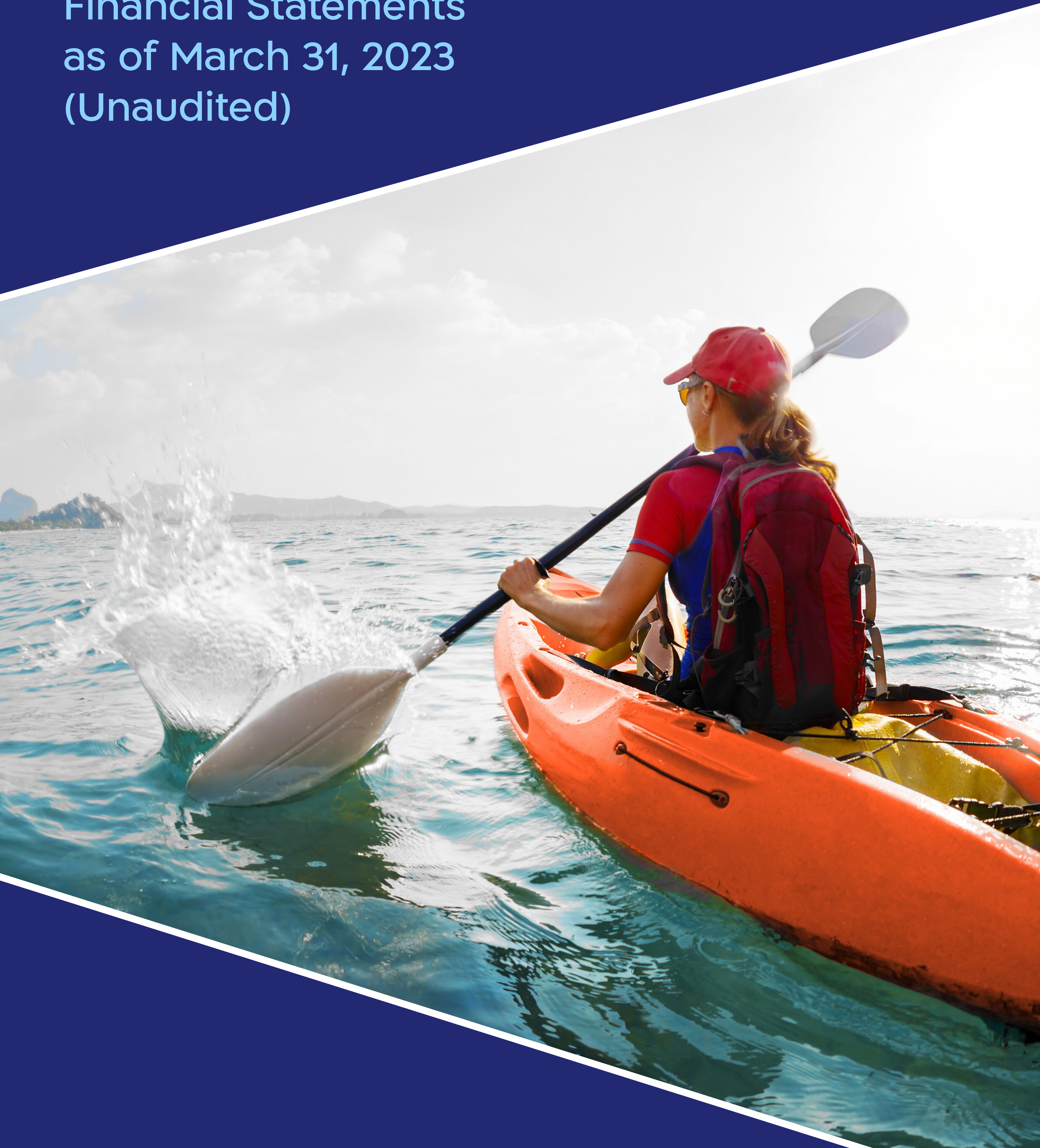
Phoenix

The Phoenix Holdings Ltd.

# Consolidated Interim Financial Statements as of March 31, 2023 (Unaudited)



# Members of the Board

Benjamin Gabbay - Chairman

Ben Langworthy

Dr. Ehud Shapira (Independent Director)

Eliezer Yones

Itzhak Shukri Cohen

Rachel Levine (External Director)

Richard Kaplan (External Director)

Roger Abravanel

Stella Amar Cohen

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# Part 1

Report of the Board of Directors on the State of the Corporation's Affairs

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# Report of the Board of Directors on the State of the Corporation's Affairs as of March 31, 2023

The Report of the Board of Directors of The Phoenix Holdings Ltd. (hereinafter, "The Phoenix Holdings" or the "Company" or the Corporation") as of March 31, 2023, outlines the principal changes in the Company's operations in the period from January through March 2023 (hereinafter - the "Reporting Period").

The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970. With regard to the insurance, pension, and provident fund operations of the Group, the Report was prepared pursuant to the Supervision of Insurance Business Regulations (Reporting), 1998, and in accordance with the directives issued by the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the "Supervisor" or the "Commissioner"). The report was prepared assuming that the reader also has at his/her disposal the Company's full 2022 periodic report (hereinafter - the "Periodic Report").

The Report of the Board of Directors is an integral part of the quarterly report, and the quarterly report should be read in its entirety, as a single unit (hereinafter - the "Financial Report" or the "Financial Statements").

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

### 1.1. Group structure

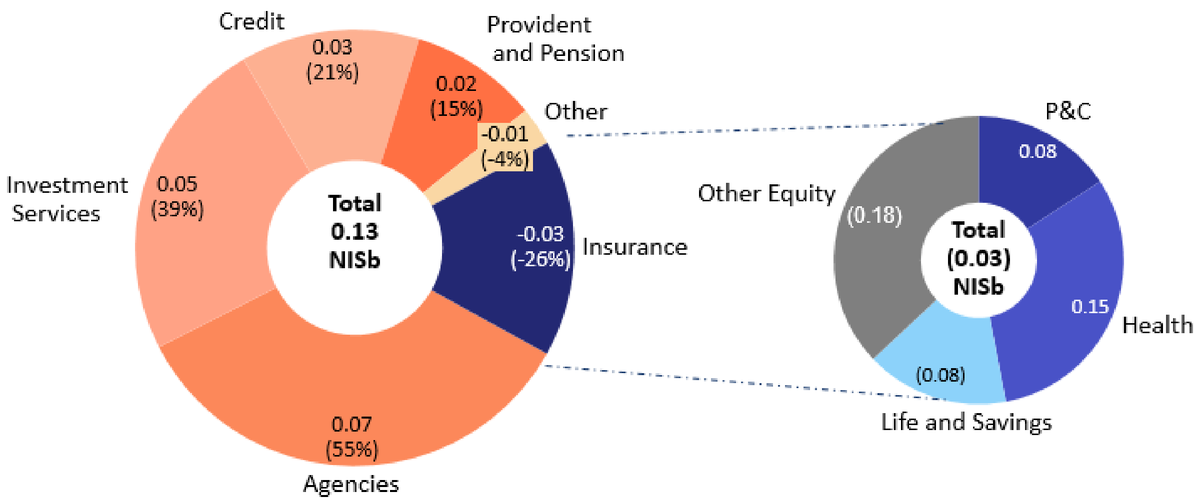
The Company's shareholders

The controlling shareholder of the Company is Belenus Lux S.à.r.l. (hereinafter - "**Belenus**"), which is held indirectly, through a number of companies, by Centerbridge Partners LP and Gallatin Point Capital LLC. Centerbridge Partners LP is controlled by CCP III Cayman GP Ltd. and Gallatin Point Capital LLC is controlled by Matthew Botein, Lewis (Lee) Sachs; for further details regarding the holding stakes and structure, please see Section 1.1 under "Description of the Corporation's Business" in the 2022 Periodic Report. Furthermore, for further details regarding to option of acquiring the Company's control core, please see report dated December 13 2022 (Ref. No.: 2022-01-150541).

### 1.2. Areas of activity

1.2.1. For a description of the group's areas of activity and its holding structure, please see Section 1.2 in the chapter entitled Description of the Corporation's Business in the 2022 Periodic Report.

1.2.2. The Company has various sources of income from the activities of its subsidiaries, as outlined in the sections dealing with the various operating segments. Set forth below is the pre-tax comprehensive income attributed to the shareholders in the reporting period; for further details, please see Note 3 to the Financial Report:




* In order to separate the financial results between profits attributed to insurance and profits arising from other core activities, the Company splits the "other" segment. The split is made for convenience purposes and the Company views the capital and unattributed segment as a single operating segment.

The Group is engaged in four core areas of activity: insurance, asset management, credit and distribution, which are divided into seven reporting segments in the report (property and casualty insurance, health insurance, life insurance and savings, asset management - pension and provident, asset management - financial services, insurance agencies and credit). As of the report date, the Group has NIS 386 billion in assets under management. In the insurance business, the Company operates through The Phoenix Insurance Company Ltd; in the asset management business, the Company operates through The Phoenix Pension and Provident Ltd., The Phoenix Investment House Ltd.,[1] and The Phoenix Advanced Investments Ltd.; in its credit business, the Company operates mainly through Gama Management and Clearing Ltd. - a publicly-traded company, whose controlling shareholder is the Company. In its distribution activity through The Phoenix Agencies 1989 Ltd., and the agencies owned and held by The Phoenix Agencies;

## 1.3. Developments in the Group in the reporting period and thereafter

### 1.3.1. Interest rates, the capital market and inflation

Changes in the risk-free interest rate curve and capital market affect The Phoenix Insurance's assets, liabilities, financial performance, and solvency ratio. The Company manages the interest risks of all of its assets and liabilities.

Interest rates - during the reporting period, the Bank of Israel increased its interest rate from 3.25% to 4.25%. Furthermore, in the reporting period, the shekel yield curve increased. The increase in the shekel yield curve has a positive effect both on the Company's financial results, and on The Phoenix Insurance's solvency ratio.

[1] Formerly Excellence Investment House.

The capital market - during the reporting period, there were slumps in financial markets in Israel and across the world. These slumps have an adverse effect both on the Company's financial results, and on The Phoenix Insurance's solvency ratio.

Inflation - during the reporting period, the inflation rate increased by 1.1%. The increase in inflation rates has an adverse effect both on the Company's financial results, and on The Phoenix Insurance's solvency ratio.

In the period subsequent to the reporting date through immediately prior to the financial statements publication date, financial markets in Israel and across the world continued to be volatile, the Bank of Israel increased the interest rate by a further 0.5% - to 4.75%, and inflation continued to increase concurrently with expectations of a decrease in inflation in Israel and globally in 2023.

For more information regarding the effects of changes in the interest rate curve, the capital market and inflation rates on the Company's financial results, see Section 4.4.5 in the Description of the Corporation's Business chapter, and Note 41 to the financial statements for 2022. As to the effect of the changes in the shekel yield curve and in capital markets on The Phoenix Insurance's solvency ratio, see Section 2.1.5 below, and Section 8 in The Phoenix Insurance's Economic Solvency Ratio Report as of December 31, 2022.

For the purpose of using its financial results, the Company uses a real return of 3% (see Section 5.4.1); in view of that, the changes in the CPI, as stated above, affects the classification of amounts between underwriting profits and investment profits.

### 1.3.2. The legal reform

In recent months, there has been uncertainty regarding the government's plans to promote changes in the judicial system, and the public controversy surrounding this move. During January 2023, the government began promoting a plan to make fundamental changes in the legal system in Israel, which led to controversy and widespread public protests. It should be noted that in recent months discussions have been held at the official resident of the President of the State of Israel with the aim of reaching a broad agreement regarding the moves to change the legal system.

Furthermore, in April 2023, Moody's - the international rating agency - published Israel's credit rating, leaving the rating unchanged at A1, and changing the outlook from "positive" to "stable" following its assessments regarding developments that will arise from the implementation of the changes. In May 2023, S&P - the international rating agency published Israel's credit rating. The agency ratified Israel's AA- rating with a stable outlook, based on the assumption that agreement will be reached regarding the reform in the legal system.

At this stage the Company is unable to assess future developments, or the effect of those events on the Israeli economy in general and the Company's activity in particular.

## The insurance activity

### 1.3.3. Completing the listing of restricted Tier 1 capital of the Phoenix Insurance

In August 2021, The Phoenix Insurance issued - through The Phoenix Capital Raising (2009) Ltd. (hereinafter - "The Phoenix Capital Raising") subordinated bonds to institutional entities and to the Company. The subordinated bonds were recognized by the Commissioner as an Additional Tier 1 capital instrument of The Phoenix Insurance, and listed by The Phoenix Capital Raising for trade on the TACT Institutionals trading platform operated by the TASE.

In April 2023, subsequent to the reporting period, The Phoenix Capital Raising fulfilled the conditions for listing the subordinated bonds on the main list of the TASE, and at the beginning of May 2023 trading of the subordinated bonds on the main list started. In accordance with the provisions of the deed of trust, the interest in respect of the subordinated bonds was reduced by 0.2%.

As part of the listing on the main list, The Phoenix Insurance undertook to publish data in connection with its economic solvency ratio on a quarterly basis in respect of the quarter preceding the reporting date. For further details, see Section 2.1.3 below.

For more information in connection with the issuance of the subordinated bonds and their listing on the main list, see the Company's immediate reports dated August 2, 2021, August 3, 2021 August 8, 2021, April 24, 2023 and May 3, 2023 (Ref. Nos.: 2021-01-060658, 2021-01-061159, 2021-01-062515, 2023-01-038554 and 2023-01-040573, respectively).

## The asset management activity

### 1.3.4. Acquisition of assets under management from Psagot Investment House

A. In January 2023, KSM Mutual Funds Ltd. (hereinafter - "KSM") and Psagot Mutual Funds Ltd. (hereinafter - "Psagot Funds") signed an agreement where under KSM will acquire from Psagot Funds part of its mutual funds activity as part of an assets' transaction comprising assets under management of NIS 17.1 billion in consideration for NIS 260 million (hereinafter respectively - the "Funds Agreement" and the "Sold Funds").

Immediately after the signing of the agreement, the parties started to transfer funds as per the Funds Agreement. In February 2023, the Israel Competition Authority announced that it intends to assess the transaction's impact on competition, and therefore the parties suspended the transfer of funds sold to KSM.

Through the publication date of this report, 33 passive funds were transferred to KSM, and at the beginning of June 2023, further 12 active funds will be transferred; (it should be noted that the transfer of these funds is carried out subject to KSM's undertaking to sell funds if the Israel Competition Authority will demand that it does so upon completing the assessment of the transaction) - all out of the sold funds (105 funds in total).

An amendment to the Funds Agreement was signed in May 2023; the aim of the amendment is to regulate the agreements between the parties and the changes required in connection with continuing the transaction's execution, as follows:

- Conditioning the completion of the funds agreement upon receipt of approval of the Competition Commissioner (which may be conditional);

-Setting mechanisms for adjusting the mix of the sold assets and the consideration in the funds transaction to potential scenarios, that are derived from the position of the Israel Competition Authority, and settling the accounts regarding the consideration that was transferred in practice, by an amount which is immaterial in relation to the total amount of the transactions;

- Incorporating into an agreement the understanding of the parties whereby if the Competition Commissioner does not approve the funds transaction (including a partial or conditional approval) by September 30, 2023, each of the parties will be allowed to announce the termination of the funds agreement with respect to the remaining funds being sold, which have not yet been transferred to KSM.

B. Furthermore, The Phoenix Investment House and Psagot Securities Ltd. (hereinafter - "Psagot Securities") signed an agreement, which is independent and unconditional of and separate from the Funds Agreement; under the said agreement, The Phoenix Investment House will acquire the entire portfolio management activity of Psagot Securities, comprising assets under management of approx. NIS 8.1 billion (hereinafter - the "Portfolio Agreement"), in consideration for NIS 50 million. As of the report publication date, the entire consideration in respect of the Portfolio Agreement was paid, and all economic rights and liabilities in respect of the activity were transferred to The Phoenix Investment House. The parties applied to the Israel Competition Authority for its approval of the transaction and filed a motion with the court in accordance with Section 350 to the Companies Law, 1999. As of the report publication date, the Israel Competition Authority's approval was received, but the Court's approval has not yet been received. Accordingly, the Portfolio Agreement will only be completed after all approvals required by law are obtained.

For further details regarding the above, please see immediate report dated January 19, 2023 (Ref. No.: 2023-01-009285).

**As of the report's publication date, the said agreements have not yet been completed. The Company's assessments in connection with the dates set for the completion of the agreements constitute forward-looking information, as defined in the Securities Law, 1968. Those assessments may not materialize or materialize in part and on dates other than those set by the Company, due to, among other things, factors beyond the control of the Company and The Phoenix group companies that enter into the agreements.**

### 1.3.5. The Phoenix Pension and Provident Funds

#### A. Closing of the retail unit

In May 2023, the Company decided to close the retail unit, which employs 120 employees. This move is part of the promotion of the Company's strategy to cut costs on the one hand, and enhance and develop it distribution channels on the other hand.

#### B. Loan and credit facility guaranteed by the Company

As part of a strategy for efficient and effective management of the capital at the Group level, in May 2023 the board of directors of The Phoenix Pension and Provident approved taking a NIS 330 million loan and a NIS 150 million credit facility from a financial institution in order to refinance an internal debt of The Phoenix Pension and Provident to The Phoenix Insurance and to the Company; the debt arises from the rapid growth in the activity of The Phoenix Pension and Provident. As of the report publication date, the financing agreement with the financial institution has not yet been signed, and the parties are conducting negotiations in connection therewith. To secure the repayment of the loan and credit facility, the Company will provide a guarantee to the financial institution.

## The distribution activity

### 1.3.6. Restructuring - The Phoenix Agencies

A. In December 2022, the competent organs of The Phoenix Agencies and Agam Leaderim Holdings (2001) Ltd. (hereinafter - "Agam Holdings"), a company in which The Phoenix Agencies has a 60% stake, approved a merger offer between the two aforesaid companies, in accordance with a merger agreement under which Agam Holdings will be wound up and merged with and into The Phoenix Agencies in consideration for allotment of ordinary The Phoenix Agencies shares that will be issued to the other shareholders of Agam Holdings, such that after the execution of the merger the Company will hold

80% of the shares of The Phoenix Agencies, and the other shareholders will hold the remaining shares. The completion of the merger is subject to the fulfillment of all conditions precedent, including the approval of the Israel Tax Authority to the effect that the merger is tax exempt under the provisions of Section 103 to the Income Tax Ordinance [New Version], other regulatory approvals, where required, and receipt of a merger certificate from the Registrar of Companies. As of the report publication date, the conditions for the restructuring have yet to be fulfilled. For further details, see Section 2.7.1 to the 2022 Report on the Company's Business and immediate report of December 29, 2022 (Ref. No.: 2022-01-124026).

B. Furthermore, in May 2023, the Company and the other shareholders of Agam Holdings signed an agreement whereby, subject to the provisions of any law, immediately after the completion of the merger, The Phoenix Agencies shall distribute a dividend at an amount equal to the distributable profits for tax purposes, in accordance with The Phoenix Agencies' financial statements as of March 31, 2023; such profits are estimated at NIS 670 million (hereinafter - the "Dividend Distribution"). In addition, it was decided that if The Phoenix Agencies will require shareholders' loans in order to execute the Dividend Distribution, the Company and the other shareholders shall advance shareholders' loans at a total maximum amount of up to NIS 500 million, based on their proportionate share in The Phoenix Agencies' issued share capital.

C. As part of the Company's strategy to unlock value in the activities of the Group's subsidiaries, the Company entered into an agreement with an international investment bank in order to assess the introduction of an international strategic investor as a partner in The Phoenix Agencies. As of the report publication date, a number of international entities expressed preliminary interest in this option.

**As of the report publication date, the restructuring and related activities have not yet been completed. The Company's assessments in connection with the dates set for the completion of the restructuring constitute forward-looking information, as defined in the Securities Law, 1968. Those assessments may not materialize or materialize in part and on dates other than those set by the Company, due to, among other things, factors beyond the control of the Company and The Phoenix Agencies.**

### 1.3.7. Dividend distribution

On March 22 2023, concurrently with the approval of the Company's Financial Statements as of December 31, 2022, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 177 million. The dividend was paid on April 10, 2023. The total amount in dividend distributed in cash in respect of Company's profits in 2022 is NIS 337 million.

### 1.3.8. Share buyback

In January 2023, the Company's Board of Directors approved an additional share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year (hereinafter - the "Plan for 2023"). As part of the Plan for 2023, the Company made - as of the Report publication date - buybacks totaling approx. NIS 12 million.

### 1.3.9. The Company's preparation for the application of IFRS 17

The Company continues to prepare for applying IFRS 17, in the Financial Statements of the Company and The Phoenix Insurance as from the quarterly and annual periods beginning on January 1, 2024, in accordance with the roadmap revision paper published in September 2022 by the Capital Market, Insurance and Savings Authority. For further details, please see Note 2(FF) to the 2022 Periodic Report. Regarding the deferral of the standard's application date, see Section 2.3.6 below.

### 1.3.10. Ratings

#### Midroog

On January 23, 2023, Midroog announced it has rated the extension of up to NIS 150 million of Series 6 bonds issued by the Company at Aa2.il, with a stable outlook.

#### Maalot

On January 23, 2023, S&P Maalot announced it has rated the extension of up to NIS 150 million of Series 6 bonds issued by the Company at ilAA-.

#### Moody's - Global rating for The Phoenix Insurance

On May 23, 2023 Moody's - the international rating agency - announced the assignment of an A2 international credit rating with a stable outlook to The Phoenix Insurance.

# 2. Description of the Business Environment

## 2.1. Implementation of the Economic Solvency Regime provisions applicable to The Phoenix Insurance Company Ltd.

### 2.1.1. Provisions regarding the implementation of the Economic Solvency Regime

The Phoenix Insurance is subject to the Solvency II-based Economic Solvency Regime 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 "Economic Solvency Regime"), which was published on October 14, 2020. The Economic Solvency Regime is a regulatory directive that regulates capital requirements and risk management processes among insurance companies. The Economic Solvency Regime sets a standard model for calculating eligible capital and the regulatory solvency capital requirement, with the aim of bringing insurance companies to hold buffers 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 economic shareholders' equity recognized for solvency purposes and the required capital.

### 2.1.2. Increasing economic capital according to the transitional provisions

The Phoenix Insurance opted for the alternative provided by the Economic Solvency Regime regarding the transitional provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the "Deduction during the Transitional Period"). With regard to the Deduction during the Transitional Period, a letter was addressed to insurance companies managers titled "Principles for calculating Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" (hereinafter - the "Letter of Principles"). 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 the difference between the fair value and the carrying amount 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 balance at each reporting date (hereinafter - 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. In accordance with the provisions of the Economic Solvency Regime, the Deduction during the Transitional Period will be recalculated two years after it was calculated for the first time, and in the instances referred to in the provisions of the Economic Solvency Regime. In view of material changes in the interest rate curve, application of the study on retirement age and uptake of pension benefits (hereinafter – the "Study"), and adjustment to demographic assumptions and a mortality improvement model for insurance companies and pension funds (hereinafter – the "Circular"), in the period between December 31, 2021 and June 30, 2022, the Company recalculated the Deduction During the Transitional Period as of June 30, 2022. Accordingly, the Deduction During the Transitional Period as of December 31, 2022, which was recalculated, amounts to NIS 3,385 million after its linear amortization as at this date (compared with NIS 4,710 million as of December 31, 2021). This amount matches the expected increase rate in The Phoenix Insurance's capital surplus during the Transitional Period, and reflects, at the very least, the expected expiry of the solvency capital requirements (SCR) and the risk margin of the existing portfolio as of the calculation date. For more information, see Section 2A(2) to The Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2022.

2.1.3. **Publication of Economic Solvency Ratio Report**

The Economic Solvency Ratio Report as of December 31, 2022 was published at the same time as the Financial Statements as of the first quarter, on May 31, 2023 and was prepared and presented in accordance with the provisions of Chapter 1, Part 4, Section 5 of the Consolidated Circular, according to Circular 2020-1-17 (hereinafter - the "Disclosure Provisions"). 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.

Furthermore, in view of the listing of additional Tier 1 capital on the main list, and in accordance with The Phoenix Insurance's undertakings under the deed of trust, as from 2023 the Company will publish to the public an estimated quarterly solvency ratio as of March 31 and September 30, as part of the periodic report published following the calculation date. The calculation of the estimated quarterly solvency ratio is not audited or reviewed by the independent auditor, and the controls conducted by The Phoenix Insurance for the purpose of publishing the estimated ratio are less in scope compared to those executed for the purpose of publishing the solvency ratio report, which is published in accordance with the Commissioner's directives.

2.1.4. **Economic solvency ratio and minimum capital requirement (MCR) as of December 31, 2022:**

Set forth below are details regarding the economic solvency ratio as published in the latest economic solvency ratio report published by The Phoenix Insurance. The meaning of the terms in this section is the same as in Appendix B to Chapter 2 in Part 2 of Section 5 of the Consolidated Circular - "Economic Solvency Regime".

## A. Economic solvency ratio:

| | As of December 31 | |
|---|---|---|
| | 2022 | 2021 |
| | Audited* | |
| | NIS thousand | |
| Shareholders equity in respect of SCR | 14,711,664 | 14,212,110 |
| Solvency capital requirement (SCR) | 6,968,263 | 7,666,458 |
| Surplus | 7,773,402 | 6,545,652 |
| **Economic solvency ratio (in %)** | **211%** | **185%** |
| **Effect of material capital-related measures taken in the period between the calculation date and the publication date of the solvency ratio report:** | | |
| Raising (redemption) of equity instruments** | (410) | 346,133 |
| Shareholders equity in respect of SCR | 14,711,254 | 14,558,243 |
| Surplus | 7,742,991 | 6,891,784 |
| **Economic solvency ratio (in %)** | **211%** | **190%** |

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

(**) Subsequent to December 31, 2022, NIS 411 million in Series F bonds were redeemed (immediate report dated January 15, 2023, Ref. No.: 2023-01-006268). The redemption referred to above does not have a material effect on the solvency ratio results as of December 31, 2022 in view of the unrecognized Tier 2 capital balances due to the quantitative limit on recognizing Tier 2 capital.

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

For explanations about key changes in the capital surplus and in the economic solvency ratio as of December 31, 2022 compared with December 31, 2022, see Section 1(a) to The Phoenix Insurance's economic solvency ratio report as of December 31, 2022.

Below is a link to the Economic Solvency Ratio Report on The Phoenix Insurance's website.

**https://www.fnx.co.il/en/investor-relations/reports-and-presentations/?tag=Solvency%20Reports**

## B. Minimum capital requirement (MCR)

| | As of December 31 | |
|---|---|---|
| | 2022 | 2021 |
| | Audited | |
| | NIS thousand | |
| Minimum capital requirement (MCR) | 1,843,583 | 1,916,615 |
| Shareholders equity for MCR | 11,596,249 | 11,024,131 |

## C. Limitations on dividend distribution and solvency ratio without the implementation of the transitional provisions

Dividend

According to the letter published by the Commissioner, in October 2017, (hereinafter - the "Dividend Distribution 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 provisions of 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 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 Phoenix Insurance's policy is to have a solid capital base to ensure its solvency and ability to meet its liabilities to policyholders, to preserve The Phoenix Insurance's ability to continue its business activity such that it is able to provide returns to its shareholders. The Phoenix Insurance is subject to capital requirements set by the Commissioner.

The Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target and target range based on Solvency II. The economic solvency ratio target range, within which The Phoenix Insurance seeks to be during and at the end of the Transitional Period, taking into account the Deduction during the Transitional Period and its gradual reduction is 150%-170%.

The minimum economic solvency ratio target, taking into account the transitional provisions, was set at 135%, and the minimum solvency ratio target without taking into account the provisions during the Transitional Period is set to reach 135% at the end of the Transitional Period according to the Company's capital plan. On August 24, 2022, the Board of Directors of The Phoenix Insurance increased the minimum economic solvency ratio target by 3 percentage points without taking into account the provisions during the Transitional Period - from a rate of 108% to a rate of 111%, beginning on June 30, 2022.

Therefore, based on the audited results as of December 31, 2022 (that have not been reviewed nor audited), The Phoenix Insurance meets the minimum capital targets set by the Board of

Directors. It is hereby clarified that the aforesaid does not guarantee that The Phoenix Insurance will meet the set capital targets at all times.

**D. Solvency ratio without applying the transitional provisions for the Transitional Period, and without adjusting the shares scenario:**

The following are data as published in the latest economic solvency ratio report published by The Phoenix Insurance, about the economic solvency ratio calculated without taking into account the transitional provisions and the solvency ratio target set by The Phoenix Insurance's Board of Directors, as required in the letter referred to above. As of December 31, 2022 and December 31, 2021, this ratio is higher than the target set by the Board of Directors.

| | As of December 31 | |
|---|---|---|
| | **2022** | **2021** |
| | **Audited** | |
| | **NIS thousand** | |
| Shareholders equity in respect of SCR | 12,301,691 | 11,112,151 |
| Solvency capital requirement (SCR) | 8,254,667 | 9,818,889 |
| Surplus | 4,047,024 | 1,293,262 |
| **Economic solvency ratio (in %)** | **149%** | **113%** |
| **Effect of material capital-related measures taken in the period between the calculation date and the publication date of the solvency ratio report:** | | |
| Raising of capital instruments* | - | 354,205 |
| Shareholders equity in respect of SCR | 12,301,691 | 11,466,356 |
| Surplus | 4,047,024 | 1,647,467 |
| **Economic solvency ratio (in %)** | **149%** | **117%** |
| **Capital surplus after capital-related actions in relation to the Board of Directors' target:** | | |
| Minimum solvency ratio target without applying the Transitional Provisions | **111%** | **108%** |
| **Capital surplus over target** | **3,139,011** | **861,956** |

Subsequent to December 31, 2022, The Phoenix Insurance redeemed NIS 411 million in Series F bonds (immediate report dated January 15, 2023, Ref. No.: 2023-01-006268); the said redemption does not affect the solvency ratio without applying the transitional provisions for the transitional period, and without adjusting the stock scenario as of December 31, 2022, in view of the unrecognized Tier 2 capital balances due to the quantitative limit on the recognition of Tier 2 capital.

**E. Capital-related measures taken between the publication date of the solvency ratio report as of December 31, 2021, through the publication date of the solvency ratio report as of December 31, 2022:**

1. On August 24, 2022, The Phoenix Insurance's Board of Directors approved a cash dividend distribution in the amount of NIS 115 million out of 2022's profits. On March 22, 2023, The Phoenix Insurance's Board of Directors approved a cash dividend distribution in the amount of NIS 205 million out of 2022's profits. These dividend distributions were taken into account in the results of the solvency ratio as of December 31, 2022.
2. During 2022, The Phoenix Insurance raised additional Tier 2 capital at the total amount of NIS 650 million.
3. Subsequent to the calculation date, The Phoenix Insurance redeemed NIS 411 million in Series F bonds; this redemption did not have a material effect on the solvency ratio as of December 31, 2022, as stated above.

2.1.5. **Sensitivity to changes in the interest curves:**

Changes in the linked shekel risk-free yield curve affect the Company's economic solvency ratio, especially in the mid- to long-terms, affect The Phoenix Insurance's economic solvency ratio. During 2022, there was a substantial increase in the risk-free linked interest rate curve, has had a positive effect on The Phoenix Insurance's solvency ratio.

**The following table summarizes the positive (negative) risk-free linked interest ("spot") rates:[4]**

| Range/years | | December 31, 2022 | March 31, 2023 | May 24, 2023 |
|---|---|---|---|---|
| **Short term** | **1-3** | Between 0.68% and 0.86% | Between 1.36% and 1.02% | Between 1.60% and 1.15% |
| **Mid-term** | **4-10** | Between 0.88% and 0.86% | Between 0.97% and 1.00% | Between 1.17% and 1.22% |
| **Mid-long term** | **11-15** | Between 0.88% and 0.97% | Between 1.02% and 1.06% | Between 1.22% and 1.26% |
| **Long term** | **16-25** | Between 1.00% and 1.10% | Between 1.06% and 1.12% | Between 1.27% and 1.33% |

The Phoenix Insurance estimated the sensitivity of the economic solvency ratio at a 50 bps decrease in the risk-free interest, after applying the transitional provisions, and including adjusting the stock scenario; the estimation was carried out based on the data and results of the calculation of the economic solvency ratio as of December 31, 2022. The estimation resulted in a 18% decrease in the economic solvency ratio (after applying the transitional provisions and adjusting the stock scenario).

It should be 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.

For the results of the sensitivity tests of the economic solvency ratio to various risk factors, see Section 8 to The Phoenix Insurance's Economic Solvency Ratio Report as of December 31, 2022.

[4] The risk-free linked interest rate curves were taken from Fair Spread Ltd. To calculate the solvency ratio, the Company takes into account other components in addition to the risk-free interest rate.

## 2.2. Arrangements in force

Following are material regulatory provisions published during the reporting period and thereafter, which are not included in the 2022 Report on the Corporation's Business. For further details regarding additional material regulatory provisions published during the reporting period, see Section 4.1.1 to the 2022 Report on the Corporation's Business.

2.2.1. Further to the Roadmap for the Adoption of International Accounting Standard **(IFRS)** 17 - Insurance Contracts, which was published in June 2020, in March 2023 the Circular on Amendment of the Provisions of the Consolidated Circular - Chapter 3 Part 4 Title 5 "Reporting to the Commissioner of Capital Market" - Hetz Bonds was published. The amendment includes guidelines as the method that will be employed to adjust the insurance liabilities for the purpose of allocating designated Hetz government bonds after the implementation of IFRS 17 - "Insurance Contracts" - in view of the fact that one of the material consequences of the implementation of the standard is a material change in the measurement of the liabilities in respect of insurance contracts (the insurance reserves), which includes transition from measurement on the basis of traditional actuarial methods to measurement based on future cash flows discounted at risk-free interest. For information regarding the draft of the third revision to the Roadmap, which was published in May 2023, as part of which it is suggested to postpone the date of the standard's implementation in Israel to January 1, 2025, see Section 2.3.6 below.

2.2.2. In March 2023, an Amendment to the Provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Publication of External Management Costs Cap as Part of an Advance Statement of an Institutional Investor regarding its Investment Policy, Establishment of an Index-Tracking Investment Basket, and Reports to the Investment Committee regarding Variable Management Fees that were Collected) was published. The amendments to the circular were made so as to adjust them such that they will be in line with recent amendments in the Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses from Execution of Transaction), 2008, and the "Investment Tracks in Provident Funds Circular", regarding, among other things, the manner of publication of the external management fees cap in an advance statement of an institutional investor regarding its investment policy, and allowing the setting up of a dedicated investment track for the management of investments in index-tracking assets.

## 2.3. Draft laws, regulations and bills

Following are drafts of material regulatory provisions published during the reporting period and thereafter, which are not included in the 2022 Report on the Corporation's Business. For further details regarding additional drafts of material regulatory provisions published during the reporting period, please see Section 4.1 to the 2022 Report on the Company's Business.

2.3.1. In March 2023, the Draft Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment No. _), 2023, and Supervision of Financial Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds) (Amendment No. _), 2023 were published. In accordance with government resolution of February 24, 2023 regarding "Increasing Competition in the Insurance and Savings Brokering Segment", which was included in the economic plan for 2023-2024, it is suggested to amend the Income Tax Regulations, such that the contributions into an insurance fund will be capped to that portion of the wage that exceeds double the average wage in Israel, such that the portion up to double the average wage in Israel will be deposited with an annuity provident fund, which is not an insurance fund. Furthermore, as a complementary step, it is suggested to amend the transfer regulations, such that the transfer of funds to an insurance fund will be limited to that portion of the wage that exceeds double the average wage in Israel.

2.3.2. The Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2023 and 2024), 2023 (hereinafter - the "Economic Arrangements Law Bill") was published in March 2023. The law was approved on May 24, 2023 concurrently with the approval of the state budget; however, its final wording has not yet been published. The bill includes provisions pertaining to a number of topics concerning the insurance sector:

**Insurance and pension saving brokering**

It is suggested to prescribe the following provisions: (1) an institutional entity will not "unreasonably refuse" to engage with a pension advisor in an agreement for the execution of a transaction for a customer; (2) a "bank with a narrow scope of activity" will be allowed to control a corporation, which is an insurance agent in the property and casualty insurance subsegment; (3) under a temporary order (through the end of 2024) purchases of insurance agencies by an institutional entity or a person that controls an institutional entity will be suspended if such entity or person's direct stake in that agency exceeds 20%; (4) requiring institutional entities, insurance agencies and pension advisors to disclose to customers the amount of the fee that the insurer is expected to pay the insurance agent; and (5) setting a uniform fee for brokering in an insurance plan that is part of a group of insurance plans in the same insurance subsegment (alternative products). It should be noted that other than the first topic, all other topics listed in the bill were later split from the Economic Arrangements Law bill.

**Health**

The objective of the proposal is to reduce the incidence of overlapping insurance in the surgical procedures subsegment between Supplementary Healthcare Services (hereinafter - the "Shabban Plans") of health maintenance organizations and private health insurance policies; the aim is to reach a situation where most of private surgical procedures in Israel will be conducted by the health management organizations as part of the Shaban Plans. In effect, this proposal implements the recommendations of the public committee for strengthening healthcare services in Israel and regulating the public and private health system (hereinafter - the "Ash Committee"), which were published in November 2022. As part of the proposal, it is suggested to determine that where a policyholder has an health insurance policy that includes insurance coverage that is not dependent on the exercise of the policyholder's rights under the Shaban Plan, and such policyholder filed a claim to cover a private surgical procedure in Israel under his/her rights by virtue of the Shaban Plan, and this surgical procedure is covered by the policyholder's insurance policy, the insurer shall pay the health maintenance organization through which the surgical procedure was carried out a total equal to the price of the surgical procedure paid by the health maintenance organization as per the Ministry of Health's price list, or an amount equal to the price of the insurance arrangement as paid by the insurer - the lower of the two. It is also suggested to decide that on the next renewal date of a first shekel individual surgical procedure policy that was taken out before the amendment came into force (hereinafter - the "Original Policy"), the insurer will be required to add the policyholders of the said policy, who also have Shaban Plans in place, to a surgical procedures policy of the Shaban Plan instead of the original policy. This will be the case unless the policyholders informed the insurer that he/she do not wish to be transferred to a Shaban Plan, all in accordance with the provisions listed in the bill.

**Cost of vehicles maintenance index**

It is suggested to amend the Licensing of Services and Professions in the Vehicle Industry Law, 2016, and publish under this law a benchmark for assessing the cost of ongoing maintenance of vehicles, that will be based on actual figures of the costs of vehicles' spare parts and servicing that were carried out in practice. According to the explanatory notes, the publication of a maintenance benchmark that will make accessible to the public information regarding car maintenance services shall help consumers to close the information gap and prevent the sale of spare parts at high prices. This will increase the competition between vehicle importers in the secondary market as well - marketing and sale of spare parts.

2.3.3. In March 2023, the Israel Securities Authority published a paper containing a Proposition for Amending Regulations regarding Diversity in Boards of Directors of Reporting Corporations; as part of the paper, it is suggested that reporting corporations will be required to make a disclosure as to the gender diversity of its board of directors, and the diversity within its human capital; according to the proposal, such disclosure will be made in the prospectus and the periodic report in the manner described in the proposal.

2.3.4. In April 2023, the Draft Circular regarding Discounts and Cancellations in Life Insurance was published. The draft circular was published further to the government's resolution regarding "Reducing Distortions in the Insurance and Savings Brokering Segment", which was included in the Arrangements Law Bill for 2023-2024, whose aim is to address the issue of recurrent replacement of insurance policies with new policies, and its negative effect on policyholders. A part of the draft, it is suggested to prescribe provisions regarding the provision of discounts in life insurance, and to set a mechanism for refunding the one-off fee paid to the license holder in respect of the marketing of the product. The suggested provisions as per the draft circular are: (1) An insurance company may offer to a life insurance policyholder a discount regarding the approved insurance premium, provided that the discount rate that will be offered to the policyholder and will be set in the insurance contract will not be reduced from the date on which the insurance coverage came into force through the end of the insurance period; (2) where a policy was canceled during the 6 years from the insurance coverage's effective date, or if the policyholder gave notice to the effect that he/she no longer wishes to receive services from the license holder that marketed the policy, the insurance company will receive from the license holder that marketed the policy a refund at an amount equal to the amount of the one-off fee paid in respect of the marketing of the policy, in accordance with the draft; (3) the insurance company will not compensate the license holder for the refund of such fees (whether directly or indirectly); (4) an insurance company will document the information concerning the fees paid for the marketing of insurance policies, discounts given to policyholders, cancellations of insurance policies, and fees refunded to the company due to such cancellations.

At the same time, a Draft of the Supervision of Financial Services Regulations (Provident Funds) (Direct Distribution Fee to a Pension Insurance Agent), 2023 was published in April 2023.

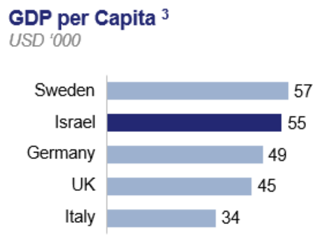
The regulations suggest setting a tiered refund mechanism in connection with the sales commission in the event of frequent transfers from one product to another. It is also suggested to determine that a pension insurance agent will be allowed to receive from an institutional entity a one-off fee only if the agreement between the insurance agent and the institutional entity stipulates that the insurance agent will be required to refund the said fee to the institutional entity during the first six years following the signing-on of a planholder to a provident fund, or following the date on which the agent was appointed, if at least one of the events listed in the draft occurred. According to the explanatory notes, the purpose of the proposed regulations is to mitigate the sales bias, which causes excess volatility in the market, whose outcome is an increase in insurance premiums and management fees, and ineffective management of the pension funds in a manner that is not in line with the customer's best interest.

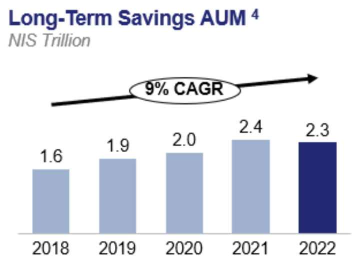
2.3.5. Further to the **health insurance reform**, which was published in March 2022, a draft amendment for the health insurance reform was published in May 2023, which suggests the postponement of the reform's effective date from May 1, 2023 to December 15, 2023.

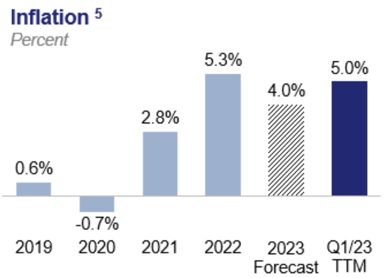
2.3.6. Further to the Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts, that was published by the Capital Market, Insurance and Savings Authority in June 2020, and which lists the steps that will be required and the time tables to ensure Israeli insurance companies' preparedness for the application of IFRS 17 - Insurance Contracts (whose application date was postponed in April 2022 to January 1, 2024), a third draft update to the Roadmap was published in May 2023, which suggests to postpone the standard's application date in Israel to January 1, 2025, and to update accordingly the milestones for the application of the standard.

# 3. Developments in the Macroeconomic Environment

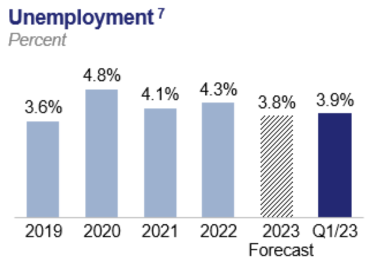
## 3.1. Key macroeconomic data






(1) Bank of Israel. The data include funds under the management of institutional entities. The decrease in 2022 stems from redemptions.
(2) The IMF, in accordance with the dollar exchange rate in April 2023.
(3) Israel Central Bureau of Statistics, the Bank of Israel (GDP in accordance with adjusted annual return).
(4) Bloomberg and the IMF. The data refer to unemployment rates as of the end of the period.
(5) Bloomberg; returns on bonds are based on returns on 10-year bonds of the government of Israel (unlinked to the CPI), as of the last month at the end of the period.
(6) Bloomberg. The data are annual inflation data for the past 12 months.

## 3.2. Trends, events and developments in the macroeconomic environment

Set forth below is a summary description of trends, events and developments in the Group's macroeconomic environment, that have or are expected to have an effect on the Group.

### 3.2.1. Financial markets in Israel

The Bank of Israel revised upwards its growth forecast for 2022 from 6.0% to 6.3%; however, the Bank of Israel revised downwards its growth forecast for 2023 from 3.0% to 2.8%. Unemployment data in Israel were surprisingly good with a decline from 4.2% to 3.9% in February. Performance of The Bank of Israel's composite index was also surprisingly good; it accelerated in February, reaching an annual change of 2.2% compared with 1.9% in January, the first acceleration since January 2022. The increase in inflation in February was also surprisingly high, as it cooled to a level of 5.2% while it was forecast that it will cool to a level of 5.0%. In January, The Bank of Israel increased its interest rate to 3.75% and in February it increased its interest rate again to 4.25%; the Bank of Israel was of the opinion that interest rates will increase above this level, despite the fact that according to updated forecasts of the Bank of Israel and market forecasts inflation will cool sharply during 2023 back to around the ceiling of the inflation target (3.2%). In the political arena, the introduction of a reform in the legal system led to public unrest and warnings from credit rating agencies. Israel's debt risk premium (CDS) increased, but remained at historically reasonable levels, also thanks to data regarding a sharp decline in the debt-to-GDP ratio to approx. 60%. The Israeli capital market recorded significant underperformance compared with other capital markets across the world, and the shekel was particularly weak against the currency basket.

In the first quarter, the TA 125 Index declined by 4.8%. The TA-90 Index suffered a particularly bad spell, and declined by 9.0%; the yield on 10-year government bonds increased to 3.72%. The Tel-Bond 60 Index increased by 0.4%. The NIS has weakened against the USD, reaching levels of NIS 3.60 per USD 1; it also weakened against the EUR, reaching levels of NIS 3.90 per EUR 1.

**Subsequent to the balance sheet date**

Growth forecasts for the Israeli economy in 2023 were revised downwards; The Bank of Israel's growth forecast was revised from 2.8% to 2.5% and the International Monetary Fund's forecast was revised from 2.9% to 2.5%; however, S&P's downwards revision of its forecast was the sharpest - from 2.0% to 1.5%. On the other hand, the average of the economists' forecasts (according to Bloomberg) remained at 2.9%. The key revisions were downwards revisions in the IMF forecasts to growth and global trade; other negative impacts arose from further interest rate hikes and concerns regarding the consequences of the legal reform. The state budget was approved concurrently with the Economic Arrangements Law for 2023-2024. Subsequent to the balance sheet date, Israel launched the "Shield and Arrow" military operation in the Gaza Strip, during which hundreds of rockets were fired into the south and center regions of the country. S&P reiterated Israel's credit rating at a high level of AA-. The unemployment rate in April declined to 3.6%, despite indications of a slowdown in the Israeli economy, which were reflected, for example, in a decrease in retail sales in March (-1.5%). On the other hand, the Israeli Consumer Confidence Survey recovered. In April, the annual inflation rate remained at a level of 5.0%, which is higher than expected; the Bank of Israel increased interest rate to 4.75% and indicated that further interest rate hikes are expected. After significant underperformance in the first quarter, during the period subsequent to the balance sheet date the local share indexes recorded overperformance compared with other capital markets across the world:

The TA 125 Index increased by 2.5%, the yield on 10-year government bond increased to 3.95%, the Tel-Bond 60 Index was up by 2.0%, the NIS devalued against the USD and the EUR, reaching a rate of NIS 3.71 per USD 1, and NIS 3.98 per EUR 1.

### 3.2.2. Capital markets abroad

At the beginning of the reporting period, there was renewed optimism regarding the economy and the markets in the wake of China's decision to lift the Covid-19 restrictions quicker that expected, together with a warmer than usual winter in Europe, that alleviated concerns about an energy crisis, and a quicker than expected cooling of inflation in the USA to an annual rate of 6.0% - all of which triggered a decline in yields, which further calmed, in turn, concerns about a recession in the USA and Europe in 2023, which were reflected in a certain recovery in real estate market data and revision upwards of growth forecasts for 2023 - including the forecasts of the International Monetary Fund. The current data from world economies were surprisingly good; unemployment rate reached 3.5% in February, which is similar to the unemployment rate in December. Strong retail sales data in January and the reported results of the ISM surveys of non-manufacturing (or services) firms' purchasing and supply executives were particularly good. The strong data led to expectations of sharper interest rates hikes in the first half of the year in the USA, with rates expected to reach 5.4%; this was supported by estimates provided by the Mr. Powell, the Chairman of the Board of Governors of the Federal Reserve, in his testimony to US Senate and Congress committees at the beginning of March. On March 10, SVB experienced a "run on the bank", which led to its collapse; this triggered chain reactions that damaged other banks. The US regulator launched a plan to shore-up deposits, but struggled to stop the panic, which reached to the large banks, primarily to Credit Swiss, within a matter of days. Equity marks slumped sharply, bond yields crushed and started reflecting dramatic interest rate cuts in 2023 (four cuts of 0.25% each).

