Clal Insurance Enterprises Holdings Ltd.
Financial Statements
as of March 31,
2024

Clal
Insurance Enterprises Holdings Ltd.

IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of the March 31, 2024*,* financial report of Clal Insurance Enterprises Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on May 30, 2024.

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

Clal Insurance Enterprises Holdings Ltd.

Quarterly Report as of March 31, 2024

May 30, 2024

Clal Insurance Enterprises Holdings Ltd.

Report of the Board of Directors

March 31, 2024

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Report of the Board of Directors on the State of the Corporation's Affairs for the Period ended March 31, 2024 (hereinafter - the "**Report of the Board of Directors**") reviews the key changes in the activity of Clal Insurance Enterprises Holdings Ltd. (hereinafter - the "**Company**") in the first three months of 2024 (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, was drawn up in accordance with the Supervision of Insurance Business Regulations (Reporting), 1998, and in accordance with the circulars of the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the "**Commissioner**"); the Report of the Board of Directors, with respect to the credit cards business, was drawn up in accordance with the reporting directives of the Banking Supervision Department (hereinafter - the "**Banking Supervision Department**") bearing in mind that the reader also has on hand the full periodic report of the Company for the year ended December 31, 2023 (hereinafter - the "**Periodic Report**" and/or "**Annual Financial Statements**").

Forward-looking information

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

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

1.1 The Group's Structure

The Company's shareholders

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

For further details regarding shareholdings in the Company and changes during the Reporting Period, see Note 1 to the financial statements.

1.2 The Group's Areas of Activity and Developments Therein

1.2.1 For a description of the Group's areas of activity and its holding structure, see Section 1.1 in the chapter entitled Description of the Corporation's Business in the 2023 Periodic Report.

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

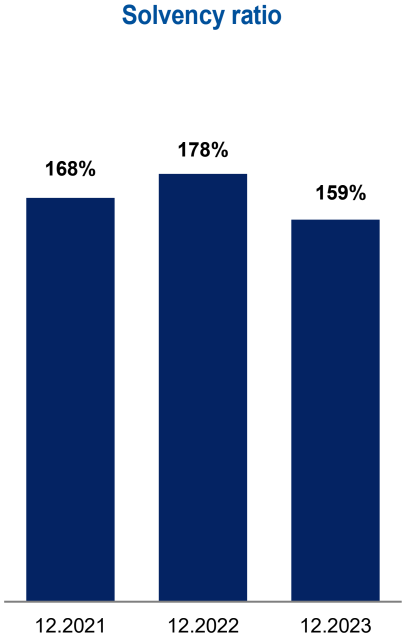
The Group companies' operations are affected by constant changes in regulations and regulatory reforms. In addition, Clal Insurance's operations and results are significantly affected by changes in capital markets, including, among other things, by changes in the risk-free interest rate curve and illiquidity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

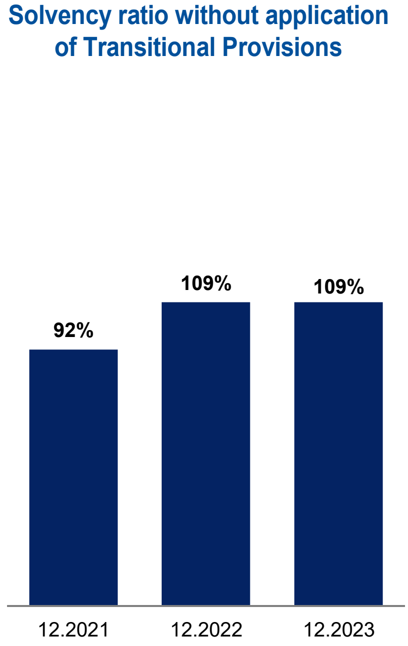
2.1 Significant Events during and Subsequent to the Reporting Period:

A. Economic solvency ratio in Clal Insurance

Clal Insurance published an Economic Solvency Ratio Report as of December 31, 2023, under which the ratio without the transitional provisions is 109%, similar to the ratio of 109% as of June 30, 2023.

Taking into consideration the transitional provisions, the ratio is 159% as of December 31, 2023, compared with 167%, respectively, as of June 30, 2023. For further details, see Section 2.4 below, Note 7 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 December 31, 2023, as of the publication date of the Economic Solvency Ratio Report as of December 31, 2023.

2) For details regarding the disclosure on the stochastic model for calculating the economic solvency ratio of Clal Insurance, see Section 2.4 below.

B. Capital markets and interest rate curve

In the Reporting Period, the results were mainly affected by the hikes in capital markets, mostly from 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 0.4 billion to policyholders, and until it meets this undertaking Clal Insurance shall not collect variable management fees (as of shortly before the report publication date, the balance amounted to approx. NIS 0.5 billion). In addition, during the Reporting Period there was a decrease in the risk-free interest rate curve, with the addition of illiquidity premium, which caused an increase 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 Annual Financial Statements.

C. Repayment of syndicated loan by CIMax

In February 2024, the Company used the proceeds of the issuance of the bonds for an early repayment of the entire amount of the syndicated loan taken by CIMax Holdings Ltd. from institutional entities in 2019 (hereinafter - the "**Syndicated Loan**").Consequently, the Group is expected to reduce its finance expenses, and also extended the average duration of its liabilities.

D. Issuance of Subordinated Notes (replacement of Series J and expansion of Series M) in the subsidiary Clal Insurance

In January 2024, Clal Insurance issued to holders of Notes (Series J), who accepted an exchange tender offer, Subordinated Notes (Series M) at the total amount of NIS 508 million p.v. by way of series expansion. The terms of some of the Notes (Series J) vary from the terms of the Notes (Series M), and accordingly they were accounted for as replacement of debt instruments with materially different terms, in accordance with the standard's definition; accordingly, Clal Insurance accrued a loss of approx. NIS 1.6 million.

Furthermore, subsequent to the reporting date, in April 2024 Clal Insurance issued to the public NIS 465 million p.v. in Subordinated Notes (Series M) by way of expansion of an existing series. For further details, see Note 6 to the Interim Financial Statements.

E. The Iron Swords War

Following on Note 46(k) to the Financial Statements for 2023, the Israeli economy continues operating in a wartime routine. The economy is operating almost at normal levels, except for the areas which suffered directly from the events of October 7th and the north of Israel, where residents are still unable to go back to their homes and businesses have not yet resumed operations.

<u>Israel's credit rating</u>

The rating agencies revised the rating of the State of Israel and their rating outlooks due to the escalation of the conflict between Israel and Iran and the geopolitical risks Israel is exposed to since the outbreak of the War, as follows: In February 2024, Moody's announced a downgrading of the State of Israel's debt credit rating from A1 to A2 as well as a negative rating outlook. The downgrading of the credit rating and the change of the rating outlook to negative mainly reflected - as explained by the rating agency - the uncertainty as to the economic consequences of the War, the manner and timing by which the War will end and the change in fiscal conditions. Furthermore, subsequent to the reporting date, in April 2024 the international credit rating agency S&P announced the downgrading of the sovereign rating of Israel from AA- to A+ and reiterated the rating outlook at negative. Furthermore, subsequent to the reporting date, in April 2024 the international credit rating agency Fitch reiterated Israel's credit rating at A+ but changed the rating outlook from stable to negative.

<u>Effect on the financial statements</u>

In the reporting period, and as of the publication date of these financial statements no material changes occurred in connection with the effects of the War on Clal Insurance's financial results.

Max announced that as from December 2023 and during the Reporting Period the issuance turnovers in Israel and the acquiring turnovers in Max increased gradually. Max's issuance turnovers abroad have also increased in the first quarter of 2024, compared to the first few months of the War; however, the scope of this activity is still low compared to pre-War levels. The estimated credit loss provision is based on judgments and assessments, and still involves uncertainty at this stage. Further to the 2023 Financial

Report of the Company, the Company increased the provision for current expected credit losses based on estimates of a potential increase in the credit risk of the Company’s customers.

The Group is exposed - by virtue of its activity - to fluctuations in the financial markets and to slowdown in activity in the Israeli economy, as well as to other risks arising from the War. Estimating the duration of the War and its potential effect on economic activity across the country, the capital markets as well as the extent of the potential damage to the repayment capacity of Max’s private and business customers, on the one hand, and the mitigating effects of aid programs and other reliefs, on the other hand, is difficult.

Therefore, it is currently impossible to assess the full effect of the War on the Group and its results.

F. Share-based payment

Further to Note 44 in the Annual Financial Statements, on May 19, 2024, the Company's board of directors resolved to publish an outline for the allocation of up to 1,400,000 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. 0.44% 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 14.1 per option, and the fair value of each tranche will be spread over the vesting period. The value of the benefit was calculated using the binomial model and estimated at approx. NIS 18.75 million for all options, which will be awarded to Group officers and employees as stated above. 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 one year from the vesting date (with regard to the first tranche, from the holding date).

The subsidiaries will bear the expense for the value of the options and will indemnify the Company in full for this benefit, based on the value of the financial benefit that will be recorded in the Company's financial statements and in accordance with the accounting standards.

G. Market developments in the reporting period and thereafter

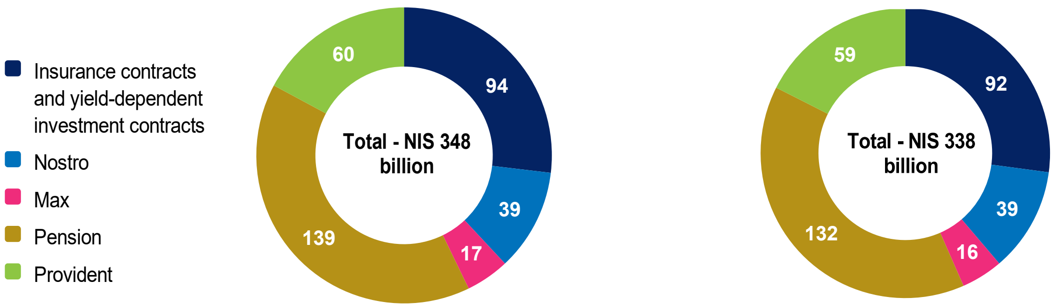
In the Reporting Period, investment income was recognized, which led to a positive real return in the participating life insurance policies, which were marketed through 2004. However, as long as the policies do not achieve a positive real return that will cover the investment losses accrued by the policyholders, Clal Insurance will not be able to collect variable management fees. The estimated variable management fees, which will not be collected due to the negative real return until the attainment of a cumulative positive return, amounted to a total of approx. NIS 0.4 billion as of March 31, 2024, and approx. NIS 0.5 billion as of the report publication date. It is not possible to assess the continued developments on the markets and their impact on the results of the second quarter of 2024 and on 2024 as a whole, accordingly, the aforementioned does not constitute any assessment regarding the anticipated financial results of the Company.

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

In the Reporting Period, Clal Insurance 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

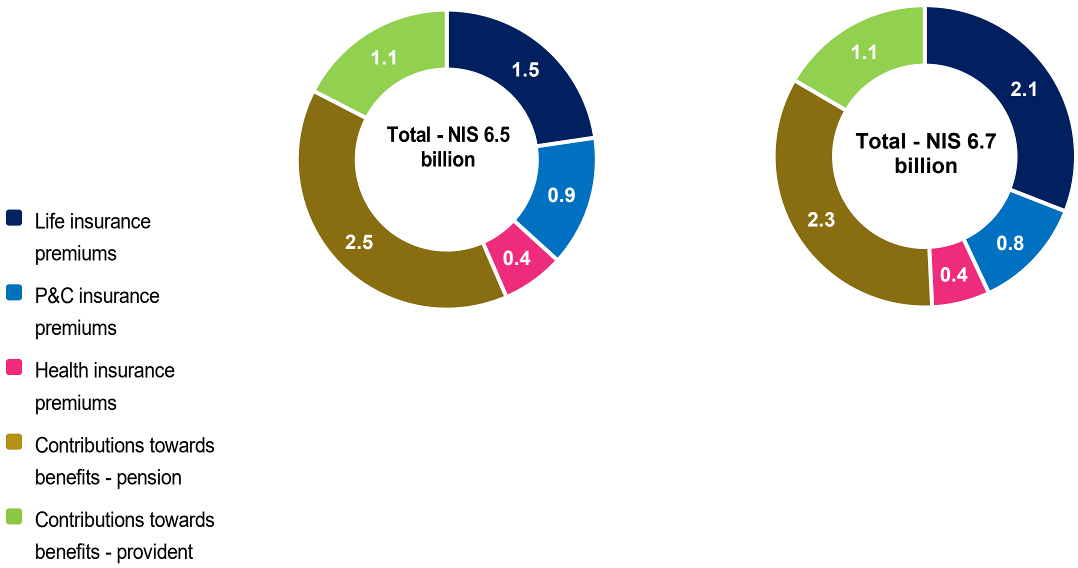
Assets under management as of March 31, 2024 | **Assets under management as of December 31, 2023**



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 the premiums line item; 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 4 to the Consolidated Interim Financial Statements.

Premiums earned, gross, contributions towards benefits and proceeds for the 1-3/2024 period | **Premiums earned, gross, contributions towards benefits and proceeds for the 1-3/2023 period**



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

In NIS million		Item	1-3 2024 Unaudited	1-3 2023 Unaudited	For 2023 Audited
Insurance and savings	Life insurance	2.2.1.1	**64**	114	225
	Pension	2.2.1.4	**12**	6	47
	Provident	2.2.1.3	**5**	(3)	10
	Total long-term savings		**81**	118	282
	P&C insurance	2.2.2	**87**	(44)	312
	Health	2.2.3	**(32)**	(9)	(77)
	Total comprehensive income in respect of insurance and savings		**136**	65	517
Credit cards	Total income in respect of credit cards	2.2.4	**93**	-	238
Other and unallocated	Finance expenses	2.2.7	**(84)**	(52)	(294)
	Other	2.2.5	**104**	45	138
Total income before consolidation entries	Total comprehensive income, pre-tax before the Max consolidation entries		**248**	59	598
Adjustments and offsets	Provision for credit default following the acquisition of Max *)		**-**	(220)	(220)
	Amortization of excess cost in respect of the Max transaction		**30**	-	98
	Total adjustments and offsets before tax		**30**	(220)	(122)
Total income (loss)	Total comprehensive income (loss) before tax		**278**	(161)	476
Taxes	Tax expenses (tax benefit)		**113**	(60)	167
Total income (loss)	Total comprehensive income (loss), post-tax for the period		**165**	(101)	309
	Attributable to Company's shareholders		**164**	(102)	305
	Attributable to non-controlling interests		**1**	1	4
	Return on equity in annualized terms (in percentages) **)		**7.6**	(5.1)	3.8

*) 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 Annual 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 164 million, compared with a comprehensive loss of approx. NIS 102 million in the corresponding period last year.

On March 27, 2023 the Company completed the acquisition of CIMax (see Note 5 to the Financial Statements). As a result, in its financial statements as of March 31, 2023, the Company consolidated for the first time the assets and liabilities of CIMax and companies under its control.

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

Following are the key changes in the 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 136 million compared with an income of approx. NIS 65 million in the corresponding period last year.

Underwriting results:

In the Reporting Period, there was an improvement in the underwriting income across all areas of activity and primarily 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, compared with the corresponding period last year, as detailed below in Sections 2.2.1-2.2.3 below.

In the Reporting Period, there was an increase in contributions towards benefits provided by 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 6.5 billion, compared with approx. NIS 6.7 billion in the corresponding period last year - a decrease of approx. 4%.

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 221 million was recognized in life insurance, as well approx. NIS 112 million in investment income not allocated to segments, compared with approx. NIS 186 million in financial margin in life insurance and approx. NIS 52 million in unallocated investment income 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 0.4 billion 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 0.5 million).

On the other hand, in the Reporting Period there was a decrease of approx. NIS 44 million in insurance reserves due to changes in the risk-free interest rate curve, including the illiquidity premium, and other financial effects, compared with a decrease of approx. NIS 106 million in insurance reserves in the corresponding period last year, as detailed in the table below.

Credit cards

The total income from credit cards in the Reporting Period amounted to approx. NIS 93 million before tax.

Max's income in this period amounted to approx. NIS 515 million, reflecting the continued growth in Max's activity. Of which Max's total income from credit card transactions totaled approx. NIS 322 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, acquiring fees and commissions and other income from merchants net of fees and commissions to other issuers. The turnover of Max's domestic activity was up in the first quarter of 2024 compared to the corresponding period last year - an increase which led to an increase in Max's income from credit card transactions, both on the issuance side and on the acquiring side. However, this increase was offset by a decrease in tax income from overseas fees and commissions, due to the decrease in inbound and outbound tourism activity following the War.

Max's net interest income remained unchanged and amounted to approx. NIS 190 million in view of responsible and sound management of the increase in Max's consumer and business credit portfolio, which is supported by informed risk management, which is required in view of the macroeconomic environment and the uncertainty as to the effects of the War.

Credit loss expenses amounted to approx. NIS 41 million, compared with an expense of approx. NIS 55 million in the corresponding period last year. The decrease in credit loss expenses is due to the fact that - during the first quarter of the - the quality of Max's credit portfolio improved and the increase in the credit portfolio was more moderate compared to the first quarter last year - during which there was also an increase in the outstanding balance of troubled debts. These effects were partially offset by higher write-offs during the first quarter of the year compared to the first quarter of last year.

It is noted that in accordance with the Bank of Israel's directives, as from January 1, 2023 Max implements - for the first time - new rules regarding current expected credit losses (CECL), which reflect a new methodology for calculating the credit loss provision, which results mainly in earlier recognition of credit losses, which might be incurred throughout the credit period.

Max's operating expenses increased in the first quarter of 2024 compared to the corresponding period last year (net of one-off effects) as a direct result of the increase in its business activities.

Tax expenses

In March 2024 an amendment was approved by the Knesset plenum to the Value Added Tax Ordinance (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "Ordinance"), 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 income generated.

The deferred tax balances included in the financial statements as of Group's financial institutions March 31, 2024 have been updated so as to take into account the effects, which arise from the increase in tax rates as described above.

In addition, the effective rate of Max's tax provision in the first quarter of 2024 stood at 34.8%, compared to 22.1% in the corresponding period last year. The increase in the effective tax rate arises from one-off tax expenses arising from the closing of income tax assessments in respect of previous years.

The said effects caused an approx. NIS 18 million one-off increase in tax expenses in the Reporting Period.

Return on equity

The return on equity in annualized terms during the Reporting Period was a positive 7.6%, compared with a negative 5.1% in the corresponding period last year.

Assets under management

During the Reporting Period, Clal Pension and Provident Funds' assets under management increased mainly 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 corresponding reporting period last year. For further details, see Section 2.2.1.3 and 2.2.1.4 below.

Assets under management by the Group as of March 31, 2024 totaled approx. NIS 348 billion compared with approx. NIS 338 billion on December 31, 2023 - an increase of approx. 3%.

Out of the total said assets, as of March 31, 2024 approx. NIS 127 billion in assets are under management of the new pension fund compared to approx. NIS 120 billion on December 31, 2023 - an increase of approx. 6%.

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

In NIS million	1-3 2024	1-3 2023	For 2023
	Unaudited		Audited
Life insurance -			
Change in discount rate used in calculation of pension reserves	**2**	71	124
Income from change in the pension reserves due to the increase in expected future income (K factor)	**-**	33	260
Total effect of the changes in interest rates on pension reserves	**2**	104	384
Changes to other assumptions in the calculation of the liabilities to supplement the reserve for annuity	**-**	-	67
Estimated effects of the Iron Swords War	**-**	-	(74)
Total special items - life insurance	**2**	104	377
Financial effects on P&C insurance reserves	**(2)**	2	83
Total special items - P&C insurance	**(2)**	2	83
Financial effects in the Liability Adequacy Test (LAT) reserve	**(44)**	-	-
Changes in actuarial assumptions for incidence of long-term care claims	**-**	-	(102)
Total long-term care in the health insurance segment	**(44)**	-	(102)
Total special items prior to consolidation	**(44)**	106	358
Consolidation entry - Max's credit loss expenses	**-**	(220)	(220)
Total special items before tax	**(44)**	(114)	138

B. Amortization of excess cost at Max

The amortization of excess cost in the acquisition of Max was carried out based on an 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 5 to the Consolidated Interim Financial Statements.

2.2.1. Long-term savings

2.2.1.1 Life insurance subsegment

Life insurance	Q1 2024	Q1 2023
Premiums earned, gross	**1,315**	1,652
Comprehensive income	**64**	114
The redemption rate of the life insurance policies out of average reserve in annualized terms	**1.9%**	1.8%

The decrease in income compared to last year arises mainly from an approx. NIS 2 million decrease in reserves due to an increase in the risk-free interest rate and other financial effects, compared to an approx. NIS 104 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 4.13% compared to a negative rate of 0.57% last years, such that a positive financial margin of approx. NIS 221 million was recorded, compared to a positive financial margin of approx. NIS 186 million last year.

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):

Life insurance	Q1 2024	Q1 2023
Investment gains credited to policyholders net of management fees	**3,372**	364

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

In NIS million	Q1 2024	Q1 2023	For 2023
Variable management fees*)	**-**	-	-
Fixed management fees	**149**	148	594
Total management fees	**149**	148	594
Total financial margin and management fees	**221**	186	658
Current premiums	**1,197**	1,311	5,079
Non-recurring premiums	**118**	341	962
Total premiums earned, gross	**1,315**	1,652	6,041
Current premiums	**22**	21	91
Non-recurring premiums	**129**	410	990
Total premiums in respect of pure savings	**151**	431	1,081

*) As of March 31, 2024, the liability to policyholders in respect of negative returns on the portfolio of participating policies amounts to approx. NIS 0.4 billion (as of December 31, 2023 - approx. NIS 0.6 billion).

Details regarding the rates of return on participating policies

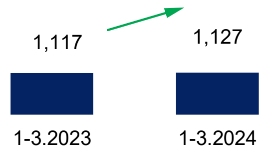
	Policies issued in 1992-2003 (Fund J)			Policies issued from 2004 and thereafter (the new Fund J)		
In NIS million	Q1 2024	Q1 2023	For 2023	Q1 2024	Q1 2023	For 2023
Real return before payment of management fees	**4.13**	(0.57)	3.03	**4.14**	(0.42)	3.53
Real return after payment of management fees	**3.98**	(0.71)	2.43	**3.91**	(0.64)	2.66
Nominal return before payment of management fees	**4.43**	0.51	6.48	**4.44**	0.66	6.99
Nominal return after payment of management fees	**4.27**	0.36	5.86	**4.20**	0.44	6.10

2.2.1.3 Provident funds subsegment

In NIS million	Q1 2024	Q1 2023
Comprehensive income (loss)	**5**	(3)
Contributions towards benefits	**1,127**	1,117

The increase in the comprehensive income in the Reporting Period 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 in the corresponding period last year; the said positive returns even reduced the cost of supplementing return to planholders of a guaranteed-return provident fund.

Contributions towards benefits - provident



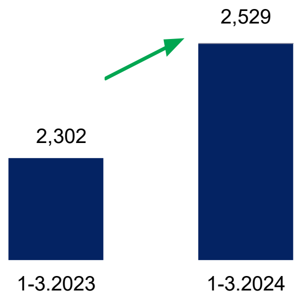
2.2.1.4 The pension subsegment

In NIS million	Q1 2024	Q1 2023
Comprehensive income	**12**	6
Contributions towards benefits	**2,529**	2,302

The increase in comprehensive income in the Reporting Period 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. This increase was partially offset against an increase in the fees and commissions to agents and general and administrative expenses line items. 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 arises mainly from an increase in ceded business and active planholders in the pension funds.

Contributions towards benefits - pension



2.2.1.5 In 2023, a trend began which continued into the reporting period, of 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	1-3 2024	1-3 2023
Gross premiums	**1,126**	945
Comprehensive income (loss)	**87**	(44)

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.

The income in the Reporting Period compared to the loss in the corresponding period last year arises mainly from an improvement in underwriting in motor property insurance and other property insurance subsegments, and from an increase in investment income compared to the corresponding period last year.

Motor property	1-3 2024	1-3 2023
Gross premiums	**377**	302
Comprehensive income (loss)	**10**	(27)
Gross LR	**75%**	93%
LR- retention	**76%**	86%
Gross CR	**99%**	119%
CR - retention	**100%**	115%

The increase in premiums in the reporting period stems mainly from an increase in the average premium.

The transition from loss to income in the Reporting Period compared to the corresponding period last year stems mainly from an underwriting improvement 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.

Compulsory motor insurance	1-3 2024	1-3 2023
Gross premiums	**219**	196
Comprehensive income (loss)	**23**	(21)

The increase in premiums in the reporting period stems mainly from an increase in the average premium.

The income in the Reporting Period compared to the loss in the corresponding period last year arises mainly from an improvement in underwriting mainly due to the increase in average premium and an increase in investment income. Furthermore, reserves were reduced due to the approx. NIS 7 million effect of the interest rate environment compared with an increase of approx. NIS 4 million in reserves in the corresponding period last year.

Property and other subsegments	1-3 2024	1-3 2023
Gross premiums	**355**	**260**
Comprehensive income	**37**	**18**
Gross LR	**32%**	**35%**
LR- retention	**27%**	**33%**
Gross CR	**50%**	**57%**
CR - retention	**49%**	**69%**

The increase in premiums in the Reporting Period arises mainly from an increase in corporations' policies.

The increase in income is mainly due to an improvement in results of subsegments, and an increase in investment income.

Credit insurance	1-3 2024	2023
Gross premiums	**35**	31
Comprehensive income	**12**	10
LR- retention	**27%**	21%
CR - retention	**54%**	47%

Liability subsegments	1-3 2024	2023
Gross premiums	**141**	156
Comprehensive income (loss)	**5**	(24)

The decrease in premiums arises mainly from a decrease in premium in officers insurance policies.

The transition to profit is mainly attributable to an increase in underwriting income, due to, among other things, the increase in the average premium and an increase in investment income compared to the corresponding period last year.

2.2.3 Health insurance

	Q1 2024	2023
Premiums earned, gross	**435**	417
Comprehensive loss	**(32)**	(9)

Premiums earned, gross:

In the Reporting Period there was an increase in premiums in the individual insurance activity. This effect was offset against a decrease in the volume of activity in the travel insurance subsegment, due to the Iron Swords War.

Comprehensive loss:

The increase in comprehensive loss in the Reporting Period arises from an increase of approx. NIS 44 million in liabilities in respect of the Liability Adequacy Test (LAT) due to the effect of the interest rate environment in the long-term care subsegment. This effect was partially offset by an underwriting improvement in the individual long-term care subsegment, and by an increase in **investment** income compared to the corresponding period last year.

	Q1 2024	2023
Long-term care subsegment - comprehensive loss		
Individual	**(32)**	(6)
Collective insurance - including health maintenance organizations	**(4)**	(4)
Illnesses and hospitalization subsegment - comprehensive income (loss)		
Long-term	**14**	11
Short-term	**(10)**	(10)

Individual long-term care:

The increase in loss in the Reporting Period arises mainly from an increase of approx. NIS 44 million in liabilities in respect of the Liability Adequacy Test (LAT) due to the effect of the interest rate environment in the long-term care subsegment. This effect was offset against an increase in investment income compared to the corresponding period last year.

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		
	Q1		
In NIS million	2024	2023	For 2023
Investment income credited to policyholders	**50**	5	70

2.2.4. Credit cards

	Q1 2024	Q1 2023 *)
Total income from the credit cards segment	**547**	548
Total pre-tax income	**93**	55
Credit card transactions (Max) (see also Section 2.2.4.1)		
Income		
Income from credit card transactions	**322**	326
Interest income, net	**190**	189
Other income	**3**	4
Total income	**515**	519
Expenses		
Credit loss expenses	**41**	55
Operating expenses	**208**	215
Selling and marketing expenses (see Section 2.2.5 below).	**104**	110
General and administrative expenses (see Section 2.2.5 below).	**19**	24
Payments to banks	**54**	56
Total expenses	**426**	459
Pretax income	**89**	60
Technological activity (Milo)		
Income from credit card transactions	**32**	29
Profit (loss) before tax	**4**	(5)

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

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, acquiring fees and commissions and other income from merchants net of fees and commissions to other issuers. The turnover of Max's domestic activity was up in the first quarter of 2024 compared to the corresponding period last year - an increase which led to an increase in its income from credit card transactions, both on the issuance side and on the acquiring side. However, this increase was offset by a decrease in tax income from overseas fees and commissions, due to the decrease in inbound and outbound tourism activity following the War.

Max's **net interest income** remained unchanged in view of responsible and sound management of the increase in Max's consumer and business credit portfolio, which is supported by informed risk management, which is required in view of the macroeconomic environment and the uncertainty as to the effects of the War.

The decrease in **credit loss expenses** is due to the fact that - during the first quarter of the - the quality of Max's credit portfolio improved and the increase in the credit portfolio was more moderate compared to the first quarter last year - during which there was also an increase in the outstanding balance of troubled debts. These effects were partially offset by higher write-offs during the first quarter of the year compared to the first quarter of last year.

It is noted that in accordance with the Bank of Israel's directives, as from January 1, 2023 Max implements - for the first time - new rules regarding current expected credit losses (CECL), which reflect a new methodology for calculating the credit loss provision, which results mainly in earlier recognition of credit losses, which might be incurred throughout the credit period.

Max's **operating expenses** increased in the first quarter of 2024 compared to the corresponding period last year (net of one-off effects) as a direct result of the increase in its business activities.

2.2.4.1 Data by areas of activity - Max

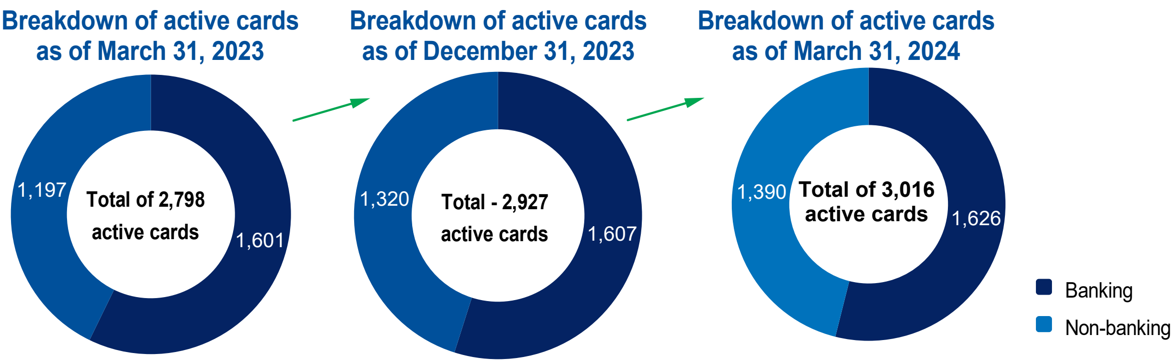
	1-3 2024	1-3 *) 2023	Rate of change
Total credit card transactions (Max)			
Income	**515**	519	(1%)
Comprehensive income	**89**	60	48%
Of which - issuance activity			
Operating income from credit cards	**257**	258	(0%)
Interest income	**138**	141	(2%)
Total income	**398**	403	(1%)
Operating, marketing and general and administrative expenses	**269**	280	(4%)
Credit loss expenses	**38**	54	(30%)
Payments to banks	**54**	56	(4%)
Comprehensive income, before tax	**37**	13	(185%)
Of which - acquiring activity			
Operating income from credit cards	**65**	68	(4%)
Interest income	**52**	48	8%
Total income	**117**	116	1%
Operating, marketing and general and administrative expenses	**62**	68	(9%)
Credit loss expenses	**3**	1	200%
Comprehensive income, before tax	**52**	47	11%

*) The Company consolidated Max's results for the first time starting on April 1, 2023, such that the data as of April 1, 2023 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 transactions

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 loyalty programs.



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

	For the three-month period ended		For the year ended
	March 31, 2024	March 31, 2023 *)	December 31, 2023
Banking cards	**19,050**	18,437	73,672
Non-banking cards	**13,243**	11,594	48,666
Total	**32,293**	30,031	122,338

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

2.2.4.3 Key credit quality indicators

	As of		
Main credit quality indicators (in %)	March 31, 2024	December 31, 2023	March 31, 2023
Rate of balance of credit loss provision of the balance of receivables for credit card transactions	**2.42%**	2.65%	2.23%
Rate of non-accruing receivable balance of receivables for credit card transactions	**1.21%**	1.26%	0.81%
Rate of net write-offs of the average balance of receivables for credit card transactions	**1.59%**	1.13%	0.70%

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

	1-3	
In NIS million	2024	2023
Total comprehensive income, before tax	**104**	45

Reporting Period - the income in the reporting period stems mainly from approx. NIS 112 million in investment income and approx. NIS 52 million in investment losses in the corresponding period last year.

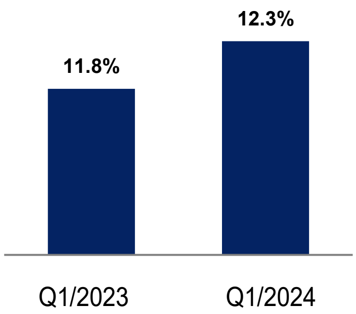
2.2.6 General, administrative and operating expenses and fees and commissions

Insurance and savings

In the Reporting Period, expenses remained at their level as of the corresponding period last year. Total general, administrative and operating expenses and fees and commissions expenses totaled approx. NIS 796 million in the Reporting Period, which is comparable to approx. NIS 794 million last year, despite an increase in expenses affected by inflation, and the increase in business activities.

In the Reporting Period, there was a relative increase in the level of expenses compared to income mainly due to a decrease in contributions in the financial savings products in view of the conditions in the markets.

Rate of expenses and fees and commissions in relation to income*



* The income includes premiums, contributions towards benefits and proceeds in respect of investment contracts.

Credit cards

In NIS million	For the three months ended March 31			
	2024	2023*)	Change	
	In NIS million		In NIS million	In %
Selling and marketing expenses	**104**	102	**2**	2%
General and administrative expenses	**19**	18	**1**	6%
Total	**123**	120	**3**	3%

In NIS million	For the three months ended March 31			
	2024	2023*)	Change	
	In NIS million		In NIS million	In %
Operating expenses for credit cards	**208**	193	**15**	8%

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

Operating expenses

In the Reporting Period - Max's operating expenses increased compared to the corresponding period last year as a direct result of the increase in its business activity.

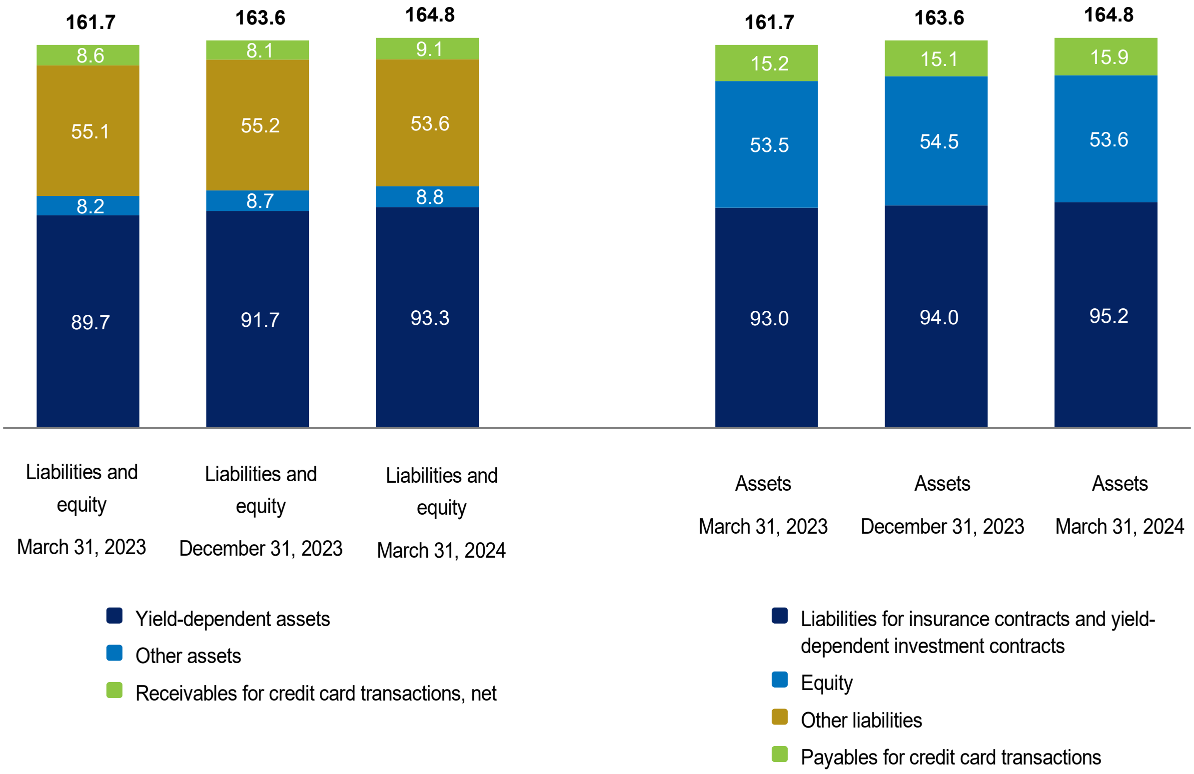
2.2.7 Finance expenses in activity not allocated to segments

In the Reporting Period, finance expenses amounted to approx. NIS 84 million, compared with approx. NIS 52 million in the corresponding period last year. The increase in the Reporting Period is mainly attributable to the raising of debt by the Company during 2023, at a total amount of approx. 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 (syndicated loan). It is noted that part of the proceeds of the issuance of bonds by the Company was used by the Group - in February 2024 - for full early repayment of the syndicated loan, such that CIMax's finance expenses as detailed in the table will be amortized in full as from this date.

In NIS million	Q1	
	2024	2023
Clal Insurance - Tier 2 capital notes	**44**	45
Clal Holdings - Bonds	**20**	2
CIMax	**16**	-
Other (mainly in respect of lease)	**4**	5
Total	**84**	52

2.3 Key Consolidated Statements of Financial Position Data

Following are key data from the consolidated balance sheets (in NIS billion):



2.3.1 Assets

Total assets as of March 31, 2024 amounted to approx. NIS 164.8 billion, compared with approx. NIS 163.6 billion as of December 31, 2023 and approx. NIS 161.7 billion as of March 31, 2023.

Following are key asset line items for Max:

In NIS million	As of March 31 2024	As of December 31 2023	As of March 31 2023
Receivables for credit card transactions	**15,208**	14,481	14,380
Of which: Credit balance not guaranteed by banks	**14,687**	13,908	13,781
Of which: Receivables in respect of credit cards to private individuals	**3,989**	3,453	3,854
Of which: balance of credit to private individuals	**9,385**	9,222	8,796
Amounts receivable from banks for credit card transactions, net	**1,112**	1,088	1,122

2.3.2 Liabilities

Other liabilities as of March 31, 2024 amounted to approx. NIS 155.9 billion, compared with approx. NIS 155 billion as of December 31, 2023 and approx. NIS 153.5 billion as of March 31, 2023.

Following are the changes in liabilities as stated above (in NIS million):

Balance sheet line item	As of March 31, 2024	As of December 31, 2023	Comment
Payables for credit card transactions	**9,074**	8,091	See Note 10 to the Financial Statements.
Financial liabilities:			
Bonds issued by the Company - par value component	**1,528**	1,557	See Section 2.5.4 below.
Bonds and subordinated notes at Max	**788**	582	See Note 6 to the Financial Statements.
Liabilities to banks in Max	**4,721**	5,202	
Loan in CIMax and subsidiaries excluding Max	**9**	888	See Section 2.1(c) above.
Total financial liabilities	**7,046**	8,229	
Total	**16,120**	16,320	

2.3.2.1 Following is a breakdown of Max's off-balance-sheet items:

	As of March 31, 2024	As of December 31, 2023	As of March 31, 2023	Change in % From December 2023	Change in % From March 2023
Balance of unutilized credit card credit facilities	**35,393**	34,566	27,285	2%	30%
Of which: Under Max's responsibility	**22,510**	21,463	18,014	5%	25%
Of which: Under the banks' responsibility	**12,880**	13,100	9,268	(2%)	39%

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 May 30, 2024, Clal Insurance approved and published its Economic Solvency Ratio Report as of December 31, 2023, which was attached as an appendix to this report and posted on the Group's website at:

/https://www.clalbit.co.il/aboutclalinsurance/financialstatementsandpressrelease

It is noted that the calculation of the economic solvency ratio is based on data and models 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 calculation of deduction during the Transitional Period in solvency II-based economic solvency regime and the directives for the implementation of an economic solvency regime, as of December 31, 2023, the Deduction was reduced as required on a linear basis and stands at NIS 4,115 million.

For further details, including a general description of the economic solvency regime, the general underlying principles of the regime, the calculation methodology of the economic balance sheet and of the solvency capital requirement, Provision for the Transitional Period, general review of the directives of the Commissioner's Directives relating to the Economic Solvency Ratio Report, definitions of key terms, comments and clarifications, please also read Sections 3.1.1, 4.1 and 5.1 to the Economic Solvency Ratio Report of Clal Insurance as of December 31, 2023.

The solvency ratio as of December 31, 2023 does not include the effect of the business activity of the Company in the period subsequent to December 31, 2023 and through this report's approval date; for the details of other events in the Reporting Period and thereafter, see Note 2.1 above.

The calculation made by the Company as of December 31, 2023 was audited by the independent auditors. The audit held in accordance International Standard on Assurance Engagement (ISAE) 3400 – "The Examination of Prospective Financial Information".

Following 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 December 31	
	2023	2022
In NIS million	Audited	
Shareholders equity in respect of SCR	**14,019**	14,341
Solvency capital requirement (SCR)	**8,976**	8,076
Surplus	**5,043**	6,265
Economic solvency ratio (in %)	**156%**	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	**460**	-
Deviation from quantitative limitation	**(169)**	-
Shareholders equity in respect of SCR	**14,311**	14,341
Surplus	**5,337**	6,265
Economic solvency ratio (in %)	**159%**	178%

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 December 31	
	2023	2022
In NIS million	Audited	
Minimum capital requirement (MCR)	**2,244**	2,019
Shareholders equity for MCR	**10,272**	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	As of December 31	
	2023	2022
In NIS million	Audited	
Shareholders equity in respect of SCR	**11,268**	10,984
Solvency capital requirement (SCR)	**10,383**	10,100
Surplus	**885**	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	**460**	-
Deviation from quantitative limitation	**(460)**	-
Shareholders equity in respect of SCR	**11,268**	10,984
Surplus	**885**	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 (%)	**110%**	-
Capital shortfall in relation to the target	**(153)**	-

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 - based on the stochastic model - the best estimate of asymmetric insurance liabilities (including recognition of future variable management fees,[2]) which if it had been included in the calculation of the economic solvency ratio as of December 31, 2023, its effect is estimated by adding approx. 14%, without taking into consideration the transitional provisions, and by adding approx. 9% 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.

[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 2023 Report on the Corporation's Business of the Company.

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

As aforesaid, Clal Insurance completed the stochastic calculation based on application of the Economic Generator Scenario,[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 process and the internal control.

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 after the distribution.

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 prudential economic solvency ratio target of 135% was set. These targets relate to a solvency ratio taking into account the Deduction 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. 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.

[3] As defined in the provisions of Section B, Chapter 5 (Part 2, Section 2) of the Provisions of the Economic Solvency Regime.

B. Capital requirements and capital adequacy in Max

1. Equity and capital adequacy

Max's reported equity capital amounted to NIS 1,906 million as of March 31, 2024, compared to NIS 1,847 million at the end of 2023 - an approx. 3% increase, which arises from the income for the period, and compared to NIS 1,712 million on March 31, 2023 - an approx. 11% increase. The equity capital as of the end of the first quarter of 2024 includes NIS 26 million in share capital, NIS 376 million in share premiums, a NIS 83 million capital reserve, NIS 11 million in accumulated other comprehensive loss, and NIS 1,432 million in retained earnings.

At the end of the first quarter of 2024, Common Equity Tier 1 capital amounted to NIS 1,910 million, compared to NIS 1,855 million as of December 31, 2023, and compared to NIS 1,719 million on March 31, 2023.

At the end of the first quarter of 2024, total capital amounted to NIS 2,347 million, compared to NIS 2,316 million as of December 31, 2023, and compared to NIS 2,066 million on March 31, 2023.

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.

As of March 31, 2024, the CET1 capital ratio amounted to 10.6%, compared to 11.0% at the end of 2023, and 10.6% on March 31, 2023. As of March 31, 2024, total capital to risk-weighted components ratio amounted to 13.1%, compared to 13.7% at the end of 2023, and 12.7% on March 31, 2023.

The decrease in Max's capital ratios in the first quarter of 2024 arises mainly from a significant increase in the credit cards activity turnovers compared to turnovers as of the end of 2023, which were lower than usual due to the effect of the War.

On March 17, 2024, The Banking Supervision Department published a draft for revising Proper Conduct of Banking Business Directive No. 206 "Capital Measurement and Adequacy - Operational Risk", and replacing it with a new directive, which adopts the revised directives of the Basel Committee regarding the calculation of capital requirements in respect of operational risk. If the draft will be adopted as a final directive, it is expected to come into force on January 1, 2026. The Company is studying the effects of the draft on the calculation of the capital requirements.

Max's leverage ratio as of March 31, 2024 is 8.9%, compared to 9.1% at the end of 2023 and 8.7% as of March 31, 2023.

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 that which 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%.

In the circular amending the Directive, which was published by the Banking Supervision Department on December 20, 2023, it extended the term of an expedient set as a Temporary Order in November 2020, as part of adjustments to Proper Conduct of Banking Business Directives for dealing with the Covid-19 crisis, according to which the leverage ratio shall not fall below 4.5% on a consolidated basis. 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.

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 percent point) higher than the minimum CET1 capital ratio set by the Banking Supervision Department, and an internal total capital ratio target of 12%.

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 credit rating. Since Max uses ratings of the international credit rating agency Standard and Poor's (S&P), the expected effect of the downgrading of Israel's rating by this agency in April 2024 is an approx. 0.3% decrease in Max's capital ratios, which will be reflected in the financial statements for the second quarter of 2024. A further downgrading (of one notch) in Israel's credit rating is not expected to affect Max's capital ratios.

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

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

	As of March 31		As of March 31		As of December 31	
	2024		2023		2023	
	(Unaudited)				(Audited)	
In NIS million	Risk-weighted assets	Capital require-ments	Risk-weighted assets	Capital require-ments	Risk-weighted assets	Capital require-ments
Credit risks - standardized approach						
of banking corporations	**649**	**75**	571	66	638	73
of corporations	**1,512**	**174**	1,373	158	1,479	170
Retail to individuals	**10,435**	**1,200**	9,823	1,130	9,882	1,136
of small businesses	**1,279**	**147**	1,121	129	1,174	135
Other assets	**951**	**109**	839	96	847	97
Credit valuation adjustment (CVA)	**-**	**-**	2	-	1	-
Total credit risk	**14,826**	**1,705**	13,729	1,579	14,021	1,611
Market risk - standardized approach	**128**	**15**	28	3	19	2
Operational risk - standardized approach	**2,989**	**344**	2,495	287	2,876	331
Total risk-weighted assets and capital requirements	**17,943**	**2,064**	16,252	1,869	16,916	1,944
Capital base	**2,347**		2,066		2,316	
Total capital ratio	**13.08%**		12.71%		13.69%	
CET1 capital ratio	**10.64%**		10.58%		10.97%	

* 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.

