clalbit Systems") ³	Ordinary - NIS 1	1,000	1,000	8	100.00	100.00	100.00
Clal Finance Ltd. ^{4,3}	Ordinary - NIS 1	170,000,000	17,000,000	*42	100.00	100.00	100.00
Subsidiaries and affiliates of Clal Insurance							
Clal Credit Insurance Ltd. (hereinafter - "Clal Credit") ⁵	Ordinary - NIS 1	8,537,280	8,537,280	279	80.00	80.00	80.00
Adach Holdings Ltd. (under voluntary liquidation)	Ordinary - NIS 1	500	500	-	33.00	33.00	33.00
Clal Pension and Provident Funds Ltd. ⁶ (hereinafter - "Clal Pension and Provident Funds")	Ordinary - NIS 1	129,071	129,071	*725	100.00	100.00	100.00
Clalbit Finance Ltd.	Ordinary - NIS 1	1,000	1,000	-	100.00	100.00	100.00

Company	No. of stock on the TASE	Share class in p.v.	No. of shares	Total par value - NIS	Value in the separate financial statements within its meaning in Regulation 9C in NIS million	Rate of ownership in %			TASE rate at the date of the statement of financial position in NIS per share
						In equity	In voting	In right to appoint directors	
Atudot Pension Fund for Salaried Employees and Self-Employed Ltd.		Ordinary - NIS 1	4,000,000	4,000,000	43	50.00	50.00	50.00	
Canaf - Clal Financial Management Ltd. (hereinafter - "Canaf")		Ordinary - NIS 1	1,000	1,000	5	100.00	100.00	100.00	
Subsidiaries and affiliates of Clal Finance									
Michlol Finance Ltd. (hereinafter - "Michlol") ⁷		Ordinary - NIS 1	10,187,492	10,187,492	83	24.9	24.9	24.9	671
		Earnings per ordinary share	2,546,585	2,546,585	6				

- Regarding the Company's commitment to supplement Clal Insurance's equity that was valid in the reporting year and a commitment given subsequent to the reporting year, and the current control outline and changes therein, see Note 17(e)(3) to the financial statements.
- Including holding of 1 ordinary share through Betach Toren Insurance Agency Ltd.
- For the acquisition of Michlol shares, Clal Finance issued to the Company in 2020 and 2021 capital notes amounting to NIS 50.6 million and in 2023, capital notes amounting to NIS 2.2 million. The capital notes are valid as determined by the parties and no earlier than 5 years from the loan grant date, and does not bear any interest or linkage.
- In addition, Clal Finance - a subsidiary of the Company - was awarded an option (without consideration) in respect of 2,546,585 Michlol shares in accordance with the terms that were set. Following the issuance and receipt of the option as described above, the Group recorded a gain at an immaterial amount. The option was issued in August 2021, and it is exercisable over a period starting 18 months after the listing date and ending 5 years after that date. It should be clarified, that in any event, according to a permit given to the Company, it will not be allowed to hold more than 24.9% of the issued and paid-up share capital of Michlol.
- Regarding the Company's commitment to supplement Clal Insurance's equity that was valid in the reporting year, and the current control outline and changes therein, see Note 17(e)(2) to the financial statements.
- Under the previous control permits in the Group companies, the Company gave a commitment to supplement Clal Pension and Provident's equity that was valid in the reporting year; regarding the current control outline, changes therein and its validity, see Note 17(e)(3) to the financial statements.

* Excluding investment in capital notes. For further details, see Section 8 below.

6. Investments in Material Subsidiaries and Affiliates that are Active Companies as of the Date of the Statement of Financial Position (Regulation 11) (cont.)

					Value in the separate financial statements within its meaning in Regulation 9C in NIS million	Rate of ownership in %		
Company	No. of stock on the TASE	Share class in p.v.	No. of shares	Total par value - NIS	In equity	In voting	In right to appoint directors	
Subsidiaries and affiliates of Clal Agencies								
Betach Toren Insurance Agency Ltd. (hereinafter - "Betach Toren") ⁹		Ordinary - NIS 1	20,339	20,339	41	100.00	100.00	100.00
Tmura Insurance Agency (1987) Ltd. (hereinafter - "Tmura")		Management A of NIS 1	418	418	143	-	-	100.00
		Management B of NIS 1	418	418		-	-	100.00
		Ordinary - NIS 1	4,359	4,359	-	100.00	100.00	-
		Preferred - NIS 1	1,392	1,392	-	100.00	-	-
Newcom Pension Insurance Agency (2004) Ltd. ¹⁰		Ordinary - NIS 1	300	300	19	30.00	30.00	30.00
Tmura's Subsidiaries and Affiliated Companies								
Tmura Melea Insurance Agency Ltd.		Ordinary - NIS 0.001	100,000,000	100,000	6	100.00	100.00	100.00
Alternative Capital Ltd		Ordinary - NIS 0.1	500,000	50,000	-	80.00	80.00	80.00
Subsidiaries and affiliates of Betach Toren								
Betach Toren International Underwriters P&C Insurance Agency (2019) Ltd.		Ordinary - NIS 1	3,000	3,000	2	100.00	100.00	100.00

9. Formerly Betach Ltd.

10. At the end of 30 months from the transaction completion date (i.e. - as from September 2022), Clal Agency Holdings has an option to acquire Newcom shares, such that its holdings will stand at 60% of Newcom's issued share capital; at the end of 48 months from the transaction completion date Clal Agency Holdings has an option to acquire Newcom shares, such that its holdings will stand at 80% of Newcom's issued share capital, and at the end of 60 months from the transaction completion date Clal Agency Holdings has an option to acquire Newcom shares, such that its holdings will stand at 100% of Newcom's issued share capital.

7. Investments in Material Subsidiaries and Affiliates that are Active Companies as of the Date of the Statement of Financial Position (Regulation 11) (cont.)

Company	No. of stock on the TASE	Share class in p.v.	No. of shares	Total par value - NIS	Value in the separate financial statements within its meaning in Regulation 9C in NIS million	In equity	In voting	In right to appoint directors
Subsidiaries and affiliates of CIMax Holdings								
Max It Finance Ltd.		Ordinary - NIS 0.1	252,292,576	25,229,258	2,226	100.00	100.00	100.00
Milo Brom Holdings Ltd.		Ordinary, no par value	100	0	153	100.00	100.00	100.00
Material subsidiaries of Max It Finance Ltd.								
Max It Credit Ltd.		Ordinary - NIS 1	1,000,000	1,000,000	545	100.00	100.00	100.00
Max It Deposits Ltd.		Ordinary - NIS 1	100	100	27	100.00	100.00	100.00
Subsidiaries of Milo Brom Holdings Ltd.								
Hyp Payment Solutions Ltd.		Ordinary - NIS 0.001	445,861	446	172	100.00	100.00	100.00
MAX EVS Ltd.		Ordinary - NIS 0.01	10,000	100	(3)	51.00	51.00	51.00

8. Loans and Capital Notes to the Company's Subsidiaries and Related Companies

Loan provider	Loan recipient	Outstanding balance of loans and capital notes (including accrued interest) in NIS million	Interest rate	Type of linkage	Repayment years
Loans from the Company					
The Company	Clal Insurance	486	4.53%	CPI-linked	2069. Early redemption is possible as from October 31, 2030 with the Commissioner's approval.
The Company	Clal Finance	36		The capital note is unlinked	As shall be determined by the parties and no earlier than after 5 years will have elapsed from the loan grant date (i.e., March 23, 2025)
The Company	Clal Finance	15		The capital note is unlinked	As shall be determined by the parties and no earlier than after 5 years will have elapsed from the loan grant date (i.e., October 19, 2026)
The Company	Clal Finance	2		The capital note is unlinked	As determined by the parties and no earlier than after 5 years will have elapsed from the loan grant date (i.e., June 4, 2028)
The Company	CIMax Holdings Ltd.	39		The capital note is unlinked	As determined by the parties and no earlier than after 5 years will have elapsed from the loan grant date (i.e., June 22, 2028)
The Company	CIMax Holdings Ltd.	18		The capital note is unlinked	As determined by the parties and no earlier than after 5 years will have elapsed from the loan grant date (i.e., September 20, 2028)
The Company	CIMax Holdings Ltd.	19.4		The capital note is unlinked	As determined by the parties and no earlier than after 5 years will have elapsed from the loan grant date (i.e., December 24, 2028)
The Company	Clal Agencies	58		The capital note is unlinked	As determined by the parties and no earlier than after 5 years will have elapsed from the loan grant date (i.e., May 20, 2026)
Loans from Clal Insurance					
Clal Insurance	Clal Pension and Provident Funds	75		The capital note is unlinked	As determined by the parties and no earlier than after 5 years will have elapsed from the loan grant date (i.e., June 29, 2028)
Loans from Clal Agencies					
Clal Agencies	Clal Leaders Insurance Agency Ltd. ¹¹	15		- The capital note is unlinked	TBD

11. Inactive company

8. Loans and Capital Notes to the Company's Subsidiaries and Related Companies (cont.)

8.1 Loans in the CIMax Group

Loan provider	Loan recipient	Outstanding balance of loans and capital notes (including accrued interest) in NIS million	Interest rate	Type of linkage	Repayment years
Loan in CIMax					
CIMax Holdings Ltd.	Milo Brom Holdings Ltd.	8	10%	The loan was unlinked	As determined by the parties and no earlier than after 5 years will have elapsed from the loan grant date (i.e., March 2024)
Loan in Max					
Max It Finance Ltd.	Max It Credit Ltd.	8,587	4.8%	The loan was unlinked	
Max It Finance Ltd.	Hyp Payment Solutions Ltd.	17	P+2.15%	The loan was unlinked	As determined by the parties and no earlier than after 6 years will have elapsed from the loan grant date (i.e., July 2026)
Max It Finance Ltd.	Hyp Payment Solutions Ltd.	1	P+1.35%	The loan was unlinked	As determined by the parties and no earlier than after 1 year will have elapsed from the loan grant date (i.e., April 2024)
Loans in Milo					
Hyp Payment Solutions Ltd.	Milo Brom Holdings Ltd.	9	P+2.15%	The loan was unlinked	As determined by the parties and no earlier than after 6 years will have elapsed from the loan grant date (i.e., July 2025)
Hyp Payment Solutions Ltd.	Milo Brom Holdings Ltd.	1	P+1.35%	The loan was unlinked	As determined by the parties and no earlier than after 1 year will have elapsed from the loan grant date (i.e., April 2024)
Milo Brom Holdings Ltd.	MAX EVS Ltd.	3	2.9%	The loan was unlinked	TBD

8.2 Changes in loan to subsidiaries and affiliates in the reporting period (Regulation 12)

Loans from the Company

The Company	Date	Name of Investee	Nature of	Change Amounts in NIS millions
The Company	Clal Finance	New unlinked capital note		2
The Company	CIMax Holdings Ltd.	New unlinked capital note		76

9. Profits and Losses of Material Active Subsidiaries and Active Related Companies and Income Therefrom (Direct and Indirect) for the Year Ended on December 31, 2023 (Regulation 13)

9.1. The Company and subsidiaries

	Profit (loss) for the year		Other comprehensive income (loss) for the year		Total comprehensive income (loss) for the year		Income		
	Attributable to the Company's owners	Attributable to non-controlling interests	Attributable to the Company's owners	Attributable to non-controlling interests	Attributable to the Company's owners	Attributable to non-controlling interests	Dividend	Interest	Management fees and directors' fees
In NIS million									
The Company's directly held subsidiaries and affiliates									
Clal Insurance Company Ltd.	131	5	84	1	216	6	5	-	-
Clal Agency Holdings (1998) Ltd.	23	-	-	-	23	-	23	-	-
Clalbit Systems Ltd.	2	-	-	-	2	-	-	-	-
Subsidiaries and affiliates of Clal Insurance									
Clal Credit Insurance Ltd.	20	5	4	1	24	6	-	-	-
Adach Holdings Ltd.	-	-	-	-	-	-	-	-	-
Clal Pension and Provident Funds Ltd.	24	-	3	-	27	-	-	-	-
Atudot Pension Fund for Salaried Employees and Self Employed Ltd.	2	-	-	-	2	-	-	-	1
Canaf - Clal Financial Management Ltd.	1	-	-	-	1	-	-	-	-
Subsidiaries and affiliates of Clal Finance									
Michlol Finance Ltd.	10	-	-	-	10	-	-	-	-
Subsidiaries and affiliates of Clal Agencies									
Betach Toren Insurance Agency Ltd.	3	-	-	-	3	-	2	-	-
Tmura Insurance Agency (1987) Ltd.	32	-	-	-	32	-	28	-	-
Newcom Pension Insurance Company (2004) Ltd.	1	-	-	-	1	-	-	-	-
Second tier companies of Clal Agencies									
Tmura Melea Insurance Agency Ltd.	3	-	-	-	3	-	-	-	-
Alternative Capital Ltd	-	-	-	-	-	-	-	-	-
Betach Toren International Underwriters P&C Insurance Agency (2019) Ltd.	1	-	-	-	-	-	-	-	-

9. Profits and Losses of Material Active Subsidiaries and Active Related Companies and Income Therefrom (Direct and Indirect) for the Year Ended on December 31, 2023 (Regulation 13) (cont.)

9.1. The Company and subsidiaries (cont.)

	Profit (loss) for the year		Other comprehensive income (loss) for the year		Total comprehensive income (loss) for the year		Income (expenses)		
	Attributable to the Company's owners	Attributable to non-controlling interests	Attributable to the Company's owners	Attributable to non-controlling interests	Attributable to the Company's owners	Attributable to non-controlling interests	Dividend	Interest	Management fees and directors' fees
In NIS million									
CIMax's subsidiaries and affiliated companies									
Max It Finance Ltd.	218	-	2	-	220	-	40	-	(1)
Milo Brom Holdings Ltd.	(5)	(3)	-	-	(5)	(3)	-	1	-
Material subsidiaries of Max It Finance Ltd.									
Max It Credit Ltd.	2	-	-	-	2	-	-	397	289
Max It Deposits Ltd.	6	-	-	-	6	-	-	-	5
Subsidiaries of Milo Brom Holdings Ltd.									
Hyp Payment Solutions Ltd.	7	-	-	-	7	-	-	(1)	-
MAX EVS Ltd.	(6)	-	-	-	(6)	-	-	-	-

10. List of Companies with Loan Balances Given as of the Date of the Statement of Financial Position (Regulation 14)

N/A.

11. Trading on the Stock Exchange (Regulation 20)

A. Securities listed for trading in the reporting year-

In the reporting year, 456 ordinary shares of the Company were listed for trading as a result of exercising options granted to Company officers and employees.

In February 2023, the Company issued NIS 249.1 million par value Bonds (Series A) and NIS 150 million par value Bonds (Series B).

In March 2023, as part of the consideration for the Max transaction, the Company allocated to the Offerees - on the transaction completion date - 4,970,310 ordinary shares of the Company of NIS 1 p.v. each (hereinafter - the "Allocated Shares"). The allocated shares constituted - immediately following their allocation - approx. 6.29% of the issued and paid-up share capital of the Company and approx. 6.05% of the issued and paid-up share capital of the Company, fully diluted. For further details, see Note 42(j) to the Consolidated Financial Statements.

In June 2023, the Company implemented an expansion of NIS 250 million par value Bonds (Series A) to qualified investors and in August 2023, it implemented another expansion of NIS 400 million par value Bonds (Series A) of the Company.

In December 2023, the Company issued NIS 500 million p.v. in Bonds (Series C) of the Company.

B. Trading suspension of securities in the reporting year

In the reporting year, trading of the ordinary shares of the Company was not suspended on the TASE (other than limited trading breaks in respect of publication of financial statements and/or other material reports).

12. Compensation of Interested Parties and Senior Officers (Regulation 21)

Set forth below is a breakdown of the compensation paid 2023, as recognized in the 2023 financial statements (in NIS thousand):

Each of the five highest paid senior officers in the Company or companies under its control, if the compensation was paid in connection with his/her service in the Company or in companies under its control, and if the compensation was paid to him/her by the Company or companies under its control;

Each of the three senior officers with the highest compensation at the Company, whose compensation was given in relation with its position at the Company itself, and not included in Section 1 above;

Each interested party in the Company who is not included in Sections 1 or 2 above, except a subsidiary of the Company, if the compensation was paid to him/her by the Corporation or by a corporation under its control in connection with services rendered as an employee of the Company or corporation under its control, whether or not employee-employer relations exist, and even if the interested party is not a senior officer.

Additional Details About the Corporation

Recipient of compensation									Compensation for services					Other benefits			
Name	Gender	Title	Appoi- ntment percen- tage	Percen- tage of holding in corpo- ration's share capital	Salaries [1]	Addi- tional provi- sion	Bonus [2]	Share-based payment [5]	Manage- ment fees	Con- sult- ing fees	Fee or com- mission	Other	Interest	Rent	Other	Total	
Ron Fainaro [7]	Male	CEO of Max	100%	0.04	3,532	-	1,135	2,308	-	-	-	-	-	-	-	-	6,975
Yaron Bloch [8]	Male	Max director			4,169	-	-	-	-	-	-	-	-	-	-	-	4,169
Yoram Naveh [3]	Male	CEO of Clal Insurance and Clal Holdings	100%	0.01	3,307	-	-	-	-	-	-	-	-	-	-	-	3,307
Haim Samet [9]	Male	Chairman of the Board of Clal Insurance and Clal Holdings	90%	-	2,640	-	-	-	-	-	-	-	-	-	-	-	2,640
Eran Cherninsky [4][6]	Male	Finance Division Director of Clal Insurance and Clal Holdings	100%	-	1,901	-	599	123	-	-	-	-	-	-	-	-	2,623

It should be clarified that the breakdown of compensation paid in 2023 in the above table is as recognized in the financial statements for 2023 and is not necessarily the same as the calculation made for examining compliance of officers' compensation with the Company's compensation policy, which is attached as an appendix to the periodic report for 2023. It should be noted that regarding officers in Max, the above payment represents compensation for an entire year, but the Company consolidated Max in its financial statements from the second quarter of 2023.