The yield on 10-year US bonds decreased to 3.47%, the S&P 500 Index increased by 7.0%, the Euro-STOXX 50 Index increased by 13.7%; and the EUR strengthened slightly against the USD, reaching an exchange rate of 1.08.

**Subsequent to the balance sheet date**

After the optimism that characterized the first quarter, during the period subsequent to the balance sheet date concerns increased. Growth in the USA in the first quarter was disappointing (1.1% compared with a forecast of 1.9%). The International Monetary Fund slashed its 2023 growth forecast for the USA to 1.6% (and 0.8% for the Eurozone). The banking crisis in the USA continued, which was manifested in further withdrawal of deposits and further declines in prices of small banks' shares; at the same time, concerns increased about the possibility of the US administration hitting the debt ceiling; this was also reflected in a sharp increase in the USA's debt risk premium (CDS). The US Federal Reserve has, indeed, increased its interest rate to 5.25%, but in view of the concerns regarding the economy it hinted heavily that this may be the end of its interest rate hike campaign; this was despite the fact that in April the inflation rate in the USA remained higher than the

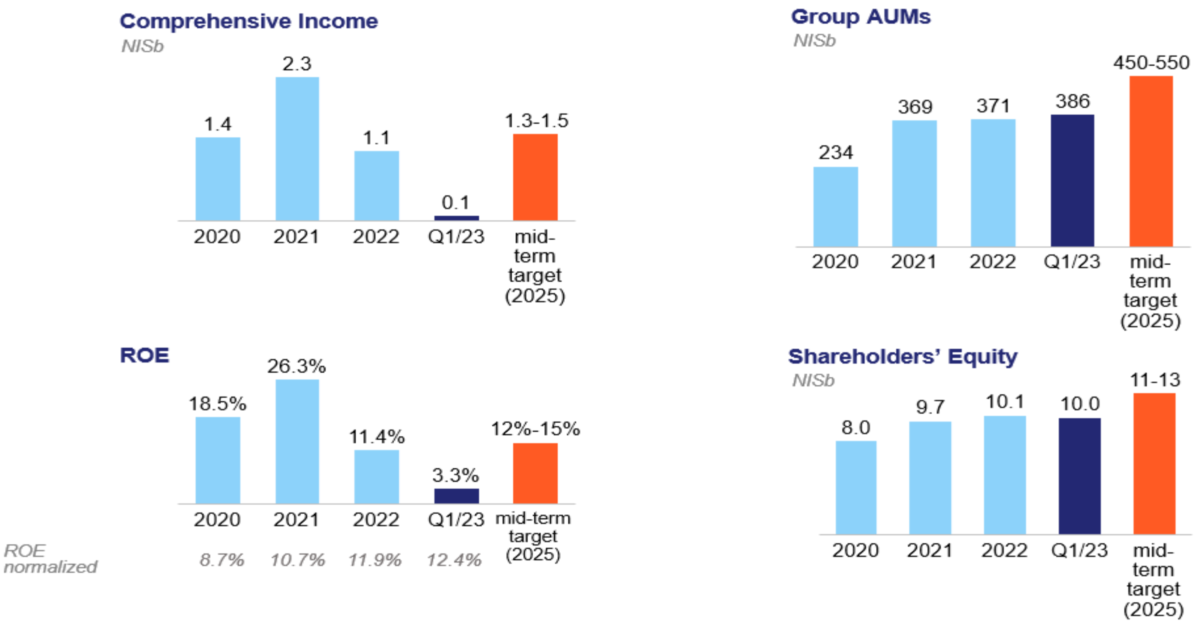
4.9% target (although the trend was one of cooling). In Europe, inflation accelerated once again in April, increasing from an annual rate of 6.9% to 7.0%; the European Central Bank (ECB) increased its interest rate to 3.75%, but indicated that further hikes are expected; this is a policy split that is deemed to be one of the reasons for the strengthening of the EUR across the world. Despite the above, equity markets were supported by extensive optimism regarding the Artificial Intelligence (AI) revolution. This was reflected in supporting the prices of a small number of mega-tech companies. Optimism in the markets was also boosted by the 90th minute announcement that an agreement was reached to increase the USA's debt ceiling, which supported a sharp increase in the possibility that interest rate hikes will continue in the USA in June as well.

The yield on 10-year US bonds increased to 3.80%, the S&P 500 Index increased by 2.3%, the Euro-STOXX 50 increased by 0.4%; and the EUR devalued slightly against the USD, reaching an exchange rate of 1.07.

## 4. Business Targets and Strategy

**The Group's business strategy and targets constitute forward-looking information, as defined in Section 32A of the Securities Law, and are based on the data and information available to the Group as of the report date, its plans as a result thereof, the market situation and the Group's position. The Group's business strategy and targets may change from time to time. In addition, the achievement of the Group's targets and strategy is uncertain and is not under the sole control of the Group. The Group's business strategy and targets may not materialize due to, among other things, changes in the Group's priorities, new needs of the Group, market developments, macro changes, other business opportunities, etc.**

The multi-year strategic plan - which was approved in December 2020 - is based on four fundamental principles: yield-focused growth, technological innovation and efficiency, maximization of the portfolio's value and capital management, all of which are relevant to the group's key areas of activity: insurance, asset management, agencies and credit. Since the publication of the plan, the Company has acted consistently to implement and execute it. The Company reviews its targets from time to time in the light of its achievements and market conditions; accordingly, in March 2022, the Company's Board of Directors adopted an update to the strategic plan (hereinafter - the "Strategic Plan"), as part of which the Company's targets for the plan's period were updated as described in the chart below.




(*) For further details, please see Section 5.4.5 below.

The interim targets are based on (a) multi-year work plans for a 5-year period (from its approval date); (b) an assumption of net return on investment of 3%. Compared to the plan's objective, actual results are based on the actual returns in the financial markets in Israel and around the world, macroeconomic growth, the Company's results and other variables. For the Company's actual results taking into account a 3% return, see Sections 5.4-5.6.

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

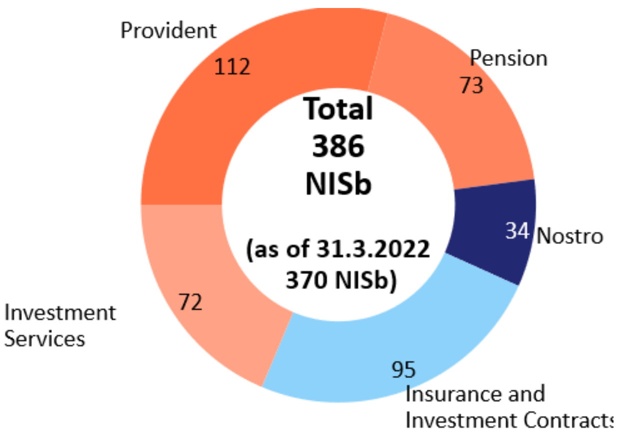
## 5.1. General

The Group's operations are affected by constant changes in regulations and regulatory reforms. In addition, as the controlling shareholder of institutional entities, the Group must also deal with the minimum capital requirements that apply to the activity of the institutional entities, which impose, among other things, restrictions on dividend distribution by the institutional entities.

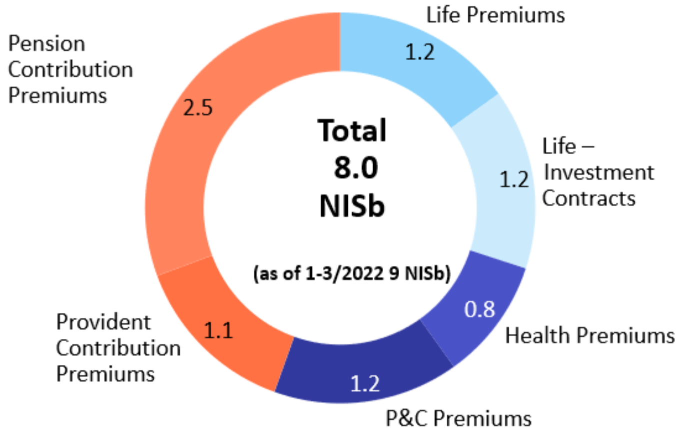
The Group's operations and results are significantly affected by the capital markets, including, among other things, the low-interest environment that has implications for its insurance liabilities and on the returns embodied in the Group's financial asset portfolios, and consequently - on the management fees and financial margins from investments as well.

## 5.2. Summary of data from the Group's consolidated Financial Statements

**Assets under management as of March 31, 2023**



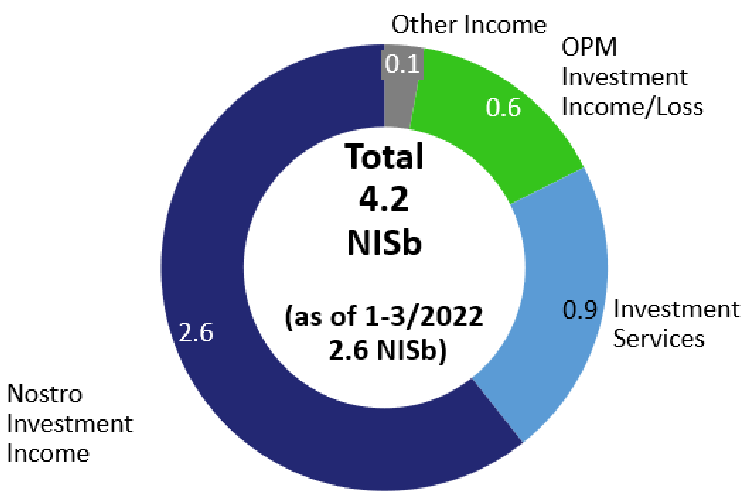

**Premiums, gross, contributions towards benefits and proceeds in respect of investment contracts for 1-3/2023**




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 Financial Statements. Proceeds in respect of investment contracts are not included in premiums; rather, they are charged directly to liabilities in respect of insurance contracts and investment contracts.

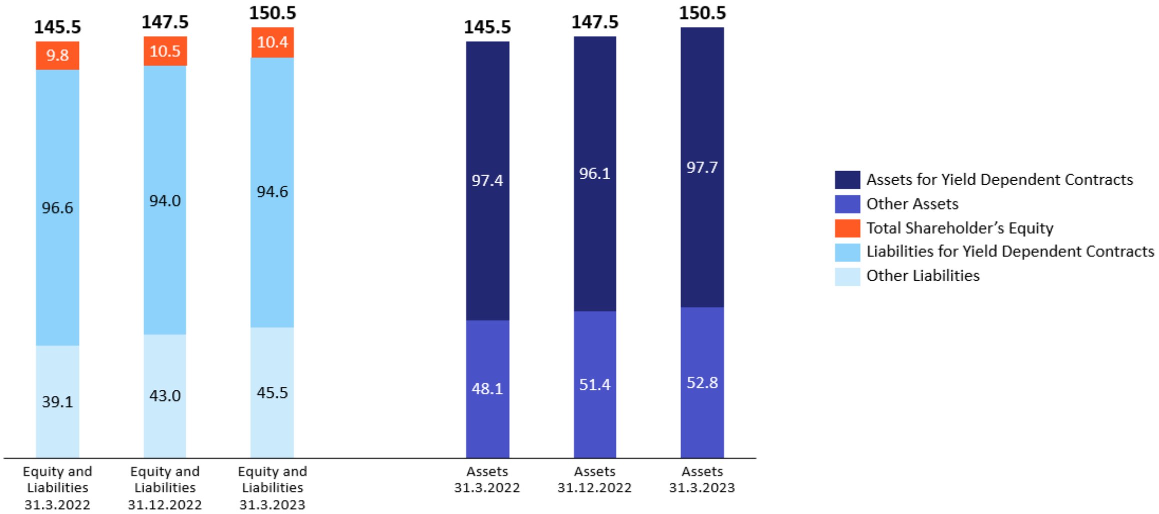
For further details on the premiums in the various operating segments, please see Note 3 to the Financial Statements.

**Income for 1-3/2023**



## 5.3. Description of the development of the Group's financial position

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




**Assets:**

Total financial assets in respect of yield-dependent contracts and cash and cash equivalents in respect of yield-dependent contracts as of March 31, 2023, amounted to approximately NIS 97.7 billion, compared to approximately NIS 97.4 billion as of March 31, 2022 and NIS 96.1 billion as of December 31, 2022. Other assets as of March 31, 2023 amounted to NIS 52.8 billion, compared with NIS 48.1 billion as of March 31, 2022 and NIS 51.4 billion as of December 31, 2022.

**Liabilities:**

Liabilities in respect of insurance contracts and yield-dependent investment contracts amounted to approximately NIS 94.6 billion as of March 31, 2023, compared to approximately NIS 96.6 billion as of March 31 2022 and NIS 94 billion as of December 31, 2022. Other liabilities as of March 31, 2023 amounted to NIS 45.5 billion, compared with NIS 39.1 billion as of March 31, 2022 and NIS 43 billion as of December 31, 2022.

5.3.2. Set forth below are the payment balances and changes in insurance liabilities:

| | 1-3/2023 | 1-3/2022 | 1-12/2022 |
|---|---|---|---|
| | | In NIS million | |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention in the income statement | 3,179 | 636 | 1,965 |
| Net of amounts included in the above amounts: | | | |
| Investment gains (losses) in respect of yield-dependent policies that were included in the changes in liabilities in respect of insurance contracts and investment contracts line item (*) | 886 | (1,159) | (6,618) |
| Changes in interest and special items | (135) | (866) | (1,730) |
| Total investment income, changes in interest and special items | 751 | (2,025) | (8,348) |
| Total payments and change in liabilities in respect of yield-dependent policies, net of investment income, changes in interest and special items | 2,428 | 2,661 | 10,313 |

(*) Including health; for further details about the life insurance segment, see Section 5.5.3.5 below.

## 5.4. Description of the development of the Group's comprehensive income

### 5.4.1. General

5.4.1.1. At each reporting period, the Company reviews its sources of income, according to the segments breakdown, as outlined in Section 5.4.2 below. The Company also reviews its profitability by separating operating profit which assumes a real return of 3% net (less bonuses to employees and managers from excess returns), and gain from capital market effects above or below a real return of 3%, effects of interest and other special items as described below.

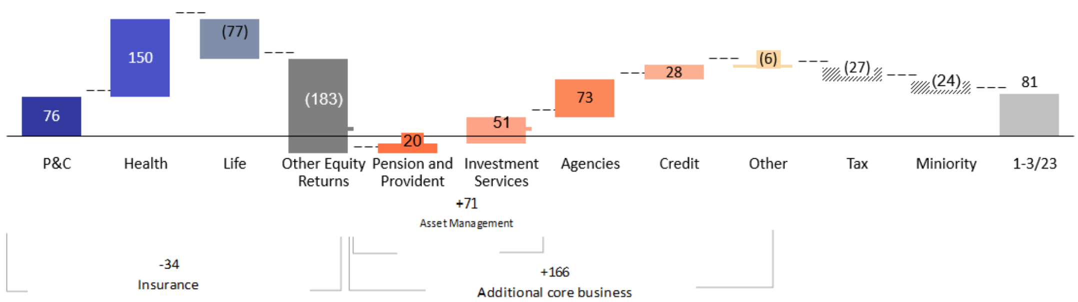
5.4.1.2. Special effects are considered by the Company as changes in profit or loss outside the Company's ordinary course of business, including actuarial changes as a result of studies, changes in actuarial models, exceptional effects due to structural changes and exceptional purchase expenses following the implementation of the strategy of increasing the market share in the (hereinafter - "Special Items").

5.4.1.3. In the health insurance and in property and casualty insurance segments, the profitability analysis is based on a breakdown to underwriting profits, which assumes a real return of 3%, and earnings stemming from capital market effects (hereinafter - the "underwriting profits"), which include income from nostro investments above or below a real return of 3%, the effect of the interest rate curve and other Special Items.

5.4.1.4. In the life insurance and savings segment, the profitability analysis is based on a breakdown to underwriting profits - which assumes a real return of 3%, including income from variable management fees in the profit participating portfolio based on said rate, fixed management fees and a financial margin in guaranteed return policies, which assumes said return both for the free portion and non-free portion of the portfolio, investment income after offsetting return credited to policyholders, and earnings stemming from capital market effects, which include income from nostro investments and management fees calculated above or below a real return of 3%, the effect of the interest rate curve, including changes in the K factor, and other Special Items.

5.4.1.5. In order to separate the financial results between profits attributed to insurance and profits arising from other core activities, the Company splits the "other" segment. The split is made for convenience purposes and the Company views the capital and unattributed segment as a single operating segment.

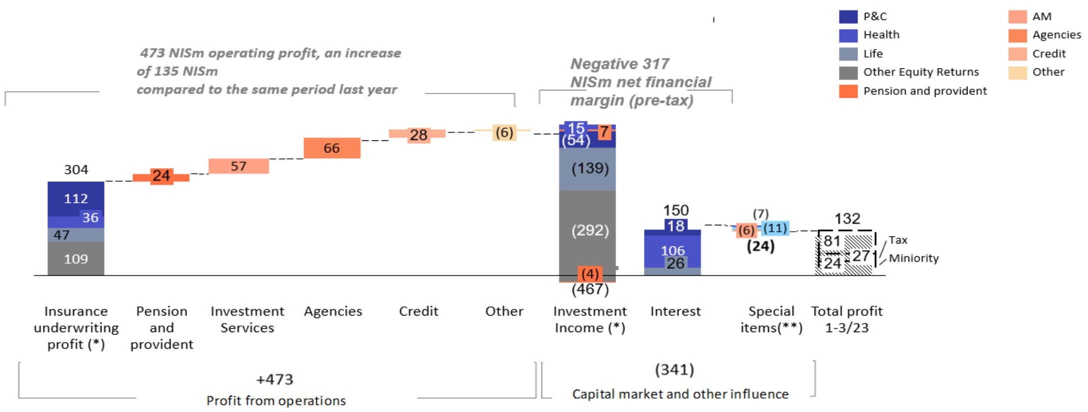
5.4.2. **<u>Set forth below is the composition of the Company's financial performance by segment in the first quarter of 2023 compared with the corresponding quarter last year (in NIS million):</u>**




| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1-3/2022 | (142) | 655 | 164 | (278) | 21 | 22 | 72 | 12 | 3 | (162) | (15) | 352 |
| Diff | 218 | (505) | (241) | 95 | (1) | 29 | 1 | 16 | (9) | 135 | (9) | (271) |

For the effects on the results at the segment level, please see details in Sections 5.5-5.6 below.

5.4.3. **<u>Set forth below is the composition of the sources of the Company's pre-tax income by operating profit and earnings from capital market effects, interest rate and Special Items in the first quarter of 2023 (in NIS million):</u>**




| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1-3/2022 | 202 | 23 | 28 | 70 | 12 | 3 | (667) | 797 | 61 | 529 |
| Diff | 102 | 1 | 29 | (4) | 16 | (9) | 200 | (647) | (85) | (397) |

(*) See Section 5.4.1.

(**) For information about the Special Items at segment level, see Section 5.4.4, and results at segment level in Sections 5.5-5.6 below.

Operating profit after deducting effects of the capital market, Special Items and interest increased by NIS 135 million in the first quarter of the reporting period, compared with the first quarter last year.

In the reporting period, the nominal return from nostro investments was an annualized 1.9%, and the real return in the reporting period was an annualized (2.38%). After transferring annual real return of 3%, and an amount in respect of variable management fees, which is calculated based on the real return, the negative effect of the capital market after the said deduction is NIS 467 million, see Section 5.4.1 regarding the review of sources of earnings.

The total decrease in investment income, in excess of a real return of 3% in the reporting period compared with the corresponding period last year totaled NIS 200 million. The said decrease is in respect of the change in investment income, which decreased in the reporting period (below real return of 3%) by NIS 199 million compared to the corresponding period last year, in view of the slumps in financial markets in Israel and globally, and a NIS 1 million change in non-collection of variable management fees (below real return of 3%) in the first quarter of the reporting period compared to the collection in the corresponding quarter last year, due to the slumps in financial markets in Israel and globally, which caused a decrease in the value of planholders' portfolio in the reporting period compared with the corresponding period last year.

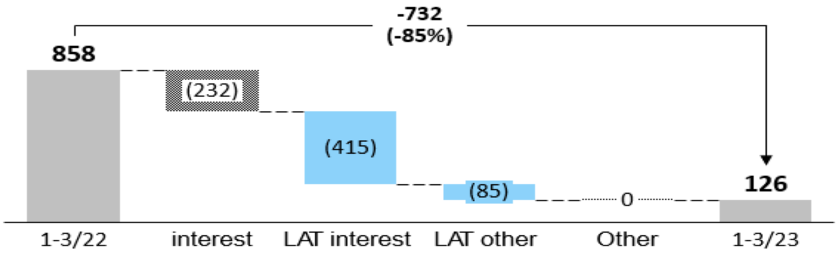
As of March 31, 2023, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 691 million, before tax (as of the report publication date - NIS 637 million before tax).

The decrease in investment income was partially offset against a lesser effect of the risk-free interest rate curve in the reporting period compared with the corresponding period last; this decrease caused a NIS 647 million decrease in insurance reserves in the reporting period, compared with the corresponding period last year. The total net negative effect of the interest and capital market effects (in excess of a real return of 3%) in the reporting period amounted to a pre-tax profit of NIS 317 million as reflected in the above chart.

During the reporting period, the special items line item decreased by NIS 85 million compared to the corresponding period last year; most of the decrease is attributed to recognition of one-off earning as a result of the transfer of the Company's rights in Phoeniclass to The Phoenix Insurance in the corresponding period last year.

For information about the effects on the results at the segment level, please see details in Sections 5.5-5.6 below.

5.4.4. **<u>Following is the composition of the differences between interest effects and main special items on pre-tax insurance liabilities in the first quarter of 2023 compared with the corresponding quarter last year (in NIS million):</u>**




Δ 1-3/22 - 1-3/23

| *Results* | +150 Interest | | (24) Special Items | | |
|---|---|---|---|---|---|
| ***1-3/2023*** | ***44*** | ***106*** | ***4*** | ***(28)*** | ***126*** |
| ***P&C*** | *18* | - | - | - | *18* |
| ***Health*** | - | *106* | *4* | *(11)* | *99* |
| ***Life*** | *26* | - | - | *(11)* | *15* |
| ***Financial Services*** | - | - | - | *(6)* | *(6)* |
| ***1-3/2022*** | ***276*** | ***521*** | ***89*** | ***(28)*** | ***858*** |
| ***P&C*** | *(2)* | - | - | - | *(2)* |
| ***Health*** | - | *521* | *89* | *(3)* | *607* |
| ***Life*** | *278* | - | - | *(19)* | *259* |
| ***Financial Services*** | - | - | - | *(6)* | *(6)* |

5.4.5. **<u>Set forth below are data regarding the Company's return on equity:</u>**

| | 1-3/2023 | 1-3/2022 | 1-12/2022 |
|---|---|---|---|
| Return on shareholders' equity for the period (based on comprehensive income for the period)(*) | 3.3% | 15.5% | 11.4% |
| Adjusted return on shareholders' equity for the period (based on comprehensive income for the period)(**) | 12.4% | 9.8% | 11.9% |

(*) Return on equity is calculated based on the comprehensive income for the period attributable to Company's shareholders, adjusted to reflect a one-year period and divided by the average equity for the period.

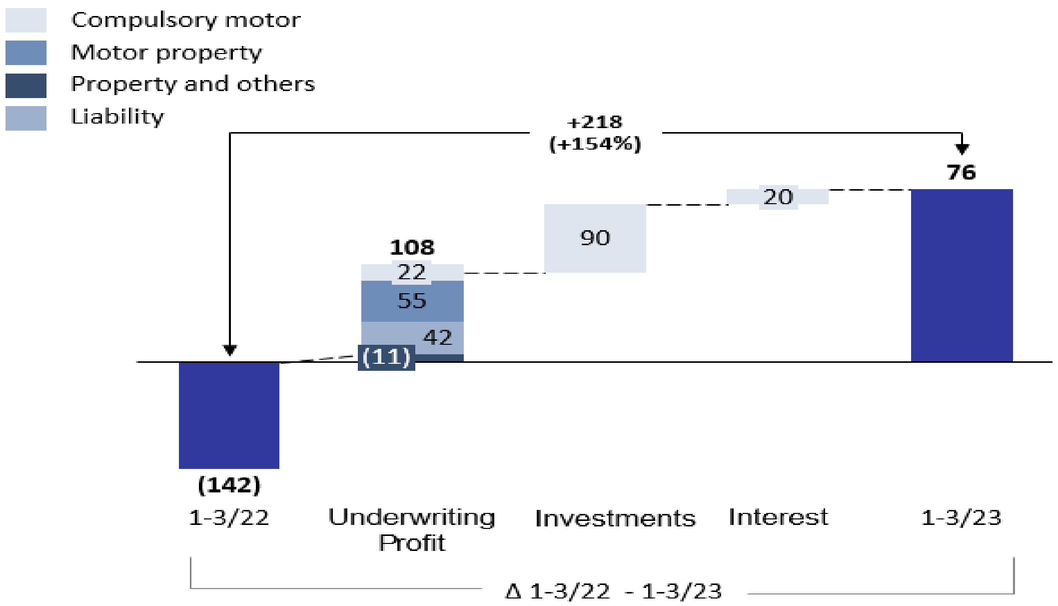
(**) Adjusted return on equity is calculated based on the comprehensive income for the period attributable to Company's shareholders, net of the effect of the capital market and special items (see Section 5.4.1 above), adjusted to reflect a one-year period and divided by the average adjusted equity for the period.

# Following is a description of the developments in the Group's financial performance, by operating segment:

## 5.5. Description of developments in core areas - insurance

### 5.5.1. Property and casualty insurance

**Following is the composition of the main effects and changes on the results of the property and casualty insurance subsegment for the first quarter of 2023 compared to the corresponding quarter last year (in NIS million before tax):**



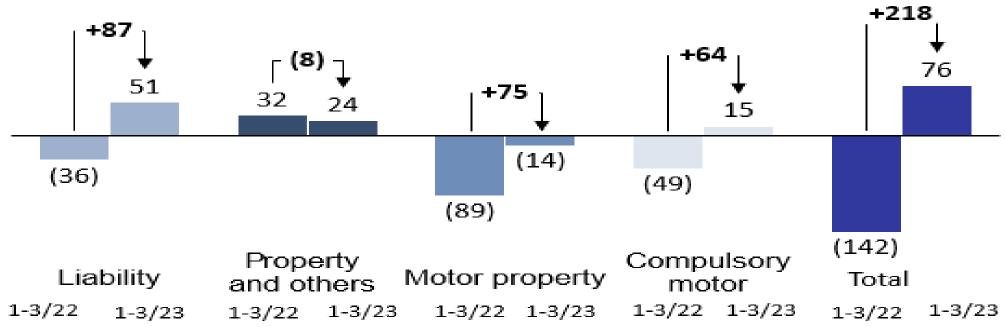

***Results***

| | | | | |
|---|---|---|---|---|
| ***1-3/2023*** | ***112*** | ***(54)*** | ***18*** | ***76*** |
| ***1-3/2022*** | *4* | *(144)* | *(2)* | *(142)* |

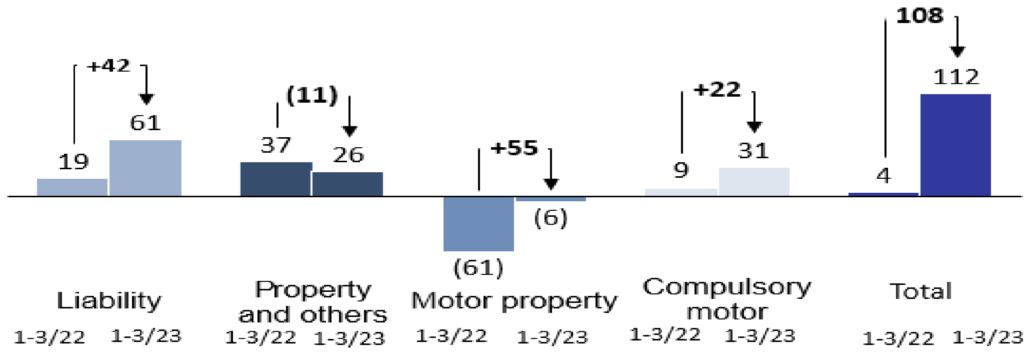
The NIS 108 million increase in underwriting profits in the reporting period compared with the corresponding period last year stems mainly from the compulsory motor insurance subsegment, motor property insurance subsegment, and other liability insurance subsegments; the said profit is offset against a decrease in profitability in other property insurance subsegments.

The NIS 90 million increase in investment income in the reporting period compared with the corresponding period last year stemmed from a lower negative effect in financial markets in Israel and globally during the reporting period, compared with the corresponding period last year, in relation to the mix of the portfolio against the segment's liabilities. The NIS 20 million increase in interest income in the reporting period compared with the corresponding period last year stems mainly from a decrease in insurance liabilities in compulsory motor insurance and from a decrease in liability insurance as a result of an increase in discount rate.

5.5.1.1. **Following is the pre-tax comprehensive income in the various subsegments of property and casualty insurance for the first quarter of 2023 compared with the corresponding quarter last year (in NIS million):**




**Following is the pre-tax underwriting profit (loss) in the various subsegments of property and casualty insurance for the first quarter of 2023 compared with the corresponding quarter last year (in NIS million):**




The increase in underwriting profit in the reporting period compared with the corresponding period last year arises mainly from the motor property subsegment, mainly as a result of an improvement of the damage rate, and from the liability insurance subsegment as a result of a NIS 40 million decrease in insurance liabilities in the Sales Law guarantees subsegment; for more information, see Note 8A(4) to the financial statements. The increase in the compulsory motor insurance subsegment stems mainly from an increase in average premium. On the other hand, some of the increase in profitability was offset against a decrease in profitability of other property insurance subsegments as a result of an increase in the cost of claims in home and business insurance.

5.5.1.2. **Set forth below is the gross loss ratio and combined ratio, and retention loss ratio in the motor property and other subsegments:**

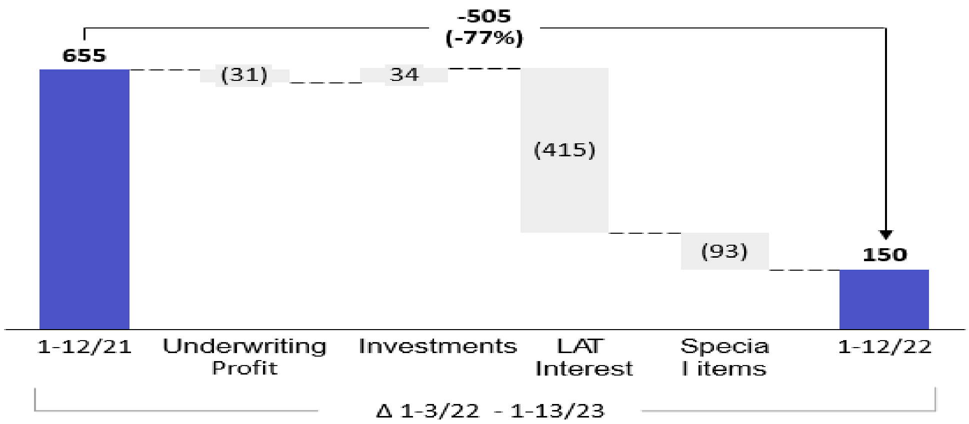
| | Motor property In NIS million | | |
|---|---|---|---|
| | 1-3/2023 | 1-3/2022 | 1-12/2022 |
| Gross loss ratio | 84.0% | 103.6% | 91.0% |
| Retention loss ratio | 84.0% | 103.6% | 91.1% |
| Gross combined ratio | 105.6% | 126.7% | 116.6% |
| Retention combined ratio | 105.6% | 126.7% | 116.6% |

| | Property and other subsegments In NIS million | | |
|---|---|---|---|
| | 1-3/2023 | 1-3/2022 | 1-12/2022 |
| Gross loss ratio | 82.5% | 36.9% | 31.4% |
| Retention loss ratio | 35.8% | 23.0% | 22.5% |
| Gross combined ratio | 109.7% | 61.6% | 58.9% |
| Retention combined ratio | 67.8% | 43.9% | 53.3% |

## 5.5.2. Health insurance

Earnings on investments affects the profitability of this segment, some of whose products (such as long-term care coverage) are characterized by accrual of significant reserves over long periods. Investment earnings are affected by financial market fluctuations, as well as changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on liquid financial asset portfolios held against insurance and contingent claims reserves. It should be noted that at this stage, the Company has ceased to market long-term care insurance policies in view of the guaranteed return in long-term care insurance plans, and the complexity of the related reinsurance in this area.

**Following is a composition of the main effects and changes on the results of the health insurance subsegment for the first quarter of 2023 compared to the corresponding quarter last year (in NIS million):**




***Results***

| | | | | | |
|---|---|---|---|---|---|
| ***1-3/2023*** | ***36*** | ***15*** | ***106*** | ***(7)*** | ***150*** |
| ***1-3/2022*** | *67* | *(19)* | *521* | *86* | *655* |

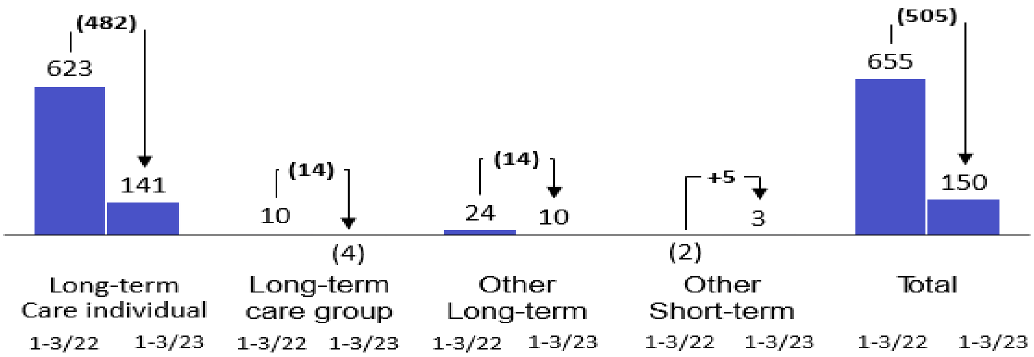
The decrease in underwriting profits in the reporting period compared to the corresponding period last year in the amount of NIS 31 million is mainly due to long-term care insurance policies.

The NIS 34 million increase in investment income in the reporting period compared with the corresponding period last year stemmed mainly from more positive effects in financial markets in Israel and globally, compared with adverse effects in financial markets in Israel and globally in the corresponding period last year, in relation to the mix of the portfolio against the segment's liabilities.

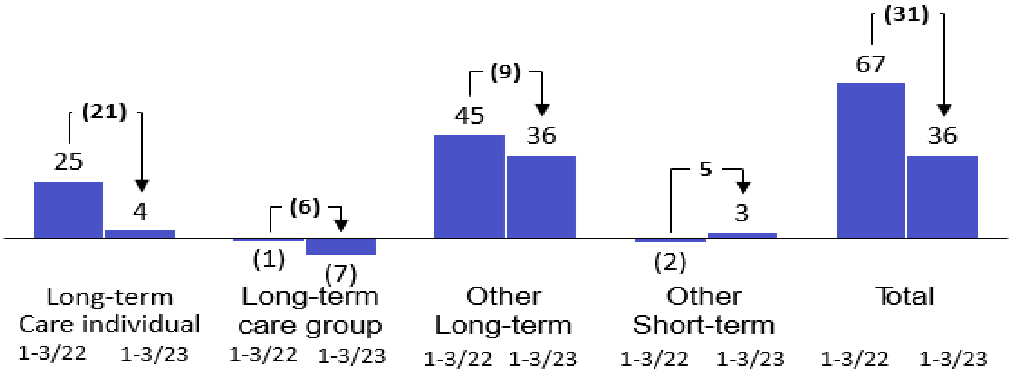
The NIS 415 million decrease in interest income in the reporting period compared with the corresponding period last year stems mainly from a decrease in insurance liabilities that is lower than last year as a result of the effect of lower discount rate in the reporting period compared with the corresponding period last year, and changes in excess value of illiquid assets, which was recognized in LAT.

Furthermore, the results in the reporting period compared with the corresponding period last year were impacted from the NIS 93 million decrease in the special items line item mainly as a result from the recognition of a NIS 99 million one-off earning in the corresponding period last year as a result of the transfer of the Company's rights in Phoeniclass Ltd. to The Phoenix Insurance, which was recognized in LAT as part of the excess value of illiquid assets.

5.5.2.1. **<u>Set forth below is the pre-tax comprehensive income (loss) in the various subsegments of health insurance for the reporting period compared with the corresponding period last year (in NIS million):</u>**



5.5.2.2. **Set forth below is the pre-tax underwriting income (loss) in the various subsegments of health insurance for the reporting period compared with the corresponding period last year (in NIS million):**

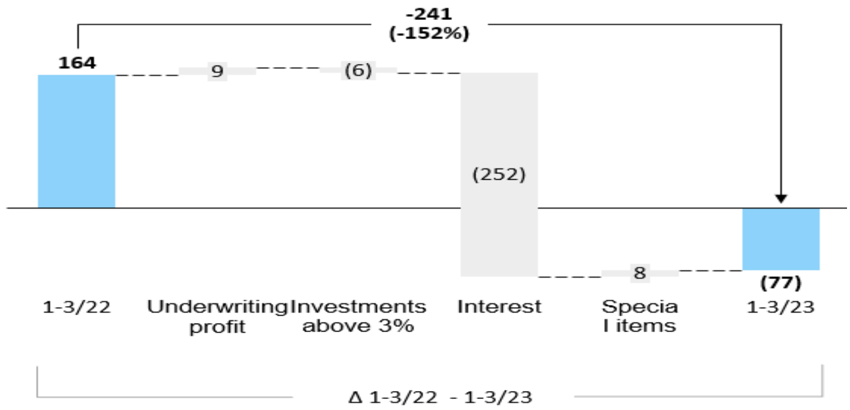



The decrease in underwriting profits in the reporting period compared to the corresponding period last year in the amount of NIS 31 million is mainly due to increase in incidence of claims and decrease in LAT reserve compared with last year.

## 5.5.3. Life insurance and savings

5.5.3.1. Earnings on investments have a material effect on the profitability of this segment, which is characterized by accrual of significant reserves over long periods. Investment earnings are affected by financial market fluctuations, as well as changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on liquid financial asset portfolios held against insurance and contingent claims reserves. It should be noted that a significant portion of the investment income was carried to participating policies and has no direct effect on the Company's results.

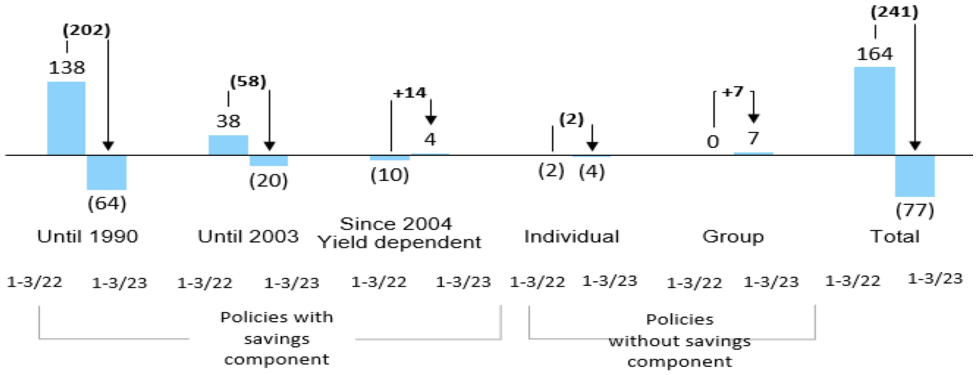
**<u>Following is the composition of the main effects and changes on the results of the life insurance subsegment for the first quarter of 2023 compared to the corresponding quarter last year (in NIS million):</u>**



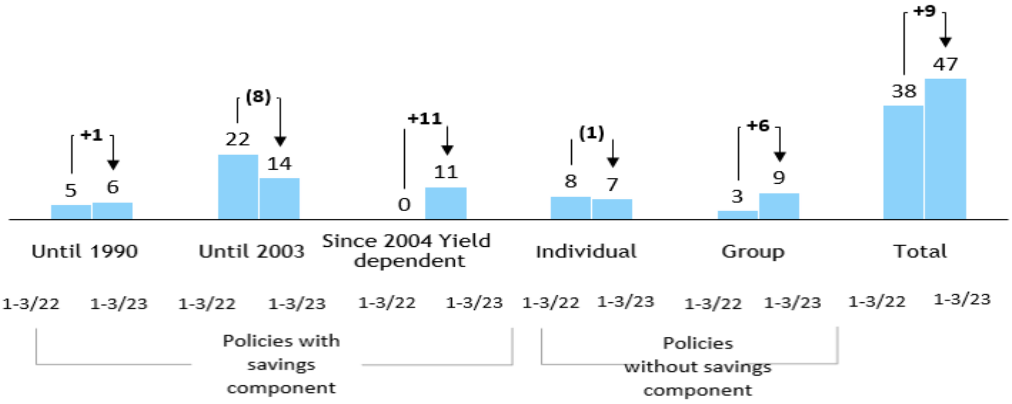

| Results | | | | | |
|---|---|---|---|---|---|
| ***1-3/2023*** | ***47*** | ***(139)*** | ***26*** | ***(11)*** | ***(77)*** |
| ***1-3/2022*** | *38* | *(133)* | *278* | *(19)* | *164* |

The results in the reporting period were affected mainly by a lower effect of a change in the risk-free interest rate curve compared with the corresponding period last year, which led to a NIS 252 million decrease in profit. In addition, the results in the reporting period compared with the corresponding period last year were affected from a NIS 9 million increase in underwriting profit, which stemmed mainly from the increased in fixed management fees, which was offset against an increase in general and administrative expenses. Furthermore, compared with the results in the corresponding period last year, the results in the reporting period were mainly affected by a decrease in investment income; the NIS 6 million decrease in investment income (in excess of real return of 3%) stemmed mainly from a NIS 5 million decrease in income from the nostro portfolio, and from a NIS 1 million decrease in variable management fees (in excess of real return of 3%) as a result of non-collection of variable management fees in the reporting period compared with the collection in the corresponding period last year. As of March 31, 2023, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 691 million, before tax (as of the report publication date - NIS 637 million before tax).

5.5.3.2. **<u>Set forth below is the pre-tax comprehensive income (loss) in the various subsegments of life insurance for the reporting period compared with the corresponding period last year (in NIS million):</u>**




5.5.3.3. **<u>Set forth below is the pre-tax underwriting income (loss) in the various subsegments of life insurance for the reporting period compared with the corresponding period last year (in NIS million):</u>**




The NIS 9 million increase in underwriting profits in the reporting period compared with the corresponding period last year is attributed mainly to an increase in underwriting profits in policies of 2004 and group life insurance policies net of a decrease in underwriting profits in policies issued through 2003.

5.5.3.4. The rate of redemptions out of the average reserve (in annual terms) was approximately 5.9% compared with 4.6% in the corresponding period last year. The increase stems mainly from increase in cancellations of investment policies due to changes in the capital market and from internal transfers to The Phoenix Pension and Provident's provident funds. It should be noted that the general state of the economy, transition from product to product, employment rates, employees' wages, and market competition all affect this rate.

5.5.3.5. Set forth below are details concerning estimated net investment earnings attributed to policyholders of yield-dependent insurance policies and management fees calculated according to the Insurance Commissioner's guidelines, based on the return and the insurance reserves balances:

| | 1-3/2023 | 1-3/2022 | 1-12/2022 |
|---|---|---|---|
| | In NIS million | | |
| Investment gains (losses) credited to policyholders net of management fees | 671 | (1,170) | (6,325) |
| Management fees | 149 | 151 | 591 |

(*) Excluding investment gains credited (debited) to policyholders in the health insurance segment.

#### 5.5.3.6. Weighted returns on participating policies

Set forth below are the nominal returns on participating policies in respect of policies issued from 1992 to 2003:

| | Policies issued up to 2004 (Fund J) | | |
|---|---|---|---|
| | 1-3/2023 | 1-3/2022 | 1-12/2022 |
| Nominal returns before payment of management fees | 0.43% | (0.91%) | (5.69%) |
| Nominal returns after payment of management fees | 0.28% | (1.06%) | (6.29%) |
| Real returns before payment of management fees | (0.65%) | (2.06%) | (10.42%) |
| Real returns after payment of management fees | (0.79%) | (2.21%) | (10.99%) |

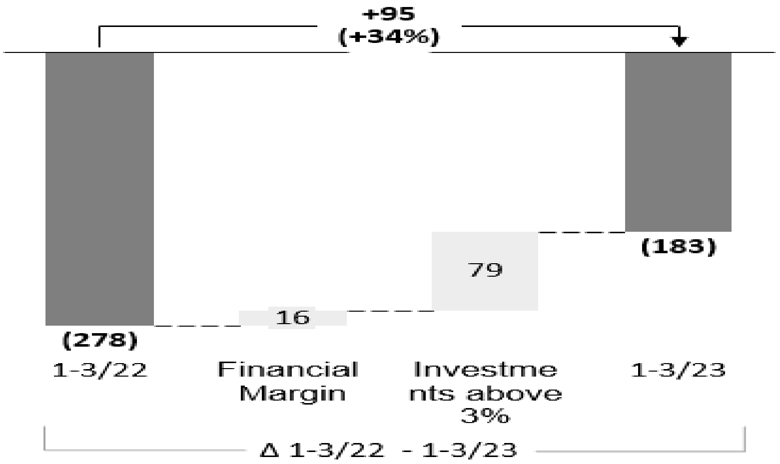
Fluctuations in these returns are a function of capital market returns in Israel and abroad, changes in the consumer price index, and changes in the exchange rate of the shekel against major currencies.

#### 5.5.3.7. Set forth below are the nominal returns on yield-dependent policies in respect of policies issued from 2004 and thereafter

| | Policies issued from 2004 and thereafter | | |
|---|---|---|---|
| | 1-3/2023 | 1-3/2022 | 1-12/2022 |
| Nominal returns before payment of management fees | 0.81% | (1.24%) | (6.64%) |
| Nominal returns after payment of management fees | 0.58% | (1.47%) | (7.49%) |
| Real returns before payment of management fees | (0.27%) | (2.38%) | (11.32%) |
| Real returns after payment of management fees | (0.49%) | (2.61%) | (12.13%) |

### 5.5.4. Capital gains - other

**<u>Set forth below is the composition of the main effects and changes of other capital gains for the first quarter of 2023 compared to the corresponding quarter last year (in NIS million):</u>**




| Results | | | |
|---|---|---|---|
| **1-3/2023** | **109** | **(292)** | **(183)** |
| **1-3/2022** | 93 | (371) | (278) |

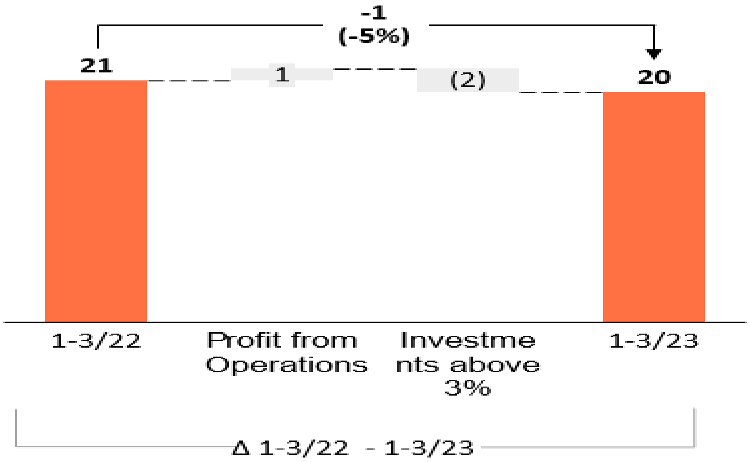
The NIS 95 million decrease in loss in other capital gains in the reporting period compared with the corresponding period last year stems mainly from lower declines in financial markets in Israel and globally compared with the corresponding period last year.

## 5.6. Description of developments in other core activities

### 5.6.1. The field of asset management - pension and provident

The Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident Fund. In addition, the Group manages - through Halman-Aldubi IEC Gemel Ltd. - the central provident fund for annuity of Israel Electric Corporation employees. As of the report date, the Company holds - directly and indirectly - 100% of the shares of The Phoenix Pension and Provident, and 100% of the shares of Halman-Aldubi IEC Gemel Ltd.

**<u>Set forth below is the composition of the main effects and changes on the results of the asset management - pension and provident segment for the first quarter of 2023 compared to the corresponding quarter last year (in NIS million):</u>**




***Results***

| | | | |
|---|---|---|---|
| ***1-3/2023*** | ***24*** | ***(4)*** | ***20*** |
| *1-3/2022* | *23* | *(2)* | *21* |

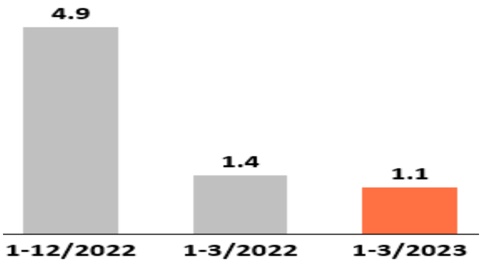
### 5.6.1.1. Provident funds subsegment

The Group manages provident and advanced education funds through The Phoenix Pension and Provident, a wholly owned subsidiary of the Company, which manages benefits and severance pay funds, advanced education funds, a central benefits and severance pay fund, a yield-guaranteed provident fund, an investment provident fund, a child long-term investment provident fund for savings, a self-directed benefits provident fund, and a personally managed advanced education fund.