5. **Dividend in Max**

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

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 provided by operating activities in the reporting period amounted to approx. NIS 1,020 million; most of the amount arises from realization of financial investments by the Insurance Company and from a tax refund. The consolidated cash flows provided by investing activities amounted to approx. NIS 590 million in the Reporting Period, mainly from disposal of financial assets in the Company for the purpose of repaying the syndicated loan in CIMax. The consolidated cash flows used for financing activities amounted to approx. NIS 1,310 million in the Reporting Period and included mainly the repayment of the syndicated loan in CIMax at the total amount of approx. NIS 891 million; for further details, see 2.1(c) above. The Group's cash and cash-equivalent balances increased from a total of approx. NIS 6,966 million at the beginning of the Reporting Period to approx. NIS 7,258 million at the end of the Reporting Period.

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:

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 on dividend distributions in Clal Insurance and Max, see Note 7 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 3 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 1,516 million in bonds issued by the Company.

Following 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 March 31 2024	As of December 31 2023
Financial assets		
Cash and cash equivalents	**21**	9
Other financial investments, mainly money market fund and Israeli T-Bills by the Company	**75**	1,011
Restricted Tier 1 capital instrument of Clal Insurance *)	**473**	481
Total assets	**569**	1,501
Less current maturities		
Financial liabilities - current **)	**-**	963
Financial assets less current maturities	**569**	538
Non-current financial liabilities		
Non-current financial liabilities:		
Bonds issued by the Company - liability component	**1,516**	1,514
Deferred payment with respect to the Max transaction	**-**	-
Other liabilities - loan in CIMax excluding interest **)	**-**	-
Total liabilities	**1,516**	1,514
Net financial debt	**947**	976
Unutilized credit facility ***)	**250**	250

*) The other financial investments include an investment in a Restricted Tier 1 capital instrument of Clal Insurance amounting to NIS 503 million (fair value as of March 31, 2024 is approx. NIS 473 million).

**) In February 2024, CIMax's syndicated loan totaling approx. NIS 891 million was repaid. For further details, see Section 2.1C 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 Annual 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 income, 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. Bonds' data

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 March 31, 2024 (in NIS)	Approx. NIS 247 million	Approx. NIS 242 million	Approx. NIS 392 million	Approx. NIS 139 million **)	Approx. NIS 496 million
Market value as of March 31, 2024 *)	Approx. NIS 250 million	Approx. NIS 250 million	Approx. NIS 401 million	Approx. NIS 137 million	Approx. NIS 513 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 March 31, 2024 (increase after the interest rate)	Approx. NIS 1 million	Approx. NIS 1 million	Approx. NIS 2 million	Approx. NIS 0.4 million	Approx. NIS 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 liability value of the notes (principal and accrued interest) plus one-off early redemption fee of 2% of the liability value. The Company does not have the right to execute a forced conversion of the 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 March 31 2024.

**) 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 Company share
Key terms of conversion, including conditions precedent for the execution of a conversion and any distribution adjustments	The bonds are convertible on each day on which trading takes place on the Stock Exchange through February 18, 2028; If during the conversion right period the Company will distribute bonus shares and/or dividend and/or offer shares by way of offering rights, the number of shares arising from the conversion will be adjusted. For further details, see Section 6.3.3 to the deed of trust attached to the shelf offering report of February 9, 2023.

C. Details regarding rating

	Bonds (Series A)	Bonds (Series B) (convertible bonds)	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), Max 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 Trust Deed (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 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 Trust Deed (Series C) attached to the shelf offering report dated December 4, 2023.

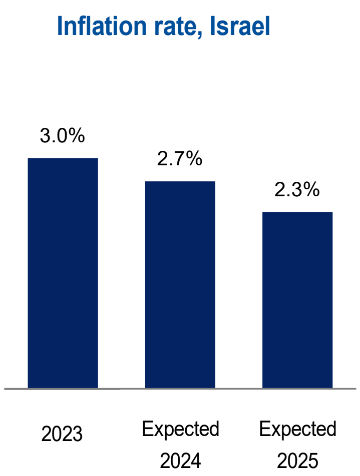
An adjustment mechanism was also set whereby the interest rate will increase if the Company's rating is downgraded. For further details, see Section 6.4 to the deeds of trust of Bonds (Series A) and (Series B) that were attached to the shelf offering report of February 9, 2023 and Section 6.4 to the Trust Deed (Series C) attached to the shelf offering report dated December 4, 2023.

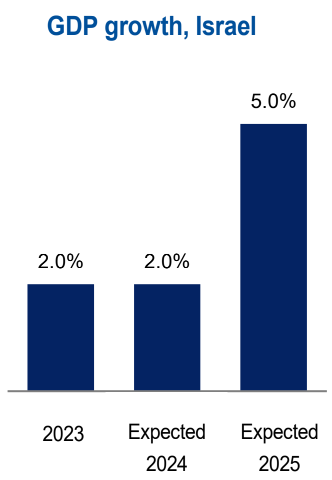
As of the reporting date, the Company complies with the covenants described above. As of March 31, 2024, the net financial debt ratio is 15%, and shareholders' equity amounts to approx. NIS 10.3 billion. In addition, as of the reporting date and the publication date of this report, and during the period 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.

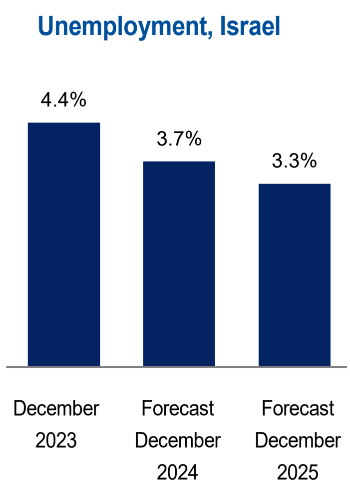
The key points of the deeds of trust of Bonds (Series A and Series B), that were signed between the Company and the trustee, are attached to the shelf offering report of February 9, 2023, and the key points of the deed of trust of Bonds (Series C) are attached to the shelf offering report of December 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.

3. Developments and Material Changes in the Macroeconomic Environment in the Reporting Period

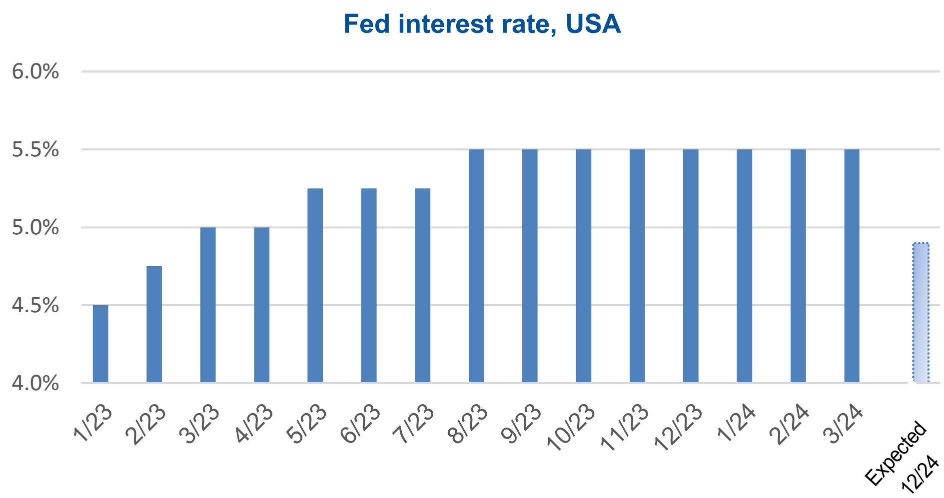
3.1 Key Economic Data:







*Forecast of the Bank of Israel's Research Department, April 2024



* The December 2024 data represents the consensus of forecasts according to Bloomberg, May 8, 2024

3.2 Following are key trends and material changes in the macroeconomic environment in the Reporting Period and thereafter:

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(e) 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 2023, GDP contracted by approx. 21% (mainly due to the effect of the outbreak of the War). The Israeli population increased by 2.2% in 2023, such that per capita GDP declined by 0.2% (after a 4.4% increase in 2022). According to the macroeconomic forecast of the Bank of Israel's Research Department (April 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. As of the end of March 2024, the budget deficit amounted to 6.2% of GDP, compared to 4.2% of GDP in December 2023. In April, the budget deficit increased to 7% of GDP (but increased by 6.7% taking into consideration the deferral of tax collection due to the festivals). The debt to GDP ratio stands at 62.1% as of December 2023. In accordance with the Bank of Israel's forecast, the government budget deficit in 2024 and 2025 is expected to amount to 6.6% of GDP and 4.6% of GDP, and the debt to GDP ratio is expected to increase to 67% of GDP in 2024 and remain at a similar level during 2025. 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 5.3% in March 2024. In accordance with the Bank of Israel's forecast, the broad unemployment rate is expected to stand at approx. 3.7% at the end of 2024 and 3.3% in 2025. According to the Central Bureau of Statistics' estimates for February 2024, the average wage of a salaried employee continues to rise, and has risen by 6.3% in annualized terms, from December 2023 to February 2024. Compared to February 2023, this reflects a 9.2% increase. The number of salaried employee positions in February was 3.923 million - a 1.7% decline compared to February 2023 (3.991 million). The housing market - a comparison of prices in transactions executed in January 2024 - February 2024, compared with prices in transactions executed in December 2023 - January 2024 indicated that housing prices increased by 1.0%. 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. A couple of months later, the rating agency S&P announced the downgrade of the rating of Israel by one notch from AA- to A+, with the agency expressing concerns regarding a full-scale conflict with Iran and an increase in the deficit due to the high expenses of the War.
Inflation data	In the first three months of 2024, inflation increased by 1%, and in the past twelve months the Consumer Price Index increased by 2.7%, which is in line with 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 EUR. Since the beginning of 2024, the USD has strengthened by approx. 2% against the NIS, and the USD-NIS trade is highly volatile.
Changes in interest rates and returns	In January 2024, the Monetary Committee decided to cut the interest rate by 0.25 percentage point to 4.5%. In February and in April, the Monetary Committee decided to leave the interest rate unchanged.

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

In %	Q1 2024	Q1 2023	For 2023
Share indices in Israel			
TA 35	**7.8**	(3.2)	3.8
TA 90	**10.9**	(9.0)	4.3
TA 125	**8.3**	(4.8)	4.1
TA Growth	**16.7**	(5.7)	3.1
Bond indices in Israel			
General	**0.6**	0.0	3.8
Tel Bond-CPI Linked	**1.7**	0.3	5.9
Tel Bond-Shekel	**1.1**	(0.7)	5.3
CPI-Linked Government Bonds	**(0.5)**	0.7	(0.4)
Government - NIS	**(0.5)**	(0.4)	1.4
Share indices across the world			
Dow Jones	**5.6**	(1.5)	13.5
NASDAQ	**9.1**	14.5	43.6
Nikkei Tokyo	**20.6**	6.5	28.2
CAC Paris	**8.8**	10.6	14.8
FTSE London	**2.8**	1.5	3.0
DAX Frankfurt	**10.4**	10.4	19.1
MSCI WORLD	**8.5**	6.4	23.1
S&P 500	**10.2**	7.4	24.0

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

Global economic developments

During the first quarter of 2024 inflation was on the rise in the United States, and markets' assessments changed with regard to the rate of interest rate cuts by the Federal Reserve. The geopolitical tensions in the world continue amid the trade war, the war between Russia and Ukraine and the tensions in the Middle East. The effects of the Russia-Ukraine war on the global economy have, indeed, lessened, and concerns about an energy crisis in Europe have subsided; however, further export restrictions were imposed on China by the United States in the field of semiconductors.

United States - during the first quarter, inflation in the United States was surprisingly high, which led the market to reprice the rate of interest rate cuts in the United States; at the beginning of 2024, the market priced 7 interest rate cuts during 2024, and as of the end of the first quarter, the market priced only approx. 3.5 cuts. GDP data for the first quarter indicated a growth rate of 1.6%, a decline from 3.4%, and lower than the forecast, which stood at 2.5% (annualized). As of the end of the quarter, inflation stands at 3.5% (annualized), and core inflation stands at 3.8%. The labor market remains strong, with unemployment rate remaining low at 3.8% (as of the end of the first quarter of 2024), and there is a continuous increase in the number of new positions that become available every month.

Europe - in the first quarter, the economy in the Eurozone grew by 0.4% (annualized), which is an improvement compared to the previous quarter and a rate which exceeded expectations. The European Central Bank left the interest rate unchanged at 4.5% during the first quarter, in view of a slowdown in inflation in the EU (annual rate of 2.4% as of March 2024); as of the end of the quarter, market expectations price 3 interest rate cuts by the end of 2024. The European Central Bank continues to cut back its bonds purchase plans. The unemployment stabilized and stood at 6.5% as of February.

China - the expectation that the Chinese economy will recover has not yet been fulfilled due to many economic issues, including high youth unemployment rate and a debt crisis, mainly among real estate companies. The economy has grown by 5.3% in annualized terms. However, the government and the People's Bank of China continue to use fiscal and monetary tools to encourage the recovery of the economy. The mutual regulatory restrictions between the United States and China in connection with the exportation of semiconductors to China and the use of western semiconductors continue.

4. Restrictions on and Supervision of the Corporation's Business

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

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

4.1 General

4.1.1 Draft Regulations regarding Economic Competition and Minimizing Market Concentration (Financial Entity) (Amendment No. 1), 2024

Further to Section 9.2.1 to the Description of the Corporation's Business chapter to the Company's 2023 Periodic Report regarding the Law for the Economic Competition and Minimizing Market Concentration, 2013 (hereinafter - the "**Market Concentration Law**"), which imposed restrictions on simultaneous holding in financial entities and non-financial entities, regarding the position of the Capital Market Authority and the Taskforce for Assessing Concentration to the effect that an issuing corporation of an insurer should be deemed a financial entity, and regarding the publications on the position of the Market Concentration Committee regarding the definition of an insurer's issuing corporation as a non-financial entity -

in May 2024 the Draft Regulations regarding Economic Competition and Minimizing Market Concentration (Financial Entity) (Amendment No. 1), 2024 was published, as part of which it is suggested to expand the list of entities, which will be included in the definition of "financial entities" in the Concentration Law, such that, among other things, it will also include an insurer's issuing corporation.

If the Draft Regulations become binding, this will trigger the definition of Clalbit Finance as a financial entity, such that if the amount of Clalbit Finance's liabilities will not be taken into account together with the other liabilities of the Clal Holdings and of the non-financial corporations controlled by the Clal Holdings Group, and Clal Holdings will be allowed to continue holding the Company and Clalbit Finance even if their total liabilities will exceed the threshold of liabilities, which a non-financial entity holding a significant financial entity may have.

4.1.2 Class Action Memorandum of Law

Further to Section 9.2.7 to the Description of the Corporation's Business chapter to the Company's 2023 Periodic Report regarding the recommendations of the Inter-Ministerial Taskforce on Assessing the Arrangements Set in the Class Actions Law, 2006, in May 2024, the draft bill of the Class Actions Law was published, which suggests to pass into law the taskforce's recommendations.

As part of the draft bill it is suggested, among other things, to add - in a format of a Temporary Order - a mechanism requiring that advance contact be made with a defendant prior to filing a certification motion, regarding specific types of causes of action and claims, including payment of fee for such advance contact; to set restrictions as to the filing of claims for a remedy in the form of compensation regarding certain types of causes of action and claims; to give the court the power to strike out oppressive and vexatious motions; to set uniform and clear rules regarding compensation and legal fees, including the option of a compensated withdrawal and subjecting the payment of legal fees to a representing attorney to the condition that the settlement agreement will be implemented; to set 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 in causes of action pertaining to securities laws; to set mechanisms pertaining to compensation between class members, including granting a remedy in kind; to set an orderly mechanism for approval of a settlement agreement by a mediator; to set an outline for ruling legal fees and compensation to the applicant or the lead plaintiff; to set a requirement whereby the applicant or their attorney will be subject to legal expenses if the certification motion/class action was filed or conducted in bad faith; to require a lead plaintiff to note the number of class actions they filed in a calendar year and to limit this number to 5 actions per year; to allow organizations to file class actions; and to set a requirement to take other considerations into account, when hearing a certification motion against an insurer or a management company on the grounds of breaching the long-term savings circular (as defined in the draft bill), such as the existence of a regulatory approval for the relevant action, the time, which has elapsed since the contract was signed; evidential difficulties; changes in the legislative arrangement since the contract signing date; the extent of the damage to the insurer/management company if the motion is certified, and the interests of the class members in the certification of the motion. It is also suggested that if a motion will be filed to dismiss the motion to certify for the above reasons, and the court believes that there is merit to the dismissal motion, the Attorney General will be asked to present their position regarding this argument.

At this preliminary stage, the Company is unable to assess the effects of the above proposed provisions, whose effect on the scope of Group companies' exposure to class actions depends, among other things, on the final wording of the provisions and on the manner by which they are implemented and interpreted by the different courts. However, making the provisions pertaining to conducting legal proceedings regarding breach of the long-term savings circular binding may reduce the Company's exposure to class actions in this segment.

The Company's assessments regarding the effects of the draft bill of the Class Actions Law 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 the final wording of the amendment of the Class Actions Law if it is amended, the actual manner of implementation of the provisions of the amendment, and the behavior of various external parties in relation to the provisions of the law.

4.2 *Long-Term Savings*

4.2.1 Investment Track Reform

Further to Section 9.5.5(c) to the Description of the Corporation's Business chapter to the Company's 2023 Periodic Report regarding the provisions of the Investment Tracks in Provident Funds Circular -

In April 2024, an amendment to the Investment Tracks in Provident Funds Circular was published, the key points of which are:

1. Amendment of the list of the investment tracks, which may be managed on the date on which the circular will come into effect - cancelling the provision allowing the setting up of a specializing flexible track and adding the option to set up a combined bonds and shares track (up to 25% shares).
2. Setting restrictions on the investment policy in specific tracks.

There is uncertainty as to the implications of the Investment Tracks Circular on the competitive conditions in the market - due to, among other things - the combination of the terms and conditions of the investment track reform and the changes in the Direct Expenses Regulations, the large number of investment tracks - which may generate excess information, and a difficulty in comparing between the performances of the various tracks, the caps on management fees to be set by the institutional entities, and the management fees to be collected in practice.

4.3 *P&C Insurance*

Further to Sections 7.1.1.2(b3) and 7.1.1.2(b4) to the Description of the Corporation's Business chapter in the Company's 2023 Periodic Report, in May 2024, the Commissioner published Insurance Circular 2024-1-7 - Amendment of the Consolidated Circular Title 6 Part 2 - Provisions in the Motor Property Subsegment (hereinafter - "**Amendment of the Provisions of the Consolidated Circular regarding the Motor Property Subsegment**"); and Insurance Circular 2024-1-6 - Filing of Insurance Plans in the Motor Property Subsegment (hereinafter - the "**Filing of Insurance Plans in the Motor Property Subsegment Circular"**). These provisions constitute a comprehensive regulation of the motor property claims process; they include various provisions regarding the wording of motor property policies, and the disclosure provided by the insurer to the policyholder in the pre-contractual phase (hereinafter jointly - the "**Reform in the Motor Property Subsegment**").

The Filing of Insurance Plans in the Motor Property Subsegment Circular stipulates that the insurance company will revise the wording of the disclosure it is required to give policyholders (as determined in a decision in principle of September 19, 2023 regarding the payment of reduced insurance benefits due to a difference in spare parts prices), such that if damage is reduced in an auto repair shop, which does not participate in the arrangement, due to reduction of the insurance benefits by the amount of the difference between the cost of the spare parts when the vehicle is repaired in an auto repair shop, which does not participate in the arrangement, compared to the cost in an auto repair shop, which participates in the arrangement, the insurance company will meet its obligations to act in good faith and fairly towards the policyholder. As part of the revision of the disclosure rules, it is determined, among other things, that the insurance company will disclose to a policyholder, which is insured under the insurance plan, the rules regarding the reduction of the insurance benefits in the event of damage reduction. The reduction rules will be submitted for approval by the Authority as part of an application to approve an insurance plan and set criteria will be taken into account. It was also determined that in a motor property insurance plan, it will be stipulated that if a policyholder, who opted to repair the vehicle in an what is stated shop, which does not participate in the arrangement, reported the insured event to the insurance company before repairing the vehicle and took the reasonable measures as advised by the insurance company, and the auto repair shop agreed to accept the terms and conditions of the insurance company's arrangement before repairing the vehicle, the insurance company will deduct a deductible from the insurance benefits as if the policyholder repaired their vehicle in an auto repair shop, which participates in the arrangement. The circular also stipulates 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, except in cases approved by the Authority in the insurance plan (hereinafter - the "**Provision regarding Constructive Total Loss**"). The circular's effective date is September 1, 2024; however, the provisions regarding total constructive loss shall be binding as from the day of coming into force of the amendment to the definition of "total loss" in the Traffic Regulations, 1961, regarding the selection of "total loss" appraiser for the vehicle.

The Amendment of the Provisions of the Consolidated Circular regarding the Motor Property Subsegment stipulates - in connection with auto repair shops - that an insurance company should conduct negotiations with any auto repair shop wishing to serve as an agreed auto repair shop, which provides services to its policyholders or to a third party (hereinafter - "**Agreed auto repair Shop**"), and allow any other auto repair shop with similar characteristics - based on the same service criteria, which were set by the insurance company - to engage with it in an identical agreement. If the auto repair shop does not have characteristics similar to those of an Agreed auto repair Shop, the insurance company will not refuse to sign an agreement, but it will be modified as required.

It was further stipulated that an insurance company will not refuse contracting an auto repair shop in an agreement, which defines it as an Agreed auto repair Shop, if such refusal is based on criteria listed in the consolidated circular, including one of the following: The auto repair shop's scope of activity; the size of the auto repair shop; the number of employees in the auto repair shop; and the characteristics of the auto repair shop's customers, including the type of vehicles repaired in the auto repair shop; the auto repair shop's being a part of a chain of auto repair shops.

In addition, principles were established which the contract between the insurance company and the authorized auto repair shop should include, as well as minimum terms and conditions for the contract between the insurance company and Authorized Auto Repair Shop, which establish, among other things, that the price of an hour worked shall be in accordance with that which was agreed between the Authorized Auto Repair Shop and the insurance company; the cost of spare parts shall be in accordance with the discount that the Authorized Auto Repair Shop will undertake to give the insurance company, or alternatively - the Authorized Auto Repair Shop will undertake that the price of the spare parts it will supply will not exceed the price of the spare part which was purchased by the insurance company or which 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 or any other commercial term or condition regarding the cost of the repair agreed upon between the parties (hereinafter - the "**Alternatives for Charging for Spare Parts Costs**"); an Authorized Auto Repair Shop shall only begin 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 Authorized Auto Repair Shop in an agreement that caps the car repair amount or sets an average car repair cost; the insurance company may cancel the agreement with an Authorized Auto Repair Shop only after the auto repair shop was given the option to remedy the breach, with the exception of exclusions.

Regarding preventing conflict of interest, it was determined 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.

With regard to appraisers, it was determined, among other things, that if an appraiser is selected out of a pool of appraisers offered by the insurance company, 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. Also includes the Consolidated Circular - 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 was further determined 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 was determined 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.

The appraiser will be selected randomly from the pool. 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 mechanism set forth in the circular.

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 Circular, while giving the insurance company the option to appeal the appraisal before a deciding appraiser mechanism. Furthermore, the circular sets provisions for the implementation and operation of a deciding appraiser mechanism.

It was also determined 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 circular sets various provisions regarding disclosure, transparency and extensive disclosure and documentation provisions, both prior to the policy purchase date and on the date of the claim.

Also provided for were 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 Reform in the Motor Property Subsegment, 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, which may be material: The amendments regarding insurers' monitoring of the cost of spare parts may lead to a decrease in spare part costs; giving each auto repair shop the option to serve as an Agreed auto repair Shop may reduce insurance companies' monitoring capabilities, including in relation to fraud, detract from economies of scale, and increase the claim settlement costs; the setting up of the appraisers pool mechanism, its functioning and effect on the claims settlement costs depend, among other things, on appraisers' willingness to be included in the pool, on the supply of appraisers, their fees, and the number of referrals to a deciding appraiser mechanism; a discount in deductible to policyholders where auto repair shops, which do not participate in the arrangement, will agree to comply with the arrangement regarding spare parts may increase the number of repairs in those auto repair shops, the cost of claim settlement in which is expected to be higher than that of the auto repair shops, which participate in the arrangement; in the opinion of Clal Insurance, it is impossible to predict the effect of the cancellation of the constructive total loss mechanism, and of the expected amendment of the definition of total loss in the Traffic Regulations, 1961, and those effects depend, among other things, on the promotion of the Ministry of Transport's regulation of the cost of spare parts.

The information regarding the motor property reform constitutes forward-looking information, based on information in the Company's possession on the report date. Actual results may vary from those predicted, and depend, among other things, on the promotion of the Ministry of Transport's regulation of the cost of spare parts, the definition of "market price", and the amendment of the Traffic Regulations regarding "total loss", the behavior of suppliers of spare parts, the auto repair shops, the appraisers, the agents, the customers and the competing entities, and the conduct of the relevant regulators, including the Ministry of Transport and the Capital Market, Insurance and Savings Authority.

4.4 Max's Activity

4.4.1 Banking Law (Licensing)

Further to Section 15.1.1 to the Description of the Corporation's Business chapter to the Company's 2023 Periodic Report regarding draft policies and general conditions for those applying for a holding permit in banking corporations, acquirers and corporations which hold them, in which it was stipulated that the permits that were granted by virtue of the policy applicable on the publication date will expire on December 31, 2029 -

In March 2024 the Banking Supervision Department published draft policies and general conditions for those applying for a holding permit in banking corporations, acquirers and corporations which hold them. This paper is published further to previous publications of the Bank of Israel regarding holding and control permits in banking corporations, and stipulates, among other things, principles for issuance of holding permits through the holdings of means of control, including economic resilience and personal and business integrity of those who applied for a permit, and sets forth specific provisions regarding a holding permit applicant, which is private equity fund.

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 to the Company's Description of the Corporation's Business Report for 2023.

4.4.2 Plan for Establishing the Interchange Fee

Further to Section 15.1.5 to the Description of the Corporation's Business chapter to the Company's 2023 Periodic Report regarding the exemption given to the interchange acquiring arrangement between the credit cards companies of April 2018, and regarding a new request to approve the validity of the exemption - on May 15, 2024, the Israel Competition Authority decided to grant an exemption from approval of a cartel clearance in connection with the interchange acquiring arrangement through December 31, 2028, under conditions which are not materially different from those of the previous exemption.

4.4.3 The Prevention of Economic Damage to the Consumer (Legislative Amendments), 2024 bill

On March 10, 2024, the Ministerial Committee for Legislation decided to support the bill, which includes, among other things, a proposed amendment to the Consumer Protection Law, whose aim is to give the government officer charged with consumer protection the power to determine that a dealer (or someone who is associated therewith) committed aggravated breach, and to deliver information regarding such a determination to a payment services provider; and legislative amendments, whose purpose is to regulate the obligations of payment services providers, where such notice was issued: Discontinuation of the transfer of funds, which are supposed to be paid to such a beneficiary as from the notice date, and holding such funds until the court issues a decision, or for the purpose of repaying them to the payor at the request of the beneficiary. Furthermore, it was stipulated that an entity providing payment services to a beneficiary will not engage with a beneficiary, in respect of which such a notice was issued or published, for a period of two years from the notice receipt or publication date.

4.4.4 The Iron Swords War

Further to Section 15.1.20 to the Description of the Corporation's Business chapter to the Company's 2023 Periodic Report regarding various provisions published by the Banking Supervision Department and the Bank of Israel following the Iron Swords War -

- On March 31, 2024, the Banking Supervision Department published adjustments to the provisions of Proper Conduct of Banking Business Directives for dealing with the Iron Swords War (Temporary Order), which cancelled most of the expedients granted under the Temporary Order of February 2024, which prescribed expedients regarding the implementation of Proper Conduct of Banking Business Directives 367 and 420 and regarding identification requirements in the context of prohibition on money laundering and financing of terrorism.
- The support outline aimed at assisting the customers of credit card companies to deal with the effects of the Iron Swords War, which was published by the Banking Supervision Department in October 2023 and which was adopted by the credit card companies, was extended a number of times, with various changes, the latest of which was approved at the end of March 2024.

5. Exposure to Market Risks and Management Thereof

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, Disclosure on exposure to, and management of, market risks relates to exposures of the Company and its consolidated companies, except for Mivtachim in Israel and an acquirer.

In February 2024, CIMax repaid the full balance of its syndicated loan, totaling an amount of approx. NIS 891 million. This loan has borne variable interest; therefore, after its repayment there were no material changes in the Company's exposure to market risks and their management during the Reporting Period compared to the Annual Financial Statements.

Linkage bases report as of March 31, 2024

	NIS		Foreign currency							
In NIS million	Non-linked	CPI-linked	USD	EUR	GBP	Other	Other non-monetary items	Credit card company in Israel	Israeli insurance company	Total
Intangible assets	-	-	-	-	-	-	917	222	1,067	2,206
Deferred tax assets	-	-	-	-	-	-	8	126	3	137
Deferred acquisition costs	-	-	-	-	-	-	5	-	2,572	2,577
Property, plant & equipment	-	-	-	-	-	-	19	116	171	307
Right-of-use asset	-	-	-	-	-	-	92	193	386	672
Investments in associates	-	-	-	-	-	-	119	-	63	182
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	-	-	3,852	3,852
Investment property - other	-	-	-	-	-	-	-	-	1,501	1,501
Reinsurance assets	-	-	-	-	-	-	-	-	3,877	3,877
Current tax assets	-	4	-	-	-	-	-	24	116	144
Receivables for credit card transactions, net	-	-	-	-	-	-	-	15,891	-	15,891
Receivables and debit balances	56	10	-	-	-	-	1	46	906	1,020
Collectible premiums	4	-	-	-	-	-	-	-	879	883
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	-	-	85,489	85,489
Other financial investments										
Liquid debt assets	3	-	15	-	-	-	-	-	6,246	6,265
Illiquid debt assets	-	-	-	-	-	-	-	-	24,813	24,813
Shares	-	-	-	-	-	-	28	-	1,779	1,807
Other	35	-	-	-	-	-	-	-	5,850	5,886
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	-	-	5,025	5,025
Other cash and cash equivalents	81	-	1	-	-	-	-	591	1,560	2,233
Total assets	180	14	16	-	-	-	1,189	17,209	146,156	164,765

Linkage bases report as of March 31, 2024 (cont.)

In NIS million	NIS		Foreign currency				Other non-monetary items	Credit card company in Israel	Israeli insurance company	Total
	Non-linked	CPI-linked	USD	EUR	GBP	Other				
Liabilities										
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	-	-	-	-	-	-	-	-	35,052	35,052
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	-	-	93,302	93,302
Deferred tax liability	-	-	-	-	-	-	12	-	651	664
Liabilities for employee benefits, net	23	-	-	-	-	-	-	24	45	92
Lease liabilities	-	109	-	-	-	-	-	193	467	769
Payables for credit card transactions	-	-	-	-	-	-	-	9,074	-	9,074
Payables and credit balances	135	-	-	-	-	-	1	515	3,287	3,938
Current tax liabilities	-	-	-	-	-	-	-	67	1	68
Financial liabilities	1,525	-	-	-	-	-	-	5,526	5,939	12,990
Total liabilities	1,683	109	-	-	-	-	13	15,399	138,744	155,948
Total exposure	(1,503)	(95)	16	-	-	-	1,176	1,810	7,412	8,817

6. Risk Review for Max

For an extensive description of the effect of the Iron Swords War on Max's risks and how they are managed, see the Iron Swords War chapter at the beginning of Max's Report of the Board of Directors and Management. For an extensive description of Max's risks and their management, see Max's 2023 Financial Statements (pp. 71-90).

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, ESG risks and model risk embodied in 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.

<u>Credit risk management</u>
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.

<u>The credit policy</u>
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 the provisions of 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), 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 own 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 credit scoring models, that include various scoring scales, and an additional score in case of default, in combination with business rules.

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

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

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

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

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

Underwriting of credit to private individuals

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

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

Commercial credit

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

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

Underwriting commercial credit

This credit is advanced to small and micro merchants and limited liability companies. Max operates based on a tight credit policy that integrates internal restrictions on underwriting and on the management of the credit activity. A large portion of the credit advanced to merchants is aimed at merchants for which Max serves as an acquirer. The acquiring does not serve as a collateral against credit advanced to the merchants; however, it does serve as a source for debt settlement. Alongside with its activities with customers that use its acquisition services, 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 for factoring 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	March 31, 2024				March 31, 2023				December 31, 2023			
	Com-mercial	Private indivi-duals	Others	Total	Com-mercial	Private indivi-duals	Others	Total	Com-mercial	Private indivi-duals	Others	Total
	(Unaudited)				(Unaudited)				(Audited)			
Credit risk in credit performance rating:(1)												
On-balance-sheet credit risk	**1,225**	**12,428**	**2,223**	**15,876**	1,182	12,249	2,307	15,738	1,121	11,713	2,193	15,028
Off-balance-sheet credit risk	**601**	**21,976**	**12,877**	**35,454**	510	19,461	12,028	31,999	544	20,974	13,094	34,612
Total credit risk in credit performance rating	**1,826**	**34,404**	**15,101**	**51,330**	1,692	31,710	14,335	47,737	1,665	32,687	15,287	49,640
Credit risk not in credit performance rating:												
Non-troubled	**12**	**376**	**-**	**388**	10	325	-	335	13	363	-	376
Troubled performing	**38**	**333**	**-**	**371**	13	277	-	290	40	341	-	381
Troubled non-performing	**27**	**150**	**-**	**177**	9	105	-	114	27	148	-	175
Total on-balance sheet credit risk	**77**	**859**	**-**	**936**	32	707	-	739	80	852	-	932
Off-balance-sheet credit risk	**2**	**26**	**-**	**28**	1	26	-	27	2	30	-	32
Total credit risk not in credit performance rating	**79**	**885**	**-**	**964**	33	733	-	766	82	882	-	964
Overall credit risk incl. of the public	**1,905**	**35,289**	**15,101**	**52,294**	1,725	32,443	14,335	48,503	1,747	33,569	15,287	50,604
Additional information on total non-performing assets:												
Non-performing debts	**27**	**150**	**-**	**177**	9	105	-	114	27	148	-	175
Total non-performing assets	**27**	**150**	**-**	**177**	9	105	-	114	27	148	-	175

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

	For the three-month period ended March 31						For the year ended December 31, 2023		
	2024			2023					
In NIS million	Com-mercial	Private indivi-duals	Total	Com-mercial	Private indivi-duals	Total	Com-mercial	Private indivi-duals	Total
	(Unaudited)						(Audited)		
Outstanding balance of non-performing debts as of the beginning of period	**27**	**148**	**175**	9	105	114	9	105	114
Loans classified as non-performing during the period	**10**	**97**	**107**	2	77	79	37	362	399
Performing interest income	**-**	**-**	**-**	-	-	-	-	-	-
Non-performing debts written-off from the books of accounts	**(6)**	**(58)**	**(64)**	(2)	(28)	(30)	(13)	(167)	(180)
Repaid non-performing debts	**(4)**	**(37)**	**(41)**	(6)	(42)	(48)	(12)	(145)	(157)
Balance of non-performing as of the end of the period	**27**	**150**	**177**	9	105	114	27	148	175

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

	As of March 31, 2024		
	Com-mercial	Private indivi-duals	Total
	%		
Credit quality analysis			
Rate of non-accruing receivable balance of receivables for credit card transactions	**2.06**	**1.12**	**1.21**
Rate of non-accruing or 90 days or more in arrears receivable balance of receivables for credit card transactions	**2.06**	**1.12**	**1.21**
Rate of troubled credit out of receivables for credit card transactions	**4.95**	**3.61**	**3.73**
Rate of credit not in credit performance rating of the balance of receivables for credit card transactions	**5.86**	**6.42**	**6.37**
Analysis of expenses for credit losses for the reporting period			
Rate of expenses in respect of credit losses out of the average balance of receivables for credit card transactions	**1.57**	**1.11**	**1.15**
Rate of net write-offs of the average balance of receivables for credit card transactions	**1.57**	**1.60**	**1.59**
Analysis of credit loss provision			
Rate of balance of credit loss provision of the balance of receivables for credit card transactions	**4.80**	**2.18**	**2.42**
Rate of balance of provision for credit losses of the balance of non-performing receivables for credit card transactions	**233.33**	**194.67**	**200.56**
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**	**194.67**	**200.56**
Rate of net write-offs of the balance of provision for credit losses for receivables for credit card transactions	**31.75**	**71.23**	**64.23**

Indicators of analysis of credit quality, expenses and credit loss provisions: (cont.)

	As of March 31, 2023		
	Com-mercial	Private indivi-duals	Total
	%		
Credit quality analysis			
Rate of non-accruing receivable balance of receivables for credit card transactions	0.78	0.82	0.81
Rate of non-accruing or 90 days or more in arrears receivable balance of receivables for credit card transactions	0.78	0.82	0.81
Rate of troubled credit out of receivables for credit card transactions	1.90	2.97	2.88
Rate of credit not in credit performance rating of the balance of receivables for credit card transactions	2.76	5.50	5.27
Analysis of expenses for credit losses for the reporting period			
Rate of expenses in respect of credit losses out of the average balance of receivables for credit card transactions	1.10	1.65	1.61
Rate of net write-offs of the average balance of receivables for credit card transactions	0.37	0.73	0.70
Analysis of credit loss provision			
Rate of balance of credit loss provision of the balance of receivables for credit card transactions	3.11	2.15	2.23
Rate of balance of provision for credit losses of the balance of non-performing receivables for credit card transactions	400.00	262.86	273.68
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	400.00	262.86	273.68
Rate of net write-offs of the balance of provision for credit losses for receivables for credit card transactions	11.11	33.33	30.77

	As of December 31, 2023		
	Com-mercial	Private indivi-duals	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 out 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 out 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 credit loss provision 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 the first quarter of 2024, there was no material change in Max'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 339, Management or Market Risks, defines market risk as 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).

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.

<u>Exposure to interest rate risk</u>

Proper Conduct of Banking Business Directive No. 333 regarding management of interest rate risk defines the interest rate risk as the risk to earnings or capital arising from fluctuating interest rates. Changes in interest rates affect Max's income by changing its net interest income (including changes in non-interest income/expenses). Changes in interest rates also affect the value of Max's assets, liabilities and off-balance sheet instruments, since the present value of future cash flows (and in some cases, the cash flows themselves) changes when interest rates change.

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

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

  Changes in interest rates might cause an increase in prices of sources, and an erosion in profitability.

- Basis risk - a risk arising from imperfect correlation between interest rate changes in different financial markets, or different instruments with similar repricing characteristics. Alongside 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 (with fixed interest).

- Fair value exposure - Max's assets include balances that do not bear interest. When interest rates are changed, an exposure might arise that will lead to a decrease in Max's fair value. The exposure even increases if the average duration of the financial assets vary from that of the financial liabilities.

- Yield curve risk - a risk in which Max's income will be adversely affected by a parallel shift of the yield curve or by a change in its shape.

<u>Basis risk management</u>

The assessment of the exposure to the basis 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 income in accordance with the profits approach. The exposure arises, among other things, from the difference between the repayment dates and interest calculation dates of the assets and liabilities in each of the linkage bases. The mitigation of the interest rate risk also includes an assessment of the differences between the assets and the liabilities in accordance with the linkage bases, where most of Max's exposure lies in the shekel linkage base.

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

Derivative financial instruments

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

Following 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:

	March 31, 2024				
	NIS		Foreign currency *		
In NIS million	Non-linked	CPI-linked	USD	Other	Total
Financial assets	**15,828**	**359**	**165**	**41**	**16,393**
Financial liabilities	**14,557**	**243**	**73**	**5**	**14,878**
Net fair value of financial instruments	**1,271**	**116**	**92**	**36**	**1,515**

	March 31, 2023				
	NIS		Foreign currency *		
In NIS million	Non-linked	CPI-linked	USD	Other	Total
Financial assets	15,627	76	70	26	15,799
Financial liabilities	14,309	75	99	-	14,483
Net fair value of financial instruments	1,318	1	(29)	26	1,316

	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: Fair value of Max's financial instruments excluding non-monetary items:

	March 31, 2024				
	NIS		Foreign currency *		
In NIS million	Non-linked	CPI-linked	USD	Other	Total
Concurrent changes					
Concurrent increase of 1%	**8**	**1**	**-**	**-**	**9**
Simultaneous decrease of 1%	**(8)**	**(1)**	**-**	**-**	**(9)**
Non-concurrent changes					
Steepening	**4**	**-**	**-**	**-**	**4**
Flattening	**(4)**	**-**	**-**	**-**	**(4)**
Short-term interest rate increase	**(4)**	**-**	**-**	**-**	**(4)**
Short-term interest rate decrease	**4**	**-**	**-**	**-**	**4**

In NIS million	March 31, 2023				
	NIS		Foreign currency *		
	Non-linked	CPI-linked	USD	Other	Total
Concurrent changes					
Concurrent increase of 1%	-	-	-	-	-
Simultaneous decrease of 1%	-	-	-	-	-
Non-concurrent changes					
Steepening	3	-	-	-	3
Flattening	(4)	-	-	-	(4)
Short-term interest rate increase	(7)	-	-	-	(7)
Short-term interest rate decrease	7	-	-	-	7

In NIS million	December 31, 2023				
	NIS		Foreign currency *		
	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 and noninterest finance income:

In NIS million	March 31, 2024		
	Interest income	Noninterest finance income	Total
Concurrent changes			
Concurrent increase of 1%	**39**	-	**39**
Simultaneous decrease of 1%	**(39)**	-	**(39)**

In NIS million	March 31, 2023		
	Interest income	Noninterest finance income	Total
Concurrent changes			
Concurrent increase of 1%	36	-	36
Simultaneous decrease of 1%	(36)	-	(36)

In NIS million	December 31, 2023		
	Interest income	Noninterest finance income	Total
Concurrent changes			
Concurrent increase of 1%	44	-	44
Simultaneous 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 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 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.

CPI risk management

Max's exposure to the risk in connection with the CPI is reflected in a loss it may incur as a result of changes therein.

Max's exposure to the risk as a result of CPI-linked activities is immaterial and arises mainly from interest-bearing credit.

Max defined a maximum exposure limit to the CPI after hedging actions. The hedging of the exposure in accordance with Max's policy through, among other things, using financial derivatives, while maintaining the limit set and acting in accordance with the decision of the management and the Board of Directors.

Liquidity and financial risk

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

Max has a number of activities that affect its liquidity:

- Cash flows from core activities, that is to say, issuance, 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.

On July 1, 2021, a directive entered into effect regarding a daily acquiring 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 or deferred payment transactions) are carried out on a daily basis. Consequently, there was a decrease in Max's funding needs, due to a decrease in the average utilization of the credit facilities compared with periods prior to the date on which the arrangement came into effect. The development of this trend depends on the conditions in the acquiring 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 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 Max's Report of the Board of Directors for 2022 and Disclosure of Additional Information about Risks, which have been posted on Max's website.

Operational risk

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

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

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

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

For further details about the operational risk, see Disclosure of Additional Information about Risks, which was posted on Max's website.

Other risks

Information security and cyber risk

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

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

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

Max’s information security and cyber security strategy paper defines its approach and objectives regarding information security and cyber security in accordance with Max’s business strategy. The paper aims to constitute a framework for the information security and cyber security policy and work procedures in this field, which define the management and implementation principles, areas of responsibility, the relevant officers and their powers, and the operations and technologies used by Max. As part of the preparations it makes to deal with the various 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 Max’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 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. Consequently, decisions regarding the legal policy are made jointly by the business functions and by the legal counsels.

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

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

Regulatory risk

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

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

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

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

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 continuously assessing its strategy, including, among other things, the following activities:

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

Reputational risk

Reputational risk is the potential that negative publications, market rumors, or the public perception regarding the operating methods of Max and its employees, will have an adverse effect on its reputation, and lead to a decline in its customer base, or result in high legal costs, or a decrease in 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 the income and capital of Max may be adversely affected by a deterioration in the macroeconomic environment in Israel and across the world. Max's business strategy and capital planning include assumptions, that are derived, among other things, from the macroeconomic environment, and Max assesses and evaluates the effect of the changes in the macroeconomic environment on its business results and capital planning.

The high interest rate environment is onerous for consumers and merchants and might affect the credit risk. Max monitors and mitigates this risk continuously, and 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 on the back of the geopolitical uncertainty, including the Iron Swords War and the effect of the downgrade of the rating of the State of Israel.

Max is assessing its ability to withstand adverse developments in the macroeconomic environment using 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)

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.

The Banking Supervision Department's directives on principles for effective management of climate-related financial risks were published in June 2023 and the Company monitors developments in the regulation and the relevant requirements and works accordingly to implement the guidance.

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 the Company 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.

7. Disclosure regarding Financial Reporting of the Corporation

7.1. Reporting Critical Accounting Estimates

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

7.2. Contingent Liabilities

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

7.3. Internal Control over Financial Reporting and Disclosure

7.3.1. Securities Regulations

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

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

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

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

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

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

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

According to the Commissioner's circulars, which are based on Section 302 and Section 404 of the SOX Act, and as detailed 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 the Committee of Sponsoring Organizations of the Treadway Commission (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 quarterly report in accordance with the provisions of the law and the reporting provisions set by the Commissioner, and on the date set out in these provisions.

During the quarter ending March 31, 2024, no changes took place in the internal control over financial reporting of the Group's institutional entity that had a material effect, or is expected to have a material effect, on the institutional entity's internal control over financial reporting.

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

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

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

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

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

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

7.3.5 Management's Responsibility for Internal Control over Financial Reporting (SOX Act 404)

Evaluation of disclosure controls and procedures:

Max's management, with the cooperation of its CEO and Chief Accountant, have evaluated the effectiveness of Max's disclosure controls and procedures as of the end of the reporting period. Based on this evaluation, Max 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 Max is required to disclose in its quarterly 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 first quarter ended March 31, 2024, no changes took place in Max's internal control over financial reporting that had a material effect, or is expected to have a material effect, on Max's internal control over financial reporting.

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

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

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

Tel Aviv, May 30, 2024

Clal Insurance Enterprises Holdings Ltd.

Condensed Consolidated Interim Financial Statements

as of March 31, 2024

(Unaudited)

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

Introduction

We have reviewed the accompanying financial information of Clal Insurance Enterprises Holdings Ltd. and its subsidiaries (hereinafter - the "**Group**"), including the condensed consolidated statement of financial position as of March 31, 2024 and the condensed consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of financial information for this interim period in accordance with the Israel Securities Regulations (Periodic and Immediate Reports), 1970, which pertain to holding companies of insurers and credit card companies, as described in Note 2(a) to the Financial Information. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

We did not review the condensed interim financial information of the equity-accounted investee, the investment in which amounted to approx. NIS 86 million as of March 31, 2024, and the Group's share in the income of which amounted to approx. NIS 3 million for the three-month period then ended. The condensed interim financial information of the company was audited by other independent auditors, whose review report was furnished to us, and our conclusion, insofar as it relates to financial information in respect of the company, is based on the review report of the other independent auditors.