7. Compensation of Interested Parties and Senior Officers (Regulation 21)

Comments regarding the data in the table:

1. Salary linked to the Consumer Price Index, regarding the Company's officers, in accordance with the definition of linkage to the Consumer Price Index in the Company's compensation policy (see Section 1 to the Compensation Policy) (hereinafter - "**CPI-linked**"), except in relation to the CEO and Chairman of the Board of Director, whose salary was capped in the reporting year, as part of the fixed compensation limit in Section 2(a) to the Compensation for Officers in Financial Corporations Law (Special Approval and Non-Authorization of Expense for Tax Purposes due to Extraordinary Compensation), 2016 (hereinafter in this section - the "**Officer Compensation Law**" and the "**Compensation Limit**"), and is CPI-linked in accordance with the mechanism set therein. The amount specified in the table includes provisions for retirement benefits, including disability insurance, and contributions towards severance pay as required by law in respect of all compensation components (which are not included in the calculation of the compensation limit, which applies to compensation in accordance with Section 2(a) to the Officer Compensation Law. Provisions in respect of termination of employment, annual leave and/or redemption of paid leave, to an employee who stopped serving in his/her role, convalescence pay and other benefits including grossing-up in respect of vehicle and mobile phone expenses. According to the mechanism set in the Officer Salary Law, the wage cost of an employee of a financial corporation that will exceed the Compensation Limit shall not be deductible for tax purposes in accordance with the mechanism set in the Officer Salary Law. It should be noted that according to the Compensation Policy, the Company may bear an additional expense in respect of the excess salary costs, where required, in respect of paid components that exceed that cost. The Compensation Committee and Board of Directors decided that in relation to officers other than the CEO and the Chairman of the Board, their wage cost shall not exceed NIS 3 million.
2. Generally, the data apply to the entire amount of the variable bonus, which is paid in cash, to which the officer is entitled in respect of the reporting year, without taking into consideration the deferred bonus arrangements with respect to the deferred bonus, where required. The actual amount of any variable compensation paid may be lower, such that with regard to officers and key officeholders 50% of the variable compensation is paid in cash, and 50% is deferred, and will be paid CPI-linked, over 3 years, and its payment is conditional upon meeting the targets set in the Compensation Policy accordingly. With regard to key officeholders who were awarded an equity compensation, generally, in the reporting year the Company shall view the portion of the equity compensation that was awarded (according to the value recorded in the financial statements in the reporting year), as a compensation component that was spread and deferred, and release and pay - in cash and without delay - that portion of the annual cash variable compensation, to which that key officeholder is entitled, except for cases where the equity compensation component will not be sufficient, in which case that portion of the variable bonus which is paid in cash will also be spread and deferred. There is no certainty that the amount of the deferred compensation will, indeed, be paid. It should be noted that to the extent that the total compensation awarded to a key officeholder for a particular year does not exceed the compensation ceiling¹³ and does not exceed 40% of the fixed component in that year, the spreading and deferral mechanism stipulated in the Company's Compensation Policy shall not apply. Immediately after the approval of the Financial Statements, deferred bonuses that were recorded in the financial statements in 2020-2022 and not yet paid will be released. For further details regarding annual bonuses to the Group's officers, see comment 4 below.
3. For details regarding the employment terms of Mr. Yoram Naveh, the Company's CEO, see Note 43(b)(6) to the Company's Financial Statements.
4. As a rule, the employment terms of the Company's officers, including Mr. Cherninsky, as specified in the above table (other than the CEO or the Chairman of the Board, unless stated otherwise) (hereinafter in this section - the "**Officers**"), were set in personal employment agreements, which define the base salary and social and pension benefits as is generally accepted for officers in the Clal Group, including contributions towards pension insurance in respect of the severance pay and retirement benefits component, paid leave and convalescence pay. According to the terms of the employment agreement of the officers, in the event of dismissal or resignation, the party that terminates the engagement will give the other party a four-month advance notice. As a general rule, in the event of such termination, in addition to the severance pay the officers will be entitled to a one-off bonus equal to 4.5 to 6 monthly salaries (base wage) without social benefits and vehicle, and provided that the termination of the employer-employee relations did not arise from the resignation of the officer over two years from the employment commencement date, all subject to compliance with the terms of the Compensation Policy, and in relation to the

¹³ As defined in Section 32(17) of the Income Tax Ordinance [New Version].

transitional provisions, as set in the Commissioner's circular regarding Compensation Policy in Institutional Entities of April 2014 as amended in October 2015, and in July 2019 (hereinafter jointly - the "**Compensation Circular**"), if relevant (hereinafter - the "**Retirement Bonus**"). The officers are entitled to payment of severance pay, either upon resignation or upon dismissal, other than under circumstances that do not entitle them with severance pay in accordance with the law. As part of their employment terms, officers are entitled to a vehicle that the Company places at their disposal, and the Company bears the cost of grossing-up the tax that applies to them in respect thereof. Furthermore, the officers are entitled to an annual bonus according to the criteria generally accepted in the Group in connection with executives of similar level, and according to the Company's Compensation Policy (which is published as part of the Company's periodic report), and the maximum cash bonus of the senior officers in connection with the annual earnings (regardless of additional special and discretionary bonuses as detailed below), will not exceed NIS 500 thousand, and their entitlement to that component of the bonus, which is not discretionary, is in accordance with the Company's compliance with the threshold terms for receipt of an annual bonus in accordance with the Compensation Policy and the officers' fulfillment of the targets (relating to their personal performance and/or the performance of the unit they are in charge of and/or the Company's performance, and the targets may be quantitative or qualitative, measurable or discretionary). (hereinafter - the "**Annual Bonus**"). The targets for receipt of the annual bonus shall be set for the officers every year, except in relation to the discretionary component, which is not conditional upon meeting targets and threshold conditions, and its weight - during the reporting year - did not exceed 20% of the annual bonus. In addition, it is also possible to award a discretionary special bonus, in respect of special efforts on behalf of the officer, including as part of the execution of a transaction outside the Company's ordinary course of business, whose amount will not exceed 3 months' base salary (a cost that also includes the discretionary annual bonus portion as stated above). This excludes special bonuses, the targets in respect of which are predetermined, as defined in the Company's Compensation Policy, whose amount will not exceed 6-months' base salary (hereinafter - "Special Bonuses"). For further details, see the appendix to the Periodic Report. In any event, the senior officers will not be entitled to an annual bonus, including Special Bonuses, whose total amount will exceed NIS 1 million. For further details, see the appendix to the Periodic Report.

5. The amount of the share-based payment is based on the valuation of the options at the time they were awarded, and the fair value of each tranche will be spread over the vesting period. For further details regarding the share-based payment, see Note 44 to the Company's Financial Statements.
6. Mr. Eran Cherninsky, EVP, has been serving as the Head of the Finance Division since October 2018. His terms of employment were stipulated in a personal employment agreement, which is generally comparable to the employment agreement detailed in subsection 4 above. In 2021, Mr. Eran Cherninsky was awarded 66,000 options. For details regarding the officers' option plan approved in 2021, see Note 40(a) to the Financial Statements. For information regarding a special bonus awarded to Mr. Cherninsky, and which was partially attributed to the reporting year, see subsection 4 above.
7. For details regarding the employment terms of Mr. Ron Fainaro, the CEO of Max It Finance Ltd., a subsidiary of the Company, see Note 43(b)(7) to the Company's Financial Statements. It should be clarified that Max officers are not subject to the Company's compensation policy and the Officer Compensation Law, and they are subject to Max's compensation policy.
8. For details regarding the employment terms of Mr. Block, the former Chairman of the Board of Max It Finance Ltd., a subsidiary of the Company, see Note 43(b)(5) to the Company's Financial Statements. It should be clarified that Max officers are not subject to the Company's compensation policy and the Officer Compensation Law, and they are subject to Max's compensation policy.
9. For details regarding the employment terms of Mr. Haim Samet, the Chairman of the Board, see Note 43(b)(4) to the Company's Financial Statements.

A. Compensation policy

For information regarding the Company's equity compensation plans, see Note 44(a) to the Company's Financial Statements; for information about the Company's Compensation Policy, see the "**Compensation Policy**" appendix to Part A to the periodic report. For details regarding the equity compensation plans and compensation policy of Max, see Note 15.2 to the Company's Report on the Corporation's Business.

B. Compensation of directors

The Company's payments to the Company's directors in 2023 and 2022, in respect of their service in the Company's Board of Directors and its various committees (except for payments to the Chairman of the Company's Board of Directors) amounted to approx. NIS 3.5 million and approx. NIS 3.6 million, respectively. Directors, other than the Chairman of the Board, are paid the maximum amount payable to an expert external director, in accordance with the Company's ranking, all in accordance with the Company's Compensation Policy. The Company bears 20% of the salary cost of the joint directors, who serve both in the Company and

in Clal Insurance (excluding the salaries of external directors of the Company, who also serve as directors in Clal Insurance, who are not entitled in the reporting year to a salary in respect of their service in Clal Insurance, and their salary is paid only by the Company). Upon reappointment of one of the Company's external directors, or subsequent to the reporting year, the above directors are entitled to compensation for their service in Clal Insurance as well), and Clal Insurance bears 80% of the cost. As from December 2021, upon the appointment of the Chairman of the Board - Mr. Haim Samet - also as the Chairman of the Board of Directors of Clal Insurance; Clal Insurance incurs 80% of the cost of the wage of the Chairman of the Board. Through that date, the Company has borne the entire cost of his wage, according to its amount at the time. For details regarding the employment terms of Mr. Haim Samet, the Chairman of the Board, see Note 43(b)(4) to the Company's Financial Statements. The aforesaid amounts are after participation by Clal Insurance as stated above.

Ms. Maya Liquornik also serves as Chairperson of the Board of Max, therefore in accordance with the provisions of the law, the compensation she received from Max in the reporting year in respect of her service in Max was limited to the amount set in the regulations regarding an expert director. Ms. Liquornik received a letter of indemnity and exemption, and she is included in the liability insurance policy for company officers, as per the accepted norm at Max. Furthermore, Ms. Liquornik is entitled to payment for expenses that she is required to pay out in respect of her service as the Chairperson of Max, pursuant to the provisions of the law.

On March 8, 2022, the Companies Regulations (Rules for Compensation and Expenses for an External Director) (Temporary Order), 2022 (hereinafter - the "Temporary Order") were published, which deal with the manner of payment of compensation to directors in publicly-traded companies and in bonds companies during the period in which Covid-19 restrictions were in place. According to the Temporary Order, a company's board of directors may establish - regarding compensation with respect to participation - criteria according to which the participation of an external director in a meeting of the board of directors or any of its committees held during the restriction period, as defined below, using means of communication as defined in Section 101 of the Companies Law, will be classified as participation in an ordinary meeting, if the meeting would have normally been held in the presence of the participants and there is an impediment to holding it in the presence of some or all of the participants, due to restrictions imposed according to legislation whose purpose was to tackle the spread of the Covid-19 virus or if there is another justification for participating in the meeting through means of communication due to such restrictions (hereinafter - "entitling participation").

Accordingly, in 2022, the Board of Directors set criteria as stated above, and assessed - in relation to each online meeting - whether it should be classified as an entitling participation, according to the criteria it had set, and if a meeting was classified as an entitling participation, it was deemed an ordinary meeting, and a full participation compensation was paid in respect thereof, instead of reduced compensation (60% of the participation compensation), for a meeting that was held online. The criteria that were set by the Board of Directors as stated above, applied to all external directors who served in the Company when the restrictions were in place.

The Temporary Order applies retroactively as from March 15, 2020 (the commencement date) and it remains in effect so long as the declaration of a special public health status or a declaration of a state of emergency due to the Covid-19 pandemic are in place by virtue of the Special Powers Law for Dealing with the Covid-19 Pandemic (Temporary Order), 2020, that is to say, through June 15, 2022 (hereinafter - the "**Restrictions Period**").

According to the decision of the Company's Board of Directors and the Company's Compensation Policy, the above also applies to directors, who are not external directors, other than the Chairman of the Board. Under the Compensation Circular, the above also applies to external or independent directors or external representatives in an institutional entity.

8. Controlling Shareholder of the Company (Regulation 21A)

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

On December 8, 2019, the Company received a letter from the Commissioner (hereinafter - the "**Commissioner's Letter**"), where under, among other things, the Commissioner announced that in light of the changes in the holding rates of IDB Development in the Company's securities, the Commissioner reviewed the issue of control in the Company. In accordance with the Commissioner's Letter, as part of the said review, the Ministry of Justice, the Israel Securities Authority and the Israel Competition Authority's positions on the matter were also received. The findings of the said review, which according to the ISA's Position are based on the Company's representations, indicated that as of this date, there is no entity or person that holds, directly or indirectly, means of control in the Company in a manner that establishes a requirement to obtain a control permit in the Company in accordance with Section 32(b) to the Financial Services

Supervision Law (Insurance), 1981 (hereinafter - the **"Supervision Law"**), and therefore the Company must obtain from the Commissioner a control permit in Clal Insurance. The Outline for Exercising Means of Control and the letters that were received replace the requirement to obtain a control permit.

Further to the above, on October 19, 2020, the Company and Clal Insurance received a letter from the Commissioner with respect to "Update regarding the Outline for Exercising Means of Control in Clal Insurance" (which replaced the Commissioner's letter on this topic of July 21, 2020), which provides, among other things, the Commissioner's reference to the arrangements that will apply to the exercise of the Company's means of control in Clal Insurance, including with respect to the appointment of directors in the Company and Clal Insurance and in the Company, and participation in the Company's General Meeting (hereinafter - the **"Outline for Exercising Means of Control"**). On November 30, 2020 and December 25, 2022, the Commissioner received a clarification letter in connection with the Outline for Exercising Means of Control and said control permit.

On March 27, 2023, the Company received a letter from the Commissioner, which includes, among other things, an update to the insurer license of the institutional entities that are controlled by the Company, and conditions that will apply to the Company in connection with the holding of means of control in Clal Insurance; it was decided that the Outline for Exercising Means of Control in Clal Insurance shall continue to be in effect, and a reference was made to the Company's financial stability and its commitment to Clal Insurance, as a derivative of the Max It Finance Ltd. acquisition transaction.

For further details regarding the Outline for Exercising Means of Control, including the appointment of Company directors, see Note 1 to the Company's Financial Statements.

9. Transactions with a controlling shareholder (Regulation 22)

In view of what is stated in Section 12 above, the Company does not have engagements with a controlling shareholder, which are listed in Section 270(4) to the Companies Law, 1999 (hereinafter - the **"Companies Law"**), including engagements not listed in Section 270(4) to the Companies Law, and are not negligible.

Set forth below are details regarding procedures and criteria that were adopted by the Company in connection with transactions and engagements with interested parties, officers and related parties therein (and any controlling shareholders):

A. Related parties procedure

Furthermore, it is noted that the Supervision Law prescribes unique provisions regarding an insurer without a control core, inter alia, in respect of the method of appointment of directors and reporting on the holding of means of control of an insurer with no controlling shareholder. In view of the Company's holdings structure as a company without a control core, and in light of the fact that the provisions of the Supervision Law regarding an insurer without a control core do not apply to it, due to the corporate structure of the large Israeli insurance companies under the said circumstances, and in view, among other things, of the fact that institutional entities in the Group have certain characteristics that are not present in every publicly-traded company, and whose presence justifies a different treatment, including in view of the fact that the institutional entities manage planholders' funds, on March 12 and 26, 2020 the Company's Audit Committee and Board of Directors approved a procedure regarding the approval procedures of transactions with anyone who is deemed an interested party in a Company (other than a controlling shareholder), directors and other parties, as part of which, procedures were set for the approval of related party transactions and investment therein, and exposure limits were set in connection with related parties. This procedure was revised by the competent organs in November 2020 and March 2022; for information regarding the related parties procedure, see Section 11.3.1.2(a) to the Report on the Corporation's Business.

B. Materiality assessment procedure

For details regarding the procedure for assessing materiality, which was adopted by the Company, in connection with the requirement to submit an immediate report on such transactions by virtue of Regulation 36 to the Periodic Reports Regulations, and for the purpose of classifying transactions as stated in Section 270(1), (4) and (4a) to the Companies Law, see Section 11.3.1.3(a) to the Report on the Corporation's Business.

It should be noted that the disclosure provided in the Company's financial statements regarding claims filed against Max does not necessarily show the material facts of the claim for an immediate report of the Company, and therefore, not every such claim and/or its development will be reported in an immediate report (for information, see Note 45 to the financial statements).

C. Negligible transactions and negligibility procedure

The Audit Committee and Company's board of directors adopted guidelines and rules for the classification as a negligible transaction of a transaction between the Company or a consolidated company thereof with an interested

party therein as set out in Regulation 41(a3)(a)(1) of the Securities Regulations (Annual Financial Statements), 2010 (hereinafter - the "Financial Statements Regulations"). These rules and guidelines also serve to assess the scope of disclosure in the periodic report and prospectus (including in the Shelf Offering reports) regarding a transaction between the Company, a corporation under its control and an affiliate thereof with a controlling shareholder or interested party, or a transaction in which the controlling shareholder or interested party has a vested interest as set out in Regulation 22 to the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - "Periodic Reports Regulations") (hereinafter - "Interested Party Transactions"). It should be noted that the guidelines and rules as stated above are also used to classify transactions in accordance with the provisions of Section 117(2a) to the Companies Law.