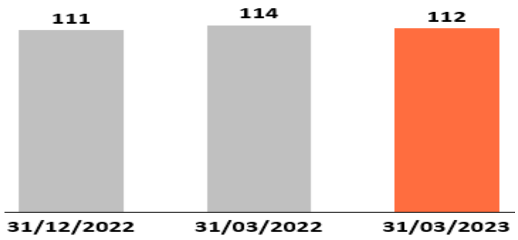
The pre-tax comprehensive income in the reporting period amounted to approximately NIS 17 million compared to approximately NIS 17 million during the corresponding period last year.

**Set forth below are developments in contributions towards benefits and total assets under management:**

**Contributions towards benefits (NIS billion)**




**Assets under management (NIS billion)**




Based on Ministry of Finance data,[5] aggregate contributions towards benefits in the provident funds subsegment in the first quarter of 2023 totaled approximately NIS 11.6 billion, compared to a total of approximately NIS 14.9 billion in the corresponding quarter last year, reflecting a decrease of approximately 22.14%. According to the Ministry of Finance data, as of March 31, 2023, total aggregate assets under management in the provident funds subsegment amounted to approximately NIS 656 billion, compared to approximately NIS 682 billion as of March 31, 2022, a decrease of approximately 3.79%.

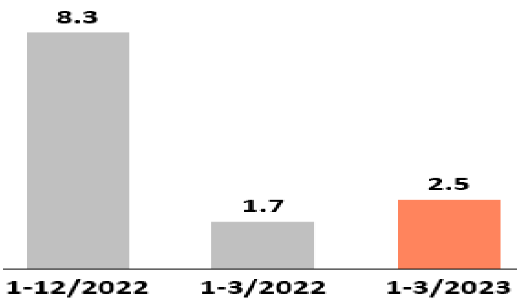
### 5.6.1.2. Pension funds subsegment

The Group's pension subsegment is conducted through The Phoenix Pension and Provident, a wholly-owned subsidiary of the Company.

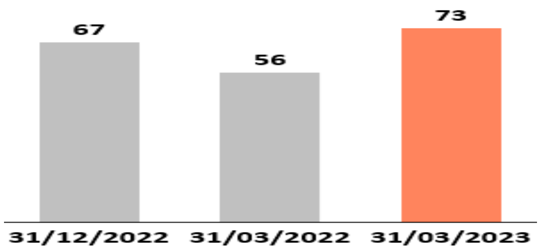
The pre-tax earnings in the reporting period amounted to NIS 4 million compared with pre-tax earnings of NIS 11 million in the corresponding period last year.

**Set forth below are developments in contributions towards benefits and total assets under management:**

**Contributions towards benefits (NIS billion)**




**Assets under management (NIS billion)**




[5] Based on Gemel Net data.

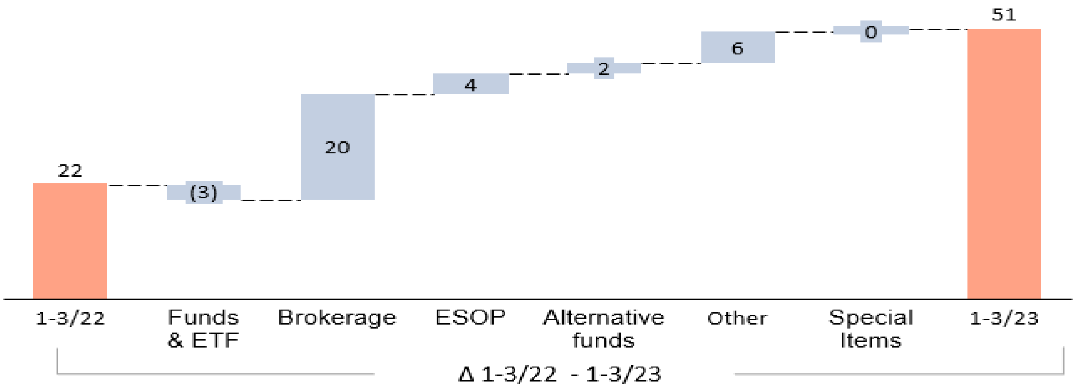
Based on Ministry of Finance data,[6] aggregate contributions towards benefits in the new comprehensive pension funds subsegment in the first quarter of 2023 totaled approximately NIS 15.7 billion, compared to a total of approximately NIS 13.4 billion in the corresponding quarter last year, reflecting an increase of approximately 17.4%.

According to Ministry of Finance data, as of March 31, 2023, total assets under management in the new comprehensive pension funds subsegment amounted to a total of approximately NIS 631 billion, compared to approximately NIS 587 billion on March 31, 2022, an increase of approximately 7.4%.

### 5.6.2. Investment management - financial services

The activity in this area is carried out mainly through The Phoenix Investment House (formerly - Excellence Investments), and as from June 30, 2022 partly through The Phoenix Advanced Investments. For more information about the completion of the merger of KSM ETN Holdings Ltd. with The Phoenix Investment House in January 2023, see Note 8 to the financial statements.

**Following is the composition of the main effects and changes on the results of the financial services segment for the first quarter of 2023 compared to the corresponding quarter last year (in NIS million):**




***Results***

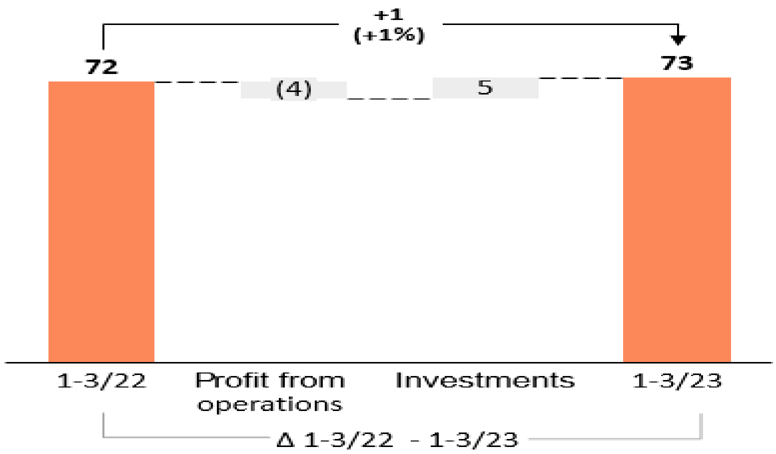
| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***1-3/2023*** | **13** | **31** | **4** | **3** | **6** | **(6)** | **51** |
| ***1-3/2022*** | 16 | 11 | - | 1 | - | (6) | 22 |

The NIS 29 million increase in profits in the reporting period compared with the corresponding period last year arises mainly from an improvement in the profitability of the TASE Member, which was partially offset against non-collection of variable management fees in funds.

[6] Based on Pension Net data.

### 5.6.3. The insurance agencies segment

**Following is the composition of the main effects and changes on the results of the insurance agencies segment for the first quarter of 2023 compared to the corresponding quarter last year (in NIS million):**



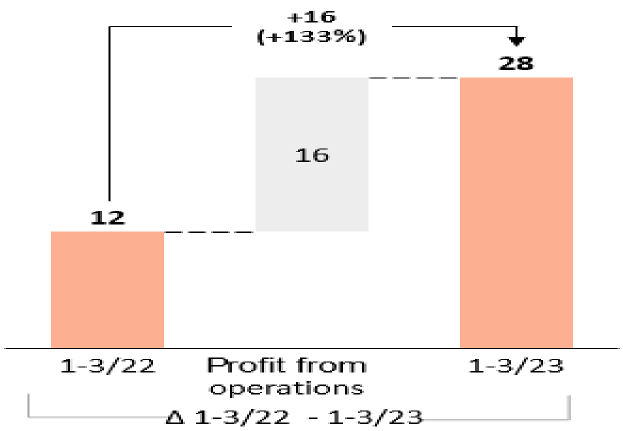

***Results***

| | | | |
|---|---|---|---|
| ***1-3/2023*** | ***66*** | ***7*** | ***73*** |
| ***1-3/2022*** | *70* | *2* | *72* |

In the reporting period, the growth rate declined due to a decrease in recruitment of new employees in Israel, which led to a decline in one-off agents' commissions. As to the option of introducing an international partner to The Phoenix Agencies, see Section 1.3.6(c) above.

### 5.6.4. The Credit Segment

**Set forth below is the composition of the main effects and changes on the results of the credit segment for the first quarter of 2023 compared to the corresponding quarter last year (in NIS million):**




***Results***

| | | |
|---|---|---|
| ***1-3/2023*** | ***28*** | ***28*** |
| ***1-3/2022*** | *12* | *12* |

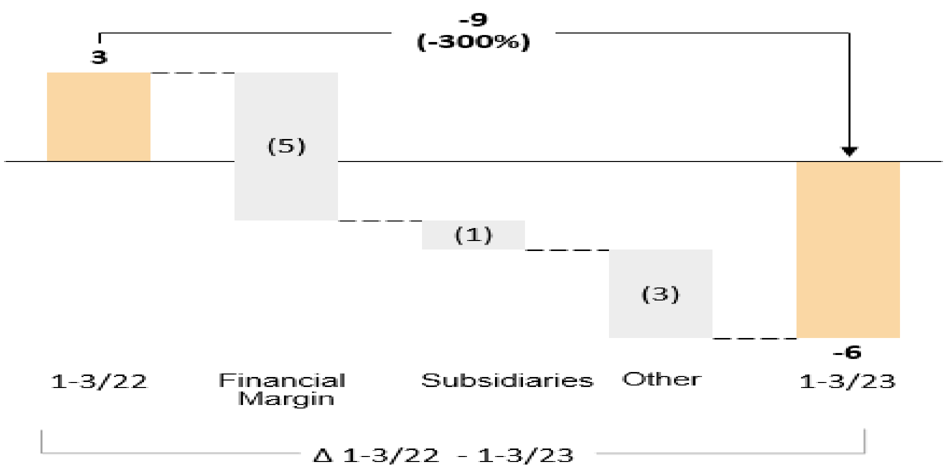
The increase in operating profit in the reporting period compared with the corresponding period last year stems mainly from an increase in activity turnovers and an increase in credit spreads in the reporting period compared with the corresponding period last year.

Gama continued to consistently expand the credit card activity as well as the business credit portfolio and guarantee activity. As part of the Company's responsible growth strategy, and in view of the macroeconomic picture that is reflected in significant interest rate hikes in Israel, Gama reduced its checks factoring activity.

Gama's credit losses in the first quarter amounted to NIS 2.7 million, of which NIS 1.9 million are in respect of a general provision for debts in the credit portfolio, which are ordinary debts.

### 5.6.5. Other segments and operation not attributed to the operating segments

**<u>Following is the composition of the main effects and changes on the results of "other" segment and activity that is not attributed to activity segments in the first quarter of 2023 compared to the corresponding quarter last year (in NIS million before tax):</u>**




| Results | | | | |
|---|---|---|---|---|
| ***1-3/2023*** | ***3*** | ***(1)*** | ***(8)*** | ***(6)*** |
| ***1-3/2022*** | *8* | *-* | *(5)* | *3* |

The results in the reporting period compared with last year were mainly affected by a NIS 5 million decrease in the financial margin.

## 5.7. Analysis of cash flow development

### 5.7.1. Cash flow for the first quarter of 2023

The consolidated cash flows used for operating activities in the reporting period amounted to approximately NIS 867 million. The consolidated cash flows used in investing activities in the reporting period amounted to approximately NIS 230 million and included mainly a total of NIS 83 million used to purchase property, plant, and equipment, NIS 83 million used to purchase and to capitalize costs of intangible assets, and a total of NIS 48 million used to acquire consolidated companies, which were consolidated for the first time.

The consolidated cash flows provided by financing activities in the reporting period amounted to approximately NIS 705 million; the cash flows included, among other things, a total of NIS 1,045 million arising from a REPO liability, a total of NIS 479 million used to repay financial liabilities, and a total of NIS 148 million arising from issuance of financial liabilities.

The Group's cash and cash-equivalent balances increased from a total of approximately NIS 19,798 million at the beginning of the reporting period to approximately NIS 19,407 million at the end of the reporting period.

### 5.7.2. **Financing and liquidity sources**

For liquidity purposes, the Company relies, among other things, on net financial assets and on distribution of dividends by some of its investees. Set forth below is a breakdown of the material investees for liquidity purposes.

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

A. The Phoenix Insurance - the dividends from The Phoenix Insurance depend on the solvency ratio target set by the Board of Directors, which is higher than the minimum target set by the Banking Supervision Department; the dividends also depend on the policy set by the Board of Directors of The Phoenix Insurance, see Section 2.1 above.
For the purpose of making a conservative assessment of the Company's future cash flows, the Company assumes a payment of dividend by The Phoenix Insurance to the Phoenix Holdings in accordance with the work plan.
The Company considers its holding in a Restricted Tier 1 capital instrument of The Phoenix Insurance, which is traded on the TACT-Institutionals trading platform as a source of liquidity, and classifies this holding as a financial investment.

B. The Phoenix Pension and Provident - the dividend paid by The Phoenix Pension and Provident depend on the capital requirements set by the Banking Supervision Department, and on The Phoenix Pension and Provident's dividend distribution policy. The Company does not expect payment of dividend by The Phoenix Pension and Provident in the next two years. However, for purposes of the future cash flow, the Company takes into account the repayment of the loan it extended to The Phoenix Pension and Provident.

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

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

B. The Phoenix Investments - the Company presents the net financial assets of The Phoenix Investments as part of its net financial assets. The Company assumes a payment of dividend by Excellence to The Phoenix Investments in accordance with the work plan.

It should be noted that such work plans are reflected in the Company's targets as stated in Section 4 above.

Set forth below is a table providing a breakdown of the net financial debt (the table includes the following companies: the Company, The Phoenix Investments and The Phoenix Agencies (for information regarding the restructuring in The Phoenix Agencies, see Section 1.3.6 above) and does not include The Phoenix Insurance and The Phoenix Pension and Provident, which are subject to Regulatory Restrictions in addition to the distribution restrictions set out in the Companies Law, 1999):

| | As of March 31 2023 | As of March 31 2022 | As of December 31 2022 |
|---|---|---|---|
| | NIS thousand | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 179 | 151 | 160 |
| Other financial investments | 1,233 | 1,087 | 1,158 |
| **Total assets** | 1,411 | 1,238 | 1,319 |
| Less current maturities | | | |
| Financial liabilities - current (*) | 36 | 45 | 35 |
| **Current financial assets net of current maturities** | **1,375** | **1,193** | **1,284** |
| **Non-current financial liabilities** | | | |
| Non-current financial liabilities | 1,654 | 1,429 | 1,496 |
| Other liabilities | 10 | 5 | 10 |
| **Total liabilities** | 1,664 | 1,434 | 1,506 |
| **Net financial debt** | **(289)** | **(241)** | **(222)** |
| **LTV (**)** | **3%** | **2%** | **2%** |

(*) The other financial investments include an investment in a Restricted Tier 1 capital instrument of The Phoenix Insurance, which has been listed since April 2023, amounting to NIS 1,008 million (fair value as of March 31, 2023 - NIS 750 million). Stock exchange value as of May 28, 2023 is NIS 978 million.

(**) The Company LTV is calculated as net financial debt as described above, in relation to the Company's market value as of March 31, 2023. For the calculation of LTV in accordance with financial covenants, please see Section 9.2 below.

## 6. Disclosure on Exposure to, and Management of, Market Risks

Generally, during the reporting period there were no material changes in the exposure to market risks and the manner of management of those risks compared to what is described in the 2022 Periodic Report.

## Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of March 31, 2023

| | NIS | | Foreign currency | Other non-monetary items | pension companies in | Credit company in Israel | ETNs - linkage to various indices | Israeli insurance company | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Non-linked | CPI-linked | | | | | | | |
| Intangible Assets | - | - | - | 1,779,160 | 455,956 | 9,489 | - | 816,036 | 3,060,641 |
| Deferred tax assets | - | - | - | 70,422 | 1,087 | 8,986 | - | 1,312 | 81,807 |
| Deferred acquisition costs | - | - | - | 3,237 | 977,515 | - | - | 1,613,306 | 2,594,058 |
| Property, plant & equipment | - | - | - | 142,856 | 2,202 | 9,292 | - | 1,017,412 | 1,171,762 |
| Investments in investees | 22,947 | 19,423 | - | 140,063 | - | - | - | 1,435,963 | 1,618,396 |
| Investment property in respect of yield-dependent contracts | - | - | - | - | - | - | - | 2,141,480 | 2,141,480 |
| Investment property - other | - | - | - | - | - | - | - | 1,147,883 | 1,147,883 |
| Reinsurance assets | - | - | - | - | - | - | - | 3,379,199 | 3,379,199 |
| Credit for purchase of securities | 642,000 | - | 67,000 | - | - | - | - | - | 709,000 |
| Current tax assets | - | 28,647 | - | - | 60 | - | - | 204,684 | 233,391 |
| Receivables and debit balances | 402,942 | 19,423 | 11,217 | - | 52,274 | 8,522 | - | 568,651 | 1,063,029 |
| Premiums collectible | - | - | - | - | - | - | - | 979,632 | 979,632 |
| Financial investments in respect of yield-dependent contracts | - | - | - | - | - | - | - | 78,230,894 | 78,230,894 |
| Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds | - | - | - | - | - | - | 185,000 | - | 185,000 |
| Credit in respect of factoring, clearing and financing | - | - | - | - | - | 3,438,779 | - | - | 3,438,779 |
| Liquid debt assets | 63,940 | 12,368 | 512 | - | 143,590 | - | - | 5,745,414 | 5,965,824 |
| Illiquid debt assets | 476,539 | 531,758 | 89,140 | - | 913,805 | 12,735 | - | 15,253,949 | 17,277,926 |
| Shares | - | - | - | 496,652 | 17,687 | - | - | 1,787,152 | 2,301,491 |
| Other | 499 | - | 51,740 | 36,889 | 51,751 | - | - | 5,214,738 | 5,355,617 |
| Cash and cash equivalents in respect of yield-dependent contracts | - | - | - | - | - | - | - | 17,139,322 | 17,139,322 |
| Other cash and cash equivalents | 364,716 | - | 41,000 | - | 129,120 | 16,538 | - | 1,716,149 | 2,267,523 |
| | | | | | - | - | | | |
| **Total assets** | **1,973,583** | **611,619** | **260,609** | **2,669,279** | **2,745,047** | **3,504,341** | **185,000** | **138,393,176** | **150,342,654** |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | - | - | - | - | 1,030,382 | - | - | 25,078,821 | 26,109,203 |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | - | - | - | - | - | - | - | 94,607,050 | 94,607,050 |
| Liabilities in respect of deferred taxes | - | - | - | 44,679 | 79,280 | - | - | 447,091 | 571,050 |
| Liability for employee benefits, net | 23,532 | - | - | - | - | 4,159 | - | 45,801 | 73,492 |
| Liability in respect of current taxes | - | 42,807 | - | - | 2,180 | 5,557 | - | 332 | 50,876 |
| Payables and credit balances | 559,143 | - | 1,435 | - | 571,954 | 47,600 | - | 2,193,253 | 3,373,385 |
| Liabilities for bonds, ETNs, short ETNs, composite ETNs and structured bonds | - | - | - | - | - | - | 185,457 | - | 185,457 |
| Payable dividend | - | - | - | - | - | - | - | 177,172 | 177,172 |
| Financial liabilities (*) | 2,464,850 | 1,134,073 | 119,000 | - | 3,253 | 2,974,757 | - | 8,082,744 | 14,778,677 |
| **Total liabilities** | **3,047,525** | **1,176,880** | **120,435** | **44,679** | **1,687,049** | **3,032,073** | **185,457** | **130,632,264** | **139,926,362** |
| **Total exposure** | **(1,073,942)** | **(565,261)** | **140,174** | **2,624,600** | **1,057,998** | **472,268** | **(457)** | **7,760,912** | **10,416,292** |

(*) Against CPI-linked financial liabilities, the Company holds The Phoenix Insurance's Bonds (Series L), which is CPI-linked.

## Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of March 31, 2022

| | NIS | | Foreign currency | Other non-monetary items | pension companies in | companies in Israel | ETNs - linkage to various indices | Israeli insurance company | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Non-linked | CPI-linked | | | | | | | |
| Intangible Assets | - | - | - | 1,616,227 | 458,663 | 5,162 | - | 743,107 | 2,823,159 |
| Deferred tax assets | - | - | - | 63,478 | 121 | 5,480 | - | - | 69,079 |
| Deferred acquisition costs | - | - | - | - | 607,748 | - | - | 1,548,520 | 2,156,268 |
| Property, plant & equipment | - | - | - | 167,611 | 23,007 | 8,979 | - | 715,387 | 914,984 |
| Investments in investees | 28,039 | 16,208 | 6,170 | 69,371 | - | 59 | - | 1,198,431 | 1,318,278 |
| Investment property in respect of yield-dependent contracts | - | - | - | - | - | - | - | 1,992,223 | 1,992,223 |
| Investment property - other | - | - | - | - | - | - | - | 1,086,264 | 1,086,264 |
| Reinsurance assets | - | - | - | - | - | - | - | 2,963,027 | 2,963,027 |
| Credit for purchase of securities | 491,930 | - | 61,070 | - | - | - | - | - | 553,000 |
| Current tax assets | - | 33,945 | - | - | 475 | 5,102 | - | 91 | 39,613 |
| Receivables and debit balances | 303,821 | - | - | - | 58,860 | 11,809 | - | 385,748 | 760,238 |
| Premiums collectible | - | - | - | - | - | - | - | 845,689 | 845,689 |
| Held-for-sale assets of disposal group | - | - | - | - | - | - | - | - | - |
| Financial investments in respect of yield-dependent contracts | - | - | - | - | - | - | - | 81,985,844 | 81,985,844 |
| Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds | - | - | - | - | - | - | 193,000 | - | 193,000 |
| Credit in respect of factoring, clearing and financing | - | - | - | - | - | 2,711,171 | - | - | 2,711,171 |
| Liquid debt assets | 12,573 | 6,611 | 1,407 | - | 58,460 | - | - | 6,313,485 | 6,392,536 |
| Illiquid debt assets | 543,894 | 208,995 | - | - | 948,524 | 11,501 | - | 13,216,906 | 14,929,820 |
| Shares | - | - | - | 115,180 | 28,404 | - | - | 2,485,923 | 2,629,507 |
| Other | - | - | 13,240 | 36,141 | 35,667 | - | - | 4,377,963 | 4,463,011 |
| Cash and cash equivalents in respect of yield-dependent contracts | - | - | - | - | - | - | - | 13,241,894 | 13,241,894 |
| Other cash and cash equivalents | 386,494 | - | 61,000 | - | 83,117 | 10,232 | - | 2,839,619 | 3,380,462 |
| **Total assets** | **1,766,751** | **265,759** | **142,887** | **2,068,008** | **2,303,046** | **2,769,495** | **193,000** | **135,940,121** | **145,449,067** |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | - | - | - | - | 965,270 | - | - | 24,007,538 | 24,972,808 |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | - | - | - | - | - | - | - | 96,603,955 | 96,603,955 |
| Liabilities in respect of deferred taxes | - | - | - | 60,793 | 70,186 | - | - | 540,256 | 671,235 |
| Liability for employee benefits, net | 21,026 | - | - | - | 1,599 | 5,850 | - | 54,195 | 82,670 |
| Liability in respect of current taxes | - | 13,569 | - | - | 3,542 | 1,553 | - | 204,499 | 223,163 |
| Payables and credit balances | 425,289 | - | - | - | 247,139 | 16,415 | - | 2,333,305 | 3,022,148 |
| Liabilities for bonds, ETNs, short ETNs, composite ETNs and structured bonds | - | - | - | - | - | - | 192,000 | - | 192,000 |
| Payable dividend | - | - | - | - | - | - | - | 421,000 | 421,000 |
| Financial liabilities (*) | 1,465,060 | 1,174,652 | 81,000 | - | 25,961 | 2,448,168 | - | 4,251,200 | 9,446,041 |
| Held-for-sale liabilities of disposal group | - | - | - | - | - | - | - | - | - |
| **Total liabilities** | **1,911,375** | **1,188,221** | **81,000** | **60,793** | **1,313,697** | **2,471,986** | **192,000** | **128,415,948** | **135,635,020** |
| **Total exposure** | **(144,624)** | **(922,462)** | **61,887** | **2,007,215** | **989,349** | **297,509** | **1,000** | **7,524,173** | **9,814,047** |

(*) Against CPI-linked financial liabilities, the Company holds The Phoenix Insurance's Bonds (Series L), which is CPI-linked.

## Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of December 31, 2022

| | NIS | | Foreign currency | Other non-monetary items | pension companies in | Credit company in Israel | ETNs - linkage to various indices | Israeli insurance company | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Non-linked | CPI-linked | | | | | | | |
| Intangible Assets | - | - | - | 1,718,822 | 459,186 | 8,362 | - | 805,156 | 2,991,526 |
| Deferred tax assets | - | - | - | 63,261 | 1,250 | 8,138 | - | - | 72,649 |
| Deferred acquisition costs | - | - | - | 3,598 | 897,824 | - | - | 1,551,961 | 2,453,383 |
| Property, plant & equipment | - | - | - | 180,965 | 2,276 | 8,534 | - | 959,668 | 1,151,443 |
| Investments in investees | 15,014 | 19,409 | - | 124,838 | - | - | - | 1,434,476 | 1,593,737 |
| Investment property in respect of yield-dependent contracts | - | - | - | - | - | - | - | 2,142,074 | 2,142,074 |
| Investment property - other | - | - | - | - | - | - | - | 1,147,899 | 1,147,899 |
| Reinsurance assets | - | - | - | - | - | - | - | 3,172,249 | 3,172,249 |
| Credit for purchase of securities | 673,790 | - | 91,210 | - | - | - | - | - | 765,000 |
| Current tax assets | - | 33,610 | - | - | - | - | - | 124,225 | 157,835 |
| Receivables and debit balances | 138,963 | - | 5,805 | - | 51,000 | 12,896 | - | 521,629 | 730,293 |
| Held-for-sale asset | - | - | - | 18,387 | - | - | - | - | 18,387 |
| Premiums collectible | - | - | - | - | - | - | - | 757,329 | 757,329 |
| Financial investments in respect of yield-dependent contracts | - | - | - | - | - | - | - | 77,394,271 | 77,394,271 |
| Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds | - | - | - | - | - | - | 201,000 | - | 201,000 |
| Credit in respect of factoring, clearing and financing | - | - | - | - | - | 3,443,337 | - | - | 3,443,337 |
| Liquid debt assets | 7,888 | 6,418 | 552 | - | 118,687 | - | - | 5,526,350 | 5,659,895 |
| Illiquid debt assets | 391,000 | 428,506 | 40,000 | - | 894,368 | 10,711 | - | 14,696,915 | 16,461,500 |
| Shares | - | - | - | 513,300 | 19,364 | - | - | 1,869,608 | 2,402,272 |
| Other | 400 | - | 35,439 | 27,152 | 49,650 | - | - | 4,890,182 | 5,002,823 |
| Cash and cash equivalents in respect of yield-dependent contracts | - | - | - | - | - | - | - | 16,358,509 | 16,358,509 |
| Other cash and cash equivalents | 455,507 | - | 14,000 | - | 197,177 | 20,269 | - | 2,752,813 | 3,439,766 |
| | | | | | - | - | | | |
| **Total assets** | **1,682,562** | **487,943** | **187,006** | **2,650,323** | **2,690,782** | **3,512,247** | **201,000** | **136,105,314** | **147,517,177** |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | - | - | - | - | 1,016,001 | - | - | 24,442,495 | 25,458,496 |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | - | - | - | - | - | - | - | 94,042,093 | 94,042,093 |
| Liabilities in respect of deferred taxes | - | - | - | 54,652 | 75,085 | - | - | 460,160 | 589,897 |
| Liability for employee benefits, net | 19,149 | - | - | - | - | 5,478 | - | 42,040 | 66,667 |
| Liability in respect of current taxes | - | 32,333 | - | - | 23,024 | 9,251 | - | 185 | 64,793 |
| Payables and credit balances | 392,948 | - | 739 | - | 443,402 | 45,095 | - | 2,573,387 | 3,455,571 |
| Liabilities for bonds, ETNs, short ETNs, composite ETNs and structured bonds | - | - | - | - | - | - | 200,698 | - | 200,698 |
| Payable dividend | - | - | - | - | - | - | - | - | - |
| Financial liabilities (*) | 2,043,986 | 1,198,421 | 108,000 | - | 4,733 | 2,986,569 | - | 6,763,855 | 13,105,564 |
| **Total liabilities** | **2,456,083** | **1,230,754** | **108,739** | **54,652** | **1,562,245** | **3,046,393** | **200,698** | **128,324,215** | **136,983,779** |
| **Total exposure** | **(773,521)** | **(742,811)** | **78,267** | **2,595,671** | **1,128,537** | **465,854** | **302** | **7,781,099** | **10,533,398** |

(*) Against CPI-linked financial liabilities, the Company holds The Phoenix Insurance's Bonds (Series L), which is CPI-linked.

# 8. Corporate Governance Aspects

## 8.1. Effectiveness of Internal Control over Financial Reporting and Disclosure

### 8.1.1. The Securities Regulations

Amendment No. 3 to the Securities Regulations (Periodic and Immediate Reports), 2009 (hereinafter - "ISOX"), which deals with internal controls over financial reporting and the disclosure thereof (hereinafter - the "**Regulations**"), was published in December 2009. The amendment enacts a number of changes aimed at improving the quality of financial reporting and disclosure by reporting corporations.

As from the publication date of the ISOX amendment, and as set out in the Company's previous Reports of the Board of Directors, the Company has acted and is acting on an ongoing basis to implement the required procedure in The Phoenix group in accordance with the provisions of the ISOX amendment. In accordance with the provisions of the ISOX amendment, the Company opted to implement to the internal controls of all of its consolidated institutional entities the provisions of the Commissioner's circulars applicable thereto - the Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Control over Financial Reporting"; Institutional Entities Circular 2010-9-6, "Management's Responsibility for Internal Control over Financial Reporting - Amendment"; Circular 2010-9-7 "Internal Control over Financial Reporting - Statements, Reports and Disclosures" (hereinafter - "**Management's Responsibility Circulars**").

The reports and statements required in accordance with the ISOX amendment are attached below to the periodic Financial Statements, please see Part 5 - Report on the Effectiveness of Internal Controls over Financial Reporting and Disclosure.

The processes relating to the activities of institutional entities are also addressed in the Insurance Commissioner's Circulars, please see Section 8.1.2 below.

### 8.1.2. The Insurance Commissioner's Circulars

Alongside the process described in Section 8.1.1 above, The Phoenix group's institutional entities apply the provisions of Management's Responsibility Circulars pertaining to controls and procedures regarding disclosure and internal controls over financial reporting of an institutional entity, and implement the procedures required in connection therewith, as described below; this is done in accordance with the stages and dates set out in the above-mentioned circulars and in collaboration with external consultants engaged for that purpose. As part of this process, the Group's institutional entities adopted the internal control model of COSO - the Committee of Sponsoring Organization of the Treadway Commission - which is a generally accepted framework for assessment of internal controls.

- **Disclosure controls and procedures**

  Managements of the institutional entities, together with their CEOs and CFOs, assessed the effectiveness of the controls and procedures concerning the said institutional entities' disclosure in their Financial Statements as of the end of the period covered in this report. Based on this assessment, the CEOs and CFOs of the institutional entities in The Phoenix group concluded that, as of the end of this period, the controls and procedures as to the institutional entities' disclosure are sufficiently effective for recording, processing, summarizing, and reporting the information that the institutional entities are required to disclose in their quarterly report in accordance with the provisions of the law and the reporting provisions set by the Commissioner of the Capital Market, Insurance, and Savings and on the date set out in these provisions.

- **Internal control over financial reporting**

  During the quarter ending March 31, 2023, no changes took place in the internal control over financial reporting of the Group's institutional entities that had a material effect, or is expected to have a material effect, on the institutional entities' internal control over financial reporting. Furthermore, the Group's institutional entities are improving and streamlining processes and/or internal controls and/or customer service.

  The reports and statements relating to the relevant processes are attached to the financial statements of The Phoenix Group's institutional entities, in accordance with the provisions of Management's Responsibility Circulars.

# 9. Disclosure Provisions Relating to the Corporation's Financial Reporting

## 9.1. Events subsequent to the balance sheet date

For further details regarding events subsequent to the balance sheet date, please see Note 9 to the Financial Statements.

## 9.2. Dedicated disclosure for the Company's bondholders

| Series/issuance date | Bonds Series 4 | Bonds Series 5 | Bonds Series 6 |
|---|---|---|---|
| Rating agency | Midroog / Ma'alot | Midroog / Ma'alot | Midroog / Ma'alot |
| Rating as of the report date | Aa2.il ilAA /- | Aa2.il ilAA /- | Aa2.il ilAA /- |
| Par value on issuance date | NIS 487,564,542 | NIS 822,616,000 | NIS 472,612,000 (*) |
| Interest type | Unlinked | CPI-linked | Unlinked |
| Nominal interest | The Bank of Israel's variable quarterly interest rate plus a 1.28% spread | 0.44% | 1.94% |
| Effective interest rate on issuance date | 1.7% | 0.55% | 4.6% (*) |
| Listed on the TASE | Yes | Yes | Yes |
| Principal payment dates | 2 equal annual installments of 12% on July 31 of each of the years 2020 and 2021 and 4 equal annual installments of 19% on July 31 of each of the years 2025 through 2028. | 3 equal annual installments of 4% on July 1 of each of the years 2022 through 2024, one installment of 28% on May 1, 2028, and 2 equal annual installments of 30% on May 1 of each of the years 2029 through 2030. | 9 annual installments: 1 installment of 4% on December 31, 2024, 3 equal installments of 12% on December 31 of each of the years 2025 through 2027, 3 equal installments of 10% on December 31 of each of the years 2028 through 2030, and 2 installments of 15% in each of the years 2031 through 2032. |
| Interest payment dates | Quarterly interest on January 31, April 30, July 31, and October 31 | Semi-annual interest on May 1 and November 1 | Semi-annual interest on June 30 and December 31 |
| Nominal p.v. as of March 31, 2023 | NIS 398 million | NIS 790 million | NIS 473 million |
| CPI-linked nominal p.v. as of March 31, 2023 | NIS 398 million | NIS 859 million | NIS 473 million |
| Carrying amount of bonds' outstanding balances as of March 31, 2023 | NIS 397 million | NIS 847 million | NIS 469 million |
| Carrying amount of interest payable as of March 31, 2023 | NIS 3.1 million | NIS 1.8 million | NIS 2.3 million |
| Market value as of March 31, 2023 (**) | NIS 400 million | NIS 757 million | NIS 394 million |
| 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 |

(*) An expansion of NIS 172 million p.v. was carried out in January 2023.

(**) The market value includes interest accrued as of March 31, 2023.

**Contractual restrictions and financial covenants**

As part of the deed of trust of the Company's Series 4 bonds, the Company undertook not to place a general floating charge on its assets as long as the Series 4 bonds have not been repaid in full, unless it obtains the bondholders' consent in advance and placed on that date a charge of the same rank in favor of the Series 4 bondholders. Furthermore, with respect to Series 4 bonds, the Company assumed restrictions on distribution of dividends and expansion of the Bonds (Series 4); the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 2.9 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 50% for two consecutive quarters. For further details, please see the Shelf Offering Report dated May 7, 2019.

As part of the deed of trust of the Company's Series 5 bonds, the Company undertook not to place a general floating charge on its assets as long as the Series 5 bonds have not been repaid in full, unless it obtains the bondholders' consent in advance and placed on that date a charge of the same rank in favor of the Series 5 bondholders.

Furthermore, with respect to Series 5 bonds, the Company assumed restrictions on dividend distribution; the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 3.2 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 50% for two consecutive quarters. In addition, a mechanism for adjusting the rate of change in interest rate due to noncompliance with financial covenants was set: In the event that the Company's shareholders' equity falls below NIS 3.5 billion, the annual interest rate will increase by the rate set in Section 5.9 of the Deed of Trust. For further details, please see the shelf offering report dated February 20, 2020.

As part of the deed of trust of the Company's Series 6 Bonds, the Company undertook not to place a general floating charge on its assets as long as Series 6 bonds are not repaid in full, unless it has obtained the bondholders' consent in advance and placed on that date a lien of the same rank in favor of Series 6 bondholders. Furthermore, with respect to Series 6 bonds, the Company assumed restrictions on distribution of dividends and expansion of the Bonds (Series 6); the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 3.6 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 48% for two consecutive quarters. For further details, please see the Shelf Offering Report dated January 5, 2022.

As of balance sheet date, the Company complies with the financial covenants described above. The net financial debt ratio as of March 31, 2023 was approximately 5.2% (including Restricted Tier 1 capital instrument issued by The Phoenix Insurance through Phoenix Capital Raising), and the Company's shareholders' equity as per its separate financial statements as of March 31, 2023, was approximately NIS 9,967 million, which is higher than the above required shareholders' equity.

For further details – please see Note 5 to the Company's financial statements as of March 31, 2023.

**The members of the Board of Directors thank the Company's management, employees and agents for their contribution to the Company.**

| | |
|---|---|
| **Benjamin Gabbay**<br>**Chairman of the Board of Directors** | **Eyal Ben Simon**<br>**Chief Executive Officer** |

**May 30, 2023**

# Part 2

Consolidated Interim Financial Statements

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# Auditors' Review Report to the Shareholders of The Phoenix Holdings Ltd.

## Introduction

We have reviewed the accompanying financial information of The Phoenix Holdings Ltd. And subsidiaries ( the "Company"), the condensed consolidated statement of financial position as of March 31, 2023, the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Company's 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 insurers' holding companies, as described in Note 2(a). 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 certain subsidiary, whose assets included in consolidation constitute approximately 2.3% of the total consolidated assets as of March 31, 2023 and whose revenues included in consolidation constitutes approximately 2.1% of the total consolidated revenues for the three-month period then ended. Furthermore, we did not review condensed financial information for an interim period of companies presented on the basis of the equity method. the investment in which, at equity, amounted to approximately NIS 708,058 thousand as of March 31, 2023, and the Company's share in the earning amounted to approximately NIS 31,723 thousand for a period of three-month period then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial information in respect of these companies, is based on the review reports of the other independent auditors.

## Scope of the Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is substantially less in scope than an audit performed pursuant to Israeli GAAP 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. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review and the review reports of other 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 insurers' holding companies, as described in Note 2(a) to the financial information.

## Emphasis of matter

Without qualifying the above conclusion, we draw attention to Note 7 to the financial statements regarding exposure to contingent liabilities.

Tel Aviv,
May 30, 2023

Kost Forer Gabbay & Kasierer
Certified Public Accountants

| | Note | As of March 31, 2023 | As of March 31, 2022 | As of December 31, 2022 |
|---|---|---|---|---|
| | | Unaudited | Unaudited | Audited |
| | | NIS thousand | NIS thousand | NIS thousand |
| **Assets** | | | | |
| Intangible assets | | **3,060,641** | **2,823,159** | **2,991,526** |
| Deferred tax assets | | **81,807** | **69,079** | **72,649** |
| Deferred acquisition costs | | **2,594,058** | **2,156,268** | **2,453,383** |
| Property, plant & equipment | | **1,171,762** | **914,984** | **1,151,443** |
| Investments in associates | | **1,618,396** | **1,318,278** | **1,593,737** |
| Investment property in respect of yield-dependent contracts | | **2,141,480** | **1,992,223** | **2,142,074** |
| Investment property - other | | **1,147,883** | **1,086,264** | **1,147,899** |
| Reinsurance assets | | **3,379,199** | **2,963,027** | **3,172,249** |
| Credit for purchase of securities | | **709,000** | **553,000** | **765,000** |
| Current tax assets | | **233,391** | **39,613** | **157,835** |
| Receivables and debit balances | 8G | **1,063,029** | **760,238** | **730,293** |
| Premiums collectible | | **979,632** | **845,689** | **757,329** |
| Held-for-sale asset | | **-** | **-** | **18,387** |
| Financial investments in respect of yield-dependent contracts | 5A | **78,230,894** | **81,985,844** | **77,394,271** |
| Financial investments for holders of deposit certificates and structured bonds | | **185,000** | **193,000** | **201,000** |
| Credit assets in respect of factoring, clearing and financing | 5C | **3,438,779** | **2,711,171** | **3,443,337** |
| **Other financial investments:** | | | | |
| Liquid debt assets | | **5,965,824** | **6,392,536** | **5,659,895** |
| Illiquid debt assets | | **17,277,926** | **14,929,820** | **16,461,500** |
| Shares | | **2,301,491** | **2,629,507** | **2,402,272** |
| Other | | **5,355,617** | **4,463,011** | **5,002,823** |
| **Total other financial investments** | 5B | **30,900,858** | **28,414,874** | **29,526,490** |
| Cash and cash equivalents in respect of yield-dependent contracts | | **17,139,322** | **13,241,894** | **16,358,509** |
| Other cash and cash equivalents | | **2,267,523** | **3,380,462** | **3,439,766** |
| **Total assets** | | **150,342,654** | **145,449,067** | **147,517,177** |
| **Total assets in respect of yield-dependent contracts** | | **97,695,522** | **97,385,124** | **96,055,588** |

The accompanying notes are an integral part of the condensed Consolidated Interim Financial Statements.

| | Note | March 31, 2023 | March 31, 2022 | December 31, 2022 |
|---|---|---|---|---|
| | | As of | | |
| | | Unaudited | | Audited |
| | | NIS thousand | | |
| **Equity** | | | | |
| Share capital | | **311,817** | **310,366** | **311,640** |
| Premium and capital reserves in respect of shares | | **851,225** | **851,131** | **851,918** |
| Treasury shares | 8F | **(161,926)** | **(155,628)** | **(155,628)** |
| Capital reserves | | **1,183,620** | **942,575** | **1,123,705** |
| Retained earnings | | **7,782,434** | **7,587,379** | **8,013,123** |
| **Total equity attributable to the Company's shareholders** | | **9,967,170** | **9,535,823** | **10,144,758** |
| Non-controlling interests | | **449,122** | **278,224** | **388,640** |
| **Total equity** | | **10,416,292** | **9,814,047** | **10,533,398** |
| **Liabilities** | | | | |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | | **26,109,203** | **24,972,808** | **25,458,496** |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | | **94,607,050** | **96,603,955** | **94,042,093** |
| Liabilities in respect of deferred taxes | | **571,050** | **671,235** | **589,897** |
| Liability for employee benefits, net | | **73,492** | **82,670** | **66,667** |
| Liability in respect of current taxes | | **50,876** | **223,163** | **64,793** |
| Payable dividend | 8H | **177,172** | **421,000** | **-** |
| Payables and credit balances | | **3,373,385** | **3,022,148** | **3,455,571** |
| Liabilities in respect of structured products | | **185,457** | **192,000** | **200,698** |
| Financial liabilities | | **14,778,677** | **9,446,041** | **13,105,564** |
| **Total liabilities** | | **139,926,362** | **135,635,020** | **136,983,779** |
| **Total equity and liabilities** | | **150,342,654** | **145,449,067** | **147,517,177** |

| Benjamin Gabbay | Eyal Ben Simon | Eli Schwartz |
|---|---|---|
| Chairman of the Board | CEO | EVP, CFO |

Date of approval of the financial statements - May 30, 2023

The accompanying notes are an integral part of the condensed Consolidated Interim Financial Statements.

| | For the three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|
| | 2023 | 2022 | 2022 |
| | Unaudited | | Audited |
| | NIS thousand | | |
| Premiums earned, gross | 2,951,599 | 3,014,388 | 12,137,231 |
| Premiums earned by reinsurers | 391,832 | 391,193 | 1,570,094 |
| Premiums earned - retention | 2,559,767 | 2,623,195 | 10,567,137 |
| Investment income (losses), net and finance income | 917,742 | (681,504) | (5,554,831) |
| Income from management fees | 408,542 | 372,845 | 1,547,728 |
| Income from fees and commissions | 213,368 | 233,214 | 835,912 |
| Income from financial and other services | 70,000 | 44,000 | 223,000 |
| Income from factoring and clearing | 46,212 | 28,612 | 142,754 |
| Other income | 4,544 | 4,683 | 144,780 |
| **Total income** | 4,220,175 | 2,625,045 | 7,906,480 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts, gross | 3,549,939 | 934,820 | 2,988,830 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | 371,023 | 299,157 | 1,023,801 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention | 3,178,916 | 635,663 | 1,965,029 |
| Fees and commissions, marketing expenses and other purchase expenses | 507,760 | 463,485 | 1,933,805 |
| General and administrative expenses | 491,628 | 432,866 | 1,805,284 |
| Other expenses | 20,655 | 16,583 | 91,096 |
| Finance expenses | 96,360 | 59,641 | 318,534 |
| **Total expenses** | 4,295,319 | 1,608,238 | 6,113,748 |
| Share in profits of equity-accounted investees | 6,036 | 3,919 | 61,548 |
| Profit (loss) before taxes on income | (69,108) | 1,020,726 | 1,854,280 |
| Taxes on income (tax benefit) | (35,930) | 330,535 | 504,336 |
| **Profit (loss) for the period** | (33,178) | 690,191 | 1,349,944 |
| **Attributed to:** | | | |
| Company's shareholders | (57,048) | 675,097 | 1,257,124 |
| Non-controlling interests | 23,870 | 15,094 | 92,820 |
| Profit (loss) for the period | (33,178) | 690,191 | 1,349,944 |
| **Earnings (loss) per share attributed to the Company's shareholders (in NIS):** | | | |
| **Basic earnings (loss) per share** | | | |
| Earnings (loss) per ordinary share of NIS 1 par value (NIS) | (0.23) | 2.68 | 5.00 |
| **Diluted earnings (loss) per share** | | | |
| Earnings (loss) per ordinary share of NIS 1 par value (NIS) | (0.23) | 2.63 | 4.91 |

The accompanying notes are an integral part of the condensed Consolidated Interim Financial Statements.

| | For the three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|
| | 2023 | 2022 | 2022 |
| | Unaudited | | Audited |
| | NIS thousand | | |
| **Profit (loss) for the period** | (33,178) | 690,191 | 1,349,944 |
| **Other comprehensive income (loss):** | | | |
| **Amounts that will be or that have been reclassified to profit or loss when specific conditions are met** | | | |
| Net change in fair value of financial assets classified as available for sale, carried to capital reserves | 12,462 | (400,588) | (685,971) |
| Net change in fair value of financial assets classified as available for sale, carried to the income statement | (47,191) | (197,568) | (318,278) |
| Gain on impairment of financial assets classified as available for sale, carried to the income statement | 219,914 | 102,914 | 612,492 |
| The Group's share in other comprehensive income of equity-accounted investees | 15,830 | 2,407 | 27,511 |
| Tax effect | (62,834) | 169,168 | 133,322 |
| Total components of net other comprehensive income (loss) subsequently reclassified to profit or loss | 138,181 | (323,667) | (230,924) |
| **Amounts that shall not be subsequently reclassified to profit or loss** | | | |
| Revaluation of property, plant and equipment | - | - | 124,168 |
| Actuarial gain (loss) in respect of defined benefit plans | - | 1,110 | 3,684 |
| Tax effect | - | (255) | (29,602) |
| Total net income components that will not be subsequently reclassified to profit or loss | - | 855 | 98,250 |
| **Total other comprehensive income (loss), net** | 138,181 | (322,812) | (132,674) |
| **Total comprehensive income for the period** | 105,003 | 367,379 | 1,217,270 |
| **Attributed to:** | | | |
| Company’s shareholders | 81,133 | 352,023 | 1,123,907 |
| Non-controlling interests | 23,870 | 15,356 | 93,363 |
| **Comprehensive income for the period** | 105,003 | 367,379 | 1,217,270 |

The accompanying notes are an integral part of the condensed Consolidated Interim Financial Statements.

| | Attributed to Company's shareholders | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Premium and capital reserves in respect of shares | Treasury shares | Retained earnings | Capital reserve from transactions with non-controlling interests | Capital reserve from transaction with controlling shareholder - bonus | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale assets | Total | Non-controlling interests | Total equity |
| | NIS thousand | | | | | | | | | | | | |
| Balance on January 1, 2023 (audited) | **311,640** | **851,918** | **(155,628)** | **8,013,123** | **(56,503)** | **11,000** | **62,920** | **224,054** | **(14,435)** | **896,669** | **10,144,758** | **388,640** | **10,533,398** |
| Effect of first-time application of IFRS 9 (*) | **-** | **-** | **-** | **2,507** | **-** | **-** | **-** | **-** | **-** | **(2,507)** | **-** | **-** | **-** |
| Balance as of January 1, 2023 after first-time application of IFRS 9 | **311,640** | **851,918** | **(155,628)** | **8,015,630** | **(56,503)** | **11,000** | **62,920** | **224,054** | **(14,435)** | **894,162** | **10,144,758** | **388,640** | **10,533,398** |
| Loss | **-** | **-** | **-** | **(57,048)** | **-** | **-** | **-** | **-** | **-** | **-** | **(57,048)** | **23,870** | **(33,178)** |
| Other comprehensive income | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **15,830** | **122,351** | **138,181** | **-** | **138,181** |
| Total comprehensive income (loss) | **-** | **-** | **-** | **(57,048)** | **-** | **-** | **-** | **-** | **15,830** | **122,351** | **81,133** | **23,870** | **105,003** |
| Share-based payment | **-** | **(1,644)** | **-** | **-** | **-** | **-** | **5,615** | **-** | **-** | **-** | **3,971** | **-** | **3,971** |
| Dividend to non-controlling interests | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(27,821)** | **(27,821)** |
| Acquisition of treasury shares (see Note 8F) | **-** | **-** | **(6,298)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(6,298)** | **-** | **(6,298)** |
| Exercise of employee options | **177** | **951** | **-** | **-** | **-** | **-** | **(1,128)** | **-** | **-** | **-** | **-** | **-** | **-** |
| Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount | **-** | **-** | **-** | **1,024** | **-** | **-** | **-** | **(1,024)** | **-** | **-** | **-** | **-** | **-** |
| Dividend (Note 8H) | **-** | **-** | **-** | **(177,172)** | **-** | **-** | **-** | **-** | **-** | **-** | **(177,172)** | **-** | **(177,172)** |
| Acquisition of minority interest (see Note 8L) | **-** | **-** | **-** | **-** | **(863)** | **-** | **-** | **-** | **-** | **-** | **(863)** | **(12,610)** | **(13,473)** |
| Allocation of shares of a consolidated subsidiary to minority interests | **-** | **-** | **-** | **-** | **834** | **-** | **-** | **-** | **-** | **-** | **834** | **943** | **1,777** |
| Transaction with minority interest (see Note 8J) | **-** | **-** | **-** | **-** | **(79,193)** | **-** | **-** | **-** | **-** | **-** | **(79,193)** | **76,100** | **(3,093)** |
| Balance as of March 31, 2023 (unaudited) | **311,817** | **851,225** | **(161,926)** | **7,782,434** | **(135,725)** | **11,000** | **67,407** | **223,030** | **1,395** | **1,016,513** | **9,967,170** | **449,122** | **10,416,292** |

(*) See Note 2B regarding first-time application of IFRS 9 (Financial Instruments) regarding financial instruments that do not relate to The Phoenix Insurance, which falls within the scope of the definition of insurer. According to the transition method that was selected, the comparative figures were not restated.