Scope of the Review

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

Conclusion

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

Emphasis of matter

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

Tel Aviv,	Somekh Chaikin	Kost Forer Gabbay & Kasierer
May 30, 2024	Certified Public Accountants	Certified Public Accountants

Joint Independent Auditors

In NIS million	Note	As of March 31 2024	As of March 31 2023	As of December 31 2023
		Unaudited		Audited
Assets				
Intangible assets		**2,206**	(* 2,181	2,205
Deferred tax assets		**137**	153	104
Deferred acquisition costs		**2,577**	2,515	2,543
Property, plant & equipment		**307**	(* 317	302
Right-of-use asset		**672**	686	680
Investments in equity-accounted investees		**182**	178	180
Investment property in respect of yield-dependent contracts		**3,852**	3,801	3,839
Investment property - other		**1,501**	1,486	1,494
Reinsurance assets		**3,877**	4,544	3,805
Current tax assets		**144**	330	306
Receivables for credit card transactions, net	9	**15,891**	15,185	15,092
Receivables and debit balances		**1,020**	3,290	1,867
Collectible premium		**883**	895	837
Financial investments in respect of yield-dependent contracts	6	**85,489**	80,823	84,133
Other financial investments:	6			
Liquid debt assets		**6,265**	6,796	7,313
Illiquid debt assets		**24,813**	23,787	24,444
Shares		**1,807**	1,600	1,671
Other		**5,886**	4,996	5,836
Total other financial investments		**38,770**	37,179	39,265
Cash and cash equivalents in respect of yield-dependent contracts		**5,025**	5,418	4,418
Other cash and cash equivalents		**2,233**	2,717	2,548
Total assets		**164,765**	161,698	163,617
Total assets in respect of yield-dependent contracts	6	**95,249**	93,015	94,012

(*) Reclassified.

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

Consolidated Interim Statements of Financial Position (cont.)

		As of March 31		As of December 31
		2024	2023	2023
In NIS million	Note	Unaudited		Audited
Equity				
Share capital		**167**	167	167
Share premium		**2,394**	2,389	2,390
Capital reserves		**1,128**	908	1,005
Retained earnings		**5,056**	4,697	5,019
Total equity attributable to the Company's shareholders		**8,745**	8,161	8,581
Non-controlling interests		**72**	66	71
Total equity		**8,817**	8,226	8,652
Liabilities				
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts		**35,052**	34,287	34,176
Liabilities in respect of insurance contracts and yield-dependent investment contracts		**93,302**	89,740	91,665
Deferred tax liabilities		**664**	581	592
Liability for employee benefits, net		**92**	93	93
Lease liabilities		**769**	783	777
Payables for credit card transactions	10	**9,074**	8,649	8,091
Payables and credit balances		**3,938**	4,271	3,851
Current tax liability		**68**	26	21
Financial liabilities	6	**12,990**	15,041	15,699
Total liabilities		**155,948**	153,472	154,966
Total equity and liabilities		**164,765**	161,698	163,617

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

May 30, 2024			
Approval date of the financial statements	**Haim Samet** Chairman of the Board of Directors	**Yoram Naveh** CEO	**Eran Cherninsky** Executive Vice President Finance Division Director

Consolidated Interim Statements of Income

In NIS million	For the three-month period ended March 31		For the year ended December 31
	2024	(* 2023	(* 2023
	Unaudited		Audited
Premiums earned, gross	**2,660**	2,883	11,202
Premiums earned by reinsurers	**457**	428	1,708
Premiums earned - retention	**2,203**	2,455	9,495
Income from credit card transactions	**354**	-	1,083
Investment income, net and finance income	**4,551**	1,227	9,238
Income from management fees	**321**	307	1,259
Income from fees and commissions	**107**	93	390
Total income	**7,536**	4,081	21,464
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**6,229**	3,374	16,062
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**(276)**	(266)	(671)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**5,953**	3,108	15,391
Credit loss expenses	**41**	220	411
Credit card processing	**228**	-	739
Payments to banks	**54**	-	166
Fees and commissions, marketing expenses and other purchase expenses	**694**	579	2,613
General and administrative expenses	**272**	253	1,092
Impairment of intangible assets	**-**	-	5
Other expenses	**9**	4	40
Finance expenses	**208**	61	669
Total expenses	**7,459**	4,225	21,125
Share in results of equity-accounted investees, net	**2**	3	8
Income (loss) before income tax	**79**	(141)	347
Income tax expense (tax benefit)	**37**	(53)	124
Income (loss) for the period	**42**	(88)	223
Attributable to:			
Company's shareholders	**41**	(89)	220
Non-controlling interests	**1**	1	3
Income (loss) for the period	**42**	(88)	223
Earnings (loss) per share attributable to the Company's shareholders:			
Basic earnings (loss) per share (in NIS)	**0.51**	(1.20)	2.83
Diluted earnings (loss) per share (in NIS)	**0.51**	(1.20)	2.79
No. of shares used to calculate earnings per share (in thousand):			
Basic	**79,036**	74,284	77,870
Diluted	**79,204**	74,284	79,034

*) CIMax Group was consolidated for the first time as of March 31, 2023, such that its results were included as of that date. For further details, see Note 9 to the Financial Statements for 2023.

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

Consolidated Interim Statements of Comprehensive Income

In NIS million	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
Income (loss) for the period	**42**	(88)	223
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	**1**	5	7
Net change in fair value of financial assets classified as available for sale carried to capital reserve	**184**	(48)	398
Net change in fair value of available for sale financial assets carried to the profit and loss statement	**14**	3	(336)
Impairment loss of available-for-sale financial assets carried to the profit and loss statement	**1**	20	60
Other comprehensive income (loss) for the period carried or to be carried to profit and loss, before tax	**200**	(20)	128
Tax (tax benefit) in respect of available-for-sale financial assets	**77**	(9)	41
Tax for other components	-	1	2
Tax (tax benefit) for items of other comprehensive income carried or to be carried to profit and loss	**77**	(7)	43
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	**123**	(13)	86
Other comprehensive income (loss) for the period	**123**	(13)	86
Total comprehensive income (loss) for the period	**165**	(101)	309
Attributable to:			
Company's shareholders	**164**	(102)	305
Non-controlling interests	**1**	1	4
Total comprehensive income (loss) for the period	**165**	(101)	309

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

Consolidated Interim Statements of Changes in Equity

In NIS million	Share capital	Share premium	Transla-tion reserve	Capital reserve in respect of available-for-sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to Company's shareholders									
For the three-month period ended March 31, 2024 (unaudited)										
Balance as of January 1, 2024 (audited)	167	2,390	(2)	866	180	(39)	5,019	8,581	71	8,652
Income for the period	-	-	-	-	-	-	41	41	1	42
Other comprehensive income (loss) items:										
Foreign currency translation differences in respect of foreign operations carried to capital reserve	-	-	1	-	-	-	-	1	-	1
Net change in fair value of financial assets classified as available for sale carried to capital reserve	-	-	-	184	-	-	-	184	-	184
Net change in fair value of available for sale financial assets carried to the profit and loss statement	-	-	-	14	-	-	-	14	-	14
Impairment loss of available-for-sale financial assets carried to the profit and loss statement	-	-	-	1	-	-	-	1	-	1
Tax benefit (tax) for comprehensive income (loss) items	-	-	-	(77)	-	-	-	(77)	-	(77)
Other comprehensive income for the period, net of tax	-	-	1	122	-	-	-	123	-	123
Total comprehensive income for the period	-	-	1	122	-	-	41	164	1	165
Transactions with shareholders carried directly to equity:										
Exercise and expiry of options for senior employees	-	4	-	-	-	-	(4)	-	-	-
Balance as of March 31, 2024	167	2,394	(1)	988	180	(39)	5,056	8,745	72	8,817

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

Consolidated Interim Statements of Changes in Equity (cont.)

In NIS million	Share capital	Share premium	Transla-tion reserve	Capital reserve in respect of available-for-sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-con-trolling interests	Total equity
	Attributable to Company's shareholders									
For the three-month period ended March 31, 2023 (unaudited)										
Balance as of January 1, 2023 (audited)	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 (loss) for the period	-	-	-	-	-	-	(89)	(89)	1	(88)
Other comprehensive income (loss) items:										
Foreign currency translation differences in respect of foreign operations carried to capital reserve	-	-	5	-	-	-	-	5	-	5
Net change in fair value of financial assets classified as available for sale carried to capital reserve	-	-	-	(48)	-	-	-	(48)	-	(48)
Net change in fair value of available for sale financial assets carried to the profit and loss statement	-	-	-	3	-	-	-	3	-	3
Impairment loss of available-for-sale financial assets carried to the profit and loss statement	-	-	-	20	-	-	-	20	-	20
Tax benefit (tax) for comprehensive income (loss) items	-	-	(1)	9	-	-	-	7	-	7
Other comprehensive income (loss) for the period, net of tax	-	-	4	(17)	-	-	-	(13)	-	(13)
Total comprehensive income (loss) for the period	-	-	4	(17)	-	-	(89)	(102)	1	(101)
Transactions with shareholders carried directly to equity:										
Issuance of share capital (less issuance expenses)	5	249	-	-	-	-	-	253	-	253
Share-based payments	-	-	-	-	-	-	1	1	-	1
Issuance of convertible bonds (net of tax) - capital component (see Note 6)	-	13	-	-	-	-	-	13	-	13
Balance as of March 31, 2023	167	2,389	(3)	770	180	(39)	4,697	8,161	66	8,226

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

Consolidated Interim Statements of Changes in Equity (cont.)

In NIS million	Attributable to Company's shareholders: Share capital	Share premium	Translation reserve	Capital reserve in respect of available-for-sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
For the year ended December 31 2023 (audited)										
Balance 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 profit and loss statement	-	-	-	(337)	-	-	-	(337)	1	(336)
Impairment loss of available-for-sale financial assets carried to the profit and loss statement	-	-	-	60	-	-	-	60	-	60
Tax benefit (tax) for comprehensive income (loss) items	-	-	(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 6)	-	13	-	-	-	-	-	13	-	13
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(1)	(1)
Balance 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 interim financial statements are an integral part thereof.

Consolidated Interim Statements of Cash Flow

In NIS million	Appendix	For the three-month period ended March 31		For the year ended December 31
		2024	(* 2023	(* 2023
		Unaudited		Audited
Cash flows from operating activities				
before income tax	(a)	**885**	(3,889)	(4,072)
Income tax received (paid)		**135**	(63)	(240)
Net cash provided by (used in) operating activities		**1,020**	(3,953)	(4,312)
Cash flows from investing activities				
Credit provided to card holders and merchants, net		**(260)**	-	(428)
Proceeds from the disposal of an investment in financial assets by companies other than insurance and finance companies		**973**	12	106
Deferred payment in the Max acquisition		**-**	-	(380)
Investment in financial assets by companies other than insurance and finance companies		**(27)**	(8)	(908)
Investments in shares and loans in investees		**-**	-	(4)
Acquisition of a company consolidated for the first time net of cash received	(f)	**-**	(294)	(294)
Investment in property, plant and equipment		**(19)**	(3)	(32)
Investment in intangible assets		**(77)**	(33)	(296)
Net cash used for investing activities		**590**	(325)	(2,236)
Cash flows for financing activities				
Credit from banking corporations, net		**(1,356)**	-	46
Proceeds from the issue of subordinated notes and bonds (see Note 6)		**556**	400	2,071
Costs of issuing and exchanging subordinated notes and bonds		**(2)**	(4)	(15)
Repayment of subordinated notes (See Note 6)		**(361)**	-	(431)
Repayment of lease liability		**(23)**	(21)	(93)
Interest paid on bonds, subordinated notes, and credit from banking corporations		**(125)**	(72)	(141)
Dividend paid		**-**	-	(1)
Net cash provided by financing activities		**(1,310)**	304	1,436
Effect of exchange rate fluctuations on balance of cash and cash equivalents		**(8)**	60	27
Net increase (decrease) in cash and cash equivalents		**292**	(3,914)	(5,084)
Cash and cash equivalents at the beginning of the period	(b)	**6,966**	12,050	12,050
Cash and cash equivalents at end of the period	(c)	**7,258**	8,136	6,966

*) ClMax Group was consolidated for the first time as of March 31, 2023, such that its results were included as of that date. For further details, see Note 9 to the Financial Statements for 2023.

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

Consolidated Interim Statements of Cash Flow (cont.)

In NIS million	For the three-month period ended March 31 2024	2023	For the year ended December 31 2023
	Unaudited		Audited
(a) Cash flows from operating activities before income taxes 1) 2)			
Income (loss) for the period	**42**	(88)	223
Items not involving cash flows:			
The Company's share in profits of equity-accounted investees	**(2)**	(3)	(8)
Change in liabilities in respect of insurance contracts and non-yield-dependent investment contracts	**876**	473	362
Change in liabilities in respect of insurance contracts and yield-dependent investment contracts	**1,637**	(113)	1,813
Change in deferred acquisition costs	**(34)**	(60)	(87)
Change in reinsurance assets	**(72)**	(20)	719
Depreciation of property, plant, and equipment and right-of-use asset	**33**	23	125
Amortization of intangible assets	**84**	55	332
Credit loss expenses	**41**	(** 220	411
Amortization of excess cost for credit card receivables	**(28)**	-	(103)
Impairment of intangible assets	**-**	-	5
Loss (income) from a right-of-use asset	**1**	-	-
Interest and linkage differences accrued for subordinated notes and lease liabilities	**79**	52	235
Accrued interest and revaluation of liabilities to banking and other corporations	**103**	(*(60)	289
Interest paid in Max	**(100)**	-	(340)
Change in fair value of investment property in respect of yield-dependent contracts	**10**	-	13
Changes in fair value of other investment property	**3**	-	21
Share-based payment transactions	**-**	1	17
Investment income, net on financial investments in respect of insurance contracts and yield-dependent investment contracts	**(3,385)**	(*(62)	(3,940)
Taxes (tax benefit) on income	**37**	(53)	124
Losses (gains), net on other financial investments:			
Liquid debt assets	**35**	3	29
Illiquid debt assets	**(206)**	(379)	(1,073)
Shares	**(18)**	(135)	(66)
Other	**17**	(*75	95
Financial investments and investment property in respect of yield-dependent contracts:			
Acquisition of investment property	**(23)**	(23)	(74)
Sales (acquisitions), net of financial investments	**1,101**	(*(3,225)	(3,528)
Proceeds (investments) from the sale of available-for-sale financial assets and investment property in insurance businesses:			
Liquid debt assets	**166**	214	665
Illiquid debt assets	**(163)**	(384)	(352)
Shares	**(43)**	234	150
Other	**33**	79	(450)
Derivatives	**(690)**	(*(676)	(864)
Acquisition of other investment property	**(8)**	(7)	(28)

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

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

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

*) Reclassified.

**) Provision for credit default following the acquisition of Max, see Note 3(i)(1)(d).

Consolidated Interim Statements of Cash Flow (cont.)

In NIS million	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
(a) Cash flows from operating activities before income taxes (cont.)			
Changes in other items in the statement of financial position, net			
Securities held for trading by consolidated companies that are not insurance companies	**(10)**	-	(4)
Receivables for credit card transactions, net	**(552)**	-	472
Receivables and debit balances	**847**	53	1,474
Collectible premium	**(46)**	(42)	16
Payables and credit balances	**140**	(43)	(184)
Payables for credit card transactions	**983**	-	(558)
Liabilities for employee benefits, net	**(1)**	1	1
Total cash Flows from operating activities before income taxes	**885**	(3,889)	(4,072)
(b) Cash and cash equivalents at the beginning of the period:			
Cash and cash equivalents in respect of yield-dependent contracts	**4,418**	8,458	8,458
Other cash and cash equivalents	**2,548**	3,591	3,591
Balance of cash and cash equivalents at beginning of period	**6,966**	12,050	12,050
(c) Cash and cash equivalents at end of the period:			
Cash and cash equivalents in respect of yield-dependent contracts	**5,025**	5,418	4,418
Other cash and cash equivalents	**2,233**	2,717	2,548
Balance of cash and cash equivalents at end of period	**7,258**	8,136	6,966
(D) Cash flows for interest and dividend received, included in operating activity:			
Interest received	**1,004**	424	2,147
Dividend received	**191**	61	479
Included in investing activity by Max:			
Interest received	**297**	-	939
(E) Transactions not involving cash flows:			
Payables - acquisition of an associate	**9**	-	7
Replacement of notes (see Note 6)	**187**	-	-
(f) First time consolidation of an acquired company:			
Excess cost upon acquisition (see Note 5 below)	-	(281)	(281)
Goodwill upon acquisition (see Note 5 below)	-	(428)	(428)
Intangible assets		(255)	(255)
Deferred tax assets	-	(38)	(38)
Current tax assets	-	(1)	(1)
Property, plant & equipment	-	(131)	(131)
Right-of-use asset	-	(198)	(198)
Receivables for credit card transactions, net	-	(15,432)	(15,432)
Receivables and debit balances	-	(52)	(52)
Other financial investments	-	(3)	(3)
Issuance of Company shares (see Note 7 below)	-	253	253
Investments in investees	-	(7)	(7)
Liability for employee benefits, net	-	27	27
Lease liability	-	198	198
Deferred tax liabilities	-	8	8
Liabilities for current taxes	-	22	22
Payables for credit card transactions	-	8,649	8,649
Payables and credit balances	-	463	463
Deferred payment in the CIMax acquisition (presented under payables and credit balances)	-	377	377
Liabilities to banking corporations and others	-	6,535	6,535
Total investment in acquisition of consolidated companies consolidated for the first time	-	(294)	(294)
Consideration paid	-	(790)	(790)
Cash of the acquired company	-	496	496
Total investment in acquisition of consolidated companies consolidated for the first time	-	(294)	(294)

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

Notes to the Consolidated Interim Financial Statements

NOTE 1 - GENERAL

A. The reporting entity

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

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

The consolidated financial statements as of March 31, 2024 (hereinafter - the "**Financial Statements**") include those of the Company and its subsidiaries (hereinafter, jointly - the "**Group**"), as well as the Group's interests in joint ventures and associates.

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

For further details, please see Note 1 to the consolidated financial statements for 2023.

Further to Note 1(b)(1) to the Financial Report for 2023, it is noted that in May 2024 the Draft Regulations regarding Economic Competition and Minimizing Market Concentration (Financial Entity) (Amendment No. 1), 2024 was published, as part of which it is suggested to expand the list of entities, which will be included in the definition of "financial entities" in the Market Concentration Law, such that, among other things, it will also include an insurer's issuing corporation.

If the Draft Regulations become binding, this will trigger the definition of Clalbit Finance as a financial entity, such that if the amount of Clalbit Finance's liabilities will not be taken into account together with the other liabilities of the Clal Holdings and of the non-financial corporations controlled by the Clal Holdings Group, and Clal Holdings will be allowed to continue holding the Company and Clalbit Finance even if their total liabilities will exceed the threshold of liabilities, which a non-financial entity holding a significant financial entity may have.

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

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

C. Implications

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

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

NOTE 2 – BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

A. Financial reporting framework

The consolidated interim financial statements of the Group as of March 31, 2024 and the three-month period then ended, were prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, which refer to holding companies of insurers and credit card companies.

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 of January 1, 2023, the consolidated interim financial statements of the Company have been drawn up in accordance with the provisions of the Securities Regulations (Periodic and Immediate Reports), 1970. 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.

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 (see Note 3 and 13 below) (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 5 below. In most topics, the directives are based on US GAAP for banks. In other, less material, topics, the directives are based on IFRSs and on Israeli GAAP. When IFRSs allow for several alternatives, or do not include a specific reference to a particular situation, the directives provide specific application guidance that are usually based on US GAAP for Banks.

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

The information presented under comparative results of the Condensed Consolidated Interim Financial Statements is information published by the Group in those periods.

The Condensed Consolidated Interim Financial Statements do not include all the information required in the full annual financial statements. They should be read together with the consolidated financial statements as of and for the year ended December 31, 2023 (hereinafter - the "Annual Financial Statements"). In addition, these reports have been prepared in accordance with the provisions of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation consolidating insurance companies and a credit card company.

The Condensed Consolidated Interim Financial Statements were approved for publication by the Company's Board of Directors on May 30, 2024.

B. Use of estimates and judgments

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

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

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

C. Details of rates of change in the consumer price index and in the representative exchange rates of the EUR, USD, and GBP:

	In lieu CPI	Known CPI	EUR representative exchange rate	USD representative exchange rate	GBP representative exchange rate
			%		
For the three-month period ended					
March 31, 2024	**1.0**	**0.3**	**(0.8)**	**1.5**	**0.7**
March 31, 2023	1.2	1.1	4.8	2.7	5.5
For the year ended December 31, 2023	3.0	3.3	6.9	3.1	9.1

	EUR representative exchange rate	USD representative exchange rate	GBP representative exchange rate
As of March 31, 2024	**3.979**	**3.681**	**4.654**
As of March 31, 2023	3.932	3.615	4.467
As of December 31, 2023	4.012	3.627	4.621

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The Group's accounting policy applied in the Consolidated Interim Financial Statements is the same accounting policy applied in the Consolidated Annual Financial Statements.

A. Initial application of new IFRSs and amendments to existing accounting standards by the Israeli insurance companies in the Group in accordance with the directives of the Capital Market, Insurance and Savings Authority

1. Amendment to IFRS 16, Leases

In September 2022, the IASB published an amendment to IFRS 16, Leases (hereinafter - the "Amendment"), whose objective is to provide an accounting treatment in the financial statements of the seller-lessee in sale and leaseback transactions, when the lease payments are variable lease payments that do not depend on an index or rate. As part of the amendment, the seller-lessee is required to adopt one of two approaches to measure the lease liability at the initial recognition date of such transactions. The selected approach constitutes an accounting policies that should be implemented consistently.

The Amendment shall be applied as from annual periods beginning on January 1, 2024; earlier application is permitted. The Amendment shall be applied retrospectively.

The above Amendment did not have a material effect on the Consolidated Interim Financial Statements of the Company.

B. First-time application of new financial reporting standards and amendments to existing accounting standards in the credit card company - Max

As from the reporting periods starting on January 1, 2024, the Company applies new provisions and accounting standards regarding this issue, as detailed below:

A. **Revision of ASU 2022-02 to the Accounting Standards Codification regarding modifications to the terms and conditions of debts of borrowers struggling financially and disclosure requirements in accordance with the year in which credit was provided.**

Below is a description of the nature of the modifications applied in the accounting policies in these Condensed Consolidated Interim Financial Statements, and a description of the manner and effect of any first-time application:

On March 31, 2022, the Financial Accounting Standards Board (FASB) published ASU 2022-02 regarding modifications to the terms and conditions of debts of borrowers struggling financially and disclosure requirements on credit loss provisions in accordance with the year in which credit was provided (hereinafter - the "Revision").

The ASU revokes the provisions relating to restructuring of troubled debts by lenders, while improving disclosure requirements regarding borrowers in financial difficulties. The ASU also adds a disclosure requirements of gross write-offs, by credit granting year.

On October 19, 2023, the Banking Supervision Department published a circular on "Modifications to Terms and Conditions of Debts of Borrowers Struggling Financially", revising the Reporting to the Public Directives in accordance with the revision of accounting standards on this issue.

The main modifications in the circular include, among other things: Cancelling the definition of "debts that have undergone troubled debt restructuring", including the requirement to check whether the Company granted a concession to determine this classification, and replacing it with the phrase "changes in terms and conditions of debts of borrowers struggling financially"; updating the disclosure requirements in the financial statements, such that disclosure will be given in respect of each change in the terms and conditions of a debt to borrowers struggling financially, which includes a waiver of the principal, reduction of the interest rate or term extension which does not trigger insignificant postponement of payments; cancelling the requirement to calculate the credit loss provision using the discounted cash flow method; expanding the disclosure about the "credit quality according to the year the credit was provided", such that it includes information about gross charge-offs carried out during the year.

Banking corporations were required to apply the directive as from January 1, 2024, in accordance with guidance and transitional provisions set forth in the directive.

The application of the directive does not affect the measurement method of the credit loss provision and did not lead to any change in Max's the credit loss provision.

The application of the directive leads to a change in the format of disclosure regarding those debts. Max adopted, at the initial application date, certain expedients, as provided by the Transitional Provisions, including determining the balance of the debts of borrowers with financial difficulties which underwent a change in terms and conditions until December 31, 2023, according to the balance of troubled debt restructurings until December 31, 2023. In addition, according to the Transitional Provisions, in the report for the first quarter of 2024, Max did not include a 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. These disclosures will be revised in the note entitled "Credit Risk, Receivables for Credit Card Transactions and Credit Loss Provision" as from the financial statements for the second quarter of 2024. In accordance with the directive, comparative data will not be restated.

For further details, see the note entitled Credit Risk, Receivables for Credit Card Transactions and Credit Loss Provision.

B. **The revision to the accounting policies, which were applied following the first-time application of the new accounting principles on modifications to the terms and conditions of debts of borrowers struggling financially (instead of troubled debt restructuring):**

Policies on debt settlement arrangements and accounting for modifications to the terms and conditions of debts of borrowers struggling financially (instead of troubled debt restructuring)

Modifications to the terms and conditions of debts of borrowers struggling financially is generally carried out for customers, whose debts were identified as troubled, and through debt rescheduling, reducing the periodic payments, or postponing the payment dates.

In order to determine whether a debt settlement arrangement executed by Max constitutes a modification to the terms and conditions of debts of borrowers struggling financially, Max assesses all the terms and conditions of the debt settlement arrangement and the circumstances in which it was executed.

In order to determine whether the borrower has financial difficulties, Max assesses whether there are indications of difficulties as of the restructuring date or whether it is reasonably probable that the borrower will have financial difficulties were it not for the restructuring. Among other things, Max assesses whether one or more of the following criteria are met:

- The debtor is currently in payment default on any of its debt, or it is probable that the debtor would be in payment default on any of its debt in the foreseeable future without the modification.
- The debtor has declared or is in the process of declaring bankruptcy or other receivership.
- There is substantial doubt as to whether the debtor will continue to be a going concern.
- Without the current modification, the debtor cannot obtain funds from sources other than the existing creditors at an effective interest rate equal to the current market interest rate for similar debt for a nontroubled debtor.

Max does not classify a debt settlement arrangement as a modification to the terms and conditions of debts of borrowers struggling financially, if the modification results in an insignificant delay in payment, considering the frequency or the payments, the remaining contractual maturity, and the debt's original expected duration.

C. 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 18, Presentation and Disclosure in Financial Statements	In April 2024, the International Accounting Standards Board (IASB) published IFRS 18 - Presentation and Disclosure in Financial Statements (hereinafter - the "New Standard") - which supersedes IAS 1 - Presentation of Financial Statements (hereinafter - "IAS 1"). The New Standard is aimed at improving the comparability and transparency of communication of financial statements. The New Standard includes requirements previously included in IAS 1, and introduces new requirements on presentation within the statement of profit or loss, including the presentation of totals and subtotals required under the New Standard, disclosure of management-defined performance measures, and new requirements for the aggregation and disaggregation of financial information. The New Standard does not change the provisions regarding recognition and measurement of items in the financial statements. However, since items in the statement of profit or loss must be classified into one of five categories (operating, investing, financing, income taxes, and discontinued operations), it may alter the operating income of the entity. In addition, the publication of the New Standard triggered limited amendments to other accounting standards, including IAS 7 - Statement of Cash Flow - and IAS 34 - Interim Financial Reporting.	The New Standard was applied retrospectively as from annual periods beginning on January 1, 2027. Early application is permitted, provided a disclosure is made.	The Company is studying the effect - on the consolidated financial statements - of the New Standard, including the effect of consequential amendments to other accounting standards.

NOTE 4 – SEGMENT REPORTING

A. General

The Group operates in the following operating segments:

1. Long-term savings

The long-term savings segment comprises life insurance, related coverages (appendices), and management of pension and provident funds. The segment comprises long-term savings (under various types of insurance policies, pension funds and provident funds, including advanced education funds), and insurance coverages for various risks, such as: death, disability, long-term health, and health insurance sold as appendices to life insurance policies, and more. According to the Commissioner's Directives, the long-term savings subsegment 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 insurance

The Property and Casualty 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 insurance 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, employers' liability, professional liability and product liability.

4. The Credit Card Segment

Includes credit card company operating results, divided into two main subsegments: issuing and acquiring.

Issuing subsegment

The issuance subsegment focuses on 2 main activities:

1. Solutions for financial institutions - joint credit card issuance and processing with banks, for their customers (B2B2C); hereinafter - bank 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 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 issuer fees collected from the credit card companies (as acquiring companies) as well as from international organizations (acquirers outside Israel). In addition, interest is collected from Max customers for transactions and credit products provided by Max.

Acquiring subsegment

This subsegment includes mainly the following activities:

1. Acquiring services - Payment guarantees against vouchers of transactions carried out using credit cards in exchange for a fee collected from the merchant.
2. Related services and complementary products to the acquiring services.
3. Financial solutions - Products and services offered to merchants, such as loans, voucher discounting, early payments and guarantees, in respect of which interest, fees and commissions are collected from the merchants.

Furthermore, the Credit Card Segment will include the operating results of Milo Brom Holdings Ltd. (hereinafter - "Milo"), which holds the following companies:

A. Hyp Payment Solutions Ltd. (hereinafter - "Hyp"), which provides payment solutions to e-commerce websites and merchants, used for payment by credit cards and other means of payment, and provides credit card reconciliation services through a system that enables monitoring merchants' business activity with credit card companies and factoring companies. Hyp also provides a bookkeeping management and digital invoice generation system;

B. Max EVS Ltd. (held at 51%) - is a technological joint venture in the field of charging systems and other services relevant to electric vehicles and solar roofs.

The companies were initially consolidated as from March 31, 2023, such that the quantitative segment information in respect thereof set forth below in relation to 2023 does not includes the results of the first quarter of that year, and - furthermore - the results of the first quarter of 2023 do not include the results of 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) to the Annual Financial Statements.

5. Other

Includes operating segments that do not meet the quantitative thresholds for reporting, mainly in respect of the insurance agencies.

6. Activity not allocated to segments

This activity includes the Group's headquarters, which is mainly the capital, the liabilities not in the insurance business and the assets held against them by Clal Insurance rather than by the credit card company's business, as well as the Company's separate balances and results.

As of April 1, 2023, the results also include the finance expenses for the Syndicated Loan in respect of the Max acquisition transaction. For further details, please see Note 6(c).

B. Seasonality

1. Long-Term Savings Segment

Generally, the income from life insurance premiums, and management fees income from pension and provident funds are not affected by seasonality, and therefore claims are also not affected by seasonality.

However, since the tax year ends in December, there is a certain effect of seasonality in that month in terms of payment of premiums/contributions towards benefits for pension saving products, since significant amounts are deposited in this month by salaried employees and self-employed persons, who make contributions independently outside their payroll in order to fully utilize the tax benefits, and also by employers that pay outstanding debts in respect of the relevant tax year or make one-off contributions, normally in respect of severance pay-related debts. Furthermore, the amounts of premiums/contributions towards benefits may be higher in certain months, which vary from one year to another, mainly due to one-off payments made by employers to employees, and in respect of which contributions towards benefits are made.

2. Property and Casualty Insurance Segment

As a general rule, income earned from premiums in the Property and Casualty Insurance Segment are not affected by significant seasonality. However, the premium income in the first quarter of the year are higher than premium income in the other quarters, mainly due to renewal of insurance agreements of business policyholders and large vehicle fleets at the beginning of the calendar year, which reflects a certain degree of seasonality. The effect of this seasonality on the reported profit is neutralized through the provision for unearned premium.

There is no significant seasonality in other components of expenses, such as claims, and in components of income, such as investment income. However, it should be noted that during the winter season - in the first or fourth quarters of the year, or both - there is sometimes an increase in claims, mainly in the property insurance subsegment, and consequently the reported profit for the period decreases.

C. Operating segments reporting

	Long-Term Savings											
	Provident funds			Pension			Life insurance [1]			Total		
	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023	2024	2023	2023	2024	2023	2023	2024	2023	2023
In NIS million	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Premiums earned, gross	**-**	-	-	**-**	-	-	**1,315**	1,652	6,041	**1,315**	1,652	6,041
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**80**	42	171	**80**	42	171
Premiums earned - retention	**-**	-	-	**-**	-	-	**1,236**	1,610	5,870	**1,236**	1,610	5,870
Income from credit card transactions	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Investment income, net and finance income	**43**	58	217	**2**	(1)	1	**4,028**	1,070	7,425	**4,072**	1,127	7,643
Income from management fees	**75**	70	293	**97**	88	371	**149**	148	594	**321**	306	1,258
Income from fees and commissions	**-**	-	-	**-**	-	-	**12**	7	30	**12**	7	30
Total income	**118**	128	510	**98**	87	372	**5,424**	2,834	13,919	**5,641**	3,050	14,801
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**40**	59	212	**-**	-	-	**5,211**	2,402	12,679	**5,251**	2,462	12,891
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**-**	-	-	**-**	-	-	**(68)**	(31)	(144)	**(68)**	(31)	(144)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**40**	59	212	**-**	-	-	**5,143**	2,371	12,535	**5,183**	2,431	12,747
Fees and commissions, marketing expenses and other purchase expenses	**34**	34	141	**31**	28	118	**185**	189	721	**250**	251	979
General and administrative expenses	**38**	37	142	**55**	52	204	**87**	93	368	**180**	182	713
Impairment of intangible assets	**-**	-	-	**-**	-	1	**-**	-	-	**-**	-	1
Other expenses	**1**	1	6	**1**	1	5	**-**	-	-	**2**	3	11
Finance expenses	**-**	-	-	**-**	-	-	**7**	4	19	**7**	4	19
Total expenses	**113**	131	501	**87**	81	327	**5,422**	2,657	13,642	**5,622**	2,870	14,471
Income (loss) before income tax	**5**	(3)	9	**12**	6	45	**2**	177	277	**20**	180	331
Other comprehensive income (loss) before income tax	**-**	-	2	**-**	1	2	**62**	(63)	(52)	**62**	(62)	(48)
Total comprehensive income (loss) before income tax	**5**	(3)	10	**12**	6	47	**64**	114	225	**81**	118	282

C. Operating segments reporting (cont.)

	Long-Term Savings											
	Provident funds			Pension			Life insurance [1])			Total		
	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31
	2024	2023	2023	2024	2023	2023	2024	2023	2023	2024	2023	2023
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	**2,476**	2,457	2,470	**-**	-	-	**21,914**	20,972	21,418	**24,390**	23,429	23,889
Liabilities in respect of insurance contracts and yield-dependent investment contracts	**-**	-	-	**-**	-	-	**92,121**	88,662	90,528	**92,121**	88,662	90,528
1) Total premiums (including pure savings premiums (investment contracts) recognized directly in the reserve)	**-**	-	-	**-**	-	-	**1,467**	2,083	7,122	**1,467**	2,083	7,122

C. Operating segments reporting (cont.)

	Health			Property and casualty			Credit cards			Other		
	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023	2024	2023	2023	2024	2023	2023	2024	2023	2023
In NIS million	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Premiums earned, gross	**435**	417	1,733	**911**	814	3,432	**-**	-	-	**-**	-	-
Premiums earned by reinsurers	**23**	20	90	**354**	366	1,447	**-**	-	-	**-**	-	-
Premiums earned - retention	**411**	397	1,644	**557**	448	1,984	**-**	-	-	**-**	-	-
Income from credit card transactions	**-**	-	-	**-**	-	-	**354**	-	1,083	**-**	-	-
Investment income, net and finance income	**88**	60	265	**57**	46	227	**305**	-	948	**-**	-	(8)
Income from management fees	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Income from fees and commissions	**3**	2	10	**53**	55	222	**5**	-	7	**56**	52	220
Total income	**503**	459	1,919	**667**	550	2,434	**664**	-	2,038	**56**	53	212
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**380**	302	1,348	**598**	610	1,825	**-**	-	-	**-**	-	-
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**(19)**	(17)	(81)	**(188)**	(218)	(446)	**-**	-	-	**-**	-	-
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**361**	285	1,267	**409**	393	1,379	**-**	-	-	**-**	-	-
Credit loss expenses	**-**	-	-	**-**	-	-	**41**	-	191	**-**	-	-
Credit card processing	**-**	-	-	**-**	-	-	**228**	-	739	**-**	-	-
Payments to banks	**-**	-	-	**-**	-	-	**54**	-	166	**-**	-	-
Fees and commissions, marketing expenses and other purchase expenses	**161**	155	625	**158**	158	675	**108**	-	278	**40**	38	155
General and administrative expenses	**23**	24	90	**23**	23	102	**22**	-	71	**7**	4	16
Other expenses	**-**	-	-	**-**	-	-	**-**	-	-	**2**	1	6
Finance expenses	**1**	1	4	**3**	5	18	**118**	-	356	**1**	-	1
Total expenses	**546**	466	1,986	**593**	578	2,174	**571**	-	1,801	**50**	43	178
Share in results of equity-accounted investees, net	**-**	-	-	**-**	-	-	**-**	-	1	**3**	3	10
Income (loss) before income tax	**(43)**	(7)	(67)	**73**	(28)	259	**93**	-	238	**10**	12	44
Other comprehensive income (loss) before income tax	**11**	(1)	(11)	**13**	(16)	53	**-**	-	-	**-**	-	-
Total comprehensive income (loss) before income tax	**(32)**	(9)	(77)	**87**	(44)	312	**93**	-	238	**10**	12	44

C. Operating segments reporting (cont.)

	Health			Property and casualty			Credit cards			Other		
	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31
	2024	2023	2023	2024	2023	2023	2024	2023	2023	2024	2023	2023
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	**3,000**	2,668	2,906	**7,664**	8,192	7,383	**-**	-	-	**-**	-	-
Liabilities in respect of insurance contracts and yield-dependent investment contracts	**1,200**	1,098	1,156	**-**	-	-	**-**	-	-	**-**	-	-

C. Operating segments reporting (cont.)

In NIS million	Not allocated to segments			Adjustments and offsets			Total		
	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023	2024	2023	2023	2024	2023	2023
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Premiums earned, gross	**-**	-	-	**(1)**	-	(4)	**2,660**	2,883	11,202
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**457**	428	1,708
Premiums earned - retention	**-**	-	-	**(1)**	-	(4)	**2,203**	2,455	9,495
Income from credit card transactions	**-**	-	-	**-**	-	-	**354**	-	1,083
Investment income, net and finance income	**-**	(7)	60	**29**	-	104	**4,551**	1,227	9,238
Income from management fees	**-**	-	-	**-**	-	1	**321**	307	1,259
Finance income (expenses) from fees and commissions	**-**	-	-	**(23)**	(23)	(99)	**107**	93	390
Total income	**-**	(7)	60	**5**	(23)	2	**7,536**	4,081	21,464
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**-**	-	-	**(1)**	(1)	(2)	**6,229**	3,374	16,062
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**-**	-	-	**-**	-	-	**(276)**	(266)	(671)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**-**	-	-	**(1)**	(1)	(2)	**5,953**	3,108	15,391
Credit loss expenses	**-**	-	-	**-**	220	220	**41**	220	411
Credit card processing	**-**	-	-	**-**	-	-	**228**	-	739
Payments to banks	**-**	-	-	**-**	-	-	**54**	-	166
Fees and commissions, marketing expenses and other purchase expenses	**-**	-	-	**(23)**	(23)	(99)	**694**	579	2,613
General and administrative expenses	**19**	20	97	**(1)**	-	2	**272**	253	1,092
Impairment of intangible assets	**-**	-	4	**-**	-	-	**-**	-	5
Other expenses	**-**	-	-	**4**	-	23	**9**	4	40
Finance expenses (income)	**84**	52	294	**(5)**	-	(22)	**208**	61	669
Total expenses	**103**	71	395	**(25)**	196	121	**7,459**	4,225	21,125
Share in results of equity-accounted investees, net	**(1)**	-	(3)	**-**	-	-	**2**	3	8
Income (loss) before income tax	**(105)**	(79)	(338)	**31**	(219)	(120)	**79**	(141)	347
Other comprehensive income (loss) before income tax	**114**	59	135	**-**	-	-	**200**	(20)	129
Total comprehensive income (loss) before income tax	**9**	(20)	(203)	**31**	(219)	(120)	**278**	(161)	476

C. Operating segments reporting (cont.)

	Not allocated to segments			Adjustments and offsets			Total		
	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31
	2024	2023	2023	2024	2023	2023	2024	2023	2023
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	**-**	-	-	**(2)**	(1)	(1)	**35,052**	34,287	34,176
Liabilities in respect of insurance contracts and yield-dependent investment contracts	**-**	-	-	**(19)**	(19)	(18)	**93,302**	89,740	91,665

D. Additional data regarding key insurance subsegments included in the Property and Casualty Insurance Segment

In NIS million	Liability subsegments					
	Compulsory motor insurance			Liability and other subsegments 1)		
	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023	2024	2023	2023
	Unaudited		Audited	Unaudited		Audited
Gross premiums	**219**	196	704	**141**	156	506
Reinsurance premiums	**38**	45	168	**66**	82	258
Premiums - retention	**182**	151	536	**75**	74	248
Change in unearned premium balance, retention	**(44)**	(41)	(43)	**(14)**	(16)	(8)
Premiums earned - retention	**138**	110	493	**61**	58	240
Investment income, net and finance income	**24**	18	87	**18**	16	78
Income from fees and commissions	**3**	7	23	**6**	6	23
Total income	**165**	135	602	**84**	79	342
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**175**	185	637	**103**	104	104
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**(54)**	(63)	(187)	**(46)**	(36)	20
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**121**	122	450	**56**	68	125
Fees and commissions, marketing expenses and other purchase expenses	**21**	23	100	**24**	26	104
General and administrative expenses	**4**	4	18	**2**	3	9
Finance expenses	**1**	1	4	**-**	1	4
Total expenses	**147**	150	572	**83**	98	242
Income (loss) before income tax	**18**	(15)	30	**2**	(18)	100
Other comprehensive income (loss) before income tax	**5**	(7)	19	**4**	(6)	16
Total comprehensive income (loss) before income tax	**23**	(21)	50	**5**	(24)	117

Liabilities in respect of insurance contracts	As of March 31		As of December 31	As of March 31		As of December 31
	2024	2023	2023	2024	2023	2023
	Unaudited		Audited	Unaudited		Audited
Gross	**3,047**	2,925	2,967	**2,365**	3,012	2,289
Reinsurance	**1,230**	1,292	1,236	**1,004**	1,596	959
Retention	**1,817**	1,632	1,731	**1,361**	1,416	1,329

D. Additional data regarding key insurance subsegments included in the Property and Casualty Insurance Segment (cont.)

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 and in the year ended December 31, 2023, approx. 83%, approx. 88% and approx. 80%, respectively, of total premiums in these subsegments.

	Property subsegments												
	Motor property			Credit insurance			Property and other subsegments 1)			Total		
	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023	2024	2023	2023	2024	2023	2023	2024	2023	2023
In NIS million	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums	**377**	302	1,101	**35**	31	133	**355**	260	1,152	**1,126**	945	3,596
Reinsurance premiums	**3**	23	59	**18**	16	69	**274**	185	899	**399**	353	1,452
Premiums - retention	**374**	278	1,042	**16**	15	64	**81**	75	253	**727**	592	2,143
Change in unearned premium balance, retention	**(97)**	(70)	(94)	**-**	-	(2)	**(16)**	(18)	(12)	**(170)**	(144)	(159)
Premiums earned - retention	**276**	209	948	**17**	15	62	**65**	57	241	**557**	448	1,984
Investment income, net and finance income	**9**	6	27	**2**	2	8	**4**	3	28	**57**	46	227
Income from fees and commissions	**1**	3	7	**4**	5	20	**38**	35	149	**53**	55	222
Total income	**287**	217	982	**23**	22	90	**107**	96	418	**667**	550	2,434
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	**215**	224	857	**13**	11	44	**93**	86	182	**598**	610	1,825
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	**(5)**	(43)	(89)	**(9)**	(8)	(30)	**(75)**	(67)	(160)	**(188)**	(218)	(446)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	**210**	180	768	**5**	3	14	**18**	19	22	**409**	393	1,379
Fees and commissions, marketing expenses and other purchase expenses	**62**	55	249	**3**	3	13	**47**	51	210	**158**	158	675
General and administrative expenses	**6**	6	27	**6**	5	22	**5**	4	25	**23**	23	102
Finance expenses	**-**	-	-	**-**	1	1	**1**	2	9	**3**	5	18
Total expenses	**278**	242	1,045	**14**	12	51	**71**	76	265	**593**	578	2,174
Income (loss) before income tax	**8**	(25)	(62)	**10**	10	39	**36**	19	152	**73**	(28)	259
Other comprehensive income (loss) before income tax	**2**	(2)	6	**2**	-	6	**1**	(1)	4	**13**	(16)	53
Total comprehensive income (loss) before income tax	**10**	(27)	(56)	**12**	10	45	**37**	18	156	**87**	(44)	312

D. Additional data regarding key insurance subsegments included in the Property and Casualty Insurance Segment (cont.)

	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31
	2024	2023	2023	2024	2023	2023	2024	2023	2023	2024	2023	2023
Liabilities in respect of insurance contracts	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross	**897**	834	790	**96**	90	93	**1,259**	1,331	1,244	**7,664**	8,192	7,383
Reinsurance	**41**	113	58	**55**	50	51	**997**	1,029	995	**3,326**	4,081	3,299
Retention	**857**	721	732	**42**	40	42	**262**	301	249	**4,338**	4,111	4,084

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, the corresponding period last year and the year ended December 31, 2023 constitutes approx. 83%, approx. 74% and approx. 77% of total premiums in these subsegments, respectively.

E. Additional data about the life insurance and long-term savings segments

Data for the three-month period ended March 31, 2024 (unaudited)

In NIS million	Life insurance policies including a savings component (including appendices) by policy issuance date				Life insurance policy without a risk savings component sold as a single policy		
			From 2004				
	Until 1990 1)	Until 2003	Non yield-dependent	Yield-dependent	Individual	Collective	Total
Gross premiums:	32	379	-	661	225	18	1,315
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	151	-	-	151
Financial margin including management fees [2])	72	66	-	83	-	-	221
Payments and change in liabilities in respect of insurance contracts, gross	323	2,508	-	1,827	131	11	4,801
Payments and change in liabilities for investment contracts	-	-	-	410	-	-	410
Total comprehensive income (loss)	42	41	-	(29)	2	8	64

Data for the three-month period ended March 31, 2023 (unaudited)

In NIS million	Life insurance policies including a savings component (including appendices) by policy issuance date				Life insurance policy without a risk savings component sold as a single policy		
			From 2004				
	Until 1990 1)	Until 2003	Non yield-dependent	Yield-dependent	Individual	Collective	Total
Gross premiums:	36	400	-	990	208	18	1,652
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	431	-	-	431
Financial margin including management fees [2])	38	62	-	86	-	-	186
Payments and change in liabilities in respect of insurance contracts, gross	392	632	-	1,255	105	18	2,402
Payments and change in liabilities for investment contracts	-	-	-	1	-	-	1
Total comprehensive income (loss)	72	50	1	(13)	6	(2)	114

Data for the year ended December 31, 2023 (audited)

In NIS million	Life insurance policies including a savings component (including appendices) by policy issuance date				Life insurance policy without a risk savings component sold as a single policy		
			From 2004				
	Until 1990 1)	Until 2003	Non yield-dependent	Yield-dependent	Individual	Collective	Total
Gross premiums:	138	1,568	-	3,398	857	80	6,041
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	1,081	-	-	1,081
Financial margin including management fees 2)	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	-	-	-	684	-	-	684
Total comprehensive income (loss)	92	304	1	(134)	(36)	(2)	225

Comments:

(1) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.