As stated above, as of the date of this report the Company does not have a controlling shareholder, and accordingly the criteria are used by the Company mainly for the purpose of classifying transactions with interested parties, who are not controlling shareholders, and as stated in the related parties' procedure, in Section 11.3.1.2(a) to the Report on the Corporation's Business, and regarding the manner of approval of transactions with officers, or in which officers have a vested interest, in accordance with the procedure for identifying and approving interested party transactions, as detailed in Section D below.

On March 12 and March 27, 2024, the Audit Committee and the Company's Board of Directors, respectively, discussed the above guidelines and rules as described above and the criteria that were set, and as part of this discussion they were presented with the findings of the control unit regarding this matter (in accordance with the procedure as detailed below), and decided to approve them.

During their ordinary course of business, the Company and consolidated and affiliated companies thereof, conduct or may conduct negligible transactions, which are not extraordinary transactions with interested parties as stated above, or with companies in which the interested parties have a vested interest, and with any entity that has or may have undertakings to conduct transactions, including transactions of the type and with the characteristics as detailed below:

1. Transactions for the purchase of services and/or products and/or investments:

(a) Transactions with banking corporations and financial institutions, including deposits and related banking services, credit agreements and credit facilities, agreements for issuance, acquiring and processing of payment cards, payments solutions and financial products; (b) transactions for the acquisition of products and services; (c) management and services in respect of income-generating real estate properties; (d) financial investments as part of a consortium and/or purchase of securities or debt instruments and of securities as part of issuances to the public and/or private offerings to institutional entities and/or private transactions; (e) investment in funds and/or acquisition of rights in funds; (f) rating agencies' services or issuance and underwriting, distribution and brokerage of securities; (g) brokerage services in insurance, pension and provident funds businesses by insurance agencies; (h) management and renting of properties; (i) acquisition and sale of assets together with interested parties; (j) investment/credit management services, including credit rating; (k) purchase of financial and/or economic services including economic and business consulting, TASE member services, underwriting and investment banking services. (l) acquiring and/or subsidizing the acquisition of gift vouchers;

2. Transactions for the sale of services and/or products

(a) The sale of insurance policies that were issued by the insurers in Clal Holdings Group across all insurance subsegments to interested parties of the Company and/or others, where the interested parties have a vested interest in the engagement and/or to employees of such entities, including joint policies for the Company and/or other Clal Group companies (including fidelity insurance, assets, property and liability insurance, executive insurance, professional liability insurance, etc.); (b) provision of insurance brokerage services by insurance agencies; (c) provision of provident funds and/or pension funds management services to corporations and/or their employees, including loans, based on the savings accrued in the provident funds or insurance policies; (d) provision of banking, financial and/or economic services, including credit, factoring, financing, mortgages and guarantees, issuing, acquiring and processing of payment cards, and provision of payments solutions and financial products; (e) renting out assets.

It should be noted that the process of approving claims of an immediate party, whereby that party will receive insurance benefits, although constituting an implementation of the terms of the policy, was approved for prudence's sake by the Audit Committee and Board of Directors as part of a separate procedure, in which the approval processes of those claims were approved in advance.

Negligibility assessment procedure

Without derogating from the generality of the above, the quantitative and qualitative assessment will be performed as follows:

1. Quantitative assessment

A. Insurance transaction

In the absence of special qualitative considerations arising from all the relevant circumstances, such a transaction, which is carried out at fair market value during the ordinary course of business, and which has no material effect on the Company, shall be deemed a negligible transaction if its amount is lower than NIS 15 million. For the avoidance of doubt, it is clarified that the scope of the transaction will be assessed according to the total revenues from the transaction in a calendar year, and in life insurance and long-term savings products the scope of the transaction shall be assessed in accordance with the total management fees paid in respect of the transaction in a calendar year.

B. Transaction for the purchase of products and/or services

In the absence of special qualitative considerations arising from all the relevant circumstances, such a transaction, which is carried out at fair market value during the ordinary course of business, and which has no material effect on the Company, shall be deemed a negligible transaction if its amount is lower than NIS 10 million in a calendar year, and it does not involve the receipt of services from the controlling shareholder or his/her relative (management agreement) according to last clause of Section 270(4) to the Companies Law.

C. Transaction for investment in/ purchase or sale of property, plant and equipment (non-current asset) / assumption of a financial liability

In the absence of special qualitative considerations arising from all the relevant circumstances, such a transaction, which is carried out at fair market value during the ordinary course of business, and which has no material effect on the Company, shall be deemed a negligible transaction if all of the criteria listed below are at a rate of less than one-tenth of a percent (0.1%).

It should be noted that the data that will be checked will be based on the latest reviewed or audited consolidated financial statements of the Company published prior to the execution of the transaction.

D. Transaction for investment in/purchase or sale of property, plant and equipment (non-current asset)

Two cumulative tests:

- In a transaction involving nostro and/or participating assets - the total amount of the assets, which are the subject matter of the transaction, out of the said sources, divided by the total assets in the Company's consolidated balance sheet.
- In a transaction involving assets of provident funds and/or pension funds - the total amount of the assets, which are the subject matter of the transaction, out of the said sources, divided by the total planholders' assets in the provident funds and pension funds managed by the Group.
- In a sale transaction involving the nostro assets - the annual gain/loss attributable to the Company's shareholders - post tax (net), in terms of the actual or predicted profit and loss or comprehensive income attributed to the transaction, whichever is stricter, divided by the profit or loss attributable to the Company's shareholders -post tax (net), in terms of the Company's average annual (four quarters) profit and loss or comprehensive income for the past three years, calculated on the basis of the last 12 quarters before the execution of the transaction, in respect of which reviewed or audited financial statements were published. It is clarified that the income/loss in each quarter is calculated at their absolute values.

E. Assumption of financial liability

The amount of the liabilities, which are the subject matter of the transaction, divided by the total assets in the Company's consolidated balance sheet.

Where a transaction pertains to a subsidiary, its effect on the Company should be assessed, whereas in a Company associate, the effect of the transaction should be assessed in relation to the Company's ownership interest in the investee, while implementing the negligibility tests referred to above.

2. Qualitative assessment

The assessment of the qualitative considerations of the interested party transaction may lead to a transaction being defined as a non-negligible transaction even though according to the quantitative assessment as per Section 1 above, it is found to be a negligible transaction. Thus, for example, and for illustration purposes only, a transaction will normally will not be deemed negligible if Company's management perceives it as a very significant event, even if it is not material under the quantitative criteria referred to above, such that in cases where the transaction involves very material chances or risks, the event may impact the Company's compliance with significant regulatory or contractual requirements, or if the transaction involves the entry into a new and significant area of activity, or the exit from an existing and significant area of activity. It should be clarified that in relation to transactions, as part of which all or substantially all of a corporation's activity is transferred (including by way of transferring securities), the criteria set in Regulation 6(b) to the Securities Regulations (Transaction Between a Company and a Controlling Shareholder Thereof), 2001, will be taken into consideration.

Transactions that are interconnected, such that they are effectively part and parcel of the same transaction (for example, centralized negotiations for a group of transactions or repeat, frequent orders from the same supplier) shall be considered a single transaction.

A transaction that is classified as a negligible transaction by an investee shall be deemed a negligible transaction also at the level of the holding company. A transaction of an investee, classified as a non-negligible transaction in an investee may be classified as a negligible transaction according to the relevant criteria at the level of the holding company.

3. A retail transaction which is not extraordinary and very negligible

The execution of "retail" transactions was approved in advance, in which Group companies sell insurance policies to privately-held entities and small businesses, including property and casualty insurance policies, health and life insurance policies, pension and provident funds and related services, which are provided to individuals and small businesses. These transactions are approved if the premium or management fees amount in respect of the transaction, as the case may be, according to the Company's price list, does not exceed NIS 50,000 per year, except where the transactions constitute contributions towards a pension product. In the case of a contribution towards a pension/savings product, a very negligible current transaction is a transaction, for which the management fees are collected according to the Company's price list,¹ provided that if it is a one-off contribution, its amount does not exceed NIS 1.5 per year. Such an approval is given provided that the said transactions are carried out in accordance with price lists that include prices (premiums, management fees), discounts hierarchy and underwriting terms that were determined in advance and apply to all of the Company's retail commitments (hereinafter - a "**Very Negligible Current Transaction**").

4. Negligible transaction in Max

During the ordinary course of its business, Max conducted transactions with interested parties in the Company or with interested parties with a vested interest, including transactions with companies whose interested parties are interested parties in them, as well as undertakings to conduct transactions under regular commercial conditions, as part of the provision of services by Max, such as issuing credit cards, loans etc.

In the absence of special qualitative considerations arising from the circumstances, unless indicated otherwise, a transaction will be considered quantitatively negligible if the scope of the transaction does not exceed:

Regarding an indebtedness transaction - a transaction that does not exceed the threshold for an indebtedness transaction set in Proper Conduct of Banking Business Directive 312;

Regarding the remaining transaction - a transaction whose amount does not exceed 0.5% of Max's equity.

The assessment of the transaction's negligibility shall be carried out in accordance with the relevant criteria from those listed above. The materiality of the transaction will be assessed according to the criteria set in the Company's materiality procedure, which is detailed in Section 11.3.1.3(a) to the Report on the Corporation's Business.

In the case of a transaction with an interested party, who is a Company shareholder, negligibility shall be assessed with regard to the Company's activity and results.

In the case of a transaction with an officer in which the controlling shareholder has a vested interest - negligibility shall be assessed with regard to the activity and results of the company that engaged in the transaction.

¹It should be clarified that in executive insurance or a pension fund or provident fund, the Company's price list will be in accordance with the arrangement in place for Company's employees, including in relation to interested parties.

Where a transaction pertains to a subsidiary, its effect on the Company will be assessed, whereas in a Company associate, the effect of the transaction will be assessed in relation to the Company's ownership interest in the investee, while implementing the negligibility tests referred to above.

Each case will be evaluated on its own merits, and a quantitative and qualitative assessment will be conducted regarding the relevant Event, based on the overall information, the data, the facts of the matter and assessments under the overall circumstances of relevance to the Company.

D. Procedure for identifying and approving interested party transactions -

The Companies Law stipulates that certain transactions of a company, where the company's officers have a vested interest in those transactions, and transactions of a publicly-traded company with a controlling shareholder (including transactions in which the controlling shareholder has a vested interest (hereinafter jointly - the "**Interested Party Transactions**"), require special approvals, in accordance with the parties to the transaction, its type and terms. It should be noted that according to the interpretation that is normally applied to the Companies Law, a transaction of a privately-held company controlled by the Company, with a controlling shareholder, or in which the controlling shareholder has a vested interest, is generally deemed as a transaction of the Company as a publicly-traded company (even though the publicly-traded company is not a party thereto), and such a transaction requires approvals in the Company.

The Audit Committee adopted a procedure for identifying and approving Interested Party Transactions, which regulates the Company's engagements with controlling shareholders and officers. Set forth below are the key points of the procedure that was recently approved by the Audit Committee on March 12, 2023²

Transactions approval processes:

- **Transaction with a controlling shareholder or in which the controlling shareholder has a vested interest:**⁴
 - **Extraordinary transaction** - will be approved according to the provisions of the Companies Law.
 - **A transaction which is not extraordinary or negligible** - will be brought for approval of the Audit Committee for classification of the transaction and for the approval of the transaction itself.
 - **A transaction which is not extraordinary and is negligible** - approved in advance, provided that it is carried out in accordance with the provisions of the procedure. Such transactions shall be assessed by the officer in charge of the relevant area of activity in the Group (and if he/she has a vested interest in the execution of the transaction - by the officer to whom he/she reports).
- **Transaction with an officer or in which the officer has a vested interest**³
 - **An extraordinary transaction** - will be brought for approval by the Audit Committee and Board of Directors.
 - **A transaction which is not an extraordinary or a negligible transaction**⁴ - will be brought for approval by the Audit Committee or Board of Directors.
 - **A transaction which is not an extraordinary transaction but is negligible** - on February 17, 2009, the Company's Board of Directors approved an amendment to the Company's Articles of Association, which stipulated that a transaction with an officer, or a transaction in which an officer has a vested interest, shall be approved by another officer, provided that it is not an extraordinary transaction (except for a transaction regarding terms of service and employment). On the said date, the Company's Board of Directors stipulated that the assessment of the transaction to determine whether it is a negligible transaction shall be conducted by a relevant officer, in accordance with an internal Company procedure regarding identifying and approving Interested Party Transactions, as approved by the Audit Committee and the Board of Directors every year.

²With regard to transactions with controlling shareholders, the procedure regulates the manner of conducting a tender and alternative procedures, as well as procedures for classifying and approving such transactions, in view of the fact that to date the Company does not have a controlling shareholder, and accordingly these criteria are not relevant to the Company.

In investment transactions in the investment segment with an immediate party, the provisions under the law will also apply and therefore, transactions from the funds of planholders or funds of participating policies will be submitted for the approval of the relevant investment committee in addition to or in lieu of approval of the said organs and investment transactions from nostro funds will be submitted for approval of the Audit Committee, in addition to or in lieu of approval of the said organs.

⁴For the purpose of a description of this procedure, "**negligible transaction**" - according to the Company's negligible transaction policy, as specified in Section E below.

- **A retail transaction which is not extraordinary and is very negligible** - the execution of "retail" transactions involving the Group's products was approved in advance in accordance with price lists (including with respect to external directors), as detailed in Section B above.

Criteria for classification of the transaction

The Companies Law stipulates that an "extraordinary transaction" is a transaction that meets one of the following three criteria:

(a) A transaction that is not part of the Company's ordinary course of business, (b) a transaction that is not at fair market value, (c) a transaction that is likely to have a material effect of the Company's profitability, assets or liabilities.

The relevant officer or organ, as described above, shall assess the assessed transaction and will determine whether it fulfills the three criteria that may make it **an extraordinary transaction**.

- In order to assess whether a transaction is an extraordinary transaction, a transaction will be considered as a transaction in **the ordinary course of business** of the Company after an assessment of the facts, taking into account the routine general activity of the company that engages in the transaction, such that the type of product or service acquired or the liabilities assumed is in the ordinary course of the Company's business, its area of activity or required for its ongoing activities, or a transaction with characteristics similar to those of transaction types that the company that entered into the engagement previously entered into in the ordinary course of its business, or transactions that companies with similar characteristics to those of the Company normally engage in.
- For the purpose of assessing whether the transaction is extraordinary as stated above, a transaction shall be classified as a **material transaction** in accordance with a materiality procedure that was adopted by the Company, as detailed in Section 11.3.1.3(a) to the Description of the Corporation's Business chapter. A transaction shall be classified as a **negligible transaction** in accordance with a negligibility procedure that was adopted by the Company, as detailed in Section B above.
- For the purpose of assessing whether a transaction is extraordinary as stated above - the assessment of **market conditions** shall be carried out based on an external objective indication for the transaction's market conditions, and therefore one should identify transactions, which are similar to those entered into with the controlling shareholder or the officer, and which were conducted with unrelated parties, and compare the transactions. To the extent possible, the comparison will be made against transactions which are similar in terms of the area of activity, the product or service type and the engagement's amount, and which were carried out around the date of the transaction in question, but do not involve a related party, except for special cases and for reasons that will be described. As part of this process, an effort will be made to assess similar transactions that were carried out in the market by parties other than the Company between unrelated parties. Among other things, market conditions may be established based on price lists, opinions or criteria set by the Company regarding a tender or another dedicated procedure. It should be clarified that an Interested Party Transaction, whose terms are more favorable than market conditions (as far as the Company is concerned), shall be deemed a transaction at fair market value.

The Company shall implement controls to assess the appropriateness of transactions' actual classification by management according to the criteria that were set:

- The relevant control units shall implement a periodic control regarding immediate party transactions.
- The Chief Internal Auditor will conduct - every couple of years - an internal audit in connection with the fulfillment of the procedure's provisions.
- Every calendar year, the Audit Committee shall hold a discussion regarding the criteria set in the procedure and will approve them; as part of the discussion it will receive reports regarding the audit report (if conducted during the same year) and material control findings as described above, while discussing the suitability of the criteria and referring to transactions that were conducted and/or classified in accordance with the criteria over the past year.