The accompanying notes are an integral part of the condensed Consolidated Interim Financial Statements.

| | Attributed to Company's shareholders | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Premium and capital reserves in respect of shares | Treasury shares | Retained earnings | Capital reserve from transactions with non-controlling interests | Capital reserve from transaction with controlling shareholder - bonus | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale assets | Total | Non-controlling interests | Total equity |
| | NIS thousand | | | | | | | | | | | | |
| Balance on January 1, 2022 (audited) | 310,323 | 849,309 | (99,769) | 7,331,992 | (45,655) | 11,000 | 51,652 | 131,354 | (41,946) | 1,155,104 | 9,653,364 | 269,725 | 9,923,089 |
| Net income | - | - | - | 675,097 | - | - | - | - | - | - | 675,097 | 15,094 | 690,191 |
| Other comprehensive income (loss) | - | - | - | 593 | - | - | - | - | 2,407 | (326,074) | (323,074) | 262 | (322,812) |
| Total comprehensive income (loss) | - | - | - | 675,690 | - | - | - | - | 2,407 | (326,074) | 352,023 | 15,356 | 367,379 |
| Share-based payment | - | 1,575 | - | - | - | - | 5,473 | - | - | - | 7,048 | - | 7,048 |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (6,936) | (6,936) |
| Dividend | - | - | - | (421,000) | - | - | - | - | - | - | (421,000) | - | (421,000) |
| Acquisition of treasury shares | - | - | (55,859) | - | - | - | - | - | - | - | (55,859) | - | (55,859) |
| Exercise of employee options | 43 | 247 | - | - | - | - | (290) | - | - | - | - | - | - |
| Transaction with minority interest | - | - | - | - | - | - | - | - | - | - | - | (85) | (85) |
| Allocation of shares of a consolidated subsidiary to minority interests | - | - | - | - | 247 | - | - | - | - | - | 247 | 164 | 411 |
| Transfer from revaluation reserve in respect of revaluation of property, plant and equipment, at the depreciation amount | - | - | - | 697 | - | - | - | (697) | - | - | - | - | - |
| Balance as of March 31 2022 (unaudited) | 310,366 | 851,131 | (155,628) | 7,587,379 | (45,408) | 11,000 | 56,835 | 130,657 | (39,539) | 829,030 | 9,535,823 | 278,224 | 9,814,047 |

The accompanying notes are an integral part of the condensed Consolidated Interim Financial Statements.

| | Attributed to Company's shareholders | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Premium and capital reserves in respect of shares | Treasury shares | Retained earnings | Capital reserve from transactions with non-controlling interests | Capital reserve from transactions with controlling shareholders | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale assets | Total | Non-controlling interests | Total equity |
| | NIS thousand | | | | | | | | | | | | |
| Balance on January 1, 2022 (audited) | 310,323 | 849,309 | (99,769) | 7,331,992 | (45,655) | 11,000 | 51,652 | 131,354 | (41,946) | 1,155,104 | 9,653,364 | 269,725 | 9,923,089 |
| Net income | - | - | - | 1,257,124 | - | - | - | - | - | - | 1,257,124 | 92,820 | 1,349,944 |
| Total other comprehensive income (loss) | - | - | - | 2,097 | - | - | - | 95,610 | 27,511 | (258,435) | (133,217) | 543 | (132,674) |
| Total comprehensive income (loss) | - | - | - | 1,259,221 | - | - | - | 95,610 | 27,511 | (258,435) | 1,123,907 | 93,363 | 1,217,270 |
| Share-based payment | - | (2,362) | - | - | - | | 17,556 | - | - | - | 15,194 | - | 15,194 |
| Exercise of employee options | 1,317 | 4,971 | - | - | - | - | (6,288) | - | - | - | - | - | - |
| Acquisition of treasury shares | - | - | (55,859) | - | - | - | - | - | - | - | (55,859) | - | (55,859) |
| Dividend to non-controlling interests | | | | | | | | | | - | - | (74,665) | (74,665) |
| Commencement of consolidation | - | - | - | - | - | - | - | - | - | - | - | 53,886 | 53,886 |
| Dividend | - | - | - | (581,000) | - | - | - | | | - | (581,000) | - | (581,000) |
| Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount | - | - | - | 2,910 | - | - | - | (2,910) | - | - | - | - | - |
| Allocation of shares of a consolidated subsidiary to minority interests | - | - | - | - | 3,587 | - | - | - | - | - | 3,587 | 49,713 | 53,300 |
| Transaction with minority interest | - | - | - | - | (14,435) | - | - | - | - | - | (14,435) | (3,382) | (17,817) |
| Balance on December 31, 2022 (audited) | 311,640 | 851,918 | (155,628) | 8,013,123 | (56,503) | 11,000 | 62,920 | 224,054 | (14,435) | 896,669 | 10,144,758 | 388,640 | 10,533,398 |

The accompanying notes are an integral part of the condensed Consolidated Interim Financial Statements.

| | Appendix | For the three months ended March 31 2023 | For the three months ended March 31 2022 | For the year ended December 31 2022 |
|---|---|---|---|---|
| | | Unaudited | Unaudited | Audited |
| | | NIS thousand | NIS thousand | NIS thousand |
| Cash flows from operating activities | | | | |
| Net income for the period | | (33,178) | 690,191 | 1,349,944 |
| Adjustments required to present cash flows (for) from operating activities | (a) | (833,390) | (109,727) | 1,379,463 |
| Net cash from operating activities | | (866,568) | 580,464 | 2,729,407 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (83,472) | (29,684) | (190,135) |
| Proceeds from disposal of property, plant and equipment | | 2 | 161 | 342 |
| Proceeds from the sale of pension funds, provident funds, and fees and commissions portfolios | | 45 | 35 | 30,372 |
| Investment in associates | | (23,820) | (1,230) | (160,281) |
| Dividend from an associate | | 1,301 | 11,855 | 41,580 |
| Acquisition of consolidated companies consolidated for the first time | (b) | (48,000) | 542 | (9,775) |
| Acquisition of minority interest in a consolidated company | | (12,530) | - | (17,817) |
| Change in loans granted to associates | | (526) | 350 | (3,688) |
| Proceeds from disposal of investment in associate | | 19,752 | - | 108,158 |
| Acquisition and capitalization of intangible assets costs | | (82,752) | (69,687) | (334,726) |
| Net cash used for investing activities | | (230,000) | (87,658) | (535,970) |
| Cash flows from financing activities | | | | |
| Acquisition of Company shares | | (6,298) | (55,859) | (55,859) |
| Issuance of shares to non-controlling interests in a consolidated company | | - | - | 49,713 |
| Short-term credit from banks, net | | 36,000 | 67,000 | 420,000 |
| Repayment of financial liabilities | | (479,360) | (414,368) | (651,637) |
| Dividend to shareholders | | - | - | (581,000) |
| Repayment of lease liability principal | | (10,771) | (8,376) | (50,082) |
| Issuance of financial liabilities | | 148,368 | 608,343 | 1,910,320 |
| Change in liability for REPO, net | | 1,045,020 | - | 708,302 |
| Repayment of contingent liability in respect of a put option to non-controlling interests | | - | - | (10,000) |
| Dividend paid to non-controlling interests | | (27,821) | (6,936) | (74,665) |
| Net cash provided by (used in) financing activities | | 705,138 | 189,804 | 1,665,092 |
| Increase in cash and cash equivalents | | (391,430) | 682,610 | 3,858,529 |
| Balance of cash and cash equivalents at beginning of period | (c) | 19,798,275 | 15,939,746 | 15,939,746 |
| Balance of cash and cash equivalents at end of period | (c) | 19,406,845 | 16,622,356 | 19,798,275 |

The accompanying notes are an integral part of the condensed Consolidated Interim Financial Statements.

| | | For the three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|---|
| | | 2023 | 2022 | 2022 |
| | | Unaudited | | Audited |
| | | NIS thousand | | |
| (a) | Adjustments required to present cash flows from operating activities: | | | |
| | Items not involving cash flows | | | |
| | Net (gains) losses on financial investments in respect of insurance contracts and yield-dependent investment contract | (837,166) | 1,177,990 | 7,404,308 |
| | Change in fair value of investment property in respect of yield-dependent contracts | 8,571 | - | (199,182) |
| | Net (gains) losses on other financial investments | | | |
| | Liquid debt assets | 114,350 | 15,210 | 137,976 |
| | Illiquid debt assets | (437,907) | (305,928) | (1,449,128) |
| | Shares | 48,828 | (247,992) | (155,913) |
| | Other | 271,004 | 77,997 | 691,349 |
| | Depreciation and amortization | 111,427 | 90,093 | 408,658 |
| | Loss (gain) on disposal of property, plant, and equipment | - | (2) | - |
| | Gain from sale of provident fund | - | - | (14,185) |
| | Change in fair value of investment property | 4,676 | 6,286 | (96,200) |
| | Gain on notional disposal as a result of gaining control of an investee | - | - | (109,586) |
| | Change in financial liabilities | 928,451 | 357,254 | 1,899,625 |
| | Income tax expenses | (35,930) | 330,535 | 504,336 |
| | Company's share in the profits of associates, net | (6,036) | (3,919) | (61,548) |
| | Payroll expenses in respect of share-based payment | 5,615 | 5,473 | 17,556 |
| | Changes in other balance sheet line items, net: | | | |
| | Change in liabilities in respect of non-yield-dependent insurance contracts | 650,707 | (140,178) | 345,510 |
| | Change in liabilities in respect of yield-dependent contracts | 564,957 | 975,371 | (1,586,491) |
| | Change in liabilities for bonds, ETNs | (15,241) | (13,000) | (4,302) |
| | Change in financial investments for holders of ETFs, certificates of deposit | 16,000 | 13,000 | 5,000 |
| | Change in credit assets in respect of factoring, clearing and financing | 4,558 | (160,779) | (892,945) |
| | Change in deferred acquisition costs | (140,675) | (145,620) | (442,735) |
| | Change in reinsurance assets | (206,950) | (156,481) | (365,703) |
| | Change in liabilities for employee benefits, net | 6,825 | 11,152 | (2,469) |
| | Change in accounts receivable and collectible premiums | (540,366) | (221,950) | (123,460) |
| | Change in payables and credit balances | (79,170) | 72,633 | 506,544 |
| | Change in credit for purchase of securities | 56,000 | (56,000) | (268,000) |
| | Revaluation of loans granted to associates | 453 | (1,076) | (1,100) |
| | Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts: | | | |
| | Acquisition of real estate properties | (7,977) | (26,160) | (99,874) |
| | Proceeds on sale of real estate properties | - | 96,799 | 219,844 |
| | Acquisitions of financial investments, net | 543 | (2,065,175) | (3,699,920) |
| | Financial investments and other investment property: | | | |
| | Acquisitions of financial investments, net | (1,169,085) | 273,371 | (540,903) |
| | Acquisition of real estate properties | (4,660) | (20,517) | (58,419) |
| | Proceeds on sale of real estate properties | - | 52,800 | 119,054 |
| | Cash paid and received during the period for: | | | |
| | Taxes paid | (210,233) | (136,168) | (765,600) |
| | Taxes received | 65,041 | 35,254 | 57,366 |
| | Total cash flows provided by operating activities | (833,390) | (109,727) | 1,379,463 |

The accompanying notes are an integral part of the condensed Consolidated Interim Financial Statements.

| | | For the three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|---|
| | | 2023 | 2022 | 2022 |
| | | Unaudited | | Audited |
| | | NIS thousand | | |
| (b) | Acquisition of consolidated companies consolidated for the first time | | | |
| | Assets and liabilities of the consolidated companies as of acquisition date: | | | |
| | Working capital (excluding cash and cash equivalents) | (3,000) | 467 | 27,944 |
| | Property, plant and equipment, net | - | (638) | (877) |
| | Goodwill arising from acquisition | (36,000) | (46,531) | (79,216) |
| | Intangible assets | (12,000) | - | (111,217) |
| | Deferred taxes | 3,000 | 2,017 | 23,020 |
| | Financial liabilities | - | - | 8,614 |
| | Minority interests | - | - | 53,886 |
| | Investments in investees | - | - | (72,109) |
| | Disposal of investment in an associate | - | - | 115,627 |
| | Liability for payment in respect of acquisition of an investee | - | 45,000 | 24,134 |
| | Liabilities for employee benefits | - | 227 | 419 |
| | | (48,000) | 542 | (9,775) |
| (c) | Cash and cash equivalents | | | |
| | Balance of cash and cash equivalents at beginning of period: | | | |
| | Cash and cash equivalents | 3,439,766 | 2,154,153 | 2,154,153 |
| | Cash and cash equivalents in respect of yield-dependent contracts | 16,358,509 | 13,785,593 | 13,785,593 |
| | | 19,798,275 | 15,939,746 | 15,939,746 |
| | Balance of cash and cash equivalents at end of period: | | | |
| | Cash and cash equivalents | 2,267,523 | 3,380,462 | 3,439,766 |
| | Cash and cash equivalents in respect of yield-dependent contracts | 17,139,322 | 13,241,894 | 16,358,509 |
| | | 19,406,845 | 16,622,356 | 19,798,275 |
| (d) | Material non-cash activities | | | |
| | Payable dividend | 177,172 | (421,000) | - |
| | Recognition of right-of-use asset against a lease liability | (7,830) | (4,680) | (52,319) |
| (e) | Breakdown of amounts included in operating activities | | | |
| | Interest paid | 63,064 | 47,824 | 178,990 |
| | Interest received | 163,424 | 94,358 | 957,447 |
| | Dividend received | 20,588 | 7,842 | 47,571 |

The accompanying notes are an integral part of the condensed Consolidated Interim Financial Statements.

# NOTE 1 - GENERAL

A. The Phoenix Holdings Ltd. (hereinafter - the “Company”) is an Israeli resident company incorporated in Israel, whose official address is 53 Derech Hashalom St., Givatayim, Israel. These financial statements were prepared in condensed format as of March 31 2023 and for the three-month period then ended (hereinafter - the “Condensed Consolidated Interim Financial Statements”). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2022 and for the year then ended and the accompanying notes (hereinafter - the “Consolidated Annual Financial Statements”).

B. **Definitions**

| | | |
|---|---|---|
| **The Company** | - | The Phoenix Holdings Ltd. |
| **The Group** | - | The Phoenix Holdings Ltd. and its consolidated companies. |
| **The Phoenix Insurance** | - | The Phoenix Insurance Company Ltd., a wholly-owned subsidiary. |
| **The Phoenix Investments** | - | The Phoenix Investments and Finances Ltd., a wholly-owned subsidiary. |
| **The Phoenix Investment House** | - | The Phoenix Investment House Ltd. (formerly Excellence Investments Ltd.), a subsidiary of The Phoenix Investments, is a wholly-owned subsidiary of the Company. |
| **The Phoenix Advanced Investments** | - | The Phoenix Advanced Investments, a wholly-owned subsidiary of The Phoenix Investments. |
| **Gama** | | Gama Management and Clearing Ltd., a subsidiary in which The Phoenix Investments is a controlling shareholder. |
| **The Phoenix Agencies** | - | The Phoenix Insurance Agencies 1989 Ltd. - a company wholly-owned by the Company. |
| **The Phoenix Pension and Provident Fund** | - | The Phoenix Pension and Provident Funds Ltd., a wholly-owned subsidiary of the Company. |
| **The Phoenix Capital Raising** | - | The Phoenix Capital Raising (2009) Ltd., a wholly-owned subsidiary of The Phoenix Insurance. |
| **Belenus Lux S.a.r.l** | - | The controlling shareholder, held indirectly by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "Funds"). The said control is jointly held with Leolin Lux S.a.r.l, a sister company of Belenus. Centerbridge Partners LP is controlled by CCP III Cayman GP Ltd. and Gallatin Point Capital LLC is controlled by Matthew Botein, Lewis (Lee) Sachs. |
| **Phoeniclass** | - | Phoeniclass Ltd., an investee of The Phoenix Insurance and The Phoenix Investments. |
| **The Commissioner** | | The Commissioner of the Capital Market, Insurance and Savings. |

## NOTE 1 - GENERAL (cont.)

C. Control of The Phoenix Holdings

The controlling shareholder of the Company since November 2019 is Belenus Lux S.à.r.l. (hereinafter - "Belenus"), which is indirectly held through a chain of companies, by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "Funds"), that hold 33.1% of the Company's issued and paid-up share capital as of the report date.

On December 13, 2022, Belenus informed the Company that the entities that have an indirect control therein signed an unbinding memorandum of understanding that includes the key terms whereby a consortium composed of ADQ Developmental Holding LLC, Gallatin Point Capital LLC and other investors will acquire the controlling core in the Company through a joint corporation that will be established. For further details, please see the Company's report dated December 13, 2022 (Ref. No.: 2022-01-150541).

D. Effects of inflation and increase in interest rates

Following global macroeconomic developments that started in 2022 and continued through the report publication date, inflation rates in Israel and across the world exceeded the inflation targets of central banks across the world. Further to the steps taken to keep inflation under control, central banks across the world, including the Bank of Israel, continued to announce interest rates hikes. Changes in inflation and interest rates affect the financial results of the Company and in particular those of The Phoenix Insurance. For more information regarding the effect on the Company's financial results of the change in interest rate in the reporting periods, see Note 8A. For details about sensitivity of the Company's financial results to changes in inflation and interest rates, see Note 41, section 3.2 to the consolidated annual financial statements.

E. The legal reform

In recent months, there has been uncertainty regarding the government's plans to promote changes in the judicial system, and the public controversy surrounding this move. During January 2023, the government began promoting a plan to make fundamental changes in the legal system in Israel, which led to controversy and widespread public protests. It should be noted that in recent months discussions have been held at the official resident of the President of the State of Israel with the aim of reaching a broad agreement regarding the moves to change the legal system.

Furthermore, in April 2023, Moody's - the international rating agency - published Israel's credit rating, leaving the rating unchanged at A1, and changing the outlook from "positive" to "stable" following its assessments regarding developments that will arise from the implementation of the changes. In May 2023, S&P - the international rating agency - published Israel's credit rating; the agency reiterated the State of Israel's AA- rating with a stable outlook, based on the assumption that agreement will be reached regarding the reform in the legal system.

At this stage the Company is unable to assess future developments, or the effect of those events on the Israeli economy in general and the Company's activity in particular.

F. Acquisition of Epsilon Investment House Ltd.

In November 2022, The Phoenix Investment House entered into an agreement for the acquisition of the entire issued share capital of Epsilon Investment House Ltd. (hereinafter - "Epsilon Investment House"), which holds, among other things, Epsilon Mutual Funds Management (1991) Ltd. (hereinafter - "Epsilon Funds") and Epsilon Investment Portfolio Management Ltd. Total acquisition cost is NIS 89 million. The transaction was completed on February 13, 2023.

For further details about business combinations, please see Note 4.

## NOTE 1 - GENERAL (cont.)

G. As from 2011, The Phoenix Insurance and The Phoenix Pension and Provident (hereinafter - the "Companies") operate - together with Saifa Management Services (2013) Ltd. (hereinafter - "Saifa") - the "FNX PRIVAE" venture (hereinafter - "The Phoenix Private"), which is engaged in the development, adaptation, marketing and direct marketing (rather than through external insurance agents) of The Phoenix's self-directed policies and provident funds (IRA). These are customized services and products with unique characteristics, which are mainly suitable to wealthy customers (hereinafter - the "Venture"). The Companies share in the Venture is 50%.

During the reporting period, the Companies and Saifa, entered into an agreement for the incorporation of the Venture as separate legal entities, such that the Companies will continue holding 50% of the joint Venture. In accordance with the Circular on Allocation of Non-Marketable Assets, The Phoenix Insurance carried out a valuation of The Phoenix Private's activity in relation to The Phoenix's self-directed insurance products; the valuation was conducted by an independent external appraiser. In accordance with the valuation, during the reporting period The Phoenix Insurance recognized a pre-tax earning of NIS 114 million from revaluation of excess fair value of the illiquid assets against LAT in the health insurance segment.

H. In December 2022, the competent organs of The Phoenix Agencies and Agam Leaderim Holdings (2001) Ltd. (hereinafter - "Agam Holdings"), a company in which The Phoenix Agencies has a 60% stake, approved a merger offer between the two aforesaid companies, in accordance with a merger agreement under which Agam Holdings will be wound up and merged with and into The Phoenix Agencies in consideration for allotment of ordinary The Phoenix Agencies shares that will be issued to the other shareholders of Agam Holdings, such that after the execution of the merger the Company will hold 80% of the shares of The Phoenix Agencies, and the other shareholders will hold the remaining shares. Furthermore, the Company and the other shareholders signed an agreement whereby, subject to the provisions of any law, immediately after the completion of the merger, The Phoenix Agencies shall distribute a dividend at an amount equal to the distributable profits for tax purposes, in accordance with The Phoenix Agencies' financial statements as of March 31, 2023; such profits are estimated at NIS 670 million. The completion of the merger is subject to the fulfillment of all conditions precedent, including the approval of the Israel Tax Authority to the effect that the merger is tax exempt under the provisions of Section 103 to the Income Tax Ordinance [New Version], other regulatory approvals, where required, and receipt of a merger certificate from the Registrar of Companies. As of the report publication date, the conditions for the restructuring have yet to be fulfilled. For further details, please see Note 8E(3) to the annual financial statements.

I. <u>Global rating for The Phoenix Insurance</u>

On May 23, 2023 Moody's - the international rating agency - announced the assignment of an A2 international credit rating with a stable outlook to The Phoenix Insurance.

# NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

## A. Preparation format of the consolidated interim financial statements

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 (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 Phoenix Insurance, as stated above, continue to be drawn up in accordance with IFRS 4 regarding Insurance Contracts, and IAS 39 (of 2017) regarding Financial Instruments.

In addition, data included in The Phoenix Insurance’s consolidated financial statements, which do not relate to IFRS 17 and IFRS 9 as stated above, and the remaining data in the consolidated financial statements, are drawn up in accordance with IAS 34 - “Interim Financial Reporting”. In addition, the financial statements were prepared in accordance with the disclosure provisions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation consolidating an insurance company.

In preparing the condensed financial statements in accordance with the above, the Company is required to exercise discretion in assessments, estimates and assumptions that affect the implementation of the policy and the amounts of assets and liabilities, income and expenses. It is clarified that the actual results may differ from those estimates. Management's discretion in applying the group's accounting policies and the key assumptions used in assessments involving uncertainty is consistent with that which is applied in the preparation of the Consolidated Annual Financial Statements. For further information regarding changes in critical estimates and assumptions used to calculate the insurance reserves, please see Note 8.A.

The accounting policies applied in the preparation of the Consolidated Interim Financial Statements are consistent with those implemented in the preparation of the Consolidated Annual Financial Statements, with the exception of what is stated below:

IFRS 9 - Financial Instruments:

As described in Note 2.B.1 below regarding the first-time application of IFRS 9 - Financial Instruments (hereinafter - the “Standard”) in respect of the financial instruments that do not belong to a consolidated subsidiary, which falls within the scope of the definition of insurer, the Company opted to apply the provisions of the Standard retrospectively, without restating comparative figures.
For information regarding the accounting policy that was applied through December 31, 2022 in respect of all financial instruments, and for information regarding the accounting policy that is applied in respect of the financial instruments that belong to a consolidated subsidiary, which falls within the scope of the definition of insurer - see Note 2K - to the Company’s consolidated annual financial statements.
The accounting policy applied as from January 1, 2023 regarding financial instruments that do not belong to a consolidated subsidiary, which falls within the scope of the definition of insurer, is as follows:

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### A. Preparation format of the consolidated interim financial statements (cont.)

IFRS 9 - Financial Instruments (cont.)

1. Financial assets

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

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

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

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

1a) Measurement of debt instruments at amortized cost

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

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

Furthermore, an entity may designate a financial instrument irrevocably on initial recognition as measured at fair value through profit or loss, if such designation eliminates or significantly reduces a measurement or recognition inconsistency. For example, where the relating financial liabilities are also measured at fair value through profit or loss.

1b) Measurement of debt instruments at fair value through other comprehensive income

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

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

1c) Measurement of debt instruments at fair value through profit or loss

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

1d) Measurement of equity instruments

Financial assets that constitute investments in equity instruments do not comply with the said criteria and are therefore measured at fair value through profit or loss.

In connection with equity instruments that are not held for trading the Company may, on initial recognition, irrevocably opt to present in other comprehensive income subsequent changes in fair value, which would have otherwise been measured at fair value through profit or loss. These changes will not be recognized in profit or loss in the future, even when the investment is derecognized.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### A. Preparation format of the consolidated interim financial statements (cont.)

IFRS 9 - Financial Instruments (cont.)

2. Impairment of financial assets

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

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

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

B) Debt instruments with significant deterioration in credit quality since initial recognition and their credit risk is not low, the provision for loss recognized will take into account the expected credit losses - over the balance of the useful life of the instrument.

The Company applies the expedient, according to which it assumes that the credit risk of a debt instrument has not increased significantly since its initial recognition, if it is determined, at the reporting date, that the instrument has low credit risk, for example - if the instrument has an external "investment grade" rating.

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

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

3. Derecognition of financial assets

The Company derecognizes a financial asset if and only if:

A. The contractual rights to the cash flows from the financial asset have expired, or

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

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

Transactions for the sale of financial assets are accounted for as a derecognition when the conditions specified above are fulfilled.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### A. Preparation format of the consolidated interim financial statements (cont.)

IFRS 9 - Financial Instruments (cont.)

3. Derecognition of financial assets (cont.)

If the Company transfers its rights to receive cash flows from an asset and neither transfers nor retains substantially all the risks and rewards of the asset or transfers control thereof, a new asset is recognized in accordance with the Company's continuing involvement therein. Continuing involvement by way of providing a guarantee for the transferred asset is measured at the lower of the original balance of the asset in the financial statements and the maximum amount of consideration that the Company may be required to repay (the guarantee amount).
When the Company continues to recognize an asset to the extent of its continuing involvement, the entity also recognizes an associated liability. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

(a) The amortized cost of the rights and obligations retained by the entity, if the transferred asset is measured at amortized cost; or
(b) Equal to the fair value of the rights and obligations retained by the company when measured on a stand-alone basis, if the transferred asset is measured at fair value.

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

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

Subsequent to initial recognition, the Company measures all financial liabilities at amortized cost, except for:
(a) Financial liabilities measured at fair value through profit or loss, such as: derivatives;
(b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, or the continuing involvement approach applies;
(c) financial guarantee contracts;
(d) Commitment to advance a loan at an interest rate which is lower than the market interest rate;
(e) contingent consideration recognized by an acquirer in a business combination that falls within the scope of IFRS 3.

5. Derecognition of financial liabilities
The Company derecognizes a financial liability if and only if it is extinguished - that is to say, when the obligation established in a contract is repaid or canceled or expires.
A financial liability is extinguished when the debtor repays the liability by a cash payment, other financial assets, goods or services, or is legally released from the liability.
If the terms of an existing financial liability change, the Company assesses whether the terms of the liability are materially different than the existing terms.

# NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

## A. Preparation format of the consolidated interim financial statements (cont.)

IFRS 9 - Financial Instruments (cont.)

5. Derecognition of financial liabilities (cont.)

When a material change has been made to the terms of an existing financial liability, the change is accounted for as a derecognition of the original liability and a recognition of a new liability. The difference between the balance of the two liabilities in the financial statements is carried to profit or loss.
In the event that the change is immaterial, the Company is required to update the liability amount, that is to say, to discount the new cash flows at the original effective interest rate, and the differences will be recognized in profit or loss.
When determining whether a change has occurred in the substantive terms and conditions of an existing liability, the Company takes qualitative and quantitative considerations into account.

6. Offsetting financial instruments
Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intent to dispose of the asset and liability on a net basis or realize the asset and dispose of the liability simultaneously. The right to offset must be legally enforceable not only in the ordinary course of business of the parties to the contract, but also in the event of bankruptcy or insolvency of one of the parties. In order for the offset right to be readily available, it must not be contingent on a future event, or have periods of time in which it is inapplicable, nor events that may cause it to expire.

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

8. Issuance of a package of securities
When a package of securities is issued, the consideration received (before issuance expenses) is allocated to the securities issued as part of the package in accordance with the following allocation order: financial derivatives and other financial instruments presented periodically at fair value. Thereafter, the fair value is determined for financial liabilities measured at amortized cost, and the consideration allocated to equity instruments is determined as residual value. Issuance costs are allocated to each component in accordance with the ratio of the amounts that was determined for each component of the package.

9. Put option granted to non-controlling interests
When the Group grants a put option to non-controlling interests, the option is classified as a financial liability and the non-controlling interests' share in the profits of the consolidated company is not conferred upon them. At each reporting date, the financial liability is measured at the present value of the estimated consideration to be transferred when the put option or is exercised based on the fair value of the consideration determined. Changes in the liabilities are recognized in profit or loss.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

**A. Preparation format of the consolidated interim financial statements (cont.)**

IFRS 9 - Financial Instruments (cont.)

10. Settlement of financial liabilities through equity instruments
Equity instruments that were issued in order to replace debt are measured at the fair value of the equity instruments that were issued, if it may be reliably estimated. If the fair value of the issued equity instrument cannot be reliably measured, the equity instruments are measured in accordance with the fair value of the settled financial liability on its settlement date. The difference between the financial statement balance of the extinguished financial liability and the fair value of the issued equity instruments is recognized in profit or loss.

11. Embedded derivatives
In accordance with the provisions of the standard, derivatives embedded into financial assets shall not be separated from a host contract. These hybrid contracts shall be measured as a whole at amortized cost or at fair value, in accordance with the criteria of the business model and the contractual cash flows.
When a host contract does not falls within the scope of the definition of financial asset, an embedded derivative is separated from the host contract and is accounted for as a derivative, if the economic characteristics and risks of an embedded derivative are not closely related to the economic characteristics and risks of the host contract, the embedded instrument meets the definition of a derivative, and the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.
The need to bifurcate an embedded derivative is only reassessed if there is a change in the terms and conditions of the contract that significantly modifies the cash flows from the contract.

**B. First-time application of amendment to existing accounting standards**

1. First-time application of IFRS 9 - Financial Instruments

In July 2014, the IASB published the full and final version of IFRS 9 - Financial Instruments, which replaces IAS 39 - Recognition and Measurement. IFRS 9 (hereinafter - the "New Standard") focuses mainly on the classification and measurement of financial assets and is applicable to all financial assets that fall within the scope of IAS 39.

The New Standard is applied for the first time in these financial statements to the financial instruments that are not owned by a consolidated subsidiary, which falls within the scope of the definition of insurer.

The New Standard is applied retrospectively without restating the comparative figures, as allowed under the provisions of the New Standard. The Company recognizes any difference between the previous carrying amount and the carrying amount on the first-time application date in the opening balance of retained earnings.

The New Standard's effect on the Company's financial statements, other than a consolidated subsidiary, which falls within the scope of the definition of insurer, is immaterial.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

**B. First-time application of amendment to existing accounting standards (cont.)**

2. Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors" (hereinafter - the "Amendment). The purpose of the amendment is to introduce a new definition of the term "accounting estimates".

Accounting estimates are defined as "financial amounts in the financial statements subject to measurement uncertainty". The Amendment clarifies what changes in accounting estimates are and how they differ from changes in accounting policies and corrections of errors.

The Amendment was applied prospectively to annual periods beginning on January 1, 2023 and shall apply to changes in accounting policies and accounting estimates that occur at the beginning of that period or thereafter.
The above Amendment did not have a material effect on the Consolidated Interim Financial Statements of the Company.

3. Amendment to IAS 12 - Taxes on Income

In May 2021, the IASB issued an amendment to IAS 12, Taxes on Income (hereinafter - "IAS 12" or the "Standard"), which narrows down the scope of the "initial recognition exemption" (hereinafter - the "Exemption") for deferred taxes set forth in Sections 15 and 24 to IAS 12 (hereinafter - the "Amendment").

Under the guidelines for recognition of deferred tax assets and liabilities, IAS 12 exempts recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from initial recognition of assets and liabilities in certain transactions. The Amendment narrows the scope of the exemption and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from a transaction that is not a business combination and for which equal temporary differences are generated in debit and credit, even if they meet the other terms and conditions of the IRE.

The Amendment was applied as from annual periods beginning on January 1, 2023. The above Amendment did not have a material effect on the Consolidated Interim Financial Statements of the Company.

4. Amendment to IAS 1, Disclosure of Accounting Policies

In February 2021, the IASB issued an amendment to IAS 1: Presentation of Financial Statements (hereinafter - the "Amendment"). In accordance with the Amendment, companies are required to disclose their material accounting policies; this will replace the requirement to disclose companies' significant accounting policies. One of the main reasons for this amendment stems from the fact that the term "significant" is not defined in IFRS, whereas the term "material" is defined in various standards, and specifically in IAS 1.
The Amendment was applied as from annual periods beginning on January 1, 2023.

The above Amendment did not have a material effect on the condensed consolidated interim financial statements of the Company; however, it is expected to affect the accounting policy in the Company's consolidated annual financial statements.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### C. Disclosure of the new IFRSs in the period prior to their application

IFRS 17 - Insurance Contracts and IFRS 9 Financial Instruments

Further to what is stated in Section 2FF to the Company's annual financial statements - disclosure of the new IFRSs in the period prior to their application - IFRS 17 - "Insurance Contracts" (hereinafter - "IFRS 17") and IFRS 9 - "Financial Instruments" (hereinafter - "IFRS 9"), on April 20, 2023, the Commissioner of the Capital Market, Insurance and Savings Authority published a third revision of the "Roadmap for the Adoption of International Accounting Standard (IFRS) 17 - Insurance Contracts" (hereinafter - the "Third Revision"), which includes a number of amendments compared with the "Roadmap - Second Revision", that was published on December 14, 2022.
As part of the Third Revision the first-time application date of IFRS 17 and IFRS 9 in Israel was postponed to the quarterly and annual periods beginning on January 1, 2025; (accordingly, the transition date shall be January 1, 2024).
In accordance with the Third Revision, in 2024, as part of the financial statements for the third quarter, the companies will be required to include, as part of a dedicated note in the financial statements, only a pro forma statement of financial position as of January 1, 2024 (opening balances data as of the transition date, without comparative figures), drawn up in accordance with the provisions of IFRS 17 and IFRS 9. In their 2024 annual financial statements, companies will be required to include key proforma statements (statement of financial position as of January 1, 2024 and selected line items from the statement of comprehensive income for 2024 at the very least, and without comparative figures), that will be prepared in accordance with the provisions of IFRS 17 and IFRS 9 according to the disclosure format attached to the Third Revision. Furthermore, as part of the Third Revision, the milestones for the implementation of the standards in 2023 and 2024 were amended in line with the postponement of the first-time application date of IFRS 17 and IFRS 9, and in order to ensure the preparedness of Israeli insurance companies for a fair and reliable application of the standards. The key amendments pertain to the reporting requirements to the Capital Markets Authority before the first-time application date, the time table for adapting the IT systems, the completion of the formulation of the accounting policy, the preparations for the calculation of the risk adjustment for a non-financial risk, the involvement of the independent auditors, and the disclosure of high-quality supplementary information for the dedicated note as from the financial statements for the first quarter of 2024.

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.

As part of the standard's adoption process, the Company is implementing and integrating IT systems that are necessary for the implementation of the standard's provisions. In addition, the Company is testing and mapping the required controls and the flow of information to the financial statements.

### D. Details of the change rates in the Consumer Price Index and USD representative exchange rate

| | CPI | | USD representative exchange rate |
|---|---|---|---|
| | Known CPI | In lieu CPI | |
| | % | % | % |
| **For the three months ended on:** | | | |
| March 31, 2023 | 1.08 | 1.19 | 2.7 |
| March 31 2022 | 1.17 | 1.46 | 2.1 |
| **For the year ended December 31, 2022** | 5.3 | 5.3 | 13.2 |

# NOTE 3 - OPERATING SEGMENTS

The Company operates in the following operating segments:

1. **Life insurance and savings segment**

The life insurance and savings segment includes the life insurance subsegments and related coverages. The segment includes various categories of insurance policies as well insurance coverages in respect of various risks such as: death, disability, permanent health insurance, and more.

2. **Health insurance segment**

The health insurance segment includes the Group's health insurance activity. The segment includes long-term care, medical expenses, surgery and transplants, dental, travel and foreign workers insurance and more.

3. **Property and casualty insurance segment**

The property and casualty insurance segment includes the liability and property subsegments. In accordance with the Commissioner's directives, the property and casualty insurance segment in Israel is broken down into compulsory motor insurance, motor property, other property and other liability subsegments:

- 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.

- 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.

- Property and other subsegments
  Property subsegments other than motor and liability as well as other insurance subsegments.

4. **Pension and Provident segment**

The pension and provident segment includes the management of pension funds and provident funds through The Phoenix Pension and Provident, which is a wholly-owned subsidiary of the Company.
In accordance with the Commissioner's directives, segment activity is described separately for the pension activity and the provident activity.

5. **Financial services segment**

The financial services segment includes the results of The Phoenix Investment House (formerly Excellence). The segment includes investment management activity, including mutual funds, ETFs, brokerage services, underwriting services, market making in various securities and other services.
In addition, the results of this segment include those of The Phoenix Investments including The Phoenix group's alternative investment funds.

## NOTE 3 - OPERATING SEGMENTS (cont.)

6. **Insurance agencies segment**

The insurance agencies segment includes the activity of the pension arrangement agencies and other insurance agencies in the group.

7. **Credit segment**

The credit segment includes Gama. Gama is a credit aggregator providing financing against post-dated checks (factoring), clearing, and management of credit vouchers services, financing against real estate properties, loans and credit, equipment financing and supplier financing.

8. **The activity is not attributed to operating segments**

This activity includes part of the group's HQ function that is not attributed to the operating segments, activities which are ancillary/overlapping with the group's activity and holding assets and liabilities against the Company's share capital in accordance with the Capital Regulations.
Financial liabilities that serve the Company's equity requirements and finance expenses in respect thereof are not allocated to the operating segments.

It should be noted that the Company allocates the assets which are not measured at fair value in accordance with the provisions of the law and Company's procedures, and specifically the allocation in accordance with the consolidated circular on testing the appropriateness of the LAT reserve and the Commissioner's Position - Best Practice for Calculation of Reserves in Property and Casualty Insurance (for more information, see Note 41, Sections 5.1 and 5.2 to the Annual Financial Statements). This allocation may have an effect on investment income allocated to the different segments.

# NOTE 3 - OPERATING SEGMENTS (cont.)

## A. Reportable segment

| | Life insurance (a) | Health insurance (b) | Property and casualty insurance (c) | Pension and provident funds (d) | Financial services | Insurance agencies | Credit | Not attributed to operating segments | Adjustments and offsets | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | For the three-month period ended March 31, 2023 | | | | | | | | | |
| | Unaudited | | | | | | | | | |
| | NIS thousand | | | | | | | | | |
| Premiums earned, gross | 1,207,599 | 807,741 | 936,259 | - | - | - | - | - | - | 2,951,599 |
| Premiums earned by reinsurers | 68,570 | 57,897 | 265,365 | - | - | - | - | - | - | 391,832 |
| Premiums earned - retention | 1,139,029 | 749,844 | 670,894 | - | - | - | - | - | - | 2,559,767 |
| Investment income (losses), net and finance income | 907,421 | 97,697 | 23,760 | 21,751 | 10,997 | 5,587 | 35,344 | (179,821) | (4,994) | 917,742 |
| Income from management fees | 147,872 | - | - | 178,288 | 88,031 | 435 | - | 995 | (7,079) | 408,542 |
| Income from fees and commissions (e) | 14,840 | 10,422 | 59,334 | - | - | 191,285 | - | - | (62,513) | 213,368 |
| Income from financial and other services | - | - | - | - | 70,000 | - | - | - | - | 70,000 |
| Income from factoring and clearing | - | - | - | - | - | - | 46,212 | - | - | 46,212 |
| Other income | 255 | - | - | 470 | 1,123 | 3,102 | - | - | (406) | 4,544 |
| **Total revenue** | 2,209,417 | 857,963 | 753,988 | 200,509 | 170,151 | 200,409 | 81,556 | (178,826) | (74,992) | 4,220,175 |
| Increase in insurance liabilities and payments in respect of insurance contracts | 2,146,267 | 659,646 | 720,723 | 23,303 | - | - | - | - | - | 3,549,939 |
| Less - reinsurance | 46,561 | 82,897 | 241,565 | - | - | - | - | - | - | 371,023 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention | 2,099,706 | 576,749 | 479,158 | 23,303 | - | - | - | - | - | 3,178,916 |
| Fees and commissions and other purchase expenses | 158,444 | 122,804 | 172,477 | 88,943 | 16,871 | - | 1,590 | - | (53,369) | 507,760 |
| General and administrative expenses | 98,442 | 45,012 | 35,910 | 57,194 | 97,767 | 121,230 | 25,942 | 19,036 | (8,905) | 491,628 |
| Other expenses (income) | (1,066) | - | - | 7,807 | 5,576 | 6,421 | 2,030 | - | (113) | 20,655 |
| Finance expenses | 5,069 | - | 4,549 | 2,956 | 2,351 | 763 | 23,958 | 61,044 | (4,330) | 96,360 |
| **Total expenses** | 2,360,595 | 744,565 | 692,094 | 180,203 | 122,565 | 128,414 | 53,520 | 80,080 | (66,717) | 4,295,319 |
| Company's share in the net results of investees | 3,088 | 24,626 | (24,262) | - | 3,276 | 901 | - | (1,593) | - | 6,036 |
| **Profit (loss) before taxes on income** | (148,090) | 138,024 | 37,632 | 20,306 | 50,862 | 72,896 | 28,036 | (260,499) | (8,275) | (69,108) |
| **Other comprehensive income before taxes on income** | 70,705 | 12,243 | 38,122 | - | - | - | - | 79,945 | - | 201,015 |
| **Total comprehensive income (loss) before taxes on income** | (77,385) | 150,267 | 75,754 | 20,306 | 50,862 | 72,896 | 28,036 | (180,554) | (8,275) | 131,907 |
| | As of March 31, 2023 | | | | | | | | | |
| | Unaudited | | | | | | | | | |
| | NIS thousand | | | | | | | | | |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | 88,788,880 | 5,818,170 | - | - | - | - | - | - | - | 94,607,050 |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | 12,641,956 | 4,858,484 | 7,578,381 | 1,030,382 | - | - | - | - | - | 26,109,203 |

(a) For additional data regarding the life insurance and savings subsegments, please see Section B below.
(b) For additional data regarding the health insurance subsegments, please see Section C below.
(c) For additional data regarding the property and casualty insurance subsegments, please see Section d below.
(d) For more information regarding the pension and provident subsegments, please see Section E below.
(e) Arises from fees and commissions income received from agencies owned by the group, mainly from activities in the life insurance and savings.