(2) The financial margin comprises investment income (losses) 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 calculated as a reduction of the amounts credited to the savings balances in the Company's systems.

F. Additional data regarding the health insurance segments

Data for the three-month period ended March 31, 2024 (unaudited)

In NIS million	Long-term care		Health - other **)		
	Individual	Collective	Long-term	Short-term	Total
Gross premiums	**69**	**5**	**(*341**	**(*19**	**434**
Payments and changes in liabilities in respect of insurance contracts, gross	**169**	**11**	**178**	**22**	**380**
Other comprehensive income	**-**	**-**	**11**	**-**	**11**
Total comprehensive income (loss)	**(32)**	**(4)**	**14**	**(10)**	**(32)**

*) Of which, individual premiums in the amount of NIS 321 million and collective premiums in the amount of NIS 39 million.

**) The most substantial coverage included in other long-term health is medical expenses and in short-term health insurance - travel.

Data for the three-month period ended March 31, 2023 (unaudited)

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

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

**) The most substantial coverage included in other long-term health is medical expenses and in short-term health insurance - travel.

Data for the year ended December 31, 2023 (audited)

In NIS million	Long-term care		Health - other **)		Total
	Individual	Collective	Long-term	Short-term	
Gross premiums	278	23	(*1,278	(*152	1,731
Payments and changes in liabilities in respect of insurance contracts, gross	524	64	655	105	1,348
Other comprehensive income (loss)	-	-	(12)	1	(11)
Total comprehensive income (loss)	(105)	(25)	53	-	(77)

*) Of which, individual premiums in the amount of NIS 1,225 million and collective premiums in the amount of NIS 205 million.

**) The most substantial coverage included in other long-term health is medical expenses and in short-term health insurance - travel.

NOTE 5 – SUBSIDIARIES

A. A business combination which took place in 2023 and was measured in previous periods at provisional amounts (acquisition of CIMax Holdings Ltd. (formerly WPI))

As described in Note 9, Investments in Investees, in the Financial Statements for 2023, on March 27, 2023 the Company completed the acquisition of the entire issued and paid up capital of CIMax Holdings Ltd.

The Group's financial statements as of March 31, 2023, June 30, 2023, September 30, 2023, and December 31, 2023 included provisional amounts in respect of identified assets and liabilities of CIMax Group that were acquired. Upon completion of the independent valuation for the business combination, the amounts were revised as follows:

Identifiable assets and liabilities acquired: **In NIS million**	**Balance as of March 31, 2023 - based on provisional values**	**Effect of the change in estimate following completion of the valuation**	**As reported in these financial statements**
Cash and cash equivalents	496	-	496
Receivables and debit balances	52	-	52
Receivables for credit card transactions, net	15,432	-	15,432
Excess cost on acquisition *)	281	(66)	215
Intangible assets	255	-	255
Property, plant & equipment	131	-	131
Right-of-use asset	198	-	198
Deferred tax assets	30	-	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	992	(66)	926

***) Composition of excess cost** **In NIS million**	**Amor-tization period (in years)**	**Balance as of March 31, 2023 - based on provisional values**	**Effect of the change in estimate following completion of the valuation**	**As reported in these financial statements**
Brand	10	73	1	74
Technology	8.75	60	(20)	40
Customer relations	6.75-7.75	188	(47)	141
Payables and credit balances	0.25	(13)	-	(13)
Financial liabilities	1	(28)	-	(28)
Total		281	(66)	215

Goodwill Due to the acquisition, goodwill was recognized as detailed below: **In NIS million**	Balance as of March 31, 2023 - based on provisional values	Effect of the change in estimate following completion of the valuation	As reported in these financial statements
Consideration paid	1,420	-	1,420
Less fair value of the identifiable assets, net	(992)	66	(926)
Total goodwill	428	66	494

In accordance with the provisions of Topic 805 to the Accounting Standards Codification, the financial statements were not adjusted retrospectively in respect of adjustments, which took place during the measurement period; rather, all adjustments to provisional amounts recognized in previous periods during the measurement period were recognized in the current reporting period in which the valuation was completed.

The effect on the statement of income and other comprehensive income, which would have been recognized during the period from March 31, 2023 to December 31, 2023, and which was actually recognized during the three month period ended March 31, 2024 (the Reporting Period), had the final valuation been completed on the acquisition date, is immaterial.

NOTE 6 – FINANCIAL INSTRUMENTS

A. Assets for yield-dependent contracts

1) Composition:

	As of March 31		As of December 31
	2024	2023	2023
In NIS million	Unaudited		Audited
Investment property [1]	**3,852**	3,801	3,839
Financial investments			
Liquid debt assets	**27,766**	29,800	28,065
Illiquid debt assets	**8,084**	9,134	8,199
Shares	**19,236**	17,706	17,378
Other financial investments	**30,403**	24,183	30,491
Total financial investments [1]	**85,489**	80,823	84,133
Cash and cash equivalents	**5,025**	5,418	4,418
Other [2]	**883**	2,973	1,622
Total assets in respect of yield-dependent contracts	**95,249**	93,015	94,012

1) Measured at fair value through profit and loss.
2) The balance includes mainly collectible premiums, reinsurer balances, collateral for activity in forward contracts and outstanding securities transactions as of the date of the financial statements.

2) Additional information on fair value

A. Fair value of financial assets by level

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
In NIS million	Unaudited			
Financial investments:				
Liquid debt assets	23,236	4,530	-	27,766
Illiquid debt assets	-	8,055	29	8,084
Shares	16,615	466	2,155	19,236
Other financial investments 1)	15,112	2,271	13,020	30,403
Total financial investments	54,963	15,322	15,204	85,489
1) Of which for derivatives	91	855	8	954

During the period there were no material transfers between Level 1 and Level 2.

	Balance as of March 31, 2023			
	Level 1	Level 2	Level 3	Total
In NIS million	Unaudited			
Financial investments:				
Liquid debt assets	24,552	5,248	-	29,800
Illiquid debt assets	-	9,089	45	9,134
Shares	15,559	343	1,804	17,706
Other financial investments 1)	12,196	1,242	10,745	24,183
Total financial investments	52,307	15,922	12,594	80,823
1) Of which for derivatives	17	299	15	331

During the period there were no material transfers between Level 1 and Level 2.

	Balance as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
In NIS million	Audited			
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 1)	16,002	1,950	12,539	30,491
Total financial investments	54,311	15,286	14,536	84,133
1) Of which for derivatives	280	284	9	573

During the period there were no material transfers between Level 1 and Level 2.

B. **Financial assets measured at fair value - Level 3**

In NIS million	Illiquid debt assets	Shares	Other financial investments	Total
	Unaudited			
Balance as of January 1, 2024 (audited)	**29**	**1,968**	**12,539**	**14,536**
Total gains (losses) recognized in profit and loss	**-**	**(78)**	**236**	**158**
Purchases	**-**	**275**	**520**	**795**
Sales	**-**	**(6)**	**(275)**	**(281)**
Proceeds from interest and dividend	**-**	**(4)**	**-**	**(4)**
Balance as of March 31, 2024	**29**	**2,155**	**13,020**	**15,204**
Total gains (losses) for the period included in profit and loss in respect of financial assets held as of March 31, 2024	**-**	**(78)**	**237**	**159**

In NIS million	Illiquid debt assets	Shares	Other financial investments	Total
	Unaudited			
Balance as of January 1, 2023 (audited)	61	2,106	10,027	12,194
Total gains (losses) recognized in profit and loss	1	(37)	327	291
Purchases	-	87	642	729
Sales	-	(352)	(251)	(603)
Redemptions	(12)	-	-	(12)
Proceeds from interest and dividend	(5)	-	-	(5)
Balance as of March 31, 2023	45	1,804	10,745	12,594
Total gains (losses) for the period included in profit and loss in respect of financial assets held as of March 31, 2023	1	(39)	327	289

In NIS million	Illiquid debt assets	Shares	Other financial investments	Total
	Audited			
Balance as of January 1, 2023 (audited)	61	2,106	10,027	12,194
Total gains (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 (audited)	29	1,968	12,539	14,536
Total gains (losses) for the period included in profit and loss in respect of financial assets held as of June 30, 202 December 31, 2023	4	(163)	540	381

B. Other financial investments

1) Illiquid debt assets - composition and fair value 1)

	As of March 31, 2024	
	Carrying value	Fair value
In NIS million	Unaudited	
Government bonds		
Hetz bonds and treasury deposits	**16,863**	**22,410**
Other non-convertible debt assets	**7,414**	**7,544**
Deposits with banks	**536**	**550**
Total illiquid debt assets	**24,813**	**30,504**
Impairments carried to profit and loss (cumulative)	**42**	

	As of March 31, 2023	
	Carrying value	Fair value
In NIS million	Unaudited	
Government bonds		
Hetz bonds and treasury deposits	16,786	23,826
Other non-convertible debt assets	6,350	6,341
Deposits with banks	651	677
Total illiquid debt assets	23,787	30,844
Impairments carried to profit and loss (cumulative)	44	

	As of December 31, 2023	
	Carrying value	Fair value
In NIS million	Audited	
Government bonds		
Hetz bonds and treasury deposits	16,634	22,279
Other non-convertible debt assets	7,260	7,270
Deposits with banks	550	566
Total illiquid debt assets	**24,444**	30,115
Impairments carried to profit and loss (cumulative)	42	

1) The fair value of designated bonds was calculated in accordance with the repayment date of guaranteed return liabilities.

The fair value of treasury deposits was calculated in accordance with the contractual repayment date.

2) Additional information on fair value

A. Fair value of financial assets by level

The following table presents an analysis of financial assets measured at fair value from time to time, using a valuation method according to the different hierarchy levels. For details regarding the hierarchy levels, see Note 2(e)(3) to the Annual Financial Statements.

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
In NIS million	Unaudited			
Financial investments:				
Liquid debt assets	**6,123**	**142**	**-**	**6,265**
Illiquid debt assets	**-**	**-**	**-**	**-**
Shares	**1,007**	**27**	**773**	**1,807**
Other financial investments [1)]	**928**	**281**	**4,677**	**5,886**
Total financial investments	**8,058**	**450**	**5,450**	**13,958**
1) Of which for derivatives	**4**	**281**	**3**	**288**

During the period there were no material transfers between Level 1 and Level 2.

	Balance as of March 31, 2023			
	Level 1	Level 2	Level 3	Total
In NIS million	Unaudited			
Financial investments:				
Liquid debt assets	6,657	139	-	6,796
Illiquid debt assets	-	1	-	1
Shares	776	35	789	1,600
Other financial investments [1)]	965	70	3,961	4,996
Total financial investments	8,398	245	4,750	13,393
1) Of which for derivatives	5	63	10	78

During the period there were no material transfers between Level 1 and Level 2.

	Balance as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
In NIS million	Audited			
Financial investments:				
Liquid debt assets	7,130	183	-	7,313
Illiquid debt assets	-	-	-	-
Shares	867	47	757	1,671
Other financial investments [1)]	1,007	301	4,528	5,836
Total financial investments	9,004	531	5,285	14,820
1) Of which for derivatives	4	301	3	308

During the period there were no material transfers between Level 1 and Level 2.

B. **Financial assets measured at fair value - Level 3**

In NIS million	Shares	Other financial investments	Total
		Unaudited	
Balance as of January 1, 2024 (audited)	**757**	**4,528**	**5,285**
Total income (losses) recognized:			
In profit and loss	**(5)**	**19**	**14**
In other comprehensive income	**1**	**62**	**63**
Purchases	**26**	**164**	**190**
Sales	**(3)**	**(96)**	**(99)**
Proceeds from interest and dividend	**(3)**	**-**	**(3)**
Balance as of March 31, 2024	**773**	**4,677**	**5,450**
Total gains (losses) for the period included in profit and loss in respect of financial assets held as of March 31, 2024	**(5)**	**19**	**14**

In NIS million	Shares	Other financial investments	Total
		Unaudited	
Balance as of January 1, 2023 (audited)	937	3,697	4,634
Total income (losses) recognized:			
In profit and loss	152	32	184
In other comprehensive income	(136)	116	(20)
Purchases	21	180	201
Sales	(184)	(64)	(248)
Proceeds from interest and dividend	(1)	-	(1)
Balance as of March 31, 2023	789	3,961	4,750
Total gains for the period included in profit and loss in respect of financial assets held as of March31, 2023	120	32	152

In NIS million	Shares	Other financial investments	Total
		Audited	
Balance as of January 1, 2023 (audited)	937	3,697	4,634
Total income (losses) recognized:			
In profit and loss	41	96	137
In other comprehensive income	(142)	134	(8)
Purchases	117	944	1,061
Sales	(190)	(343)	(533)
Proceeds from interest and dividend	(6)	-	(6)
Balance as of December 31, 2023 (audited)	757	4,528	5,285
Total gains for the period included in profit and loss in respect of financial assets held as of June 30, 2023 December 31, 2023	9	97	106

C. Receivables for credit card transactions - Max

	March 31, 2024				
	On-balance sheet balances	Fair value			
		Level 1	Level 2	Level 3	Total
In NIS million	Unaudited				
Receivables for credit card transactions	15,848	-	-	15,777	15,777

	March 31, 2023				
	On-balance sheet balances	Fair value			
		Level 1	Level 2	Level 3	Total
In NIS million	Unaudited				
Receivables for credit card transactions	15,086	-	-	15,042	15,042

	December 31, 2023				
	On-balance sheet balances	Fair value			
		Level 1	Level 2	Level 3	Total
In NIS million	Unaudited				
Receivables for credit card transactions	15,078	-	-	15,012	15,012

C. Financial liabilities

1) Composition of fair value:

		As of March 31 2024		As of March 31 2023		As of December 31 2023	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
In NIS million	Com-ment	Unaudited				Audited	
Financial liabilities presented at fair value through profit and loss:							
Liability for derivative financial instruments, short sale and repo liabilities		1,374	1,374	3,563	3,563	2,929	2,929
Financial liabilities presented at amortized cost:							
The Company:							
Bonds (Series A) - Liquid bonds	A	885	901	247	244	918	942
Bonds Series B - Liquid convertible bonds - Par value component	A	139	137	136	130	142	133
Bonds (Series C) - Liquid bonds	A	504	513	-	-	497	508
Subsidiaries:							
Loans in ClMax and its subsidiaries, excluding Max	B	9	9	950	950	889	889
Liquid subordinated notes in Clal Insurance	C	4,605	4,260	4,571	4,148	4,639	4,315
Credit from banking corporations in Max		4,721	4,721	5,089	5,089	5,202	5,202
Bonds and subordinated notes at Max	D	788	794	496	469	582	581
Total financial liabilities presented at amortized cost		11,651	11,335	11,490	11,031	12,869	12,569
Less interest payable in respect of bonds and subordinated notes presented in payables and credit balances line item		35	35	12	12	99	99
Total financial liabilities		12,990	12,674	15,041	14,582	15,699	15,400
*) Of which in respect of yield-dependent liabilities		857	857	2,656	2,656	1,786	1,786

A. Bonds issued by the Company

On February 28, 2024, interest was paid on Bonds (Series A) and Bonds (Series B) totaling approx. NIS 48 million in accordance with the terms and conditions of the notes.

B. CIMax - syndicated loan

Further to Note 26 to the Annual Financial Statements, on February 25, 2024, CIMax executed early repayment of the full amount of the syndicated loan.

C. Debt raising in subsidiary Clal Insurance

On January 7, 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) in circulation, traded on the TASE, 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.

The terms of some of the Notes (Series J) vary from the terms of the Notes (Series M), and accordingly they were accounted for as replacement of debt instruments with materially different terms; accordingly, Clal Insurance accrued a loss of approx. NIS 1.6 million.

The issuance costs amounted to approx. NIS 1.5 million.

Subsequent to the Reporting Period, on April 3, 2024 the Company issued to the public NIS 465 million p.v. in Notes (Series M) by way of expansion of an existing series in consideration for approx. NIS 460 million. The terms and conditions of the additional notes are identical to the terms and conditions of the Notes (Series M) in circulation. The issuance costs amounted to approx. NIS 5.1 million.

The total consideration (gross), received by the Company following issuance of the new bonds under the said issuance, was deposited in Clal Insurance in a deferred deposit under the same repayment and interest terms and conditions as those of the bonds. The Bonds are recognized as Tier 2 capital in Clal Insurance (subject to limitations) and bear equal status and seniority level as the subordinated bonds issued by Clal Insurance that are classified as Hybrid Tier 2 capital and/or and Hybrid Tier 3 capital, as well as bonds that have been issued and/or shall be issued by the Company and/or Clal Insurance as a Tier 2 capital instrument, and are subordinated to the other liabilities of Clal Insurance, other than the rights of creditors in accordance with Tier 1 capital.

D. Bonds and subordinated notes at Max

Max has subordinated notes with a contractual loss absorption mechanism, which are recognized as Tier 2 capital and commercial securities. The increase in the balance as of March 31, 2024 compared to previous periods arises from an issuance - on July 16, 2023 - of Subordinated Notes (Series D) with a contractual loss absorption mechanism, at the total amount of NIS 250 million par value, which are recognized as Tier 2 capital from the date of their issuance, and from the completion of a private placement - on January 4, 2024 - of a commercial security to institutional investors, at the total amount of NIS 230 million.

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.

The increase in the balance of the Bonds and Subordinated Notes as a result of the abovementioned issuances was partially offset against early redemptions carried out by Max:

On November 16, 2023, Max's board of directors resolved to perform full early redemption of Subordinated Notes (Series B) in the amount of approx. NIS 139 million issued in December 2018, which were included in Max's Tier 2 capital (for further details, see Max's report dated November 19, 2023); 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 Max's Tier 2 capital. The early redemption in full of the Subordinated Notes (Series B) was executed on December 31, 2023, and the early redemption in full of the Note issued in a private placement in March 2019 was executed on March 31, 2024.

2) Fair value of financial liabilities, by level

The following table presents an analysis of financial liabilities measured at fair value from time to time, using a valuation method according to the different hierarchy levels. For details regarding the hierarchy levels, see Note 2(e)(3) to the Annual Financial Statements.

	As of March 31, 2024		
	Level 1	Level 2	Total
In NIS million	Unaudited		
Derivatives	10	661	671
Liability for REPO	-	703	703
Total financial liabilities	10	1,364	1,374

	As of March 31, 2023		
	Level 1	Level 2	Total
In NIS million	Unaudited		
Derivatives	15	2,486	2,501
Liability for REPO	-	1,062	1,062
Total financial liabilities	15	3,548	3,563

	As of December 31, 2023		
	Level 1	Level 2	Total
In NIS million	Audited		
Derivatives	10	1,772	1,782
Liability for REPO	-	1,147	1,147
Total financial liabilities	10	2,919	2,929

A. Financial liabilities in Max by level

	March 31, 2024				
		Fair value			
	On-balance sheet balances	Level 1	Level 2	Level 3	Total
In NIS million	Unaudited				
Financial liabilities					
Credit from banking corporations	4,721	-	4,721	-	4,721
Payables for credit card transactions	9,050	-	-	8,996	8,996
Bonds and subordinated notes	788	-	794	-	794
Other financial liabilities	339	-	-	339	339
Total financial liabilities	14,898	-	5,515	9,335	14,850

In NIS million	March 31, 2023				
		Fair value			
	On-balance sheet balances	Level 1	Level 2	Level 3	Total
	Unaudited				
Financial liabilities					
Credit from banking corporations	5,089	-	5,089	-	5,089
Payables for credit card transactions	8,633	-	-	8,585	8,585
Bonds and subordinated notes	496	-	469	-	469
Other financial liabilities	340	-	-	340	340
Total financial liabilities	14,558	-	5,558	8,925	14,483

In NIS million	December 31, 2023				
		Fair value			
	On-balance sheet balances	Level 1	Level 2	Level 3	Total
	Unaudited				
Financial liabilities					
Credit from banking corporations	5,202	-	5,202	-	5,202
Payables for credit card transactions	8,072	-	-	8,020	8,020
Bonds and subordinated notes	582	-	581	-	581
Other financial liabilities	294	-	-	294	294
Total financial liabilities	14,150	-	5,783	8,314	14,097

NOTE 7 - CAPITAL MANAGEMENT AND REQUIREMENTS

A. Share capital

	Ordinary shares *) **)		
	March 31, 2024	March 31, 2023	December 31, 2023
	In thousands of shares of NIS 1 p.v.		
Issued and paid up share capital as of January 1	**79,031**	74,061	74,061
Issuance of shares	**-**	4,970	4,970
Exercise of options for senior employees	**36**	-	-
Issued and paid up share capital as of	**79,067**	79,031	79,031
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.

**) For details regarding the option plan in the Group, which was approved subsequent to the Reporting Period, see Note 12C below.

B. Dividends and capital management and requirements in the Group companies

Further to Note 17(c) and (d) of the Annual Financial Statements, the possibility of distributing dividends by the Company is affected by the ability of investees to distribute dividends, subject to their capital requirements and liquidity needs and the Company's needs to service the debt it issued (for further details regarding the bonds issued by the Company, see Note 6(c) above). Below is a description of the capital requirements of Clal Insurance and Max and details of the distribution of dividends by them.

1. **Dividends and management of requirements in consolidated insurance companies**

A. Solvency II-based economic solvency regime applicable to the Group's insurance companies

The Group's insurance companies are subject to the Solvency II-based Economic Solvency Regime in accordance with the implementation provisions of the Economic Solvency Regime.

In accordance with the Consolidated Circular, the Economic Solvency Ratio Report in respect of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date.

On May 30, 2024, the Company approved and published its Economic Solvency Ratio Report as of December 31, 2023.

The calculation made by the Company as of December 31, 2023 was audited by the independent auditors. The audit held in accordance International Standard on Assurance Engagement (ISAE) 3400 – "The Examination of Prospective Financial Information".

In accordance with the Solvency Ratio Report as of December 31, 2023, the Company has excess capital, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the transitional provisions.

For further details, see Section 2.4 to the Report of the Board of Directors and the Economic Solvency Ratio Report as of December 31, 2023 attached to this report.

B. Dividend distribution policy at Clal Insurance

Further to Note 17(c)2 of the Annual Financial Statements, in June 2023, 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%, after the distribution.

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

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

C. Dividends and management of capital requirements in Max

A. **Capital adequacy and leverage pursuant to the Banking Supervision Department directives applicable to credit card companies**

1. **Capital adequacy, as per the Banking Supervision Department's directives (*)**

	As of March 31 2024	As of March 31 2023	As of December 31 2023
In NIS million	**Unaudited**		**Audited**
1. Capital for capital ratio calculation purposes:			
Common Equity Tier 1 capital	**1,910**	1,719	1,855
Tier 2 capital	**437**	347	461
Total capital	**2,347**	2,066	2,316
2. Balance of risk-weighted assets:			
Credit risk - standardized approach	**14,826**	13,729	14,021
Market risks - standardized approach	**128**	28	19
Operational risk - standardized approach	**2,989**	2,495	2,876
Total balance of risk-weighted assets	**17,943**	16,252	16,916

In percentage	As of March 31 2024	As of March 31 2023	As of December 31 2023
	Unaudited		Audited
3. Ratio of capital to risk-weighted assets:			
Ratio of CET1 capital to risk-weighted components	**10.6**	10.6	11.0
Ratio of total capital to risk-weighted assets	**13.1**	12.7	13.7
Minimum CET 1 capital by the Banking Supervision Department	**8.0**	8.0	8.0
Minimum total capital ratio set by the Banking Supervision Department	**11.5**	11.5	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.

2. Capital adequacy target in Max

As part of the process of adopting the provision of Basel III in Israel, on March 28, 2012, the Banking Supervision Department published a letter of instruction on the minimum core capital ratio in accordance with the Basel III framework, requiring banks and credit card companies to comply with a Common Equity Tier 1 capital ratio of 9% and a total capital ratio of 12.5% until January 1, 2015.

On May 2, 2016, the Banking Supervision Department issued Proper Conduct of Banking Business Directive No. 472, Merchant Acquirers and Acquiring Payment Card Transactions. The directive contains relief in respect of the capital requirements under Proper Conduct of Banking Business Directives 201-211. Despite what is stated in Section 40 to Proper Conduct of Banking Business Directive No. 201, the Common Equity Tier 1 capital ratio shall not fall below 8%, and the total capital ratio shall not fall below 11.5%. The directive became effective on June 1, 2016 and applies to Max as an acquirer.

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

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 the Company's exposure to Israeli banks derives from Israel's credit rating. Since the Company uses ratings of the international credit rating agency Standard and Poor's (S&P), the expected effect of the downgrading of Israel's rating by this agency in April 2024 is an approx. 0.3% decrease in Max's capital ratios, which will be reflected in the financial statements for the second quarter of 2024. A further downgrading (of one notch) in Israel's credit rating is not expected to affect Max's capital ratios.

3. Capital components for the calculation of capital ratio in Max

In NIS million	As of March 31 2024	As of March 31 2023	As of December 31 2023
	Unaudited		Audited
1. Common Equity Tier 1 capital			
Equity	**1,906**	1,712	1,847
Net of goodwill	**-**	-	-
Total Common Equity Tier 1 capital	**1,906**	1,712	1,847
Regulatory adjustments:			
Adjustments for current expected credit losses - CET1 capital *)	**5**	7	8
Total CET1 capital, after regulatory capital deductions	**1,911**	1,719	1,855
2. Tier 2 capital			
Tier 2 capital: Instruments	**250**	174	285
Tier 2 capital: Provisions	**187**	173	176
Total Tier 2 capital	**437**	347	461
Total capital	**2,348**	2,066	2,316

* 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.

4. Effect of adjustments for current expected credit losses on the CET1 capital ratio at Max

In percentage	As of March 31 2024	As of March 31 2023	As of December 31 2023
	Unaudited		Audited
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	**10.6**	10.5	10.9
Effect of adjustments for current expected credit losses	**0.03**	0.04	0.05
Ratio of CET1 capital to risk-weighted components	**10.6**	10.6	11.0

In NIS million	As of March 31 2024	As of March 31 2023	As of December 31 2023
	(Unaudited)		Audited
Consolidated data:			
Tier 1 capital	**1,911**	1,719	1,855
Total exposures	**21,367**	19,671	20,405

In percentage	As of March 31 2024	As of March 31 2023	As of December 31 2023
	Unaudited		Audited
Leverage ratio	**8.9**	8.7	9.1
Minimum total leverage ratio set by the Banking Supervision Department	**4.5**	4.5	4.5

5. 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. Max'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, Max may not use physical or financial collateral, guarantees or other credit risk mitigation techniques to reduce the exposure measurement. Balance sheet assets deducted from Tier 1 capital (in accordance with Directive No. 202) are deducted from the exposure measurement. Pursuant to the Directive, Max 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%.

In the circular amending the Directive, which was published by the Banking Supervision Department on December 20, 2023, it extended the term of an expedient set as a Temporary Order in November 2020, as part of adjustments to Proper Conduct of Banking Business Directives for dealing with the Covid-19 crisis, according to which the leverage ratio shall not fall below 4.5% on a consolidated basis. 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 March 31	As of March 31	As of December 31
	2024	2023	2023
In NIS million	Unaudited		Audited
Consolidated data:			
Tier 1 capital	**1,910**	1,719	1,855

	As of March 31	As of March 31	As of December 31
	2024	2023	2023
In percentage	Unaudited		Audited
Leverage ratio	**8.9**	8.7	9.1
Minimum total leverage ratio set by the Banking Supervision Department*	**4.5**	4.5	4.5

* In accordance with the Temporary Order as stated above.

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 (as detailed above); (2) there is no cause to call for immediate repayment;

C. If Max's Tier 1 capital adequacy ratio is within the range of between 8% and 9%(inclusive) under its consolidated financial statements, Max may not distribution dividends in any calendar quarter, unless it complies, among other things, with the following terms: (1) The distribution amount does not exceed 25% of the net income under the Company's last consolidated financial statements; (2) Max meets all its material liabilities, including not deviating from the financial covenants (as specified above); (3) there is no cause to call for immediate repayment.

D. If Max's Tier 1 capital adequacy ratio is within the range of between 9% and 10% (inclusive) under its consolidated financial statements, Max may not distribution dividends in any calendar quarter, unless Max complies, among other things, with the following terms: (1) The distribution amount does not exceed 50% 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 (as specified above); (3) there is no cause to call for immediate repayment.

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS

1. Introduction - Claims not in the Ordinary Course of Business

Below are details regarding legal actions not in the ordinary course of business, as follows: material claims[1] 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 detailed by the plaintiffs, unless noted otherwise.[2]

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 Contracts 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 members in class actions filed against them.

A class action lawsuit, as it is defined in the Law, is a lawsuit managed on behalf of an anonymous class of persons, who have not granted power of attorney in advance to the 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 detailed 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.

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1. See Footnotes 3 and 16 below.
2. See Footnote 12.

For a claim to be certified as a class action, the plaintiff must prove, among other things: (1) the existence of a "personal cause of action" for the specific plaintiff; (2) that the cause of action is sufficiently established for there to be "prima facie cause of action". The court must then examine whether the plaintiff has a prima facie chance of eventual success in its suit; (3) that the cause of action raises material questions of fact or law that are common to a certain class; (4) that there is a reasonable possibility that the common questions in the claim will be determined in favor of the class; (5) that the class action is the most effective and fair method for resolving the dispute that is the subject of the claim, under the circumstances; (6) that the plaintiff is suitable to act as the 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 should be noted that the scope and content of the hearing regarding a class action on its merits, is affected by the ruling regarding the certification of the claim as a class action. The ruling to certify a class action usually relates to both the causes of action that have been approved and those that have not; the reliefs that have been approved and those that have not; etc.

The law prescribes a process and restrictions regarding settlement arrangements in class actions that make it difficult to reach a compromise on class actions. As such, it also prescribes the obligation of proper disclosure to the court pertaining to all material details relating to the settlement arrangement, together with the right of the Attorney General and additional entities stipulated in the Law to file an objection to the proposed settlement arrangement, and in addition the Law also provides that an examiner should be appointed pertaining to the settlement arrangement as well as specific arrangements regarding the plaintiff's withdrawal of the certification motion or the class action itself. In January 2021, the Ministry of Justice published a "public appeal for comments on amendments to the Class Action Law, 2006", in which the public was asked to comment on any requisite amendments to the Law. Clal Insurance submitted its response via the Israel Insurance Association, among other things, in relation to the growing number of class actions in the Israeli market in general, and in the insurance sector in particular. In March 2023, the report of the inter-ministerial team for examining the arrangements stipulated in the Class Actions Law, 2006 (hereinafter - the "**Report**") was published, and the public was invited to submit comments regarding the recommendations outlined in the report. In its report, the inter-ministerial team recommended, among other things, to add a mechanism to the Law requiring that advance contact be made with a defendant prior to filing a certification motion, regarding those specific types of causes of action and claims to be determined; cancellation of certain exemptions from fee payment subsequent to filing a class action certification motion; the obligation of determining court expenses in the case of dismissal of a class action certification motion/class action, unless special reasons exist that should be listed, with the default being imposing the costs on the 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 motions to certify claims as class actions set forth below, are currently in the various stages of procedural adjudication, some have been approved and some are undergoing appeal proceedings.

1.2 Additional exposures

It should be noted that in addition to the legal proceedings, from time to time there are potential exposures which cannot currently be evaluated or quantified, in respect of commercial disputes or warnings pertaining to the intention to file suits, including class actions and derivative actions on certain matters, or legal proceedings and specific inquiries that might develop into claims in the future, including class actions or third party notices against the Group's member companies, as well as exposure resulting from the complexity of the regulation applying to the activity of the Group's member companies.

The Group’s member companies are unable to predict in advance whether a customer’s claim which has been brought to the companies’ attention will eventually lead to the filing of a class action lawsuit, or will lead to a sector-wide ruling or will have sector-wide implications, even in those cases in which the customer threatens to do so, and furthermore the Group’s member companies cannot estimate the potential exposure that may be created in respect of the aforementioned claims, insofar as these may be adjudicated and found to be justified by a competent authority. For 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. (hereinabove and hereinafter, respectively - “**Max**” and “**CIMax**”).

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 lawsuits[3] 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.

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3 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.

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.

1.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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. 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 under-payment. In addition and/or alternatively, the court is asked to order damages to the public, as it deems suitable.	Anyone who was paid insurance benefits from the defendants in the 7 years preceding the day the lawsuit had been filed and/or who will be paid insurance benefits from the defendants before a judgment is rendered in the lawsuit, without lawfully adding interest to the insurance benefits the (hereinafter - the "First Class") and lawfully adding linkage differentials to the insurance benefits (hereinafter - the "Second Class").	In August 2015, the District Court rendered its ruling to dismiss the motion to certify against the defendants with respect to the claim of non-payment of linkage differentials, but accept the motion to certify against the defendants with respect to the claim of underpaying interest on insurance benefits; it was found that the eligible class members are all policyholders, beneficiaries, or third parties, who, during a period starting three years before the lawsuit had been filed and ending on the day the lawsuit was certified as a class action, had been paid insurance benefits from the defendants (unless the above were paid not in accordance with a judgment rendered between them), without adding the lawful interest, within 30 days from the date of submitting the insurance claim with the insurer (not from the date of submitting the last document the insurer had required to clarify the liability), and until the actual payment date. In August 2016, the defendants, with the Supreme Court's approval, had stricken out a motion for leave to appeal they had brought in October 2015, whose gist was an objection to the District Court's ruling, according to which a prior settlement arrangement the Company had made on a similar issue does not establish *res judicata* that precludes bringing the motion to certify and does not establish a defense for the defendants, while the parties reserved all their claims to the main proceeding. 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 detailed 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 Contracts 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.	The plaintiff estimates the cumulative amount due to the First Class at NIS 518 million (if it is decided that the interest must be calculated from the insured event's occurrence date), or at NIS 210 million (if it is decided that the interest must be calculated starting 30 days from the date of filing the insurance claim to the insurance company). The plaintiff estimates the cumulative amount due to the Second Class (for which the motion to certify was denied) at an additional amount of NIS 490 million, due to linkage differentials.

1.	Date and court	Defendants	Key claims and causes of action	Key remedies	Repre-sented class	Status / further details	Claim amount
(cont.)						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. In May 2021, the defendants filed an appeal, or, alternatively, a motion for leave to appeal the Judgment to the Supreme Court. In November 2022, the Supreme Court rejected the motion for leave to appeal that had been filed as said above, in the absence of a cause for judicial interference, mainly because the partial judgment constituted "a non-judgment ruling," and the appellate court's starting point is that it would only interfere in the trial court's interim rulings in highly unusual cases. Accordingly, it was held that the appropriate venue for investigating the defendants' claims was in an appeal on the final judgment in the lawsuit, insofar as an appeal is filed. The Supreme Court clarified that it was not taking a stand on the issue of the hypothetical appeal to be filed on the final judgment. The proceeding is at the stage of litigating the claim before the District Court, and in January 2023, within the above, the court rendered its ruling on the identity of and the authorities vested in the expert. 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 moved 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. In April 2024, the court rendered its decision on the motion for clarification, in which it was mainly determined that within the decision in question, the court's entire role at this stage, is – at most – to clarify the court's partial judgment (rendered by a different judge), and that even if the defendants have good claims, the court can only adhere to the findings in the judgment. The motions for clarification were partially dismissed. The plaintiffs' motion was not discussed within the decision.	

2.	Date and court	Defen-dants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 July 2016, the court certified the lawsuit as a class action. The certified class consists of anyone who entered into an insurance contract with the defendants or any of them and was charged Sub-Annuals with respect to the following components: with respect to the "mixed" life insurance savings component sold by Clal Insurance in the past, with respect to the "policy factor" (which is a fixed monthly amount that is added to the premium whose aim is to cover expenses), and with respect to health policies, disability policies, critical illness policies, work disability policies, and long-term care policies (hereinafter - the "**Collection Components**"). The court's ruling was rendered despite the Commissioner's position, which had been stated at the request of the court, as said above. The cause of action for which the claim has been certified as a class action is the unlawful collection of Sub-Annuals due to the Collection Components. The relief sought is a refund of the sums that had been collected unlawfully in the seven years preceding the date of filing the lawsuit and thereafter, i.e., from January 2001, as well as a mandatory injunction ordering the defendants to rectify their conduct and to cease charging sub-annuals on collection components. In December 2016, the defendants filed a motion for leave to appeal against the ruling to certify the claim as a class action to the Supreme Court (hereinafter - "**MLA**"), and in May 2018, the Supreme Court accepted the MLA, heard it as an appeal, and rendered a judgment granting the appeal and dismissing the lawsuit accordingly. In June 2018, the plaintiffs moved to hold a further hearing of the judgment, with respect to some of the findings therein. In July 2019, a ruling was handed down in favor of holding a further hearing on the case, by an extended panel of 7 judges. In February 2020, a position was submitted to the Supreme Court on behalf of the Attorney General within the further hearing, according to which, the Attorney General believed that there was no justification to intervene with the ruling rendered in the judgment on the appeal, which was based on adopting the Capital 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.	In February 2010, the parties reached a procedural arrangement according to which the plaintiff's claims that Clal Insurance had overcharged on Sub-Annuals, compared with the permissible charges in connection with insurance policies that had been issued before 1992, and that Clal Insurance charged the maximum Sub-Annuals even when the number of payments was lower than twelve payments, would be withdrawn from the motion and the lawsuit. Accordingly, the amount claimed from Clal Insurance was revised and set at approx. NIS 398.2 million.

3.	Date and court	Defen-dants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 consent and without any justification originating from the policies – sums of money that sometimes comprised a considerable rate of the premiums the policyholders paid, known as the "policy factor" and/or "other management fees" (hereinafter - the "**Policy Factor**"), unlawfully and without this being grounded on any suitable contractual provision, even though the defendants were, in principle, allowed to charge the Policy Factor in life insurance policies in accordance with the Commissioner's circulars.	Payment of an amount equal to the Policy Factor that was actually collected from the class members as damages/recovery, in addition to the yield the policyholders had been denied with respect to this amount because the Policy Factor amount deducted from the premium had not been invested for them, and a change in the modus operandi regarding the collection of the Policy Factor.	Anyone who had a combined life insurance and savings policy with any of the defendants and from whom any amount was collected as a Policy Factor.	In June 2015, a motion to approve a settlement agreement was brought 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 above being approx. NIS 26.5 million) and give a 25% discount on the future actual collection of the Policy Factor. In November 2016, the court decided to dismiss the motion to approve the settlement 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 as a class action, only with respect to combined life insurance and savings policies made between 1982 and 2003 (with respect to Clal Insurance policies in the "Adif," "Meitav" and "Profile" categories), in which the savings accrued in favor of the policyholders were diminished due to the collected Policy Factor, with the cause being a breach of the insurance policy due to collecting the Policy Factor in a manner that diminished the savings the policyholders accumulated, in respect of the period starting seven years before the date of filing the claim, in April 2011. The claim has not been approved with respect to other types of policies (jointly hereinafter - the "**Ruling**"). The claimed remedies, as defined in the court's Ruling, are to rectify the breach by way of adjusting the policyholders' accumulated savings according to the amount of the additional savings they would have accrued had they not been charged a Policy Factor or to compensate the policyholders by that amount, as well as to cease charging the Policy Factor from that date on. In addition, the defendants were charged the legal fees payable to the representatives' counsels and to the parties who were opposed to the settlement arrangement and their counsels, at immaterial amounts. 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 arrangement, a refund mechanism was set for the class members who owned combined life insurance and savings policies made between 1982 and 2003, in which the accumulated savings to their benefit were affected due to the collection of the Policy Factor. According to the settlement arrangement, the main consideration to the class members would be as follows (in accordance with the provisions of the settlement arrangement):	The plaintiffs' claim is in respect of the Policy Factor they were charged since 2004. According to various estimates and assumptions the plaintiffs made with respect to the collection of the Policy Factor in the seven years preceding the date the defendants filed the claim and the relevant annual returns, the plaintiffs estimated the amount of the class members' claim against all the defendants, as of the date of filing the claim, at a nominal amount of approx. NIS 2,325 million. Out of this amount, approx. NIS 662 million are attributable to Clal Insurance, according to its alleged market share.

3.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
(cont.)						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. The Company would reduce the future Policy Factor collection from the relevant class members, by lowering the Policy Factor collection to 50% of the total Policy Factor that would have been collected had no reduction been made, as stated in the settlement arrangement. According to Clal Insurance's initial assessment, the total Policy Factor reduction with respect to future collection is expected to sum up to approx. NIS 3 million for 2024. The above reduction amounts are expected to be reduced over the years. The settlement arrangement is subject to the court's approval, and the court's approval thereof in the submitted form, as well as with respect to the arrangements it will stipulate, is uncertain. In 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 is April 2024. In May 2024, the Attorney General submitted her position regarding the settlement agreement, whose highlights are that she does not object to the total compensation to the benefit of the class members, as agreed upon in the settlement agreement, provided that the refunded amounts also include the returns from 2013 (contrary to that stated in the settlement agreement, under which the revaluation of the amounts from 2013 is subject to a supplementary court decision, according to the authority vested in it by the parties). Furthermore, the Attorney General does not object to the manner of future regulation and the continued reduced collection of the policy factor, and she leaves this matter to the discretion of the court. However, the Attorney General believes that the reduced cost of the policy factor should apply only to savings (and not be divided between the savings component and the life insurance component, as proposed in the settlement agreement). In addition, the position includes objections and commentary on other components of the settlement agreement, including with respect to the attorney's fees to be paid to the counsel for the plaintiffs and the manner of implementing the settlement agreement. The settlement agreement is subject to the court's approval and the court's approval thereof is uncertain.	

4.	Date and court	Defen-dants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	7/2014	Clal Pension and Provident Funds Ltd. as well as against four other pension fund manage-ment companies.	According to the plaintiffs, who are two associations that claim their objective is to aid the elderly population, the defendants raised the management fees it charged from pensioners in the pension funds they manage at the stage of paying the pension, to the maximum lawful management fees ceiling (0.5% of the accumulated balance), while taking advantage of the pensioners' position as a "captive audience," while active planholders paid significantly lower management fees, on average. It was further claimed that the defendants do not disclose to their planholders that when they become pensioners, the management fees they pay the defendants would immediately be raised to the maximum management fees.	To require the defendants to return the excess management fees unlawfully charged from the class members with interest and linkage; to require the defendants to lower the management fees charged to the pensioners, such that they do not exceed the management fees it charged before each one of them retired; to prohibit the defendants from raising the planholders' management fees immediately before they retire.	Anyone who is a planholder of a comprehensive new pension fund, managed by one of the defendants, and is entitled to be paid an old-age pension and/or will be entitled to be paid an old-age pension in the future.	In September 2015, the plaintiffs submitted a reply to the defendants' response to the motion to certify (hereinafter - the "**Plaintiffs' Response**"), in which, among other things, a new claim was raised: that the defendants did not send the planholders prior notice of raising the management fees, as required in accordance with the provisions of the law. As per the court's request, the Commissioner submitted its position in September 2017, which held, inter alia, that in accordance with the provisions of the law and the July 2014 circular, management fees lower than 0.5% could be collected during the pension payment period, and that the defendants had no regulatory duty to notify of a management fee increase once the planholders reached retirement age. In March 2022, the District Court decided to grant the motion to certify against the defendants, with respect to whether the defendants had had to notify the planholders of the management fees they would be charged in the pension period in advance, and if so, what damage had been caused by the failure to provide such a notice. The certified class contains anyone who is a planholder in a new comprehensive pension fund managed by one of the respondents and is entitled to be paid an old-age pension after they retire in the seven years prior to submitting the motion to certify and/or will be entitled to be paid an old-age pension in the future. 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' assessment, the management fees the defendants collected unlawfully from current pensioners are estimated at NIS 48 million, the management fees that will be unlawfully collected from current pensioners in the future by the defendants are estimated at NIS 152 million, and the management fees the defendants will unlawfully collect from future pensioners in the future, due to the accrual to date, are estimated at NIS 2,800 million. The said amounts are claimed with respect to all the defendants.

5.	Date and court	Defen-dants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 insurance benefits under long-term care policies, they apply an interpretation according to which, in order for a policyholder’s claim due to “incontinence” to be recognized, it must be the result of a urological or gastroenterological illness or defect, rather than assigning the function a score even when the source of the policyholder’s poor medical and functional condition due to which he or she suffers from “incontinence” might be an illness, accident, or health defect outside the domain of urology or gastroenterology.	To compel the defendants to compensate the class members in full for the damage caused to the latter due to the defendants’ alleged breaches of the agreement, and to comply with the agreement from here on out, and alternatively, to award any other remedy as the court deems suitable under the circumstances.	Anyone who was insured under a long-term care insurance policy sold by the defendants (or the heirs of the above, as applicable), and who suffered from poor health and functioning as a result of an illness or accident or health impairment, because of which they suffered from incontinence and/or regularly used a stoma, a urinary catheter, or diapers or absorption products of all kinds, and despite the above – were not assigned a score from the defendants (as applicable) for the incontinence component, which has led to their rights being infringed.	In April 2020, the court partially certified the lawsuit as a class action lawsuit against Clal Insurance and three other insurance companies. The certified class relates to anyone who was insured by long-term care insurance and suffered from loss of bowel or bladder control, due to a combination of incontinence that does not amount to an organic loss of control with a poor functional condition, and regardless of the aforesaid did not receive from the insurance companies points for incontinence when examining their claim to receive long-term care insurance benefits, such that their rights to insurance benefits were impaired between September 8, 2012 and the date of certifying the claim as a class action. The plaintiffs’ motion to certify the lawsuit as a class action lawsuit in respect of a class of policyholders who suffer from incontinence due to functional disabilities or mobility impairments, and experience incontinence due to this, as well as in respect of a class of policyholders who suffer from cognitive impairments and who were not recognized as “mentally frail,” was denied. The causes of action for which the class action was certified were a breach of the long-term care insurance contract that resulted in non-payment of long-term care insurance benefits or underpayment of long-term care insurance benefits, due to the policyholders not being recognized as qualifying for a score on their incontinence. The remedy sought in the lawsuit is compensation to the class members who were not assigned a score on their incontinence. The proceeding is currently being litigated. The parties are in mediation.	According to the plaintiffs, the damage cannot be estimated at this stage, but they estimate it in the tens and even hundreds of millions of shekels. The plaintiff’s alleged individual damage from Clal Insurance sumps up to approx. NIS 32,500 (without linkage differentials and interest).