10. Holdings of Interested Parties and Senior Officers (Regulation 24)

10.1. In the corporation

- A. **Shares and other securities held by an interested party in the corporation-**
In this regard, see the Company's immediate report dated January 7, 2024 (Ref. No. 2024-01-002787).
- B. **Holding of option warrants of the Company by a senior officer** - in this regard, see the Company's immediate report dated January 7, 2024 (Ref. No. 2024-01-002787)
- C. **Holding of notes of the Company** - as of March 1, 2024

Interested party's name	Company No.	Security name	Stock Exchange security No.	Quantity	% of total bonds outstanding
The Phoenix Holdings Ltd.	520017450	Clal Holdings - Bonds (Series A)	1193481	119,945,833	13.34
The Phoenix Holdings Ltd.	520017450	Clal Holdings Bonds (Series B) (convertible bonds)	1193499	37,166,000	24.78
Harel Insurance Investments and Financial Services Ltd.	520033986	Clal Holdings - Bonds (Series A)	1193481	26,754,999	2.98
Harel Insurance Investments and Financial Services Ltd.	520033986	Clal Holdings Bonds (Series B) (convertible bonds)	1193499	5,300,101	0.00
Harel Insurance Investments and Financial Services Ltd.	520033986	Clal Holdings - Bonds (Series C)	1201391	4,143,134	0.83

10.2. Shares and other securities held by an interested party in an investee whose activity is material to the corporation's activity as of March 1, 2024

Interested party's name	Company No.	Security name	Stock Exchange security No.	Quantity	% of total bonds outstanding
The Phoenix Holdings Ltd.	520017450	Clalbit Finance Ltd. - Bonds (Series I)	1136050	47,196,165.32	11.14
		Clalbit Finance Ltd. - Bonds (Series J)	1136068	19,120,324	4.19
		Clalbit Finance Ltd. - Bonds (Series K)	1160647	259,720,110	15.88
		Clalbit Finance Ltd. - Bonds (Series L)	1179928	171,678,175	12.88
		Clalbit Finance Ltd. - Bonds (Series M)	1197920	202,407,310	25.04
Harel Insurance Investments and Financial Services Ltd.	520033986	Clalbit Finance Ltd. - Bonds (Series I)	1136050	7,563,577	1.79
		Clalbit Finance Ltd. - Bonds (Series J)	1136068	15,984,518	3.50
		Clalbit Finance Ltd. - Bonds (Series K)	1160647	200,692,619	12.27
		Clalbit Finance Ltd. - Bonds (Series L)	1179928	138,997,246	10.42
		Clalbit Finance Ltd. - Bonds (Series M)	1197920	62,933,409	7.78

* Regarding the Company's holdings in subsidiaries, see Regulation 11 above.

10.3. Dormant shares

The Company has no dormant shares

11. Registered Capital, Issued Capital and Convertible Securities (Regulation 24A)

- A. **Number of shares included in the corporation's registered capital** - 100,000,000 ordinary shares of NIS 1 p.v.
- B. **Number of shares included in the corporation's issued share capital** - 79,037,565 ordinary shares of NIS 1 p.v.
- C. **Number of shares included in the registered capital net of dormant shares** - 79,037,565 ordinary shares of NIS 1 p.v.
- D. **No. of non-voting shares** - none.
- E. **In the corporations' issued share capital, there are no shares that do not confer any rights.**
- F. **Convertible securities of the corporation** - see the immediate report dated March 27, 2024 (Ref. No. 2024-01-033264)

12. Shareholder Register (Regulation 24B)

For details, see the immediate report dated March 6, 2024 (Ref. No. 2024-01-023064).

13. Directors of the company ⁵(Regulation 26)

Name: Haim Samet, Chairperson	ID No. 007249675
Date of birth:	1945
Address for serving court documents:	15 Yitzhak Elhanan St., Tel Aviv: Zip code: 6525015
Citizenship:	Israeli
Membership in board of directors committees:	Chairman of Class Action Committee, Chairman of the Company's Investment Committee, member of the Information Technology Committee
External director:	No
Is he an employee of the Corporation, a subsidiary, a related company or of an interested party:	No, serves as Chairman of the Board of Clal Insurance
Serves as a director since:	2021
Education:	LL.B., The Hebrew University, Jerusalem. Member of the bar
Employment during the last five years and corporations in which he served as a director:	Started serving as a director of Clal Insurance in October 2021 and from December 2021 onward serves as Chairman of the Board of Clal Insurance. Served as director at Bank Leumi le-Israel B.M., served as senior partner at the law firm of Schnitzer, Gottlieb, Samet & Co., Served as Deputy Chairman and Chairman of the Finance Committee of the Tel Aviv Museum of Art Ltd., member of the Board of Governors and former Chairman of Tel Aviv University's Audit Committee. Director of Tekoa Mushroom Farm Ltd.
Is he a relative of another interested party in the Corporation to the best of his knowledge and to the best of the Corporation's knowledge:	No
Is he defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

⁵ As of the report publication date.

Name: Hannah Mazal (Mali) Margaliot	ID No. 024138497
Date of birth:	1969
Address for serving court documents:	36 Tchernichovsky St., Jerusalem
Citizenship:	Israeli
Membership in board of directors committees:	Audit Committee and Investment Committee
External director:	No
Is he an employee of the Corporation, a subsidiary, a related company or of an interested party:	No
Serves as a director since:	2016
Education:	Actuary (F.I.L.A.A), full member of the Israel Association of Actuaries; MBA, majoring in finance and IT systems, from the Hebrew University of Jerusalem; BA in Economics and Communications from the Hebrew University, Actuary's diploma from Magid Institute, Certified Financial Risk Manager by GARP, internationally Chartered Enterprise Risk Actuary (CERA) by CGR.
Employment during the last five years and corporations in which he served as a director:	Served as the company's interim Chairman of the Board from August 2020 to February 2021, CEO and director at Galil More Financial Products Ltd., CEO of Mofet Financial Products Ltd. Served as independent director at Israel Petrochemical Enterprises Ltd. and at Greenergy Renewables Ltd. (formerly Intercolony Investments Ltd.). Director in Michlol Finance Ltd. As of March 18, 2024, director in The Environmental Services Company Ltd.
Is he a relative of another interested party in the Corporation to the best of his knowledge and to the best of the Corporation's knowledge:	No
Is he defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Name: Maya Liquornik	ID No. 054133632
Date of birth:	1956
Address for serving court documents:	12 Be'eri St, Tel Aviv Zip code: 6468212
Citizenship:	Israeli
Membership in board of directors committees:	Audit Committee
External director:	No, an independent director.
Is he an employee of the Corporation, a subsidiary, a related company or of an interested party:	No
Serves as a director since:	2021
Education:	LL.B. - Tel Aviv University, MA in History of the Middle East
Employment during the last five years and corporations in which he served as a director:	Chairman of the Board of NTA - Metropolitan Mass Transit System Ltd., served as Senior Partner and director at Meitar, Liquornik, Geva, Leshem, Tal and Co. law firm. Chairman of Keshet - Donor-Advised Fund (Public Benefit Company): Served until March 2023 as a member of the Board of Directors of the Israel Museum, and as an Independent Director at Alony Hetz Properties & Investments Ltd. Served as member of the Committee for Examination of Financial Regulation Structure in Israel. Since March 2023, director of Max and since May 2023, Chairperson of the Board of Max.
Is he a relative of another interested party in the Corporation to the best of his knowledge and to the best of the Corporation's knowledge:	No
Is he defined as a director with accounting and financial expertise or professional qualifications:	Directors with accounting and finance expertise

Name: Bar Touv Yair	ID No. 56739246
Date of birth:	1960
Address for serving court documents:	96A HaHashmonaim St., Tel Aviv, Zip code: 6713343
Citizenship:	Israeli and Australian
Membership in board of directors committees:	Chairman of Audit Committee, Compensation Committee, and Information Technology Committee, member of the Balance Sheet Committee
External director:	Yes
Is he an employee of the Corporation, a subsidiary, a related company or of an interested party:	No
Serves as a director since:	2021
Education:	B.Sc. in Computer Engineering - Ben Gurion University of the Negev, M.Sc. in Computer Engineering - Technion
Employment during the last five years and corporations in which he served as a director:	Served as External Director of Cyren and served as CEO of cybersecurity company BISEC and VP Business Development, Asia Pacific in CyperProof (a subsidiary of UST Global); serves as External Director in Idomoo Ltd as of August 2021; serves as director in Clal Insurance as of October 2021
Is he a relative of another interested party in the Corporation to the best of his knowledge and to the best of the Corporation's knowledge:	No
Is he defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise
Is he defined as having information and cyber security expertise:	Yes (see the aforesaid occupations)

Name: Shmuel Schwarz	ID No. 030767032
Date of birth:	1950
Address for serving court documents:	12 Golei Kenya St., Tel Aviv, Zip code: 6971742
Citizenship:	Israeli
Membership in board of directors committees:	Chairman of Balance Sheet Committee, member of the Investment Committee, Audit Committee, Compensation Committee, and Class Actions Committee
External director:	Yes
Is he an employee of the Corporation, a subsidiary, a related company or of an interested party:	No
Serves as a director since:	2021
Education:	BA in Economics and Accounting, Sociology and Anthropology - Haifa University, MBA - majoring in Finance - Tel Aviv University, Certified Public Accountant
Employment during the last five years and corporations in which he served as a director:	Director of Curriculum and Senior Lecturer in CFO training courses at Bar Ilan University and Senior Lecturer in directors' training courses. Business advisor and appraiser for businesses and companies. Member of Professional Council in the Institute of Certified Public Accountants in Israel. Until 2021, served as director of an advanced education fund for engineers in Menora Mivtachim and The Association of Engineers Provident Funds Management, Provident Funds Management Ltd., and Director in S. Shlomo Insurance Company Ltd., and serves as Chairman of the Retiree Affairs Committee of the IIA as of November 2021. Serves as a member of the Audit Committee of the Friends Association of Tel Aviv University since December 2023. Director and member of the Nostro Committee of Clal Insurance since April 2023
Is he a relative of another interested party in the Corporation to the best of his knowledge and to the best of the Corporation's knowledge:	No
Is he defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Name: Moshe (Muki) Abramowitz	ID No. 007970197
Date of birth:	1944
Address for serving court documents:	18 Yair St., Ramat Gan, Zip code: 5223818
Citizenship:	Israeli
Membership in board of directors committees:	Member of Audit Committee, Balance Sheet Committee, Compensation Committee and Information Technology Committee
External director:	No, an independent director
Is he an employee of the Corporation, a subsidiary, a related company or of an interested party:	No
Serves as a director since:	2023
Education:	BA in Accounting from The Hebrew University of Jerusalem. Diploma - IT Systems Analyst from Israel Institute of Productivity.
Employment during the last five years and corporations in which he served as a director:	2018-2021 Chairman of Board - Ayalon Insurance Company Ltd. Member of management in the Ramat Gan Museum of Israeli Art, member of the Audit Committee in The Hebrew University of Jerusalem's Board of Governors, Director of Mifalot Society & Culture - Public Benefit Company, Member in the Orna Porat Children's Theater Board of Directors. Director in Clal Insurance as of March 2023.
Is he a relative of another interested party in the Corporation to the best of his knowledge and to the best of the Corporation's knowledge:	No
Is he defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Name: Aharon Fogel	ID No. 10176485
Date of birth:	1947
Address for serving court documents:	3 Tarsat Ave., Tel Aviv, Zip code: 6428303
Citizenship:	Israeli
Membership in board of directors committees:	Member in the Company's Investment Committee, Class Actions Committee, and Information Technology Committee
External director:	No
Is he an employee of the Corporation, a subsidiary, a related company or of an interested party:	No
Serves as a director since:	2023
Education:	BA in Economics and Statistics from The Hebrew University of Jerusalem. MA in Economics from The Hebrew University of Jerusalem (no degree).
Employment during the last five years and corporations in which he served as a director:	As of 2022, Chairman of Rent It (rental housing); 2019-2021 - Chairman of Ayalon Holdings; 2017 to present - Chairman of the Board of Green Onyx; 2016-2019 - director in Direct Insurance Ltd.; 2014-2020 - Chairman of the Board, Zim Integrated Shipping Services Ltd.; served as member of the Board of Directors, Tel Aviv University; 2010 to present - Chairman of the Board, Israel Philharmonic Orchestra. Since 2023, director at Haifa Port. Director in Clal Insurance as of April 2023. During 2023, started serving as Chairman of Beit Berl College and director of AltGroup A.I Feeder Management Ltd.
Is he a relative of another interested party in the Corporation to the best of his knowledge and to the best of the Corporation's knowledge:	No
Is he defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Name: David Granot	ID No. 0455333739
Date of birth:	1947
Address for serving court documents:	26 HaShomer St., Raanana, Zip code: 4340905
Citizenship:	Israeli
Membership in board of directors committees:	Member of Balance Sheet Committee and Information Technology Committee
External director:	No
Is he an employee of the Corporation, a subsidiary, a related company or of an interested party:	No
Serves as a director since:	2022
Education:	BA in economics from The Hebrew University of Jerusalem. MBA, majoring in Accounting from The Hebrew University of Jerusalem.
Employment during the last five years and corporations in which he served as a director:	As of 2020, Chairman of the Board of MLRN Projects and Trading Ltd.; 2020 to July 2022 - Chairman of the Investment Committee of the provident fund of Meitav Dash Investments Ltd.; Chairman of the Tel Aviv University Investment Committee; 2011-2020 - Director in Alrov Properties & Lodgings Ltd.; 2012-2021 - External director in Tempo Investments Ltd.; 2017-2019 - Director at Mivne Taasia. 2018 to June 2022 - Director at Protalix BioTherapeutics, Inc. Serves as independent director at Ormat Technologies Inc.; Independent director at Bezeq - The Israel Telecommunications Company Ltd. and its privately-held subsidiaries; director at Sonol Israel Ltd. (privately-held company); Director at G.D. Goren Ltd. (privately-held company); Director at Rav Bariach (08) Industries Ltd. Chairman of the Credit Committee, Credito Fund.
Is he a relative of another interested party in the Corporation to the best of his knowledge and to the best of the Corporation's knowledge:	No
Is he defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

14. The Corporation's Senior Officers⁶ (Regulation 26A)

Name: Yoram Naveh	ID No. 028865301
Date of birth:	1971
Position in the Corporation:	CEO
Position held in a subsidiary of the Corporation, in a related party thereof or in an interested party therein:	CEO of Clal Insurance, CEO of Clal Finance Ltd., Chairman of Clal Credit Insurance, Chairman of Clal Pension and Provident Funds and serves as Director in other subsidiaries of the Company. Director in Max as of March 27, 2023
Is he an interested party in the Corporation:	No
Is he a relative of another senior officer or of an interested party in the corporation:	No
Education:	LL.B and BA in Economics from Haifa University, LL.M and MA in Economics from Erasmus University of Rotterdam
Business experience in the past five years:	Since July 1, 2018, CEO of the Company and Clal Insurance, director and Chairman of the Board in Group companies.
The year in which he began his term of office:	2014
Name: Eran Shahaf⁷	ID No. 027985894
Date of birth:	1971
Position in the Corporation:	Chief Internal Auditor
Position held in a subsidiary of the Corporation, in a related party thereof or in an interested party therein:	Executive VP, Chief Internal Auditor at Clal Insurance and other institutional entities of Clal Holdings Group
Is he an interested party in the Corporation:	No
Is he a relative of another senior officer or of an interested party in the corporation:	No
Education:	Attorney-at-law, LL.B, BA in Logistics and Economics and MBA from Bar Ilan University, LL.M from Tel Aviv University.
Business experience in the past five years:	Chief Internal Auditor of the Company and companies of the Clal Holdings Group; board member at the Institute of Internal Auditors (IIA Israel) and Chairman of the Internal Auditors Committee of the IIA's institutional entities;
The year in which he began his term of office:	2014

⁶ As of the report publication date, the year in which the service of the officer began refers to the year in which service began at the Company or subsidiary and not necessarily in the current position or at a company in Clal.

⁷ On December 24, 2023, Mr. Eran Shahaf handed in his resignation as Chief Internal Auditor of Clal Group, for personal reasons unrelated to his position or the Company. Mr. Shahaf will end his service upon assumption of office of Tomer David, who is scheduled to replace him as internal auditor on June 1, 2024, subject the Commissioner's approval.

Name: Hadar Brin Weiss	ID No. 27788421
Date of birth:	1970
Position in the Corporation:	Chief Legal Counsel and Head of the Legal Counsel and Regulation Department
Position held in a subsidiary of the Corporation, in a related party thereof or in an interested party therein:	Executive VP, Chief Legal Counsel and Head of the Legal Consulting and Regulation Department of Clal Holdings and of the institutional entities and companies of the Clal Holdings Group. Director at Clal Pension and Provident Funds
Is he an interested party in the Corporation:	No
Is he a relative of another senior officer or of an interested party in the corporation:	No
Education:	LL.B and LL.M from Tel Aviv University
Business experience in the past five years:	Chief Legal Counsel and Head of the Legal Counsel and Regulation Department of the Clal Holdings Group
The year in which he began his term of office:	2013

Name: Avi Ben Noon	ID No. 017879156
Date of birth:	1982
Position in the Corporation:	Chief Risk Officer
Position held in a subsidiary of the Corporation, in a related party thereof or in an interested party therein:	Executive VP, Head of the Risk Management, Auditing and Compliance Department of Clal Insurance and of the institutional entities of the Clal Holdings Group
Is he an interested party in the Corporation:	No
Is he a relative of another senior officer or of an interested party in the corporation:	No
Education:	BA in Economics and Business Administration and MBA from the Hebrew University of Jerusalem
Business experience in the past five years:	Head of the Risk Management Department, Auditing and Compliance at Clal Holdings Group; VP, Head of Credit Rating and Head of Financial Institutions at Midroog
The year in which he began his term of office:	2020

Name: Eran Cherninsky	ID No. 57693236
Date of birth:	1962
Position in the Corporation:	Executive VP, Head of Finance Division
Position held in a subsidiary of the Corporation, in a related party thereof or in an interested party therein:	Head of the Finance Division at Clal Insurance, serves as a director at Clalbit Finance and other subsidiaries of the Group. Director in Max as of March 27, 2023
Is he an interested party in the Corporation:	No
Is he a relative of another senior officer or of an interested party in the corporation:	No
Education:	BA in Finance and Accounting from Tel Aviv University, CPA, Member of Professional Committee of the Institute of Certified Public Accountants in Israel.
Business experience in the past five years:	Since October 2018, serves as Head of Finance Division at Clal Insurance, served as CEO and CFO of Migdal Insurance and Financial Holdings Ltd. and Migdal Holdings and Management of Insurance Agencies Ltd. Head of Finance and Actuarial Division at Migdal Insurance Company Ltd. Director at Group companies, served as director of Clal Pension and Provident Funds until July 2023
The year in which he began his term of office:	2018
Name: Barak Benski	ID No. 033395286
Date of birth:	1976
Position in the Corporation:	EVP, Investment Manager
Position held in a subsidiary of the Corporation, in a related party thereof or in an interested party therein:	CEO of Canaf, Head of the Investment Division at Clal Insurance
Is he an interested party in the Corporation:	No
Is he a relative of another senior officer or of an interested party in the corporation:	No
Education:	BA in Business Administration from the College of Management Academic Studies, MBA from the College of Management Academic Studies. Investment advice license holder from the Israel Securities Authority.
Business experience in the past five years:	Head of the Investment Division at Clal Insurance and CEO of Canaf, previously served as Executive VP, Head of the Planholders Investment Department at Clal Insurance Company Ltd.
The year in which he began his term of office:	2023

Name: Ron Fainaro	ID No. 023571268
Date of birth:	1967
Position in the Corporation:	None
Position held in a subsidiary of the Corporation, in a related party thereof or in an interested party therein:	CEO of Max It Finance Ltd., Chairman of the Board of subsidiaries of Max and of CIMax.
Is he an interested party in the Corporation:	No
Is he a relative of another senior officer or of an interested party in the corporation:	No
Education:	CPA, B.A. in Economics and Accounting from Tel Aviv University. BSc in Physics and Materials Engineering from The Technion
Business experience in the past five years:	Since August 2016, serves as CEO of Max It Finance Ltd., Chairman of the Board of subsidiaries of Max and of CIMax, since 2020, serves as a member of the Board of Directors of Round-Up Association. In 2020, served as a director in Max Insurance Agency (2020) Ltd. In 2016-2019, served as a director of Shufersal Finance Limited Partnership Ltd.
The year in which he began his term of office:	2016

15. The Company's Authorized Signatories (Regulation 26B)

The Company does not have independent signatories.