# NOTE 3 - OPERATING SEGMENTS (cont.)

## A. Reportable segment (cont.)

| | For the three-month period ended March 31, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Life insurance (a) | Health insurance (b) | Property and casualty insurance (c) | Pension and provident funds (d) | Financial services | Insurance agencies | Credit | Not attributed to operating segments | Adjustments and offsets | Total |
| | Unaudited | | | | | | | | | |
| | NIS thousand | | | | | | | | | |
| Premiums earned, gross | 1,498,335 | 724,062 | 791,991 | - | - | - | - | - | - | 3,014,388 |
| Premiums earned by reinsurers | 81,279 | 51,652 | 258,262 | - | - | - | - | - | - | 391,193 |
| Premiums earned - retention | 1,417,056 | 672,410 | 533,729 | - | - | - | - | - | - | 2,623,195 |
| Investment income (losses), net and finance income | (767,966) | (93,341) | 101,782 | 23,410 | 986 | 2,488 | 13,534 | 43,353 | (5,750) | (681,504) |
| Income from management fees | 150,075 | - | - | 160,114 | 74,802 | - | - | 840 | (12,986) | 372,845 |
| Income from fees and commissions (e) | 17,899 | 14,919 | 61,979 | - | - | 173,537 | - | - | (35,120) | 233,214 |
| Income from financial services | - | - | - | - | 44,000 | - | - | - | - | 44,000 |
| Income from factoring and clearing | - | - | - | - | - | - | 28,612 | - | - | 28,612 |
| Other income | - | - | - | 315 | 1,355 | 3,386 | - | 2 | (375) | 4,683 |
| **Total revenue** | 817,064 | 593,988 | 697,490 | 183,839 | 121,143 | 179,411 | 42,146 | 44,195 | (54,231) | 2,625,045 |
| Increase in insurance liabilities and payments in respect of insurance contracts | 390,768 | (171,606) | 692,773 | 22,885 | - | - | - | - | - | 934,820 |
| Less - reinsurance | 55,889 | 54,077 | 189,191 | - | - | - | - | - | - | 299,157 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention | 334,879 | (225,683) | 503,582 | 22,885 | - | - | - | - | - | 635,663 |
| Fees and commissions and other purchase expenses | 142,709 | 109,597 | 146,155 | 69,895 | 18,929 | 4,686 | 1,287 | - | (29,773) | 463,485 |
| General and administrative expenses | 93,190 | 39,045 | 30,515 | 61,936 | 79,891 | 98,681 | 21,654 | 22,639 | (14,685) | 432,866 |
| Other expenses | 1,150 | - | - | 5,342 | 3,000 | 5,174 | 2,030 | - | (113) | 16,583 |
| Finance expenses (income) | 619 | - | 3,602 | 3,095 | (2,201) | 592 | 5,813 | 53,207 | (5,086) | 59,641 |
| **Total expenses** | 572,547 | (77,041) | 683,854 | 163,153 | 99,619 | 109,133 | 30,784 | 75,846 | (49,657) | 1,608,238 |
| Company's share in the net results of investees | 7,133 | (4,806) | (748) | - | 756 | 1,584 | - | - | - | 3,919 |
| **Profit (loss) before taxes on income** | 251,650 | 666,223 | 12,888 | 20,686 | 22,280 | 71,862 | 11,362 | (31,651) | (4,574) | 1,020,726 |
| **Other comprehensive income (loss) before taxes on income** | (87,821) | (10,892) | (155,355) | - | 234 | 260 | 850 | (239,001) | - | (491,725) |
| **Total comprehensive income (loss) before taxes on income** | 163,829 | 655,331 | (142,467) | 20,686 | 22,514 | 72,122 | 12,212 | (270,652) | (4,574) | 529,001 |
| | As of March 31, 2022 | | | | | | | | | |
| | Unaudited | | | | | | | | | |
| | NIS thousand | | | | | | | | | |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | 90,278,191 | 6,325,764 | - | - | - | - | - | - | - | 96,603,955 |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | 12,288,383 | 4,587,207 | 7,131,949 | 965,269 | - | - | - | - | - | 24,972,808 |

(a) For additional data regarding the life insurance and savings subsegments, please see Section B below.
(b) For additional data regarding the health insurance subsegments, please see Section C below.
(c) For additional data regarding the property and casualty insurance subsegments, please see Section d below.
(d) For more information regarding the pension and provident subsegments, please see Section E below.
(e) Arises from fees and commissions income received from agencies owned by the Group, mainly from activities in the life insurance and savings.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### A. Reportable segment (cont.)

| | For the year ended December 31, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Life insurance (a) | Health insurance (b) | Property and casualty insurance (c) | Pension and provident funds (d) | Financial services | Insurance agencies | Credit | Not attributed to operating segments | Adjustments and offsets | Total |
| | Audited | | | | | | | | | |
| | NIS thousand | | | | | | | | | |
| Premiums earned, gross | 5,611,196 | 3,054,811 | 3,471,224 | - | - | - | - | - | - | 12,137,231 |
| Premiums earned by reinsurers | 282,181 | 222,363 | 1,065,550 | - | - | - | - | - | - | 1,570,094 |
| Premiums earned - retention | 5,329,015 | 2,832,448 | 2,405,674 | - | - | - | - | - | - | 10,567,137 |
| Investment income (losses), net and finance income | (4,716,483) | (693,537) | 105,630 | 90,823 | 14,526 | 10,632 | 87,879 | (432,161) | (22,140) | (5,554,831) |
| Income from management fees | 587,708 | - | - | 670,387 | 337,279 | 469 | - | 3,868 | (51,983) | 1,547,728 |
| Income from fees and commissions (e) | 68,306 | 48,549 | 247,245 | - | - | 723,577 | - | - | (251,765) | 835,912 |
| Income from financial and other services | - | - | - | - | 223,000 | - | - | - | - | 223,000 |
| Income from factoring and clearing | - | - | - | - | - | - | 142,754 | - | - | 142,754 |
| Other income | 4,204 | - | - | 15,864 | 90,919 | 35,228 | - | 2 | (1,437) | 144,780 |
| **Total revenue** | 1,272,750 | 2,187,460 | 2,758,549 | 777,074 | 665,724 | 769,906 | 230,633 | (428,291) | (327,325) | 7,906,480 |
| Increase in insurance liabilities and payments in respect of insurance contracts | (73,812) | 730,355 | 2,234,066 | 98,221 | - | - | - | - | - | 2,988,830 |
| Less - reinsurance | 180,954 | 272,140 | 570,707 | - | - | - | - | - | - | 1,023,801 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention | (254,766) | 458,215 | 1,663,359 | 98,221 | - | - | - | - | - | 1,965,029 |
| Fees and commissions and other purchase expenses | 573,176 | 481,619 | 701,452 | 315,325 | 71,433 | 8,854 | 5,696 | - | (223,750) | 1,933,805 |
| General and administrative expenses | 379,479 | 152,882 | 122,715 | 229,351 | 345,900 | 423,455 | 92,667 | 117,618 | (58,783) | 1,805,284 |
| Other expenses | 1,187 | - | - | 31,879 | 17,583 | 32,782 | 8,118 | - | (453) | 91,096 |
| Finance expenses (income) | 8,483 | - | 24,161 | 13,315 | (2,054) | 7,472 | 52,907 | 233,734 | (19,484) | 318,534 |
| **Total expenses** | 707,559 | 1,092,716 | 2,511,687 | 688,091 | 432,862 | 472,563 | 159,388 | 351,352 | (302,470) | 6,113,748 |
| Company's share in the net results of investees | 26,648 | 26,017 | 4,213 | - | 2,494 | 2,735 | (57) | (502) | - | 61,548 |
| **Profit (loss) before taxes on income** | 591,839 | 1,120,761 | 251,075 | 88,983 | 235,356 | 300,078 | 71,188 | (780,145) | (24,855) | 1,854,280 |
| **Other comprehensive income (loss) before taxes on income** | 18,923 | (860) | (222,399) | - | (333) | 70 | 1,593 | (33,388) | - | (236,394) |
| Total comprehensive income (loss) before taxes on income | 610,762 | 1,119,901 | 28,676 | 88,983 | 235,023 | 300,148 | 72,781 | (813,533) | (24,855) | 1,617,886 |
| | As of December 31, 2022 | | | | | | | | | |
| | Audited | | | | | | | | | |
| | NIS thousand | | | | | | | | | |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | 88,307,936 | 5,734,157 | - | - | - | - | - | - | - | 94,042,093 |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | 12,517,305 | 4,784,707 | 7,140,483 | 1,016,001 | - | - | - | - | - | 25,458,496 |

(a) For additional data regarding the life insurance and savings subsegments, please see Section B below.
(b) For additional data regarding the health insurance subsegments, please see Section C below.
(c) For additional data regarding the property and casualty insurance subsegments, please see Section d below.
(d) For more information regarding the pension and provident subsegments, please see Section E below.
(e) Arises from fees and commissions income received from agencies owned by the Group, mainly from activities in the life insurance and savings.

# NOTE 3 - OPERATING SEGMENTS (cont.)

## B. Additional information regarding the life insurance and savings segment

### Breakdown of results by type of policy

### Data for the three-month period ended March 31, 2023:

| | Policies including a saving component (including appendices) by policy issuance date --- | | | | Policies without a savings component | | |
|---|---|---|---|---|---|---|---|
| | | | Since 2004 | | Risk insurance sold as a single policy | | |
| | Until 1990 (1) | Until 2003 | Non-yield-dependent | Yield-dependent | Individual | Group | Total |
| | Unaudited | | | | | | |
| | NIS thousand | | | | | | |
| Gross premiums: | 13,738 | 299,173 | - | 697,387 | 166,267 | 31,034 | 1,207,599 |
| Proceeds in respect of investment contracts credited directly to insurance reserves | - | - | - | 1,197,370 | - | - | 1,197,370 |
| Financial margin including management fees (2) | (91,912) | 50,511 (3) | - | 97,144 | - | - | 55,743 |
| Payments and change in liabilities in respect of insurance contracts, gross | 225,677 | 484,943(4) | - | 1,047,401(4) | 89,901 | 22,423 | 1,870,345 |
| Payments and change in liabilities for investment contracts | - | - | - | 275,922(4) | - | - | 275,922 |
| Total payments and change in liabilities from life insurance and savings | | | | | | | 2,146,267 |
| Total comprehensive income (loss) from life insurance and savings business | (64,134) (5) | (20,179) (5) | - | 4,551 | (4,025) | 6,402 | (77,385) |

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 does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting 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 this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. As of March 31, 2023, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 691 million. As of the report publication date, the estimated management fees which will not be collected amounted to approximately NIS 660 million.
4. This amount includes investment income or losses carried to participating policies.
5. Includes a profit in respect of the effect of the change in the discount rate on calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 26 million, before tax. For further details, please see Note 8A.

# NOTE 3 - OPERATING SEGMENTS (cont.)

## B. Additional information regarding the life insurance and savings segment (cont.)

**Breakdown of results by type of policy (cont.)**

**Data for the three-month period ended March 31 2022:**

| | Policies including a saving component (including appendices) by policy issuance date ----- | | | | Policies without a savings component | | |
|---|---|---|---|---|---|---|---|
| | | | Since 2004 | | Risk insurance sold as a single policy | | |
| | Until 1990 (1) | Until 2003 | Non-yield-dependent | Yield-dependent | Individual | Group | Total |
| | Unaudited | | | | | | |
| | NIS thousand | | | | | | |
| Gross premiums: | 14,337 | 289,677 | - | 1,013,489 | 151,057 | 29,775 | 1,498,335 |
| Proceeds in respect of investment contracts credited directly to insurance reserves | - | - | - | 2,692,983 | - | - | 2,692,983 |
| Financial margin including management fees (2) | (75,538) | 51,039 (3) | - | 98,808 | - | - | 74,309 |
| Payments and change in liabilities in respect of insurance contracts, gross | 38,159 | (119,567) (4) | - | 589,434 (4) | 87,839 | 26,655 | 622,520 |
| Payments and change in liabilities for investment contracts | - | - | - | (231,752) (4) | - | - | (231,752) |
| Total payments and change in liabilities from life insurance and savings | | | | | | | 390,768 |
| Total comprehensive income (loss) from life insurance and savings business | 138,055 (5) | 37,490 (5) | - | (9,867) | (2,127) | 278 | 163,829 |

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 does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting 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 this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. As of March 31 2022, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 113 million.
4. This amount includes investment income or losses carried to participating policies.
5. Includes a profit in respect of the effect of the change in the discount rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 278 million, before tax. For further details, please see Note 8A.

NOTE 3 - OPERATING SEGMENTS (cont.)

B. **Additional information regarding the life insurance and savings segment (cont.)**

**Breakdown of results by type of policy (cont.)**

**Data for the year ended December 31, 2022:**

| | Policies including a saving component (including appendices) by policy issuance date --- | | | | Policies without a savings component | | |
|---|---|---|---|---|---|---|---|
| | | | Since 2004 | | Risk insurance sold as a single policy | | |
| | Until 1990 (1) | Until 2003 | Non-yield-dependent | Yield-dependent | Individual | Group | Total |
| | Audited | | | | | | |
| | NIS thousand | | | | | | |
| Gross premiums: | 58,871 | 1,182,140 | - | 3,630,606 | 617,400 | 122,179 | 5,611,196 |
| Proceeds in respect of investment contracts credited directly to insurance reserves | - | - | - | 7,335,455 | - | - | 7,335,455 |
| Financial margin including management fees (2) | 57,890 | 206,820 (3) | - | 380,001 | - | - | 644,711 |
| Payments and change in liabilities in respect of insurance contracts, gross | 465,040 | (915,658) (4) | - | 1,178,225 (4) | 337,718 | 104,553 | 1,169,878 |
| Payments and change in liabilities for investment contracts | - | - | - | (1,243,690) (4) | - | - | (1,243,690) |
| Total payments and change in liabilities from life insurance and savings | | | | | | | (73,812) |
| Total comprehensive income (loss) from life insurance and savings business (4) | 585,610 (5) | (11,979) (5) | - | 9,058 | 13,341 | 14,732 | 610,762 |

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 does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting 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 this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. As of December 31, 2022, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 643 million.
4. This amount includes investment income or losses carried to participating policies.
5. Includes a profit in respect of the effect of the changes in assumptions, mortality rates, discount rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 671 million. For further details, please see Note 8A.

# NOTE 3 - OPERATING SEGMENTS (cont.)

## C. Additional data regarding the health insurance segment

| | Data for the period ended March 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Long-term care | | Other (2) | | |
| | Individual | Group | Long-term | Short-term | Total |
| | Unaudited | | | | |
| | NIS thousand | | | | |
| Gross premiums | 69,874 | 303,956 | 402,880 (1) | 27,164 (1) | 803,874 |
| Payments and change in liabilities in respect of insurance contracts, gross | (13,460) | 394,097 | 268,121 | 10,888 | 659,646 |
| Total comprehensive income (loss) from health insurance business | 141,471 (3) | (3,757) (3) | 9,512 | 3,041 | 150,267 |

(1) Of this, individual premiums in the amount of NIS 281.128 thousand and collective premiums in the amount of NIS 148,916 thousand.

| | Data for the period ended March 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Long-term care | | Other (2) | | |
| | Individual | Group | Long-term | Short-term | Total |
| | Unaudited | | | | |
| | NIS thousand | | | | |
| Gross premiums | 65,627 | 268,121 | 394,770 (1) | 18,872 (1) | 747,390 |
| Payments and change in liabilities in respect of insurance contracts, gross | (547,607) | 128,992 | 235,330 | 11,679 | (171,606) |
| Total comprehensive income (loss) from health insurance business | 623,096 (3) | 10,176 (3) | 24,215 | (2,156) | 655,331 |

(1) Of this, individual premiums in the amount of NIS 246.450 thousand and collective premiums in the amount of NIS 167,192 thousand.

| | Data for the year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Long-term care | | Other (2) | | |
| | Individual | Group | Long-term | Short-term | Total |
| | Audited | | | | |
| | NIS thousand | | | | |
| Gross premiums | 268,396 | 1,107,617 | 1,545,413 (1) | 139,110 (1) | 3,060,536 |
| Payments and change in liabilities in respect of insurance contracts, gross | (660,586) | 304,476 | 1,014,645 | 71,820 | 730,355 |
| Total comprehensive income from the health insurance business | 966,680 | 46,978 | 90,821 | 15,422 | 1,119,901 |

(1) Of this, individual premiums in the amount of NIS 1,084,435 thousand and collective premiums in the amount of NIS 600,088 thousand.

(2) The most material coverage included in other long-term health insurance is medical expenses; in short-term health insurance - travel insurance.

(3) In the three months periods ended March 31, 2023 and March 31, 2022, the profit includes a decrease in the insurance reserve (LAT) at the total amount of NIS 105 million and NIS 627 million, respectively.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### D. Additional data regarding the property and casualty insurance segment

| | For the three-month period ended March 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Compulsory motor insurance | Motor property | Property and other subsegments (*) | Other liability subsegments (**) | Total |
| | Unaudited | | | | |
| | NIS thousand | | | | |
| Gross premiums | 200,780 | 528,203 | 283,685 | 218,874 | 1,231,542 |
| Reinsurance premiums | 13,552 | - | 188,348 | 92,862 | 294,762 |
| Premiums - retention | 187,228 | 528,203 | 95,337 | 126,012 | 936,780 |
| Change in unearned premium balance, retention | 45,264 | 157,748 | 25,604 | 37,270 | 265,886 |
| Premiums earned - retention | 141,964 | 370,455 | 69,733 | 88,742 | 670,894 |
| Investment income, net and finance income | 10,211 | 3,912 | 934 | 8,703 | 23,760 |
| Income from fees and commissions | 8,316 | (4) | 39,216 | 11,806 | 59,334 |
| **Total revenue** | 160,491 | 374,363 | 109,883 | 109,251 | 753,988 |
| Payments and change in liabilities in respect of insurance contracts, gross | 150,378 | 311,276 | 187,018 | 72,051 | 720,723 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | 25,892 | (1) | 162,073 | 53,601 | 241,565 |
| Payments and change in liabilities for insurance contracts - retention | 124,486 | 311,277 | 24,945 | 18,450 | 479,158 |
| Fees and commissions, marketing expenses and other purchase expenses | 17,538 | 65,443 | 53,897 | 35,599 | 172,477 |
| General and administrative expenses | 6,623 | 14,474 | 7,658 | 7,155 | 35,910 |
| Finance expenses | 2,340 | - | 214 | 1,995 | 4,549 |
| **Total expenses** | 150,987 | 391,194 | 86,714 | 63,199 | 692,094 |
| **Company's share in the net results of investees** | (9,939) | (4,941) | (910) | (8,472) | (24,262) |
| **Profit (loss) before taxes on income** | (435) | (21,772) | 22,259 | 37,580 | 37,632 |
| **Other comprehensive income before taxes on income** | 15,617 | 7,763 | 1,429 | 13,313 | 38,122 |
| **Total comprehensive income (loss) for the period before taxes on income** | 15,182 | (14,009) | 23,688 | 50,893 | 75,754 |
| **Liabilities in respect of insurance contracts, gross, as of March 31, 2023** | 3,102,824 | 1,202,748 | 831,211 | 2,441,598 | 7,578,381 |
| **Liabilities in respect of insurance contracts - retention - as of March 31, 2023** | 2,006,746 | 1,202,733 | 224,368 | 1,674,620 | 5,108,467 |

(*) Property and other insurance subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 82% of total premiums in these subsegments.

(**) Other liability insurance subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 81% of total premiums in these subsegments.

## NOTE 3 - OPERATING SEGMENTS (cont.)

**D. Additional data regarding the property and casualty insurance segment (cont.)**

| | For the three-month period ended March 31 2022 | | | | |
|---|---|---|---|---|---|
| | Compulsory motor insurance | Motor property | Property and other subsegments (*) | Other liability subsegments (**) | Total |
| | Unaudited | | | | |
| | NIS thousand | | | | |
| Gross premiums | 205,948 | 406,613 | 230,964 | 172,759 | 1,016,284 |
| Reinsurance premiums | 38,890 | 18 | 150,349 | 75,110 | 264,367 |
| Premiums - retention | 167,058 | 406,595 | 80,615 | 97,649 | 751,917 |
| Change in unearned premium balance, retention | 65,002 | 112,145 | 20,183 | 20,858 | 218,188 |
| Premiums earned - retention | 102,056 | 294,450 | 60,432 | 76,791 | 533,729 |
| Investment income, net and finance income | 41,474 | 17,074 | 4,040 | 39,194 | 101,782 |
| Income from fees and commissions | 16,784 | 84 | 34,748 | 10,363 | 61,979 |
| **Total revenue** | 160,314 | 311,608 | 99,220 | 126,348 | 697,490 |
| Payments and change in liabilities in respect of insurance contracts, gross | 171,583 | 305,391 | 71,086 | 144,713 | 692,773 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | 53,332 | 231 | 57,166 | 78,462 | 189,191 |
| Payments and change in liabilities for insurance contracts - retention | 118,251 | 305,160 | 13,920 | 66,251 | 503,582 |
| Fees and commissions, marketing expenses and other purchase expenses | 18,654 | 56,610 | 40,824 | 30,067 | 146,155 |
| General and administrative expenses | 7,245 | 11,381 | 6,526 | 5,363 | 30,515 |
| Finance expenses | 1,763 | - | 172 | 1,667 | 3,602 |
| **Total expenses** | 145,913 | 373,151 | 61,442 | 103,348 | 683,854 |
| **Company's share in the net results of investees** | (303) | (130) | (29) | (286) | (748) |
| **Profit (loss) before taxes on income** | 14,098 | (61,673) | 37,749 | 22,714 | 12,888 |
| **Other comprehensive loss before taxes on income** | (62,837) | (27,016) | (6,121) | (59,381) | (155,355) |
| **Total comprehensive income (loss) for the period before taxes on income** | (48,739) | (88,689) | 31,628 | (36,667) | (142,467) |
| **Liabilities in respect of insurance contracts, gross, as of March 31, 2022** | 3,079,299 | 1,026,322 | 696,117 | 2,330,211 | 7,131,949 |
| **Liabilities in respect of insurance contracts - retention - as of March 31, 2022** | 1,875,454 | 1,025,543 | 203,387 | 1,772,113 | 4,876,497 |

(*) Property and other insurance subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 81% of total premiums in these subsegments.

(**) Other liability insurance subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 81% of total premiums in these subsegments.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### D. Additional data regarding the property and casualty insurance segment (cont.)

| | For the year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Compulsory motor insurance | Motor property | Property and other subsegments (*) | Other liability subsegments (**) | Total |
| | Audited | | | | |
| | NIS thousand | | | | |
| Gross premiums | 721,382 | 1,445,963 | 892,080 | 657,496 | 3,716,921 |
| Reinsurance premiums | 138,769 | 8 | 611,459 | 311,648 | 1,061,884 |
| Premiums - retention | 582,613 | 1,445,955 | 280,621 | 345,848 | 2,655,037 |
| Change in unearned premium balance, retention | 85,034 | 132,141 | 18,905 | 13,283 | 249,363 |
| Premiums earned - retention | 497,579 | 1,313,814 | 261,716 | 332,565 | 2,405,674 |
| Investment income, net and finance income | 45,588 | 12,991 | 5,192 | 41,859 | 105,630 |
| Income from fees and commissions | 55,428 | 209 | 149,590 | 42,018 | 247,245 |
| **Total revenue** | 598,595 | 1,327,014 | 416,498 | 416,442 | 2,758,549 |
| Payments and change in liabilities in respect of insurance contracts, gross | 443,736 | 1,196,545 | 263,456 | 330,329 | 2,234,066 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | 118,598 | 342 | 204,498 | 247,269 | 570,707 |
| Payments and change in liabilities for insurance contracts - retention | 325,138 | 1,196,203 | 58,958 | 83,060 | 1,663,359 |
| Fees and commissions, marketing expenses and other purchase expenses | 80,481 | 288,221 | 203,887 | 128,863 | 701,452 |
| General and administrative expenses | 26,755 | 47,818 | 26,314 | 21,828 | 122,715 |
| Finance expenses | 11,890 | - | 1,354 | 10,917 | 24,161 |
| **Total expenses** | 444,264 | 1,532,242 | 290,513 | 244,668 | 2,511,687 |
| Company's share in the net results of investees | 1,743 | 672 | 198 | 1,600 | 4,213 |
| **Profit (loss) before taxes on income** | 156,074 | (204,556) | 126,183 | 173,374 | 251,075 |
| **Other comprehensive loss before taxes on income** | (91,992) | (35,462) | (10,477) | (84,468) | (222,399) |
| **Total comprehensive income (loss) for the period before taxes on income** | 64,082 | (240,018) | 115,706 | 88,906 | 28,676 |
| **Liabilities in respect of insurance contracts, gross, as of December 31, 2022** | 3,025,588 | 1,061,880 | 670,253 | 2,382,762 | 7,140,483 |
| **Liabilities in respect of insurance contracts, gross, as of December 31, 2022** | 1,902,667 | 1,061,809 | 196,571 | 1,663,974 | 4,825,021 |

(*) Property and other insurance subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 80% of total premiums in these subsegments.

(**) Other liability insurance subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 82% of total premiums in these subsegments.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### E. Additional data regarding the pension and provident segment

| | For the three-month period ended March 31, 2023 | | |
|---|---|---|---|
| | Provident funds | Pension | Total |
| | Unaudited | | |
| | NIS thousand | | |
| Investment income, net and finance income | 21,146 | 605 | 21,751 |
| Income from management fees | 106,127 | 72,161 | 178,288 |
| Other income | - | 470 | 470 |
| **Total revenue** | 127,273 | 73,236 | 200,509 |
| Change in liabilities for investment contracts | 23,303 | - | 23,303 |
| Fees and commissions, marketing expenses and other purchase expenses | 45,932 | 43,011 | 88,943 |
| General and administrative expenses | 34,256 | 22,938 | 57,194 |
| Other expenses | 4,583 | 3,224 | 7,807 |
| Finance expenses | 2,069 | 887 | 2,956 |
| **Total expenses** | 110,143 | 70,060 | 180,203 |
| **Comprehensive income before taxes on income** | 17,130 | 3,176 | 20,306 |

| | For the 3-month period ended March 31, 2022 | | |
|---|---|---|---|
| | Provident funds | Pension | Total |
| | Unaudited | | |
| | NIS thousand | | |
| Investment income, net and finance income | 22,963 | 447 | 23,410 |
| Income from management fees | 104,197 | 55,917 | 160,114 |
| Other income | 6 | 309 | 315 |
| **Total revenue** | 127,166 | 56,673 | 183,839 |
| Change in liabilities for investment contracts | 22,885 | - | 22,885 |
| Fees and commissions, marketing expenses and other purchase expenses | 38,859 | 31,036 | 69,895 |
| General and administrative expenses | 41,298 | 20,638 | 61,936 |
| Other expenses | 4,884 | 458 | 5,342 |
| Finance expenses | 2,320 | 775 | 3,095 |
| **Total expenses** | 110,246 | 52,907 | 163,153 |
| **Comprehensive income before taxes on income** | 16,920 | 3,766 | 20,686 |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | Provident funds | Pension | Total |
| | Audited | | |
| | NIS thousand | | |
| Investment income, net and finance income | 95,052 | (4,229) | 90,823 |
| Income from management fees | 415,822 | 254,565 | 670,387 |
| Other income | 14,215 | 1,649 | 15,864 |
| **Total revenue** | 525,089 | 251,985 | 777,074 |
| Change in liabilities for investment contracts | 98,221 | - | 98,221 |
| Fees and commissions, marketing expenses and other purchase expenses | 175,411 | 139,914 | 315,325 |
| General and administrative expenses | 143,534 | 85,817 | 229,351 |
| Other expenses | 20,344 | 11,535 | 31,879 |
| Finance expenses | 9,862 | 3,453 | 13,315 |
| **Total expenses** | 447,372 | 240,719 | 688,091 |
| **Comprehensive income before taxes on income** | 77,717 | 11,266 | 88,983 |

# NOTE 4 - BUSINESS COMBINATIONS

## A. Assuming control in Epsilon Investment House Ltd.

In November 2022, The Phoenix Investment House signed an agreement with Mr. Shmuel Frenkel, Flaming Star Ltd. (a wholly-owned company of Mr. Frenkel) and Mr. Lior Aviani (hereinafter, jointly - the "Sellers"), for the acquisition of the entire issued share capital of Epsilon Investment House Ltd. (hereinafter - "Epsilon"), which holds, among other things, Epsilon Mutual Funds Management (1991) Ltd. (hereinafter - "Epsilon Funds") and Epsilon Investment Portfolio Management Ltd. (hereinafter - "Epsilon Portfolios") in consideration for NIS 44.5 million plus an amount equal to Epsilon's liquid capital amount (as this term was defined in the agreement), and net of dividends that will be distributed after the calculation date of the liquid capital and through the completion date (hereinafter - the "Transaction").

The Transaction was completed on February 13, 2023, after obtaining a permit to hold means of control in Epsilon Funds from the Israel Securities Authority, and after obtaining the approval of the Competition Commissioner. The consolidation commencement date is January 1, 2023.
As part of the completion of the Transaction, The Phoenix Investment House paid the Sellers a total of NIS 89 million.

For the purpose of the acquisition, the Company advanced a NIS 60 million loan to The Phoenix Investment House by way of expansion of the lender's Bonds (Series 4); for information regarding the terms of the bonds - see Note 27E to the consolidated annual financial statements.

Under agreements between the parties, The Phoenix Investment House intends to take steps to sell the funds owned by Epsilon Funds to KSM Mutual Funds; the activity of Epsilon Portfolio will continue to be conducted independently under the management of the Sellers, and management agreements for a period of 5 years from the completion date were signed with them for that purpose.

The Company recognized the fair value of the assets acquired and the liabilities assumed as part of the business combination according to a provisional measurement. As of the date of approval of the financial statements, an acquisition cost allocation work has not yet been received from an external appraiser in relation to the fair value of the identified assets acquired and the liabilities assumed. A final adjustment of the consideration for the acquisition as well as the fair value of the assets and liabilities purchased can be carried out up to 12 months from the date of purchase. At the final measurement date, the adjustments were made by way of a restating the comparative results previously reported according to the provisional measurement.

The fair value of Epsilon's identified assets and identified liabilities as of the consolidation commencement date (January 1, 2023) is as follows:

| | NIS thousand |
|---|---|
| Intangible assets | 12,000 |
| Working capital, net (excluding cash and cash equivalents) | 3,000 |
| Cash and cash equivalents | 41,000 |
| Liabilities in respect of deferred taxes | (3,000) |
| **Total identifiable assets net of identifiable liabilities** | **53,000** |
| Goodwill arising from the acquisition | 36,000 |
| **Total acquisition cost** | **89,000** |

As stated above, the date on which control was assumed is January 1, 2023; therefore, Epsilon's financial results are included in the financial services segment as from January 1, 2023.

# NOTE 5 - FINANCIAL INSTRUMENTS

## A. Assets for yield-dependent contracts

1. Following is a breakdown of assets held against insurance contracts and investment contracts presented at fair value through profit and loss:

| | As of March 31 | | As of December 31 |
|---|---|---|---|
| | 2023 | 2022 | 2022 |
| | Unaudited | | Audited |
| | NIS thousand | | |
| Investment property | 2,141,480 | 1,992,223 | 2,142,074 |
| Financial investments: | | | |
| Liquid debt assets | 22,258,479 | 22,073,675 | 21,252,417 |
| Illiquid debt assets | 7,933,273 | 8,512,686 | 8,306,926 |
| Shares | 18,536,788 | 25,067,408 | 19,610,785 |
| Other financial investments | 29,502,354 | 26,332,075 | 28,224,143 |
| Total financial investments | 78,230,894 | 81,985,844 | 77,394,271 |
| Cash and cash equivalents | 17,139,322 | 13,241,894 | 16,358,509 |
| Other | 183,826 | 165,163 | 160,734 |
| Total assets for yield-dependent contracts | 97,695,522 | 97,385,124 | 96,055,588 |

2. Fair value of financial assets by level:

The following table presents an analysis of assets held against insurance contracts and investment contracts presented at fair value through profit and loss. The different levels were defined as follows:

Level 1 - fair value measured using quoted prices (unadjusted) in an active market for identical instruments.
Level 2 - fair value measured using observable inputs, either directly or indirectly, that are not included in Level 1 above.
Level 3 - fair value measured using inputs that are not based on observable market inputs.

For financial instruments periodically recognized at fair value, the Company estimates, at the end of each reporting period, whether transfers have been made between the various levels of the fair value hierarchy.

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

The Company holds the financial instruments measured at fair value according to the following classifications:

| | As of March 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Unaudited | | | |
| | NIS thousand | | | |
| Liquid debt assets | 16,156,762 | 6,101,717 | - | 22,258,479 |
| Illiquid debt assets | - | 5,682,113 | 2,251,160 | 7,933,273 |
| Shares | 16,325,619 | 413,084 | 1,798,085 | 18,536,788 |
| Other financial investments | 10,518,878 | 1,009,770 | 17,973,706 | 29,502,354 |
| Total | 43,001,259 | 13,206,684 | 22,022,951 | 78,230,894 |

## NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

### A. Assets for yield-dependent contracts (cont.)

| | As of March 31 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Unaudited | | | |
| | NIS thousand | | | |
| Financial investments: | | | | |
| Liquid debt assets | 16,563,065 | 5,510,610 | - | 22,073,675 |
| Illiquid debt assets | - | 6,602,964 | 1,909,722 | 8,512,686 |
| Shares | 22,296,040 | 1,296,499 | 1,474,869 | 25,067,408 |
| Other financial investments | 10,014,542 | 1,862,400 | 14,455,133 | 26,332,075 |
| Total | 48,873,647 | 15,272,473 | 17,839,724 | 81,985,844 |

| | As of December 31 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Audited | | | |
| | NIS thousand | | | |
| Financial investments: | | | | |
| Liquid debt assets (*) | 15,871,715 | 5,380,702 | - | 21,252,417 |
| Illiquid debt assets | - | 6,390,528 | 1,916,398 | 8,306,926 |
| Shares | 17,047,803 | 686,686 | 1,876,296 | 19,610,785 |
| Other financial investments | 9,989,631 | 965,706 | 17,268,806 | 28,224,143 |
| Total | 42,909,149 | 13,423,622 | 21,061,500 | 77,394,271 |

* Reclassified.

Assets measured at fair value - Level 3

| | Fair value measurement at the reporting date | | | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through profit and loss | | | | |
| | Liquid debt assets | Illiquid debt assets | Shares | Other financial investments | Total |
| | Unaudited | | | | |
| | NIS thousand | | | | |
| Balance as of January 1, 2023 | - | 1,916,398 | 1,876,296 | 17,268,806 | 21,061,500 |
| Total gains (losses) recognized in profit or loss (*) | - | 71,630 | (8,015) | 342,388 | 406,003 |
| Purchases | - | 268,201 | 6,420 | 961,211 | 1,235,832 |
| Proceeds from interest and dividend | - | (20,938) | (7,532) | (183,123) | (211,593) |
| Redemptions / sales | - | (151,802) | (69,084) | (415,576) | (636,462) |
| Transfers into Level 3 (**) | - | 272,004 | - | - | 272,004 |
| Transfers from Level 3 (**) | - | (104,333) | - | - | (104,333) |
| Balance on March 31 2023 | - | 2,251,160 | 1,798,085 | 17,973,706 | 22,022,951 |
| (*) Of which: Total unrealized gains (losses) for the period included in profit and loss in respect of assets held as of March 31 2023 | - | 33,924 | (15,491) | 249,387 | 267,820 |

(**) Transfers between fair value levels stem mainly from securities whose rating changed.

## NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

### A. Assets for yield-dependent contracts (cont.)

Assets measured at fair value - Level 3 (cont.)

| | Fair value measurement at the reporting date | | | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through profit and loss | | | | |
| | Liquid debt assets | Illiquid debt assets | Shares | Other financial investments | Total |
| | Unaudited | | | | |
| | NIS thousand | | | | |
| Balance as of January 1, 2022 | - | 1,722,489 | 1,622,980 | 13,931,585 | 17,277,054 |
| Total gains (losses) recognized in profit or loss (*) | - | (16,900) | 83,136 | 369,261 | 435,497 |
| Purchases | - | 350,618 | 83,630 | 941,541 | 1,375,789 |
| Proceeds from interest and dividend | - | (4,612) | (993) | (210,654) | (216,259) |
| Redemptions / sales | - | (141,873) | - | (495,080) | (636,953) |
| Transfers from Level 3 (**) | - | - | (313,884) | (81,520) | (395,404) |
| Balance on March 31 2022 | - | 1,909,722 | 1,474,869 | 14,455,133 | 17,839,724 |
| (*) Of which: Total unrealized gains (losses) for the period included in profit and loss in respect of assets held as of March 31 2022 | - | (2,639) | 9,674 | 158,215 | 165,250 |

(**) Transfers from Level 3 stem mainly from securities whose rating changed and from securities issued

| | Fair value measurement at the reporting date | | | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through profit and loss | | | | |
| | Liquid debt assets | Illiquid debt assets | Shares | Other financial investments | Total |
| | Audited | | | | |
| | NIS thousand | | | | |
| Balance as of January 1, 2022 | - | 1,722,489 | 1,622,980 | 13,931,585 | 17,277,054 |
| Total gains recognized in profit or loss (*) | - | 59,255 | 324,560 | 1,879,089 | 2,262,904 |
| Purchases | - | 1,538,352 | 283,383 | 4,239,798 | 6,061,533 |
| Proceeds from interest and dividend | - | (42,028) | (36,666) | (703,959) | (782,653) |
| Redemptions / sales | - | (804,657) | (4,077) | (1,982,255) | (2,790,989) |
| Transfers from Level 3 (**) | - | (557,013) | (313,884) | (95,452) | (966,349) |
| Balance as of December 31, 2022 | - | 1,916,398 | 1,876,296 | 17,268,806 | 21,061,500 |
| (*) Of which: Total unrealized gains (losses) for the period included in profit and loss in respect of assets held as of December 31 2022 | - | (11,021) | 228,762 | 1,332,466 | 1,550,207 |

(**) Transfers from Level 3 stem mainly from securities whose rating changed and from securities issued for the first time.

## NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

### B. Other financial investments (cont.)

1. Illiquid debt assets

Composition:

| | As of March 31, 2023 | |
|---|---|---|
| | Carrying amount | Fair value |
| | Unaudited | |
| | NIS thousand | |
| Loans and receivables | | |
| Designated bonds and treasury deposits (*) | 8,764,949 | 11,521,237 |
| Other non-convertible debt assets, excluding deposits with banks | 7,169,284 | 6,931,503 |
| Deposits with banks | 1,343,693 | 1,356,488 |
| Total illiquid debt assets | 17,277,926 | 19,809,228 |
| Impairments carried to profit and loss (cumulative) | 54,644 | |

(*) The fair value was calculated according to the contractual repayment date.

| | As of March 31 2022 | |
|---|---|---|
| | Carrying amount | Fair value |
| | Unaudited | |
| | NIS thousand | |
| Loans and receivables | | |
| Designated bonds and treasury deposits (*) | 8,367,691 | 12,474,212 |
| Other non-convertible debt assets, excluding deposits with banks | 5,500,701 | 5,678,082 |
| Deposits with banks | 1,061,428 | 1,098,287 |
| Total illiquid debt assets | 14,929,820 | 19,250,581 |
| Impairments carried to profit and loss (cumulative) | 59,557 | |

(*) The fair value was calculated according to the contractual repayment date.

| | As of December 31 2022 | |
|---|---|---|
| | Carrying amount | Fair value |
| | Audited | |
| | NIS thousand | |
| Loans and receivables | | |
| Designated bonds and treasury deposits (*) | 8,562,862 | 11,336,672 |
| Other non-convertible debt assets, excluding deposits with banks | 6,783,963 | 6,640,304 |
| Deposits with banks | 1,114,675 | 1,128,407 |
| Total illiquid debt assets | 16,461,500 | 19,105,383 |
| Impairments carried to profit and loss (cumulative) | 50,454 | |

(*) The fair value was calculated according to the contractual repayment date.

# NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

## B. Other financial investments (cont.)

### 2. Fair value of financial assets by level

The tables below depict an analysis of the financial instruments presented at fair value. During the reporting periods there were no material transfers between Level 1 and Level 2.

| | As of March 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Unaudited | | | |
| | NIS thousand | | | |
| Liquid debt assets | 4,339,500 | 1,626,324 | - | 5,965,824 |
| Shares | 1,638,124 | 160,278 | 503,089 | 2,301,491 |
| Other | 614,463 | 337,922 | 4,403,232 | 5,355,617 |
| Total | 6,592,087 | 2,124,524 | 4,906,321 | 13,622,932 |

| | As of March 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Unaudited | | | |
| | NIS thousand | | | |
| Liquid debt assets | 4,694,271 | 1,698,265 | - | 6,392,536 |
| Shares | 1,876,237 | 314,883 | 438,387 | 2,629,507 |
| Other | 1,104,857 | 440,504 | 2,917,650 | 4,463,011 |
| Total | 7,675,365 | 2,453,652 | 3,356,037 | 13,485,054 |

| | As of December 31 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Audited | | | |
| | NIS thousand | | | |
| Liquid debt assets (*) | 3,930,950 | 1,728,945 | - | 5,659,895 |
| Shares | 1,662,972 | 252,507 | 486,793 | 2,402,272 |
| Other | 585,574 | 305,766 | 4,111,483 | 5,002,823 |
| Total | 6,179,496 | 2,287,218 | 4,598,276 | 13,064,990 |

* Reclassified.

## NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

**B. Other financial investments (cont.)**

2. Fair value of financial assets by level (cont.)

Assets measured at fair value - Level 3

| | Financial assets at fair value through profit and loss and available-for-sale financial assets | | | | |
|---|---|---|---|---|---|
| | Liquid debt assets | Illiquid debt assets | Shares | Other financial investments | Total |
| | Unaudited | | | | |
| | NIS thousand | | | | |
| Balance as of January 1, 2023 | - | - | 486,793 | 4,111,483 | 4,598,276 |
| Total profits recognized: | | | | | |
| in profit or loss (*) | - | - | 2,931 | 54,303 | 57,234 |
| In other comprehensive income | - | - | 9,810 | 74,217 | 84,027 |
| Purchases | - | - | 5,082 | 323,966 | 329,048 |
| Proceeds from interest and dividend | - | - | (1,527) | (49,748) | (51,275) |
| Redemptions / sales | - | - | - | (110,989) | (110,989) |
| Balance on March 31 2023 | - | - | 503,089 | 4,403,232 | 4,906,321 |
| (*) Of which: Total unrealized gains (losses) for the period included in profit and loss in respect of assets held as of March 31 2023 | - | - | 1,438 | (12,624) | (11,186) |

| | Financial assets at fair value through profit and loss and available-for-sale financial assets | | | | |
|---|---|---|---|---|---|
| | Liquid debt assets | Illiquid debt assets | Shares | Other financial investments | Total |
| | Unaudited | | | | |
| | NIS thousand | | | | |
| Balance as of January 1, 2022 | - | - | 498,033 | 2,863,064 | 3,361,097 |
| Total gains (losses) recognized: | | | | | |
| in profit or loss (*) | - | - | - | 51,550 | 51,550 |
| In other comprehensive income | - | - | 4,205 | 11,588 | 15,793 |
| Purchases | - | - | 52,373 | 192,169 | 244,542 |
| Proceeds from interest and dividend | - | - | - | (48,324) | (48,324) |
| Redemptions / sales | - | - | - | (135,044) | (135,044) |
| Transfers from Level 3 (**) | - | - | (116,224) | (17,353) | (133,577) |
| Balance on March 31 2022 | - | - | 438,387 | 2,917,650 | 3,356,037 |
| (*) Of which: Total unrealized gains (losses) for the period included in profit and loss in respect of assets held as of March 31 2022 | - | - | - | (8,494) | (8,494) |

(**) Transfers from Level 3 stem mainly from securities whose rating changed and from securities issued for the first time.

## NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

### B. Other financial investments (cont.)

2. Fair value of financial assets by level (cont.)

| | Financial assets at fair value through profit and loss and available-for-sale financial assets | | | | |
|---|---|---|---|---|---|
| | Liquid debt assets | Illiquid debt assets | Shares | Other financial investments | Total |
| | Audited | | | | |
| | NIS thousand | | | | |
| Balance as of January 1, 2022 | - | - | 498,033 | 2,863,064 | 3,361,097 |
| Total gains (losses) recognized: | | | | | |
| in profit or loss (*) | - | - | (804) | 154,348 | 153,544 |
| In other comprehensive income | - | - | 47,457 | 500,197 | 547,654 |
| Purchases | - | - | 60,189 | 1,211,807 | 1,271,996 |
| Proceeds from interest and dividend | - | - | (1,858) | (140,728) | (142,586) |
| Redemptions / sales | - | - | - | (459,852) | (459,852) |
| Transfers from Level 3 (**) | - | - | (116,224) | (17,353) | (133,577) |
| Balance as of December 31, 2022 | - | - | 486,793 | 4,111,483 | 4,598,276 |
| (*) Of which: Total unrealized losses for the period included in profit and loss in respect of assets held as of December 31, 2022 | - | - | (8,321) | (75,807) | (84,128) |

(**) Transfers from Level 3 stem mainly from securities whose rating changed and from securities issued for the first time.

### C. Credit assets in respect of factoring, clearing and financing

| | As of March 31, 2023 | As of March 31, 2022 | As of December 31 2022 |
|---|---|---|---|
| | Unaudited | Unaudited | Audited |
| | NIS thousand | NIS thousand | NIS thousand |
| Trade receivables and checks for collection | 971,779 | 1,010,089 | 1,105,547 |
| Credit vouchers | 13,325 | 12,320 | 17,064 |
| Loans and checks for collection | 1,071,231 | 696,378 | 1,010,058 |
| Credit vouchers for sale | 1,410,028 | 1,009,336 | 1,335,486 |
| Provision for doubtful debts | - | (16,952) | (24,818) |
| Loan loss provision (*) | (27,584) | - | - |
| Total | 3,438,779 | 2,711,171 | 3,443,337 |

(*) See Note 2A and B regarding first-time application of IFRS 9 (Financial Instruments) regarding financial instruments that do not relate to The Phoenix Insurance, which falls within the scope of the definition of insurer. According to the transition method that was selected, the comparative figures were not restated.

# NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

## D. Financial liabilities

### 1. Breakdown of financial liabilities

| | As of March 31, 2023 | |
|---|---|---|
| | Carrying amount | Fair value |
| | Unaudited | |
| | NIS thousand | |
| Financial liabilities presented at amortized cost: | | |
| Short-term credit from banking corporations | 615,043 | 615,043 |
| Loans from non-bank entities | 759,055 | 759,055 |
| Bonds (see Note 8C) | 2,288,138 | 1,542,637 |
| Subordinated bonds (1) | 3,671,030 | 3,500,924 |
| Subordinated bonds - additional Tier 1 capital (1) | 212,858 | 146,306 |
| Trade receivables for credit cards | 1,627,975 | 1,627,975 |
| REPO in respect of non-yield-dependent contracts (2) | 952,873 | 952,873 |
| Other (3) | 30,831 | 30,831 |
| | 10,157,803 | 9,175,644 |
| Financial liabilities presented at fair value through profit and loss: | | |
| Derivatives held for yield-dependent contracts | 1,588,100 | 1,588,100 |
| Derivatives held for non-yield-dependent contracts | 735,541 | 735,541 |
| REPO in respect of yield-dependent contracts (2) | 867,667 | 867,667 |
| Liability for short sale of liquid securities | 1,324,325 | 1,324,325 |
| Total financial liabilities presented at fair value through profit and loss | 4,515,633 | 4,515,633 |
| Lease liabilities (4) | 105,241 | |
| Total financial liabilities | 14,778,677 | |

(1) The bonds were issued for the purpose of complying with the capital requirements.
- A. For information regarding full early redemption of Series F Bonds, see Note 8E.
- B. For information regarding listing of Series L Bonds, see Note 8I.

(2) During the present quarter, The Phoenix Insurance entered into repo agreements with foreign banks. The term of those transactions was up to one year, against liquid debt assets of the Government of Israel; they include a mechanism for the adjustment of the value of the collaterals that will be provided against the consideration that was received in the transaction.

(3) Mainly provision in respect of an option to acquire an investee and an undertaking to acquire portfolios.

(4) Disclosure of fair value was not required.

## NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

### D. Financial liabilities (cont.)

1. Breakdown of financial liabilities (cont.)

| | As of March 31, 2022 | |
|---|---|---|
| | Carrying amount | Fair value |
| | Unaudited | |
| | NIS thousand | |
| Financial liabilities presented at amortized cost: | | |
| Loans from non-bank entities | 225,640 | 225,640 |
| Short-term credit from banking corporations | 896,492 | 896,492 |
| Bonds | 1,603,126 | 1,590,391 |
| Subordinated bonds (1) | 3,396,455 | 3,484,381 |
| Subordinated bonds - additional Tier 1 capital (1) | 202,195 | 212,056 |
| Trade receivables for credit cards | 1,419,134 | 1,419,134 |
| Other (2) | 41,215 | 41,215 |
| Total financial liabilities presented at amortized cost | 7,784,257 | 7,869,309 |
| Financial liabilities presented at fair value through profit and loss: | | |
| Derivatives held for yield-dependent contracts | 475,673 | 475,673 |
| Derivatives held for non-yield-dependent contracts | 148,568 | 148,568 |
| Short sale of securities | 918,096 | 918,096 |
| Total financial liabilities presented at fair value through profit and loss | 1,542,337 | 1,542,337 |
| Lease liabilities | 119,447 | |
| Total financial liabilities | 9,446,041 | |

(1) The bonds were issued in order to comply with the capital requirements.

(2) Mainly provision in respect of an option to acquire an investee and an undertaking to acquire portfolios.

# NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

## D. Financial liabilities (cont.)

1. Breakdown of financial liabilities (cont.)

| | As of December 31, 2022 | |
|---|---|---|
| | Carrying amount | Fair value |
| | Audited | |
| | NIS thousand | |
| Financial liabilities presented at amortized cost: | | |
| Short-term credit from banking corporations | 577,658 | 577,658 |
| Loans from non-bank entities | 827,333 | 827,333 |
| Bonds | 2,128,984 | 2,004,364 |
| Subordinated bonds (1) | 4,074,461 | 3,946,156 |
| Subordinated bonds - Additional Tier 1 capital (1) | 210,536 | 174,768 |
| Trade receivables for credit cards | 1,571,513 | 1,571,513 |
| REPO in respect of non-yield-dependent contracts (2) | 477,606 | 477,606 |
| Other (3) | 35,477 | 35,477 |
| Total financial liabilities presented at amortized cost | 9,903,568 | 9,614,875 |
| Financial liabilities presented at fair value through profit and loss: | | |
| Derivatives held for yield-dependent contracts | 1,177,929 | 1,177,929 |
| Derivatives held for non-yield-dependent contracts | 479,909 | 479,909 |
| REPO in respect of yield-dependent contracts (2) | 244,764 | 244,764 |
| Liability for short sale of liquid securities | 1,189,653 | 1,189,653 |
| Total financial liabilities presented at fair value through profit and loss | 3,092,255 | 3,092,255 |
| Lease liabilities (4) | 109,741 | |
| Total financial liabilities | 13,105,564 | |

(1) The bonds were issued for the purpose of complying with the capital requirements.
(2) In 2022, The Phoenix Insurance entered into repo agreements with foreign banks. The term of those transactions was up to one year, against liquid debt assets of the Government of Israel; they include a mechanism for the adjustment of the value of the collaterals that will be provided against the consideration that was received in the transaction.
(3) Mainly provision in respect of an option to acquire an investee and an undertaking to acquire portfolios.
(4) Disclosure of fair value was not required.

2. Fair value of financial liabilities by level

| | As of March 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Unaudited | | | |
| | NIS thousand | | | |
| Liability for short sale of liquid securities | 1,324,325 | - | - | 1,324,325 |
| REPO in respect of yield-dependent contracts | - | 867,667 | - | 867,667 |
| Derivatives | 114,885 | 2,195,678 | 13,078 | 2,323,641 |
| Financial liabilities presented at fair value | 1,439,210 | 3,063,345 | 13,078 | 4,515,633 |

## NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

### D. Financial liabilities (cont.)

2. Fair value of financial liabilities by level (cont.)

| | As of March 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Unaudited | | | |
| | NIS thousand | | | |
| Liability for short sale of liquid securities | 918,096 | - | - | 918,096 |
| Derivatives | 179,588 | 444,653 | - | 624,241 |
| Financial liabilities presented at fair value | 1,097,684 | 444,653 | - | 1,542,337 |

| | As of December 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Audited | | | |
| | NIS thousand | | | |
| Liability for short sale of liquid securities | 1,189,653 | - | - | 1,189,653 |
| REPO in respect of yield-dependent contracts | - | 244,764 | - | 244,764 |
| Derivatives | 313,204 | 1,333,978 | 10,656 | 1,657,838 |
| Financial liabilities presented at fair value | 1,502,857 | 1,578,742 | 10,656 | 3,092,255 |

3. Valuation techniques

The fair value of investments traded actively in regulated financial markets is determined based on market prices as of the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using transactions that were recently made at market terms, reference to the current market value of another instrument which is substantially the same, discounting of cash flows, or other valuation methods.