6.	Date and court	Defen-dants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	10/2016 District Court - Central	Clal Insurance	According to the plaintiff, within an engagement with a collective policy master policyholder (a health maintenance organization) for the sale of a collective long-term care insurance policy, Clal Insurance had committed to give the collective policyholders who enroll in the private policy a 20% discount on the premium and did not do so (hereinafter - the "**Collective Policy**").	Refund of the amounts by which the class members were overcharged.	In accordance with the court's ruling – anyone who bought an individual long-term care insurance policy from Clal Insurance in which the eligibility period is lifetime compensation, between October 30, 2009, and December 31, 2018, while they were insured under the Collective Policy, and Clal Insurance did not give them a discount of at least 20% according to Clal Insurance's lowest prevailing rate at the time of purchase in respect of individual policies that are equivalent to the plan the policyholder had chosen, for a policyholder of comparable age and health condition, provided that it does not exceed the regulator-approved rate.	In January 2021, the court partially certified the motion to approve the class action. The lead plaintiff's motion to certify the lawsuit as a class action, including with respect to any group of policyholders who hold a private long-term care policy in which the period of eligibility for compensation is not for the policyholder's entire life, was denied. The causes of action for which the claim was certified as a class action lawsuit are a breach of the provisions of the Collective Policy and unjust enrichment, and the claimed remedy is restitution of the amounts by which the class members were overcharged. The proceeding is currently being litigated. The parties are in mediation. In November 2023, within a mediation proceeding, Clal Insurance and the plaintiff signed a binding procedural arrangement, according to which the parties agreed on giving or supplementing a discount for the relevant policyholders at the rates agreed upon by the parties. The procedural arrangement is subject to examination by an external expert, according to the agreed outline of principles, following and according to which the settlement agreement will be formulated and submitted to the court.	In the claim, the plaintiff estimated the alleged damage to all class members at NIS 52 million for alleged damage caused until the date of filing the motion, and NIS 126 million for the damage expected to be caused to the class members in the next 10 years.

7.	Date and court	Defen-dants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	11/2019 Regional Labor Court - Tel Aviv	Clal Insurance	According to the plaintiff, Clal Insurance charged management fees in life insurance policies with an integrated profit-sharing savings component issued before January 12, 2004 (hereinafter - the "**Relevant Policies**"), at rates that deviate from the permissible limits, without a legal and/or contractual basis.	Remedy in the form of restitution of the management fees the class members were unlawfully charged, as well as a mandatory injunction ordering Clal Insurance to change its modus operandi with respect to the collection of management fees in the Relevant Policies from here on out.	Anyone who is or has been insured by Clal Insurance under the Relevant Policies and whom Clal Insurance charged due to management fees in excess of the permitted limit under the Supervision of Financial Services Regulations (Insurance) (Conditions in Insurance Contracts), 1981, according to the wording at the time and/or according to the provisions of the policy, during the 7 years prior to the date of filing the lawsuit and up to the date the lawsuit is certified as a class action.	In June 2023, the Regional Labor Court decided to reject the claims that Clal Insurance charged management fees out of the accrued savings in violation of the law or contrary to the provisions of the policy, as well as the alternative claim that Clal Insurance charged management fees out of the accrued savings at a rate that exceeded than the rate permitted by law. The Regional Labor Court decided to partially certify the lawsuit as a class action lawsuit on the grounds that Clal Insurance charged management fees out of the premium from its policyholders that held participating policies in the "Profile" category that had been sold until January 12, 2004 (hereinafter - the "Relevant Policies"), in contrast with the provisions of the policy (hereinafter - the "**Management Fees**"). Let it be noted that these policies have been marketed since 1999. The class members comprise anyone who was or is insured by the respondent under a Relevant Policy in the period beginning seven years prior to the date of filing the lawsuit and ending on the day the lawsuit was certified as a class action lawsuit, and whom Clal Insurance charged Management Fees to. The causes of action for which the lawsuit was certified as a class action lawsuit are: a breach of agreement, unjust enrichment, and a breach of statutory duty, including a breach of Clal Insurance's duties of trust and duties of care, and deception. The parties are conducting a mediation procedures. In April 2024, the plaintiff appealed to the National Labor Court regarding the causes of action that were dismissed in the decision to certify the lawsuit as a class action, and on the same day, Clal filed a motion for leave to appeal the decision to partially certify the lawsuit's adjudication as a class action; at the same time, the parties sought to stay the proceedings in the National Court to attempt to complete the mediation.	NIS 120 million

NOTE 8 - CONTINGENT LIABILITIES AND CLAIMS (cont.)

2.1. ***Class actions* against the Company and the consolidated companies, with the exception of the Max Group companies**

2.1.2 Pending motions to certify material claims as class actions against the Company and the consolidated companies, with the exception of the Max Group companies[4]

	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
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 defendants to alter the agent compensation mechanism and to pay the planholders back the excessive management fees they were charged.	Planholders of provident funds managed by the plaintiffs, who were charged management fees from which the agents' commission is derived based on the management fees amount.	In November 2022, the District Court's rendered its judgment, in which the motion to certify was denied. In January 2023, the plaintiffs appealed the judgment. The proceeding is at the stage of hearing the appeal.	According to the plaintiffs' assessment, the damage to all class members is approx. NIS 2 billion, reflecting approx. NIS 300 million in annual damage since 2008.

4. Including such motions that were denied and the ruling to deny them was appealed.

2.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	7/2019 Regional Court - Tel Aviv	"Atudot" - Pension Fund for Workers and Independent Workers Ltd. (a subsidiary of Clal Insurance (held at 50%) (hereinafter - "Atudot")	The lawsuit concerns the allegation whereby Atudot charges its planholders "investment management expenses" (hereinafter - "direct expenses") in the absence of a contractual provision that allows it to charge such expenses and in contrast with the fund's bylaws.	The plaintiffs seek to compel Atudot to return the excessive Direct Expenses amounts they were charged.	The planholders in the pension funds who were charged investment management expenses in the seven years before the relevant lawsuit was filed.	In May 2019, the Central District Court rendered a ruling granting the motion to certify a class action lawsuit due to the collection of Direct Expenses in individual life insurance policies (hereinafter - the "Certification Ruling"). In the Certification Ruling, it was determined that the absence of a clear provision in the policy regarding the collection of Direct Expenses is a negative arrangement, and therefore, the defendants were not prohibited from charging these expenses. In September 2019, a motion for leave to appeal the Certification Ruling was brought to the Supreme Court (hereinafter - the "Motion for Leave to Appeal"). Atudot was not a party to this proceeding. In June 2023, the Supreme Court rendered its decision after hearing the motion for leave to appeal as an appeal, and granted the appeal on the Certification Decision, while stating that insurance companies and management companies act as trustees for the planholders' funds and are therefore entitled to collect expenses. The parties addressed the judgment rendered in their summations. In February 2024, a judgment was issued dismissing the motion to certify the class action against Atudot. In March 2024, the plaintiff appealed to the National Labor Court.	The class action amount was set at approx. NIS 41 million, based on an assessment.

3.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	12/2017 District Court - Jerusalem	Clal Insurance, two other insurance companies, Clalit Health Services, and Maccabi Healthcare Services.	According to the plaintiffs, the defendants allegedly refuse to provide long-term care insurance to people on the autistic spectrum, or set impossible and unreasonable conditions for them, without providing any explanation or justification for their conduct.	Making a declaratory order that the defendants' conduct violates Article H of the Equal Rights for People with Disabilities Law, 1998, the Equal Rights for People with Disabilities Regulations (Insurer's Notice Regarding Different Treatment of a Person or Refusal to Insure) (2016) (hereinafter - the "**Equality Law**"), and other statutes; issuing a mandatory injunction compelling the defendants to stop discriminating against the class members and establish clear work procedures regarding individual, egalitarian, and impartial treatment of people with disabilities; issuing mandatory injunction compelling the defendants to retroactively insure the class members who are found eligible for long-term care insurance after an egalitarian underwriting procedure is carried out in accordance with the procedures, as said above.	People with autistic spectrum disabilities who applied for insurance under a long-term care insurance policy offered by any of the defendants, and were unlawfully treated differently and discriminated against by the defendants, without the defendants basing the ruling on reliable and relevant statistical, actuarial, or medical data on the specific insurance risk, and/or were not given an explanation for this, as required under the Equality Law and other applicable statutory provisions, in the seven years prior to bringing the motion to certify.	In January 2020, the Attorney General announced that he would not be seeking to appear in the proceeding, and that this announcement does not affect the position he had submitted in another similar case, in which he expressed his opinion that the insurance company's reliance on the reinsurers' underwriting procedures is compatible with the provisions of the Equality Law. In September 2022, the court rendered its judgment, in which the motion to certify was denied. In April 2023, the plaintiff filed an appeal against the judgment.	The plaintiffs do not quantify the damage to all class members, and they estimate the plaintiffs' individual damage at tens of thousands of shekels per plaintiff.

4.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 and 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. In March, the court held that the agreement should not be dismissed in limine and ordered the publication of the motion to authorize the settlement agreement. The settlement agreement is subject to the Court's approval.	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.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 class member, 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 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 arrangement was submitted in September. The settlement arrangement is subject to the court's approval, which will not necessarily be granted.	The plaintiffs estimate the total damage to the class members at approx. NIS 17 million. The total personal damage being claimed is NIS 1,044.

6.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	5/2019 Regional Labor Court - Tel Aviv	Clal Insurance	According to the plaintiff, the defendant systematically reduces the disability insurance benefits it pays its policyholders under its participating disability insurance policies, by unlawfully deducting management fees and calculative interest.	Restitution in kind of the funds the class members were unlawfully denied, according to the plaintiff, and with respect to the premium release funds – crediting the policies' savings. The plaintiff also petitions to declare that certain provisions of the policies, in relation to the interest and management fees deduction from the yield to which the policyholders are entitled, are void.	All policyholders or former policyholders under participating disability insurance policies that include a mechanism to link the monthly benefits payments and/or the release from premiums to the investment portfolio 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.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	2/2020 District Court - Central	Clal Insurance and another insurance company	According to the plaintiffs, due to "lack of knowledge" following the failure to present the personal accidents insurance policy (hereinafter - the "**Policy**") to the students, to the policyholders, and to their relatives, and the Policy's non-publication, the policyholders have not been exercising their right to benefits under the Policy, and they are incurring damages.	Issue orders against the defendants and the Insurance Commissioner for the discovery of documents and data; order the extension of the prescription period; order the appointment of a committee that will include independent members and will be authorized to discuss and decide all personal claims under the Policy for three years, in respect of all cases before October 25, 2016 (hereinafter - the "**Committee**"), and will also be authorized to discuss the issue of the Policy's delivery; order a procedure for transferring the burden of evidence; issue a mandatory injunction ordering the defendants to compensate the plaintiffs in accordance with the Committee's ruling; award special damages to the plaintiffs and the counsels' legal fees.	The motion classifies the plaintiffs into several subcategories, mainly including: Any student in a school or kindergarten in the State of Israel who had been insured under a personal accidents insurance policy by the defendants and did not receive a copy of the personal accidents insurance policy at their home, starting from the school year that started in September 2006, and/or any student whose cause of action against the insurance company has become invalid under the statute of limitations; In addition, the motion defines additional subcategories, comprising students who were born after October 25, 1995, and who, between the ages of 3 and 19 (while in the Israeli education system, from kindergarten and until their graduation from the 12th or 13th grade), suffered an accident that resulted in physical harm, and who were not paid insurance benefits in accordance with the Policy, divided into sub-categories according to the type of harm, as detailed 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 detailed in the lawsuit.	The proceeding is in the stage of the class action certification motion being reviewed. Let it be noted that similar motions and claims were filed against Clal Insurance and were stricken out by the court on procedural grounds, in January 2020.	The plaintiffs estimate the alleged damage against Clal Insurance at approx. NIS 1.4 billion, plus approx. NIS 1.5 billion in damage attributable to the two defendants due to breaching their autonomy.

8.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 coverage when the regular deposits into a savings policy with combined insurance components are discontinued), by making excessive deductions out of the accrued savings amount and thus reducing the accrued savings, without informing the policyholders in advance of making the "temporary risk" insurance and of its terms and rates, and in breach of the duty to send the policyholders up-to-date insurance information sheets on time or at all.	(1) Restitution of all funds charged out of the accrual and/or otherwise in respect of the entire period following the termination of employment (except when the policyholder has asked to purchase the insurance coverage in writing). Alternatively, restitution of all funds collected for the period after 3 or 5 months from the termination of their employment, in accordance with the relevant statutory arrangement (hereinafter - the "**Automatic Temporary Risk Period**"), and in cases of higher insurance premiums, restitution of the excess insurance premiums in respect of the Automatic Temporary Risk Period as well; (2) a prohibition on making "temporary risk" insurances for a period exceeding the Automatic Temporary Risk Period, except when the policyholders request this it in writing; (3) compelling Clal Insurance to return the excess insurance premiums paid by policyholders who were charged double insurance premiums (for the month they returned to work); (4) various provisions relating to future conduct (including a prohibition on increasing premiums, giving prior notice of the purchase of a temporary risk, and more).	The represented class for the purpose of the non-pecuniary remedies is all policyholders under provident funds or insurance plans within which employers and/or employees make contributions for work disability insurance and/or insurance in case of death, or any other insurance risk. The represented class for the purpose of the pecuniary remedies is: (a) all the policyholders for whom funds were collected for work disability insurance or insurance in case of death or any other insured event, out of the accrual funds or any other source, without prior notice; (b) alternatively, policyholders who were charged insurance premiums for periods that exceed the Automatic Temporary Risk Period, unless they agreed in advance; (c) policyholders who were charged higher insurance premiums than the insurance premiums they were charged when they were active policyholders and/or who were charged for new insurances that they did not have prior to the termination of their work; (d) policyholders who were charged double insurance premiums.	The proceeding is in the stage of the class action certification motion being reviewed. Pursuant to the court's ruling, the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the "**Commissioner**") submitted his position, clarifying that collecting insurance premiums is permissible only in accordance with the provisions of the law and the applicable policy.	The class action claim amount is estimated conservatively, according to the plaintiff, at no less than NIS 7 million per year. According to the plaintiff, the lawsuit ought not to be subject to any statute of limitations. Alternatively, the claim for pecuniary remedies is made for the period starting 7 years before the lawsuit was filed, i.e., 2020, and until the lawsuit is certified as a class action.

9.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	4/2020 District Court - Tel Aviv-Jaffa	Clal Insurance and 12 additional insurance companies	According to the plaintiffs, the respondents must be compelled to compensate the class members and fully remedy the harm they incurred due to the excess premiums they have been paying for motor insurance, due to the dramatically reduced use of vehicles during the Covid-19 pandemic and the significantly reduced risk level.	Compensate the class members, repair all the harm they suffered, issue a mandatory injunction ordering the adjustment of the collected amounts to the risk the respondents are actually exposed to during the effective period, and/or render a declaratory judgment stating that a material reduction in the use of vehicles, as had occurred, for example, during the effective period, calls for an adjustment (reduction) to the premium.	Anyone who was insured by one or more of the respondents, under a compulsory motor insurance and/or comprehensive motor insurance and/or third-party motor insurance policy, during the period commencing on March 8, 2020, and ending on the date of full and final removal of movement restrictions imposed on residents of Israel due to the coronavirus, or part of it.	The proceeding is in the stage of the class action certification motion being reviewed. In February 2021, the court ordered the consolidation of the motion to certify this class action lawsuit, with respect to compulsory motor and property insurances, with a motion to certify a separate class action lawsuit that concerns similar causes, in which Clal Insurance has not been named as a respondent (hereinafter - the "**Separate Motion**") which was filed in April 2021.	The plaintiffs estimate the alleged damage against Clal Insurance in respect of the period from March 8, 2020, until April 30, 2020, at NIS 103 million, and jointly for all the respondents (except one), at approx. NIS 1.2 billion. Alternatively, for 8 of the defendant companies (that do not include Clal Insurance), it was claimed that the damage is approx. NIS 720,000 thousand. The movants note that the damage accrued further as the collection did not cease.

10.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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; NIS 500 in monetary damages per each such customer for the trouble of carrying out the replacement; refund for the price difference between an OEM windshield and a non-OEM windshield.	Every customer of the defendants, who has held or holds a cover note in which any one of the defendants has made an undertaking to provide the customer with an Israeli standard-compliant replacement windshield or an OEM windshield, as well as any of the defendants' customers who have held or holds a cover note under which any of the defendants undertakes to supply the customer with an Israeli standard-compliant replacement windshield or an OEM windshield, who has been supplied with a non-OEM and non-Israeli standard-compliant windshield.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs do not quantify the total damage they are claiming for all class members they seek to represent, but they estimate that it greatly exceeds NIS 2.5 million.

11.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 exclusions are claimed to lower the insurance risk, relative to the risk in insurance policies held by policyholders for whom no such exclusions were stipulated.	Compensation/refund of all the amounts the policyholders in the class were overcharged by, with linkage differentials and interest as per the law, as well as a mandatory injunction ordering the defendants to change their modus operandi.	Anyone who was a policyholder in the period beginning 7 years before the day of filing the claim and ending on the day of its certification as a class action, by one or more of the defendants, under an insurance policy for disability, long-term care, life, disability, personal accidents, health (including critical illness, surgeries in Israel or abroad, transplants in Israel or abroad, medications, ambulatory procedures or any other medical coverage) that contains an exclusion. For this purpose, an "**exclusion**" – a policy clause which stipulates that any event / injury / disease, or any risk that materializes and that stems from and/or is related to a pre-existing condition the policyholder had on the day the policy was obtained, are not covered under the policy.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate that the total damage to all class members in relation to all the defendants totals NIS 1.9 billion, and they note that each defendants' share is in accordance with its market share of the health and life insurance subsegment, according to the Capital Market Commissioner's publications.

12.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	9/2020 District Court - Haifa	Clal Insurance	According to the plaintiff, Clal Insurance does not act in accordance with its undertakings, as it regularly refunds its policyholders for a significantly lower amount than the amount it warranted within the implementation of the "no claims bonus" clauses in health policies Clal Insurance used to sell, which entitle policyholders to be refunded part of the insurance premiums they paid if no insurance claims are made over the period specified in the policy.	The remedy the plaintiff is petitioning for includes compelling Clal Insurance to compensate each of the class members entitled to the no claims bonus for the relative share of the insurance premiums they were not refunded, with interest and linkage.	All Clal Insurance policyholders that hold private and collective health insurance policies, including extended health insurance and full liability insurance and including policies whose names had been changed over the years, that include a "No Claims Bonus" clause, who did not claim and/or refrained from claiming benefits for 3 years or any other period in accordance with the policy, and were entitled to a refund of 10% of the insurance premiums they had paid, or another refund rate according to the terms of the policy, and were paid a lower amount than the amount they are owed under the terms of the policy during the lawsuit period.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates the damage to all class members at NIS 33,575,080 in the seven years prior to filing the lawsuit.

13.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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, and specifically – that they did not act in accordance with the terms of the policy that stipulate that after a first insured event has occurred, if the policyholder is still covered under the insurance policy, the insurance amount and the monthly premium amount will be reduced by 50%.	The relief the plaintiffs are petitioning for is damages to the class members due to past damages, as well as a declaratory relief and a mandatory injunction ordering the defendants to change their modus operandi.	All of the respondents' clients / policyholders who were covered under critical illness insurance and/or critical illness and serious medical events insurance and/or any other similar insurance by any other name, who experienced their first insured event, after which they were charged a higher premium than the agreed premium in breach of the terms of the insurance policy, in the 7 years before the motion was brought.	In April 2024, a settlement agreement was submitted to the court for approval; under that agreement, Clal Insurance must return a certain percentage of the insurance premiums to the class members, in accordance with the mechanism set forth in the settlement agreement, as well as notify the policyholders in the policies that the lawsuit concerns of the applicable insurance premiums and insurance benefits mechanism with respect to the future. The arrangement is subject to the court's approval, and there is no certainty that it will be accepted.	The plaintiffs estimate that the total damage to all class members in relation to Clal Insurance totals NIS 16.8 million.

14.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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), thus infringing on the customers' right to privacy and violating their lawful obligations.	The main remedies the plaintiffs are petitioning for are: to instruct the defendants to cease transferring information about their customers to third parties, to act in accordance with the law and guard and protect the customers' privacy, to disclose all the documents in their possession and that may aid in the investigation into the truthful, and to compensate the plaintiffs for the pecuniary and non-pecuniary damages they incurred.	All the defendants' customers who used the digital services on the websites and apps operated by the defendants in the seven years before the lawsuit was filed, and about whom private and/or personal and/or confidential information was transferred to a third party.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate the damage to all class members in millions of shekels, in the aggregate.

15.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	7/2021 District Court - Tel Aviv-Jaffa	Clal Insurance and 6 additional companies	The lawsuit concerns the allegation that when receiving an annuity from a profit-participating policy issued between 1991 and 2004, the defendants deduct annual interest at a rate of 2.5 (or any other rate) out of the monthly return accrued due to the lower cash surrender value, unlawfully and without any contractual basis under the terms of the policy.	The main remedies claimed in the lawsuit are a declaratory order according to which the interest deduction from the monthly return is a breach of the policies, and alternatively – a declaratory relief according to which this is a depriving condition in a standard contract and a motion to order its nullity, and to order a refund of the amounts deducted from the class members' monthly annuity, plus linkage differentials and interest, starting seven years prior to the date of filing the lawsuit and until the final ruling on it is rendered, and to order the defendants to cease deducting interest out of the monthly return.	The defendants' policyholders who purchased from them a life insurance policy that includes accrued savings and investment income participation, issued between 1991 and 2004, and from which interest was and/or will be deducted at a rate not specified in the policy, based on the provision in the policy, according to which the amount of the monthly pension will change "each month according to the results of the investments net of the interest according to which the amount of the monthly pension was calculated, and the appropriate provisions for this matter in the insurance plan" and/or any other similar provision.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate the aggregate damage to all class members in an amount greatly exceeding NIS 2.5 million.

16.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	10/2021 District Court - Lod	Clal Insurance and additional company	The lawsuit concerns the allegation that the defendants unlawfully deny insurance claims by children with special needs in the framework of a long-term care insurance policy, even though, according to the plaintiffs, they meet the definition of an insured event by virtue of "mental frailty" according to the terms of the policy, without checking whether their condition falls within this definition.	The main remedies claimed in the lawsuit are full compensation to the class for all the harm they were caused and compelling the defendants to comply with the insurance agreements.	All of the defendants' policyholders aged 21 and under (or their heirs), who have special needs and who are insured under a long-term care insurance policy sold by any of the defendants and who suffer from "mental frailty," who were not recognized by the defendants as being "mentally frail" and whose rights under the policy were denied, with respect to the past period and the future.	The proceeding is in the stage of the class action certification motion being reviewed. In April 2023, the plaintiff filed a motion for leave to appeal the District Court's ruling regarding the removal of the expert opinion and striking out sections of the response to the plaintiff's reply. In May 2023, the Supreme Court rendered a ruling according to which the motion for leave to appeal is granted, subject to granting the defendants the right to a supplementary response.	The plaintiffs estimate the total alleged damage to the class members against the two defendants, jointly, at approx. NIS 2.97 billion.

17.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	04/2022 District Court - Tel Aviv-Jaffa	Clal Insurance	The lawsuit concerns the allegation that Clal Insurance continues to charge premiums from policyholders, even after the latter announce their policy's cancellation, as the cancellation takes effect only on the 1st of the following calendar month after Clal Insurance receives the notice, rather than within 3 days from the date of delivering the policyholders' cancellation notices, as required in accordance with the legislative arrangement. It was claimed that no full disclosure is made to policyholders of the applicable arrangement in case the policyholder cancels the policyholder, before purchasing the policy.	The main claimed remedies are a declaratory relief, according to which a policyholder's cancellation notice would take effect within 3 days from the date of its delivery, and a monetary remedy in the form of returning all premiums policyholders were charged due to the period beginning from the fourth day after the delivery of the cancellation notice, and 50% of the average monthly premium as compensation to the class members whose respective cancellation notice had been delayed due to the provisions of the policy, with added linkage differentials and interest. Alternatively, other declaratory / monetary reliefs.	The class the movant seeks to represent is: (a) all policyholders who notified Clal Insurance of the policy's cancellation and Clal Insurance did not cancel their respective policy within 3 days from the date of delivering the cancellation notice; (b) all policyholders who notified Clal Insurance of the policy's cancellation and whose cancellation notice was somehow inadequate, and Clal Insurance did not notify the policyholders of the inadequacy within 3 business days from the date of delivery of the cancellation notice; (c) all policyholders who wanted to cancel the policy at any time in the previous calendar month before the last 3 days of that month, and delayed their cancellation notice due to the contractual arrangement whereby the cancellation would take effect from the 1st of the calendar month following Clal Insurance's receipt of the cancellation notice.	The proceeding is in the stage of the class action certification motion being reviewed. In September, the Supervisor submitted his position, which generally supports the position of the defendant.	The plaintiff estimates the aggregate damage to all class members in many millions of shekels.

18.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 Clal Insurance, Clal Insurance refrains from compensating the policyholders for the cost of the implants and accessories used to perform the surgery, and also refrains from indemnifying the policyholders for the deductible amounts they had paid.	The main remedies the plaintiffs are seeking are a judgment compelling Clal Insurance to include the cost of the implant and/or accessory in the calculation of the benefits owed to the class members from here on out, and compelling it to indemnify the class members for the deductible amounts they paid in connection with the various surgeries and to calculate the compensation accordingly, as well as a judgment compelling Clal Insurance to compensate each member of the sub-category with respect to the monetary remedies, at the rate of 50% (or another rate) of the cost of the implant borne by Clal Insurance and/or the deductible amount paid by the class member due to a surgery they had, with added linkage differentials and interest, as per the law.	The class the movant seeks to represent, regarding the future arrangement, consists of all Clal Insurance policyholders who are entitled to compensation at a rate of half (or another amount) of the amount Clal Insurance is spared when a surgery is performed without Clal Insurance's financing, or to a compensation derived from the cost of the surgery to the health maintenance organization at a private hospital. The class the movant seeks to represent, with respect to the monetary remedies, consists of all Clal Insurance policyholders who are entitled to compensation at the rate of half (or another amount) of the amount Clal Insurance is spared when a surgery is performed without Clal Insurance's financing, or to the compensation derived from the cost of the surgery to the health maintenance organization at a private hospital, who submitted a benefits claim to Clal Insurance, but the benefits were calculated without including the accessories component and/or without Clal Insurance first repaying the deductible to the policyholder, from 7 years before the lawsuit was filed and until a judgment is rendered in the lawsuit.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates that the aggregate damage caused to the class members is over NIS 2.5 million.

19.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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, which include a basic insurance tier, on the grounds of the claim being filed due to "preventive surgery" that does not meet the definition of the term "surgery" in the policy (hereinafter - the "**Basic Tier Policies**"); as well as the allegation that Clal Insurance had marketed (for increased premiums) policies that supposedly offer wider coverage than the Basic Tier Policies and that include coverage for preventive surgeries, while this component is already covered by the Basic Tier Policies.	The main claimed remedies are a declaration that in Clal Insurance's health insurance policies that define a "surgery" as an "insured event," any medically necessary surgery is included, including a preventive surgery that is intended to prevent a disease, defect, or deformity in the policyholder and/or the harmful effect of the above; a declaration that denying policyholders' insurance claims for coverage in respect of a preventive surgery under a Basic Tier Health Insurance Policy violates the insurance contract; and an order that requires Clal Insurance to contact the policyholders under all Basic Tier Policies, and inform them that preventive surgeries are covered under the insurance coverage in the policy.	The First Class the movant seeks to represent is any person who entered into a health insurance contract with Clal, which includes insurance coverage for "surgery," and whose claim due to a surgery was denied and/or will be denied on the grounds that it is a "preventive surgery" that is not covered by the policy, until a final and irreversible ruling is made in the class action lawsuit. The Second Class the movant wishes to represent is all former or current Clal policyholders who purchased private health insurance policies that expand the insurance coverage to include preventive surgery from Clal Insurance and/or from anyone on its behalf until February 1, 2016, and for which they paid excessive premiums from the date the extended policies were marketed and until the collection stops and/or until a final and irreversible ruling is made on the class action lawsuit.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates that the aggregate damage caused to the class members is over NIS 2.5 million.

20.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 Insurance acted unlawfully, to order Clal to refrain from automatic policy renewals and/or policy renewals at less favorable conditions, and to compensate the class members for the damage they incurred, with interest and linkage.	The class the plaintiffs seek to represent is all of the respondent's customers, whose home insurance policy the respondent had extended without their consent, and/or all of the respondent's customers who were charged insurance premiums for a home insurance policy without their consent (including Clal Insurance's customers whose insurance premiums were raised without their consent when the policy was renewed), in the period starting 7 years before the claim was filed and to date.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate that the aggregate damage caused to the class members exceeds NIS 3 million.

21.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 when regular contributions to the pension fund are suspended) by making deductions out of the accrual, thereby reducing the accrual, without informing the planholders in advance and allowing them to exercise their right to waive the coverage, as well as that it refuses to return the insurance premiums when it learns that the planholder was insured by another pension fund.	The main remedies sought within the lawsuit are a refund of the insurance premiums paid by the class members during the insurance grace periods, and compelling Clal Pension and Provident Funds to notify planholders of the insurance grace period's commencement, the insurance premium rates, and the options available to them, in advance.	The represented class is all planholders (past and present) whose pension fund, which is managed by Clal Pension and Provident Funds, became subject to an insurance grace period arrangement without them being notified in advance, and thereby denying their right to choose not to allow the said arrangement to take effect. With respect to monetary remedies, the represented class is all planholders who did not continue to make contributions to their pension funds after the insurance grace period had ended and did not seek to extend the insurance arrangement, as well as all the planholders who opened an additional pension fund and paid double insurance premiums, in the seven years prior to submitting the motion to certify and until a judgment is rendered in the lawsuit.	The proceeding is in the stage of the class action certification motion being reviewed. At the court's request, in February 2024, the commissioner's position was submitted, which states, inter alia, that the extension of the insurance is activated automatically upon the cessation of contributions to the fund and that the management company must notify the planholder of the cessation of the planholder's deposits.	As a conservative estimate, the class action lawsuit amount is estimated by the plaintiff at no less than NIS 2.5 million per year and at approx. NIS 17.5 million in total for the seven years preceding the date of filing the motion to certify.

22.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 damage caused to a third party, as it has undertaken to pay in the policy, and pays only half of it, on the grounds that the liability for damage caused by a trailer or by a towing vehicle must always be divided equally between them.	The main remedies sought in the lawsuit are a monetary remedy that includes, inter alia, compensation for the deductible paid to the other insurer, a refund of the premium to the policyholders, a mandatory injunction ordering Clal Insurance to indemnify the third parties for the full damage caused in the context of an applicable policy, and a duty of disclosure with respect to new policies that have not yet been issued.	The represented class is all Clal Insurance policyholders who purchased a trailer and/or towing vehicle third-party insurance and/or compulsory insurance policy in the 7 years preceding the submission of this motion; or, alternatively or in addition: all Clal Insurance policyholders who purchased a trailer and/or towing vehicle third-party and/or compulsory insurance policy from it, who had to pay a double deductible for a single incident of damage caused to a third party and/or who were forced to pay out of pocket for half or part of the damage caused to the third party.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiffs estimate that the aggregate damage caused to the class members exceeds NIS 2.5 million.

23.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 work disability are entitled, without obtaining the policyholders' explicit prior consent and in breach of the provisions of the policy and the Capital Markets Authority's instructions, as well as in breach of the duty of disclosure, while committing deception and without sending the policyholders any notice or alert of the need to pay an additional premium or reduce the insurance coverage. It was also argued that the monthly benefits paid to policyholders who have insurance coverage for work disability were reduced or will be reduced in the future, due to the premium increase as the policyholders grow older.	The main remedies sought in the lawsuit are a declaratory relief that prohibits Clal Insurance from reducing the insurance benefits for work disability without obtaining the policyholder's explicit written consent, and a monetary remedy that requires Clal Insurance to pay the class members who suffered a work disability event the difference to make up the insurance benefits amount.	The represented class is: with respect to the future arrangement – all Clal Insurance policyholders who have work disability insurance and for whom, according to Clal Insurance, the insurance coverage rate is reduced or will be reduced in the future due to an increase in the premium as they grow old; and with respect to the monetary remedies – all past and present class members who had an insured event, and their insurance benefits were reduced by Clal Insurance without the policyholder's explicit, active, and prior consent.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff conservatively estimates the aggregate damage to all class members at NIS 18 million in the 3 years preceding the lawsuit filing date.

24.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	03/2023 District Court - 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 and the payment made to the class members as insurance benefits for this component (hereinafter - the "**Pecuniary Damage**"), as well as damages for non-pecuniary damage in the amount of 20% of the pecuniary damage to all class members.	The represented class is any injured party, policyholder, or third party, who is entitled to be reimbursed by Clal Insurance for appraiser's fees the injured party paid to an appraiser in order to assess the damage to the injured party's vehicle, if Clal Insurance did not transfer the full amount the injured party paid for the appraiser's fees to the injured party.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates that the aggregate damage the class members incurred exceeds NIS 2.5 million.

25.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 also, to require Clal Insurance to reimburse all class members for the economic damage they suffered due to their improper conduct and due to a breach of the insurance contract.	The class that the plaintiffs seek to represent is anyone who has been insured by Clal Insurance under the Policies and who did not receive reimbursement for their medical cannabis purchase expenses.	The proceeding is in the stage of the class action certification motion being reviewed.[5]	The plaintiffs estimate the total claim amount for all class members at approx. NIS 13.5 million.

26.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	05/2023	Clal Pension and Provident Funds	The lawsuit concerns the allegation that when receiving a planholder's request for a disability annuity, the pension fund does not check whether the planholder requires long-term care and/or if the planholder's condition has deteriorated in a way that made the planholder require long-term care, and as a result, the fund does not pay eligible planholders the additional long-term disability annuity.	The main remedies sought in the lawsuit are to pay the class members the additional long-term care disability annuity; compensation and/or restitution for not making full contributions to the fund and for yield losses class members incurred as a result of the above non-payment; obligating the fund to give the fund's physicians accurate instructions in connection with examining conditions that require long-term care when reviewing requests for a disability annuity.	The represented class includes policyholders in the "Clal Pension" and "Clal Supplementary Pension" funds who have disability insurance coverage, who are insured with a pension fund and are entitled to a disability annuity, and who, due to their medical condition on top of their work disability, require long-term care, and the pension fund did not supplement their monthly payment.	The proceeding is in the stage of the class action certification motion being reviewed.	According to the plaintiff, the class action lawsuit amount cannot be estimated; however, for the purposes of the fee, it was put at no less than NIS 2.5 million per year and approx. NIS 18.75 million in total for the seven years preceding the date of filing the motion to certify.

5. 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.

27.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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. 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.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 their employees (hereinafter - the "**Increased Contributions**"), Clal Insurance opened new executive insurance policies (hereinafter - the "**Contribution Policies**") for its policyholders who had had old executive insurance policies that had been issued before May 31, 2001 (hereinafter - the "**Old Policies**"), while the annuity conversion factors set for the Contribution Policies were not guaranteed and were less beneficial than the guaranteed annuity conversion factors in the Old Policies, and redirected the additional funds from the Increased Contributions into the Contribution Policies, without the policyholders' consent.	The remedy the plaintiff is petitioning for is to close the Contribution Policies and transfer the contributions made thereto, as well as future contributions originating from the Increased Contributions, to the Old Policies, or, alternatively, to set beneficial factors for the Contribution Policies, at the discretion of the court; to pay the people who are already being paid a pension out of the Contribution Policies the difference between the amounts they would have received if the Increased Contributions funds had all been deposited into the Old Policies (or the amounts they would receive due to beneficial factors, at the discretion of the court) and the amounts they actually received; to compel Clal Insurance to pay each of the class members NIS 500 in damages for non-pecuniary damage due to deception.	The class the plaintiff seeks to represent is anyone for whom Clal Insurance had managed an executive insurance policy issued before May 31, 2001, and for whom, after June 30, 2016, it managed (in a new insurance policy) the funds received due to them for the Increased Contributions, or the beneficiaries or heirs of any such person.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff conservatively estimates the aggregate damage to all class members in millions of shekels.

29.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 "recognized annuity" portion of the annuity to the class members.	The class the plaintiff seeks to represent is any individual who is paid an annuity from one of the new pension funds and/or the provident funds and/or the insurance funds managed by any of the respondents, who was entitled to a tax exemption on their annuity in respect of their "recognized annuity" component, as this term is defined in the Income Tax Ordinance, and did not receive the above exemption, as of January 1, 2012, and thereafter.	The proceeding is in the stage of the class action certification motion being reviewed. At the same time as submitting the answer to the motion to certify the claim as a class action, the respondents submitted a motion for permission to send a third-party notice to the Israel 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.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	08/2023 Central District Court - Lod	Clal Insurance	The claim concerns the contention that in insurance policies marketed by Clal Insurance, in a plan of the type "self-defense" and/or any other marketing name, Clal Insurance was asked in the insurance registration form (the insurance offer) to insure its policyholders under an insurance plan that includes several forms of insurance coverage, including insurance coverage for perpetual disability due to accident, yet in practice it issued policyholders different and inferior insurance coverage of the type "loss/impairment of functioning".	Provision of a mandatory injunction pursuant to which Clal Insurance is required to update the insurance policies with insurance coverage of the type of perpetual disability due to accident, required to provide the class members with insurance coverage in respect of perpetual disability due to accident, and charged with special interest.	All Clal Insurance policyholders with health-insurance policies within the "self-defense" plan, and/or any other marketing name, issued by Clal Insurance with insurance coverage of the type "loss/impairment of functioning" in contradiction of the statements in the insurance offer form, which noted insurance coverage of the type "accidental disability," as well as Clal Insurance policyholders with this policy who were denied their entitlement to receive insurance compensation for perpetual disability due to an accident event based on the argument that no such coverage exists in the policy.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates that the aggregate damage the class members incurred exceeds NIS 2.5 million.

31.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	09/2023 District Court - Tel Aviv	Clal Insurance and 7 additional insurance companies	The claim concerns the contention that the defendants do not pay for insurance incidents and do not provide towing services to policyholders who purchase a towing 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 service statements.	The remedies sought are, among other matters, compensation in respect of reimbursement of premium payments, towing costs, and non-pecuniary damages ("pain and suffering") in the amount of NIS 3,000 per class member, and in addition, amendment of the language of the riders issued on behalf of the respondents.	The class in the name of which the claim is filed is defined as the "the class of consumers who hold or held riders of respondents 1-8 in the last 7 years prior to the filing of the claim and in the period after the filing of this claim, until a verdict is given, whose vehicle necessitates the possibility or requires towing via lift when the vehicle is inoperable (requiring towing to a garage).	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates the aggregate damage to all class members at approx. NIS 80 million.

32.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	11/2023 District Court - Tel Aviv	Clal Insurance and 7 additional insurance companies	The lawsuit concerns the claim that when setting the price of premiums in life, health, and P&C insurance policies, “catastrophe events” such as a “surprise” war and/or other extreme or unexpected events that reduced the defendants’ risk and exposure were not factored in; that in light of the Iron Swords War, the defendants are expected to experience a major reduction in the risk in policies in which the risk-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 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 military service under Order 8, the actuarial risk in connection with whom has decreased, and accordingly, action should be taken to reimburse and/or reduce the premium; (2) policyholders of the respondents, mainly in the area of P&C insurance, who, due to the declaration of a state of emergency and the transition of government institutions, public bodies, and dual-purpose bodies to an emergency work format, will be unable, or able in a partial and limited manner, to exercise the insurance service and/or coverage; (3) policyholders of the respondents who, due to the declaration of a state of emergency and the transition of government institutions, public bodies, and dual-purpose bodies to an emergency work format, cannot receive services such as treatment and elective surgeries at public hospitals. (4) Policyholders in the area of P&C insurance – property policies of the various types, vehicle, home; (5) policyholders of various policies in the area of business, the risk of which has significantly decreased due to the state of emergency.	The proceeding is in the stage of the class action certification motion being reviewed.	The plaintiff estimates that the aggregate damage the class members incurred exceeds NIS 2.5 million. With regard to policyholders called up for military service under Order 8, it is argued that the estimated damage is in the amount of NIS 10.02 million (with respect to all of the defendants).

33.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 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 differentials; A declaration on the nullity of provisions in the regulations that were in effect in the relevant years and a prohibition on the management 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.

34.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 study 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 res judicata was granted in the class action (District Court - Jerusalem) 15-03-59823 Yair Zedkani v. Clal Pension and Provident Ltd. (December 13, 2018).	The proceeding is in the stage of the class action certification motion being reviewed.	The claimed amount is estimated by the plaintiff at more than NIS 2.5 million.

35.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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, 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 study 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 stage of the class action certification motion being reviewed.	The claimed amount is estimated by the plaintiff at more than NIS 2.5 million.

36.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	05/2024 District Court - Tel Aviv	Clal Insurance	The lawsuit concerns the allegation that the defendant offered retired policyholders in the “Hassneh” policies an annuity track that guarantees a higher number of annuities than the annuity track they would have been entitled to according to the terms and conditions of the policy, in a manner that has reduced the total annuity that the policyholders received.	To allow all class members to retroactively choose an annuity track in accordance with that said in the policy (as alleged), and to pay anyone who chooses this the difference between the amount that the policyholder would have been entitled to according to the terms and conditions of the policy and the amount actually paid by the defendant, plus linkage differentials and interest.	The class that the plaintiff seeks to represent consists of policyholders who hold an executive insurance policy issued by “Hassneh” and that is managed by the defendant, who chose a different annuity track from the track set out in the policy or who chose to receive their accrued balance in the policy as a lump sum.	The proceeding is in the stage of the class action certification motion being reviewed.	

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[6]***

1.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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)	Clal Pension and Provident Funds Clal Insurance	The lawsuits concern the allegation that in the pension funds, the Tamar Provident Fund, the study funds under their management, and their executive insurances, the defendants charge planholders – in addition to the management fees – "investment management expenses" (hereinafter - "Direct Expenses"), in the absence of a contractual provision that allows them to charge such expenses and contrary to the bylaws of the respective funds or policies, as applicable.	The plaintiffs in the lawsuits seek to compel the defendants to return the excessive Direct Expenses amounts they were charged. In addition, some of the plaintiffs have motioned to charge some of the defendant management companies for the return differences the overcharge amounts would have provided had they been invested, while others wish to charge the defendants shekel-denominated interest differences, as per the law, from the overcharge date to the actual payment.	The planholders in the pension funds, the study fund, the provident fund "Clal Tamar" managed by the defendants, and the policyholders of executive insurance policies who were charged investment management expenses in the seven years before the relevant lawsuit was filed.	In May 2019, the Central District Court rendered a ruling granting the motion to certify a class action lawsuit due to the collection of Direct Expenses in individual life insurance policies (hereinafter - the "Certification Ruling"). In the Certification Ruling, it was determined that the absence of a clear provision in the policy regarding the collection of Direct Expenses is a negative arrangement, and therefore, the defendants were not prohibited from charging these expenses. In September 2019, a motion for leave to appeal the Certification Ruling was brought to the Supreme Court (hereinafter - the "Motion for Leave to Appeal"). The Group Companies were not originally a party to that proceeding. In June 2023, the Supreme Court rendered its decision after hearing the motion for leave to appeal as an appeal, and granted the appeal on the Certification Ruling, while stating that insurance companies and management companies act as trustees for the planholders' funds and are therefore entitled to collect expenses. Subsequently, the parties submitted supplemental arguments. In March and April 2024, consensual motions for withdrawal were submitted without a costs order in all proceedings. [For details on a similar proceeding being adjudicated against "Atudot" – Pension Fund for Workers and Independent Workers, which has not yet been resolved, see Section 2.1.2(2) above].	In Lawsuit 1, which concerns the pension funds, the class action amount was approx. NIS 341 million in respect of the years 2009 to 2015, plus the investment management expenses the defendant had collected from the class members in 2016 and the additional yield the funds that have been deducted as investment management expenses would have yielded. In Lawsuit 2, which concerns the study fund, the class action amount was set at approx. NIS 53 million, based on an assessment. In Lawsuit 3, which concerns the Tamar Provident Fund, the class action claimed amount was set at approx. NIS 181 million, based on an assessment. In Lawsuit 4, which concerns the executive insurances, the class action amount was set, according to an estimate, at approx. NIS 404 million, plus the investment management expenses that the defendant had charged to the class members in 2016, with interest and linkage.

6.. Not including lawsuits that concluded in the reporting year, but that were reported to have been concluded in the financial statements for 2023.

NOTE 8 - 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 8(2.1.1), the pending motions to certify material lawsuits as class actions, described in Note 8(2.1.2), and the motions to certify material lawsuits as class actions that were dismissed in the reporting period, described in Note 8(2.1.3), there are pending motions to certify class actions against the Company and its consolidated companies (except for the Max Group Companies) that, according to the Company's estimate, are immaterial,[7] and therefore there is no detailed description thereof in the financial statements. As of the date of the report, 6 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 113 million[8] (compared to 7 lawsuits for approx. NIS 140 million as of December 31, 2023).

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 further details, see Note 1, as well as Section 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 might be applied to them than those that were customary when they were drafted. Moreover, the policies in these aforementioned areas remain valid for decades, 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 sector in which the Group companies operate is complex and rich in details, and the regulatory directives tend to change over the years, and it involves an inherent, unquantifiable risk of the occurrence of an error or a series of errors, mechanical or human errors, which might have a sector-wide impact. It is not possible to anticipate all the types of claims to be raised in this context and/or the exposure arising from these potential claims, among other things, via the procedural mechanism of class action lawsuits and/or industry-wide rulings made by the Commissioner.

Such exposure is also the result of the complexity of the aforementioned products, which are characterized by extremely prolonged lifetime, and are subject to frequent, complex and material changes, including

7. See Comment 3 above regarding the materiality threshold.

8. 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.

changes in regulatory and taxation directives. The complexity of those changes and their application over many years creates increased operational exposure, which is also due to the numerous different computer systems in the Group's institutional entities, and their limitations, in view of additions and/or changes to the basic wording of the products, and in light of multiple, frequent changes implemented over the product's lifetime, including by the regulatory authorities, the customers (the employees) and/or by the employers and/or by those acting on their behalf, in relation to insurance coverages and/or to savings deposits, including in the context of reporting to planholders, and the need to create direct contact with employers and operating entities.

This complexity and these changes have an impact, among other things, on the volume of contributions and the amounts involved, the various product components, the manner in which funds are attributed to employees (including due to discrepancies between the employer's reports, including through the employers' interface with the policy data), products and components, dates of payment appropriations, the identification of arrears in deposits and the handling of such cases, the employment, personal and underwriting status of customers, as well as operational considerations involving third parties outside the Group, which affect customer rights together with the information given to them. This complexity intensifies in view of the increasingly large number of parties operating with the Group's member companies in relation to the management and operation of the products, including, among other things, distributors, employers, customers and reinsurers, including in relation to the ongoing interface with them, and contradictory instructions that might be received from them or their representatives. The institutional entities that are members of the Group are engaged in a constant effort to study, identify and address issues that might arise due to the aforementioned complexities, both with regard to specific cases, and also in relation to customer and/or product types.

There is additional complexity regarding employer contributions that is related to the mechanism prescribed in the Wage Protection Law, 1958, according to which an amount owed by an employer to a provident fund, as this is defined in that law, in respect of the employee's rights or those of his replacement toward the provident fund, is deemed to have been paid on time unless the Regional Labor Court has determined that the delay in the collection of the debt was not the result of negligence on the part of the Fund, or occurred due to other justified circumstances, and subject to the right of indemnity available to the fund in relation to the employer, pursuant to the provisions of the law. Furthermore, pursuant to a circular relating to the manner of depositing payments into provident funds, the provident fund shall receive interest on arrears from an employer who has failed to transfer payments to the provident fund on time. There are various difficulties in the interpretation of the provisions of the Law and their implementation. The responsibility of the institutional entities in the Group for the collection of employers' debts to the said funds generates exposure in the event of defects occurring during the collection process.