16. The Company's Independent Auditors (Regulation 27)

Kost Forer Gabbay & Kasierer, 144 Menachem Begin Street, Tel Aviv.

Somekh Chaikin: 17 Ha'arba'a St., Tel Aviv.

17. Change in the Memorandum or Articles of Association of the Corporation (Regulation 28)

There were no changes in the Memorandum or Articles of Association during the reporting year.

18. Resolutions and Recommendations of the Board of Directors (Regulation 29)

(a) The Board of Directors' recommendations to the General Meeting and the Board of Directors' resolutions that do not require the approval of the General Meeting regarding:

- 1. Payment of dividend or other distribution, or distribution of bonus shares:** No dividend was distributed in the reporting year.
- 2. Changes in the registered or issued capital of the corporation** - for information about the issuance of shares and bonds of the Company in the reporting year, see Section 2.9 above.
- 3. Changes in the Memorandum or Articles of Association:** None.
- 4. Redemption of shares:** No.
- 5. Early Redemption of a bond:** None.
- 6. A transaction that is not in accordance with market conditions between the corporation and an interested party therein:** None.

(b) Resolutions of the general meeting passed not in accordance with management's recommendations: None.

(c) Resolutions by Extraordinary General Meeting:

The Extraordinary and Annual General Meeting of the Company that convened on December 20, 2023, resolved to approve the reappointment of Mr. Bar Tuv as an external director in the Company, for a second 3-year term of office, from January 3, 2024.

19. Company Resolutions (Regulation 29A)

- A. Approval of transactions under Section 255 to the Companies Law: None.
- B. Transaction under Section 254(a) to the Companies Law which has not been approved: None.
- C. Transactions requiring special approval under Section 270(1) of the Companies Law, provided it is an extraordinary transaction: None
- D. Exemption from insurance or commitment for indemnification, for an officer effective as of the reporting date:

1. The following is a description of the arrangements applicable to directors' and officers' insurance at the Company:

For a description of the arrangement applicable with regard to directors' and officers' liability insurance at the Company in the years prior to the reporting year, see Note 43(b)8(a) to the Financial Statements, and Section 13C(1) above.

The Company's Compensation Policy includes a section on exemption, indemnity, and insurance for officers (hereinafter - the "**Arrangements**"). According to the Compensation Policy, the Company may purchase officer liability insurance for the Group's officers, at insurance amounts no higher than USD 400 million; the annual premium cost and the deductible amount in respect of the policy shall be in accordance with prevailing market conditions when drafting the relevant policy, and at an immaterial cost to the Company. In addition, the Company may purchase run-off officer insurance if the control of the Company and/or a subsidiary is transferred.

Pursuant to the aforesaid resolution, the Company entered into an insurance policy issued by an insurer that is not a related party, for the period from December 1, 2022, to November 30, 2023 (hereinafter - the "**2023 Policy**"), and later it entered into an insurance policy issued by an insurer that is not a related party for the period from December 1, 2023, to November 30, 2024 (hereinafter - the "**2024 Policy**"), in which the Company acquired insurance coverage for officers of the Company and its investees (including CIMax Group companies). The overall liability limit of each of the 2023 Policy and 2024 Policy is up to USD 130 million, in respect of one claim or cumulatively (coverage over USD 100 million does not apply to past activity).

The following is a description of the arrangements applicable to directors' and officers' indemnity at the Company:

- 1.1 On October 10, 2002, the general meeting of the Company approved an undertaking to indemnify and officers of the Company and of additional companies in the Group, up to a rate of 25% of the shareholders' equity of Clal Holdings at the date of the indemnity. Accordingly, the Company grants letters of indemnity to officers in the Company and certain subsidiaries.
- 1.2 On April 16, 2008, the audit committee and board of directors of the Company approved the granting of updated letters of indemnity to officers of certain companies in the Clal Holdings Group, which are similar in essence to the letters of indemnity approved as stated.
- 1.3 On May 3, 2012, the Company's general meeting approved new and amended indemnity letters for officers in the Company and/or in other Group companies (hereinafter - the "**New Indemnity Letter**") in light of Amendment 16 to the Companies Law, and in accordance with the provisions of the Law for More Efficient Enforcement Procedures at the Israel Securities Authority (Legislative Amendments), 2011, and the Law for Increased Enforcement in the Capital Market (Legislative Amendments), 2011- with regard to this matter see immediate report of March 22, 2012 (Ref. No.: 2012-01-077232).
- 1.4 On July 28, 2013, the general meeting of shareholders of the Company approved to amend omissions in the definitions of "administrative procedure" and "payment to a party harmed by a breach" in the indemnity letters that were approved by the Company's general meeting on May 3, 2012. For further details, see immediate report regarding summons for the Company's general meeting of July 22, 2013 (Ref. No.: 2013-01-098091).
- 1.5 The provisions of the New Indemnity Letter supersede any prior commitment or agreement (preceding the signing of the New Indemnity Letter), whether written or oral, between the Company and the officer on the matters stated in the New Indemnity Letter, also with reference to events that occurred before the New Indemnity Letter was signed. The aforesaid is subject to the previous indemnity letter granted to the officer, if any, continuing to apply and remaining in effect with regard to any event that occurred prior to the signing of the New Indemnity Letter (even if the proceeding in respect thereof was filed against the officer after the signing of the New Indemnity Letter), if the terms of the New Indemnity Letter worsen the terms of the indemnity for the officer with respect to such event, subject to all laws.
- 1.6 From time to time, the Company gives letters of indemnity to the Company and/or subsidiaries' directors and/or officers, in accordance with the above decisions.

- 1.7 Some of the Group's subsidiaries gave indemnity letters to their officers (sometimes in addition to the Company's indemnity letters), such that the indemnity amount therein does not exceed 25% of the shareholders' equity of those companies or NIS 1 million.
 - 1.8 On December 18, 2016, for the first time, the general meeting of shareholders of the Company approved a compensation policy that includes a section on exemption, indemnity, and insurance for officers. The compensation policy states that the Company shall be permitted to grant letters of indemnity in the format it decides upon and that has been approved and/or will be approved by the general meeting of shareholders of the Company. To the extent that the Company seeks to modify the letters of indemnity, for any reason whatsoever, the Company shall present the revised letters of indemnity to the competent organs for approval in accordance with the provisions of the law. This provision is also included in the Company's Compensation Policy.
- 2. The following is a description of the arrangements applicable to directors' and officers' exemption at the Company:**
- 2.1 On October 9, 2016, the Compensation Committee and board of directors of the Company approved the granting of a release of liability to the Company's officers due to breach of the duty of care towards it, subject to receiving the approvals required to grant the exemption under the law. Such an exemption will not apply to a decision or transaction in which the controlling shareholder or any officer in the Company (including an officer other than the one to which the exemption is granted) has a vested interest.
 - 2.2 On December 18, 2016, the general meeting of shareholders of the Company approved a compensation policy, in which it is stipulated that the Company will be allowed to give such an exemption. This provision is also included in the Company's revised Compensation Policy.
 - 2.3 According to said resolutions, the Company granted letters of exemption to directors and officers of the Company.

Clal Insurance Enterprises Holdings Ltd.

Haim Samet
Chairman of the Board

Yoram Naveh
CEO

March 27, 2024

Part E

Report of the Board of Directors and Management regarding Internal Control over Financial Statements

Executives' Statements (SOX)



Annual Report on Effectiveness of Internal Control over Financial Reporting and Disclosure in accordance with Regulation 9B(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 and CEO of Clal Finance Ltd.;
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 CEO 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.

Management, under the supervision of the Board of Directors, performed an examination and assessment of the Corporation's internal control over financial reporting and disclosure and their effectiveness;

The effectiveness of internal control over financial reporting and disclosure conducted by management under the board of directors' supervision, included the following: Entity-level controls, controls on the process for preparing and closing the financial statements, general information technology controls (ITGC), and controls over processes which are highly material to financial reporting and disclosure (these processes are carried out within Clal Insurance Company Ltd., a subsidiary of the corporation, which is an institutional entity to which the following provisions relating to institutional entities apply), and as part of Clalbit Finance Ltd., a subsidiary of the corporation).

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 Markets, 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, "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.

Based on this assessment, the Corporation's Board of Directors and management have concluded that the institutional entity's internal control over financial reporting as of December 31, 2023 is effective.

Based on the assessment of effectiveness that was performed by management under the supervision of the Board of Directors as detailed above, the Corporation's Board of Directors and management have concluded that the Corporation's internal control over financial reporting and disclosure as of December 31, 2023 is effective.

***Report of the Board of Directors and Management on Internal Control over
Financial Reporting***

Clal Insurance Ltd.

Management, under the supervision of the Board of Directors of Clal Insurance Ltd. (hereinafter - the "Company"), is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal control system was designed to provide reasonable assurance to its Board of Directors and management with regard to the adequate preparation and presentation of financial statements published in accordance with International Financial Reporting Standards (IFRSs) and the directives of the Commissioner of the Capital Market, Insurance and Savings. Regardless of the quality of their planning, any internal control systems have inherent limitations. Therefore, even if these systems are found to be effective, they can only provide reasonable assurance as to the preparation and presentation of financial statements.

Management, under the supervision of the Board of Directors, maintains a comprehensive system of controls aimed at ensuring that transactions are executed in accordance with management's authorizations, that assets are protected, and that accounting records are reliable. Furthermore, management, under the supervision of the Board of Directors, takes measures to ensure that information and communication channels are effective and monitor performance, including the performance of internal control procedures.

The Company's management, under the supervision of the Board of Directors, assessed the effectiveness of the Company's internal controls over financial reporting as of December 31 2023, based on criteria set in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that as of December 31, 2023, the Company's internal controls over financial reporting is effective.

March 27, 2024

Haim Samet
Chairman of the Board

Yoram Naveh
CEO

Eran Cherninsky
Executive Vice President
Finance Division Director

Report of the Board of Directors and Management regarding the Internal Control over Financial Reporting

Max It Finance Ltd.

The Board of Directors and management of Max It Finance Ltd. (hereinafter - the "Company") are responsible for the creation and existence of adequate internal control over financial reporting (as defined in the Reporting to the Public Directives regarding the "Report of the Board of Directors"). The Company's internal control system was designed to provide a reasonable degree of assurance to the Company's Board of Directors and management regarding adequate preparation and presentation of financial statements published in accordance with generally accepted accounting principles and the directives and guidance of the Banking Supervision Department. Regardless of the quality of their planning, any internal control systems have inherent limitations. Therefore, even if these systems are found to be effective, they can only provide reasonable assurance as to the preparation and presentation of financial statements.

Management, under the supervision of the Board of Directors, maintains a comprehensive system of controls aimed at ensuring that transactions are executed in accordance with management's authorizations, that assets are protected, and that accounting records are reliable. Furthermore, management, under the supervision of the Board of Directors, takes measures to ensure that information and communication channels are effective and monitor performance, including the performance of internal control procedures.

The Company's management, under the supervision of the Board of Directors, assessed the effectiveness of the Company's internal controls over financial reporting as of December 31 2023, based on criteria set in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that as of December 31, 2023, the Company's internal controls over financial reporting is effective.

The effectiveness of the Bank's internal control over financial reporting as of December 31 2023 was audited by the Bank's independent auditors (Somekh Chaikin) as noted in their report, which included an unqualified opinion regarding the effectiveness of the Company's internal control over financial reporting as of December 31, 2023.

March 27, 2024

Maya Liquornik
Chairman of the Board

Ron Fainaro
CEO

Sharon Gur
CFO
Chief Accounting Officer

Certification

Certification by the CEO

I, Yoram Naveh, hereby declare that:

1. I have reviewed periodic report of Clal Insurance Enterprises Holdings Ltd. (hereinafter - the "Corporation") for 2023 (hereinafter – the "Reports");
2. To my knowledge, the Reports do 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 therein - 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 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 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, the following:
 - A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation's ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -
 - B. Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
5. I, alone or together with others in the Corporation, state that:
 - 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. I have evaluated the effectiveness of internal control over financial reporting and disclosure and have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of the said internal control as of the date of the reports.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

Yoram Naveh

CEO

March 27, 2024

Certification

Certification by the Most Senior Financial Officer

I, Eran Cherninsky, hereby declare that:

1. I have reviewed the financial statements and other financial information included in the reports of Clal Insurance Enterprises Holdings Ltd. (hereinafter - the "Corporation") for 2023 (hereinafter - the "Reports");
2. To my knowledge, the financial statements and financial information do not contain any misrepresentation of a material fact, nor omit a representation of a material fact that is necessary in order for the representations included therein - 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 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 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, the following:
 - 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 financial statements and other financial information included in the Reports, 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 material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
5. I, alone or together with others in the Corporation, state that -
 - 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. My assessment of the effectiveness of internal control over financial reporting and disclosure, insofar as it relates to the financial statements and other financial information included in the Reports as of the Reports' date. My conclusions regarding my aforesaid assessment have been presented to the Board of Directors and management and are included in this report.

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

March 27, 2024

***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 annual report of Clal Insurance Company Ltd. (hereinafter - the "Company") for the year 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 of 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 International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
 - 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 fourth 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' balance sheet 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.

Yoram Naveh

CEO

March 27, 2024

Clal Insurance Company Ltd.

Certification

I, Eran Cherninsky, hereby declare that:

1. I have reviewed the annual report of Clal Insurance Company Ltd. (hereinafter - the "Company") for the year 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 of 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 International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
 - 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 fourth 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' balance sheet 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.

Eran Cherninsky
Deputy CEO
Head of the Finance Division

March 27, 2024

Max It Finance Ltd.

Certification

I, Ron Fainaro, hereby declare that:

1. I have reviewed the annual report of Max It Finance Ltd. Ltd. (hereinafter - the "Company") for the year 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 of 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 International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
 - 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 fourth 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' balance sheet 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

March 27, 2024

Max It Finance Ltd.

Certification

I, Sharon Gur, hereby declare that:

1. I have reviewed the annual report of Max It Finance Ltd. Ltd. (hereinafter - the "Company") for the year 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 of 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 International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
 - 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 fourth 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' balance sheet 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

March 27, 2024

Clal Insurance Enterprises Holdings Ltd.

Periodic Report for 2023

March 27, 2024



Compensation policy

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1. Definitions

The terms appearing in this Compensation Policy shall have the meaning stated beside them:

The **"Financial Statements"** – the Company's annual consolidated and audited financial statements that are published for the Company's shareholders.

The **"Company"** – Clal Holdings, unless stated otherwise.

The **"Commissioner"** – the Commissioner of the Capital Market, Insurance and Savings Authority in the Finance Ministry.

"Control" for this purpose, is as defined in the Securities Law, 1968.

"Index linkage" – linkage to increases in the Consumer Price Index, according to the relevant ratio, as applicable. If the Consumer Price Index decreases in a particular period, the rate of such a decrease will be deducted out of the future rate of an increase, if there is such an increase.

The **"Compensation Circular"** – Institutional Entities Circular No. 2019-9-6, titled "Amendment to the Provisions of the Consolidated Circular," Part 1, Section 5, Chapter 5, titled "Compensation," dated July 11, 2019, which revised and superseded Institutional Entities Circular No. 2014-9-2, entitled "The Compensation Policy in Institutional Entities," dated April 10, 2014 (hereinafter - the **"Original Compensation Circular"**), as amended on October 7, 2015, pursuant to Institutional Entities Circular No. 2015-9-31 (hereinafter - the **"Amendment to the Original Compensation Circular"**).