A) Illiquid debt assets

The fair value of illiquid debt assets, which are measured at fair value through profit and loss, and the fair value of illiquid financial debt assets, for which fair value information is provided solely for disclosure purposes, is determined by discounting the estimated future cash flows from those assets. The discount rates are based primarily on yields on government bonds and spreads of corporate bonds as measured on the Stock Exchange. The quoted prices and interest rates used for discounting purposes are determined by a company which won the tender, published by the Ministry of Finance, for the setting up and operating a database of quoted prices and interest rates for institutional entities.

B) Illiquid shares

The fair value of the investment in illiquid shares was estimated using the discounted cash flow model (DCF). The estimate requires management to make certain assumptions regarding the model's data, including expected cash flows, discount rates, credit risk and volatility. The probabilities in respect of the estimates in the range can be measured reliably, and management uses them to determine and evaluate the fair value of these investments in illiquid shares.

## NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

**D. Financial liabilities (cont.)**

3. Valuation techniques (cont.)

C) Derivatives

The Company enters into transactions involving derivative financial instruments with multiple parties, especially financial institutions. The derivatives were valued using valuation models with observable market inputs are mainly interest rate swap contracts and foreign currency forwards. The most frequently used valuation techniques include prices of forwards and swap models using present value calculations. The models combine a number of inputs, including the credit rating of the parties to the financial transaction, spot/forward exchange rates, prices of forward contracts and interest rate curves. All derivative contracts are fully back against cash; therefore, there is no counterparty credit risk and non-performance risk of the Company itself in respect thereof.

# NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS

It is management's policy to maintain a strong capital base in order to retain Company's ability to continue its activities such that it will be able to generate returns to its shareholders and support future business activities. The Phoenix Insurance, The Phoenix Investment House group, pension and provident funds management companies and other institutional entities consolidated in the financial statements are subject to capital requirements set by the Commissioner.

## A. Principles of the Solvency II-based Economic Solvency Regime

The Phoenix Insurance is subject to the Solvency II-based Economic Solvency Regime in accordance with implementation provisions as published in June 2017 and revised in October 2020 (hereinafter - the "Economic Solvency Regime").

Economic solvency ratio

The economic solvency ratio is calculated as the ratio between the insurance company's recognized economic equity and the capital required for solvency purposes.
The recognized economic equity is determined as the sum of the core tier 1 capital derived from the economic balance sheet and debt instruments that include loss absorption mechanisms (Additional Tier 1 capital and Tier 2 capital instrument).
Economic balance sheet items are calculated based on economic value, with insurance liabilities calculated on the basis of a best estimate of all expected future cash flows from existing businesses, without conservatism margins, and plus a risk margin.

The solvency capital requirement (SCR) is designed to estimate the economic equity's exposure to a series of scenarios set out in the Economic Solvency Regime provisions, and which reflect insurance risks, market risks and credit risks as well as operational risks.

The Economic Solvency Regime includes, among other things, transitional provisions in connection with compliance with capital requirements, and which allow increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the Economic Solvency Regime provisions (hereinafter - the "Deduction"). The Deduction will decrease gradually until 2032 (hereinafter - the "Transitional Period"). In addition to a reduced capital requirements, that will increase gradually until 2023, in respect of certain investment types.

In accordance with the provisions of the Economic Solvency Regime, the economic solvency ratio report as of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date.

Furthermore, further to Note 8I, in view of the listing of additional Tier 1 capital for trading on the Tel Aviv Stock Exchange's main list, and in accordance with The Phoenix Insurance's undertakings under the deed of trust, as from 2023 the Company will publish to the public an estimated quarterly solvency ratio as of March 31 and September 30, as part of the periodic report published following the calculation date. The calculation of the estimated quarterly solvency ratio is not audited or reviewed by the independent auditor, and the controls conducted by The Phoenix Insurance for the purpose of publishing the estimated ratio are less in scope compared to those executed for the purpose of publishing the solvency ratio report, which is published in accordance with the Commissioner's directives.

The Phoenix Insurance published its Solvency Ratio Report as of December 31 2022 along with the publication of the Financial Statements.

## NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS (cont.)

### A. Principles of the Solvency II-based Economic Solvency Regime (cont.)

In accordance with the Solvency Ratio Report as of December 31, 2022, The Phoenix Insurance has surplus capital, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the transition provisions.
The calculation made by The Phoenix Insurance as described above, was reviewed by The Phoenix Insurance's independent auditors, in accordance with International Standard on Assurance Engagements (ISAE 3400) - The Examination of Prospective Financial Information. This standard is relevant to audits of solvency calculations and does not constitute part of the auditing standards that apply to financial statements.
It should be emphasized that the projections and assumptions on the basis of which the economic solvency ratio report was prepared are based mainly on past experience as arising from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The calculation is sometimes based on assumptions regarding future events, 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 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 made in the calculation.

In their special report, the independent auditors noted that they did not review the appropriateness of the Deduction During the Transitional Period as of December 31, 2022, 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 described in the provisions on calculation of risk margin. Furthermore, attention is drawn to what is stated in the economic solvency ratio report regarding the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

For further details, please see Section 2.1 to the Report of the Board of Directors, and the Economic Solvency Ratio Report as of December 31, 2022 published on The Phoenix Insurance's website.

### B. Dividend

According to the letter published by the Commissioner, in October 2017, (hereinafter - the "Dividend Distribution 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 provisions of the Economic Solvency Regime - of at least 100%, calculated without taking into account the transitional provisions and subject to the economic 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.

## NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS (cont.)

**B. Dividend (cont.)**

The Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target and target range based on Solvency II. The economic solvency ratio target range, within which the Company seeks to be during and at the end of the Transitional Period, taking into account the Deduction during the Transitional Period and its gradual reduction is 150%-170%. In addition, the minimum economic solvency ratio target, taking into account the transitional provisions, is set at 135%. In addition, on August 24, 2022, the Company's Board of Directors increased the minimum economic solvency ratio target by 3 percentage points without taking into account the provisions during the Transitional Period - from a rate of 108% to a rate of 111% beginning on June 30, 2022. This minimum economic solvency ratio target is expected to reach 135% at the end of the transitional period, in accordance with the Company's capital plan.

On October 27, 2020, The Phoenix Insurance's Board of Directors approval of the dividend distribution whereby, as from 2021, The Phoenix Insurance shall distribute an annual dividend at a rate of 30% to 50% of its distributable comprehensive income as per its audited annual consolidated financial statements for the relevant year, so long as The Phoenix Insurance meets the minimum economic solvency ratio targets in accordance with Solvency II, as described above.

On March 28, 2022, The Phoenix Insurance's Board of Directors approved a revision of the dividend distribution policy that will apply to future dividend distributions to be made in connection with The Phoenix Insurance's financial results for 2022 and thereafter. According to the update, the rate of dividend will not change, but The Phoenix Insurance will take steps to distribute a dividend twice a year: Dividend at the discretion of the Board of Directors on the approval date of the Financial Statements for the second quarter of each calendar year.

Supplementary dividend in accordance with the policy on the annual report's approval date of each calendar year.

It is hereby clarified that this policy should not be viewed as an undertaking by The Phoenix Insurance to distribute dividends, and that any actual distribution shall be individually subject to the Board of Directors' approval, at its sole discretion; the Board of Directors of The Phoenix Insurance may decide on actual distribution at different (higher or lower) rates, or not to distribute any dividend. Furthermore, the execution of any actual distribution shall be subject to compliance with the provisions of the law applicable to any dividend distribution, including, among other things, the provisions of the Companies Law, 1999, and to compliance with the financial covenants The Phoenix Insurance has undertaken or/or will undertake to comply with, to The Phoenix Insurance's having sufficient distributable profits on the relevant dates, to the condition that the distribution shall not adversely affect the terms of The Phoenix Insurance's bonds and/or its cash flows, and to the extent to which The Phoenix Insurance needs cash to finance its activities, including future investments, as shall be from time to time, and/or its expected and/or planned future activities.

The Board of Directors of The Phoenix Insurance may review the dividend distribution policy from time to time and decide, at any given time, taking into account business considerations and the legal and regulatory provisions applicable to The Phoenix Insurance, to change the dividend distribution policy, including the rate of dividend to be distributed.

On March 22, 2023, The Phoenix Insurance's Board of Directors approved a cash dividend distribution in the amount of NIS 205 million. This dividend distribution was taken into account in the results of the solvency ratio as of December 31, 2022.

## NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS (cont.)

**B. Dividend (cont.)**

This dividend distribution described above was approved after the revision of the Company's capital management plan, and indicated that The Phoenix Insurance meets the minimum capital target set by the Board of Directors as of the distribution dates, net of the transitional provisions, and meet the 150%-170% target range, in which The Phoenix Insurance seeks to be during and after the Transitional Period, given the Deduction During the Transitional Period and its gradual reduction. Therefore, The Phoenix Insurance was in compliance with the requirements of the letter regarding the restrictions on dividend distribution as published by the Commissioner.

The solvency ratio as of December 31, 2022 does not include the effect of the business activity of The Phoenix Insurance subsequent to December 31, 2022 until the report publication date, changes in the mix and amounts of insurance investments and liabilities, exogenous effects - including changes in the risk-free interest rate curve, and regulatory changes affecting the business environment.

**C.** Own Risk and Solvency Assessment of an Insurance Company (ORSA)

On January 5, 2022, the Commissioner published an Amendment to the Provisions of the Consolidated Circular - "Reporting to the Commissioner of Capital Market" - Own Risk and Solvency Assessment of an Insurance Company (ORSA) was published (hereinafter - the "Amendment"); the Amendment stipulates that an insurance company shall report to the Commissioner about Own Risk and Solvency Assessment of an Insurance Company (ORSA) once a year - in January. In accordance with the Amendment, the Company shall provide the Commissioner with a report that will include a summary of its results, status of its business and interactions, risk exposure, assessment of solvency and capital requirement, forward-looking valuation, scenarios and sensitivity analyses. The circular's effective date is January 1, 2023. In January 2023, the Company reported its Own Risk and Solvency Assessment of an Insurance Company to the Commissioner for the first time, in accordance with the requirements of the Amendment.

**D.** The Company undertook to supplement, at any time, the own capital of The Phoenix Pension and Provident to the amount prescribed by the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964.This undertaking will be fulfilled only when The Phoenix Pension and Provident's equity will be negative, provided that the supplement amount does not exceed the liabilities limit as aforesaid; the commitment will be in effect so long as the Company is the controlling shareholder of this entity.

**E.** The Phoenix Pension and Provident Funds Ltd. is required to maintain minimum equity in accordance with the Supervision of Financial Services Regulations (Provident Funds) (Minimum Equity Required from a Provident Fund or a Pension Fund's Management Company), 2012, and the Commissioner's directives, the directives of the Israel Securities Authority and/or the TASE Rules and Regulations. As of March 31, 2023, the Company complies with those requirements.

**F.** For information regarding the share buyback, see Note 8F.

**G.** For further details regarding the Company's dividend distribution, please see Note 8H.

**H.** For information about The Phoenix Insurance's international rating, see Note 1I.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions

In recent years, there has been a significant increase in the number of motions to certify class actions filed against the group and in the number of lawsuits recognized as class actions. This is part of an overall increase in motions to certify class actions in general, including against companies engaged in the group's areas of activity, which stems mainly from the enactment of the Class Actions Law, 2006 (hereinafter - the "Class Actions Law"). This trend substantially increases the group's potential exposure to losses in the event of a ruling against the group companies in class actions.

Motions to certify class actions are filed through the hearing procedure mechanism set forth in the Class Actions Law. The hearings procedure for motions to certify class actions is divided into two main stages: The first stage is the motion to certify (hereinafter - the "motion to certify" or the "motion stage", respectively). If the motion to certify is rejected by the court, the hearing stage at the class action level ends. A ruling at the approval stage may be subject to a request for appeal to the appellate courts. In the second stage, if the motion to certify is accepted, the class action will be heard (hereinafter - the "class action stage"). A judgment at the class action stage can be appealed to the appellate courts. Within the mechanism of the Class Actions Law, there are, inter alia, specific settlement agreements, both in the approval stage and in the class action stage, as well as arrangements with regard to the plaintiff's withdrawal of the motion to certify or class action lawsuit.

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 claim.

Motions to certify lawsuits as class actions (including lawsuits certified as class actions and the approval of which is under appeal) are set out in Sections 1-10, 14-24, 26-31, 33-35, 37-43, 45-48, 50, 51 to the following table; for such lawsuits, which, in management's opinion - that is based, inter alia, on legal opinions whereby the group's defense claims are more likely than not to be accepted and the motions to certify the lawsuit as class actions will be rejected - no provision was included in the financial statements, except for motions to certify class actions in which the group is willing to reach a settlement. For motions to certify lawsuits as class actions (including lawsuits certified as class actions and the approval of which is under appeal), in which the group's defense claims - in whole or in part - are more likely than not to be rejected, and in which the group is willing to reach a compromise, provisions were included in the financial statements to cover the exposure as assessed by the group or a provision in the amount for which the group is willing to settle, as the case may be.

Management's assessment, which is based, inter alia, on legal opinions received, is included in the financial statements under adequate provisions, where such provisions were required, to cover the exposure as assessed by the group or the amount for which the group is willing to settle, as the case may be.

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.

In motions to certify lawsuits as class actions as set out in Sections 11-13, 25, 32, 36, 44, 49, and 52-56 in the table below, at this preliminary stage, the chances of the motions to certify lawsuits as class actions cannot be assessed and therefore no provision is included in respect thereof in the Financial Statements.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

**Following is more information about the motions to certify class actions:**

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 1. | January 2008<br><br>Tel Aviv District Court<br><br>The Phoenix Insurance and other insurance companies<br><br>Approximately NIS 1.67 billion of all defendants, with about NIS 277 million attributed to The Phoenix Insurance.[4] | Unlawful collection of payments known as "sub-annuals" for life insurance policies, in an amount that exceeds the permitted one. | In May 2018, the Supreme Court granted the defendants' motion for leave to appeal and dismissed the plaintiffs' appeal, such that the District Court's judgment was quashed and the motion to certify of the claim as a class action was denied.<br><br>In July 2019, the Supreme Court upheld the plaintiffs' request for a further hearing on the question set forth in the Judgment regarding the regulator's position filed with the court regarding its instructions, and on the question of de minimis defense in a monetary class action.<br><br>On July 4, 2021, the Supreme Court handed down its judgment in respect of the further hearing by the Supreme Court (which was concluded at a 4 to 3 majority), whereby the Supreme Court's judgment will be canceled and the District Court's judgment will be reinstated, the motion to certify will be allowed and the class action will be heard by the District Court, excluding the specific claims that were raised against The Phoenix Insurance (and another insurance company) regarding the collection of "sub-annuals" in an amount that exceeds the amount permitted by law - claims which were rejected by the court and therefore will not be discussed again by the District Court, and the legal proceedings in respect thereof has ended.<br><br>The class action continues to be heard in the District Court.<br><br>The parties agreed to refer the proceeding to mediation. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The amounts were assessed by the plaintiffs in the class action statement of claim. It should be noted that the amounts in the motion to certify the claim as a class action were different and higher; those amounts also referred to the claim of collecting handling fees on policies and interest on annual premium, which is paid in installments, at a rate higher than the rate permitted by law, which, as stated, has been rejected.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. <u>Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions</u> (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 2. | February 2010<br><br>Central District Court<br><br>The Phoenix Insurance (and other insurance companies in a parallel case, in light of filing a consolidated class action statement of claim)<br><br>Approximately NIS 1.47 billion of all defendants (including the defendants in the corresponding case), of which approximately NIS 238 million is attributed to The Phoenix Insurance.[4] | The cause of the lawsuit, as approved by the District Court (in the corresponding case) was breach of insurance policies due to unlawful collection of handling fees in a manner that reduced the saving amount accrued in favor of the policyholder for a period starting seven years before the claim was filed. | In November 2016, the District Court - in a parallel case filed against several other insurance companies - partially certified motions to approve the claims as class actions.<br><br>The class action - both in the corresponding case and in the case heard against The Phoenix Insurance - continues to be heard jointly by the District Court. At the same time, the parties conduct a mediation process.<br><br>On September 22, 2022, the Court discussed the parties' request in connection with the option of promoting a settlement agreement in the case; thereafter, on September 23, 2022, the Court handed down a resolution whereby the lower threshold for settlement purposes should stand at no less than 40%, and that the parties should inform the Court whether they reached agreements. Further to what is stated above, the parties are negotiating a settlement agreement, bearing in mind the court's statements as stated above. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The amounts are the amounts assessed by the plaintiffs in the consolidated class action statement of claim filed in March 2019 against the defendant insurance companies sued in the corresponding case and against The Phoenix. It should be noted that the amounts in the motion to certify of the claim as a class action were different and higher.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 3. | May 2013<br>Tel Aviv District Court<br>The Phoenix Insurance<br>Approximately NIS 220 million or alternatively NIS 90 million.[4] | Non-payment of interest in respect of insurance benefits from the date of the insurance event, or alternatively from the end of 30 days from the date on which the claim was filed and until actual payment date. | In February 2021, the District Court handed down a partial judgment, according to which it has certified the class action, in respect of any entitled party (policyholder, beneficiary or third party), who - during the period starting three years prior to the filing of the lawsuit and ending on judgment date - received insurance benefits from The Phoenix Insurance (not in accordance with a judgment rendered in his case) without being duly paid interest thereon. It was also established that, for the purpose of implementing the judgment, calculation and manner of restitution, an expert will be appointed and that the class plaintiffs will be awarded legal expenses and legal fees.<br>In November 2022, the motion for leave to appeal filed by The Phoenix Insurance to the Supreme Court in connection with the partial judgment was rejected, noting that the appropriate instance to hear The Phoenix Insurance's claims is an appeal against the final judgment, should such an appeal be filed. The proceeding was returned to the District Court and continues to be heard there, and in accordance with what is stated above an expert was appointed on behalf of the courts, whose identity was agreed by the parties. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The amounts are those amounts that were estimated by the plaintiff in the class action statement of claim - NIS 220 million (if it was ruled that interest should be calculated from the date of occurrence of the insurance event) and NIS 90 million (if it is ruled that interest should be calculated starting 30 days from the delivery date of the claim). It should be noted that the amounts in the motion to certify of the class action lawsuit were different and higher and also related to the linkage claim, which was rejected.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 4. | July 2014<br>Central District Court<br>The Phoenix Pension and Provident Fund Ltd. and management companies of additional pension funds.<br>NIS 48 million from all defendants. | Acting in bad faith when using the right - under the pension fund's rules and regulations - to increase management fees paid by pensioners from the accrual to the maximum amount allowed, as from the date they become pensioners. | On March 18, 2022, the District Court certified the claim as a class action.<br>As part of the approval process it was determined that the group on behalf of which the class action will be conducted will include any person who is a planholder in a new comprehensive pension fund, which is among the defendants, where such planholder is entitled to receive old-age pension; it was also determined that the questions for discussion are whether the defendants should have given planholders advance notice regarding the management fees that will be collected from them during the pension period, and if so - what is the damage caused as a result of not issuing such notice.<br>The class action continues to be heard in the District Court, and a pre-trial hearing was scheduled for October 16, 2023. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 5. | June 2015<br>Beer Sheva District Court<br>The Phoenix Insurance<br>Approximately NIS 125 million. | The cause of action, as approved by the District Court, is a violation of the provisions of the policy regarding special compensation (reimbursement) for performing surgery in a private hospital funded by "additional insurance services" (SHABAN) and the questions common to the class members are: what is the value of the commitment form on behalf of a health maintenance organization in respect of a privately-owned hospital (Form 17), according to which the amount to be reimbursed to the policyholder is calculated; how The Phoenix Insurance in effect calculated the amount reimbursed to policyholders who underwent surgeries as part of SHABAN; and whether The Phoenix Insurance violated the provisions of the policy, and did not reimburse the full amount to the policyholders. | In December 2019, the District Court certified the claim as a class action lawsuit.<br>The group on whose behalf the class action will be conducted will include all policyholders who were insured under a health insurance policy with The Phoenix Insurance, which included a reimbursement arrangement for performing surgery at a private hospital funded by SHABAN, based on a commitment form/Form 17, and in respect of whom an insurance event occurred from June 25, 2012 through June 25, 2015.<br>In January 2023, the parties filed with the Court a settlement agreement approval motion at amounts which are immaterial for The Phoenix Insurance.<br>The settlement agreement is subject to the Court's approval. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 6. | September 2015<br><br>Tel Aviv District Court<br><br>The Phoenix Pension (currently - The Phoenix Pension and Provident Fund Ltd.) and management companies of additional pension funds<br>Approximately NIS 300 million per year since 2008 of all the defendants. | The claim is that the defendants pay agents fees and commissions calculated as a percentage of the management fees charged by them, thus allegedly violating their fiduciary duties, and that, as a result, the management fees that planholders are charged are higher than the appropriate rate. | In November 2022, the Court rejected the motion to certify the claim as a class action.<br><br>In January 2023, the plaintiffs filed an appeal to the Supreme Court. An appeal hearing is scheduled for November 9, 2023. |
| 7. | December 2015<br><br>Tel Aviv District Court<br><br>The Phoenix Insurance and another insurance company<br>Approximately NIS 100 million from all defendants, of which NIS 50 million is attributed to The Phoenix Insurance. | Alleged unlawful collection of "sub-annuals" in life insurance at a rate that is higher than the permitted one. | In May 2020, the court issued a ruling rejecting the motion to certify of the claim as a class action, on the grounds that the plaintiffs do not have a cause of action.<br><br>In September 2020, the plaintiff filed an appeal with the Supreme Court. The appeal continues to be heard in the Supreme Court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

**A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)**

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 8. | February 2016<br>Central District Court<br>The Phoenix Insurance<br>NIS 100 million. | The plaintiffs argue that The Phoenix Insurance does not link the payments it is required to pay policyholders under life insurance policies (which it issued until July 19 1984) to the base index due to an insurance event or due to the redemption of the policy, to the correct base index in accordance with the linkage terms and conditions set out in the policies; i.e., the latest CPI published before the first of the month in which the insurance term begins; the plaintiffs argue that this has a significant effect on the benefits to which the policyholders will be entitled. | On May 1, 2023, the parties filed with the Court a settlement agreement approval motion at amounts which are immaterial for The Phoenix Insurance.<br>The settlement agreement is subject to the Court's approval. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| The motions to approve the lawsuits as class actions that appear in Sections 9-13 below were submitted on the grounds of unlawful collection of investment management expenses which are not sanctioned by the policies or bylaws. | | | |
| 9. | September 2016<br>Central District Court<br>The Phoenix Insurance<br>NIS 14.7 million | Collecting investment management expenses in the individual saving policy Excellence Invest in addition to collecting management fees, without a provision in the policy expressly permitting to do so. | In May 2019, the District Court certified the motion to certify as a class action the claim filed against The Phoenix Insurance and three other insurance companies (hereinafter - the "Defendants"), for breaching the provisions of the insurance policy due to unlawful collection of investment management expenses. The class on whose behalf the class action lawsuit against The Phoenix Insurance will be conducted includes all policyholders of the individual savings policy Excellence Invest issued by The Phoenix Insurance at present and in the seven years prior to the date of submission of the motion to certify as class action. The remedies claimed are the reimbursement of the investment management expenses that were overcharged in addition to interest differentials; and an order directing the defendants to stop collecting such fees.<br>In September 2019, The Phoenix Insurance (along with the other defendants) filed a motion for leave to appeal to the Supreme Court against the decision approving the class action lawsuit.<br>At the request of the Supreme Court, on August 13, 2020, the Attorney General submitted his position on the proceedings and announced his attendance. According to the position, the Attorney General is of the opinion that the court should accept the motion for leave to appeal and the appeal itself and order the rejection of the motions to certify as class actions, for the reasons set out in the position.<br>A hearing on the request for leave to appeal took place on February 11, 2021.<br>In January 2022, the Attorney General submitted his position regarding the proceeding following a final report submitted by the advisory committee to the Capital Market, Insurance and Savings Authority, on the issue of direct expenses, as published in November 2021; the Attorney General noted that the request for leave to appeal and the appeal itself should be allowed, and in this respect, the motions for certification of the lawsuits as class actions must be rejected, and that there is nothing in the report that affects the decision made in the proceeding and it may even support his position. The other parties have also submitted their response to the position of the Attorney General and to the committee's report.<br>The parties await the judgment.<br>At this point, the hearing on the class action in the District Court was postponed.<br>It should be noted that motions to certify class actions regarding investment management expenses are also pending against Excellence Gemel (please see Section 10 in the table below), The Phoenix Insurance (see Section 11 in the table below) and Halman Aldubi Provident and Pension Funds Ltd. (see Sections 12 and 13 in the table below). |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 10. | November 2016<br>Jerusalem Regional Labor Court<br>Excellence Nessuah Gemel Ltd. (currently: The Phoenix Pension and Provident Fund Ltd.)<br>Approximately NIS 215 million. | The plaintiffs argue that under the rules and regulations of the Excellence Gemel provident fund, which were in effect until January 1, 2016, and according to the rules and regulations of the Excellence Advanced Education fund, Excellence Gemel may not collect investment management expenses from planholders, since collection of such expenses had to stipulated clearly and expressly in the rules and regulations of the funds. | The court approved the hearing arrangement filed by the parties, according to which the hearings to certify the claim as a class action will be postponed until a decision has been made in connection with the motion for leave to appeal against the May 2019 District Court decision to certify as class actions claims filed for similar causes of action against The Phoenix Insurance, among others (see Section 9 above in the table). |
| 11. | June 2019<br>Tel Aviv Regional Labor Court<br>The Phoenix Insurance<br>Approximately NIS 351 million. | According to the plaintiff, The Phoenix Insurance charges policyholders of insurance policies which combine a life insurance component and a pension saving component (executive insurance) for investment management expenses without such charges being included in the terms and conditions of the policy. | The Phoenix Insurance has yet to submit its response to the motion to certify the class action lawsuit.<br>In October 2022, the Court stayed the proceedings until after a decision is made regarding the motion to appeal described in Section 9 above. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 12. | June 2019<br>Jerusalem Regional Labor Court<br>Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.)<br>NIS 17.5 million. | The statement of claim alleges that IBI Provident and Study Fund Management Company Ltd. (which was merged with Halman Aldubi on July 1, 2018) charged the plaintiff and the other planholders of the advance education fund under its management, investment management expenses, in addition to the fund management fees, contrary to the fund's bylaws. | Halman Aldubi has not yet submitted its response to the motion to certify the claim as a class action lawsuit; in September 2019, it submitted a motion for a stay of proceedings until a final decision has been made on ten motions to certify claims as class action lawsuits which are being heard in Labor Court (including against Excellence Nessuah (see Section 10 above in the table) regarding the collection of management expenses in provident funds and advanced education funds. In March 2022, the Court stayed the proceedings until after a decision is made regarding the motion to appeal described in Section 9 in the table above. |
| 13. | July 2019<br><br>Jerusalem Regional Labor Court<br><br>Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.)<br>No estimate was provided, but it was noted that the damage to all class members exceeds NIS 3 million. | According to the statement of claim, Halman Aldubi charged the plaintiff and the other planholders of the Halman Aldubi comprehensive pension fund (hereinafter - the "Fund") investment management expenses, in addition to the management fees charged by the Fund, contrary to the Fund's bylaws; the practice continued until May 2017, at which time the Fund's bylaws were changed so as to include the specific provision for charging direct investment management expenses. | Halman Aldubi has not yet submitted its response to the motion to certify the claim as a class action lawsuit; in September 2019, it submitted a motion for a stay of proceedings until a final decision has been made on ten motions to certify claims as class action lawsuits which are being heard in Labor Court (including against Excellence Nessuah (see Section 10 above in the table) regarding the collection of management expenses in provident funds and advanced education funds. In March 2022, the Court stayed the proceedings as stated above. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 14. | January 2017<br><br>Central District Court<br><br>The Phoenix Insurance and other insurance companies<br><br>At least approximately NIS 12.25 million in respect of each of the defendants. | According to the plaintiffs, insurance companies overcharge insurance premiums since they do not disclose to policyholders a "practice" in the motor insurance subsegment that allows updating the age of the young driver insured under the policy and/or the years of driving experience when moving into another age bracket and/or years of driving experience bracket which can potentially result in a reduction of the insurance premium.<br><br>It should be noted that the plaintiffs refer in their claim to a decision approving a motion to certify of a claim as a class action dealing with the same issue and filed against another insurance company, in which the said practice had allegedly been proven. | On March 20, 2022, the Court stayed the proceedings in this case until a judgment is handed down in the appeal that has been filed in a similar class action lawsuit against another insurance company that was rejected (to which the plaintiffs referred in the certification motion). |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 15. | April 2017<br><br>Tel Aviv Regional Labor Court (the hearing was transferred from the Central District due to substantive jurisdiction)<br><br>Shekel Insurance Agency (2008) Ltd. (hereinafter - "Shekel"), Agam Leaderim (Israel) Insurance Agency (2003) Ltd. (hereinafter - " Agam Leaderim"), second-tier companies of The Phoenix Holdings, and other insurance agencies.<br>Approximately NIS 357 million of all defendants, of which NIS 47.81 million is attributed to Agam Leaderim and NIS 89.64 million to Shekel. | According to the plaintiffs, until the regulator intervened and legislative changes were made in connection with this issue, managers of pension arrangements in general and the defendants in particular, provided employers with operating services involving preparing and managing pension insurance for employees without the employers paying any consideration in respect thereof to the pension arrangement managers, and that all costs pertaining to the operating services are paid by the employees through management fees they pay for the products marketed to them by the managers of the pension arrangement. | In August 2020, the regional court issued a ruling rejecting the motion to certify of the claim as a class action.<br>In September 2022, the National Court dismissed the plaintiffs' appeal.<br>In December 2022, the plaintiffs filed a petition to the Supreme Court, in its capacity as the High Court of Justice, requesting the cancellation of the judgment that dismissed the appeal. A hearing date for the petition has not yet been scheduled. |
| 16. | June 2017<br><br>Central District Court<br><br>The Phoenix Insurance<br>The amount of the claim was not estimated. | The lawsuit is concerned with a claim that service level agreements are marketed and sold, either directly or through agents on behalf of The Phoenix Insurance, in violation of the provisions of the law regarding the marketing and sale procedure of such agreements. | In August 2021, the District Court issued a ruling approving the motion to certify the claim as a class action.<br><br>The group on behalf of which the class action will be conducted is anyone who had purchased from The Phoenix Insurance, whether directly or through its agents, service level agreements as part of the comprehensive car insurance policy, with The Phoenix Insurance violating the law regarding the marketing and sale of service level agreements, in the period ranging from June 30, 2016 until the date of the ruling.<br>The class action continues to be heard in court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 17. | June 2017<br><br>Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction).<br><br>The National Insurance Institute (hereinafter - the "National Insurance Institute").<br><br>The Phoenix Insurance and additional insurance companies (hereinafter, jointly: the "Official Respondents")<br><br>The amount of the claim was not estimated. | According to the plaintiffs, the National Insurance Institute collects national insurance contributions and health insurance contributions illegally from the tax-exempt income of class members as defined below, in addition to collecting the minimum rate of health insurance contributions from class members' disability annuity. According to the plaintiffs, the National Insurance Institute overcharges class members for these contributions through the pension fund, the employer or any other third party.<br>The plaintiffs point out that the Official Respondents are entities through which the insurance premiums were collected from the plaintiffs, and clarify that any employer and any entity paying an early pension and any entity paying a PHI benefit in Israel may be in a similar position to that of the Official Respondents. According to the plaintiffs, it is impossible to add all the parties as respondents and the court is asked to consider the Official Respondents that were added, and which are related to the plaintiffs' case as class action defendants. The plaintiffs also stated that no operative remedy is requested in the case of the Official Respondents in the framework of the above claim. | The motions to certify the claim as a class action lawsuit continues to be heard in court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 18. | August 2017<br><br>Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction)<br><br>Excellence Gemel & Hishtalmut Ltd. (currently: The Phoenix Pension and Provident Fund Ltd.)<br>The claim amount was not estimated but it was stated as more than NIS 2.5 million. | Increasing management fees in 2007 without sending prior notice as required by law. | On March 20, 2022, the court certified the claim as a class action.<br>As part of the certification decision, it is decided that the group on behalf of which the class action will be conducted is as requested in the certification motion.<br>In June 2022, Excellence Gemel filed a motion for leave to appeal against the decision approving the lawsuit as class action to the National Labor Court.<br><br>The hearing of the class action by the Regional Court was delayed until a decision is made regarding the motion for leave to appeal. At the same time, the parties conduct a mediation process. |
| 19. | January 2018<br><br>Central District Court<br><br>The Phoenix Insurance and other insurance companies<br><br>Approximately NIS 82.2 million per year from all the defendants, of which approximately NIS 22.3 million per year is attributed to The Phoenix Insurance. | According to the plaintiff, The Phoenix Insurance unlawfully refrains from paying its policyholders and third parties the VAT component applicable to the cost of damages when the damages have not been effectively repaired. | On January 4, 2022, the District Court issued a judgment rejecting the motion to certify of the claim as a class action lawsuit.<br><br>In April 2022 the plaintiff filed an appeal to the Supreme Court. A hearing was scheduled for September 27, 2023. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 20. | May 2018<br><br>Haifa Regional Labor Court<br><br>The Phoenix Pension and Provident Fund Ltd.[4]<br><br>NIS 200 million. | According to the plaintiffs, contrary to that which is stated in its rules and regulations, The Phoenix Pension has refrained from paying or from paying in full the partial contributions towards benefits to anyone who does not receive a full disability pension. In any case, The Phoenix Pension refrained from reporting to policyholders - either in pay slips or in annual statements - about the payments it made, to the extent that it did, indeed, make such payments. | In August 2021, the Regional Labor Court issued a resolution approving the motion to certify of the claim as a class lawsuit.<br><br>As part of the above resolution, the Court approved causes of action in connection with the failure to pay contributions towards benefits in respect of planholders receiving a partial disability pension during the period from May 1, 2012 through May 1, 2019; the Court ordered a remedy whereby the rules and regulations should be abided by and the planholders' accumulated balance should be credited with current monthly contributions towards benefits based on a value date as of the original entitlement date, plus the yield accrued on the fund as from the said date. The Court also ruled that no separate pecuniary damages has been proven in addition to what is stated above, and that no monetary damages should be paid.<br><br>The class action continues to be heard in court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The motion to certify the claim as a class action lawsuit was originally filed against The Phoenix Insurance. The plaintiffs filed an amended motion to certify the claim as a class action lawsuit, in which they changed the identity of the defendant and also added to their previous allegations and to the definition of the class they seek to represent.

# NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

**A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)**

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 21. | June 2018<br><br>Jerusalem District Court<br><br>The Phoenix Insurance and another insurance company<br><br>The amount of the claim was not estimated. | According to the plaintiff, the claim deals with the defendants' unjustified refusal to recognize a surgical procedure that had medical justification as an insurance event according to the health policies issued, by claiming that it is a "preventive surgical procedure". | In January 2022, the District Court issued a ruling approving the motion to certify the claim as a class action.<br><br>As part of the certification decision it was determined that the group on whose behalf the class action will be conducted will include any person who engaged in an health insurance contract with the defendants, including insurance coverage for surgical procedures, whose claim to have such procedure done was rejected for the reason that it is a preventative procedure which is not covered by the policy (even if the reason was presented differently in the letter rejecting the claim), and the joint questions for the class members are: Did the defendants breach the insurance contracts when they rejected the claims for insurance coverage by stating that the surgical procedure is a "preventative" one, and the remedies to which class members are entitled due to that.<br><br>On May 24, 2022 The Phoenix Insurance filed a motion for leave to appeal to the Supreme Court against the decision approving the class action lawsuit. At the same time, the class action continues to be heard in the District Court, and the parties are concurrently conducting a mediation process. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 22. | December 2018<br><br>Tel Aviv District Court<br><br>The Phoenix Insurance, other insurance companies and banks<br><br>NIS 280 million from all defendants. | According to the plaintiffs, the claim deals with unlawful overcharging of insurance premiums for unnecessary building insurance policies issued to building owners (who took out a mortgage loan and were required to insure the building with a building policy in favor of the lending bank), despite the fact that at the time of issuance of such policies, there was already and insurance policy covering that building, regardless of whether that policy was taken out with the same insurance company or with another insurance company. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |
| 23. | March 2019<br><br>Central District Court<br><br>The Phoenix Insurance<br><br>Approximately NIS 2.6 million. | According to the plaintiff, the claim deals with The Phoenix Insurance's practice to delay the repayment of the relative portion of insurance premiums upon cancellation of compulsory motor and property insurance policies rather than paying it within the period set by law; the plaintiff also claims that The Phoenix Insurance repays the said amount without adding linked interest. The defendant also claims that The Phoenix Insurance refrains from repaying full linkage when refunding the relative portion of the insurance premiums. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 24. | May 2019<br><br>Tel Aviv District Court<br><br>The Phoenix Insurance<br><br>Approximately NIS 766.8 million. | According to the plaintiff, the claim deals with The Phoenix Insurance's not paying policyholders in participating life insurance policies which include an Rm formula their full share of the profits and full payments to which they are entitled under the insurance contracts; the plaintiff also claims that The Phoenix Insurance does not fulfill its reporting and disclosure obligations towards policyholders regarding their policies and rights. | The motion to certify the claim as a class action lawsuit continues to be heard in court. A hearing was scheduled for June 20, 2023.<br>It should be noted that the plaintiff stated that a similar motion to certify of a claim as class action, which was filed against another insurance company, had recently been approved. |
| 25. | July 2019<br><br>Tel Aviv District Court<br><br>The Phoenix Insurance and other insurance companies<br><br>Approximately NIS 264.5 million from all the defendants, of which approximately NIS 67.5 million is attributed to The Phoenix Insurance. | The plaintiffs claim that the defendants do not pay their policyholders interest as required by law in respect of insurance benefits for the period starting 30 days after the date of delivery of the claim until the date of actual payment. | The Phoenix Insurance has yet to submit its response to the motion to certify the class action lawsuit.<br><br>It should be noted that according to the plaintiffs, this claim is based on the same cause of action as the class action described in Section 3 above in the table; however, it was nevertheless decided to file this claim for the sake of caution only, given the doubt as to whether the class of plaintiffs seeking the approval of this motion is included in the previous class action. In light of this, the proceedings in this claim were stayed until a judgment is rendered in the previous claim. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 26. | August 2019<br>Central District Court<br>The Phoenix Insurance and other insurance companies<br>The claim amount was not estimated, but it was stated that it was in the tens of millions of shekels or more. | The plaintiffs claim that in case of vehicle theft or total loss as a result of an accident, the defendants refuse to reimburse policyholders for the proportionate share of the insurance premiums (the premium) paid for service contracts (road recovery services, windscreen repair, towing, etc.) in respect of the period subsequent to the theft or total loss, despite the fact that the service contract is canceled and the risk it covers no longer exists. | The motion to certify the claim as a class action lawsuit continues to be heard in court.<br>In February 2020, the position of the Capital Market, Insurance and Savings Authority was submitted, which is not in line with the plaintiffs' position. |
| 27. | December 2019<br>Central District Court<br>PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance<br>The amount of the claim was not estimated. | According to the plaintiff, the defendants sell travel insurance without informing their customers - at the time of issuing the insurance policy - about the fact that the "search and rescue" component can be excluded if it is not required by the customers; the plaintiff also claims that the defendants do not inform customers about price changes they make in insurance policies' components; furthermore, the defendants do not inform customers in a clear manner about the right to reimbursement of a proportionate share of the insurance premiums in the event that the actual trip is shorter than planned, and in the event that the insurance period is shortened for any reason whatsoever (including due to cancellation of the insurance policy).<br>The plaintiff also claims that even when the defendants reimburse insurance premiums to policyholders who shortened their travel period and at the same time also shortened the insurance period for any reason whatsoever, they do not reimburse the full insurance premium for the shortened insurance period, contrary to law and the insurance policy. | On April 17, 2023, the Court approved the settlement agreement between The Phoenix Insurance and the plaintiff in relation with The Phoenix Insurance's travel insurance policy, according to which The Phoenix Insurance will make a donation to a dedicated fund set up pursuant to the Class Actions Law, 2006; The Phoenix Insurance will regulate its future conduct as set out in the settlement agreement and in the judgment, and pay the lead plaintiff's compensation and his counsels' legal fees at amounts which are immaterial to The Phoenix Insurance.<br>The motion to certify of the claim as a class action lawsuit against PassportCard in connection with its policies continues to be heard by the Court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 28. | January 2020<br><br>Central District Court<br><br>The Phoenix Insurance, other insurance companies and a road recovery and towing services company.<br><br>The claim amount was not estimated but it was stated that it significantly exceeds NIS 2.5 million. | The plaintiff claims that, in cases where vehicles' windscreens broke, the defendants had provided and still provide alternative windscreens, which do not meet Israeli standards and are not manufactured by the same maker as the car; by doing so, the defendants allegedly breach their obligations under the insurance policies and coverage contracts. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 29. | February 2020<br>Central District Court<br>The Phoenix Insurance<br>The claim amount was not estimated, but it was stated that it is in the millions of shekels or more. | The plaintiff claims that starting in early 2016 or thereabouts, The Phoenix Insurance ceased to fulfill its obligation in health insurance policies marketed prior to February 1, 2016, in which it undertook to provide insurance coverage, at no additional cost, to all children born to the principal policyholder (starting with the fourth child), until they reach the age of 21. | On January 4, 2023, a decision was issued, granting the motion to certify the claim as a class action.<br>Under the approval decision, the class on whose behalf the class action will be administered is all The Phoenix Insurance policyholders who had joined the health insurance plan, as, with respect to that plan, The Phoenix Insurance pledged that from the fourth child they have, they will have insurance coverage for no extra charge, and The Phoenix Insurance did not provide such a coverage or it provided it for a fee; it was also found that the issue all class members have in common is whether The Phoenix Insurance is obligated to continue to allow the primary policyholders to buy policies for children from their fourth-oldest child and after for free even after January 31, 2016, or if it could have canceled this acquisition option for the primary policyholders' children, as it had, even though they had entered into the insurance contract with it before the termination.<br>The class action continues to be heard in the District Court. A pre-trial hearing is scheduled for June 12, 2023. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 30. | February 2020<br><br>Tel Aviv Regional Labor Court (the hearing was transferred from the Tel Aviv District Court)<br>Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.)<br>NIS 335 million (alternatively NIS 58 million, and alternatively 36 million). | The claim is that Halman Aldubi allegedly violated its duty to the plaintiff and to all beneficiaries in the provident funds of Halman Aldubi, of deceased planholders, and any planholder of the Halman Aldubi provident funds with whom contact was lost, to locate and inform the said beneficiaries, as well as the planholders with whom contact was lost, that they are entitled to funds in the Halman Aldubi funds, on the dates set forth to that effect in the Supervision of Financial Services Regulations (Provident Funds) (Locating Planholders and Beneficiaries), 2012, in the period beginning on January 1, 2013 until the date of the ruling in the lawsuit. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 31. | April 2020<br><br>Tel Aviv District Court<br><br>The Phoenix Insurance, other insurance companies and the managing corporation of the Compulsory Motor Insurance Pool (the "Pool") Ltd.<br><br>Approximately NIS 1.2 billion of all the defendants, of which NIS 145 million is attributed to The Phoenix Insurance or, alternatively, NIS 719 million of all the defendants, of which NIS 113 million is attributed to The Phoenix Insurance. | The subject matter of the lawsuit[4] is that the defendants unjustly profited, allegedly, by failing to reduce car insurance premiums (for compulsory and/or comprehensive and/or third-party policies) during the mobility restrictions imposed due to the Covid-19 pandemic. This was done, argued the plaintiffs, despite a decrease in mileage traveled and the level of risk to which the defendants are exposed. | The motion to certify the claim as a class action lawsuit continues to be heard in court. It should be noted that a motion to certify a similar claim as a class action, which was filed against The Phoenix Insurance and other insurance companies was rejected in August 2021, and another motion to certify a similar claim as a class action, which was filed against The Phoenix Insurance and other insurance companies was concluded by its withdrawal by the plaintiffs in February 2023. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The motion to certify the claim as a class action includes two motions to certify claims as class actions filed against The Phoenix Insurance and other defendants, which were merged into a single claim in February 2021 by the Tel Aviv District Court (see Note 42(a)(1) in Sections 42 and 44 of the class actions table in the Company's financial statements as of December 31, 2020, published on March 25, 2021 (Ref. No. 2021-01-044709).