Moreover, the institutional entities in the Group carry out a regular, routine process of data cleansing in the long-term savings IT systems, in order to ensure that the registration of the planholders' and policyholders' rights in the data systems is complete, accessible and retrievable, in view of the discrepancies that are discovered from time to time, including the issue of mechanization of the classification of the saving funds, pursuant to the various levels of the provisions of the regulation issued over the years, and which are in various stages of being addressed. The institutional entities in the Group are unable to estimate the scope, costs and the full ramifications of the aforementioned actions, or the scope of the future data cleansing discrepancies, that might be the result of regulatory changes, as this is due, among other things, to the complexity of the products, the fact that they are long-term products, in view of the multiplicity of IT systems in this sphere and their limitations. The institutional entities in the Group update their insurance liabilities from time to time and as is required.

In this context, it should be noted that in December 2021, Clal Insurance received a letter outlining the implementation of regulatory restrictions regarding the collection of insurance coverage costs pursuant to the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964, containing demands to refund amounts allegedly collected in breach of the restrictions set forth in the letter. The Company is currently engaged in discussions with the Authority regarding the implementation of the contents of the letter, and at this stage there is no certainty regarding the full amount it might be required to refund due to the said letter - and it is unable to estimate the full implications arising from the requisite implementation of the directives.

There is also exposure, which at this stage can neither be evaluated nor quantified, to changes and to significant regulatory intervention in the various insurance and savings sectors, including, among other things, those which are intended for the direct or indirect reduction of insurance premiums and management fees, intervention in sales processes, involving the different use of diverse regulatory tools, which might have an impact on the contractual terms and conditions, the structure of the contractual engagement and the reciprocal relations among institutional entities, agents, employers and customers, in a manner that could influence the load and the operating expenses, profitability, retention of current products, including in relation to the specific sector business model and the existing product portfolio.

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' bylaws, breach of fiduciary duty, conflicts of interest, professional negligence, and also including in respect of the manner of distribution and sale of the Group's products, via third parties, whose activities, either by action or omission, might be binding upon it.

2.2.3. **Additional exposures**

2.2.3.1 **Non-material or unfiled claims**

The exposure to currently unfiled legal actions against the Group's member companies has been brought to their attention in a number of ways. This is done, among other things, by inquiries made by customers, employees, suppliers, non-profit organizations or anybody acting on their behalf to various functions in the companies, and especially the compliance officer responsible for public inquiries in the Group's member companies, via customer complaints to the Public Inquiries Unit in the regulator's office, and via legal actions (that are not class actions) filed with the court and also via position papers of the Commissioner.

It should be noted that insofar as this involves a customer complaint submitted to the Public Inquiries Unit in the regulator's office, in addition to the risk that the customer might opt to raise its claims also as part of a class action lawsuit, the Group's member companies are also exposed to the risk that the regulator could resolve a complaint by issuing an industry-wide ruling that might apply to a broad group of customers. In recent years, there has been a considerable increase in exposure to the aforementioned risk, owing to the regulator's increasing intervention via audits, addressing customer complaints received by the Authority, including in light of the fact that, from time to time, the regulator tends to lay down a principled position 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 detailed in Section 8(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's member companies are also involved, from time to time, in hearing and/or discussion proceedings with supervisory authorities in relation to warnings and/or rulings, and enforcement powers are sometimes employed against them, including the imposition of financial sanctions.

   The Group's member companies are examining the need to make provisions in the financial statements in respect of the aforesaid processes, based on the professional opinion of their legal counsel and/or are in the process of learning the ramifications of the said proceedings, as is deemed to be necessary and relevant.

B. Following are details regarding positions or draft positions of the Commissioner or theoretical rulings that either have or might have an impact on the Group:

   1. In the past, the Company held discussions with the Commissioner in respect of a draft ruling, dealing with one-time deposits of policyholders in guaranteed return policies (hereinafter - the "**Policies**"). Pursuant to the draft, the Company is required to adopt certain actions with respect to policyholders whose actual return on one-time deposits, bearing the returns of investment-linked insurance policies, was either equal to or greater than the guaranteed return in the Policies, and certain actions in respect of policyholders whose actual one-time deposit return was lower than the guaranteed return. Therefore, at this stage, in light of the fact that the final wording of the ruling is not known, if and insofar as it is made, the Company will not be able to estimate the ramifications and the extent of its impact on the Company, if and insofar as it shall be published.

2. Pursuant to the financial statements of Atudot, a company owned by Clal Insurance (50%), during 2017 an audit of the pension fund was conducted on behalf of the Commissioner focusing on the subject of planholders' rights. On August 7, 2019, Atudot received the draft audit report for its response. The draft audit report addressed key issues of the pension fund's activity, including: the subject of groups, the fund's regulations, management fees and management expenses, data cleansing, actuarial reporting and withdrawal of money from the fund. Atudot filed its response to the draft audit report findings and held a number of meetings to discuss them with the Commissioner's representatives. The Company was informed that on August 21, 2022, Atudot received the final audit report that included directives and recommendations for the Board of Directors on a number of topics, among other things, an examination of the issue of actuarial bubbles and all their ramifications; including their application. It also addressed the issue of how to deal with them, greater coherence between the average duration of the assets and liabilities in each actuarial bubble, etc.; as well as finding solutions to the problem of funding sources to manage the fund in the future given the fact that it is a closed fund; optimization of the method of payment to planholders, expansion of the data cleansing process, together with certain recommendations for amendments to the regulations and expanding the notes, etc. Furthermore, the Commissioner recommended considering the possibility of adopting the redemption values formula prescribed in the Income Tax Regulations, in order to encourage the fund's planholders to realize the funds as an annuity rather than a capital withdrawal. The Company was informed, that with regard to a significant part of the recommendations, and particularly on issues pertaining to the actuarial bubbles, adapting the average duration of assets to liabilities and the redemption formula - it was determined in the audit report that Atudot's Board of Directors must draw up its position on these matters, and that the recommendation is not binding specifically in relation to the manner of treating those issues; and also that as of the approval date of the financial statements, discussions were being held with the Authority in order to reach an agreed model on actuarial bubbles, while a concrete plan of action was devised to address other issues that is being implemented by the Fund. In view of the aforementioned, Atudot is unable to evaluate the full implications of the audit report on its financial statements.

2.3 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.

2.4 Summary of exposures to lawsuits against the Company and the consolidated companies, not including the Max Group Companies

2.4.1 Following are details of the overall amount of claims in both material and non-material class actions that were certified to be filed as class actions, in pending class action certification motions and a derivative claim, as (nominally) stated by the plaintiffs in their claim as part of the pleadings filed against the Company and the consolidated companies, except companies of the 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 proceedings. 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 higher,[9] 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.

Type of claim		No. of claims	Amount claimed in NIS million (Unaudited)
A.	Claims certified as class actions[10]		
	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 detailed[11]	2	-
B.	Pending motions to certify claims as class actions		
	1. An amount relating to the Company has been specified[12]	16	3,306
	2. The claim was filed against several parties and no specific amount was attributed to the Company[13]	5	8,267
	3. No claim amount was detailed / a potential range was detailed[14]	19	-
	4. An annual amount was detailed (and accordingly, the total amount depends on the period)[15]	1	7

In addition to that specified in Sections 8(1) and 8(2) above, the Company and/or the consolidated

9. 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 detailed 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.

10. Including a lawsuit that had been certified as a class action and in which a judgment was rendered in favor of granting the lawsuit.

11. 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.

12. 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.

13 Including a lawsuit in which Clal Insurance was sued for approx. NIS 1,413 million attributed to it and, in addition, NIS 1,550 million attributed jointly to the two companies.

14. 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.

15. 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.

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 35 million as of December 31, 2023). The causes of action within these proceedings are many and varied.

2.4.2 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 8(1) and 8(2) above, provisions are made in the financial statements of the relevant consolidated companies, only if it is more likely than not - namely, with a probability exceeding 50% that a payment liability owing to past events might arise, and that it will be possible to quantify or estimate the liability amount within a reasonable range.

The amounts of the provisions made are based on assessment of the degree of risk in each of the claims, immediately prior to the publication date of 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 8(2.1.2) (31), (32), (33), (34), (35), and (36) 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 March 31, 2024, for all the lawsuits and the exposures described in Sections 8(1) and 8(2) above, totals approx. NIS 406 million (approx. NIS 409 million as of December 31, 2023).

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.

3. Exposures against the Max Group companies

During the regular course of business, material legal claims were filed against Max,[16] 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,[17] 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 follows[18]:

- 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 185 million (hereinafter - the "**Exposure to Non-Remote Lawsuits**") (compared with approx. NIS 180 million as of December 31, 2023).

Note further that in the State of Israel, filing class action lawsuits does not entail paying a fee that derives from the claim amount, and therefore, the claim amounts in non-remote lawsuits might greatly exceed the actual exposure. In the majority of cases, the plaintiffs point out that the sum claimed by them is stated as an estimate alone, and the exact amount shall be decided upon as part of the legal proceeding. Moreover, it is clarified that the amount claimed does not necessarily constitute quantification of the Company's actual exposure amount, as on numerous occasions the plaintiffs refrain from stating the precise amount of the claim or state that the amount exceeds NIS 2.5 million for the claim to be heard under the jurisdiction of the District Court, and that the amount claimed usually relates to the period preceding the date of filing suit and does not include the following period nor does it relates to the exposure to legal expenses, legal fees and compensation for the plaintiff.

Below are details of material proceedings against Max as of the report publication date.

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16. 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 chances or the propriety of the amount specified in it on their merits, may exceed 1% of Max's equity as of the reporting date, as detailed in the equity note in the Company's periodic report. Further to Section 10.3.6 of Chapter A of the Company's Annual Reports for 2022, regarding the guidelines and rules the Company has adopted for examining the nature of a specific event or matter for immediate reporting purposes under Regulation 36 of the Securities Regulations, and further to that stated in Note 8, Section 2, of the Company's financial statements, in connection with the description of contingent liabilities and lawsuits filed against the Company and its subsidiaries, and in light of the fact that since the second quarter of 2023, the Company also fully consolidates Max's statements, which are prepared in accordance with the Banking Supervision Department's reporting instructions – the Company wishes to clarify that the disclosure of lawsuits filed against Max in these statements does not necessarily indicate that the lawsuit is material for the purposes of the Company's immediate reports, as detailed above, and therefore, not all such lawsuits and/or development therein are disclosed in an immediate report.
17. With respect to CIMax Group companies other than Max or companies under its control, the provisions of Section 2.5.2 above shall apply with respect to the above in connection with the policy on accounting provisions.
18. 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.

3.1.1 ***A material lawsuit that has been certified as a class action lawsuit* against the Max Group companies**

1.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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 plaintiff – a company that receives acquiring services from Max (or, alternatively, that Max is implementing its provisions unlawfully), as when a transaction is partially canceled, the 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 charged in contrast with the provisions of the agreements and/or as a result of unlawful implementation thereof.	All Max customers who entered into an acquiring agreement with it and were charged a transaction cancellation fee.	In April 2022, the District Court rendered its judgment, in which the motion to certify was denied. In July 2022, the plaintiff appealed the judgment to the Supreme Court. In August 2023, the Supreme Court rendered a judgment that accepted the appeal and certified the lawsuit as a class action lawsuit, holding that the class members on whose behalf the lawsuit would be litigated are all Max customers who are merchants whose set of contracts with Max contains identical or similar clauses to those appearing in specific clauses of the acquiring agreement (as defined by the Supreme Court) and in the cancellation fee rate chart, from whom Max charged a cancellation fee. Therefore, the case was returned to the District Court of Tel Aviv to hear the class action lawsuit on its merits. Following the above ruling, the District Court advised the parties to discuss the proceeding's continued litigation or an attempt to conclude it by way of a settlement. The parties are in mediation.	The plaintiff estimates the total claim amount for all class members at approx. NIS 22 million.

3.1.2 Pending motions to certify material claims as class actions against Max Group companies[19]

2.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	6/2016 District Court - Lod-Central	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 date 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 debit 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 that the interchange fee in debit card transactions was not discussed or decided by the Tribunal within the overall regulation of the interchange fee rates in the 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 prepaid 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.

19. Including such motions that were denied and the ruling to deny them was appealed.

3.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	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, whom the direct marketing companies charged in respect of products and/or services and/or club memberships and/or delivery fees they had ordered from the marketing companies and/or due to any other charge that they have not duly authorized and/or without being given adequate consideration in the seven years prior to the motion to certify.	In December 2021, the Attorney General submitted his position regarding the proceedings, according to which, under certain circumstances, it is appropriate to impose a mandate on credit-card companies, in their capacity as issuers, to intervene in a transaction executed due to improper pressure on an elderly customer by direct-marketing companies. The companies objected to this position. In August 2022, the District Court rendered a judgment that denied the motion to certify. In November 2022, the plaintiffs filed an appeal against the ruling with the Supreme Court.	The plaintiffs estimate the total claim amount for all class members at NIS 900 million.

4.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	06/23 District Court - Tel Aviv	Max Max IT Credit (a wholly owned Max subsidiary)	The motion to certify concerns the plaintiff's allegation that the defendants announce the end of the limited-time card fee exemption benefit only in the account statements, but not in a specific notice, which the plaintiff claims is contrary to the Banking Rules (Customer Service) (Full Disclosure and Delivery of Documents), 1992.	The main remedy sought in the lawsuit is the refund of the excessive card fee charged after the benefit expiration date without duly notifying of the benefit's expiration. In addition, mandatory injunctions ordering the defendants to change their conduct and give the customers prior notice of the benefit's expiration, as per the law.	The defendants' customers who were given a limited-time exemption from card fees benefit, and from whom the defendants started charging the card fee without notifying them in a specific notice and/or via text message (not within the monthly statements).	The proceeding is in the stage of the class action certification motion being reviewed. On a lawsuit filed against Max on a similar matter, see Section 3.1.3.1 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.	Date and court	Defendants	Key claims and causes of action	Key remedies	Represented class	Status / further details	Claim amount
	03/2024 District Court - Tel Aviv	Max and 1 other	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 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 regarding the increase in card fees (or 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 injunction 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 8(2.1.2.14) above.

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	The motion to certify concerns the allegation that Bank Hapoalim, acting as the issuer of debit cards to its customers, including through Max, as well as Max, that engages in debit card operation, issuance, and acquiring, do not give their cardholder customers prior notice regarding the expiration of the card fee exemption benefit before they start charging them card fees, in contrast with the provisions of Section 5(b) of the Banking Rules (Customer Service) (Full Disclosure and Delivery of Documents), 1992.	The sought monetary remedy is compensation and/or restitution equal to the card fees collected after the benefit expiration date and without notifying of the benefit's expiration, or, alternatively, to the extent that a later notice was given – until the receipt of the later notice, plus linkage differentials and interest, as well as a mandatory injunction compelling the defendants to change their conduct and give their customers prior notice of the benefit's expiration.	Any customer of the defendants who was not given prior notice of the expiration of the payment card benefit for payment cards issued to them by the defendants in the 7 years before the motion to certify was brought, and until the lawsuit is certified.	In December 2023, the court accepted the motion submitted by Max, and ordered the deletion of the aforementioned motion to certify, in view of the proceeding in the same matter, as detailed in Section 3.1.2(4). In January 2024, an appeal was filed by the movant, and on February 11, 2024, it was held that the above proceeding will continue to be adjudicated 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. After the decision on the appeal, the movants decided not to amend the motion to certify in Section 3.1.4.	The plaintiff estimates the total claim amount for all class members at approx. NIS 74 million against Max.

3.2 Another material lawsuit outside the ordinary course of business brought against the Max 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 summation stage.

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 March 31, 2024.

NOTE 9 - CREDIT RISK, RECEIVABLES FOR CREDIT CARD TRANSACTIONS AND CREDIT LOSS PROVISION

A. Receivables for credit card transactions

In NIS million	As of March 31, 2024	As of March 31, 2023	As of December 31, 2023
	Unaudited		Audited
Credit risk without bank guarantees:			
Private individuals: (1)			
Of which: Receivables for credit card activity (2)	**3,987**	3,854	3,451
Of which: Credit cards (2)(3)	**9,314**	8,796	9,127
Private individuals - total	**13,302**	12,650	12,578
Commercial:			
Of which: Receivables for credit card activity (2)	**274**	241	237
Of which: Credit cards (2)(3)	**1,012**	880	964
Commercial - total	**1,286**	1,121	1,201
Total credit risk without bank guarantees	**14,588**	13,771	13,779
Credit risk guaranteed by banks and others:			
Receivables for credit cards			
International credit card companies and organizations	**329**	314	276
Income receivable	**50**	185	153
Others	**171**	100	170
Total receivables for credit card transactions	**15,138**	14,370	14,378
Credit loss provision	**(358)**	(308)	(372)
Total receivables for credit card transactions	**14,780**	14,062	14,006
Receivables for credit cards guaranteed by banks	**1,111**	1,123	1,085
Receivables for credit card transactions, net	**15,891**	15,185	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 - without a charge for interest, including balances for ordinary transactions, transactions in payments at the expense of the merchant, and other transactions. Credit - with interest, including credit transactions, revolving credit card transactions, direct credit, credit for non-card holders, and other transactions.

(3) Including credit secured by vehicles amounting to NIS 2,431 million (December 31, 2023 - NIS 2,205 million, March 31, 2023 - NIS 2,001 million).

B. Debts* and off-balance-sheet credit instruments

1. Change in outstanding credit loss provision

	For the three months ended March 31, 2024					
	Credit loss provision					
	Credit risk without bank guarantees					
	Private individuals		Commercial			
	Receivables for credit cards	Credit (1)	Receivables for credit cards	Credit (1)	Other (2)	Total
In NIS million	Unaudited					
Balance of credit loss provision as of December 31, 2023	24	297	5	60	4	389
Credit loss expenses	2	34	-	5	-	41
Charge-offs	(5)	(53)	-	(6)	-	(64)
Collection of debts written off in previous years	-	6	-	1	-	7
Write-offs, net	(5)	(47)	-	(5)	-	(57)
Balance of credit loss provision as of March 31, 2024 (3)	21	284	5	60	4	373
Of which: (3)						
For off-balance sheet credit instruments	11	-	2	-	2	15
For deposits with banks and amounts receivable from banks	-	-	-	-	4	4

	For the three months ended March 31, 2023					
	Credit loss provision					
	Credit risk without bank guarantees					
	Private individuals		Commercial			
	Receivables for credit cards	Credit (1)	Receivables for credit cards	Credit (1)	Other (2)	Total
In NIS million	Unaudited					
Balance of credit loss provision as of December 31, 2022	-	-	-	-	-	-
Provision for credit default in respect of MAX consolidation	5	82	1	11	4	102
Application of CECL subsequent to Max's acquisition	18	177	2	23	-	220
Balance of credit loss provision as of March 31, 2023 (3)	23	259	3	34	4	322
Of which: (3)						
For off-balance sheet credit instruments	12	-	2	-	1	15
For deposits with banks and amounts receivable from banks	-	-	-	-	4	4

*) Receivables for credit card transactions, deposits with banks, and other debts.

(1) Interest-bearing credit. This credit includes credit transactions, revolving credit card transactions, credit for 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

	As of March 31, 2024					
	Private individuals		Commercial			
	Receivables for credit cards	Credit (1)	Receivables for credit cards	Credit (1)	Other (2)	Total
In NIS million	Unaudited					
Recorded outstanding debt:						
Examined on a specific basis	2	12	61	565	-	640
Examined on a collective basis	3,985	9,302	213	447	2,265	16,213
Total debts	3,987	9,314	274	1,012	2,265	16,853
Non-performing debts	12	138	3	24	-	177
Other troubled debts	5	328	2	36	-	371
Total troubled debts	17	466	5	60	-	548
Credit loss provision in respect of debts:						
Examined on a specific basis	-	-	-	26	-	26
Examined on a collective basis	10	282	2	35	3	332
Total credit loss provision	10	282	2	61	3	358
Of which: For non-performing debts	2	54	1	14	-	71
Of which: For other troubled debts	-	33	-	6	-	39

In NIS million	As of March 31, 2023					
	Private individuals		Commercial			
	Receivables for credit cards	Credit (1)	Receivables for credit cards	Credit (1)	Other (2)	Total
	Unaudited					
Recorded outstanding debt:						
Examined on a specific basis	12	9	63	478	-	562
Examined on a collective basis	3,842	8,787	178	402	2,225	15,434
Total debts	3,854	8,796	241	880	2,225	15,996
Of which:						
Non-performing debts	8	97	-	9	-	114
Other troubled debts	9	268	1	12	-	290
Total troubled debts	17	365	1	21	0	404
Credit loss provision in respect of debts:						
Examined on a specific basis	-	-	-	10	-	10
Examined on a collective basis	11	259	1	24	3	298
Total credit loss provision	11	259	1	34	3	308
Of which: For non-performing debts	2	47	-	7	-	56
Of which: For other troubled debts	-	35	-	4	-	39

In NIS million	As of December 31, 2023					
	Private individuals		Commercial			
	Receivables for credit cards	Credit (1)	Receivables for credit cards	Credit (1)	Other (2)	Total
	Unaudited					
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.

Credit quality by credit granting year

	As of March 31, 2024							
	Recorded debt balance of fixed term credit						Recorded outstanding debt of renewed loans	
	2024	2023	2022	2021	2020	Previous	loans	Total
In NIS million	Unaudited							
Private individuals								
Receivables for credit cards:								
Non-troubled credit	3,352	536	69	12	1	-	-	3,970
Troubled performing credit	2	2	1	-	-	-	-	5
Non-performing credit	4	7	1	-	-	-	-	12
Total receivables for credit cards	3,358	545	71	12	1	-	-	3,987
Charge-offs during the reporting period	-	(5)	-	-	-	-	-	(5)
Credit:								
Non-troubled credit	1,335	2,849	1,798	788	209	69	1,801	8,848
Troubled performing credit	6	55	106	51	17	6	87	328
Non-performing credit	18	50	17	6	2	1	44	138
Total credit	1,359	2,954	1,921	845	228	76	1,932	9,314
Charge-offs during the reporting period	-	(11)	(17)	(7)	(2)	(2)	(14)	(53)
Total private individuals	4,717	3,499	1,992	857	229	76	1,932	13,302
Commercial								
Receivables for credit cards:								
Non-troubled credit	226	24	2	-	1	-	-	253
Troubled performing credit	2	-	-	-	-	-	-	2
Non-performing credit	3	-	-	-	-	-	-	3
Total receivables for credit cards	231	24	2	-	1	-	-	258
Charge-offs during the reporting period	-	-	-	-	-	-	-	-
Credit:								
Non-troubled credit	305	347	164	52	29	3	68	968
Troubled performing credit	12	9	7	3	2	-	3	36
Non-performing credit	1	18	2	1	-	1	1	24
Total credit	318	374	173	56	31	4	72	1,028
Charge-offs during the reporting period	-	(3)	(2)	-	-	-	(1)	(6)
Commercial - total	549	398	175	56	32	4	72	1,286
Total debts	5,266	3,897	2,167	913	261	80	2,004	14,588

* Receivables for credit card transactions, deposits with banks, and other debts.

** As of March 31, 2024, there is no outstanding debt for renewed loans converted to fixed loans.

Credit quality by credit granting year (cont.)

	As of March 31, 2023							
	Recorded debt balance of fixed term credit						Recorded outstanding debt of renewed loans	Total
	2023	2022	2021	2020	2019	Previous		
In NIS million	Unaudited							
Private individuals								
Receivables for credit cards:								
Non-troubled credit	3,191	577	58	11	1	-	-	3,837
Troubled performing credit	3	5	1	-	-	-	-	9
Non-performing credit	3	4	-	-	-	-	-	7
Total receivables for credit cards	3,196	587	59	11	1	-	-	3,854
Credit:								
Non-troubled credit	1,436	3,246	1,387	481	221	50	1,609	8,429
Troubled performing credit	4	77	66	29	16	4	72	268
Non-performing credit	3	26	17	8	8	5	31	97
Total credit	1,443	3,349	1,470	518	245	59	1,711	8,796
Total private individuals	4,639	3,936	1,529	529	246	59	1,711	12,650
Commercial								
Receivables for credit cards:								
Non-troubled credit	217	17	1	1	-	1	-	237
Troubled performing credit	-	-	-	1	-	-	-	1
Non-performing credit	2	-	-	-	-	-	-	2
Total receivables for credit cards	220	17	1	2	-	1	-	241
Credit:								
Non-troubled credit	297	343	113	52	14	1	44	863
Troubled performing credit	5	2	2	1	1	-	2	12
Non-performing credit	-	3	2	1	1	-	1	7
Total credit	302	348	117	53	15	1	47	880
Commercial - total	521	365	118	55	15	1	47	1,121
Total debts	5,161	4,301	1,647	584	261	60	1,758	13,771

* Receivables for credit card transactions, deposits with banks, and other debts.

** As of March 31, 2023, there is no outstanding debt for renewed loans converted to fixed loans.

Credit quality by credit granting year (cont.)

	As of December 31, 2023							
	Recorded debt balance of fixed term credit						Recorded outstanding debt of renewed loans	Total
	2023	2022	2021	2020	2019	Previous		
In NIS million	Audited							
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
Charge-offs during the reporting period	-	-	-	-	-	-	-	-
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.

** As of December 31, 2023, there is no outstanding debt for renewed loans converted to fixed loans.

C. Debts (1)

1. Credit quality and arrears

In NIS million	As of March 31, 2024			
		Troubled (2)		
	Performing	Performing	Non-performing	Total
	Unaudited			
Private individuals				
Receivables for credit cards	**3,970**	**5**	**12**	**3,987**
Credit (3)	**8,848**	**328**	**138**	**9,314**
Commercial				
Receivables for credit cards	**269**	**2**	**3**	**274**
Credit (3)	**952**	**36**	**24**	**1,012**
Other accounts receivables (4)	**2,265**	**-**	**-**	**2,265**
Total debts	****16,305**	**371**	**177**	**16,853**

In NIS million	As of March 31, 2023			
		Troubled (2)		
	Performing	Performing	Non-performing	Total
	Unaudited			
Private individuals				
Receivables for credit cards	3,837	9	8	3,854
Credit (3)	8,431	268	97	8,796
Commercial				
Receivables for credit cards	238	1	2	241
Credit (3)	861	12	7	880
Other accounts receivables (4)	2,225	-	-	2,225
Total debts	15,592 **	290	114	15,996

** 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 15,975 million (March 31, 2023 - NIS 15,505 million).

(1) Receivables for credit card transactions, deposits with banks, and other debts.

(2) Non-performing, substandard or special mention debts.

(3) Including credit secured by vehicles amounting to NIS 2,431 million (March 31, 2023 - NIS 2,001 million).

(4) Amounts receivable from banks, deposits with banks, global credit card companies and organizations, accrued income, and other accounts receivables.

In NIS million	As of December 31, 2023 Performing	Troubled (2) Performing	Troubled (2) Non-performing	Total
	Audited			
Private individuals				
Receivables for credit cards	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) Non-performing, substandard or special mention debts.

(3) Including credit secured by vehicles amounting to NIS 2,205 million.

(4) Amounts receivable from banks, deposits with banks, global credit card companies and organizations, accrued income, and other accounts receivables.

2. **Additional information on non-performing debts**

(a) Non-performing debts and provision

In NIS million	As of March 31, 2024 — Outstanding debts: Outstanding non-performing debts for which there is a provision (2)	Outstanding provision	Total outstanding non-performing debts (2)	Outstanding contractual principal in respect of non-performing debts
	Unaudited			
Private individuals				
Receivables for credit cards	**12**	**2**	**12**	**12**
Credit	**138**	**54**	**138**	**138**
Commercial				
Receivables for credit cards	**3**	**1**	**3**	**3**
Credit	**24**	**14**	**24**	**24**
Total debts	**177**	**71**	**177**	**177**

In NIS million	As of March 31, 2023			
	Outstanding debts			
	Outstanding non-performing debts for which there is a provision (2)	Outstanding provision	Total outstanding non-performing debts (2)	Outstanding contractual principal in respect of non-performing debts
	Unaudited			
Private individuals				
Receivables for credit cards	8	2	8	8
Credit	97	47	97	97
Commercial				
Receivables for credit cards	2	-	2	2
Credit	7	7	7	7
Total debts	114	56	114	114

(1) Receivables for credit card transactions, deposits with banks, and other debts.
(2) Recorded outstanding debt.

In NIS million	As of December 31, 2023			
	Outstanding debts			
	Outstanding non-performing debts for which there is a provision	Outstanding provision	Total outstanding non-performing debts	Outstanding contractual principal in respect of non-performing debts
	Audited			
Private individuals				
Receivables for credit cards	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

(1) Receivables for credit card transactions, deposits with banks, and other debts.
(2) Recorded outstanding debt.

3. **Information regarding debts of borrowers with financial difficulties who underwent a change in terms and conditions (3)**

(a) **The credit quality and extent of arrears of debts of borrowers with financial difficulties who underwent a change in terms and conditions (3)**

	As of March 31, 2024	
	Recorded outstanding debt	
	Troubled	
	Non-performing interest income	Total
In NIS million	Unaudited	
Private individuals		
Receivables for credit cards	**4**	**4**
Credit	**50**	**50**
Commercial		
Credit	**14**	**14**
Total debts	**68**	**68**

	As of March 31, 2023	
	Recorded outstanding debt	
	Troubled	
	Non-performing interest income	Total
In NIS million	Unaudited	
Private individuals		
Receivables for credit cards	3	3
Credit	33	33
Commercial		
Credit	2	2
Total debts	38	38

(3) The data as of March 31, 2023 present data about restructured troubled debt, in accordance with the previous directive.

	As of December 31, 2023	
	Recorded outstanding debt	
	Troubled	
	Non-performing interest income	Total
In NIS million	Audited	
Private individuals		
Receivables for credit cards	3	3
Credit	44	44
Commercial		
Credit	11	11
Total debts	58	58

(b) The credit quality and extent of arrears of debts of borrowers with financial difficulties who underwent a change in terms and conditions during the reporting period

	For the three-month period ended March 31, 2024	
	Recorded outstanding debt	
	Troubled non-performing	Total
In NIS million	Unaudited	
Private individuals		
Receivables for credit cards	1	1
Credit	19	19
Commercial		
Credit	9	9
Total debts	29	29

(1) Receivables for credit card transactions, deposits with banks, and other debts.

Further to Note 3(b) as from January 1, 2024 Max has been implementing the revision to ASU 2022-02 to the Accounting Standards Codification, as reflected in the Banking Supervision Department's circular of October 19, 2023 regarding "Modifications to Terms and Conditions of Debts of Borrowers Struggling Financially". According to the Transitional Provisions prescribed in the Circular, in the report for the first quarter of 2024, Max did not include a 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.
In the three months ended March 31, 2024, Max made modifications to the terms and conditions of debts of borrowers struggling financially by rescheduling debts. The recorded outstanding debt of borrowers struggling financially, whose terms and conditions were modified during the first quarter is approx. NIS 29 million as of March 31, 2024. The financial effect of such modifications is immaterial for the three months ended March 31, 2024.

NOTE 10 - PAYABLES FOR CREDIT CARD TRANSACTIONS

	As of March 31	As of March 31	As of December 31
	2024	2023	2023
In NIS million	Unaudited	Unaudited	Audited
Merchants (1)	8,166	7,868	7,272
Liabilities for deposits (2)	177	151	155
Credit card companies	549	414	414
Prepaid income	24	16	18
Benefit plan for card holders (3)	78	65	72
Other (4)	80	135	160
Total payables for credit card transactions	9,074	8,649	8,091

(1) Net of balances for factoring credit card vouchers for merchants in the amount of NIS 1,586 million (December 31, 2023 - NIS 1,768 million, March 31, 2023 - NIS 1,795 million) and for early payments to merchants in the amount of NIS 143 million (December 31, 2023 - NIS 309 million, March 31, 2023 - NIS 346 million).

(2) All of the Company's deposits were raised in Israel and do not bear interest. In addition, all the deposits are held for private individuals and do not exceed NIS 1 million.

(3) As part of the operation of the Company's 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.

(4) Mainly accrued expenses in respect of banks and loyalty programs.

NOTE 11 - INCOME FROM CREDIT CARD TRANSACTIONS

	For the three-month period ended		For the year ended December 31
	March 31, 2024	March 31, 2023 **)	(*2023
In NIS million	Unaudited		Audited
Income from merchants			
Merchants fees and commissions	191	-	564
Other income	44	-	123
Total income from merchants - gross	235	-	687
Net of fees and commissions to other issuers	(89)	-	(261)
Total income from merchants - net	146	-	426
Income from credit card holders			
Issuer fees and commissions	127	-	382
Service fees and commissions	47	-	134
Fees and commissions from cross-border transactions	34	-	141
Total income for credit card holders	208	-	657
Total income from credit card transactions	354	-	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 5 above.

**) Since the data were first consolidated as from April 1, 2023, as noted above, the cumulative effect on the Company's results is presented on that date. For further details, see Note 5 above.

NOTE 12 - ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD

A. Issuance of bonds by the Company

For details regarding the issuance of bonds by the Company during the reporting period, see Note 26(c) to the Financial Statements for 2023.

In February 2024, 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) to the Financial Statements for 2023.

B. Economic solvency ratio in Clal Insurance

On May 30, 2024, Clal Insurance approved and published its Economic Solvency Ratio Report as of December 31, 2023.

For further details, please see Note 7 above.

C. Share-based payment

On May 30, 2024, the Company's board of directors resolved to publish an outline for the allocation of up to 1,400,000 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. 0.44% 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 14.1 per option, and the fair value of each tranche will be spread over the vesting period. The value of the benefit was calculated using the binomial model, and estimated at approx. NIS 18.75 million for all options, which will be awarded to Group officers and employees as stated above. 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 one year from the vesting date (with regard to the first tranche, from the holding date).

The subsidiaries will bear the costs for the value of the options and will indemnify the Company in full for this benefit, based on the value of the financial benefit that will be recorded in the Company's financial statements and in accordance with the accounting standards.

D. Actuarial estimates

1. Life and health insurance

Further to Note 42(e)(e1)(d)(1) to the annual financial statements regarding changes in insurance reserves due to the interest rate environment and its effect on the discount rates in life and long-term care insurance and the Commissioner’s directives regarding the liability adequacy test (LAT):

A. **Discount rate taken into account in the calculation of the liabilities for complementing the reserves for paid pensions and annuity**

In the reporting period, there was a change in the risk-free interest rate curve and illiquidity premium and the estimated rate of return in the assets portfolio held against insurance liabilities increased. Accordingly, the actuary of Clal Insurance actuary revised the interest rates on the free assets used to capitalize the liabilities to supplement reserves for paid pensions and annuity.

B. **Gradual provision to complement the annuity reserve by using the K factor**

Following on Note 42(e)E1(a)3(b) to the financial statements, every quarter, the Company checks whether the K-value will enable an appropriate distribution of the reserve for payment of pension, based on an analysis which is based on conservative financial and actuarial assumptions, which indicates that the management fees and/or financial 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 reserve for pension are updated by updating the K-value. The higher is 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.

For the three-month period ended March 31, 2024 - no change.

	As of March 31		As of December 31, 2023
	2024	2023	
	Unaudited		Audited
In respect of guaranteed-return policies	**0.0%**	0.0%	0.0%
In respect of yield-dependent insurance policies	**0.96%**	0.86%	0.96%

C. **Liability adequacy testing (LAT)**

Further to Note 3(d)1(d), the Company conducts liability adequacy testing on a periodic basis, in accordance with the LAT Circular.

2. **Property and casualty**

Further to Note 42(e)(e2)(4)(a) to the Annual Financial Statements, due to a change in the risk-free interest rate curve and illiquidity premium, the Company updated the estimated discount rate for the three-month period ended on March 31, 2024; the total effect of the change resulted in a reduction of retention insurance reserves by approx. NIS 2 million.

The effect of the financial results is set out below:

In NIS million	For the three-month period ended March 31 2024	2023	For the year ended December 31 2023
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	**2**	71	124
Change in the pension reserves due to the expected reduction in future income from change in interest rate (K factor)	**-**	33	260
The total effect of changes in interest on the liabilities for complementing the reserves for paid pensions and annuity	**2**	104	384
Changes to other assumptions in the calculation of the liabilities to supplement the annuity reserve (see Section 3)	**-**	-	67
Total special items - life insurance	**2**	104	451
Financial effect on P&C insurance reserves	**(2)**	2	83
Total special items - P&C insurance	**(2)**	2	83
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)
Financial effects in the liability adequacy test (LAT)	**(44)**	-	-
Total long-term care in the Health Segment	**(44)**	-	(102)
Total income (loss) before tax	**(44)**	106	432

E. Issuance of notes by subsidiary Clal Insurance

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) in circulation, traded on the TASE, 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.

The terms of some of the Notes (Series J) vary from the terms of the Notes (Series M), and accordingly they were accounted for as replacement of debt instruments with materially different terms, in accordance with the standard's definition; accordingly, Clal Insurance accrued a loss of approx. NIS 1.6 million.

Subsequent to the Reporting Period, in April 2024, the Company issued to the public NIS 465 million p.v. in Notes (Series M) by way of expansion of an existing series in consideration for approx. NIS 460 million. The terms and conditions of the additional notes are identical to the terms and conditions of the Notes (Series M) in circulation. The issuance costs amounted to approx. NIS 5.1 million.

F. The Iron Swords War

Following on Note 46(k) to the Financial Statements for 2023, the Israeli economy continues operating in a wartime routine. The economy is operating almost at normal levels, except for the areas which suffered directly from the events of October 7th and the north of Israel, where residents are still unable to go back to their homes and businesses have not yet resumed operations.

Israel’s credit rating

The rating agencies revised the rating of the State of Israel and their rating outlooks due to the escalation of the conflict between Israel and Iran and the geopolitical risks Israel is exposed to since the outbreak of the War, as follows: In February 2024, Moody's announced a downgrading of the State of Israel’s debt credit rating from A1 to A2 as well as a negative rating outlook. The downgrading of the credit rating and the change of the rating outlook to negative mainly reflected - as explained by the rating agency - the uncertainty as to the economic consequences of the War, the manner and timing by which the War will end and the change in fiscal conditions. Furthermore, subsequent to the reporting date, in April 2024 the international credit rating agency S&P announced the downgrading of the sovereign rating of Israel from AA- to A+, and reiterated the rating outlook at negative. Furthermore, subsequent to the reporting date, in April 2024 the international credit rating agency Fitch reiterated Israel’s credit rating at A+, but changed the rating outlook from stable to negative.

Effect on the financial statements

In the reporting period, and as of the publication date of these financial statements no material changes occurred in connection with the effects of the War on Clal Insurance’s financial results.

Max announced that as from December 2023 and during the Reporting Period the issuance turnovers in Israel and the acquiring turnovers in Max increased gradually. Max’s issuance turnovers abroad have also increased in the first quarter of 2024, compared to the first few months of the War; however, the scope of this activity is still low compared to pre-War levels. The estimated provision for credit losses is based on judgments and assessments, and still involves uncertainty at this stage. Further to the 2023 Financial Report of the Company, the Company increased the provision for current expected credit losses based on estimates of a potential increase in the credit risk of the Company’s customers.

The Group is exposed - by virtue of its activity - to fluctuations in the financial markets and to slowdown in activity in the Israeli economy, as well as to other risks arising from the War. Estimating the duration of the War and its potential effect on economic activity across the country, the capital markets as well as the extent of the potential damage to the repayment capacity of Max’s private and business customers, on the one hand, and the mitigating effects of aid programs and other reliefs, on the other hand, is difficult.

Therefore, it is currently impossible to assess the full effect of the War on the Group and its results.

G. Changes in tax rates

In March 2024, the Knesset plenum approved an order stipulating an increase in the rate of VAT from 17% to 18% as from January 1, 2025. In addition, an amendment to the Value Added Tax Ordinance (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the “Ordinance”) was approved, 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 income generated.

The deferred tax balances included in the financial statements as of Group’s financial institutions March 31, 2024 have been updated by an immaterial amount, so as to take into account the effects, which arise from the increase in tax rates as described above.

In addition, the Company estimates that the effect of the change in tax rates is not expected of be material.

H. Workers’ union in Tmura agency

Following on Note 25(c) to the Annual Financial Statements for 2023, in May 2024 Tmura’s management recognized the National Labor Federation in Eretz-Israel as the representative employee organization of Tmura’s employees.

I. Market developments in the reporting period and thereafter

In the Reporting Period, investment income was recognized, which led to a positive real return in the participating life insurance policies, which were marketed through 2004. However, as long as the policies do not achieve a positive real return that will cover the investment losses accrued by the policyholders, Clal Insurance will not be able to collect variable management fees. The estimated variable management fees, which will not be collected due to the negative real return until the attainment of a cumulative positive return, amounted to a total of approx. NIS 0.4 billion as of March 31, 2024, and approx. NIS 0.5 billion as of the report publication date. It is not possible to assess the continued developments on the markets and their impact on the results of the second quarter of 2024 and on 2024 as a whole, accordingly, the aforementioned does not constitute any assessment regarding the anticipated financial results of the Company.

NOTE 13 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010

Further to Note 4 to the Annual Financial Statements, in May 2017, the International Accounting Standards Board (IASB) published IFRS 17 - Insurance Contracts. Furthermore, in June 2020 and December 2021, the IASB published amendments to the standard (hereinafter - “IFRS 17”).

IFRS 17 sets rules for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes the current guidance on this issue under IFRS 4 and the directives of the Capital Market, Insurance and Savings Authority. The Company 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, but at this stage, it is unable to assess the effect of the standard’s application on its financial statements.

The first-time application date set in IFRS 17 is January 1, 2023; however, in accordance with the requirements of the Commissioner, which were published as part of the "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts” (hereinafter - the “Roadmap”), the first-time application date of IFRS 17 in Israel was postponed to the quarterly and annual periods beginning on January 1, 2025, and the transition date is January 1, 2024.

In order to support the preparations made by Israeli insurance companies for the adoption of IFRS 17, the Commissioner published drafts of the circular regarding “Professional Issues Pertaining to the Implementation in Israel of IFRS 17”, the eighth of which was published in April 2024 (hereinafter - the “Draft Circular”). The Company is still studying the effects of the draft’s revisions.

In July 2014, the IASB published IFRS 9 regarding Financial Instruments (hereinafter - “IFRS 9”), which supersedes IAS 39 and sets new rules for classification and measurement of financial instruments, with an emphasis on financial assets. The first-time application date set in IFRS 9 is January 1, 2018. In September 2016, an amendment to IFRS 4 was published, which allowed entities which issue insurance contracts and meet certain prescribed criteria to postpone the adoption of IFRS 9 to January 1, 2023 (the first-time application date of IFRS 17), in order to eliminate the accounting mismatch which may arise from the application of IFRS 9 prior to the application of IFRS 17. The Company complied with the abovementioned criteria and postponed the application of IFRS 9 accordingly. Upon the deferral of the first-time application date of IFRS 17 to January 1, 2025, the Commissioner also postponed the first-time application date of IFRS 9 to January 1, 2025, accordingly.

It is emphasized that the information detailed below regarding the accounting policies is correct as of the date of this report and is subject to changes as part of the progress of application.

A. The Company's preparation for the application of IFRS 17 and IFRS 9

As part of the standards’ adoption process, the Company is implementing and integrating IT systems that are necessary for applying the provisions. In addition, the Company is testing and mapping the required controls and the flow of information to the financial statements. Furthermore, as part of the preparations, the Company executes quantitative tests in order to assess the methodologies, the accounting policies, and the implementation of the systems. In accordance with the roadmap published by the Capital Market, Insurance and Savings Authority, the qualitative tests are reported to the Authority in accordance with the time frames set forth.

B. IFRS 17 - Main changes in the accounting policies

Set forth below are the main requirements and accounting policies, which were selected by the Company:

The Standard's scope

IFRS 17 applies to contracts, which meet the definition of an insurance contract and include:

a) Insurance contracts, including reinsurance contracts, which the Company issues;

b) Reinsurance contracts held by the Company; and

c) Investment contracts with discretionary participation features, which the Company issues, provided that it also issues insurance contracts.

The measurement model

The standard includes three models for measuring the liability in respect of insurance contracts:

1. General Measurement Model (GMM)

In accordance with this model, which constitutes the standard's default model, the liability in respect of groups of insurance contracts should be measured at the initial recognition date as the present value of the discounted best-estimate of future cash flows, plus an explicit risk adjustment (RA) in respect of the non-financial risks. The expected income from the insurance contracts, which is derived from such calculations, shall be recognized as a liability (contractual service margin - CSM), which will be recognized in profit and loss over the coverage period. If there is an expected loss, a loss component will arise, and it will be recognized immediately. Such liability components are classified into two types of liabilities: Liability for remaining coverage (LRC) and liability for incurred claims (LIC).

In subsequent periods, the contractual service margin will be adjusted in respect of changes in non-financial assumptions related to the future service. If the contractual service margin reached zero as a result of those changes, any change beyond that will be recognized immediately in profit and loss. On the other hand, changes arising from the time value of money and financial risks are recognized immediately under finance expenses in respect of insurance contracts.

In held reinsurance contracts, the contractual service margin may be an asset or a liability and it represents the net expected cost or the net expected income, respectively. If the reinsurance contract exists upon recognition of a loss component in respect of a group of insurance contracts covered by the reinsurer, the Company will recognize immediately an income in respect of the reinsurance contract (loss recovery component) against adjustment of the contractual service margin.

2. The variable fee approach - the VFA model

This model is a modification of the GMM model and applies to contracts with direct participation features. Insurance contracts with direct participation features are insurance contracts under which the Company promises an investment return to the policyholder based on underlying items. That is to say, the contract includes a significant service associated with investments.

In accordance with the VFS model, the cash flows for the fulfillment of the contract are composed of the liability to pay the policyholder an amount equal to the fair value of the underlying items, net of the variable fee in respect of the service. A change in the liability to pay the policyholder an amount equal to the fair value of the underlying items is recognized directly in finance expenses in respect of insurance contracts. The contractual service margin is adjusted in respect of changes in non-financial assumptions, as is the case in the GMM model, and in respect of financial changes, which affect the variable fee.

Reinsurance contracts held by the Company do not qualify for measurement using the VFA model, in accordance with the standard's provisions.

The Company expects that insurance contracts which include yield-dependent savings components will be measured under the VFA model, but changes are possible as the process of applying the standard progresses.

3. The premium allocation approach - the PAA model

This model is a simplification of the general measurement model; it can be applied to certain groups of insurance contracts, for which it provides a measurement, which is a reasonable approximation to a measurement in accordance with the general measurement model.

In accordance with this model, the liability in respect of the remaining coverage is determined as the total amount of the premiums received net of any insurance acquisition cash flows, and net of the premium amounts and insurance acquisition cash flows, which were recognized in profit or loss in respect of the coverage period, which elapsed. Premiums received and insurance acquisition cash flows are recognized in profit or loss over the coverage period on the basis of the passage of time, or on the basis of the expected pattern of release from risk over the coverage period if it differs significantly from the passage of time.