The **"Companies Law"** - the Companies Law, 1999.

"Officer Compensation Law" - the Officer Compensation in Financial Corporations Law (Special Permit and Non-Tax-Deductible Expenses Due to Exceptional Compensation), 2016.

"Solvency ratio" – as defined in the Appendix to Institutional Entities Circular No. 2017-1-9, titled "Application Provisions for Solvency II-Based Economic Solvency Regime in Insurance Companies" (June 1, 2017) (hereinafter - the **"Solvency Circular"**).

"Minimum solvency ratio" – the required Solvency Ratio in accordance with the spreading period set by the Capital Markets Authority.

"Effective date" – the date this policy is authorized by the Company's competent organs.

"Clal Insurance" - Clal Insurance Company Ltd. a subsidiary of the Company.

"Compensation policy" – as defined in the Compensation Circular, including a Compensation Policy in accordance with Section 267A(A) of the Companies Law.

"Retirement bonus" – any compensation paid to an officer at the end of their employment period, beyond the stipulated compensation due to termination of employment that applies to all of the Company's employees.

"Officer" – as defined in the Compensation Circular, except for a director.¹

"Employee" – including an officer.

"Salary cost" – any payment in exchange for the employment, including the employer's contributions, retirement pay, a vehicle and vehicle usage expenses, and any other benefit or payment.

The **"Clal Group"** or the **"Group"** – the Company and the institutional entities within the Clal Holdings Group.

"Income" – the Company's comprehensive income (post-tax), as presented in the Company's consolidated financial statements at the end of the relevant year (including one-off profit/loss and including the financial performance of the companies the Company acquires in the future).

A **"fixed component"** or a **"variable component"** – as defined in the Compensation Circular.

"Basic monthly salary" – the (gross) monthly salary, excluding variable wage components (if they are paid) and ancillary wage components such as various fixed bonuses, car, telephone, reimbursement of expenses, etc., and including and inclusive of social benefits and related benefits to the salary (including: contributions to executive

¹ To clarify, the compensation policy that applies to the Group's institutional entities, including Clal Insurance, shall apply to the Company's officers as well, insofar as they are also employed at any of the other institutional entities within the Group. The compensation policy that applies to the Company's institutional entities shall not detract from this Policy. Other issues might be included in the institutional entities' compensation policy, inter alia, in accordance with the Compensation Circular, and they might not be included in this Policy. Changing the compensation policy of the Group's institutional entities on such issues does not require making a change to this Compensation Policy.

insurance policies and/or pension funds, advanced education funds, paid leave, convalescence pay, sick days, the tax gross up due to any of the related benefits and/or social benefits, and so on).

“Basic salary” – the total cost of the fixed compensation components for a particular year. Including related salary components, such as a vehicle, a telephone, reimbursement of expenses, social benefits, and related benefits to the salary, paid leave, convalescence pay, sick days, etc.

“Terms of office and employment” – as defined in the Companies Law.

“Compensation Regulations” - Companies Regulations (Rules Regarding Compensation and Expenses for External Director), 2000.

“Return on equity” – the comprehensive income in the bonus year, divided by the equity capital as of December 31 according to the annual financial statements for the year preceding the bonus year.

“Contract workers employed by the Company” - a manpower contractor’s employees whose actual employer is the Company, and the employees of a service contractor who engage in providing a service to the Company; for this purpose,

“Manpower contractor,” “service contractor,” “actual employer” - as defined in the Employment of Employees by Manpower Contractors Law, 1996.

2. General

- 2.1 This document is intended to define, describe, and specify the Company’s compensation policy for officers and directors, as authorized by the Company’s General Meeting and Board of Directors and following the authorization and acceptance of the recommendation that had been made by the Company’s Compensation Committee.
- 2.2 The Compensation Policy was set in accordance with the provisions of Amendment 20 to the Companies Law, the provisions of the Compensation Circular, and the provisions of the Officer Compensation Law.
- 2.3 The Compensation Policy sets rules, criteria, and standards according to which the terms of office and employment of the Company’s officers are determined, as well as the underlying considerations thereof, while adjusting them to the specific properties of the activity the relevant employee is in charge of, their experience, training, and the performance of their duties.
- 2.4 The Compensation Policy was drawn up while noting the nature of the Group’s institutional entities, which manage funds for the general public, and while noting the Company’s size, as the Company is included in the Tel Aviv 100 Index.
- 2.5 The Compensation Policy is worded in the masculine form only for purposes of convenience and is designated for equal and identical application to women and men.

3. Objectives and considerations in setting the Compensation Policy

- 3.1 The Compensation Policy is intended to help achieve the Group’s goals and work plans with a long-term perspective and while taking into account its risk management, and considering the following things, inter alia:
 - 3.1.1. The Group’s total assets under management and the savings assets the Group’s institutional entities manage, and the nature and the complexity of its operations.
 - 3.1.2. The Group’s financial position in general and the Company’s financial position in particular, including their liquidity and Solvency Ratio, and including with respect to the Group’s institutional entities.
 - 3.1.3. Ensuring that the incentives are aligned with intelligent management of savings funds through the Group’s institutional entities, with respect to the long-term return and risk.
 - 3.1.4. Organization-wide aspects, such as the desired compensation disparities between different ranks.
 - 3.1.5. The ability to recruit and retain high-quality managers and employees that have unique specific professional knowledge and expertise, and who are capable of leading the Company toward business success and meet the challenges it faces.
 - 3.1.6. The ability to incentivize managers and employees to achieve high business performance levels while taking informed and reasonable risks, in relation to the Company, the Group’s institutional entities, and the savings funds they manage.
 - 3.1.7. Properly balancing between different compensation components, from fixed versus variable components, short-term versus long-term compensation, and cash compensation (including related benefits), compared with compensation using equity instruments.

- 3.1.8. The compensation terms' congruence with the size of the Company's and the Group's institutional entities, and the nature of their operations.
- 3.1.9. The provisions of the Officer Compensation Law.
- 3.2. When forming the Compensation Policy, the Company's and similar companies' customary wages and employment terms were considered, and increasing the Company's ability to compete on recruiting and retaining high-quality personnel in the Group's senior management positions was emphasized; furthermore, organization-wide aspects were taken into account, such as the desired compensation disparities between different ranks, and the provisions of the Officer Compensation Law were implemented.
- 3.3. The Company acts in accordance with the provisions of the Officer Compensation Law and the Commissioner's positions that pertain to officer compensation in institutional entities, and when setting the officer compensation ceiling, the Company shall, furthermore, consider forthcoming regulation that may have material consequences for the Compensation Policy and for which a draft was published, including bill memoranda.

4. Compensation components

A. Directors

4.1. Directors' fees (excluding the Chairman of the Board)

The fees paid to the Company's external directors, independent directors, and other directors (excluding the Chairman of the Board), as applicable from time to time, shall be the maximum compensation that may be paid, including due to expertise, as determined in the Compensation Regulations, as applicable from time to time. Furthermore, these directors will be entitled to reimbursement of expenses pursuant to the Compensation Regulations.

Subject to statutory provisions, the Company might bear additional expenses in respect of the Company's directors during their term in office, such as due to advanced studies, participation in Company events, parking, benefits related to the Company's products that cater to individuals and to which Company employees are entitled, holiday gifts, etc.

4.2. Chairman of the Board

The compensation awarded to the Chairman of the Board shall be determined according to the compensation awarded to the Company's external directors, the scope of the Chairman's position, and the considerations set forth in Section 6(B) of the Compensation Circular. The Chairman of the Board of an institutional entity within the Group shall not be entitled to a variable wage component due to holding the office of chairman. For the Chairman of the Board of Directors' fixed salary ceiling, see Section 6.1.1 below.

B. Officers

4.3. The total officer compensation may consist of all or some of these main components:

- 4.3.1. The basic monthly salary (fixed component) - this compensation component is intended to compensate the officer for performing their duties in the Company and for the time dedicated to performing the day-to-day duties. The salary reflects the officer's skills (such as their experience, the knowledge they bring to the position, their expertise in the area of practice, their education, their professional authority, etc.), while taking into account the level of responsibility imposed on them and the job requirements that follow from it.
- 4.3.2. Related benefits - this compensation component includes the legally required social benefits and other related benefits, such as pension funds, executive insurance policies, contributions towards severance pay, work disability insurance, convalescence days, paid leave, sick leave, travel expenses, advanced education fund, a newspaper, a take-home vehicle, subsidized meals, a tax gross-up in respect of any of the related benefits and/or social benefits, etc.
- 4.3.3. Variable compensation paid in cash (bonus) - this compensation component is determined according to the officer's performance and the Company's results, as detailed in further detail below.
- 4.3.4. Variable equity compensation – this compensation component is intended to align the interests of all the Company's shareholders and the officer, through the share price. In addition, this component is intended to foster and strengthen its recipients' identification with the Company in general, and over the

long run in particular. In addition, because the equity compensation program is a long-term program by nature, it provides a positive incentive for the recipient to continue to work for the Company over time and to help achieve the Company's goals, work plan, and policies. In addition, because this plan is long-term, it makes this incentive component and the Company's risk management policy more congruent.

- 4.4. To clarify, the compensation components described in this Compensation Policy constitute an upper limit and the personal officer compensation plans will be determined according to it. It is emphasized that the Company is not obligated to provide all the above components (except as required by law), and it is not obligated to provide the maximum rate set forth for each component. If compensation is awarded at a lower rate than the compensation described in this Compensation Policy, including with respect to a Group officer with a similar title, this shall not constitute a deviation from the provisions of this Compensation Policy.
- 4.5. The payment to an officer who provides services to the Company as an independent contractor or through another company (to the extent permitted in accordance with the Compensation Circular) shall reflect the cost of the compensation components (plus taxes, as per the law) according to the Compensation Policy.

5. Manner of setting the compensation - principles and rules

When reviewing and authorizing an officer's terms of office and employment, the following subjects shall be addressed, inter alia, to the extent they are relevant to that officer:

- 5.1. His education, skills, expertise, professional experience and achievements.
- 5.2. The officer's title, responsibilities, and likely contribution to achieving the Company's goals.
- 5.3. Previous wage agreements with the officer.
- 5.4. The ratio of the officer's wage cost to that of the other Group employees and the Group's contract workers, and in particular, the ratio compared with the average and median wage cost of the other employees, as said, and the disparities' effect on labor relations within the Group.
- 5.5. The economic value of the comprehensive compensation and all its components, including in relation to the Company's business results; to the extent that the compensation includes objectives and benchmarks – an examination of the objectives and the benchmarks, including in light of the Company's risk management policy and to ensure that the Compensation Policy does not incentivize taking risks that deviate from it.
- 5.6. Balancing between the variable component, if it is paid, and the fixed component, such that in general, the annual variable component awarded to the officer for a particular year shall not exceed 100% of the annual fixed component, subject to Section 7.6.2 below.
- 5.7. In accordance with the provisions of the Compensation Circular, the fixed component shall constitute a significant portion of the total compensation awarded to officers. When determining the proper balance between the fixed component and the variable component, the officer's experience, expertise, skills, rank, liability, and performance must be taken into account, as well as the need to encourage behavior that supports the risk management framework, the Company's long-term financial strength, and the Company's prudent management of the savers' funds.
- 5.8. The provisions of the Officer Compensation Law, in such a way that the anticipated expenditure due to it (the fixed and variable compensation), according to the comprehensive annual wage cost (fixed and variable pay), as calculated on the approval date according to generally accepted accounting principles, shall be in accordance with Section 2 of the Officer Compensation Law and shall not exceed the higher of: (1) two and a half million shekels (NIS 2.5 million) per year (hereinafter - the **"Sum Limit"**); (2) the lowest compensation the Company paid an employee according to the cost of a full-time, 100% appointment percentage, directly or indirectly (including to a contract worker the Company employs directly or an employee who is employed by a service provider the Company retains), multiplied by 35 (respectively, hereinafter - the **"Minimum Salary"** or the **"Minimum Salary Limit"** and the **"Compensation Limit"**). To clarify, subject to the Compensation Limit, the Board of Directors may authorize an officer's compensation even if the Company shall bear an additional tax cost due to "excess expense costs" because of this compensation, i.e., due to the fact that the Company may not deduct such an expense for tax purposes in accordance with the mechanism stipulated in the Officer Compensation Law.
- 5.9. To clarify, the Minimum Salary Limit may change, and it will be linked to the rate of the change in the Minimum Salary, as set out in the Officer Compensation Law. In addition, if it turns out that additional components (on top of the contributions towards pension and contributions towards severance pay, as required by law) are not included in the Sum Limit or the Minimum Salary Limit set out in the Officer Compensation Law, the compensation

shall be revised after obtaining the Compensation Committee's and the Board of Directors' approval, at an appropriate rate, as said above.

- 5.10. Without prejudice to and/or without detracting from the provisions of any law, it is clarified that in case of a material change to the total compensation, including because the Compensation Limitation Law is amended or repealed, that results in the total compensation being substantially higher compared to the applicable limitations under Section 2(b) of the Compensation Limitation Law, as applicable as of the publication date of this Compensation Policy - shall also be subject to the approval of the Company's General Meeting.

6. Basic monthly salary

- 6.1. The base monthly salary ceiling for the Company's officers is as follows:
- 6.1.1. Chairman of the Board and CEO - The base monthly salary ceiling shall be set such that the total compensation does not exceed that stated in Sections 5.7 and 5.8 above.
 - 6.1.2. The remaining officers - the fixed compensation components shall be at a material gap, compared with the cost of the CEO's fixed compensation.
- 6.2. The base monthly salary ceiling mentioned above is for a 100% appointment percentage.
- 6.3. Related compensation components (such as a vehicle and social benefits that exceed the relevant ceilings) may be converted into a base monthly salary, provided that such a conversion does not raise the cost to the employer past the Compensation Limit and the employee does not become entitled to social benefits, related benefits, and retirement benefits in respect of this addition.
- 6.4. The base monthly salary may be index-linked, provided that it does not exceed the Compensation Limit.
- 6.5. The stipulated salary shall reflect the officer's skills (including their experience, the knowledge they bring to the position, their expertise in the area of practice, their education, etc.), while taking into account the level of responsibility imposed on them and the job requirements that follow from it.
- 6.6. The Company may determine that, because the officers hold executive positions or positions that require a special degree of personal trust, as defined in the Hours of Work and Rest Law, 1951, that law shall not apply to the officers, and these officers shall not be entitled to compensation for overtime work or work during their weekly rest day.
- 6.7. In addition to the basic salary, it would be possible to stipulate, for an officer in a control capacity, an entitlement to an additional fixed annual component that may not exceed two salaries, to be paid in addition to the monthly basic salary (hereinafter - the "**Additional Component**"). No entitlement to social benefits shall arise due to the Additional Component. The Additional Component will not count toward the salary ceilings, as detailed above. If such an officer is employed for part of a calendar year, they will only be entitled to the relative share of the Additional Component.

7. Variable compensation - bonuses

General

- 7.1. The Company's Compensation Policy is based, inter alia, on the assumption that the comprehensive compensation awarded to the Company's officers must be affected by the Company's business results, that are reflected, inter alia, in the Company's profitability, and by each employee's individual contribution to its achievement, and while taking into account the restrictions set forth in the Officer Compensation Law.
- 7.2. For the avoidance of doubt, it is clarified that subject to statutory provisions, the variable compensation that shall be paid to an officer in accordance with the Compensation Policy, if at all, is not and shall not be considered part of the officer's regular salary for any purpose, and will not constitute the basis for the calculation of and/or entitlement to and/or accrual of any related right; within this and without detracting from the generality of the above, it will not be considered a component of any payment due to leave, severance pay, pension contributions, etc.
- 7.3. To clarify, the Chairman of the Board (if the Chairman of the Board of an institutional entity within the Group as well) is not entitled to an annual variable component, and the CEO may be entitled to an annual variable component in accordance with the composition of the compensation the Company's competent organs authorize for them.
- 7.4. Outline for setting a quantifiable variable component for officers

- 7.4.1. For the purpose of paying a quantifiable variable component that is paid in cash and in accordance with the principles set forth below, a targets and benchmarks plan will be set annually for each eligible officer, based on a series of targets and benchmarks at the Company level and/or at the organizational unit level and/or at the individual level, and which will be derived, inter alia, from the Company's work plan, up to the ceiling, as determined in the relevant annual personal plan (hereinafter - the "**Personal Compensation Plan**" and "**Compensation Plan Targets**").
 - 7.4.2. The benchmarks and targets the quantifiable variable component will be based on for a particular year will be determined with a view to encouraging an improvement in the Company's business processes and business conduct, with the aim of promoting higher profitability over time and while taking risk management into account.
 - 7.4.3. A quantifiable annual compensation plan that contains a reference to a quantifiable annual variable component for each of the Company's officers shall be drawn up according to the outline below and subject to the principles set forth therein and shall be brought to the attention of every such officer. The compensation plan may be adjusted according to updates to the Company's work plan or under other relevant circumstances, including in the event of a job change or a promotion.
- 7.5. Limitations and threshold conditions for the quantifiable annual variable component
- 7.5.1. The prerequisites for awarding a quantifiable annual variable component to the officers for a certain year at the end of the year for which variable compensation is awarded are:
 - A. A Solvency Ratio that shall be no lower than the Minimum Solvency Ratio, in accordance with the last known ratio published by Clal Insurance, and considering, among other things, the equity transactions that are performed up to the Solvency Ratio publication date.
 - B. The non materialization of suspending circumstances in connection with any of the notes issued by Clalbit Finance Ltd. that are recognized as Tier 2 capital or as Hybrid Tier 2 capital in accordance with the Solvency Circular (hereinafter - "**Suspending Circumstances**").