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 32. | May 2020<br><br>Tel Aviv District Court<br><br>Phoenix Excellence Pension and Provident Funds Ltd. (currently - The Phoenix Pension and Provident Fund Ltd.), Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) and additional management companies<br><br>The claim amount was not estimated, but it was stated that it is estimated, at a minimum, in the hundreds of millions of shekels. | According to the plaintiffs, the claim deals with the defendants' classifying some of the contributions transferred to an advanced education fund on behalf of their customers as taxable provisions, even though they are not taxable. | In accordance with the Court ruling, the government - the Israel Tax Authority, was added as a further defendant to the motion to certify the lawsuit as a class action.<br><br>The motion to certify the claim as a class action lawsuit continues to be heard in court. A hearing is scheduled for November 19, 2023. |
| 33. | June 2020<br><br>Tel Aviv District Court<br><br>PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance<br><br>At least NIS 10 million. | According to the plaintiff, the claim deals with non-payment of insurance benefits in respect of cancellation of a trip due to a pandemic (the Covid-19 pandemic) under travel insurance that the plaintiff purchased through PassportCard. | On September 11, 2022, the Court handed down a ruling approving the agreed motion for the plaintiff's withdrawing the motion to certify the lawsuit as a class action lawsuit in relation to The Phoenix Insurance's travel insurance policies.<br><br>The motion to certify of the claim as a class action lawsuit against PassportCard in connection with its policies continues to be heard by the Court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 34. | June 2020<br>Tel Aviv Regional Labor Court<br>The Phoenix Insurance<br>The amount of the claim was not estimated. | According to the claim, after a policyholder passes away, The Phoenix Insurance links the funds accrued in the policy to the consumer price index, instead of linking them to the investment track selected by the policyholder, as it previously did. | On March 27, 2023, the parties filed with the Court a motion to certify a settlement agreement at amounts which are immaterial for The Phoenix Insurance.<br>The settlement agreement is subject to the Court's approval. |
| 35. | June 2020<br>Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction)<br>The Phoenix Insurance and another insurance company<br>Approximately NIS 10.5 million for each defendant. | According to the claim, the defendants overcharge customers in loan agreements they enter into with their customers; overcharging takes place due to a one-way linkage mechanism, which is in place under those agreements, whereby if the CPI increases above the base index, the defendants collect the linkage differences due to the increase; however, if the CPI decreases below the base index, the defendants do not credit their customers for the said decrease. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 36. | July 2020<br><br>Haifa Magistrate Court<br><br>PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance<br>NIS 1.84 million. | According to the claim, when travel insurance benefits are paid late, the defendants do not pay interest in respect of the delay; the plaintiff also claims that the defendants usually pay the insurance benefits according to the exchange rate on the day of the insurance event rather than the exchange rate on repayment date. In addition, it was argued that the disclosure duty regarding the deductible and the limitation of the insurer's liability with regard to the "winter sports" component is violated as part of a representation made prior to entering into the insurance contract. | The Phoenix Insurance has yet to submit its response to the motion to certify the class action lawsuit. |
| 37. | July 2020<br><br>Central District Court<br><br>The Phoenix Insurance and other insurance companies<br><br>About 1.9 billion of all defendants, with the share of each of the defendants being in accordance with its market segment; according to the plaintiffs, The Phoenix's share is approximately 19%. | According to the claim, the defendants must charge reduced insurance premiums in cases of insurance policies with exclusions due to an existing medical condition compared to policies in which no such exclusion is present, since exclusions mitigate the defendants' insurance risk. | The motion to certify the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for June 26, 2023. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 38. | September 2020<br>Tel Aviv District Court<br>The Phoenix Insurance<br>NIS 92.7 million. | According to the claim, The Phoenix Insurance does not pay policyholders insured under a long-term care policy the full amount due to them under their policies, since it offsets these amounts against proceeds received from the National Insurance Institute; it is also claimed that The Phoenix Insurance does not indemnify policyholders for certain medical treatments. | On September 6, 2022, the District Court partially affirmed the motion to certify the action as a class action lawsuit.<br>As part of the approval ruling, the Court dismissed the class action approval motion in connection with the claim that The Phoenix Insurance does not indemnify policyholders under their long-term care policies for certain medical treatments, and allowed the class action approval motion in connection with offsetting of funds the policyholders receive from the National Insurance Institute.<br>The group in whose name the class action shall be conducted comprises all policyholders holding long-term care insurance policies of The Phoenix Insurance (or their successors for that purpose), who did not receive the compensation payable to them due to offsetting of National Insurance proceeds they received due to their long-term care needs; that the limitation period is 7 years; and that the joint question raised by class members is whether, under the terms of the policy, one may take into account the funds the policyholder receives from the National Insurance Institute and deduct them from the proceeds The Phoenix Insurance pays the policyholder.<br>The class action continues to be heard in the District Court. The parties agreed to refer the proceeding to mediation. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 39. | September 2020<br>Central District Court<br>The Phoenix Insurance and another insurance company<br>NIS 84 million from all the defendants, of which NIS 67.2 million is attributed to The Phoenix Insurance (a total of NIS 16.8 million in respect of critical illness insurance and a total of NIS 50.4 million in respect of permanent health insurance). | According to the claim, the defendants acted in violation of the provisions of critical illness insurance policies when they continued to charge policyholders the full amount of the monthly premium even after the first insurance event had occurred.<br>It was also alleged against The Phoenix Insurance that contrary to its obligations, it charges its policyholders a monthly PHI insurance premium, even after the period of insurance coverage has ended. | On October 25, 2022, the parties filed with the Court a motion to certify a settlement agreement at amounts which are immaterial for The Phoenix Insurance.<br>In view of the clarifications and supplementary information requested by the court in connection with the settlement agreement, the parties are considering the amendment of the settlement agreement. |
| 40. | December 2020<br>Central District Court<br>The Phoenix Insurance<br>The aggregate claim amount was not estimated but it was stated that it exceeds NIS 2.5 million. | According to the plaintiff, The Phoenix Insurance allegedly does not indemnify its policyholders in motor insurance policies relating to vehicles other than private and commercial cars weighing up to 3.5 tons (such as trucks, taxis, etc.), in respect of the damage caused to their vehicle due to the insurance event - which, the plaintiff claims, is in breach of the policy and the law. It is further claimed that The Phoenix Insurance does not provide its policyholders with an appraiser’s report, which includes an estimate of the impairment to the vehicle’s value due to the insurance event nor its manner of calculation. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 41. | March 2021<br>Tel Aviv District Court<br>The Phoenix Insurance and other insurance companies<br>Approximately NIS 79 million from all defendants. | The subject matter of the claim, according to the plaintiffs, is that the defendants refuse to pay for the policyholders' expenses for the purchase of medical cannabis, contrary to the provisions of the policy to cover drugs excluded from the Healthcare Services Basket, and since medical cannabis is recognized for medical use in Western countries. | The parties are in a mediation procedure. |
| 42. | March 2021<br>Central District Court<br>The Phoenix Insurance<br>No estimate was provided for the claim amount, but it was stated that the damage exceeds NIS 2.5 million. | The subject matter of the claim, according to the plaintiff, is that The Phoenix Insurance allegedly unlawfully rejects claims by its policyholders in "personal accident" policies to pay for hospitalization at a "non-general hospital", claiming that a "hospital", as defined in the policy, is a medical institution whose underlying meaning is a “general hospital only". | The parties are in a mediation procedure. |
| 43. | April 2021<br>Central District Court<br>The Phoenix Insurance, banks, investment houses, credit card companies and other insurance companies<br>The claim amount was not estimated but it was stated that it amounts to millions of shekels. | According to the plaintiffs, when using the defendants’ digital services (while browsing their personal accounts), customers’ private, personal and confidential information is transferred to third parties without the customers' consent, violating their privacy. | The parties are in a mediation procedure. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 44. | July 2021<br>Tel Aviv District Court<br>The Phoenix Insurance<br>The claim amount was not estimated, but it was stated that it exceeds NIS 2.5 million. | According to the plaintiffs, the subject matter of the claim is that the defendants deduct interest at the rate of 2.5% (or any other rate) from the monthly yield accrued for policyholders to whom a monthly benefit is paid under participating life insurance policies issued in 1991-2004; according to the plaintiffs, such a deduction is not established in the contractual terms of the relevant insurance policies. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |
| 45. | December 2021<br>Tel Aviv District Court<br>The Phoenix Insurance<br>The claim amount was not estimated, but it was stated that it was in the millions of shekels or more. | The plaintiff argues that in claims pertaining to damages caused to vehicles (of a policyholder or a third party), The Phoenix Insurance allegedly reduces the insurance benefits unlawfully due to failure to fix the vehicles or transfer the damaged parts to The Phoenix Insurance. | The parties agreed to conduct a mediation procedure. |
| 46. | January 2022<br>Central District Court<br>The Phoenix Insurance<br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The plaintiff claims that in 2019 The Phoenix Insurance renewed a group health insurance policy to members of the Secondary Schools and Colleges Teachers Union and their families, while making changes, reducing the scope of the insurance coverage and increasing the premium, allegedly without informing policyholders and obtaining their consent. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 47. | January 2022<br><br>Central District Court<br><br>The Phoenix Insurance and another insurance company<br><br>The claim amount was not estimated but it was stated that it exceeds NIS 3 million. | According to the plaintiffs, the defendants renewed a home insurance policy automatically while increasing the premium, allegedly without obtaining policyholders' consent. | The parties are in a mediation procedure. |
| 48. | April 2022<br><br>Tel Aviv District Court<br><br>The Phoenix Insurance<br><br>The claim amount was not estimated but it was stated as being (much) more than NIS 2.5 million. | The lawsuit deals with the claim that The Phoenix Insurance has collected and is still collecting from policyholders an additional premium for the expansion of insurance coverage in respect of preventative surgical procedures, despite the fact that those procedures are allegedly covered by the basic tier of The Phoenix Insurance's health insurance policies.<br>According to the lawsuit, the plaintiff's claim is based on a decision of the Jerusalem District Court, to approve a lawsuit against The Phoenix Insurance and another insurance company as a class action (see Section 21 in the table above). | The Phoenix Insurance has yet to submit its response to the motion to certify the class action lawsuit.<br><br>The motion filed by The Phoenix Insurance to stay the proceeding until a decision is made regarding the class action against The Phoenix Insurance and another insurance company (see Section 21 to the table) has not been allowed by the Court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 49. | May 2022<br><br>Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction)<br><br>The Phoenix Pension and Provident (formerly - "The Phoenix Excellence Pension and Provident Funds Ltd.") and another management company<br><br>The claim amount was not estimated but it was stated that it exceeds NIS 3 million. | The lawsuit deals with the claim that with regard to CPI-linked loans, the defendants adopted a practice of a one-way linkage mechanism, whereby when the CPI increases compared with the base index, the customer's monthly payment is increased accordingly, and when the CPI decreases, the monthly payment does not change; the plaintiffs claim that this practice was adopted despite the fact that this is not mentioned in the provisions of the agreement.<br>The plaintiffs noted that three motions to certify lawsuits as class actions are pending, which they claim give rise to joint issues against three other companies, including The Phoenix Insurance (see Section 38 in the table above). | The Phoenix Pension and Provident has yet to submit its response to the motion to certify the class action lawsuit. |
| 50. | June 2022<br><br>Haifa Regional Labor Court<br><br>The Phoenix Insurance<br><br>NIS 5 million. | The subject matter of the lawsuit is the claim that The Phoenix Insurance breached its contractual obligation with regard to the insurance period in a permanent health insurance, as reflected in the insurance offer, in contrast to the policy's provisions regarding "age for insurance purposes"; the lawsuit also deals with the claim that as part of the engagement, The Phoenix Insurance did not provide fair disclosure regarding the insurance end date. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 51. | September 2022<br><br>Tel Aviv District Court<br><br>Excellence Nessuah Brokerage Services Ltd. (Currently: Excellence Investment Management and Securities Ltd.)<br><br>NIS 26.5 million. | The lawsuit deals with a claim of overcharging 2 agorot above the conversion rate in respect of conversion of shekels into foreign currency, and without such overcharging being set in an agreement between the parties. | Excellence has yet to submit its response to the motion to certify the class action lawsuit. A pre-trial hearing is scheduled for September 7, 2023. |
| 52. | October 2022<br><br>Tel Aviv District Court<br><br>The Phoenix Insurance and other insurance companies<br><br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The lawsuit deals with alleged discrimination of the defendants against male policyholders, who have a health insurance policy, based solely on their sex. According to the plaintiffs, the defendants prevent men who pay an additional premium for the ambulatory insurance appendix from receiving reimbursement in connection with amounts they expensed in connection with their babies, claiming that only women are entitled to reimbursement of expenses in connection with babies. | The Phoenix Insurance has yet to submit its response to the motion to certify the class action lawsuit. A pre-trial hearing is scheduled for November 15, 2023. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 53. | November 2022<br><br>Haifa District Court<br><br>The Phoenix Insurance<br><br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | According to the plaintiff, The Phoenix Insurance rejected a claim filed by a policyholder with a "Long-Term Care Gift" long-term care policy, under which insurance benefits are payable upon the occurrence of a long-term care event, with the reason for rejecting the claim being that the policy is an "indemnity" policy rather than a "compensation" policy; the plaintiff also claimed that The Phoenix Insurance allegedly made the payment of the insurance benefits conditional on the presentation of receipts in respect of actual payments made. | The Phoenix Insurance has yet to submit its response to the motion to certify the class action lawsuit. A pre-trial hearing is scheduled for July 20 2023. |
| 54. | April 2023<br><br>Central District Court<br><br>The Phoenix Insurance<br><br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The lawsuit concerns the claim that when a policyholder of a comprehensive motor insurance policy has an insurance event, due to which they file insurance claims and/or demands and/or request for insurance benefits, and decides to repair his/her car at an auto-repair shop that is not among the auto-repair shops that "participate" in The Phoenix Insurance's arrangement, The Phoenix Insurance offsets various amounts from the insurance benefits even though it had authorized the appraiser's assessment, claiming that the auto-repair shop can purchase spare parts from its own vendors for a lower price than these spare parts' consumer prices, and thus, the policyholder allegedly ends up receiving insurance compensation that does not cover the true cost of the damage they incurred as determined in the appraiser's assessment. | The Phoenix Insurance has yet to submit its response to the motion to certify the class action lawsuit. A pre-trial hearing is scheduled for October 9, 2023. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 55. | April 2023<br><br>Central District Court<br><br>The Phoenix Insurance<br><br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The lawsuit concerns the claim that in an insurance event in which the policyholder's and/or a third party's vehicle is damaged, The Phoenix Insurance underpays the appraiser's fees, as paid by the policyholder and/or the third party. | The Phoenix Insurance has yet to submit its response to the motion to certify the class action lawsuit. A hearing date has not yet been scheduled. |
| 56. | April 2023<br><br>Haifa District Court<br><br>The Phoenix Insurance and another insurance company<br><br>No estimate was provided for the claim amount, but it was stated that the damage amounts to millions of shekels. | The lawsuit concerns the claim that in work disability policies, the defendants collected monthly insurance fees immediately prior to the stipulated insurance end date, for the last several months that overlap with the duration of the last possible waiting period stipulated in every work disability insurance contract, a period in which, allegedly, according to the insurance contracts, the defendants are under no obligation to pay any insurance benefit. | The Phoenix Insurance has yet to submit its response to the motion to certify the class action lawsuit. A pre-trial hearing is scheduled for October 23, 2023. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## B. Concluded claims*

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 1. | June 2021<br><br>Tel Aviv District Court<br><br>The Phoenix Holdings, The Phoenix Insurance, the Chairman of the Board of Directors of The Phoenix Holdings and The Phoenix Insurance, serving board members of The Phoenix Holdings and The Phoenix Insurance and a long-serving manager in The Phoenix Insurance (hereinafter - the "Defendants").<br><br>NIS 137 million. | This lawsuit relies on the facts as presented in a motion to certify a derivative lawsuit that was filed against the Defendants, and which deals with events that took place at the beginning of the 1990s and was concluded with the plaintiff's withdrawal (see Section 3 in Chapter C below under Legal and Other Proceedings).<br><br>According to the plaintiffs, the subject matter of the claim is an alleged misleading report and non-disclosure by the Company of material facts that caused damage to buyers of the share.<br><br>According to the plaintiffs, at the beginning of the 1990s, the Company took steps, in which it managers were involved, to recruit customers and help them to benefit from guaranteed return policies; such steps were allegedly carried out in breach of guidance. | On May 15, 2023, the Court handed down a judgment approving the plaintiffs' withdrawal from the motion to certify the claim as a class action. |

[1] The date on which the motion to certify the claim as a class action was originally filed.
[2] The court with which the motion to certify the claim as a class action lawsuit was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
* For additional claims concluded between January 1, 2023 and March 23, 2023, please see Note 43A.2, Sections 11-13 of the table of concluded claims in the Company's financial statements as of December 31, 2022, published on March 23 (Ref. No. 2023-01-026428).

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### C. Legal and other proceedings

Set forth below is a description of legal and other proceedings against the group. For proceedings where, in the opinion of management - which is based, among other things, on the legal opinion it has received - it is more likely than not that the group's defense claims will be allowed and the proceeding will be dismissed, no provision was included in the financial statements.

For proceedings where it is more likely than not that the group's defense claims will be dismissed, in whole or in part, the financial statements include provisions to cover the exposure estimated by the group. In management's opinion, which is based, among other things, on legal opinions it received, the financial statements include adequate provisions, where provisions were required, to cover the exposure estimated by the group.

1. On November 11, 2020, an insurance agency filed a lawsuit in the amount of approximately NIS 17.6 million against The Phoenix Insurance and nine other defendants, including an agency which consolidated in The Phoenix group’s financial statements, alleging misuse of the plaintiff's trade secrets and list of customers. It should be noted that the plaintiff had previously filed a motion for a temporary injunction in respect of the subject matter of the claim - and the motion was dismissed. The lawsuit continues to be heard in court.

2. On January 29, 2017, Pilat Group Ltd. (hereinafter - "Pilat Group") and Pilat Holdings (1986) Ltd. (hereinafter, jointly, - "Pilat Group" and/or the "Plaintiffs") filed a lawsuit with the District Court, against Halman Aldubi Provident and Pension Funds Ltd. (by virtue of its merger with Hadas Arazim Provident Funds Ltd. on April 30, 2013), and against 17 other defendants, including Oracle Solutions Ltd. (hereinafter - "Oracle"). The main arguments of the claim was that some of the defendants joined Oracle in purchasing shares of the Pilat Group, constituting approximately 17.9% of the voting rights in Pilat Group (hereinafter - the "Oracle Group”), and that Hadas Provident joined forces with the Oracle Group to acquire control of Pilat Group, such that Oracle would hold 20% of the voting rights, and Hadas Provident - approximately 17%, while obtaining the approval of the Israel Securities Authority (ISA) that the Oracle Group and Hadas Provident not be considered “joint holders" under the Securities Law, 1968. At the same time, the plaintiffs claim, data and documents regarding collaboration between the parties were concealed from the ISA. In addition, allegations were made regarding a series of appointments and interested party transactions made in Pilat Group in violation of the law, which contributed significantly to the collapse of Pilat Group.

   In the statement of claim, the Court is requested to order the defendants, jointly and severally, to compensate the plaintiffs for the damage caused to them, according to the claim, due to the impairment of Pilat Group’s value, in the total amount of NIS 35.9 million. The lawsuit continues to be heard in court.

3. On June 14, 2021, a derivative lawsuit and a motion to certify the filing of a derivative lawsuit to the Economic Department at the Tel Aviv-Jaffa District Court (hereinafter - the “Lawsuit”) was filed against The Phoenix Holdings, The Phoenix Insurance, the Chairman of the Board of Directors of The Phoenix Holdings and The Phoenix Insurance, serving board members of The Phoenix Holdings and The Phoenix Insurance and a long-serving manager in The Phoenix Insurance (hereinafter jointly - the “Defendants”).

   According to the plaintiff, the subject matter of the claim is the alleged breach of duty towards the Company by the board members and officers, who allegedly allowed the Company to recruit customers and help them over more than three decades to benefit from guaranteed return insurance policies; such steps were allegedly carried out in breach of guidance prohibiting the marketing of such policies as from December 31 1990.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### C. Legal and other proceedings

3. (cont.)

The claim amount, as claimed and estimated by the plaintiff, is NIS 124 million, which - according to the plaintiff - is the total direct damage caused to the Company as a result of El Al employees added to the guaranteed-return policies enjoying better conversion coefficients.

In October 2021, the defendants filed a motion to dismiss the claim in limine. The defendants' response to the motion to certify the lawsuit as a derivative lawsuit was also submitted. Further to the hearing held in June 2022, in November the plaintiff announced that he insists on continuing the proceeding; in view of that, the defendants announced that they insist that the motion to dismiss the lawsuit in limine will be resolved. The court has not yet ruled in this dismissal in limine motion.

In February 2023, the court dismissed, in limine (without demanding the defendants' response), the plaintiff's motion to order that the Attorney General's position must be received, and she must appear in the proceeding; the court also ordered the plaintiff to announce if he would insist on moving forward with the proceeding, advising the plaintiff to consider the possibility of striking it out. In view of the above, on March 28, 2023 the plaintiff filed a motion to strike out the lawsuit (withdrawal), and on April 24, 2023, the Court approved the plaintiff's withdrawal from the motion to certify the lawsuit as a derivative lawsuit, by way of striking out the proceeding. The proceeding was thus concluded.

4. In December 2021, The Phoenix Insurance received a letter from the Capital Market, Insurance and Savings Authority in connection with the restriction of insurance coverages in accordance with Regulation 45 to the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964. As part of the said letter, The Phoenix Insurance was requested to transfer information and check whether it acted in accordance with provisions of the law referred to in the letter, and should it failed to act in accordance with the said provisions, to repay the cost of insurance coverage allegedly collected not in accordance with the relevant provisions.

   The letter states that it was sent, among other things, against the backdrop of a legal proceeding currently being conducted against another insurance company in connection with this issue. On April 28, 2022, The Phoenix Insurance responded in writing to this letter. The Authority's decision has yet to be issued.

5. On August 11, 2022, a shareholder filed a lawsuit with the Tel Aviv Jaffa District Court (Economic Department) against The Phoenix Holdings, The Phoenix Insurance, and The Phoenix Pension and Provident (hereinafter jointly - the "Defendants"), and against Mr. Eldad Lador Fresher (hereinafter - "Mr. Fresher"), for the issuance of a mandatory injunction that will cancel Mr. Fresher's appointment as Chairman of the Defendants' Investment Committee and/or a declaratory relief whereby Mr. Fresher will not be able to serve in the said office, due to his alleged conflict of interest in view of his service as the Chairman of the Boards of Directors of other companies. In November 2022, the defendants filed a motion to dismiss the lawsuit in limine as well as a statement of defense in the proceeding. On May 9, 2023 the Court handed down a judgment approving the parties' agreed motion to dismiss the lawsuit. The proceeding was thus concluded.

6. The group is a party to legal and other proceedings, which are not insurance claims, including, among other things, claims made by customers, former customers, agents and various third parties in immaterial amounts and for a total amount of approximately NIS 25 million. The causes of action against the Group in these proceedings are different.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### D. Complaints

Complaints are filed against the group from time to time, including complaints to the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner") in relation to policyholders' rights under insurance policies and/or the law. These complaints are handled on an ongoing basis by the group's Public Complaints Department. The Commissioner's decisions with regard to these complaints, to the extent that a decision has been made in respect thereof, are sometimes issued as sweeping decisions relating to a group of policyholders. Before issuing a final version of his decisions, the Commissioner usually issues a draft decision.

Furthermore, as part of the Commissioner's inquiries with the group, following complaints and/or audits on his behalf, demands are made from time to time to receive various data regarding the group's handling of insurance policies in the past and/or a demand to reimburse funds to groups of policyholders and/or other guidelines. In addition, the Commissioner has the power, among other things, to impose monetary sanctions on the group in accordance with the data that was and/or will be transferred thereto following inquiries as described above. In addition to the motions to certify lawsuits filed against the group as class actions.

and the legal and other proceedings, there is a general exposure, which cannot be assessed and/or quantified, due to, among other things, the complexity of the services provided by the group to its policyholders. The complexity of these services inevitably leads to interpretive claims and other claims due to information gaps between the group and third parties to the insurance contracts in connection with a long list of commercial and regulatory terms. This exposure is reflected, among other things, in the areas of pension savings and long-term insurance, including health and long-term care insurance, in which the group operates. Insurance policies in these areas of activity are assessed over many years in which policies, regulation and legislation change and new court rulings are issued. These changes are implemented by automated systems that undergo frequent changes and adjustments. The complexity of these changes and the application of the changes over many years lead to an increased operational exposure. In addition, allowing new interpretations for the provisions of insurance policies and long-term pension products sometimes affects the group's future profits in respect of its existing portfolio, in addition to the exposure embodied in claims for compensation for customers in respect of past activity.

It is impossible to anticipate the types of claims that will be raised in this area or the exposure arising from these and other claims in connection with insurance contracts - claims which are raised through, among other things, the procedural mechanism set forth in the Class Actions Law.

In addition, some of the group's products have long terms and are particularly complex in light of the various legislative arrangements both in the field of product management and in the field of taxation, attribution of contributions, investment management, the policyholder's employment status, his contributions and more.

The Wage Protection Law, 1958 imposes a liability on the group's institutional entities, in accordance with the circumstances specified in the law, in respect of employers' debts to the institutional entities, where such debts have not been repaid on time. The group is in the process of improving the data on employers' debts and policyholders' rights, during the course of which lawsuits were filed against employers and the debts of other employers were rescheduled. Once this process is completed, the group will complete the handling of employers' debts in accordance with the provisions of the law.

## NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### E. Summary table

The following table summarizes the amounts claimed in pending motions to certify claims as class actions, claims certified as class actions and other material claims against the group, as noted by the plaintiffs in the statements of claim filed on their behalf. It is hereby clarified that the amount claimed does not necessarily constitute a quantification of the exposure amount assessed by the group, since these are assessments on behalf of the plaintiffs which will be resolved as part of the legal proceedings. It is further clarified that the table below does not include proceedings that have been concluded, including proceedings that concluded after a compromise agreement was approved in respect thereof.

| Type | No. of claims | The amount claimed in NIS thousand |
|---|---|---|
| Claims certified as a class actions: | | |
| A specific amount was attributed to the Company | 7 | 1,167,443 |
| The claim pertains to several companies and no specific amount was attributed to the Company | 1 | 48,000 |
| The amount of the claim was not specified | 4 | - |
| Pending motions to certify lawsuits as class actions: | | |
| A specific amount was attributed to the Company | 18 | 2,826,163 |
| The claim pertains to several companies and no specific amount was attributed to the Company | 5 | 2,770,875 |
| The amount of the claim was not specified | 21 | - |
| Other material claims: | | |
| A specific amount was attributed to the Company | - | - |
| The claim pertains to several companies and no specific amount was attributed to the Company | 1 | 35,900 |
| The amount of the claim was not specified | - | - |
| Claims and other requirements | 18 | 25,105 |

The total provision amount in respect of class actions, legal proceedings and others, filed against the Group as specified above as of March 31, 2023 and December 31, 2022, amounted to approximately NIS 363,408 thousand (of which a total of approximately NIS 2,400 thousand is for concluded class actions) and approximately NIS 354,703 thousand, respectively.

## NOTE 8 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A. Changes in estimates and principal assumptions used to calculate the insurance reserves:

1. Effect of interest rate on pension reserves

A decrease (increase) in long-term interest rates may increase (decrease) the paid pension reserve and the supplementary retirement pension reserve is deferred due to the use of a lower (higher) discount rate, to the extent that a change in the discount rate is required due to changes in market interest rates.

In addition, the supplementary retirement pension reserve for deferred pensions is affected by future income expectations (using K factor), so that the decrease (increase) in interest rates may decrease (increase) the expected future income, and if according to the new projection it will be impossible to continue funding the provisions to the reserve, the Company will increase the reserve in order to reduce future provision amounts (or vice versa).

2. K factor values used by the Company

| | March 31, 2023 | March 31, 2022 | December 31, 2022 |
|---|---|---|---|
| | Unaudited | | Audited |
| | % | | |
| In respect of guaranteed-return insurance policies | - | - | - |
| In respect of yield-dependent insurance policies | 0.85 | 0.85 | 0.85 |

3. Reserve in respect of liability adequacy test (LAT)

The Company tests the adequacy of the reserves for life insurance and LTC and, where necessary, increases the reserves. Testing is performed according to the regulatory guidelines and on the basis of actuarial assumptions and a risk-free yield curve plus an illiquidity premium. To the extent that there are changes in these assumptions, the supplement required according to the test will change.

A decrease (increase) in the risk-free interest rate curve and/or in the rate of illiquidity premium will increase (decrease) the supplement for the reserves required according to the LAT test (to the extent that a supplement is required).

## NOTE 8 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

A. Changes in estimates and principal assumptions used to calculate the insurance reserves: (cont.)

4. Following is the effect of the main changes described above on retention insurance liabilities:

| | For the 3 months ending March 31 | | For the year ended December 31 |
|---|---|---|---|
| | 2023 | 2022 | 2022 |
| | Unaudited | | Audited |
| | NIS million | | |
| **Life insurance segment:** | | | |
| Effect of updating assumption regarding rates of annuity uptake | - | - | (462) |
| Effect of updating other assumptions on the supplementary retirement pension reserve and paid pensions | - | - | (12) |
| Effect of updating assumptions on the expense rates | - | - | (1) |
| Effect of updating assumptions on the mortality rates | - | - | 364 |
| Change in the discount rate used in the calculation of the supplementary retirement pension reserve and paid pensions | (26) | (278) | (560) |
| **Total decrease in liabilities on retention in life insurance segment** | **(26)** | **(278)** | **(671)** |
| **Health insurance segment:** | | | |
| Effect of updating of assumptions on the cancellation rates: | | | |
| LAT | - | - | (16) |
| Other | - | - | 25 |
| Effect of updating assumptions on the expense rates: | | | |
| LAT | - | - | (21) |
| Other | - | - | (63) |
| Effect of updating assumptions on the mortality and morbidity rates: | | | |
| Other | - | - | 38 |
| Change in LAT reserve following a change in the discount rate (*) | (106) | (620) | (919) |
| **Total decrease in liabilities on retention in health insurance segment** | **(106)** | **(620)** | **(956)** |
| **P&C insurance segment:** | | | |
| Change in discount rate (*) | (18) | 2 (**) | (264) |
| **Total increase (decrease) in liabilities on retention in P&C insurance segment** | **(18)** | **2** | **(264)** |
| **Total decrease in liabilities on retention before tax** | **(150)** | **(896)** | **(1,891)** |
| **Total decrease in liabilities on retention, after tax** | **(99)** | **(590)** | **(1,244)** |

(*) This effect includes the change in the excess of value of illiquid assets, and the effect of the classification of excess value illiquid assets. For further details, please see Note 41 (5.2.2.5) A to the consolidated annual financial statements, and Note 1G.

(**) Reclassified.

Furthermore, in the reporting period, the Company revised the estimate of the insurance liabilities in the guarantees under the Sale Law line of business under the property and casualty insurance subsegment, such that the liabilities shall reflect the policyholders' weighted credit risks. As a result of the said revision, the pre-tax profit from property and casualty insurance increased by NIS 40 million, and post-tax comprehensive income increased by NIS 26 million.

## NOTE 8 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

B. Transfer of the construction projects' financing activity to a separate company wholly-owned by The Phoenix Insurance

As from January 1, 2023, the construction projects' financing activity, which is funded solely by nostro funds, was separated from the activity of The Phoenix Insurance and transferred to a separate company wholly-owned by The Phoenix Insurance - The Phoenix Construction Finance Ltd. (hereinafter - the "Phoenix Construction Financing"). In this framework, subsequent to the reporting period, the NIS 2.25 billion credit portfolio was transferred from The Phoenix Insurance to The Phoenix Construction Financing. The transfer of the credit portfolio was carried out against an investment in the share capital of Phoenix Construction Financing (approx. 10%), and the remaining share was transferred against a shareholders' loan. It should be noted that all exposure limits and regulatory provisions shall continue to apply in relation to The Phoenix Construction Financing, and that the Company's policy and procedures, as approved by the organs of The Phoenix Insurance shall continue to apply to The Phoenix Construction Financing, mutatis mutandis.

C. In January 2023, the Company issued, by way of expansion, NIS 172,612 thousand par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 148,391 thousand. The Bonds (Series 6) are rated ilAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd.
The consideration from the said expansion of the series of bonds was used as a loan advanced to The Phoenix Investment House for the acquisition of the portfolio management activity and mutual funds from Psagot. For more information, see Section G below.

D. On January 19, 2023, Midroog announced it assigns the Company an issuer rating of Aa2.il with a stable outlook, and upgrades the rating of the Company's bonds from Aa3.il with a stable outlook to Aa2.il with a table outlook.

E. On January 31, 2023, The Phoenix Capital Raising executed a full early redemption of the principal of the Series F Bonds and the interest accrued thereon at the total amount of NIS 410 million, in accordance with the conditions precedent of the deed of trust, and the approval of the Capital Market, Insurance and Savings Authority. In view of the early redemption, the Series F bonds were delisted from trade on the TASE.

F. On January 31, 2023, the Company's Board of Directors approved a share buyback plan of Company shares, totaling up to NIS 100 million. During the reporting period, the Company purchased approximately 173,690 shares at a total cost of approximately NIS 6.3 million. Subsequent to the purchase, the Company holds 5,569 thousand Company shares. For more information about an acquisition subsequent to the reporting period, see Note 9A below.

G. Acquisition of the portfolio management activity and mutual funds from Psagot by The Phoenix Investment House

1. In January 2023, KSM Mutual Funds Ltd. (hereinafter - "KSM") and Psagot Mutual Funds Ltd. (hereinafter - "Psagot Funds") signed an agreement where under KSM will acquire from Psagot Funds part of its mutual funds activity as part of an assets' transaction comprising assets under management of NIS 17.1 billion in consideration for NIS 260 million (hereinafter respectively: the "Funds Agreement" and the "Sold Funds").

## NOTE 8 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

G. Acquisition of the portfolio management activity and mutual funds from Psagot by The Phoenix Investment House (cont.)

1. (cont.)

Immediately after the signing of the agreement, the parties started to transfer funds as per the Funds Agreement. In February 2023, the Israel Competition Authority announced that it intends to assess the transaction's impact on competition, and therefore the parties suspended the transfer of funds sold to KSM.

An amendment to the Funds Agreement was signed in May 2023; the aim of the amendment is to regulate the agreements between the parties and the changes required in connection with continuing the transaction's execution, as follows:

- Conditioning the completion of the funds agreement upon receipt of approval of the Competition Commissioner (which may be conditional);
- Setting mechanisms for adjusting the mix of the sold assets and the consideration in the funds transaction to potential scenarios, that are derived from the position of the Israel Competition Authority, and settling the accounts regarding the consideration that was transferred in practice, by an amount which is immaterial in relation to the total amount of the transactions;
- Incorporating into an agreement the understanding of the parties whereby if the Competition Commissioner does not approve the funds transaction (including a partial or conditional approval) by September 30, 2023, each of the parties will be allowed to announce the termination of the funds agreement with respect to the remaining funds being sold, which have not yet been transferred to KSM.

2. Furthermore, The Phoenix Investment House and Psagot Securities Ltd. (hereinafter - "Psagot Securities") signed an agreement, which is independent and unconditional of and separate from the Funds Agreement; under the said agreement, The Phoenix Investment House will acquire the entire portfolio management activity of Psagot Securities, comprising assets under management of approx. NIS 8.1 billion (hereinafter - the "Portfolio Agreement"), in consideration for NIS 50 million. As of the report publication date, the entire consideration in respect of the Portfolio Agreement was paid, and all economic rights and liabilities in respect of the activity were transferred to The Phoenix Investment House. The parties applied to the Israel Competition Authority for its approval of the transaction and filed a motion with the court in accordance with Section 350 to the Companies Law, 1999. As of the report publication date, the Israel Competition Authority's approval was received, but the Court's approval has not yet been received. Accordingly, the Portfolio Agreement will only be completed after all approvals required by law are obtained.

As of March 31, 2023, The Phoenix Investment House paid a NIS 190 million advance to Psagot Funds and Psagot Securities; this advance was recorded under the receivables line item in the Company's balance sheet. Out of the said advance, the Company advanced a NIS 149 million loan to The Phoenix Investment House for the acquisition of the activities as stated above. This loan was advanced against the expansion of the Company's Series 6 bonds. For further details regarding the above, please see immediate report dated January 19, 2023 (Ref. No.: 2023-01-009285).

H. On March 22, 2023, the Company's Board of Directors approved a dividend distribution in the amount of NIS 177 million. The dividend per share of NIS 1 par value is NIS 0.7. The record date for the distribution is March 30, 2023; the dividend was paid on April 10, 2023.

## NOTE 8 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

I. In August 2021, The Phoenix Insurance issued - through The Phoenix Capital Raising subordinated bonds to institutional entities and to the Company. The subordinated bonds were recognized by the Commissioner of the Capital Market, Insurance and Savings as an Additional Tier 1 capital instrument of The Phoenix Insurance, and listed by The Phoenix Capital Raising for trade on the TACT Institutionals trading platform operated by the TASE.
In April 2023, The Phoenix Capital Raising fulfilled the conditions for listing the subordinated bonds on the main list of the TASE, such that in May 2023, trading of the subordinated bonds on the main list started. In accordance with the provisions of the deed of trust, the interest in respect of the subordinated bonds was reduced by 0.2%. As part of the listing on the main list, The Phoenix Insurance undertook to publish data in connection with its economic solvency ratio on a quarterly basis in respect of the quarter preceding the reporting date.
For more information in connection with the issuance of the subordinated bonds and their listing on the main list, see the Company's immediate reports dated August 2, 2021, August 3, 2021 August 8, 2021, April 24, 2023 and May 3, 2023 (Ref. Nos.: 2021-01-060658, 2021-01-061159, 2021-01-062515, 2023-01-038554 and 2023-01-040573, respectively).

J. Further to what is stated in Note 8E(6) to the consolidated annual financial statements regarding the merger of KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings") with The Phoenix Investment House, in January 2023, all of the required approvals were obtained, and the merger was completed. As a result of the merger, the equity attributed to the Company's shareholders decreased by NIS 79 million.

K. In May 2023, the Board of Directors of The Phoenix Investment House approved an outline for the award of options to Group employees and officers (hereinafter - the "Outline" and the "Offerees", respectively). Pursuant to the Outline, the allocation of the options shall be made in accordance with a decision of a committee that was set up for that purpose and was given the power to do so. The options shall be allocated in accordance with Section 102 to the Income Tax Ordinance under the capital gains track. The total number of options that will be allocated shall not exceed 1,471,716 (each option is convertible into one ordinary share), which constitute approx. 7.2% of the fully diluted issued capital of The Phoenix Investment House. The exercise price per share shall be NIS 70.38. The vesting period shall be spread over 4 years. The expiry date of all of the options that will be awarded under the plan will be July 1, 2027. To date, no options were allocated to the Offerees.

L. In March, The Phoenix Investments acquired 1,614,085 Gama shares in consideration for NIS 13,472 thousand. Subsequent to the acquisition, The Phoenix Investments holds 63.37% of Gama's shares.

M. In connection with class actions filed and developments in lawsuits in the reporting period, please see Note 7.

## NOTE 9 - SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

A. Subsequent to balance sheet date and through the report publication date, the Company carried out a buyback of 159,451 shares at a total cost of approximately NIS 5.9 million. Subsequent to the purchase, the Company holds 5,729 thousand Company shares.

B. On May 9, 2023, the Board of Directors of The Phoenix Pension and Provident approved the taking of a two-year bank loan at the total amount of NIS 330 million; most of the loan amount is to be used to repay the outstanding debt to The Phoenix Insurance; the Board of Directors also approved a one-year bank credit facility at the total amount of NIS 150 million; this amount will be used in operating activities. Furthermore, the Board of Directors of The Phoenix Pension and Provident passed a resolution whereby The Phoenix Pension and Provident will undertake not to pledge its assets in order to secure the repayment of the loan and the credit facility. The loan and the credit facility include a guarantee provided by the Company. The loan agreement with the bank has not yet been signed; the parties are negotiating the terms of the agreement.

C. During the reporting period, the participating policies marketed through 2004 achieved negative real returns. Therefore, the estimated management fees which were not collected due to negative real yield since the beginning of 2022 through immediately prior to the publication date of the financial statements, amounted to approximately NIS 660 million (pre-tax).

D. In connection with class actions filed and developments in lawsuits subsequent to the balance sheet date, please see Note 7 above.

# Details of assets for assets and other financial investments

## A. Details of other financial investments

| | As of March 31, 2023 | | | |
|---|---|---|---|---|
| | Presented at fair value through profit and loss | Available-for-sale | Loans and receivables | Total |
| | Unaudited | | | |
| | NIS thousand | | | |
| Liquid debt assets (a1) | 231,942 | 5,513,472 | - | 5,745,414 |
| Illiquid debt assets | - | - | 15,253,949 | 15,253,949 |
| Shares (a2) | - | 1,787,152 | - | 1,787,152 |
| Other (a3) | 340,374 | 4,874,364 | - | 5,214,738 |
| Total | 572,316 | 12,174,988 | 15,253,949 | 28,001,253 |

| | As of March 31, 2022 | | | |
|---|---|---|---|---|
| | Presented at fair value through profit and loss | Available-for-sale | Loans and receivables | Total |
| | Unaudited | | | |
| | NIS thousand | | | |
| Liquid debt assets (a1) | 350,238 | 5,963,247 | - | 6,313,485 |
| Illiquid debt assets | - | - | 13,216,906 | 13,216,906 |
| Shares (a2) | - | 2,485,923 | - | 2,485,923 |
| Other (a3) | 490,751 | 3,887,212 | - | 4,377,963 |
| Total | 840,989 | 12,336,382 | 13,216,906 | 26,394,277 |

| | As of December 31, 2022 | | | |
|---|---|---|---|---|
| | Presented at fair value through profit and loss | Available-for-sale | Loans and receivables | Total |
| | Audited | | | |
| | NIS thousand | | | |
| Liquid debt assets (a1) | 394,299 | 5,132,051 | - | 5,526,350 |
| Illiquid debt assets | - | - | 14,696,915 | 14,696,915 |
| Shares (a2) | - | 1,869,608 | - | 1,869,608 |
| Other (a3) | 311,906 | 4,578,276 | - | 4,890,182 |
| Total | 706,205 | 11,579,935 | 14,696,915 | 26,983,055 |

## Details of assets for assets and other financial investments (cont.)

### A1. Liquid debt assets

| | As of March 31, 2023 | |
|---|---|---|
| | Carrying amount | Amortized cost |
| | Unaudited | |
| | NIS thousand | |
| Government bonds | 2,263,478 | 2,427,540 |
| Other debt assets: | | |
| Other non-convertible debt assets | 3,249,994 | 3,575,601 |
| Other convertible debt assets | 231,942 | 256,543 |
| Total liquid debt assets | 5,745,414 | 6,259,684 |
| Impairments carried to profit and loss (cumulative) | 516,814 | |

| | As of March 31, 2022 | |
|---|---|---|
| | Carrying amount | Amortized cost |
| | Unaudited | |
| | NIS thousand | |
| Government bonds | 2,623,646 | 2,700,497 |
| Other debt assets: | | |
| Other non-convertible debt assets | 3,372,525 | 3,236,101 |
| Other convertible debt assets | 317,314 | 311,216 |
| Total liquid debt assets | 6,313,485 | 6,247,814 |
| Impairments carried to profit and loss (cumulative) | 131,939 | |

| | As of December 31, 2022 | |
|---|---|---|
| | Carrying amount | Amortized cost |
| | Audited | |
| | NIS thousand | |
| Government bonds | 1,814,653 | 1,628,926 |
| Other debt assets: | | |
| Other non-convertible debt assets | 3,317,398 | 3,367,254 |
| Other convertible debt assets | 394,299 | 441,759 |
| Total liquid debt assets | 5,526,350 | 5,437,939 |
| Impairments carried to profit and loss (cumulative) | 357,288 | |

## Details of assets for assets and other financial investments (cont.)

### A2. Shares

| | As of March 31, 2023 | |
|---|---|---|
| | Carrying amount | Cost |
| | Unaudited | |
| | NIS thousand | |
| Liquid shares | 1,313,290 | 1,431,708 |
| Illiquid shares | 473,862 | 315,571 |
| Total shares | 1,787,152 | 1,747,279 |
| Impairments carried to profit and loss (cumulative) | 348,938 | |

| | As of March 31, 2022 | |
|---|---|---|
| | Carrying amount | Cost |
| | Unaudited | |
| | NIS thousand | |
| Liquid shares | 2,063,565 | 1,553,827 |
| Illiquid shares | 422,358 | 277,618 |
| Total shares | 2,485,923 | 1,831,445 |
| Impairments carried to profit and loss (cumulative) | 204,600 | |

| | As of December 31, 2022 | |
|---|---|---|
| | Carrying amount | Cost |
| | Audited | |
| | NIS thousand | |
| Liquid shares | 1,407,424 | 1,173,073 |
| Illiquid shares | 462,184 | 289,471 |
| Total shares | 1,869,608 | 1,462,544 |
| Impairments carried to profit and loss (cumulative) | 345,963 | |

## Details of assets for assets and other financial investments (cont.)

### A3. Other financial investments

| | As of March 31, 2023 | |
|---|---|---|
| | Carrying amount | Cost |
| | Unaudited | |
| | NIS thousand | |
| Total liquid financial investments | 542,243 | 511,640 |
| Total illiquid financial investments | 4,672,495 | 3,764,864 |
| Total other financial investments | 5,214,738 | 4,276,504 |
| Impairments carried to profit and loss (cumulative) | 252,960 | |

| | As of March 31, 2022 | |
|---|---|---|
| | Carrying amount | Cost |
| | Unaudited | |
| | NIS thousand | |
| Total liquid financial investments | 1,040,838 | 987,788 |
| Total illiquid financial investments | 3,337,125 | 2,430,771 |
| Total other financial investments | 4,377,963 | 3,418,559 |
| Impairments carried to profit and loss (cumulative) | 181,619 | |

| | As of December 31, 2022 | |
|---|---|---|
| | Carrying amount | Cost |
| | Audited | |
| | NIS thousand | |
| Total liquid financial investments | 511,235 | 443,876 |
| Total illiquid financial investments | 4,378,947 | 3,172,645 |
| Total other financial investments | 4,890,182 | 3,616,521 |
| Impairments carried to profit and loss (cumulative) | 245,426 | |

Phoenix

# Part 3

Standalone Financial Data from the Consolidated Interim Financial Statements Attributed to the Company

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**Page**

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To
The Shareholders of The Phoenix Holdings Ltd.

Dear Madam/Sir,

**Re: Special Report on the Separate Interim Financial Information pursuant in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970**

**Introduction**

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Holdings Ltd. ( "the Company") as of March 31, 2023 and for the three-month period then ended. The company's board of directors and management are responsible for The separate interim financial information. Our responsibility is to express a conclusion regarding the separate interim financial information based on our review.

We did not review the separate interim financial information taken from the interim information of investees, in which the total amounted to approximately NIS 959,624 thousand as of March 31, 2023, and the Company's share in of their earnings amounted to approximately NIS 46,260 thousand for the three-month period then ended, respectively. The separate interim financial statements of these companies were reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial statements in respect of these companies, is based on the review reports of the other auditors.

**Scope of the Review**

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is substantially less in scope than an audit performed pursuant to Israeli GAAP and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we are not express an audit opinion.

**Conclusion**

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying separate interim financial information is not prepared, in all material respects, in accordance with Regulations 38D to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
May 30, 2023

Kost Forer Gabbay & Kasierer
Certified Public Accountants

| | As of | | |
|---|---|---|---|
| | March 31, 2023 | March 31, 2022 | December 31, 2022 |
| | Unaudited | | Audited |
| | NIS thousand | | |
| **Assets** | | | |
| Investments in investees | 9,633,266 | 9,221,266 | 9,842,459 |
| Loans and capital notes to investees | 928,616 | 699,529 | 819,470 |
| **Total non-current assets** | 10,561,882 | 9,920,795 | 10,661,929 |
| Dividend receivable from investees | 205,000 | 500,000 | - |
| Other financial investments | 1,018,989 | 960,000 | 1,006,007 |
| Current tax assets | 44 | 31 | 31 |
| Receivables and debit balances | 5,104 | 3,919 | 10,791 |
| Cash and cash equivalents | 58,486 | 81,290 | 16,959 |
| **Total current assets** | 1,287,623 | 1,545,240 | 1,033,788 |
| **Total assets** | 11,849,505 | 11,466,035 | 11,695,717 |
| **Equity attributable to Company's shareholders** | | | |
| Share capital | 311,817 | 310,366 | 311,640 |
| Premium on shares and capital reserves | 851,225 | 851,131 | 851,918 |
| Treasury shares | (161,926) | (155,628) | (155,628) |
| Capital reserves | 1,183,620 | 942,575 | 1,123,705 |
| Surplus | 7,782,434 | 7,587,379 | 8,013,123 |
| **Total equity** | 9,967,170 | 9,535,823 | 10,144,758 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Bonds | 1,654,007 | 1,428,901 | 1,495,505 |
| **Current liabilities** | | | |
| Short-term bonds | 35,786 | 45,347 | 35,403 |
| Payables and credit balances | 12,504 | 16,228 | 10,362 |
| Liabilities in respect of deferred taxes | 2,866 | 18,736 | 9,689 |
| Payable dividend | 177,172 | 421,000 | - |
| **Total current liabilities** | 228,328 | 501,311 | 55,454 |
| **Total liabilities** | 1,882,335 | 1,930,212 | 1,550,959 |
| **Total equity and liabilities** | 11,849,505 | 11,466,035 | 11,695,717 |

The attached additional information is an integral part of the Company's separate interim financial information.

| Benjamin Gabbay<br>Chairman of the Board | Eyal Ben Simon<br>CEO | Eli Schwartz<br>EVP, CFO |
|---|---|---|

Date of approval of the financial statements - May 30, 2023

The attached additional information is an integral part of the Company's separate interim financial information.

| | For the three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|
| | 2023 | 2022 | 2022 |
| | Unaudited | | Audited |
| | NIS thousand | | |
| Company's share in the profits of investees, net of tax | (67,181) | 668,226 | 1,216,360 |
| Investment income, net and finance income | 24,626 | 23,951 | 101,271 |
| Income from management fees of investees | 750 | 750 | 3,000 |
| Total income (losses) | (41,805) | 692,927 | 1,320,631 |
| General and administrative expenses | 3,884 | 3,022 | 9,897 |
| Finance expenses | 18,159 | 14,808 | 62,710 |
| Total expenses | 22,043 | 17,830 | 72,607 |
| Profit (loss) before taxes on income | (63,848) | 675,097 | 1,248,024 |
| Expenses (income) for income tax | (6,800) | - | (9,100) |
| Profit (loss) for the year attributable to shareholders of the Company | (57,048) | 675,097 | 1,257,124 |

The attached additional information is an integral part of the Company's separate interim financial information.

| | For the three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|
| | 2023 | 2022 | 2022 |
| | Unaudited | | Audited |
| | NIS thousand | | |
| Profit (loss) for the period attributed to the Company's owners | (57,048) | 675,097 | 1,257,124 |
| Other comprehensive income: | | | |
| **Amounts that will be or that have been reclassified to profit or loss when specific conditions are met** | | | |
| Net change in fair value of financial assets classified as available for sale, carried to capital reserves | - | 37 | (754) |
| Net change from disposal of financial assets classified as available for sale, carried to the income statement | - | 78 | |
| Net change in fair value of financial assets classified as available for sale, carried to the income statement | - | - | (111) |
| Gain on impairment of financial assets classified as available for sale, carried to the income statement | - | - | 208 |
| Group's share in other comprehensive income of investees | 138,181 | (323,524) | (230,419) |
| Tax effect | - | (258) | - |
| Taxes on income relating to components of other comprehensive income | - | - | 152 |
| | 138,181 | (323,667) | (230,924) |
| **Amount that will not be subsequently reclassified to profit or loss** | | | |
| The Group's share in other comprehensive income of equity-accounted investees | - | 593 | 97,707 |
| Other comprehensive income (loss) for the period, net | 138,181 | (323,074) | (133,217) |
| Total comprehensive income for the period | 81,133 | 352,023 | 1,123,907 |

The attached additional information is an integral part of the Company's separate interim financial information.

| | Share capital | Premium and capital reserves in respect of shares | Treasury shares | Retained earnings | Capital reserve from transactions with non-controlling interests | Reserve from transaction with controlling shareholder | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale financial assets | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | NIS thousand | | | | | | | | | | |
| Balance as at January 1, 2023 (audited) | 311,640 | 851,918 | (155,628) | 8,013,123 | (56,503) | 11,000 | 62,920 | 224,054 | (14,435) | 896,669 | 10,144,758 |
| Effect of first-time application of IFRS 9 (*) | - | - | - | 2,507 | - | - | - | - | - | (2,507) | - |
| Balance as of January 1, 2023 after first-time application of IFRS 9 | 311,640 | 851,918 | (155,628) | 8,015,630 | (56,503) | 11,000 | 62,920 | 224,054 | (14,435) | 894,162 | 10,144,758 |
| Loss for the period | - | - | - | (57,048) | - | - | - | - | - | - | (57,048) |
| Total other comprehensive income (loss) | - | - | - | - | - | - | - | - | 15,830 | 122,351 | 138,181 |
| Comprehensive income (loss) | - | - | - | (57,048) | - | - | - | - | 15,830 | 122,351 | 81,133 |
| Share-based payment | | (1,644) | - | | | - | 5,615 | - | - | - | 3,971 |
| Dividend to non-controlling interests | - | - | - | | | - | - | - | - | - | - |
| Acquisition of treasury shares | - | - | (6,298) | | | - | - | - | - | - | (6,298) |
| Exercise of employee options | 177 | 951 | - | | | - | (1,128) | - | - | - | - |
| Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount | - | - | - | 1,024 | | - | - | (1,024) | - | - | - |
| Dividend to non-controlling interests | - | - | - | (177,172) | | - | - | - | - | - | (177,172) |
| Acquisition of minority interests | - | - | - | - | (863) | - | - | - | - | - | (863) |
| Allocation of shares of a consolidated subsidiary to minority interests | - | - | - | - | 834 | - | - | - | - | - | 834 |
| Transaction with minority interest | - | - | - | - | (79,193) | - | - | - | - | - | (79,193) |
| Balance as of March 31, 2023 (unaudited) | 311,817 | 851,225 | (161,926) | 7,782,434 | (135,725) | 11,000 | 67,407 | 223,030 | 1,395 | 1,016,513 | 9,967,170 |

(*) See Note 2B to the condensed consolidated financial statements regarding first-time application of IFRS 9 (Financial Instruments) regarding financial instruments that do not relate to The Phoenix Insurance, which falls within the scope of the definition of insurer. According to the transition method that was selected, the comparative figures were not restated.