For groups of insurance contracts, under the PAA model the Company may recognize any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group is no more than one year. This selection is carried out at the level of the insurance contract portfolio.

If facts and circumstances indicate that a group of insurance contracts is onerous, the Company measures the present value of the future cash flows plus a risk adjustment in respect of non-financial risks, as is the case in the principles of the general measurement model. If this amount exceeds the carrying amount of the liability in respect of the remaining coverage, the Company shall increase the liability in respect of the remaining coverage against an immediate recognition of a loss in the statement of profit and loss.

If a reinsurance contract exists upon recognition of a loss component in respect of a group of insurance contracts covered by it, the Company will recognize immediately an income in respect of the reinsurance contract (loss recovery component) against adjustment of the carrying amount of the asset for remaining coverage.

The liability for incurred claims is calculated in accordance with the same principles as those used in the GMM model. The standard allows not to discount the future cash flows in respect of incurred claims if those cash flows are expected to be paid or received within one year or less from the date the claims are incurred. The Company does not implement the abovementioned expedient.

The Company may implement the Premium Allocation Approach only if upon inception of the group:

a) The coverage period of each contract in the group is one year or less; or

b) The Company reasonably expects that such simplification would produce a measurement of the liability for the remaining coverage period provided by the group that would not differ materially from the measurement that would result from applying the general measurement model.

The Company expects that P&C insurance contracts and travel insurance contracts will be measured under the PAA model, but changes are possible as the process of applying the standard progresses.

Aggregation level

IFRS 17 requires the aggregation of insurance contract into groups for recognition and measurement purposes. The Company will determine the groups upon initial recognition and will not change the composition of the groups at a later date.

Initially, the Company is required to identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Once it identified a portfolio, the Company shall divide it into a minimum of the following groups, based on the expected profitability upon initial recognition:

- A group of contracts, which are onerous at initial recognition;
- a group of contracts, which at initial recognition have no significant possibility of becoming onerous subsequently; and
- a group of the remaining contracts in the portfolio.

In accordance with the standard, for contracts to which the Company applies the PPA model, the Company shall assume no contracts in the portfolio are onerous at the initial recognition date, unless facts and circumstances indicate otherwise. IFRS 17 stipulates that an entity shall not include contracts issued more than one year apart in the same group, such that each underwriting year will be associated with a separate group of insurance contracts.

The contract's boundaries

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations which exist during the reporting period in which the Company can compel the policyholder to pay the premiums or in which it has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when the Company has the practical ability to reassess the risks of the particular policyholder (single policyholder) or the insurance contracts portfolio.

Cash flows are within the boundary of a reinsurance contract if they arise from substantive rights and obligations, which exist during the reporting period, in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the policyholder.

At this stage, the Company does not expect material changes to the contract boundary compared to IFRS 4.

Risk adjustment (RA) in respect of non-financial risk

The RA reflects the compensation, which the Company demands for bearing the uncertainty regarding the amount and timing of the cash flows arising from non-financial risks, which include insurance risk and other non-financial risks, such as lapse risk, and expenses risk. The RA also reflects the following:

- The level of compensation for diversification that the Company includes when setting the compensation it claims for bearing that risk; and
- Both favorable and unfavorable outcomes, in a way which reflects the Company's degree of risk aversion.

The Company adjusts the estimated present value of the future cash flows in respect of this amount, which is reflected separately in the Company's total liabilities.

IFRS 17 does not specify the estimation techniques used to determine the risk adjustment for non-financial risk.

The Company is still assessing the manner by which it will apply the determination of the risk adjustment for non-financial risk and the confidence interval which will be taken into account.

Interest rate curves

IFRS 17 stipulates that the estimates of future cash flows should be adjusted to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of the cash flows.

The standard stipulates that the discount rates applied to the estimates of the future cash flows shall:

The Company determines the real interest rate curves for all groups of insurance contracts using the bottom-up approach. In this approach, the discount rate is obtained by adding the illiquidity premium (which reflects the liability's illiquidity) to the risk-free interest rate curve.

The technique used to estimate the risk-free interest rate curve as described above is in line with the approach implemented for purposes of Liability Adequacy Test (LAT) under IFRS 4.

The coverage units and the manner of releasing the contractual service margin (CSM)

The CSM represents the liability in respect of the unearned income relating to future services in the GMM and VFA measuring models. In accordance with the standard, the CSM will be recognized in profit and loss over the coverage period through a pattern, which reflects the insurance service provided by the Company in connection with the contracts, which are included in the insurance contracts group, and taking into account the service of investments in insurance contracts which include a savings component. This pattern is determined based on the coverage units, which were provided during the period compared to the coverage units, which are expected to be provided in the future in connection with the insurance contracts group.

The number of coverage units in a group is the quantity of coverage services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period.

When a group of insurance contracts includes several types of insurance coverages and/or investment services, the Company weighs the different insurance units on the basis of the expected amount of benefits for the policyholder from each type of coverage or service.

The coverage units for reinsurance contracts held are consistent with the coverage units for the underlying contracts, with adjustments in respect of the differences in the services provided.

Presentation

Under IFRS 17, the Company will disaggregate the amounts recognized in the statement of other comprehensive income into:

A. Insurance service results, comprising insurance revenue and insurance service expenses; and

B. Finance income or finance expenses from insurance.

The above disaggregation shall increase transparency as to the Company's sources of income.

Transitional provisions

IFRS 17 should be applied retrospectively (hereinafter - "Full Retrospective Application"), unless this is impractical.

In applying the Full Retrospective Application, the Company shall identify, recognize and measure each group of insurance contracts as if IFRS 17 had always been applied. Furthermore, the Company shall derecognize any existing balances, which would not exist had IFRS 17 always been applied. Any resulting net difference will be recognized in equity.

The transition date is January 1, 2024, such that upon initial application the Company will restate the comparative figures for 2024.

If Full Retrospective Application for a group of insurance contracts is impractical, the Company may opt to apply one of the following approaches separately for each insurance portfolio:

a) The modified retrospective approach - to achieve the closest outcome to Full Retrospective Application possible using reasonable and supportable information available without undue cost or effort; or

b) The fair value approach - in this approach the Company shall determine the contractual service margin or loss component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date. It is noted that the draft circular includes the regulation of various aspects of the calculation of the fair value of the insurance portfolios on transition date, where an insurance company applies the fair value approach.

   The Company expects to implement the retrospective application approach for the property and casualty insurance portfolios.

   The Company expects that a Full Retrospective Application of IFRS 17 for groups of life and health insurance contracts will be impractical. The Company is still studying the transition date approach for life and health insurance portfolios.

C. IFRS 9 - Main changes in the accounting policies

Classification and measurement

Financial assets

In implementing IFRS 9, the Company will classify financial assets in accordance with their subsequent measurement at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, based on the Company's business model for managing financial assets, and projected cash flow of the financial asset.

A financial asset will be measured at amortized cost if the two following conditions are fulfilled:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) 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 (hereinafter - the "Principal and Interest Test").

A financial asset will be measured at fair value through other comprehensive income if the following terms and conditions are fulfilled:

a) Equity instruments, which the Company opted to measure at fair value through other comprehensive income; or

b) The financial asset is held within a business model whose objective is to collect contractual cash flows and to sell financial assets; and

c) The principal and interest criterion is fulfilled.

A financial asset will be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

Notwithstanding the foregoing, on initial recognition date, the Company may designate a financial asset as measured at fair value through profit or loss if such designation eliminates or significantly reduces a measurement or recognition inconsistency, which would have otherwise arisen from the measurement of assets or liabilities or from recognition of gains and losses thereon using other bases.

The application of IFRS 9 will have the following effect on the classification and measurement of the Company's financial assets:

Participating portfolio

The underlying items of insurance contracts, which include participating savings will be measured at fair value through profit or loss, as is currently the case in the accounting policy as per IAS 39.

The nostro portfolio

- Derivatives will be measured at fair value through profit or loss as is the case in IAS 39.
- It is expected that investments in debt instruments, which do not meet the Solely Payments of Principal and Interest test shall be classified to fair value through profit or loss.
- It is expected that investments in liquid equity and debt instruments will be measured at fair value through profit or loss rather than at fair value through capital reserve (available-for-sale financial assets) under IAS 39.
- It is expected that the remaining debt assets held against liabilities in respect of insurance contract will be designated to fair value through profit or loss in order to avoid an accounting mismatch with liabilities in respect of insurance contracts.
- The remaining debt assets, which are not held against liabilities in respect of insurance contracts, are still being assessed.

The decisions as to the classification and measurement of the nostro portfolio will be assessed on an ongoing basis as the standard's application process progresses.

Financial liabilities

The Company does not expect a material change in the classification and measurement of the financial liabilities, except for the measurement of financial liabilities, the conditions of which did not change materially as part of the replacement of equity instruments. This matter will be assessed on an ongoing basis as the standard's application process progresses.

Impairment model of financial assets

At each reporting date, the Company shall test 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 shall differentiate between two situations of recognition of a provision for loss:

a) 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

b) debt instruments with significant deterioration in credit quality since the 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 will apply Company the expedient, according to which it shall assume that the credit risk of a debt instrument has not increased significantly since its initial recognition date, 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.

Appendix 1 - Breakdown of assets for yield-dependent contracts and other financial investments of the consolidated insurance companies registered in Israel

1. Assets for yield-dependent contracts

Following is a breakdown of assets held against insurance contracts and investment contracts:

	As of March 31		As of December 31
	2024	2023	2023
In NIS million	Unaudited		Audited
Investment property *)	**3,852**	3,801	3,839
Financial investments:			
Liquid debt assets	**27,766**	29,800	28,065
Illiquid debt assets	**8,084**	9,134	8,199
Shares	**19,236**	17,706	17,378
Other financial investments	**30,403**	24,183	30,491
Total financial investments *)	**85,489**	80,823	84,133
Cash and cash equivalents	**5,025**	5,418	4,418
Other **)	**883**	2,973	1,622
Total assets in respect of yield-dependent contracts	**95,249**	93,015	94,012

*) Fair value through profit and loss

**) The balance includes mainly collectible premiums, reinsurer balances, collateral for activity in forward contracts and outstanding securities transactions as of the date of the financial statements.

2. Details of other financial investments

	As of March 31, 2024			
	Fair value through profit and loss	Available-for-sale	Loans and receivables	Total
In NIS million	Unaudited			
Liquid debt assets (a)	**198**	**6,048**	**-**	**6,246**
Illiquid debt assets (b)	**29**	**-**	**24,812**	**24,841**
Shares (c)	**-**	**1,779**	**-**	**1,779**
Other (d)	**819**	**5,031**	**-**	**5,850**
Total other financial investments	**1,046**	**12,858**	**24,812**	**38,716**

	As of March 31, 2023			
	Fair value through profit and loss	Available -for-sale	Loans and receivables	Total
In NIS million	Unaudited			
Liquid debt assets (a)	130	6,662	-	6,792
Illiquid debt assets (b)	1	-	23,786	23,787
Shares (c)	-	1,574	-	1,574
Other (d)	574	4,241	-	4,815
Total other financial investments	705	12,477	23,786	36,968

In NIS million	As of December 31, 2023			
	Fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	Audited			
Liquid debt assets (a)	195	6,212	-	6,407
Illiquid debt assets (b)	28	-	24,444	24,472
Shares (c)	-	1,647	-	1,647
Other (d)	926	4,820	-	5,746
Total other financial investments	1,149	12,679	24,444	38,272

A. Liquid debt assets - composition

In NIS million	As of March 31, 2024	
	Carrying amount	Amortized cost [1)]
	Unaudited	
Government bonds	**3,164**	**3,285**
Other debt assets		
Other non-convertible debt assets	**3,057**	**3,148**
Other convertible debt assets	**25**	**29**
	3,082	**3,177**
Total liquid debt assets	**6,246**	**6,462**
Impairments carried to profit and loss (cumulative)	**2**	

In NIS million	As of March 31, 2023	
	Carrying amount	Amortized cost [1)]
	Unaudited	
Government bonds	3,800	3,925
Other debt assets		
Other non-convertible debt assets	2,965	3,133
Other convertible debt assets	27	32
	2,992	3,165
Total liquid debt assets	6,792	7,090
Impairments carried to profit and loss (cumulative)	1	

In NIS million	As of December 31, 2023 Carrying amount	Amortized cost [1]
	Audited	
Government bonds	3,131	3,247
Other debt assets		
Other non-convertible debt assets	3,251	3,299
Other convertible debt assets	25	29
	3,276	3,328
Total liquid debt assets	6,407	6,575
Impairments carried to profit and loss (cumulative)	2	

1) Amortized cost - cost less principal payments, plus (minus) cumulative amortization according to the effective interest method of any difference between the cost and the repayment amount and less any amortization for impairment recognized in profit and loss.

B. Illiquid debt assets - composition *)

In NIS million	As of March 31, 2024 Carrying amount	Fair value
	Unaudited	
Government bonds		
Hetz bonds and treasury deposits	**16,863**	**22,410**
Other non-convertible debt assets, excluding deposits with banks	**7,442**	**7,572**
Deposits with banks	**536**	**550**
Total illiquid debt assets	**24,841**	**30,532**
Impairments carried to profit and loss (cumulative)	**42**	

In NIS million	As of March 31, 2023 Carrying amount	Fair value
	Unaudited	
Government bonds		
Hetz bonds and treasury deposits	16,786	23,826
Other non-convertible debt assets, excluding deposits with banks	6,350	6,341
Deposits with banks	651	677
Total illiquid debt assets	23,787	30,844
Impairments carried to profit and loss (cumulative)	44	

	As of December 31, 2023	
	Carrying amount	Fair value
In NIS million	Audited	
Government bonds		
Hetz bonds and treasury deposits	16,634	22,279
Other non-convertible debt assets, excluding deposits with banks	7,287	7,297
Deposits with banks	551	566
Total illiquid debt assets	24,472	30,142
Impairments carried to profit and loss (cumulative)	42	

*) The fair value of designated bonds was calculated in accordance with the repayment date of guaranteed return liabilities. The fair value of treasury deposits was calculated in accordance with the contractual repayment date.

C. Shares

	As of March 31, 2024	
	Carrying amount	Cost
In NIS million	Unaudited	
Liquid shares	**1,013**	**947**
Illiquid shares	**766**	**857**
Total shares	**1,779**	**1,804**
Impairments carried to profit and loss (cumulative)	**329**	

	As of March 31, 2023	
	Carrying amount	Cost
In NIS million	Unaudited	
Liquid shares	802	857
Illiquid shares	772	765
Total shares	1,574	1,622
Impairments carried to profit and loss (cumulative)	223	

	As of December 31, 2023	
	Carrying amount	Cost
In NIS million	Audited	
Liquid shares	897	910
Illiquid shares	750	833
Total shares	1,647	1,743
Impairments carried to profit and loss (cumulative)	330	

D. Other financial investments [1)]

	As of March 31, 2024	
	Carrying amount	Cost
In NIS million	Unaudited	
Liquid financial investments	**895**	**862**
Illiquid financial investments	**4,955**	**3,435**
Total other financial investments	**5,850**	**4,297**
Impairments carried to profit and loss (cumulative)	**126**	

	As of March 31, 2023	
	Carrying amount	Cost
In NIS million	Unaudited	
Liquid financial investments	785	765
Illiquid financial investments	4,030	2,787
Total other financial investments	4,815	3,552
Impairments carried to profit and loss (cumulative)	139	

	As of December 31, 2023	
	Carrying amount	Cost
In NIS million	Audited	
Liquid financial investments	923	887
Illiquid financial investments	4,823	3,342
Total other financial investments	5,746	4,229
Impairments carried to profit and loss (cumulative)	125	

1. Other financial investments mainly include investments in ETFs, participation certificates in mutual funds, investment funds, financial derivatives, futures, options and structured products.

Appendix 2 - Interest income and expenses of the Company and its consolidated companies and analysis of the changes in the interest income and expenses

Average balances and interest rates

	For the three months ended March 31, 2024			For the three months ended March 31, 2023		
Unaudited	Average balance (1)	Interest income (expenses)	% of income (expense)	Average balance (1)	Interest income (expenses)	% of income (expense)
In NIS million			Percentage			Percentage
Interest-bearing assets						
Credit to private individuals (2)	**9,287**	253	10.90	**8,706**	230	10.57
Commercial credit (2)(5)	**3,415**	47	5.51	**3,302**	45	5.45
Total credit	**12,702**	300	9.45	**12,008**	275	9.16
Deposits with banks	**581**	5	3.44	**519**	4	3.08
Other assets	**58**	-	-	**13**	-	-
Total assets	**13,341**	305	9.14	**12,540**	279	8.90
Non-interest-bearing receivables for credit card transactions	**4,207**			**4,365**		
Amounts receivable for credit card activity	**1,065**			**1,040**		
Other non-interest-bearing assets (3)	**422**			**508**		
Total assets	**19,035**			**18,453**		
Interest bearing liabilities						
Credit from banking corporations	**4,939**	(78)	(6.32)	**5,187**	(67)	(5.17)
Bonds and subordinated notes	**767**	(12)	(6.26)	**492**	(6)	(4.88)
Other liabilities	**21**	(25)	-	**20**	(17)	-
Total interest-bearing liabilities	**5,727**	(115)	(8.03)	**5,699**	(90)	(6.32)
Payables for credit card transactions (5)	**10,734**			**10,411**		
Other non-interest bearing liabilities (6)	**707**			**662**		
Total liabilities	**17,168**			**16,772**		
Total capital resources	**1,867**			**1,681**		
Total capital commitments and resources	**19,035**			**18,453**		
Interest rate spread			1.11			2.58
Net return on interest-bearing assets (4)	**13,341**	190	5.70	**12,540**	189	6.03

(1) Based on beginning-of-month balances.

(2) Before deducting the average on-balance sheet balance of credit loss provisions. Including debts that do not accrue interest income.

(3) Including derivatives, other non-interest-bearing assets, non-monetary assets, and less credit loss provision.

(4) Net yield – net interest income divided by total interest-bearing assets.

(5) Including average balance of early payments to merchants and factoring of credit card vouchers for merchants.

(6) Including derivative instruments and non-monetary liabilities.

Average balances and interest rates - additional information on interest-bearing assets and liabilities

Unaudited	For the three months ended March 31, 2024			For the three months ended March 31, 2023		
	Average balance (1)	Interest income (expen-ses)	% of income (expense)	Average balance (1)	Interest income (expen-ses)	% of income (expense)
In NIS million			Percen-tage			Percen-tage
Non-linked NIS						
Total interest-bearing assets	**13,103**	**301**	**9.19**	12,371	277	8.96
Total interest-bearing liabilities	**5,681**	**(115)**	**(8.10)**	5,605	(89)	(6.35)
Interest rate spread			**1.09**			2.61
CPI-linked NIS						
Total interest-bearing assets	**187**	**4**	**8.56**	87	2	9.20
Total interest-bearing liabilities	**46**	**-**	**-**	94	(1)	(4.26)
Interest rate spread			**8.56**			4.94
Foreign currency (including foreign-currency linked NIS)						
Total interest-bearing assets	**51**	**-**	**-**	82	-	-
Total interest-bearing liabilities	**-**	**-**	**-**	-	-	-
Interest rate spread						
Total activity						
Total interest-bearing assets	**13,341**	**305**	**9.14**	12,540	279	8.90
Total interest-bearing liabilities	**5,727**	**(115)**	**(8.03)**	5,699	(90)	(6.32)
Interest rate spread			**1.11**			2.58

(1) Based on beginning-of-month balances.

Analysis of changes in interest income and expenses

Unaudited	Three months ended March 31, 2024 compared to the three months ended March 31, 2023		
	Increase (decrease) due to change		
In NIS million	Quantity	Price	Net change
Interest-bearing assets			
Credit to private individuals	16	7	23
Commercial credit	2	-	2
Total credit	18	7	25
Deposits with banks	1	-	1
Other assets	-	-	-
Total interest income	19	7	26
Interest bearing liabilities			
Credit from banking corporations	4	(15)	(11)
Bonds and subordinated notes	(4)	(2)	(6)
Other liabilities	(1)	(7)	(8)
Total interest income (expenses)	(1)	(24)	(25)
Total interest income, net	18	(17)	1

Clal Insurance Enterprises Holdings Ltd.

Separate Financial Data from the Consolidated Interim Financial Statements Attributable to the Company

as of March 31, 2024

(Regulation 38D)

(Unaudited)

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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

Introduction

We have audited the Interim Separate Financial Information disclosed in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of Clal Insurance Enterprises Holdings Ltd. (hereinafter – "the Company") as of March 31, 2024 and for the three-month period ended on that date. The Interim Separate Financial Information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express a conclusion regarding the Separate Interim Financial Information for this interim period based on our review.

Review Scope

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

Conclusion

Based on our review and the review, nothing has come to our attention that causes us to believe that the abovementioned Interim Separate Financial Information does not comply, in all material respects, with the disclosure provisions of Chapter 38D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,	Somekh Chaikin	Kost Forer Gabbay & Kasierer
May 30, 2024	Certified Public Accountants	Certified Public Accountants
		Joint Independent Auditors

Interim Data on Financial Position

	As of March 31		As of December 31
	2024	2023	2023
In NIS million	Unaudited		Audited
Assets			
Investment in investees	**9,477**	8,014	8,418
Loans and balances of investees	**703**	609	704
Receivables and debit balances	**1**	1	-
Other financial investments:			
Liquid debt assets	**18**	4	906
Shares	**21**	9	17
Other	**35**	177	87
Total other financial investments	**75**	191	1,011
Cash and cash equivalents	**21**	121	9
Total assets	**10,277**	8,935	10,142
Equity			
Share capital	**167**	167	167
Share premium	**2,394**	2,389	2,390
Capital reserves	**1,128**	908	1,005
Retained earnings	**5,056**	4,697	5,019
Total equity	**8,745**	8,161	8,581
Liabilities			
Payables and credit balances	**14**	380	45
Balances of investees	**2**	4	1
Current tax liability	**-**	2	-
Deferred tax liability	**-**	5	-
Financial liabilities	**1,516**	383	1,514
Total liabilities	**1,533**	774	1,561
Total equity and liabilities	**10,277**	8,935	10,142

The attached additional information is an integral part of the Company's Interim Separate Financial Information.

May 30, 2024			
Approval date of the financial statements	**Haim Samet** Chairman of the Board of Directors	**Yoram Naveh** CEO	**Eran Cherninsky** Executive Vice President Head of the Finance Division

Interim Profit and Loss Data

In NIS million	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
Company's share in the profits (losses) of investees, net of tax	**45**	(97)	206
Investment income (losses), net and finance income			
From investees	**7**	11	39
Other	**11**	7	24
Total income	**63**	(80)	269
General and administrative expenses	**3**	5	16
Finance expenses	**20**	2	33
Total expenses	**23**	7	49
Income (loss) before taxes on income	**41**	(87)	220
Income tax expense (tax benefit)	**-**	2	-
Income (loss) for the period	**41**	(89)	220

The attached additional information is an integral part of the Company's Interim Separate Financial Information.

Interim Comprehensive Income Data

In NIS million	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
Income (loss) for the period	**41**	(89)	220
Other comprehensive income:			
Other comprehensive income items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss:			
Other comprehensive income (loss) in respect of investees that was transferred or will be transferred to profit and loss, net of tax	**123**	(13)	84
Other comprehensive income (loss) for the period carried or to be carried to profit and loss, before tax	**123**	(13)	84
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	**123**	(13)	84
Other comprehensive income (loss) for the period	**123**	(13)	85
Total comprehensive income (loss) for the period	**164**	(102)	305

The attached additional information is an integral part of the Company's Interim Separate Financial Information.

Interim Data on Changes in Cash Flows

In NIS million	For the three-month period ended March 31 2024	For the three-month period ended March 31 2023	For the year ended December 31 2023
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Income (loss) for the period	**41**	(89)	220
Adjustments:			
Company's share in the profits (losses) of investees	**(45)**	97	(206)
Dividend from investees	**-**	3	25
Interest accrued on deposits with banks	**-**	(6)	(9)
Interest accrued in respect of the capital note for the investee	**4**	(3)	(31)
Accrued interest and deduction of issuance costs and discount for bonds	**20**	2	33
Loss (profit) from other financial investments	**(10)**	-	(14)
Taxes on income	**-**	2	-
Total adjustments	**(32)**	95	(203)
Changes in other items in the data on financial position, net:			
Change in receivables and debit balances	**(1)**	-	-
Change in payables and credit balances	**(1)**	-	(5)
Total changes in other items in the data on financial position, net	**(2)**	(1)	(6)
Cash received during the period for:			
Net cash provided by operating activity for transactions with investees	**(2)**	4	3
Interest received	**1**	6	9
Income tax received (paid)	**-**	(4)	(9)
Net cash provided by operating activities	**6**	11	15
Cash flows provided by investing activities			
Repayment of interest from the capital note to the investee	**-**	-	23
Investment in investees 2)	**(891)**	(819)	(1,294)
Investment in available-for-sale financial assets	**(27)**	(8)	(908)
Proceeds from sale of available-for-sale financial assets	**973**	12	106
Net cash provided by (used for) investing activities	**55**	(815)	(2,072)
Cash flows provided by financing activities			
Interest paid on bonds	**(48)**	-	-
Proceeds of bond issuance (less issuance expenses)	**-**	396	1,537
Net cash provided by (used for) financing activities	**(48)**	396	1,537
Increase (decrease) in cash and cash equivalents	**12**	(407)	(520)
Cash and cash equivalents as of the beginning of the period	**9**	529	529
Cash and cash equivalents at end of the period	**21**	121	9

Additional Information

1. General

The Interim Separate Financial Information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 and does not include all the information required under Regulation 9C and the Tenth Addendum to the Securities Regulation (Periodic and Immediate Reports), 1970, “Separate Financial Information of the Corporation”. This Interim Separate Financial Information should be read in conjunction with the separate financial information as of the date and year ended December 31, 2023 and in conjunction with the condensed consolidated interim financial statements as of March 31, 2024 (hereinafter - the “**Consolidated Interim Financial Statements**").

2. Investment in CIMax and full repayment of the syndicated loan

In February 2024, the Company transferred to CIMax a total of approx. NIS 891 million. (Of that amount, a total of approx. 600 is with respect to an investment in CIMax and the balance against capital notes issued to the Company by CIMax). The capital notes do not bear interest or linkage and will be repayable after 5 years, at the lender's discretion. On the same date, CIMax used the proceeds for early repayment of an entire loan (for further details, see Note 6(c) to the Consolidated Financial Statements).

3. Share-based payment

For details regarding the option plan published by the Company subsequent to the report date, see Note 12(c) to the Consolidated Financial Statements.

Clal Insurance Enterprises Holdings Ltd.

Quarterly Report on the Effectiveness of the Internal Control

over Financial Reporting and Disclosure

as of March 31, 2024

in accordance with Regulation 38C(a)

Quarterly Report on the 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 chief executive officer and the most senior financial officer, or the equivalent acting officers, in order to allow decision making on a timely basis with respect to the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that misstatements or omissions of information in the financial statements shall be prevented or detected.

Clal Insurance Company Ltd. (hereinafter - "Clal Insurance"), a subsidiary of the Corporation, is an institutional entity which is subject to the directives of the Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance regarding the assessment of the effectiveness of internal controls over financial reporting.

In relation to internal controls in the said subsidiary, the Corporation implements the following directives: The Institutional Entities Circular 2009-9-10 on "Management's Responsibility for Internal Control over Financial Reporting"; Institutional Entities Circular 2010-9-6 on "Management's Responsibility for Internal Control over Financial Reporting - Amendment" and Institutional Entities Circular 2010-9-7 on "Internal Control over Financial Reporting - Statements, Reports and Disclosures".

Max It Finance Ltd., a subsidiary of the Corporation, is a credit card company, which is subject to the directives of the Banking Supervision Department regarding the assessment of the effectiveness of internal control over financial reporting.

With respect to the internal control of the said subsidiary, the Corporation implements the following provisions: Proper Conduct of Banking Business Directive 309.

In the Annual Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure attached to the periodic report for the period ended December 31 2023 (hereinafter - the "Most Recent Annual Report Over Internal Control"), the Board of Directors and management assessed the internal control in the corporation;

Based on this assessment, the Corporation's Board of Directors and management have concluded that the said internal control, as of December 31, 2023, is effective.

As of the report date, the Board of Directors and management have not been informed of any event or matter that may alter the assessment of the effectiveness of internal control, as presented in the Most Recent Annual Report Over Internal Control.

As of the report date, based on the Most Recent Annual Report over Internal Control and based on information brought to the attention of management and the Board of Directors as stated above, the internal control is effective.

Certification

Certification by the CEO

I, Yoram Naveh, hereby declare that:

1. I have reviewed quarterly report of Clal Insurance Enterprises Holdings Ltd. (hereinafter - the “Corporation”) for the first quarter of 2024 (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

May 30, 2024

Certification

Certification by the Most Senior Financial Officer

I, Eran Cherninsky, hereby declare that:

1. I have reviewed Interim Financial Statements and other financial information included in the interim report of Clal Insurance Enterprises Holdings Ltd. (hereinafter - the "Corporation") for the first quarter of 2024 (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

Executive Vice President

Finance Division Director

May 30, 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 quarterly report of Clal Insurance Company Ltd. (hereinafter - the "Company") for the quarter ended March 31, 2024 (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

May 30, 2024

Clal Insurance Company Ltd.

Certification

I, Eran Cherninsky, hereby declare that:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter - the "Company") for the quarter ended March 31, 2024 (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

Executive Vice President

Finance Division Director

May 30, 2024

Max It Finance Ltd.

Certification

I, Ron Fainaro, hereby declare that:

1. I have reviewed the quarterly report of Max It Finance Ltd. (hereinafter - the "Company") for the quarter ended March 31, 2024 (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

May 30, 2024

Max It Finance Ltd.

Certification

I, Sharon Gur, hereby declare that:

1. I have reviewed the quarterly report of Max It Finance Ltd. (hereinafter - the "Company") for the quarter ended March 31, 2024 (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

May 30, 2024

Economic Solvency Ratio Report of Clal Insurance Company Ltd.

As of December 31, 2023

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To:

Board of Directors of Clal Insurance Company Ltd.

Dear Sir/Madam,

Re: Examination of the Application of Certain Instructions of the Commissioner of the Capital Market, Insurance and Savings regarding the Solvency II-Based Economic Solvency Requirement of Clal Insurance Company Ltd. (hereinafter - the "Company") as of December 31, 2023

We examined the capital required to maintain the solvency capital requirement (hereinafter - "**SCR**") and the economic capital of Clal Insurance Company Ltd. as of December 31 2023 (hereinafter - the "**Information**"), included in the Company's Economic Solvency Ratio Report attached hereby (hereinafter - the "**Report**").

The Board of Directors and management bear the responsibility for the preparation and presentation of the Information drawn up in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") regarding Solvency II-based economic SCR of an insurance company as included the Commissioner's Circular No. 2020-1-15 dated October 14, 2020, and in accordance with the Commissioner's Directives regarding principles for calculation of Deduction during the Transitional Period in a Solvency II-based Economic Solvency Regime of October 15, 2020 (hereinafter - the "**Directives**").

The calculations, forecasts and assumptions on which the preparation of the Information was based fall under the responsibility of the Board of Directors and management.

We conducted our examination in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information, and in accordance with the Commissioner's Directives, as included in Insurance Circular 2017-1-20 of December 3 2017, which provides guidance as to audit of Economic Solvency Ratio Report.

We did not examine the appropriateness of the Deduction During the Transitional Period as of December 31, 2023, as presented in Section 3.1.2 to the Report, except for verifying that the Deduction amount does not exceed the expected discounted amount of the risk margin and the capital required for solvency in respect of life and health insurance risks arising from existing businesses during the Transitional Period in accordance with the pattern of future development of the required capital, which affects both the calculation of the expected capital release and the release of the expected risk margin as detailed in the provisions on calculation of risk margin.

Except for the abovementioned in connection with the appropriateness of the Deduction during the Transitional Period, based on the examination of the evidence supporting the calculations, the forecasts and the assumptions, as referred to below, which were used by the Company's Board of Directors and management in the preparation of the information nothing came to our attention which caused us to believe that the forecasts and assumptions, as a whole, do not constitute a reasonable basis for the information in accordance with the Directives. Furthermore, in our opinion, the information, including the method employed to determine the assumptions and forecasts, was prepared and presented in all material respects in accordance with the Directives.

It should be emphasized that the projections and assumptions are based mainly on past experience, as arising from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The information is sometimes based on assumptions regarding future events, steps taken by management, and the pattern of the future development of the risk margin, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the information. Furthermore, actual results may materially vary from the information, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the information.

We draw attention to Section 1.6.2.4 - comments and clarifications regarding the solvency ratio, the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

Respectfully,

Tel Aviv	Kost Forer Gabbay & Kasierer	Somekh Chaikin
May 30, 2024	Certified Public Accountants	Certified Public Accountants

Joint Independent Auditors

1. Overview and disclosure requirements

1.1 Solvency II-based Economic Solvency Regime

The information provided below was calculated in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "**Provisions of the Economic Solvency Regime**"). The information was prepared and presented in accordance with the provisions of Chapter 1, Part 4, Section 5 in the Consolidated Circular, as updated in Circular 8-1-2022 (hereinafter - the "**Disclosure Provisions**"). The Solvency Circular sets a standard model for calculating existing shareholders' equity and the solvency capital requirement, aiming to bring insurance companies to a situation where they have the capacity to absorb losses arising from the materialization of unexpected risks to which they are exposed. The solvency ratio is the ratio between an insurance company's existing shareholder's equity and its regulatory solvency capital requirement.

The existing shareholders' equity for economic solvency regime purposes will be composed of Tier 1 capital and Tier 2 capital. Tier 1 Capital includes shareholders' equity calculated through assessing the value of an insurance company's assets and liabilities in accordance with the circular's provisions. Additional Tier 1 capital and Tier 2 capital include equity instruments with loss absorption mechanisms, including Subordinated Tier 2 capital, Hybrid Tier 2 capital and Tier 3 capital, which were issued prior to the circular's effective date. The circular includes restrictions on the composition of shareholders' equity for SCR purposes (see below), such that the rate of components included in Tier 2 Capital shall not exceed 40% of the SCR (will not exceed 50% during the Transitional Period, as described below).

The existing eligible capital should be compared to the capital requirement when there are two levels of capital requirements:

- The capital requirement to maintain an insurance company's solvency (hereinafter - "**SCR**"). The SCR is risk-sensitive, and is based on a forward-looking calculation of the effect of the various scenarios' materialization, while taking into account the correlation of the various risk factors, based on the guidance of the Solvency Circular.
- Minimum capital requirement (hereinafter "**MCR**" or "**Minimum Capital Requirement**"). In accordance with the Provisions of the Economic Solvency Regime, the minimum capital requirement shall be equal to the highest of the amount of the minimum Tier 1 capital requirement from an insurance company under the Capital Regulations and an amount derived from insurance reserves and premiums (as defined in the Provisions of the Economic Solvency Regime), with a floor of 25% and a cap of 45% of the SCR.

The existing capital and the capital requirement are calculated using data and models for calculating the economic solvency ratio, which are based, among other things, on forecasts and assumptions that rely mainly on past experience. The calculations performed as part of the economic capital calculation and the capital requirements are highly complex.

With respect to the calculation of the solvency ratio as of December 31, 2023, an audit was carried out by the independent auditor in accordance with the Commissioner's Directives.

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

Forward-looking information

The data included in this Economic Solvency Ratio Report, including the eligible shareholders' equity and solvency capital requirement are based, among other things, on forecasts, assessments, and estimates of future events, the materialization of which is uncertain and is not under the Company's control, and which should be considered as "forward-looking information" as the term is defined in Section 32A to the Securities Law, 1968. Actual results may differ from the results reflected in this Economic Solvency Ratio Report, if such forecasts, assessments and estimates, either in whole or in part, fail to materialize or materialize in a manner different than anticipated, including, among other things, with respect to actuarial assumptions (including the rate of release of the risk margin, mortality rates, morbidity rates, recovery rates, cancellations, expenses, uptake of pension benefits, and underwriting income rate), assumptions regarding future management actions, assumptions regarding the development pattern of the capital requirements and risk margin, risk-free interest rates, capital market returns, future income, and damage in catastrophe scenarios.

1.2 Disclosure and Reporting Provisions in connection with Economic Solvency Ratio Report

The Disclosure Circular stipulates, among other things, that the Economic Solvency Ratio Report as of December 31 and June 30 will be included in the first periodic report published after the calculation date, and posted on the Company's website on those dates. The Economic Solvency Ratio Report as of December 31 of each year shall be audited by the Company's independent auditor of the Company as from the report as of December 31, 2018. In addition, the circular includes provisions regarding the structure of the Economic Solvency Ratio Report, its approval by the relevant organs in the Company, the requirement that it will be audited by the Company's independent auditor, and the disclosure requirements in respect thereof.

1.3 Provisions during the Transitional Period

The Provisions of the Economic Solvency Regime include, among other things, transitional provisions for the Transitional Period, during which the following provisions will be applied:

- The capital requirements in respect of the shares risk-weighted sub-component, as defined in the provisions, will increase gradually over seven years, from 22% to 30%, 39% and 49% for investment in infrastructure shares, Type 1 shares and Type 2 shares, respectively. The gradual increase shall also apply to the anti-cyclical adjustment, as defined in the provisions. As of December 31, 2023, the expedient period for capital requirements regarding the shares risk sub-component has ended, and the Company is reporting its data based on the shares risk sub-component scenario, as set out in the circular, without an expedient.
- In addition, selecting on of the following alternatives:
    1. Gradual transition to the capital requirement until 2024 (hereinafter - the "**Transitional Period**"), such that the capital requirement shall increase gradually by 5% per year, starting with 60% of the SCR in 2017 up to the full SCR amount;
    2. Increasing the eligible capital by deducting from the insurance reserves an amount as detailed Section 3.3.2 below. The deduction will decrease gradually until 2032 (hereinafter - **the "Deduction During the Transitional Period**"). Furthermore, the Deduction Amount may be revised during the Transitional Period due to other changes in accordance with the provisions pertaining to the actions taken by the insurance company in the Transitional Period, as set in a letter of October 15, 2020 regarding Principles for the Calculation of Deduction During the Transitional Period in A Solvency-II Based Economic Solvency Regime" (hereinafter - the "**Letter of Principles**").

The Company opted for the second alternative after receiving the Commissioner's approval, as required.

1.3.1 Updating the Deduction Amount in subsequent periods

In accordance with the principles for the calculation of Deduction during the Transitional Period in an economic solvency regime based on Solvency II, and the provisions for the application of an economic solvency regime, the deduction amount will be recalculated every two years, or at least, if there is a material change, the risk profile or the business structure of the insurance company, and in accordance with the Commissioner's requirements, if he believed that circumstances changed since then. The Company has recalculated the deduction as of June 30, 2023, and obtained the Commissioner's approval for the recalculation and for a deduction equal to NIS 5,944 million, gross – see Section 3.1.2 below.

1.4 Definitions

The Company -	Clal Insurance Company Ltd.
The Commissioner -	Commissioner of the Capital Market, Insurance and Savings Authority.
Provisions of the Economic Solvency Regime -	Insurance Circular 2020-1-15 "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" and related guidance by the Commissioner regarding the implementation of economic solvency regime.
Eligible shareholders' equity/ economic capital -	Total Tier 1 capital and Tier 2 capital of an insurance company, after deductions and amortization in accordance with the Provisions of the Economic Solvency Regime.

Basic Tier 1 capital -	Excess of assets over liabilities, estimated according to the provisions regarding economic balance sheet, comprising the following components: Issued and paid up ordinary share capital, premium paid upon the issuance of shares, retained earnings, capital reserves net of debit capital reserves, and the change in excess assets over liabilities arising from differences in the methods employed to measure the assets and liabilities according to the Directives (reconciliation reserve), net of: Unrecognized assets, buyback of ordinary shares, and dividend declared subsequent to the report date.
Additional Tier 1 capital -	The total of all of the above, when their value is measured according to the Provisions of the Economic Solvency Regime - perpetual capital note, non-cumulative preferred shares, Additional Tier 1 capital instrument, restricted Tier 1 capital instrument.
Tier 2 capital -	Tier 2 capital instruments, Subordinated Tier 2 capital, Hybrid Tier 2, and Hybrid Tier 3 capital instruments - valued in accordance with the Provisions of the Economic Solvency Regime.
Solvency capital requirement (SCR) -	The capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Economic Solvency Regime.
Basic solvency capital requirement (BSCR) -	The capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Provisions of the Economic Solvency Regime Directives, without taking into account the capital requirement due to operational risk, loss absorption adjustment due to deferred tax and capital requirement due to management companies.
Solvency ratio -	The ratio between the eligible shareholders' equity and the solvency capital requirement.
Best estimate -	Expected future cash flows from insurance contracts and insurance contracts throughout their term, without conservatism margins and discounted by an adjusted risk-free interest.
Risk margin -	An amount added to the best estimate amount that reflects the total cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company’s insurance liabilities, calculated according to the Provisions of the Economic Solvency Regime.
Deduction during the Transitional Period	The amount deducted from insurance reserves during the Transitional Period, calculated in accordance with the provisions of Section 4(c) to the Provisions of the Economic Solvency Regime. The Deduction will decrease gradually until 2032.
Non-eligible asset -	An asset held against liabilities that are not yield-dependent contrary to the Investment Rules Regulations, or contrary to the Commissioner’s Directives, net of the tax reserve created in respect thereof.
Minimum capital requirement (MCR) -	Minimum Capital Requirement - the minimum capital requirement from an insurance company, calculated in accordance with the Provisions of the Economic Solvency Regime
Expected profits in future premiums (EPIFP) -	Expected Profits in Future Premiums - the expected profit in future premiums (retention) included in the insurance liabilities, in respect of premiums that have not yet been received through the report date.
UFR -	Ultimate Forward Rate - the latest forward interest rate derived from the expected long-term real interest rate and the long-term inflation expectations to which the adjusted interest rate curve converges, in accordance with the Provisions of the Economic Solvency Regime.
Volatility adjustment (VA) -	Volatility adjustment is an anti-cyclical component reflecting the margin implicit in a representative debt assets portfolio of insurance companies and added to the adjusted interest-rate curve in accordance with Provisions of the Economic Solvency Regime

SLT health insurance -	Health insurance that is conducted similarly to life insurance.
NSLT health insurance -	Health insurance that is conducted similarly to P&C insurance.
Stock scenario adjustment -	Lower capital requirement for certain types of investments that will gradually increase until 2023 when the capital requirement for these investments reaches its full rate.
Effect of diversification of risk-weighted components -	The effect of diversification is the difference between a simple sum of the risk-weighted components and a sum that takes into account the partial correlation between them, the effect of diversification is the difference between a simple sum of the risk-weighted components and a sum that takes into account the partial correlation between them. The greater the diversification between the operating segments in the portfolio and the risk-weighted components, the greater the effect of diversification on the reduction of the overall risk.
The Authority -	The Capital Market, Insurance and Savings Authority.
Investment Rules Regulations -	Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012.
Audited -	The term refers to an audit held in accordance International Standard on Assurance Engagement (ISAE) 3400 – "The Examination of Prospective Financial Information".

1.5 Calculation methodology

1.5.1 General

The Provisions of the Economic Solvency Regime set guidance regarding an economic calculation of the eligible shareholders' equity and the solvency capital requirement. Set forth below are the key points of the provisions and the changes therein:

1.5.2 Economic balance sheet

In accordance with the Provisions of the Economic Solvency Regime, in general, the economic balance sheet line items are measured according to economic value, and specifically, the insurance liabilities are calculated based on the best estimate of all expected future cash flows from existing businesses, without conservatism margins. This is plus a risk margin, that reflects the total cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities in the economic balance sheet. According to the provisions, the risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses, as follows:

The economic balance sheet is prepared based on the Company's separate financial statements plus investees, whose sole occupation is holding rights in real estate properties, plus subsidiary insurance companies, whose data are consolidated with those of the insurance company, and - according to the guidance - does not include the economic value of the provident funds activity and pension funds activity under the insurance company. The economic balance sheet attributes zero value to deferred acquisition costs and intangible assets (excluding the investment in "Insurtech," as defined in the Solvency Circular, according to the approval that the Company has received from the Commissioner in that respect).

1.5.3 Increasing economic capital according to the transitional provisions

As aforesaid, the Company opted for the current alternative provided by the Transitional Provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves due to the Deduction Amount, will be deducted gradually, until 2032 (hereinafter - the "**Deduction during the Transitional Period**" or the "**Deduction Amount**"). Pursuant to the Letter of Principles, the Deduction during the Transitional Period shall be calculated by dividing insurance policies issued through December 31, 2016 into homogeneous risk groups. The aforesaid deduction shall be calculated as the difference between insurance reserves (retention) as per the economic balance sheet including the risk margin attributed thereto (net of adjusting the fair value of designated bonds) and the insurance reserves (retention) as per the Financial Statements. This difference shall be deducted on a linear basis until December 31, 2032.

The Deduction during the Transitional Period shall be recalculated in subsequent periods in the following instances:

A. Every two years, after obtaining the Commissioner's approval.

B. If a material change occurred in the risk profile or the business structure of the insurance company.

C. At the request of the Commissioner, if he/she believed that circumstances have changed since approval was given.

Furthermore, the Deduction Value During the Transitional Period shall be proportionate to the expected increase in the solvency ratio calculated excluding expedients during the Transitional Period - see Section 3.2.2 below.

1.5.4 Solvency capital requirement (SCR)

The calculation of the solvency capital requirement is based on an assessment of the economic shareholders' equity's exposure to the risk-weighted components set in the Provisions of the Economic Solvency Regime: life insurance risks, health insurance risks, property and casualty insurance risks, market risks and counter-party default risks. These risk-weighted components include sub-risk-weighted components with respect to specific risks to which the insurance company is exposed. The exposure assessment of the economic shareholders' equity to each sub-risk-weighted component is carried out based on a defined scenario set out in the Provisions of the Economic Solvency Regime. The determination of the solvency capital requirement is based on the sum of the capital requirements in respect of the risk-weighted components and risk-weighted sub-components, as stated above, in accordance with the partial correlations assigned to them. The calculation of the solvency capital requirements also includes calculation of the capital requirement for operational risk and operational risk-weighted capital requirements in respect of management companies, net of the loss absorption adjustment due to deferred tax, as detailed by the Provisions of the Economic Solvency Regime.

The capital requirements in respect of each of the risks are calculated in accordance with the Company's exposure to that risk, taking into account the parameters set in the Directives. The capital requirement represents, in accordance with the Directives, the shareholders' equity that will allow the insurance company to absorb unexpected losses in the forthcoming year and meet its obligations to policyholders and beneficiaries on time, with a 99.5% certainty level.

The loss absorption adjustment with respect to deferred tax assets beyond the balance of the deferred tax reserve as per the economic balance sheet is limited to 5% of the basic solvency capital requirement (BSCR), provided that the following conditions are met:

- The insurance company is able to demonstrate to the Commissioner that it is probable that it will have future taxable income against which the tax assets may be utilized.
- Future income will arise only from property and casualty insurance or from Not Similar to Life Techniques (NSLT) health insurance.