(hereinafter - "**Threshold Conditions**").

With respect to the Threshold Conditions set forth above in Section A – the Compensation Committee and the Board of Directors may determine whether the said Threshold Condition has been met if they believe that the failure to comply with this condition resulted from a major exogenous event that has affected the entire Israeli insurance industry.
- 7.6. Criteria for determining the quantifiable annual variable component for officers
- 7.6.1. The total quantifiable annual variable component that can be awarded to each officer will be determined in advance and adjusted according to the Company's material risks and will be contingent on performance and compliance with the criteria detailed below, except for a monthly or annual fixed payment, paid for the officer's first year in office, which shall be limited to a sum equal to six salaries and for which the spreading obligation as detailed in Section 12 below shall not apply.
 - 7.6.2. The cost of the annual variable component awarded to the officer may not exceed the cost of the officer's fixed compensation components for that year. Notwithstanding the foregoing, the Compensation Committee and the Board of Directors are authorized to determine that the officers' annual variable component (except with respect to the CEO) shall exceed 100% of the annual fixed component, provided that it does not exceed 200% of the annual fixed component, if the Compensation Committee and the Board of Directors determine that the conditions justify this due to unique and non-recurring circumstances that do not repeat every year, and that do not apply to a wide category of officers, and if the special explanations for this are recorded.

In addition, the total quantifiable variable component and the qualitative variable component, as detailed in Sections 8.1 and 10 below, may not exceed NIS 1 million, and the Compensation Committee and the Board of Directors may set lower ceilings for the quantifiable variable component paid in cash, in accordance with the officer's compliance with the personal plan set for them, within the foregoing.

(hereinafter - the "**Variable Annual Component Ceiling**".)
 - 7.6.3. Insofar as the total compensation deviates from the limitations and/or the regulatory requirements because of the cost of a variable component in a particular year, then, subject to the law and to regulatory requirements, the variable component may be wholly or partially charged to the subsequent year, and if such a deviation arises in that following year, it may be deferred to the year after that following year, and the variable component's imputation may be thus deferred for the three years following the bonus year,

provided that the officer shall work at the Company in the following year such that the bonus compensation to them in respect of the following year, including the deferred portion of the variable component, does not deviate from the Compensation Limit in the relevant year. Insofar as the annual variable component's cost exceeds the Variable Annual Component Ceiling or the total wage cost exceeds the Compensation Limit, and it also includes a payment that is imputed due to a retirement bonus, the imputation of the retirement bonus or part thereof may be deferred; in such a case, whenever the officer's employment at the Company is terminated before the full retirement bonus is imputed, the retirement bonus and/or part thereof, respectively, will be reduced.

- 7.6.4. The officer may waive the variable equity component or the cash component and/or part thereof, such that this component or part thereof, are not considered part of the officer's salary for any purpose, and in particular, for the purpose of the statutory limitations on their salary.
- 7.6.5. For the purpose of determining the Personal Compensation Plan Targets, a target value will be determined for each officer, as a specific percentage of the profit goal or the actual profit, based on salaries, or as a combination of the above, and while considering that officer's seniority, contribution to the Company, and the scope of their influence on the Company's financial results; all of the above – if the officer meets 100% of the quantifiable variable component goals below and subject to the Variable Annual Component Ceiling and the aforementioned Threshold Conditions (hereinafter - the **"Target Value"**). To clarify, the Target Value will be set for the Company's officers by the competent organs in accordance with the law and may even refer to the variable component of the qualitative annual bonus.
- 7.6.6. Subject to the limitations and conditions set forth in Section 7.5 above, a coefficient will be determined for each officer, to the extent that Compensation Plan Targets are set, as detailed in Section 7.6.5 above, and that coefficient shall reflect the manner of achieving each of the Compensation Plan Targets set for the officer. For each component, that coefficient may be less than 1 (if the officer has achieved only some of their Personal Plan's targets) and may be higher than 1 (if the officer's performance actually exceeds the set target), provided that the coefficient's value does not fall under than 0.7 and does not exceed 1.5, and that within this range, the coefficient can be calculated non-linearly.
- 7.6.7. The Board of Directors may make adjustments to the targets and the eligibility ranges throughout the year under special circumstances, such as major objective or exogenous changes in the business and/or regulatory environment the Company operates in, subject to the law.
- 7.6.8. The quantifiable annual variable component paid in cash will be calculated separately for each component, and the sum total of all benchmarks for the quantifiable annual variable component paid in cash, which shall be calculated for all the components according to each component's assigned relative weight, will comprise the quantifiable annual variable component paid in cash, as calculated for the relevant officer, as a product of the Target Value.
- 7.6.9. The quantifiable annual Compensation Plan Targets to be set for each officer for the purpose of paying the cash bonus will be based on quantitative and/or qualitative targets, and will be derived, inter alia, from the Group's strategic work plan and/or the work plans of the organizational unit the officer is assigned to and/or of which he is in charge.
- 7.6.10. The Personal Compensation Plan Targets will include all or some of the targets detailed below:

A target return on planholders' assets, within which the Group's achievements in managing planholders' funds (in executive insurance plans, pension funds, and provident funds) will be reflected, as they are measured over a period no shorter than three years and compared to the 4 other major insurance groups (and for provident funds – compared to the 4 largest provident funds, at least) (hereinafter - the **"Planholder Return Benchmark"**), a risk management target, a return on equity target, business targets, professional targets, and other targets at the organizational unit level, including accounting and financial benchmark, and including: a profitability benchmark such as LR and VNB; embedded value; Planholder Return Benchmarks and a return relative to the nostro funds benchmark; a growth and retention benchmark; operation and service-related benchmarks; a benchmark for completing milestones in significant projects; risk management target objectives, including compliance with internal procedures, handling the Internal Audit's recommendations, SOX deficiencies, and compliance with the provisions of the law; and a benchmark related to cost-cutting and lower expenses, and targets that derive from the Board of Directors' approved work plan.
- 7.6.11. To clarify, the quantifiable annual Compensation Plan Targets might be quantitative, quantifiable targets at the Company-wide level only, while the targets set for the unit the officer is in charge of and/or the

personal targets will be taken into account in connection with the personal annual bonus (the qualitative bonus), as detailed below in Section 8.1 and/or in connection with the special bonus, as detailed below in Section 10.

- 7.6.12. The financial variables, market variables, and accounting variables will be assigned at least 50% of the total weight of the quantifiable annual Compensation Plan Targets, except with respect to the control functions, as defined in the Compensation Circular.
- 7.6.13. The Company's CEO may be entitled to a variable annual compensation as well. In such a case, special quantifiable annual Compensation Plan Targets will be set for the Company's CEO and they will be presented to the General Meeting for approval (following a discussion and authorization thereof by the Compensation Committee and the Board of Directors), within the authorization of the CEO's terms of office and employment, and the Compensation Policy will be revised accordingly, if necessary.
- 7.6.14. The specific targets in each measurement category and each measurement category's relative weight will be adjusted for each officer according to their rank and according to the organizational unit to which they are assigned and/or over which they are appointed and authorized by the Compensation Committee and the Board of Directors.
- 7.6.15. For an officer who belongs to any of the populations listed in Section 7.6.19 below, the relevant targets listed in Section 7.6.19 below shall be included as well.
- 7.6.16. The targets may include targets whose measurement period is longer than one year (and different weights may be assigned to each year), targets that include a comparison with other relevant companies in the industry, and targets that reflect risk management criteria.
- 7.6.17. With respect to long-term targets – when determining the compensation to be awarded to an officer who has been employed for a shorter period of time than the measurement period stipulated for a particular target, the measurement period used for that officer may be shorter than the measurement period used for other officers.
- 7.6.18. The Compensation Committee and the Board of Directors may determine the conditions that apply to the variable cash component for each year, in accordance with the provisions of this Compensation Policy and with respect to the above benchmarks. The foregoing notwithstanding, the Compensation Committee and the Board of Directors will not authorize a variable compensation that is conditioned upon the Compensation Plan Targets, unless the Company has recorded a profit in the year for which the variable compensation is awarded.
- 7.6.19. An outline for determining the personal annual bonus for special populations (who are officers)
 - 7.6.19.1. Officers who actually engage in investment management - when determining the compensation awarded to officers in the investment management field, parameters such as meeting investment goals, return vs. risk, and the relevant benchmark indices will be considered; as for the management of savings funds through the Company - the return on the savers' funds will also be considered, while noting the assumed risk levels and the measurement time horizon. For a variable component that depends on the investment results, the measurement period may be no shorter than three years. However, it is clarified that for officers who have been employed for a shorter period than the determined measurement period, measuring over a shorter period of time would be allowed.
 - 7.6.19.2. Officers in customer - facing marketing, sales, and brokerage – when determining the compensation, the Company's risk management policy will be considered, such that the compensation mechanism will not encourage unfairness toward the Company's customers.

8. Variable component - qualitative annual bonus

- 8.1. The Compensation Committee and the Board of Directors, or – if the Board of Directors approves this – the CEO, may authorize a qualitative personal bonus for any officer due to the bonus year, which may not exceed the basic salary for 3 months for each of the officers. To clarify, the qualitative personal bonus is awarded in addition to any quantifiable annual bonus the officer may be entitled to.
- 8.2. The qualitative personal bonus will be based on a personal measurement and qualitative criteria that might be impossible to measure quantitatively, according to the relevant officer's areas of responsibility, the nature of their work, and their long-term contribution to the Company and the Group, such as: the implementation, performance, and promotion of the plans and objectives in the Company's work plans; streamlining; initiating, leading, and

promoting projects and processes; compliance with the law and regulation, compliance with the Company's procedures, and no material deviations from the policy set by the Board of Directors; audit reports issued in connection with the officer's area of responsibility, general satisfaction.

- 8.3. Within the annual discussion of the possibility of awarding a personal qualitative annual bonus to an officer, the direct manager's assessment of that officer's performance will be presented in connection with the aforementioned subjects, as applicable to that officer; with respect to the internal auditor, the performance assessment will be completed after receiving the Audit Committee's and the Chairman of the Board's recommendation.

9. Variable component - equity compensation

- 9.1. Awarding equity compensation to the Company's officers is intended to share the Company's results of operations with them and incentivize them to promote the Company's long-term performance.
- 9.2. Subject to the Compensation Committee's and the Board of Directors' approval, the Company may offer its employees and officers to participate in a program to allot restricted stock units and/or share-based instruments and/or exercisable options into Company shares (hereinafter - **"equity instrument"**). The Board of Directors may allow an officer to choose between variable cash compensation and variable equity compensation, or a combination thereof, as it determines.

When awarding an equity instrument, a minimum holding and vesting period shall be determined, that may be no shorter than two years, combined (except for employees who are not officers and do not hold a key position).

- 9.3. The plan will include the following details, inter alia:
 - 9.3.1. Exercise price - if options are granted, their exercise price on the allotment date, for each allotted warrant, shall be no lower than the average closing price of the Company's share in the last 30 trading days on the Tel Aviv Stock Exchange Ltd., prior to the date the Board of Directors authorized the allotment, and in any event, no lower than the closing price of the Company's share on the last trading day on the Tel Aviv Stock Exchange Ltd. prior to the aforementioned date.
 - 9.3.2. The benefit ceiling on the exercise date - the benefit will be limited to a ceiling that may not exceed 300% of the share price, such that the officer's benefits in equity instruments may be exercised only up to a lower rate than 300% of the share price, compared with its price at the time of awarding the equity instrument (for restricted stock units and share-based instruments, compliance with the benefit ceiling will be examined when examining compliance with the performance targets).
 - 9.3.3. The warrants' expiration date – this date shall be no later than four years from the vesting date of the most recent equity tranche granted to the offeree.
 - 9.3.4. Exercise, expiration, and acceleration conditions in connection with the warrants or restricted stock units or share-based instruments in the event of leaving the Company (due to dismissal, resignation, death, or disability), as applicable.
 - 9.3.5. The allotment's division into tranches – the equity compensation allotment may be performed by way of annual bonuses or as an allotment several years in advance, and the equity compensation's value will be determined as of the grant date. For the purpose of determining the ratio between the fixed compensation and the variable compensation, as detailed in Section 5.6 above, the value of the equity compensation for the year will be calculated such that the value of the equity compensation awarded for a particular year, as applicable on the grant date, will be fully attributed to the year for which it is granted, according to the average equity compensation value awarded for that year; however, if an allotment is made for several years in advance, then the Company may, with respect to those years and subject to the provisions of any law, divide the total value, as applicable on the grant date, identically for each of these years. To clarify, the above does not detract from the provisions of the Officer Compensation Law.

10. Special bonuses

- 10.1. From time to time, the Board of Directors and the Compensation Committee may decide to award a one-off bonus, inter alia, for considerable efforts on the part of the officer, including in the context of a transaction outside the ordinary course of business of the Company and/or Group. Such a special bonus shall be granted under special circumstances (hereinafter - **"special bonus"**).
- 10.2. Such a special bonus may not exceed the basic salary for 3 months, and in special cases, it may not exceed the basic salary for 6 months.

10.3. Insofar as a special bonus is paid to an officer, it shall be separate and unrelated to the outline for setting the personal variable component. The bonus will be paid in cash but will be subject to the provisions on the ratio between the variable component and the fixed component and the payment arrangements that apply to it, including the spreading provisions, which apply to officers in accordance with this Compensation Policy.

11. The entitlement to a variable component due to a partial employment period

If an officer only works in the Company for part of the relevant calendar year to calculating their eligibility for a variable component due to the termination of their employment agreement or their dismissal, the officer will be entitled to a relative share of the variable component in respect of that year, according to the period they were employed by the Company in that year out of the entire relevant calendar year (based on a daily calculation and including the specified notice period), if the officer is entitled to a variable annual bonus for that year. If the officer only works for a part of the relevant calendar year to calculating their eligibility for a variable component because of the commencement of their employment by the Company, the Company may pay them a partial variable compensation, taking into account the period in which they worked out of that year. An employee of the Group who was promoted and appointed as an officer during a calendar year will be entitled to a partial variable annual bonus in respect of their actual term in office during the calendar year in which they were appointed as an officer, as said (hereinafter - the “**Appointment Year**”), insofar as they are entitled to a variable annual bonus in respect of that year. For the period preceding the date of their appointment as an officer, in which they held another position within the Group, the officer will be entitled to a relative compensation in accordance with the terms stipulated for that position, and taking into account the period in which they served in the other position.

The Company's CEO may approve eligibility to a variable component due to a partial employment period even in the event of a resignation.

To clarify – an officer who was dismissed due to an event that permits their dismissal without severance pay during a calendar year will not be entitled to an annual variable component with respect to the retirement year.

The foregoing does not detract from the other arrangements that govern the variable component in accordance with this Compensation Policy.

12. Spreading the annual variable component for an officer

12.1. In order to anchor the variable cash component as part of a long-term vision, the variable cash component will be spread, such that payment of at least 50% of the officer's annual variable compensation will be deferred to subsequent years and will be paid only if the Company meets the stipulated release conditions, subject to the provisions of the Compensation Circular and the compensation policy enacted by the Group's institutional entities, as applicable from time to time. In any case, no compensation that exceeds the Compensation Limit may be paid due to any calendar year.

12.2. To clarify, the variable compensation's spread or the spread rate may vary, to the extent permitted under the Compensation Circular and in accordance with the compensation policy enacted by the Group's institutional entities.

12.3. To the extent that the total compensation awarded to an officer for a particular year does not exceed the compensation ceiling and the variable component does not exceed 40% of the fixed component in that year, the spreading and deferral mechanism stipulated in this section shall not apply. If spreading is required, the following provisions shall apply:

For this purpose, “compensation ceiling” – as defined in Section 32(17) of the Income Tax Ordinance [New Version];

12.4. The variable component's spread shall be examined while viewing the variable component as a whole, in such a way that a particular compensation component may be spread in exchange for not spreading another variable compensation component, provided that the total variable compensation is spread as detailed above.

12.5. The variable component may be awarded, in whole or in part, in the form of shares and/or share-based instruments, with the entitlement thereto maturing over several years, subject to terms to be determined within the allotment of the equity instrument.

12.6. The deferred cash payments shall be index-linked. For the purposes of this section: the “Base Index” – the known index on the date of making the first annual variable component payment.

- 12.7. Any deferred variable compensation component shall either be paid to or be exercisable by the officer, as applicable, only if – as of the variable compensation's vesting date – the Company meets the Minimum Solvency Ratio, as required on the variable component's first payment date.
- 12.8. If the Company does not meet the above ratio, the relevant deferred compensation will only vest on the next date the Company is in compliance with that ratio, in accordance with the last known ratio published by the Company and including any equity transactions performed by the publication date. To clarify further and without detracting from the provisions of Section 0 above, if the employee-employer relationship is terminated, deferred payments to which an officer is entitled in respect of the previous years will not be brought forward, and the provisions of this section will apply to them and to the variable component to which the officer is entitled in respect of the year in which the employee-employer relationship has ended (if and to the extent that the employee is entitled). A deferred payment that is paid after the employee-employer relationship is terminated shall not be considered a "retirement bonus".
- 12.9. Notwithstanding the foregoing, if an officer's employment is terminated due to their death, disability, or serious illness, the above provisions on spreading the variable compensation shall not apply, and the officer and/or their heirs shall be entitled to receive the deferred balance, payable immediately. The foregoing shall also apply if an officer who has retired from their position in the Company dies, becomes disabled, or suffers a serious illness.
- 12.10. Discretionary revocation or reduction of the annual variable component for an officer

When deciding whether eligibility for variable annual compensation has arisen, in addition to the requirement that Threshold Conditions be met, in special and exceptional cases and for reasons that must be stated, the Board of Directors may, after receiving the Compensation Committee's recommendation, reduce the officer's total annual variable component, and even revoke it altogether, in the following cases: (a) to maintain an institutional entity's stability and its equity's robustness. (b) As of the variable component payment date, Clal Insurance does not meet the Minimum Solvency Ratio, in accordance with the last known ratio published by the Company and including the equity transactions performed up to the Solvency Ratio publication date. (c) In the event of negative returns on the funds the Company manages for planholders and policyholders, that the Board of Directors finds to be unusually poor compared with the market.