It should be emphasized that the results of the models used in the calculation of the eligible shareholders' equity and the solvency capital requirement are highly sensitive to the forecasts and assumptions included therein, as well as to the manner by which the Provisions of the Economic Solvency Regime are implemented. The economic solvency ratio is highly sensitive to market variables and other variables, and accordingly may be volatile.

1.5.4.1 Disclosure provisions

In accordance with the updated instructions of the consolidated circular on "public reporting" – the disclosure includes the results of the following sensitivity tests:

A 50 basis points decrease in the interest rate curve; a 25% decrease in the value of equity assets; a 5% increase in morbidity rates; a 5% decrease in mortality rates; and a 10% increase in cancellation rates. In addition, the report includes a breakdown of the movements in the capital surplus.

1.6. Comments and clarifications

1.6.1 General

The Economic Solvency Ratio Report includes, among other things, forecasts based on assumptions and parameters based on past experience, as they arise from actuarial studies conducted from time to time, and on Company's assessments regarding the future, to the extent that it has relevant and concrete information which can be relied upon. The information and studies are similar to those used as the basis for the Company's annual 2023 report. Any information or studies obtained subsequent to the publication date of the Company's Annual Report for 2023 were not taken into account.

This Solvency Ratio Report was prepared based on the conditions and the best estimate as they were known to the Company as of December 31, 2023.

It should also be emphasized that, among other things, in view of the reforms in the capital, insurance and savings market and the changes in the business and economic environment, past data are not necessarily indicative of future results, and the Company is unable to reliably assess these effects. The calculation is sometimes based on assumptions regarding future events and steps taken by management, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the calculation. Furthermore, actual results may materially vary from the calculation, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions of the model.

The model, in its present form, is highly sensitive to changes in market variables and other variables, and specifically changes in the interest rate curve; therefore, the solvency ratio reflected therefrom may be very volatile.

1.6.2 Future effects of legislation and regulatory measures known as of the report's publication date and exposure to contingent liabilities

1.6.2.1. The field of insurance has been subject to frequent changes in relevant legislation and frequent regulatory guidance. Legislation and regulatory measures affect the Company's profitability and its cash flows and consequently - its economic solvency ratio.

1.6.2.2. The calculation of the solvency ratio does not reflect all potential effects of the aforesaid legislation and regulatory measures and of other developments that are not yet reflected in practice in the data; this is since to date the Company is unable to assess their entire effect on its business results and solvency ratio.

1.6.2.3. For details about key regulatory changes, the future effect of which is highly uncertain, see, among other things, Sections: 2.5.2, 2.5.3, 2.5.4, 2.5.5, 2.5.6, 6.2, 7.1.1, 8.1.2.1, 8.1.2.2, 8.2 in the Company's Report on the Corporation's Business as of December 31, 2023, and in Section 4 to the Company's Report of the Board of Directors as of March 31, 2024.

1.6.2.4. In accordance with the Provisions of the Economic Solvency Regime, the value of contingent liabilities in the economic balance sheet is determined based on their value in the accounting balance sheet in accordance with the provisions of IAS 37; this measurement does not reflect their economic value. For information regarding the exposure to contingent liabilities and its measurement, see Note 38 to the Company's Consolidated Financial Statements for 2023, Note 7 to the financial statements as of March 31, 2024, and immediate reports published as from that date. The settlement or extinguishment of these contingent liabilities may involve amounts, which are materially higher than their amounts as per the economic balance sheet. It is impossible to assess the effect of the uncertainty arising from the exposure to contingent liabilities described.

1.6.2.5. On July 12, 2023, an Amendment to the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964 was published, which prescribes that the employer and employee contributions into an annuity provident fund, which is an insurance fund, will be capped to that portion of the wage that exceeds double the average wage in Israel (hereinafter - the "**Monthly Contribution Cap**"), provided that the portion up to the Monthly Contribution Cap will be deposited with an annuity provident fund which is not an insurance fund. Furthermore, on July 12, 2023, an amendment to the Supervision of Financial Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds), 2008 was published, which limits the transfer of funds from a provident fund, which is not an insurance fund, to an insurance fund, such that the balance of accrued funds which were not transferred shall be equal to the product of the Monthly Contribution Cap multiplied by the number of months that have elapsed since the first contribution was made to the provident fund. The effective date of the above regulations is September 1, 2023.

As of this date, the effect of the amendment has led to excess transfers in savings policies sold between 2004 and 2013, and diminished the Company's solvency ratio.

1.6.2.6. In June 2023, updates to the relevant circulars that regulate the reform in plans to insure medical expenses were published by the Commissioner, such that the reform's effective date is October 1, 2023, concurrently with the effective date of the legislative amendments pursuant to the Economic Plan Law. The reform is expected to have mixed effects on the Company's solvency ratio. However, according to the Company's assessment, no material change in the solvency ratio is expected at this stage.

1.6.2.7. Subsequent to the reporting date, in March 2024 an amendment was approved by the Knesset plenum to the Value Added Tax Ordinance (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "**Ordinance**"), which prescribes that as from January 1, 2025 the rate of VAT and rate of the 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 tax rate change will broadly affect the economy, which will be reflected in changes in market variables, especially in inflation, interest and yield curves as well as in the Company's expense rate. These effects are expected to affect the Company's solvency ratio in opposite ways; the Company estimates that the total change will not materially affect the solvency ratio.

2. Economic solvency ratio and minimum capital requirement (MCR)

2.1 Solvency ratio

In NIS thousand	As of December 31, 2023 Audited*	As of December 31, 2022 Audited*
Shareholders' equity in respect of SCR - see Section 4	14,019,290	14,340,642
Solvency capital requirement (SCR) - see Section 5	8,975,784	8,075,939
Surplus	5,043,506	6,264,703
Economic solvency ratio (in %)	156%	178%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Economic Solvency Ratio Report:		
Raising (redemption) of equity instruments	291,524	-
Shareholders' equity in respect of SCR	14,310,814	14,340,642
Surplus	5,335,030	6,264,703
Solvency ratio (in %)	159%	178%

* Any reference made in this report to the term “audited”, shall be construed as an audit held in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information.

For details regarding the solvency ratio without applying the Transitional Provisions for the Transitional Period, and without adjusting the stock scenario, and regarding the target solvency ratio and restrictions applicable to the Company in connection with dividend distribution, see Section 10 below.

Key changes in the capital surplus and in the economic solvency ratio compared to last year:

- The increase in the risk-free interest rate curve had a material positive effect on the capital surplus and the economic solvency ratio.
- Raising approx. NIS 460 million in Tier 2 capital subsequent to the 2023 balance sheet date, of which, approx. NIS 292 million were recognized as part of the eligible capital during the Transitional Period, has had a positive effect on the equity and on the solvency ratio.
- The expiry of the risks arising from a previously sold insurance activity (mostly life insurance and long-term care) led to an increase in the economic capital and a decrease in the capital requirements and the risk margin, and overall - to a positive effect on the capital surplus and the solvency ratio.
- New businesses sold during the reporting period had a positive effect on the capital surplus and solvency ratio.
- During the reporting period, the Company signed a reinsurance transaction with respect to morbidity risk, which had a positive effect on the capital surplus and solvency ratio.
- During the reporting period, the Company implemented several studies, including a study of morbidity in health insurance and a study on savings cancellations. The results of the studies have a materially adverse effect on the Company’s solvency ratio.
- A substantial increase in the financial capital requirements of the nostro portfolio and participating portfolio - both due to the higher exposure of the portfolios, the end of the stock scenario adjustment period during the Transitional Period, and due to the increase in the interest rate curve and its effect on potential variable management fees.
- The deduction was recalculated as of June 30, 2023, and was linearly amortized in proportion to the time until December 31, 2023. These revisions had an adverse effect on the Company’s shareholders’ equity as of that time.

Implication of the Iron Swords War

In October 2023, the Iron Swords War broke out (hereinafter - the "**War**") in the State of Israel. The prolongation of the War led to a slowdown in the business activities in the Israeli economy, including, among other things, due to the closure of factories in the south and north of Israel, damage to infrastructures, drafting of reservists for an unknown period, placing employees on unpaid leave, and disruption of the economic activity in Israel. The continuation of the War may have widespread ramifications for many sectors and geographical regions in Israel, and, of course, also for the performance of the domestic financial markets, beyond the ramifications as of the report date.

As of the date of approval of the economic solvency ratio report, the effect of the increase in the risk-free interest rate at longer durations on the economic solvency ratio was positive, noting the greater risk premium in the economy in light of the structure of the Company's liabilities. On the other hand, the ongoing developments and effects of the War until the end of 2023 adversely affected the current profitability and the local capital market's performance. It should be noted that the continued long-term comprehensive effect of the War on the Company's economic solvency ratio in the future is uncertain, among other things, because of the geopolitical uncertainty, and as a corollary, the effect of the high volatility in local and international capital markets; the uncertainty regarding the duration, intensity, and scope of the warfare; the War's effects on the Company's areas of activity and the economy; and on additional exogenous variables, such as the financial markets, as well as regarding additional measures that the government and/or the Bank of Israel may take.

For more information about the consequences of the Iron Swords War, see Note 39 to the Company's financial statements for 2023 and the Report of the Board of Directors for the period ended December 31, 2023, as well as Note 8 to the financial statements as of March 31, 2024.

Changes subsequent to the calculation date:

Subsequent to the reporting date, in March 2024 an amendment was approved by the Knesset plenum to the Value Added Tax Ordinance (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "**Ordinance**"), 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 tax rate change will broadly affect the economy, which will be reflected in changes in market variables, especially in inflation, interest and yield curves as well as in the Company's expense rate. These effects are expected to affect the Company's solvency ratio in opposite ways; the Company estimates that the total change will not materially affect the solvency ratio.

Update regarding the use economic scenario generators in the calculation of the Company's economic solvency ratio

As explained in Section 3.1.1. Following is the calculation of the insurance liabilities was carried out in accordance with the Provisions of the Economic Solvency Regime; generally, in relation to life and SLT health insurance liabilities, the calculation was carried out in accordance with EV calculation practice in Israel.[1] The determination of the best estimate is supposed to be based on an estimation of the distribution of the potential best estimates ("Stochastic Models"), and in the absence of significant statistical data that will allow the assessment of the distribution probability of the best estimate, the Company used the expected value of each relevant factor ("Deterministic Models").

As part of the further development and upgrade of the calculations, in the reporting period, the Company calculated, at the same time and based on a Stochastic Model, the best estimate of the cash flows from asymmetric insurance liabilities (including charging of future variable management fees[2]), whose impact - had it been included in the calculation of the economic solvency ratio as of December 31, 2023 - is estimated to be an increase of approx. 14% in the ratio, without taking into account the Transitional Provisions, and an increase of approx. 9% taking into account the Transitional Provisions.

1 In Israel, the calculation of the embedded value is made in accordance with the rules and principles that were set by the Commissioner, who adopted the rules and principles stipulated under a report of a joint committee of the insurance companies and the Commissioner, which was supported by Israeli and foreign consultants.

2. See Section 6.1.2.3 in the Report on the Corporation's Business of the Company.

In accordance with an outline that was received from the Commissioner in November 2023, the Stochastic Model will not be implemented in the calculation of the solvency ratio without implementing the Transitional Provisions - over 3 reporting dates - but the Company will disclose its effects in the Economic Solvency Ratio Report. At this stage, the Company opted not to include this in the calculation that takes into consideration the Transitional Provisions.

It is noted that this data is not audited and is not reviewed; it is sensitive to changes in the interest rate curve and to changes in other financial and demographic assumptions, and will be recalculated in each reporting period.

2.2 Minimum capital requirement (MCR)

	As of December 31, 2023	As of December 31, 2022
In NIS thousand	Audited	Audited
Minimum capital requirement (MCR) - see Section 6.1.	2,243,946	2,018,985
Shareholders' equity for MCR - see Section 6.2	10,271,712	10,706,470

3. Economic balance sheet

NIS thousand	Extension clause	As of December 31, 2023 Balance sheet according to accounting standards	As of December 31, 2023 Economic balance sheet	As of December 31, 2022 Balance sheet according to accounting standards	As of December 31, 2022 Economic balance sheet
		Audited	Audited	Audited	Audited
Assets:					
Intangible assets	3	798,905	91,085	799,170	123,067
Deferred acquisition costs	4	1,941,135	-	1,945,288	-
Property, plant & equipment	8	166,395	146,102	177,372	153,041
Investments in investees that are not insurance companies:					
Management companies	5	842,972	310,001	740,866	254,846
Other investees	5	72,148	68,936	78,058	81,936
Total investments in investees that are not insurance companies		915,120	378,937	818,924	336,782
Investment property in respect of yield-dependent contracts		3,838,728	3,838,728	3,778,012	3,778,012
Investment property - other		1,493,689	1,493,689	1,475,111	1,475,111
Reinsurance assets		3,805,186	3,023,560	4,524,108	3,399,592
Receivables and debit balances	13	2,916,133	2,916,133	4,420,040	4,420,040
Financial investments in respect of yield-dependent contracts		84,133,182	84,133,182	77,131,277	77,131,277
Other financial investments:					
Liquid debt assets		6,321,705	6,321,705	6,897,140	6,897,140
Illiquid debt assets, excluding designated bonds	6	7,693,941	7,729,624	6,448,286	6,576,974
Designated bonds	7	14,441,158	19,346,207	14,252,011	20,284,701
Shares		1,645,575	1,645,575	1,824,254	1,824,254
Other		5,646,414	5,646,414	4,536,319	4,536,319
Total other financial investments		**35,748,793**	**40,689,525**	**33,958,010**	**40,119,388**
Cash and cash equivalents in respect of yield-dependent contracts		4,417,868	4,417,868	8,458,337	8,458,337
Other cash and cash equivalents		1,784,047	1,784,047	2,830,472	2,830,472
Other assets	14	328,019	602,389	335,879	647,292
Total assets		**142,287,200**	**143,515,245**	**140,652,000**	**142,872,410**
Total assets in respect of yield-dependent contracts		**94,008,373**	**94,073,890**	**92,457,831**	**92,122,357**

3. Economic balance sheet (cont.)

		As of December 31, 2023		As of December 31, 2022	
		Balance sheet according to accounting standards	Economic balance sheet	Balance sheet according to accounting standards	Economic balance sheet
NIS thousand	Extension clause	Audited	Audited	Audited	Audited
Equity:					
Basic Tier 1 capital		6,782,295	9,425,233	6,562,165	9,889,390
Total equity		**6,782,295**	**9,425,233**	**6,562,165**	**9,889,390**
Liabilities:					
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	10,1	31,705,888	28,046,483	31,373,641	32,147,037
Liabilities in respect of insurance contracts and yield-dependent investment contracts	10,1	91,674,816	89,914,670	89,862,885	84,057,957
Risk margin (RM)	9	-	6,865,632		7,384,624
Deduction during the Transitional Period	2	-	(4,115,103)		(5,102,956)
Liabilities in respect of deferred taxes, net	11	559,577	2,212,347	550,487	2,528,551
Payables and credit balances	13	6,076,610	5,958,646	6,868,058	6,757,422
Financial liabilities	12	5,093,716	4,661,328	5,033,638	4,614,360
Other liabilities	14	394,298	546,008	401,125	596,025
Total liabilities		**135,504,905**	**134,090,011**	**134,089,835**	**132,983,019**
Total equity and liabilities		**142,287,200**	**143,515,245**	**140,652,000**	**142,872,410**

Main Changes in relation to previous year:

For explanations regarding main changes in Tier 1 capital and significant effects on the economic solvency ratio's components, see Sections 2.1 and 3 below.

3.1 Information about economic balance sheet

The fair value of assets and liabilities in the economic balance sheet was calculated in accordance with the provisions included in the chapter dealing with measurement of assets and liabilities for financial statements purposes in the Consolidated Circular (Chapter 1, Part 2 of Section 5) (hereinafter - the "**Measurement Chapter in the Consolidated Circular**"), except for items for which other provisions apply as per Part A of the Economic Solvency Regime, as follows:

3.1.1 Extension Clause 1 - Total liabilities in respect of insurance contracts and investment contracts

The insurance liabilities were calculated based on a best estimate, on the basis of assumptions that are mainly a result of projecting to the future existing experience relating to past events, within the environment in which the Company operates, and without conservatism factors. The calculation of the insurance liabilities was carried out in accordance with the Provisions of the Economic Solvency Regime; generally, in relation to life and SLT health insurance liabilities, the calculation was carried out in accordance with EV calculation practice in Israel,[3] and in relation to property and casualty insurance, it was carried out based on the part in the Measurement Chapter in the Consolidated Circular, which refers to best estimate.

The measurement of the insurance liabilities in the economic balance sheet is carried out by discounting the projected cash flows, including future income, by a risk-free interest plus VAT and taking the UFR into consideration, on the basis of a best estimate that does not include conservatism margins, where the risk is reflected in the RM component, which is a separate liability. This measurement differs from the

3. In Israel, the calculation of the embedded value is made in accordance with the rules and principles that were set by the Commissioner, who adopted the rules and principles stipulated under a report of a joint committee of the insurance companies and the Commissioner, which was supported by Israeli and foreign consultants.

measurement applied in the financial statements, where insurance liabilities are estimated with conservatism margins using the discounting methods and rates described in Note 35 to the Company's 2023 annual financial statements.

The calculation of the liabilities in respect of life insurance contracts and long-term health insurance (SLT) contracts was carried out by discounting the Company's estimated future cash flows using a model applied to information available in the Company's operational systems as to insurance coverages. The assumptions used in the model include, among other things, assumptions in respect of cancellations, operating expenses, mortality and morbidity, and they are set based on past experience and other relevant studies.

The calculation of the liabilities does not include cash flows in respect of future sales; however, it does include an assumption that the Company will continue receiving premiums from existing businesses (excluding in respect of policies without an insurance risk, including investment contracts). Furthermore, the calculation assumes that the Company shall continue as a going concern, i.e., that the Company's structure will not change, and therefore, some of the fixed expenses in the future shall not be allocated to the current portfolio, but rather to a new business which is expected to be sold in the future.

It is likely that the actual cash flows will vary to some degree on another from the estimates made on a best estimate basis, even if the underlying parameters of the calculation will not change in any way. See also Section 1.6 above.

3.1.1.1 Limitations and qualifications with regard to calculation of the best estimate

3.1.1.1.1 Generally, the underlying assumptions of the models were formulated mainly on the basis of studies and analyses which are based on Company's experience over the past few years, which did not include extreme events. Therefore, there is a possibility of extreme scenarios, the probability of the occurrence of which is very low and cannot be estimated by the Company, and the effects of which cannot be estimated by the Company. Such events were not taken into account in the determination of the models' underlying assumptions.

3.1.1.1.2 Since the Company did not have sufficient data, when calculating the BE it did not check the level of correlation between demographic and operational assumptions and assumptions pertaining to market conditions (such as the interest rate), which may materially affect the BE.

3.1.1.1.3 The determination of the BE is supposed to be based on an estimation of the distribution of the potential BEs. With no available significant statistical data that can be used to evaluate the distribution of BE for all demographic and operational factors in SLT life and health insurance, the Company used real assumptions of each and every parameter, according to the expected value of each relevant factor, without taking into account any correlation or dependency between the different assumptions, or between the assumptions and external economic parameters such as taxation, interest or employment levels in Israel.

3.1.1.1.4 In many cases, the future cash flows refer to periods of tens of years into the future. The underlying assumptions of the cash flows rely are based on studies, mainly in accordance with recent years' experience, and management's best knowledge. It is highly uncertain whether the underlying cash flow assumptions will, indeed, materialize.

3.1.1.1.5 In that context, it should be emphasized that the stress scenarios calculated as part of the solvency model (the standard model) and the correlations on which the model for capital requirements is based, were defined by the Commissioner, and do not reflect the Company's actual experience.

3.1.1.2 Assumptions underlying the insurance liabilities calculation

3.1.1.2.1 Manner of determining the assumptions

The calculation's underlying assumptions were set in accordance with the Company's best estimates of relevant demographic and operational factors, and reflect the Company's expectations as to the future in respect of these factors. The demographic assumptions included in the calculation were taken from Company's internal studies, if any, and conclusions reached as a result of exercising professional judgment, based on relevant experience and the integration of information received from external sources, such as information from reinsurers and mortality and morbidity tables published by the Commissioner.

The operational assumptions (general and administrative expenses) were calculated in accordance with the results of the Company's internal pricing model applied to expenses relating to the relevant insurance liabilities, including: allocation of expenses to the different segments and activities (issuance, current management, investments, etc.) and assumptions regarding their future development (in accordance with the CPI, scope of premiums and assets under management, etc.).

Set forth below are the key assumptions on which the Company relied in the calculations:

3.1.1.2.2 Economic assumptions

- Discount rate - adjusted risk-free interest rate curve for solvency. This curve is based on the yield to maturity of bonds of the Government of Israel (hereinafter - "**risk-free interest rate**"), up to the last liquidity point in the 10th year (hereinafter - "**LLP**"), with convergence in the long-term to a real fixed rate of 2.6% (UFR) plus a margin (VA), which is calculated by the Authority - all as set by the Commissioner.
- The yield on the assets backing the yield-dependent life insurance products is identical to the discount rate.
- Designated bonds - estimated in accordance with their fair value, which takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them.
- The inflation rate is set as the difference between the yield to maturity curve on NIS government bonds and the yield to maturity curve on linked government bonds. It is noted that the inflation assumption is relevant to products with amounts of insurance, premiums, and/or CPI-linked interest rates, and to expenses for claims and/or premiums that the Company assumes will change according to the rate of the CPI or another CPI-linked rate.

3.1.1.2.3 Operational assumptions (for life and health insurance)

- General and administrative expenses - the Company analyzed the expenses allocated in the financial statements to the relevant insurance segments, and allocated them to various products and coverage types and to various activities such as current operating of the coverages, investment management, handling claims, payment of pensions and more. The expenses study is revised periodically and the different types of expenses are carried to the future cash flow in relation to the relevant factors, such as the number of coverages, premiums, reserves or claims. The determination of the future expenses and their allocation to future cash flows include many assessments and judgments by the Company, which affect the amount of the liabilities.

3.1.1.2.4 Demographic assumptions

- Cancellations (discontinuation of premium payment, settlement of policies, withdrawals)
- Mortality of pensioners and planholders
- Morbidity (rate and length of claims) in long-term care, income protection and health products
- Uptake rates and pension tracks

3.1.1.2.5 Assumptions underlying property and casualty insurance

The cost of claims in respect of future damages and damages that had already occurred but claims for which have not yet been paid - based on the Company's past experience in the different subsegments in connection with the rate of claims, the amounts of claims, and the rate of payment of claims in long-tail subsegments.

3.1.2 Extension Clause 2 - Deduction during the Transitional Period

In accordance with the provisions of the Economic Solvency Regime, as described above in Chapter C – Calculation Methodology, and following the change in interest rates and the revision to the set of assumptions on demographics, the Company has recalculated the value of the deduction as of June 30, 2023, as the sum of the positive differences between the insurance reserves (retention) in the economic balance sheet, including the risk margin (less the adjustment to the fair value of designated bonds), and the insurance reserves (retention) according to the financial statements as of that date, after having obtained the Commissioner’s approval for this, as required. These differences were calculated at product group level in accordance with the provisions included in the Letter of Principles, after receiving the required approval from the Commissioner.

The said deduction is amortized linearly for 13 years up to December 31, 2032, such that amortized balance as of December 31, 2023 is NIS 4,115 million.

In accordance with the Letter of Principles, the Company assessed the need to reduce the value of the reduced Deduction balance, which is deducted to reflect the expected increase in the solvency ratio, calculated without the Deduction and the stock scenario adjustment. Accordingly, the Company did not deem it necessary to amortize the value of the amortized deduction balance as of December 31, 2023.

The future Deduction during the Transitional Period is subject to the above changes in assumptions, the developments of the businesses and a periodic approval by the Commissioner.

3.1.3 Extension Clause 3 - Intangible assets

An insurance company shall assess the value of intangible assets at zero, except for investment in Insurtech as defined in the Solvency Circular, for which it obtained the Commissioner’s approval, as required.

3.1.4 Extension Clause 4 - Deferred acquisition costs

Valued at zero, consistently with the assessment of the insurance liabilities as described in Section (1) above.

3.1.5 Extension Clause 5 - Investment in investees that are not insurance companies

Investees that are not insurance companies are valued in accordance with the adjusted equity method. That is to say, the proportionate share of the insurance company in the excess of assets over liabilities of the investee, without taking into consideration intangible assets. In management companies of pension and provident funds, 35% of the balance of the goodwill that has arisen upon acquisition was added to the economic value. The economic value of the investees does not include the profits implicit in those companies.

3.1.6 Extension Clause 6 - Illiquid debt assets other than designated bonds

Presented at fair value in the economic balance sheet in accordance with the principles set out in Note 14(F) to the Company’s annual financial statements.

3.1.7 Extension Clause 7 - Designated bonds

Estimated in accordance with their fair value, which takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them, based on the assumptions used in the calculation of the best estimate of the insurance liabilities in respect of which the Company is entitled to designated bonds.

3.1.8 Extension Clause 8 - Property, plant, and equipment

Assets for which there is an active market, revalued in accordance with the fair value. Assets for which there is no active market in the Company's opinion are valued at zero.

3.1.9 Extension Clause 9 - Risk margin

In addition to the insurance liabilities based on an best estimate, a component of the risk margin is calculated which reflects the total cost of capital that another insurance company would be expected to require in order to receive the insurance company's total insurance liabilities, calculated on the basis of an best estimate. The risk margin is calculated in accordance with the Commissioner's Directives, based on a capital cost rate of 6%, and is discounted at an adjusted risk-free interest rate, but excluding the VA component. The future capital requirement is calculated in accordance with the "risk factor method", by changing the capital requirement components calculated as of the reporting date in accordance with the projected development of the risk factors attributed thereto. These factors are designed to reflect the development of the standard model risks over time. The calculation does not take into account the capital requirement in respect of market risks.[4]

3.1.10 Extension Clause 10 - Contingent liabilities

As to the value of contingent liabilities in the economic balance sheet, see Section 1.6.1 above.

3.1.11 Extension Clause 11 - Liabilities in respect of deferred taxes, net

The calculation is based on the difference between the value attributed to assets and liabilities in the economic balance sheet, including in respect of the Deduction Amount, and the value attributed to those assets and liabilities for tax purposes, in accordance with the recognition, measurement and presentation provisions of IAS 12. Deferred tax assets may be recognized only if the Company shall meet the criteria included in the guidance, in addition to the criteria included in the above-mentioned accounting standard.

3.1.12 Extension Clause 12 - Financial Liabilities

Revalued in accordance with risk-free interest plus the margin on issuance date, without recognizing changes in the Company's credit risk.

3.1.13 Extension Clause 13 - Other receivables and payables with average duration of less than one year

According to the guidance, the Company did not calculate fair value of items with average duration of less than one year.

3.1.14 Extension Clause 14 - Other assets and liabilities

Assets and liabilities accounted for according to IFRS 16 are revalued at fair value.

3.2 Composition of liabilities in respect to insurance contracts and investment contracts

	As of December 31, 2023		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
In NIS thousand	Audited		
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts:			
SLT life insurance and long-term health insurance contracts	21,398,447	(297,086)	21,695,533
NSLT short-term property & casualty insurance and health insurance contracts	6,648,036	2,881,441	3,766,596
Total liabilities for insurance contracts and non-yield-dependent investment contracts	28,046,483	2,584,354	25,462,129
Liabilities in respect of insurance contracts and yield-dependent investment contracts - SLT life insurance and long-term health insurance contracts	89,914,670	439,206	89,475,464
Total liabilities in respect of insurance contracts and investment contracts	117,961,153	3,023,560	114,937,593

4. In accordance with the guidance, it should be assumed that the acquiring company will select assets that will reduce the solvency capital requirement in respect of market risks.

In NIS thousand	As of December 31, 2022 Best estimate (BE) of liabilities Gross	Reinsurance	Retention
	Audited		
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts:			
SLT life insurance and long-term health insurance contracts	24,991,590	(195,310)	25,186,901
NSLT short-term property & casualty insurance and health insurance contracts	7,155,446	3,594,965	3,560,482
Total liabilities for insurance contracts and non-yield-dependent investment contracts	32,147,036	3,399,654	28,747,382
Liabilities in respect of insurance contracts and yield-dependent investment contracts - SLT life insurance and long-term health insurance contracts	84,057,957	(63)	84,058,019
Total liabilities in respect of insurance contracts and investment contracts	116,204,993	3,399,591	112,805,401

Main Changes in relation to previous year:

The increase in the risk-free interest rate curve affected a decrease in the Company's non-yield-dependent insurance liabilities. For further explanation regarding additional main changes, see Section 2.1.

4. Shareholders' equity in respect of SCR

In NIS thousand	As of December 31, 2023 Audited			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
Shareholders' equity	**9,425,233**	**464,960**	**4,196,368**	**14,086,561**
Deductions from Tier 1 capital (a)	**(67,271)**	**-**	**-**	**(67,271)**
Deductions (b)	**-**	**-**	**-**	**-**
Deviation from quantitative limitations (c)	**-**	**-**	**-**	**-**
Shareholders' equity in respect of SCR (d)	**9,357,962**	**464,960**	**4,196,368**	**14,019,290**
Of which - expected profits in future premiums (EPIFP) after tax	**5,947,271**			**5,947,271**

In NIS thousand	As of December 31, 2022 Audited			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
Shareholders' equity	9,889,391	460,742	4,153,618	14,503,751
Deductions from Tier 1 capital (a)	(47,460)	-		(47,460)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	(115,649)	(115,649)
Shareholders' equity in respect of SCR (d)	9,841,931	460,742	4,037,969	14,340,642
Of which - expected profits in future premiums (EPIFP) after tax	6,847,331			6,847,331

Main Changes in relation to previous year:

Factors that supported the creation of the capital buffer

- The increase in the risk-free interest rate curve had a positive effect on the Company's Tier 1 capital
- The expiry of the underwriting capital requirements for an existing business had a positive effect on the Company's Tier 1 capital
- The sale of a new business had a positive effect on the Company's Tier 1 capital

Factors that eroded the capital buffer

- The implementation of studies, as stated in Section 2.1, had a negative effect on the Company's equity.

(a) **Amounts deducted from Tier 1 capital** - in accordance with the definitions of "Basic Tier 1 capital" in Appendix B, Chapter 2, Part 2 of Section 5 in the Consolidated Circular - "Economic Solvency Regime" (hereinafter - "**the Economic Solvency Regime Appendix**"), these deductions include the amount of assets held against liabilities in respect of non-yield dependent insurance and investment contracts in breach of the Investment Rules Regulations, amount invested by the Company in purchasing Company ordinary shares, and the amount of dividend declared subsequent to the report date and through the publication of the report for the first time.

(b) **Deductions** - in accordance with the provisions of Chapter 6 in Part B - "Directives regarding Insurance Companies' Shareholders' Equity" to the Economic Solvency Regime Appendix.

(c) **Deviation from quantitative limitations** - in accordance with the provisions of Chapter 2 in Part B - "Directives regarding Insurance Companies' Shareholders' Equity" to the Economic Solvency Regime Appendix.

(d) **Composition of shareholders equity in respect of SCR**

In NIS thousand	As of December 31, 2023 Audited	As of December 31, 2022 Audited
Tier 1 capital:		
Basic Tier 1 capital net of deductions	**9,357,962**	9,841,931
Additional Tier 1 capital:		
Perpetual capital note and non-performing preferred shares	**-**	-
Additional Tier 1 capital instruments	**-**	-
Restricted Tier 1 capital instruments	**464,960**	460,742
Less deduction due to deviation from quantitative limit	**-**	-
Additional Tier 1 capital	**464,960**	460,742
Total Tier 1 capital	**9,822,922**	10,302,673
Tier 2 capital:		
Additional Tier 1 capital that was not included in Tier 1		-
Tier 2 capital instruments	**4,196,368**	4,153,618
Hybrid Tier 2 capital instruments		
Hybrid Tier 3 capital instruments		-
Subordinated Tier 2 capital instruments		-
Less deduction due to deviation from quantitative limit	**-**	(115,649)
Total Tier 2 capital	**4,196,368**	4,037,969
Total shareholders' equity in respect of SCR	**14,019,290**	14,340,642

For an explanation about key changes compared with last year see Section 4 above.

4.1 *Composition of eligible capital*

The Provisions of the Economic Solvency Regime set guidance regarding the composition of the eligible shareholders' equity on an economic basis, where under the eligible shareholders' equity shall be the total of Tier 1 capital and Tier 2 capital, as defined above:

The rate of components included in Tier 1 capital, after amortization, shall not fall below 60% of the SCR and 80% of the MCR at any time.

The rate of components included in Tier 2 capital, after amortization shall not exceed 40% of the SCR and 20% of the MCR at any time, but under the Transitional Provisions, during the period through December 31, 2032, the Tier 2 capital shall not exceed 50% of SCR.

5. Solvency capital requirement (SCR)

In NIS thousand	As of December 31, 2023 Audited	As of December 31, 2022 Audited
	Capital requirement	
Basic solvency capital requirement (BSCR):		
Capital requirement in respect of market risk-weighted component[5]	**6,036,036**	4,602,790
Capital requirement in respect of counterparty risk-weighted component	**324,871**	319,018
Capital requirement in respect of underwriting risk-weighted component in life insurance	**4,295,539**	4,454,279
Capital requirement in respect of underwriting risk-weighted component in health insurance (SLT+NSLT)	**4,595,749**	4,993,456
Capital requirement in respect of underwriting risk-weighted component in P&C insurance	**1,028,301**	955,605
Total	**16,280,496**	15,325,149
Effect of diversification of risk-weighted components	**(5,338,095)**	(5,098,458)
Capital requirement in respect of the intangible assets risk-weighted component	**45,544**	61,534
Total basic solvency capital requirement (BSCR)	**10,987,945**	10,288,224
Capital requirement in respect of operational risk	**391,945**	408,459
Loss absorption adjustment due to deferred tax asset	**(2,635,176)**	(2,830,272)
Capital requirement in respect management companies:		
Clal Pension and Provident Funds Ltd.	**223,222**	201,257
Atudot Pension Fund for Salaried Employees and Self-Employed Ltd.	**8,342**	8,270
Total capital requirement in respect management companies	**231,564**	209,527
Total solvency capital requirement (SCR)	**8,975,784**	8,075,939

Key changes in solvency capital requirement compared to last year:

- The lower capital requirement in the life and health risk-weighted components mostly stems from the effect of the higher interest rate.
- During the reporting period, the Company signed a reinsurance transaction with respect to morbidity risk, which had a positive effect on the capital surplus and solvency ratio.
- A substantial increase in the financial capital requirements of the nostro portfolio and participating portfolio - both due to the higher exposure of the portfolios, the end of the stock scenario adjustment period during the Transitional Period, and due to the increase in the interest rate curve and its effect on potential variable management fees.

5.1 Underlying principles of the calculation of solvency capital requirement (SCR)

- The Company operates as a going concern;
- Relates to risks arising from existing assets and businesses and from the property and casualty insurance and NSLT health insurance businesses that are expected to be signed within 12 months subsequent to the reporting date;
- With regard to existing businesses, it will only cover unexpected losses;
- Reflects the scope of equity that will allow the insurance company to absorb unexpected losses and meet its obligations to policyholders and beneficiaries on time, and constitutes the VaR of Basic Tier 1 capital of the Company with 99.5% certainty over a 12-month period;
- Covers the following risk-weighted components: Life insurance, health insurance, property and casualty insurance, market risk, counterparty risk, operational risk, and controlled management companies;

5 Stock scenario adjustment in 2022.

- Takes into consideration risk mitigation means and methods in accordance with the guidance;
- The calculation of the scenarios is based on the estimated deviation from an estimated value of basic Tier 1 capital, on the basis of the estimated deviation in the value of assets and liabilities in the economic balance sheet upon the materialization of the scenario. Specifically, in the life and SLT health risk-weighted components, the estimated results of the scenarios are based on the results of the models used to calculate best estimates, and subject to the limits and conditions as detailed above.

6. Minimum capital requirement (MCR)

6.1. Minimum capital requirement (MCR)

In NIS thousand	As of December 31, 2023 Audited	As of December 31, 2022 Audited
Minimum capital requirement according to MCR formula	**2,004,396**	1,932,188
Lower band (25% of solvency capital requirement in the Transitional Period)	**2,243,946**	2,018,984
Upper band (45% of solvency capital requirement in the Transitional Period)	**4,039,103**	3,634,172
Minimum capital requirement (MCR)[6]	**2,243,946**	2,018,984

6.2 Shareholders' equity for MCR

	As of December 31, 2023		
	Audited		
In NIS thousand	Tier 1 capital	Tier 2 capital	Total
Shareholders' equity in respect of SCR according to Section 4	9,822,922	4,196,368	14,019,290
Deviation from quantitative limitations due to minimum capital requirement *)		(3,747,579)	(3,747,579)
Shareholders' equity for MCR	**9,822,922**	**448,789**	**10,271,712**

	As of December 31, 2022		
	Audited		
In NIS thousand	Tier 1 capital	Tier 2 capital	Total
Shareholders' equity in respect of SCR according to Section 4	10,302,673	4,037,969	14,340,642
Deviation from quantitative limitations due to minimum capital requirement *)	-	(3,634,172)	(3,634,172)
Shareholders' equity for MCR	**10,302,673**	**403,797**	**10,706,470**

*) In accordance with the provisions of Chapter 3 in Part B to the Economic Solvency Regime Appendix, Tier 2 capital shall not exceed 20% of MCR.

6. If this amount is lower than the Tier 1 capital according to Regulation 2 to the Capital Regulations, the minimum capital requirement will be the Tier 1 capital.

7. *Effect of the application of the Provisions for the Transitional Period*

For a description of the Transitional Provisions applicable to the Company during the Transitional Period see Section 1.3 “Provisions During the Transitional Period” and Section 3.1.2 “Deduction During the Transitional Period” above.

	As of December 31, 2023				
	Audited				
NIS thousand	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of Deduction during the Transitional Period	Effect of stock scenario adjustment	Effect of a 50% rate Tier 2 capital during the Transitional Period	Excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
Total insurance liabilities, including risk margin (RM)	**120,711,682**	**(4,115,103)**	**-**	**-**	**124,826,786**
Basic Tier 1 capital	**9,357,962**	**2,708,149**	**-**	**-**	**6,649,813**
Shareholders' equity in respect of SCR	**14,019,290**	**2,145,393**	**-**	**606,054**	**11,267,843**
Solvency capital requirement (SCR)	**8,975,784**	**(1,406,892)**	**-**	**-**	**10,382,676**

	As of December 31, 2022				
	Audited				
NIS thousand	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of Deduction during the Transitional Period	Effect of stock scenario adjustment	Effect of a 50% rate Tier 2 capital during the Transitional Period	Excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
Total insurance liabilities, including risk margin (RM)	118,486,662	(5,102,956)	-	-	123,589,617
Basic Tier 1 capital	9,841,931	3,358,255	-	-	6,483,675
Shareholders' equity in respect of SCR	14,340,642	2,660,375	(111,605)	807,594	10,984,278
Solvency capital requirement (SCR)	8,075,939	(1,744,701)	(279,012)	-	10,099,651

Main Changes in relation to previous year:

- Linear deduction of the Deduction recalculated as of June 30, 2023 led to a decrease in the effect of the inclusion of the Deduction during the Transitional Period
- The end of the stock scenario expedient period during the reporting period negatively affected the scope of the capital requirements in the Transitional Period.

8. Report of Movements in Capital Surplus

In NIS thousand	Shareholders' equity in respect of SCR	Solvency capital requirement (SCR)	Capital surplus (deficit)
As of January 1, 2023	**14,340,642**	**8,075,939**	**6,264,703**
adjusting the Transitional Provisions for the Transitional Period and adjusting the stock scenario	(3,356,364)	2,023,712	(5,380,076)
As of January 1, 2023, excluding applying the transitional Provisions for the Transitional Period and adjusting the stock scenario	**10,984,278**	**10,099,651**	**884,627**
The effect of operating activities (a)	(2,051,454)	(725,401)	(1,326,053)
Effect of economic activity (b)	1,791,988	800,634	991,353
New businesses (c)	447,147	229,334	217,813
Effect of the issuance of capital instruments (net of redemptions) and a declared dividend (d)			
Effect of changes in deferred tax, Additional Tier 1 capital and Tier 2 capital	95,885	(21,543)	117,428
As of December 31, 2023, total without applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	**11,267,843**	**10,382,676**	**885,167**
Effect of the Transitional Provisions for the Transitional Period and adjusting the stock scenario	2,751,447	(1,406,892)	4,158,339
As of December 31, 2023	**14,019,290**	**8,975,784**	**5,043,506**

(a) This section includes the effect of:

1. The projected cash flow that was embedded in the opening balance and which was expected to be released in the reporting year;
2. Deviations from demographic and operating assumptions in the reporting year;
3. Changes in regulatory rules;
4. Changes in demographic and operating assumptions compared with those used on the date of the previous report;
5. Model updates;
6. New insurance contracts (P&C Insurance and NSLT health insurance) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year;
7. Investment in intangible assets;
8. Other changes not included in the other items.

(b) This section includes the effect of the current operating activity, including:

1. Changes in the value of investment assets;
2. Changes in capital requirement in respect of market risk component, including change in the symmetric adjustment component (SA);
3. Effect of inflation;
4. Effect of changes in the risk-free interest rate curve on solvency.

(c) This item includes new insurance contracts (SLT life and health insurance) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year, including their effect on market risks, counterparty risk and operational risk.

(d) This item includes equity transactions, including issuance and redemption of Tier 1 capital and Tier 2 capital instruments and a dividend declared subsequent to the date of the solvency ratio report as of December 31, 2023 and through the approval date of the solvency ratio report as of December 31, 2023.

Main effects reflected in the movements in the Company's capital surplus:

The effect of economic activity – The rise in the risk-free interest rate curve in 2023 had a material positive effect on the Company's capital surplus and has offset the adverse effects of the greater capital requirements for market risks, as specified in Section 2.1.

The effect of operating activity – the underwriting results were negatively affected by, among other things, the higher cancellation rate in executive savings policies, which was also reflected in the revision to studies on cancellations in savings; by the non-recurring effects of the War; and alongside the revisions to additional studies, including a study on morbidity in health – they eroded the capital surplus. The total effect on the economic solvency ratio is negative. On the other hand, the positive effect of the amortization of risks and the freed-up capital arising from previously sold insurance activity contributed to offsetting the negative effect and to positive capital surplus in 2023.

During the reporting period, the Company entered into a reinsurance transaction, as detailed in Section 2.1. The total effect of the transaction on the economic solvency ratio is positive.

The effect of new businesses' activity – new businesses sold in 2023 had a positive contribution to the Company's profitability, while, on the other hand, they gave rise to capital requirements.

The effect of the Provisions for the Transitional Period and stock adjustment – the capital surplus was negatively affected during the Transitional Period, due to the recalculation of the deduction in the first half and the annual amortization, as detailed in Section 1.3.1.

9. Sensitivity tests

Following is a sensitivity analysis of the economic solvency ratio to various risk factors as of the report date. This analysis will reflect the effects of various risk factors both on equity, including the quantitative restrictions that apply to equity, and on the capital required for solvency purposes. The sensitivity tests only reflect direct effects, holding all other risk factors constant, and do not include secondary effects or derived changes on other risk factors.

It is noted that the sensitivity is not necessarily linear; i.e., sensitivity at other rates is not necessarily a simple extrapolation of the sensitivity test presented.

	As of December 31, 2023
	Effect on the economic solvency ratio (in percentage points)
A 50 basis points decrease in the risk-free interest rate curve	**(14%)**
A 25% decrease in the value of equity assets	**(5%)**
A 5% increase in morbidity rate	**(9%)**
A 5% decrease in mortality rates	**(12%)**
A 10% increase in lapses rates	**(3%)**

- The sensitivity tests were applied to the economic balance sheet in relation to assets and liabilities that are directly affected by the assumption being tested in each sensitivity test, as detailed above, and by recalculating the risk margin. The effects on the Company's capital requirements were also taken into account.
- Within the sensitivity tests regarding interest rates and mortality rates, the sensitivity to the relevant scenario for the Company, out of an increase or a decrease, was examined.
- The interest rate sensitivity test reflects a 50 basis points decrease in the risk-free interest rate curve, up to the Last Liquidity Point (LLP), and thereafter, it is calculated according to the Smith-Wilson extrapolation with respect to the Ultimate Forward Rate (UFR), which is fixed according to the circular.
- It is noted that the effect of the sensitivity on the deduction amount in the relevant scenarios was not taken into account.
- The demographic sensitivity tests were applied to all of the Company's policies that are relevant to that sensitivity test.
- A 5% increase in the morbidity rate sensitivity test refers to the prevalence of claims and does not relate to the duration or severity of the claim.
- The sensitivity test for a decrease in the value of equity assets was applied to all stocks that are treated within the stock risk sub-component, including the effect of the symmetric adjustment (SA) to the capital requirements.

10. Restrictions on Dividend Distribution

The Company's policy is to have a solid capital base to ensure its solvency and ability to meet its liabilities to policyholders, to preserve the Company's ability to continue its business activity and its ability to provide returns to its shareholders and support future business activity. In its capacity as an institutional entity, the Company is subject to the capital requirements set by the Commissioner.

10.1 Dividend

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

The following are data on the Company's economic solvency ratio, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors. The ratio is lower than the solvency ratio required by the letter.

10.2 Capital Management Policy

On June 28, 2023, the Board of Directors of the Company approved a policy for the distribution of a dividend at a rate of 30%-50% of the Company's comprehensive income. The distribution is subject to the Company's complying with a minimum equity target of 110% in accordance with the economic solvency regime, without implementing the transitional provisions. The distribution is also subject to the Company's complying with its capital targets, taking into consideration the Transitional Provisions during and after the Transitional Period.

This is further to setting a capital management policy whereby the target range for the Company's economic solvency ratio shall be 150%-170%, as approved in June 2021. In addition, the minimum economic solvency ratio target for prudential purposes is set at 135%. These targets relate to a solvency ratio taking into account the Deduction 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.

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

In NIS thousand	As of December 31, 2023 Audited	As of December 31, 2022 Audited
Shareholders' equity in respect of SCR	**11,267,843**	10,984,278
Solvency capital requirement (SCR)	**10,382,676**	10,099,651
Surplus	**885,167**	884,627
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 solvency ratio report:		
Raising/ redemption of capital instruments	**-**	-
Shareholders' equity in respect of SCR	**11,267,843**	10,984,278
Surplus	**885,167**	884,627
Economic solvency ratio (in %)	**109%**	109%
Capital surplus after equity transactions taken in the period between the calculation date and the publication date of the Economic Solvency Ratio Report, compared with the Board of Directors' target:		
The Board of Directors' economic solvency ratio target (percentages)	**110%**	-
Capital shortfall in relation to the target (NIS thousand)	**(153,100)**	-

Material changes from the previous year:

For an explanation regarding key changes, see Section 2.1, except for the effect of the Deduction Amount, which is not relevant for a calculation without applying the Transitional Provisions for the Transitional Period.

May 30, 2024			
Approval date of the financial statements	**Haim Samet** Chairman of the Board	**Yoram Naveh** CEO	**Avi Ben Noon** Chief Risk Officer

Clal
Insurance Enterprises Holdings Ltd.