If bonuses are reduced due to the Group's needs, as said above, the Board of Directors may defer the reduced bonuses to subsequent years, and it may determine that paying them in subsequent years is subject to compliance with the relevant Threshold Conditions in those years, as said above in Section 7.5.

13. Clawback of funds based on data that turns out to be false

- 13.1. An officer will pay the Company back for the amounts paid to them as a variable component, pursuant to their terms of office and employment (hereinafter - "**clawback**"), under conditions to be determined, and upon the materialization of highly unusual circumstances.
- 13.2. Without prejudice to any remedy the Company is entitled to by law, the Compensation Committee and the Board of Directors shall determine the conditions and circumstances for performing a clawback and who would perform it, including the appropriate clawback amounts or rates for different sets of circumstances, in accordance with and subject to the provisions of the Compensation Circular, as applicable from time to time, and that shall include the following, at the very least:
- (a) The officer was paid funds based on data that turned out to be false and were restated in the Company's Financial Statements or those of a provident fund it manages (as long as this does not concern a correction arising from an amendment and/or an update to accounting standards), and in light of the restated data, the officer should have been paid a lower amount than the amount paid in practice;
 - (b) The funds paid to the officer were determined while assuming a risk level that then turned out not to materially reflect the Company's actual exposure or that of the savings funds it manages, and in light of that risk level, the officer should have been paid a lower amount than the amount they were actually paid;
 - (c) The Compensation Committee has found that the officer participated in conduct that caused the Company or the people who save through the Company extraordinary damage, including: fraud or other illegal conduct, breach of fiduciary duty, a deliberate violation of or disregard in gross negligence for the Company's policy, rules, and procedures.

In this matter, "extraordinary damage" – including a significant monetary expense for fines or sanctions imposed on the Company by competent authorities pursuant to the law or a judgment, arbitral award, settlement agreement, etc. For this matter, it is clarified that damage will not be considered extraordinary damage (except in cases of a judicial ruling on fraud or breach of fiduciary duty), insofar as the damage

amount does not exceed 5% of the Company's shareholders' equity at the time of incurring the extraordinary damage. For damage that exceeds the aforementioned limit, its definition as extraordinary damage shall be examined based on the relevant circumstances.

The extraordinary damage will be attributed to the year in which the act that caused it was performed, and therefore, it is clarified that payment of the extraordinary damage will not be considered an expense in the current year for the purpose of calculating the current bonus, all – as the Compensation Committee shall determine.

- 13.3. For an officer other than the CEO for whom the Compensation Committee determined they did not have a material effect on the circumstances listed in Sections 13.2(a)–(b) above, there is an option not to demand a clawback and instead, to offset such amounts from the total variable components paid to the officer in the future, if and to the extent that they are paid.
- 13.4. If it turns out that an officer was not paid any component of their terms of office and employment, in whole or in part, based on data that turned out to be false and were restated in the Company's, in Clal Insurance's, or in the provident funds' financial statements (except in case of a rectification arising from an amendment and/or revision to the accounting standards), or considering a risk level that turned out not to materially reflect the Company's or Clal Insurance's exposure or that of the funds saved through them, and that the officer should have been paid a higher amount than the amount actually paid in light of the restated data or the risk level, the Company shall compensate the officer for the unpaid amount and grant them any right they would have had, had the terms of office and employment been calculated according to the restated data or risk level in the first place.
- 13.5. The Compensation Committee and the Board of Directors shall determine whether the unusual circumstances calling for such clawback apply, and the total clawback; the decision on the occurrence of such unusual circumstances and the total clawback shall be determined while noting, inter alia, the damage, the officer's liability, their authorities, their level of involvement, and measures taken to mitigate the damage.
- 13.6. The Compensation Committee and the Board of Directors may determine the clawback dates such that they occur within a reasonable period, noting the total clawback amount the officer must pay.
- 13.7. The Company shall take the measures available to it, under the circumstances, including legal measures, to seek a clawback of the amounts that require a clawback under this section.
- 13.8. All amounts paid to an officer shall be subject to clawback for a period of five years from the date of granting the variable component, including with respect to deferred components (hereinafter - the **"Clawback Period"**). However, the Clawback Period for a variable component paid to an officer will be extended by two more years, if the Compensation Committee and the Board of Directors determine, during the Clawback Period, that circumstances that call for a clawback have arisen, as detailed below:
 - 13.8.1. The Company has initiated an internal investigation procedure regarding a material failure;
 - 13.8.2. If the Company has learned that a competent authority, including a competent authority outside Israel, has initiated an administrative investigation or a criminal investigation against the Company or its officers;
 - 13.8.3. A competent authority has initiated such an investigation in connection with a fraud or breach of fiduciary duty committed by a Company officer.
- 13.9. To clarify – the officer shall not be obligated to pay the Company clawback amounts that exceed the actual payment made to them (net of tax).

14. Related benefits and additional benefits for officers

- 14.1. On top of that said in this policy, the compensation paid to officers may include additional components that the Company occasionally awards to all its employees, or to some of them, such as: reimbursement of expenses, parking, holiday gifts, continuing education, a discount on Company products, holidays, etc.
- 14.2. The Company may choose, or as required by law, be obligated to authorize related benefits in addition to the basic salary for officers, including as detailed below:
 - 14.2.1. Pension contributions and work disability insurance – the Company may make contributions into a pension product of the officer's choice for that officer, in respect of their full salary, in accordance with the provisions of the law. The Company's contributions to a pension insurance scheme shall be conditioned on making the appropriate deduction of the officer's share of the contributions out of the officer's salary and may apply to all or some of the compensation components, including additional related components that are included in the basic salary and/or basic salary gross ups. In addition, the Company may insure the officer under a work disability insurance policy and participate in or finance the cost of other insurance policies.

The Company may allow the officer to convert the contribution amounts due to retirement benefits that exceeds the lawful recognized salary ceiling for tax purposes into a wage payment, in such a way that the cost of the officer's employment by the Company does not increase.

- 14.2.2. Severance pay - the Company may pay the officer the full severance pay, both upon their dismissal and their resignation.
- 14.2.3. Advanced education fund - the Company may make contributions into an advanced education fund in accordance with the lawfully recognized rates and will transfer these amounts to the advanced education fund of the officer's choice according to the full basic salary. The officer may convert the contribution amounts that exceed the legally recognized salary ceiling for tax purposes into a wage payment, in such a way that the cost of the officer's employment by the Company does not increase.
- 14.2.4. Vehicle - the Company may provide its officers with a vehicle they may use according to the prevailing norms in the industry, and that vehicle shall be used, inter alia, for the fulfillment of their duties, with the potential for an additional full gross up. The Company may bear the vehicle usage and maintenance expenses, according to the Company's applicable procedures. The Company may award the officer an equivalent payment in lieu of the above.
- 14.2.5. Communications - the Company may provide the officer with a mobile phone for their personal use, at the Company's choice and in accordance with the Company's custom. In addition, the Company may provide the officer with automation means (a laptop, tablet, etc.) for work purposes in accordance with the Company's procedures.
- 14.2.6. Meals/per diem – the Company may allow the officer to participate in a meal and per diem payment program during work hours, and it may authorize a reimbursement of expenses, as determined in the Company's procedures from time to time.
- 14.2.7. Annual leave - the Company may grant the officer an annual leave of no more than 25 days a year, and in any case – no less than that prescribed by law. The Company may allow the officer to accumulate and redeem their annual leave days, as determined in the Company's procedures from time to time.
- 14.2.8. Sick leave - an officer may take time off work due to an illness in accordance with the Sick Pay Law. The Company may pay the officer in full for the days the officer misses work due to an illness from the first day of their absence, as determined by the Company's procedures, from time to time. The officer may accumulate sick leave days as determined in the Company's procedures but may not be entitled to redeem their sick leave days.
- 14.2.9. Convalescence pay - the Company may pay the officer convalescence pay according to the Company's customary amount, but no less than the amount prescribed by law.
- 14.2.10. The Company may pay the officer's professional association membership fees on their behalf.
- 14.2.11. The Company may pay for the officers' subscription fees to newspapers and professional literature.
- 14.2.12. The Company may pay officers for advanced study, incentive awards, to join agent incentive trips, screening tests, events, and welfare activities.
- 14.2.13. The Company may pay the tax gross up to officers due to any of the related and/or social benefits, as detailed above.
- 14.2.14. Customary related benefits in accordance with the collective agreement with respect to the Group's employees, such as summer camp subsidies, seniority bonuses, etc., as applicable from time to time.
- 14.2.15. Exemption, indemnification and insurance for officers
 - 14.2.15.1. The Company may grant letters of indemnity in the version of its choice, as has been authorized and/or will be authorized by the Company's competent organs. To the extent that the Company seeks to modify the letters of indemnity, for any reason whatsoever, the Company shall present the revised letters of indemnity to the competent organs for approval in accordance with the provisions of the law.
 - 14.2.15.2. The Company may purchase officer liability insurance for the Group's officers, at insurance amounts no higher than USD 400 million; the annual premium cost and the deductible amount in respect of such a policy shall be in accordance with prevailing market conditions when drafting the relevant policy, and at an immaterial cost to the Company.
 - 14.2.15.3. The Company may purchase run-off officer insurance if the control of the Company and/or a subsidiary is transferred.

- 14.2.15.4. The Company may grant an exemption from liability to the Company's officers, subject to obtaining the approvals required to grant the exemption under the law. Such an exemption will not apply to a decision or transaction in which the controlling shareholder or any officer in the Company (including an officer other than the one to which the exemption is granted) has a vested interest.

15. Retirement arrangements

Retirement bonus

- 15.1. Beyond the payment of severance pay, and subject to the eligibility criteria specified in Section 15.6 below, the Company may grant any officer a one-off retirement bonus, equivalent to up to 4 months' basic salary. This retirement bonus's amount will be determined when signing the employment agreement with the officer or thereafter, provided that it is not determined close to that officer's retirement date. In addition, upon termination of the employee-employer relationship, the Company may, at its competent organs' decision, increase the retirement bonus paid to the officer by up to 2 more months' basic salary. In addition, the Company reserves special discretion to increase the retirement bonus in the event that the officer has worked for the Company (including related companies) for longer than 15 years, by an amount equal to 2 more months' basic salary. Alternatively, instead of the aforementioned retirement bonus, in exceptional and highly unusual cases, the Company may determine that if an officer has worked for the Company (including related companies) for longer than 15 years, the officer will be entitled to increased severance pay at a rate of up to 200%, subject to conditions to be determined, in lieu of any adjustment or retirement grant stated above in this section.
- 15.2. The Company may stipulate in its agreement with the officer that if the officer does not carry out their work to the Company's satisfaction during the specified notice period, if the officer is in breach of the non-compete clause, and if the officer's entitlement to severance pay is lawfully revoked – the officer shall not be entitled to the retirement bonuses stated above.
- 15.3. Among the considerations and criteria that the Company shall consider when determining and increasing the retirement bonus, as stated above, it may take into account any of the following considerations relating, inter alia, to the circumstances surrounding the officer's retirement, their tenure in office, their duties, skills, the Company's performance during their tenure, and their contribution to achieving the Company's objectives, to maximizing its profits, and to the management of the savers' funds through the Company, the annual compensation they had received during their tenure, as well as the recommendation of the Company's CEO.
- 15.4. This retirement bonus shall be classified as a variable component and shall be spread out for the officer in accordance with that said in this Compensation Policy regarding retirement bonuses, as detailed below. For the avoidance of doubt, it is clarified that adjustments made to the contributions toward the retirement bonus in the years the officer was employed will not be examined for the purpose of determining the variable/fixed ratio, as detailed in Section 5.6 above.
- 15.5. The officers' retirement terms shall be determined subject to the Board of Directors' approval, after the Board of Directors obtains the Compensation Committee's approval.
- 15.6. Any payment of such variable retirement terms that exceeds the equivalent of the basic salary for three months shall be subject to arrangements to defer the payments to after the date of the officer's departure in relation to the excess part, as well as the retroactive implementation of performance adjustment mechanisms, as detailed in Section 12 above.
- 15.7. The provisions of this section do not prejudice any current or accrued benefits, including benefits due to retirement terms.
- 15.8. No officer shall be entitled to a retirement bonus if the employee-employer relationship was terminated because of their resignation within two years of the commencement of their employment.
- 15.9. The scope of the above-described bonus is the maximum scope that the Compensation Committee and the Board of Directors are authorized to determine in accordance with the principles listed above.

16. Arrangements upon termination of employment

16.1. Non-compete

- 16.1.1. Subject to the provisions of the law, the officers shall commit in writing, when signing the employment agreement with the Company, to refrain from competing with the Company in its line of business for a period of several months (from 3 to 9 months from the termination of the employee-employer relationship),

as stipulated in the employment agreement. If the Company accepts a shorter specified notice period and the termination of the employee-employer relationship, the Company may set the start of the non-compete period at the determined termination of employment date.

16.1.2. Subject to the provisions of the legislative arrangement, no payment for a non-compete commitment period shall be considered a retirement bonus, insofar as the officer is precluded from working for companies that compete with the Company in its line of business in that period.

16.2. Advance notice

16.2.1. An officer shall be entitled to a specified notice period of no longer than 6 months, and in special cases – no longer than 9 months. The specified notice period for each officer shall be determined by the Board of Directors at the recommendation of the Compensation Committee prior to signing the employment agreement with the officer.

16.2.2. During the specified notice period, the officer shall be required to continue to perform their duties, unless the CEO decides to release them from this obligation, in whole or in part, and they shall be entitled to the remaining benefits of office and employment, without change.

17. General provisions, discretion, effectiveness, and liability

17.1. The Compensation Policy shall be in effect for 3 years: 2023, 2024, and 2025; at least once every three years, it shall be presented for reauthorization by the Company's competent organs. When authorizing the Compensation Policy, the terms of employment will be examined against the customary terms in the relevant comparison groups at the time.

17.2. Without detracting from the provisions of Section 0 above, the Compensation Committee and the Board of Directors shall, from time to time, and at least once a year, review the implementation of the Compensation Policy as well as the need to adjust and revise it, if there has been a material change compared with the circumstances that prevailed when it was set or for other reasons. Changes to the Compensation Policy, if any, will be authorized in accordance with statutory provisions.

17.3. For each calendar year, the Company's relevant organs may deviate from or modify the current Compensation Policy, at their discretion. The foregoing notwithstanding, it is clarified that the Compensation Committee, the Board of Directors, and/or the CEO, as applicable, may change the Compensation Policy in relation to the officers, provided that the total annual change to the compensation components does not exceed 10% for each officer. An immaterial change to an officer's compensation terms, if that officer is subordinate to the CEO, shall not require the Board of Directors' or the Compensation Committee's approval if it is authorized by the CEO and conforms to the Compensation Policy. In this regard, an "immaterial change" – a change that leads to a total annual change in the compensation components that does not exceed 5% for each officer.

17.4. It is noted that in accordance with the provisions of the law, including the Officer Compensation Law, the Company may bear additional costs due to the employment of its officers in accordance with the terms hereof.

17.5. It is emphasized that this document constitutes a policy and guidelines paper, and therefore, it does not grant any right to the officers and/or any other third party, and within this, none of them may raise a claim against the Company that it must act in accordance with the Compensation Policy. The provisions set forth in the duly authorized collective agreements and personal compensation plans override the provisions of the Compensation Policy.

17.6. To clarify, the implementation of this Compensation Policy is subject to the requirement that it does not breach the provisions of the law, including labor laws, emphasizing wage protection laws, and including the court's rulings in individual cases or approvals the court has granted.

17.7. The Compensation Policy shall be backed with procedures that shall include a description of the parties involved in designing, approving, and monitoring the policy and the compensation agreements.

18. Transitional Provision

18.1. The provisions of this Compensation Policy shall apply to the compensation agreements approved from its Effective Date and onwards, unless otherwise stated.

18.2. Subject to the foregoing, for the avoidance of doubt, the Compensation Policy does not prejudice the officers' benefits in connection with their tenure and employment with the Company, as applicable on the Effective Date, as well as the benefits accrued and/or created and/or that will accrue due to previous periods, until the day they

are adjusted to the Policy, if and as required, or until the date they must be adjusted in accordance with the relevant provisions of the law, as said (hereinafter - the "**Accrued Benefits**").

- 18.3. To clarify, the Accrued Benefits shall not be taken into account for the purpose of calculating the compensation ceilings stipulated herein even, if their actual payment date is after the statutory provision's commencement date or effective date, including options granted in this way and for which payment has been set aside.
- 18.4. To clarify – if and when the expected annual expenditure due to an officer's compensation exceeds the Compensation Limit in accordance with the Officer Compensation Law, that officer's compensation shall be reduced accordingly, for any of their compensation components.
- 18.5. To the extent that the provisions of the Compensation Circular are updated in the future, the compensation terms may be adjusted accordingly, with the approval of the Compensation Committee and the Board of Directors.

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