The attached additional information is an integral part of the Company's separate interim financial information.

| | Share capital | Premium and capital reserves in respect of shares | Treasury shares | Retained earnings | Capital reserve from transactions with non-controlling interests | Reserve from transaction with controlling shareholder | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale financial assets | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | NIS thousand | | | | | |
| Balance on January 1, 2022 (audited) | 310,323 | 849,309 | (99,769) | 7,331,992 | (45,655) | 11,000 | 51,652 | 131,354 | (41,946) | 1,155,104 | 9,653,364 |
| Profit for the period | - | - | - | 675,097 | - | - | - | - | - | - | 675,097 |
| Total other comprehensive income (loss) | - | - | - | 593 | | | | | 2,407 | (326,074) | (323,074) |
| Comprehensive income (loss) | - | - | - | 675,690 | - | - | - | - | 2,407 | (326,074) | 352,023 |
| Share-based payment | - | 1,575 | - | - | - | - | 5,473 | - | - | - | 7,048 |
| Dividend | - | - | - | (421,000) | - | - | - | - | - | - | (421,000) |
| Exercise of employee options | 43 | 247 | - | - | - | - | (290) | - | - | - | - |
| Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount | - | - | - | 697 | - | - | - | (697) | - | - | - |
| Allocation of shares of a consolidated subsidiary to minority interests | - | - | - | - | 247 | - | - | - | - | - | 247 |
| Acquisition of treasury shares | - | - | (55,859) | - | - | - | - | - | - | - | (55,859) |
| Balance as of March 31 2022 (unaudited) | 310,366 | 851,131 | (155,628) | 7,587,379 | (45,408) | 11,000 | 56,835 | 130,657 | 39,539) | 829,030 | 9,535,823 |

The attached additional information is an integral part of the Company's separate interim financial information.

| | Share capital | Premium and capital reserves in respect of shares | Treasury shares | Retained earnings | Capital reserve from transactions with non-controlling interests | Reserve from transaction with controlling shareholder | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale financial assets | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | NIS thousand | | | | | |
| Balance on January 1, 2022 (audited) | 310,323 | 849,309 | (99,769) | 7,331,992 | (45,655) | 11,000 | 51,652 | 131,354 | (41,946) | 1,155,104 | 9,653,364 |
| Profit for the year | - | - | - | 1,257,124 | - | - | - | - | - | - | 1,257,124 |
| Other comprehensive income (loss) | - | - | - | 2,097 | - | - | - | 95,610 | 27,511 | (258,435) | (133,217) |
| Total other comprehensive income (loss) | - | - | - | 1,259,221 | - | - | - | 95,610 | 27,511 | (258,435) | 1,123,907 |
| Share-based payment | - | (2,362) | - | - | - | - | 17,556 | - | - | - | 15,194 |
| Acquisition of treasury shares | - | - | (55,859) | - | - | - | - | - | - | - | (55,859) |
| Exercise of employee options | 1,317 | 4,971 | - | - | - | - | (6,288) | - | - | - | - |
| Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount | - | - | - | 2,910 | - | - | - | (2,910) | - | - | - |
| Dividend | - | - | - | (581,000) | - | - | - | - | - | - | (581,000) |
| Transaction with minority interest | - | - | - | - | (14,435) | - | - | - | - | - | (14,435) |
| Allocation of shares of a consolidated subsidiary to minority interests | - | - | - | - | 3,587 | - | - | - | - | - | 3,587 |
| Balance on December 31, 2022 (audited) | 311,640 | 851,918 | (155,628) | 8,013,123 | (56,503) | 11,000 | 62,920 | 224,054 | (14,435) | 896,669 | 10,144,758 |

The attached additional information is an integral part of the Company's separate interim financial information.

| | Appendix | For the three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|---|
| | | 2023 | 2022 | 2022 |
| | | Unaudited | | Audited |
| | | NIS thousand | | |
| **Cash flows for operating activities** | | | | |
| Net profit (loss) | | (57,048) | 675,097 | 1,257,124 |
| Adjustments required to present cash flows for operating activities | (a) | 56,740 | (670,884) | (1,271,235) |
| Net cash provided by (used in) operating activities of the Company | | (308) | 4,213 | (14,111) |
| **Cash flows from investing activities:** | | | | |
| Repayment of capital notes and loans from investees | | 43,214 | - | 5,125 |
| Dividend from an investee | | - | - | 615,000 |
| Sales (acquisitions) of financial investments by the Company, net | | 5,933 | 7,005 | 22,652 |
| Acquisition of a subsidiary | | - | - | (16,675) |
| Capital note/loan to a subsidiary | | (149,405) | - | (109,500) |
| Net cash provided by (used for) investing activities | | (100,258) | 7,005 | 516,602 |
| **Cash flows for financing activities** | | | | |
| Dividend to shareholders | | - | - | (581,000) |
| Acquisition of Company shares | | (6,298) | (55,859) | (55,859) |
| Issuance of bonds | | 148,391 | 296,948 | (356,564) |
| Repayment of debentures | | - | (280,939) | 397,968 |
| Net cash provided by (used for) financing activities | | 142,093 | (39,850) | (595,455) |
| **Increase (decrease) in cash and cash equivalents** | | 41,527 | (28,632) | (92,963) |
| **Balance of cash and cash equivalents at beginning of period** | | 16,959 | 109,922 | 109,922 |
| **Balance of cash and cash equivalents at end of period** | | 58,486 | 81,290 | 16,959 |

The attached additional information is an integral part of the Company's separate interim financial information.

| | | For the three months ended March 31 | | For the year ended December 31 |
|---|---|---|---|---|
| | | 2023 | 2022 | 2022 |
| | | Unaudited | | Audited |
| | | NIS thousand | | |
| **Adjustments required to present cash flows (for) from operating activities:** | (a) | | | |
| **Items not involving cash flows:** | | | | |
| Profits, net on financial investments | | (18,916) | (20,420) | (82,845) |
| **Income and expenses not involving cash flows:** | | | | |
| Accrued interest and appreciation of bonds | | 10,495 | 12,729 | 43,992 |
| Tax income, net | | (6,800) | - | (9,100) |
| Company's share in the losses (profits) of investees, net | | 67,181 | (668,226) | (1,216,361) |
| **Changes in other balance sheet line items, net:** | | | | |
| Change in accounts receivable and collectible premiums | | 5,593 | 12,965 | 7,948 |
| Change in payables and credit balances | | 2,142 | (4,994) | (1,086) |
| Change in loans to investees | | (2,955) | (2,938) | (13,783) |
| Total cash flows for operating activities | | 56,740 | (670,884) | (1,271,235) |
| **Material non-cash activities:** | | | | |
| Dividend declared and not yet paid | | (177,172) | (421,000) | - |
| Dividend receivable from subsidiaries | | 205,000 | 500,000 | - |

The attached additional information is an integral part of the Company's separate interim financial information.

## NOTE 1 - GENERAL

The Interim Separate Financial Information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 and does not include all the information required under Regulation 9C and the Tenth Addendum to the Securities Regulation (Periodic and Immediate Reports), 1970, "Separate Financial Information of the Corporation".

This separate financial information should be read in conjunction with the separate financial information as of the date and year ended December 31, 2022 and in conjunction with the condensed interim consolidated financial statements as of March 31, 2023 (hereinafter - the "Consolidated Financial Statements").

Further to that detailed in Note 2 to the condensed consolidated financial statements, as of January 1, 2023, the Company applies to the condensed interim separate financial information IFRS 9, Financial Instruments (hereinafter - "IFRS 9") excluding the financial data related to The Phoenix Insurance, which meets the definition of an insurer.

**Definitions**

| | |
|---|---|
| The "**Company**" **-** | The Phoenix Holdings Ltd. |
| "**Investee companies**"- | Consolidated companies and companies the Company's investment in which is included, whether directly or indirectly, in the financial statements based on the equity method. |

## NOTE 2 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A. On March 22, 2023, the Company's Board of Directors approved a dividend distribution in the amount of NIS 177 million. The dividend per share of NIS 1 par value is NIS 0.7. The record date for the distribution is March 30, 2023; the dividend was paid on April 10, 2023.

B. On March 22, 2023, The Phoenix Insurance's Board of Directors approved a dividend distribution in the amount of NIS 205 million. The dividend per NIS 1 p.v. share and per NIS 5 p.v. share was NIS 1.3 and NIS 6.5, respectively. The dividend was paid in April 2023. The dividend distribution is with respect to the 2022 profits.

C. On January 30, 2023, The Phoenix Investments made a partial repayment of the capital note to The Phoenix Holdings, for a total of NIS 43 million.

D. In January 2023, the Company issued, by way of expansion, NIS 172,612 thousand par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 148,391 thousand. See Note 8C to the consolidated financial statements.

E. On February 9, 2023, the Company gave KSM Mutual Funds Ltd., a subsidiary of The Phoenix Investment House, a loan of NIS 149 million, repayable in 9 unequal installments and bearing an annual interest rate of 1.94%. This loan was advanced against the expansion of the Company's Series 6 bonds. See Note 8G2 to the consolidated financial statements.

F. For other significant events during the reporting period, please see Note 8 to the Consolidated Financial Statements.

## NOTE 3 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

A. On May 9, 2023, the Board of Directors of The Phoenix Pension and Provident approved the taking of a two-year bank loan at the total amount of NIS 330 million; most of the loan amount is to be used to repay the outstanding debt to The Phoenix Insurance; the Board of Directors also approved a one-year bank credit facility at the total amount of NIS 150 million; this amount will be used in operating activities. Furthermore, the Board of Directors of The Phoenix Pension and Provident passed a resolution whereby the said company will undertake not to pledge its assets in order to secure the repayment of the loan and the credit facility. The loan and the credit facility include a guarantee provided by the Company. The loan agreement with the bank has not yet been signed; the parties are negotiating the terms of the agreement.

B. For other significant events subsequent to the reporting period, see Note 9 to the consolidated financial statements.

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*Kost Forer Gabbay & Kasierer*
**Menachem Begin Road 144A,**
***Tel Aviv 6492102***

Building a better working world

May 30, 2023

To
The Board of The Phoenix Holdings Ltd. (Hereinafter: the “Company”)

Dear Madam/Sir,

Subject: Shelf Prospectus of The Phoenix Holdings Ltd. (hereinafter - the "Shelf Prospectus”) published on August 24, 2022

We hereby inform you that we agree to the inclusion (including by way of reference) of our reports, as listed below, in a shelf offering based on the Shelf Prospectus in the subject:

1. Review Report dated May 30, 2023, on the Condensed Consolidated Financial Information of The Phoenix Holdings Ltd. as of March 31, 2023 and for the three-month period then ended.

2. Special report dated May 30, 2023 on the Separate Interim Financial Information in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Holdings Ltd. of The Phoenix Holdings Ltd. as of March 31, 2023 and for the three-month period ended on that date.

Kost Forer Gabbay & Kasierer
Certified Public Accountants

# Part 4

Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure

## Quarterly Report on the Effectiveness of the Internal Control over Financial Reporting and Disclosure in accordance with Regulation 38C(a):

Management, under the supervision of the Board of Directors of The Phoenix 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 as follows:

1. Eyal Ben Simon, CEO of the Company and The Phoenix Insurance.
2. Eli Schwartz, EVP, CFO of the Company and The Phoenix Insurance.
3. Haggai Schreiber, EVP, Chief Investment Manager, CEO The Phoenix Investments Ltd.
4. Meni Neeman, EVP, Chief Legal Counsel and Corporate Secretary of the Company and The Phoenix Insurance.
5. Michal Leshem, EVP, Chief Internal Auditor of the Company and The Phoenix Insurance.
6. David Alexander, EVP, Head of Business Development of the Company and The Phoenix Insurance.
7. Eilon Dachbash, EVP, Head of Retail Credit of the Company.
8. Amit Netanel, EVP, Chief Risk Officer of the Company and The Phoenix Insurance.

The internal control over financial reporting and disclosure consists of the Corporation's existing controls and procedures that have been planned by the chief executive officer and the most senior financial officer or under their supervision, or by the equivalent acting officers, under the supervision of the Corporation's Board of Directors, designed to provide reasonable assurance about the reliability of financial reporting and the preparation of the financial statements in compliance with applicable laws, and ensure that all information that the Company is required to disclose in the financial statements its publishes pursuant to law is collected, processed, summarized and reported in a timely manner and according to the format prescribed by 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.

The Phoenix Insurance Ltd., 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.

With respect to the internal control of the said subsidiary, the Corporation implements the following provisions:

Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Controls over Financial Reporting"; Institutional Entities Circular 2010-9-6, "Management's Responsibility for internal control over financial reporting - Amendment"; Circular 2010-9-7, "internal control over financial reporting - Statements, Reports and Disclosures"; and Circular 2015-9-15, "internal control over financial reporting - Statements, Reports, Disclosures and Management's Responsibility for internal control over financial reporting - Amendments".

In the Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and the disclosure attached to the quarterly report for the period ended December 31, 2022 (hereinafter - the "Last Annual Internal Control Report"), the internal control was found to be effective.

As of the report date, the Board of Directors and management have not been informed of any event or matter that may alter the assessment of the effectiveness of internal control, as presented in the Most Recent Annual Report Over Internal Control.

As of the report date, based on the Most Recent Quarterly 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

## Statement of the CEO

I, Eyal Ben Simon, hereby certify that:

(1) I have reviewed the periodic report of The Phoenix Holdings Ltd. (hereinafter - the "Corporation") for the first quarter of 2023 (hereinafter – the "Reports");

(2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, or omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;

(3) To my knowledge, the financial statements and other financial information included in the Reports fairly represent, 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' audit 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 (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -

(b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

(c) I have not been informed of any event or matter that occurred in the period between the most recent report date (quarterly or periodic, as the case may be) and the date of this Report, which may change the conclusion of the Board of Directors and management regarding the effectiveness of internal controls over the corporation's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 30, 2023 __________________________________

**Eyal Ben Simon, CEO**

# Certification

## Statement of the Most Senior Financial Officer

I, Eli Schwartz, hereby certify that:

(1) I have reviewed interim financial statements and other financial information included in the interim report of The Phoenix Holdings Ltd. (hereinafter: the "Corporation") for the first quarter of 2023 (hereinafter – the "Reports" or "Interim Reports");

(2) To my knowledge, the interim financial statements and other financial information included in the Interim Reports 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 Interim Financial Statements and other financial information included in the Interim 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' audit 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 Interim Financial Statements and other financial information included in the Interim 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 (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -

   (b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.

   (c) I have not been informed of any event or matter that occurred in the period between the most recent report date (quarterly or periodic, as the case may be) and the date of this Report, which may change the conclusion of the Board of Directors and management regarding the effectiveness of internal controls over the corporation's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 30, 2023 ________________________________________

**Eli Schwartz, EVP, CFO**

Phoenix

# Part 5

Statements Regarding Controls and Procedures in respect of Disclosure in the Financial Statements of The Phoenix Insurance Company Ltd.

# The Phoenix Insurance Company Ltd.

# Certification

I, Eyal Ben Simon, hereby certify that:

1. I have reviewed the quarterly report of The Phoenix Insurance Company Ltd. (hereinafter - the "Company") for the quarter ended March 31, 2023 (hereinafter - the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting of the Company; and -
   (a) We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
   (b) We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the 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' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
   (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and -
   (b) Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 30, 2023

**Eyal Ben Simon, Chief Executive Officer**

# The Phoenix Insurance Company Ltd.

# Certification

I, Eli Schwartz, hereby certify that:

1. I have reviewed the quarterly report of The Phoenix Insurance Company Ltd. (hereinafter - the "Company") for the quarter ended March 31, 2023 (hereinafter - the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting[1] 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' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
   (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and -
   (b) Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 30, 2023

**Eli Schwartz, EVP, CFO**

[1] As defined in the provisions of the institutional entities circular titled "Internal Controls over Financial Reporting - Statements, Reports and Disclosures".

# Part 6

The Phoenix Insurance
Solvency Report

# Economic Solvency Ratio Report of The Phoenix Insurance Company Ltd. As at December 31, 2022

Phoenix

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working world

Kost Forer Gabbay & Kasierer
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To:
The Board of Directors of
The Phoenix Insurance Company Ltd.

Re: Examination of the Implementation of Certain Directives of the Commissioner of the Capital Market, Insurance and Savings regarding the Economic Solvency based on Solvency II of The Phoenix Insurance Company Ltd. (hereinafter - the "Company") as of December 31, 2022

We have examined the solvency capital requirement (the - "**SCR**") and the economic capital of The Phoenix Insurance Company Ltd. for December 31, 2022 (the - **"Information**"), which are included in the Company's Economic Solvency Ratio Report attached hereby and carries our office's seal for identification purposes (the - "**Report** ").

The Board of Directors and Management are responsible for the preparation and presentation of the drawn up information in accordance with the provisions of the Commissioner of the Capital Market, Insurance and Savings (the - **"Commissioner**") regarding Solvency II-based economic SCR of an insurance company as included the Commissioner's circular No. 2020-1-15 of October 14 2020, and in accordance with the Commissioner's Directives regarding principles for calculation of deduction during the deployment period in a Solvency II-based Economic Solvency Regime of October 15 2020 (the - "**Directives**").

The calculations, forecasts and assumptions that formed the basis for the preparation of the responsibility of the Board of Directors and Management.

Our examination was conducted in accordance with International Standard on Assurance Engagements No. 3400 ISAE – Examination of Prospective Financial Information, and in accordance with the Commissioner's instructions, as included in Appendix B to Insurance Circular 2017-1-20 of December 3, 2017, which details instructions regarding the audit of the Economic Solvency Ratio Report.

We did not examine the adequacy of the amount of the deduction during the deployment period as of December 31, 2022 as shown in Section 2 of the report, except for checking that the amount of the deduction does not exceed the expected capitalized amount of the risk margin and the capital required for solvency in respect of life and health insurance risks due to existing businesses during the deployment period in accordance to the future development pattern of the required capital, affecting both the calculation of the expected capital release and the release of the expected risk margin as specified in the instructions regarding the calculation of the risk margin.

Apart from the above regarding the adequacy of the amount of the deduction during the deployment period, based on the examination of the evidence supporting the calculations, forecasts and assumptions, as mentioned below, which were used by the Company's Board of Directors and Management in preparing the information, nothing came to our attention that makes us believe that the forecasts and assumptions, as a whole, do not constitute a reasonable basis for the information according to the directives. Also in our opinion, the information, including the manner in which the assumptions and forecasts were determined, was prepared and presented in all material respects in accordance with the directives.

Building a better working world

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It should be emphasized that forecasts and assumptions are based, mainly on past experience, as evidenced by actuarial studies conducted from time to time. In light of the reforms in the capital market, insurance and savings, and changes in the economic environment, the past data does not necessarily reflect future results. The information is sometimes based on assumptions about future events, management actions, and the future pattern of the risk margin development, which will not necessarily materialize or will materialize differently from assumptions that served as the basis for information. In addition, the actual results may also differ materially from the information, as the combined scenarios of events may materialize in a substantially different way from the assumptions in the information.

We draw attention to what is stated in Section C - comments and clarifications regarding the solvency ratio, regarding the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

Tel Aviv,
May 30, 2023

**Respectfully,**

**Kost Forer Gabbay & Kasierer**
**Certified Public Accountants**

## Overview and Disclosure Requirements

### 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 "**Economic Solvency Regime Directives**"), was prepared and presented in accordance with Chapter 1, Part 4 Section 5 of the Consolidated Circular as revised in Circular 2022-1-8 (hereinafter - the "**Disclosure Provisions**").

The Economic Solvency Regime provisions set a standard model for calculating eligible capital and the regulatory solvency capital requirement (SCR), with the aim of bringing insurance companies to hold buffers to absorb losses arising from the materialization of unexpected risks to which they are exposed. **The solvency ratio is the ratio between the eligible equity and the regulatory solvency capital requirement.**

The eligible equity is composed of Tier 1 capital and Tier 2 capital. Tier 1 capital includes equity calculated through assessing the economic value of an insurance company's assets and liabilities in accordance with the circular's provisions, and Additional Tier 1 capital. Additional Tier 1 capital and Tier 2 capital include 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 places restrictions on the composition of eligible equity for SCR and MCR purposes (see below), such that the rate of Additional Tier 1 capital shall not exceed 20% of the Tier 1 capital, and such that the rate of components included in Tier 2 capital shall not exceed 40% of the SCR without taking into account the Transitional Provisions and the equity scenario adjustment, and shall not exceed 50% of the SCR under the Transitional Provisions and taking into account the equity scenario adjustment.

The eligible capital is compared to the required capital when there are two levels of capital requirements:

- The capital required to maintain an insurance company's solvency (hereinafter - "**SCR**"). The SCR is risk-sensitive, and is based on forward-looking calculation of the impact of the materialization of different scenarios, while taking into account the correlation of the different risk factors, based on the guidance in the Economic Solvency Regime Directives.
- Minimum capital requirement (hereinafter **"MCR" or "minimum capital requirement"**). In accordance with the Economic Solvency Regime Directives, the minimum capital requirement shall be equal to the highest of the amount of the minimum Tier 1 capital required under the "Requirements of the Previous Capital Regime" and an amount derived from insurance reserves and premiums (as defined in the Solvency Circular), with a floor of 25% and a cap of 45% of the SCR.

The eligible capital and the required capital are calculated using data and models which are based, among other things, on forecasts and assumptions that rely mainly on past experience. These calculations are highly complex.

The Economic Solvency Regime Directives include, among other things, Transitional Provisions, which are based on increasing the eligible capital by deducting from the insurance reserves an amount that will be calculated in accordance with Section b below. The deduction amount will decrease gradually until 2032 (hereinafter: the "Deduction during the Transitional Period") and the stock scenario adjustment.

**Publication of Economic Solvency Ratio Report**

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 subsequent to the calculation date.

Furthermore, in view of the listing of additional Tier 1 capital on the main list, and in accordance with The Phoenix Insurance's undertakings under the deed of trust, as from 2023 the Company will publish to the public an estimated quarterly solvency ratio as of March 31 and September 30, as part of the periodic report published following the calculation date. The calculation of the estimated quarterly solvency ratio is not audited or reviewed by the independent auditor, and the controls conducted by The Phoenix Insurance for the purpose of publishing the estimated ratio are less in scope compared to those executed for the purpose of publishing the solvency ratio report, which is published in accordance with the Commissioner's directives.

**Forward-looking information**

The data included in this Economic Solvency Ratio Report, including the eligible and the required capital for solvency purposes 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 mortality rates, morbidity rates, recovery rates, cancellations, expenses, take up of pension benefits, rate of release of the risk margin and underwriting profits rate), assumptions regarding future management actions, risk-free interest rates, capital market returns, future revenue, and damage in catastrophe scenarios.

## Definitions

| | | |
|---|---|---|
| **The Company** | - | The Phoenix Insurance Company Ltd. |
| **The Economic Solvency Regime Directives** | - | 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 "Solvency Circular"), including its explanations. |
| **Best estimate** | - | Expected future cash flows from insurance contracts and investment contracts throughout their term, without conservatism margins and discounted by an adjusted risk-free interest. |
| **(SLT health insurance)** | - | Health insurance that is conducted similarly to life insurance. |
| **(NSLT health insurance)** | - | Health insurance that is deemed to be written on a similar technical basis as property and casualty insurance. |
| **Basic solvency capital requirement (BSCR)** | - | The capital required from an insurance company to maintain its solvency, calculated in accordance with the Economic Solvency Regime Directives, without taking into account the capital required due to operational risk, loss absorption adjustment due to deferred tax and required capital due to management companies. |
| **Solvency capital requirement (SCR)** | - | Total capital required from an insurance company to maintain its solvency, calculated in accordance with the Economic Solvency Regime Directives. |
| **Recognized shareholders equity** | - | Total Tier 1 capital and Tier 2 capital of an insurance company, after deductions and amortization in accordance with the provisions of Part B of the Appendix to the Solvency Circular. |
| **Basic Tier 1 capital** | - | Excess of assets over liabilities in the economic balance sheet, net of unrecognized assets and dividend declared subsequent to balance sheet date and until the report's initial publication date. |
| **Additional Tier 1 capital** | - | Perpetual capital note, non-cumulative preferred shares, Restricted Tier 1 capital instrument, Additional Tier 1 Capital instrument - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular. |
| **Tier 2 capital** | - | Tier 2 capital instruments, Subordinated Tier 2 Capital, Hybrid Tier 2, Additional Tier 1 Capital instrument that was not included in Tier 1 and Hybrid Tier 3 Capital - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular. |

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| **The Commissioner** | - | Commissioner of the Capital Market, Insurance and Savings Authority. |
| **Effect of diversification of risk components** | - | Effect of the partial correlation between different risks in the model on their amounts; the greater the diversification between operating segments in the portfolio and the diversification between risks, the greater is the effect of the correlation, which reduces the overall risk. |
| **Solvency ratio** | - | The ratio between the eligible equity of an insurance company and the solvency capital requirement. |
| **Symmetric Adjustment (SA)** | - | Anti-cyclical component designed to adjust the capital required in respect of the shares risk to the changes in share prices, as set out in the provisions in Part C in the Economic Solvency Regime directives. |
| **Stock scenario adjustment** | - | A reduced capital requirement for certain types of investments that will gradually increase until 2023, when the capital requirement in respect of these investments will reach its maximum rate. |
| **Economic balance sheet** | - | The Company's balance sheet with the value of assets and liabilities adjusted in accordance with the provisions of Part A of the Solvency Circular. |
| **Risk margin (RM)** | - | An 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. |
| **Deduction during the Transitional Period (hereinafter - the "Deduction Amount")** | - | The amount deducted from insurance reserves during the Transitional Period, as described in Section 2a(2) above, and in accordance with the Economic Solvency Regime Directives. |
| **Minimum capital requirement (MCR)** | - | The minimum capital required from an insurance company, calculated in accordance with Chapter C of the Solvency Circular. |
| **Expected profits in future premiums (EPIFP)** | - | Expected Profit in Future Premiums; the future profit from liabilities in respect of existing life and health insurance contracts arises from future premiums. |
| **Transitional Period** | - | Under the Transitional Provisions for the implementation of an Economic Solvency Regime - a period running until December 31, 2032. |

| | | |
|---|---|---|
| **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 Economic Solvency Regime Directives. |
| **Volatility Adjustment (VA)** | - | A 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 Economic Solvency Regime Directives. |
| **Audited** | - | The term refers to an audit held by an independent auditor in accordance International Standard on Assurance Engagement (ISAE) 3400 – "The Examination of Prospective Financial Information". |
| **Investment Rules Regulations** | - | Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012. |
| **Adjusted risk-free interest** | - | The interest-rate curve set by the Commissioner which is based on the real yield to maturity of bonds of the Government of Israel, with convergence in the long-term to a fixed real rate of 2.6% (UFR) plus a margin (VA) that was set by the Commissioner. |

## Calculation Methodology

The Economic Solvency Ratio Report as of December 31, 2022 and December 31, 2021 was calculated and prepared in accordance with the Economic Solvency Regime Directives.

### Economic balance sheet

The economic balance sheet is calculated in accordance with the detailed rules and directives published by the Commissioner, which are based on the European Solvency II rules, with adjustments to reflect the characteristics of the economic environment and products in Israel. The purpose of the rules is to reflect the economic value of the balance sheet items in accordance with the Commissioner's approach. In accordance with the Directives, the insurance liabilities are calculated based on the best estimate of all expected future cash flows from existing businesses, without conservatism margins and plus a risk margin, which represents the addition to the insurance liabilities that is expected to be required from another insurance company to assume the insurance company's insurance liabilities. In accordance with the Directives, the risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected required capital in respect of insurance risks over the life of the existing businesses as described below. The economic balance sheet is prepared based on the Company's standalone financial statements plus investees, whose main occupation is holding rights in real estate. The economic balance sheet attributes zero value to intangible assets and deferred acquisition costs other than investment in "Insurtech" as defined in the Economic Solvency Regime Directives, and the Commissioner's approval in that respect was obtained, as required.

**<u>Increasing economic capital according to the Transitional Provisions</u>**

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 until 2032 (hereinafter - the "Deduction during the Transitional Period" or the "Deduction Amount"). With regard to the Deduction during the Transitional Period, a letter was addressed to insurance companies managers titled "Principles for calculating Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" (hereinafter - the "Letter of Principles"). 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 (without 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 Company ensures that the deduction balance at each reporting date (hereinafter - 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, and factors in at least the expected amortization of the SCR and risk margin of the current portfolio as of the calculation date.

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.

Additionally, Section 3(C) of the letter "Principles for Calculating the Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" of October 15, 2020 (hereinafter – the "**Letter of Principles**") stipulates that an insurance company will determine qualitative and quantitative tests for cases in which the Deduction during the Transitional Period is recalculated and the Deduction during the Transitional Period will be recalculated, at least, in the following cases:

1. A material change in the risk-free interest rate curve;
2. A material change in the value of the Company's assets;
3. A material change in the demographic and operational assumptions underlying calculation of the insurance reserves;
4. A material change in the Company's business structure relevant to the Deduction during the Transitional Period;

5. A material change in the reinsurance agreements of businesses relevant to the Deduction during the Transitional Period.

In accordance with the provisions of Subsection (a) above, the Deduction during the Transitional Period as of December 31, 2021 was recalculated two years after it was calculated for the first time (after the approval of the Commissioner).

In view of material changes in the interest rate curve, the implementation of a research on retirement age and pension take up rates (hereinafter - the "Research"), and the revision of the set of demographic assumptions and of the mortality improvements model for insurance companies and pension funds (hereinafter - the "Circular"), which took place in the period from December 31, 2021 and June 30, 2022, the Company recalculated the Deduction during the Transitional Period as of June 30, 2022. For further information about the Deduction Amount, see Section 2A(2) below.

For further information about the changes in the interest rate curve, the Study, and the Circular, see Section 1A below.

**Solvency capital requirement (SCR)**

The calculation of the solvency capital requirement is based on an assessment of the economic equity's exposure to the following risk components set in the Economic Solvency Regime: life insurance risks, health insurance risks, property and casualty insurance risks, market risks and counter-party default risks. These risk components include sub-risk components with respect to specific risks to which the insurance company is exposed. The exposure assessment of the economic equity to each sub-risk component is carried out based on a defined scenario set out in the guidance. The determination of the solvency capital requirement is based on the sum of the capital requirements in respect of the risk components and the sub-risk components, as stated above, net of the effect of the diversification between the risks in the Company in accordance with the correlations assigned to them under the Directives, and net of an loss absorption adjustment due to deferred tax, as set out below. Furthermore, the calculation of the solvency capital requirement includes components of capital required in respect of operational risk and in respect of management companies (where relevant).

The capital requirement in respect of each of the risks is calculated in accordance with the Company's exposure to that risk, taking into account the parameters set in the Directives. In accordance with the Directives, the amount of the required capital represents the scope of 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.

**Loss absorption adjustment due to deferred tax asset**

In accordance with the Economic Solvency Regime Directives, an insurance company may recognize a loss absorption adjustment with respect to deferred tax assets up to the amount of the balance of the deferred tax reserve included in the economic balance sheet plus a tax asset against future profits up 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.
- The future profits shall arise only from property and casualty insurance or from Not Similar to Life Techniques (NSLT) (short term health insurance) only.

## Comments and clarifications

### 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 financial statements as of as of December 31, 2022. Any information or studies obtained or completed after the reporting date of the Company's annual report as of December 31, 2022 were not taken into account.

In the reporting period, the Company applied a study on retirement age and take up of pension benefits (hereinafter – the "**Study**"), and the Company also applied the circular regarding amendment of the provisions of the consolidated circular on the adjustment of demographic assumptions and the mortality improvement model for insurance companies and pension funds (hereinafter – the "**Circular**"). For further information about the Study and the Circular, see Section 1A below.

It should be emphasized that in view of the reforms in the capital, insurance and savings market and the changes in the economic environment, past data are not necessarily indicative of future results, and the Company is unable to reliably assess the effect of the reform and the changes. 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 made in the calculation.

It should be emphasized that the results of the models used in the calculation of the eligible equity and the solvency required capital are highly sensitive to the forecasts and assumptions included therein, as well as to the manner by which the Directives are implemented. The economic solvency ratio is highly sensitive to market variables and other variables, and accordingly may be volatile.

## 2. Practical effects of legislation and regulation in the reporting period

**Revised Demographic Assumptions in Life Insurance and for Pension Funds** – In June 2022, the Commissioner published a circular on "Amendment to the Provisions of the Consolidated Circular on Measurement of Liabilities – Revised Demographic Assumptions in Life Insurance and for Pension Funds" (hereinafter - the **Demographic Assumptions Circula**r"). The Demographic Assumptions Circular lists updated default assumptions on the basis of which insurance companies will calculate the liabilities in respect of life insurance policies, which allow them to receive an annuity according to guaranteed conversion rates based on up-to-date demographic assumptions. The Circular refers, among other things, to a change in life expectancy, including future improvements, and the resulting consequences for the level of reserves and how they are created. In addition, the Circular includes a new life table for retirees of insurance companies, which is based, among other things, on past experience regarding mortality of retirees of insurance companies. The Company has updated its estimates of pension liabilities based on the new life table and future life expectancy improvements included in the Circular.
For more information, see Section 1A below.

**Updating tariffs in renewable health insurance policies -** on September 20, 2022, the Commissioner published Insurance Circular 2022-1-13 - "Amendment to the Provisions of the Consolidated Circular - Title 6, Part 3, Chapter 1 - Updating Tariffs in Renewable Health Insurance Policies". The Circular sets out, among other things, terms and conditions according to which the insurance companies may update the premium in renewable medical expenses policies (medical expenses policies sold as from February 2016), without obtaining the Commissioner's approval. These terms were designed to balance out the need to update the terms and tariffs of medical expenses insurance policies, against the need to protect policyholders' interests. The Company included the effects of the Tariff Updating Circular for the first time in the calculation of the economic solvency ratio as of December 31, 2022; the circular has a positive effect on the Company's solvency ratio and capital surpluses. For further details as to the extent of the effect of this update, see Section 1a below.

**Commissioner Position - Principles for Recognition of Complex and Material Transactions Aimed at Improving the Economic Solvency Ratio** - in November 2022, the Commissioner published his position regarding the principles for recognition of complex and material transactions aimed at improving the economic solvency ratio (hereinafter - the "Transactions"). In his position, the Commissioner clarifies that the Transaction must transfer risk effectively, and that the aim of the

Transactions should be adequately reflected in the model employed to calculate the economic solvency ratio. The Commissioner clarifies that an insurance company should assess, among other things, whether the exposure characteristics covered by the transaction are essentially similar to the exposure characteristics of the insurance company and the policies it sells. This assessment shall include an analysis of a range of risk scenarios, which differ in essence than the scenarios for calculation of the capital requirement, in terms of intensity, timing, gradualness and effect on various products.

Furthermore, as a supplementary move, the Commissioner published a circular regarding an "Amendment to the Provisions of the Consolidated Circular - Chapter 3 Part 4 of Title 5 "Reporting to the Commissioner of Capital Market" - Reporting Complex and Material Transactions Aimed at Improving the Economic Solvency Ratio", which regulates the duty to report to the Commissioner about complex and material transactions aimed at improving the economic solvency ratio, before those transactions are signed. The Commissioner's position does not affect the Company's economic solvency ratio.

3. **<u>Future effects of legislation and regulatory measures known as of the report's publication date and exposure to contingent liabilities</u>**

a) The field of insurance has been subject to frequent changes in relevant legislation and regulatory directives. For more information, see Sections 2.1.2 and 2.3.1. in Part B and Section 4.1 in Part D of the Description of the Corporation Business chapter in the 2021 Periodic Report and the 2022 Periodic Report.

   The legislation and regulatory measures may impact the Company's economic solvency ratio. The calculation of the solvency ratio does not reflect the entire potential effect 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. With regard to this matter, it should be noted that there is significant uncertainty in the context of the effect of the application of IFRS 17 and its various components; the standard is due to come into effect in Israel starting in the financial statements as of January 1, 2025. The manner by which this standard will be applied in the financial statements may affect the results of the calculation of the solvency ratio, and at this stage the Company is unable to assess this effect.

b) In accordance with the Economic Solvency Regime Directives, 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. It is not possible to assess the effect of the uncertainty arising from the exposure to contingent liabilities, including such exposure's effect on the Company's future profits and economic solvency ratio. For further information regarding the exposure to contingent liabilities as at December 31, 2022, please see Note 39 to the financial statements of 2022.

c) **Amendment of the Consolidated Circular - Chapter 3 Part 4 Title 5 "Reporting to the Commissioner of the Capital Market, Insurance and Savings" - Hetz Bonds** - allocations of Hetz bonds are based on the amount of the insurance liability recognized in the financial statements in respect of the insurance contracts, whereas from January 1, 2025 (the date of first-time application of IFRS 17), the manner of calculating the insurance liability will change significantly (transition from measurement based on traditional actuarial methods to measurement based on future cash flows discounted using a risk-free interest). In view of the above, in March 2023 the Commissioner published a circular regarding the "Amendment of the Consolidated Circular - Chapter 3 Part 4 Title 5 - Reporting to the Commissioner of the Capital Market, Insurance and Savings - Hetz Bonds"; the circular sets out provisions as to the manner of allocation of designated government Hetz bonds as from January 1, 2025 (the date of first-time application of IFRS 17). Furthermore, the change in the manner of allocation that will apply as from the first-time application date of the standard impacts the calculation of the asset relating to designated bonds as per the economic balance sheet. In its calculation of the solvency ratio as of December 31, 2022, the Company has not yet included the effect of the aforesaid amendment, due to the uncertainty as to the results of the calculations of reserves in IFRS 17, including the Risk Adjustment component, and its allocation for the purpose of the calculation of Hetz bonds in the period during which IFRS 17 becomes applicable, and in view of the Company's estimate as to the immaterial effect of the application of the amendment as stated above.

# Section 1 - Economic solvency ratio and minimum capital requirement (MCR)

## A. Economic solvency ratio

| | As of December 31 | |
|---|---|---|
| | 2022 | 2021 |
| | Audited* | |
| | In NIS thousand | |
| Recognized own funds in respect of SCR - please see Section 3 | 14,711,664 | 14,212,110 |
| Solvency capital requirement (SCR) - please see Section 4 | 6,968,263 | 7,666,458 |
| Surplus | 7,773,401 | 6,545,652 |
| **Economic solvency ratio (in %)** | **211%** | **185%** |
| **Effect of material capital-related measures taken in the period between the calculation date and the publication date of the solvency ratio report:** | | |
| Raising (redemption) of equity instruments** | (410) | 346,133 |
| Recognized own funds in respect of SCR | 14,711,254 | 14,558,243 |
| Surplus | 7,742,991 | 6,891,784 |
| **Economic solvency ratio (in %)** | **211%** | **190%** |

* Any reference made in this report to the term "audited", shall be construed as an audit held by an independent auditor in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information.

** Subsequent to the balance sheet date (December 31, 2022), NIS 411 million in Series F bonds were redeemed (immediate report dated January 15, 2023, Ref. No.: 2023-01-006268). The redemption referred to above does not have a material effect on the solvency ratio as of December 31, 2022 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.

**For details regarding the economic solvency ratio without applying the Transitional Provisions for the Transitional Period, and without adjusting the stock scenario, and regarding the target economic solvency ratio and restrictions applicable to the Company in connection with dividend distribution, see Section 9 below.**

**Explanations to main changes in capital surplus and in the economic solvency ratio compared to last year:**

- In the reporting period, there was a material increase in the risk-free interest rate curve and an increase in inflation rates in the economy. The increase in the interest rate significantly increased the capital surpluses as well as the solvency ratio of the Company; this increase was partially offset against the increase in inflation rate in Israel.
- The Company’s capital surplus and its economic solvency ratio decreased as a result of negative returns in planholders and nostro portfolios, which led to a decrease in the Company’s Tier 1 capital. This effect was partially offset by a decrease in capital requirements, both due a decrease in exposure to risk-weighted assets and due to a decrease in the stock scenario (stemming from a decrease in the symmetric adjustment component ("SA") in the scenario derived from changes in the Tel Aviv 125 Index).
- During the reporting period, the Company implemented a study on retirement age and pension take up rates (hereinafter - the “Study”). The study affects the assumptions used to assess the liabilities in life insurance policies; it has a 19% positive effect on the solvency ratio under the Transitional Provisions in the Transitional Periods (including the effect on the recalculation of the amount of Deduction during the Transitional Period).
- On June 30, 2022, the Capital Market, Insurance and Savings Authority issued a circular amending the provisions of the consolidated circular regarding updating the demographic assumption system and a mortality improvement model for insurance companies and pension funds. The study affects the assumptions used to calculate the liabilities and coefficients in life insurance policies; it has a 6% negative effect on the solvency ratio under the Transitional Provisions in the Transitional Periods (including the effect on the recalculation of the amount of Deduction during the Transitional Period).
- The Company recalculated the value of the Deduction during the Transitional Period as of June 30, 2022 (in accordance with Section B above and due to material changes in the interest rate curve, application of the Study, and application of the Circular and in accordance with the Commissioner’s Directives). Following the recalculation, there was a material decrease in the Deduction Amount as of June 30, 2022, and accordingly, a decrease in the capital surplus and solvency ratio of the Company. For more information about the recalculation of the Deduction Amount in respect of the Transitional Period, see Section 2A(2) below.
- The first-time implementation of the effects of the Circular regarding “Tariff Updating in Renewable Health Insurance Policies” in the calculation of the economic solvency ratio as of December 31, 2022 had an 11% positive effect on the Company’s solvency ratio under the

Transitional Provisions in the Transitional Periods and on the Company's capital surpluses. For further details, please see Section C2 above.

- The expiry of the capital requirement in respect of existing life and health insurance products reduces the solvency capital requirement and the risk margin (RM), and accordingly has a positive effect on capital surplus and on the Company's solvency ratio.
- The results of the economic solvency ratio as of December 31, 2022 include a distribution of a cash dividend of NIS 115 million, which was paid during the third quarter of 2022, and a distribution of a NIS 205 million cash dividend that was paid in the second quarter of 2023.
- For details regarding other capital-related measures subsequent to balance sheet date, see footnote in the above table.

## B. Minimum capital requirement (MCR)

| | As of December 31 | |
|---|---|---|
| | 2022 | 2021 |
| | Audited | |
| | In NIS thousand | |
| Minimum capital requirement (MCR) - see Section 5.A | 1,843,583 | 1,916,615 |
| Recognized own funds for MCR - please see Section 5B | 11,596,249 | 11,024,131 |

## Section 2 - Economic Balance Sheet

| | Information about economic balance sheet | As of December 31 2022 Balance sheet according to accounting standards | 2022 Economic balance sheet | 2021 Balance sheet according to accounting standards | 2021 Economic balance sheet |
|---|---|---|---|---|---|
| | | Audited | | | |
| | | In NIS thousand | | | |
| **Assets** | | | | | |
| Intangible assets | 3 | 805,156 | 159,510 | 737,837 | 182,549 |
| Deferred acquisition costs | 4 | 1,657,544 | - | 1,546,640 | - |
| Property & equipment | | 913,636 | 913,636 | 664,260 | 664,260 |
| **Investments in investees that are not insurance companies** | | | | | |
| Other investees | 5 | 1,434,476 | 1,155,587 | 1,218,919 | 1,050,901 |
| **Total investments in investees that are not insurance companies** | | 1,434,476 | 1,155,587 | 1,218,919 | 1,050,901 |
| Investment property in respect of yield-dependent contracts | | 2,142,074 | 2,142,074 | 2,062,862 | 2,062,862 |
| Investment property - other | | 1,193,932 | 1,193,932 | 1,163,326 | 1,163,326 |
| Reinsurance assets - see Section 2B | 1 | 3,172,249 | 2,889,895 | 2,806,547 | 2,854,776 |
| Receivables and debit balances | 10 | 1,807,914 | 1,745,624 | 1,296,998 | 1,208,197 |
| Financial investments in respect of yield-dependent contracts | | 77,394,271 | 77,394,271 | 81,098,659 | 81,098,659 |
| **Other financial investments** | | | | | |
| Tradable debt assets | | 5,526,350 | 5,526,350 | 7,373,137 | 7,373,137 |
| Non-tradable debt assets, excluding designated bonds | 6 | 7,000,949 | 6,871,856 | 5,063,042 | 5,381,798 |
| Designated bonds | 7 | 7,695,966 | 9,880,196 | 7,283,101 | 10,508,179 |
| Stocks | | 1,869,608 | 1,869,608 | 2,602,173 | 2,602,173 |
| Other | | 4,890,182 | 4,890,182 | 4,401,363 | 4,401,363 |
| **Total other financial investments** | | 26,983,055 | 29,038,192 | 26,722,816 | 30,266,650 |
| Cash and cash equivalents in respect of yield-dependent contracts | | 16,358,509 | 16,358,509 | 13,785,593 | 13,785,593 |
| Other cash and cash equivalents | | 2,752,806 | 2,752,806 | 1,701,538 | 1,701,538 |
| Other assets | | - | - | 68,796 | 68,796 |
| **Total assets** | | **136,615,622** | **135,744,036** | **134,874,791** | **136,108,107** |
| **Total assets in respect of yield-dependent contracts** | | **96,055,588** | **96,261,754** | **97,116,663** | **97,359,035** |

| | Information about economic balance sheet | As of December 31 | | | |
|---|---|---|---|---|---|
| | | 2022 | | 2021 | |
| | | Balance sheet according to accounting standards | Economic balance sheet | Balance sheet according to accounting standards | Economic balance sheet |
| | | Audited | | | |
| | | In NIS thousand | | | |
| **EQUITY** | | | | | |
| Basic Tier 1 capital | | 6,627,651 | 10,317,309 | 6,591,521 | 9,912,145 |
| **Total equity** | | **6,627,651** | **10,317,309** | **6,591,521** | **9,912,145** |
| **Liabilities** | | | | | |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts - see Section 2B | 1, 8 | 24,516,307 | 17,508,068 | 24,244,035 | 19,160,551 |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts - see Section 2B | 1, 8 | 94,112,888 | 91,638,483 | 95,691,151 | 93,633,187 |
| Risk margin (RM) | 1 | - | 6,618,426 | - | 7,741,372 |
| Deduction during the Transitional Period | 2 | - | (3,385,061) | - | (4,710,468) |
| Liabilities in respect of deferred taxes, net | 9 | 460,160 | 2,522,344 | 740,115 | 2,553,079 |
| Payables and credit balances | 4,10 | 3,037,358 | 2,902,704 | 2,544,900 | 2,414,757 |
| Financial liabilities | 11 | 7,861,258 | 7,621,763 | 5,063,068 | 5,403,484 |
| **Total liabilities** | | **129,987,971** | **125,426,727** | **128,283,269** | **126,195,962** |
| **Total equity and liabilities** | | **136,615,622** | **135,774,036** | **134,874,790** | **136,108,107** |

## Key changes compared with December 31, 2021

- For explanations about key changes in Tier 1 capital, see Section 3 above.
- For further information about the changes in the Deduction during the Transitional Period, see Section 2A(2) below.

## Section 2.A 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 (Code of Regulations), except for items for which other provisions apply as per the Solvency Circular, as follows:

**(1) Liabilities in respect to insurance contracts, risk margin (RM) and investment contracts and reinsurance assets**

Liabilities in respect of insurance contracts and investment contracts are calculated in accordance with Part A Chapter 4 of the Solvency Circular based on a best estimate (hereafter - "BE" or "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. As a rule, with respect to life and Health SLT liabilities, the Company applied the embedded value (EV) calculation methodology in Israel, and with respect to property and casualty insurance - on the basis of the section in the Commissioner Position entitled "Best Practice for Calculation of Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes".

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 projected cash flows using a model applied to information available in the Company's operational systems as to insurance coverages, and to many demographic, economic and behavioral assumptions. The projected cash flows include, for example, projected premiums in view of the expected cancellation rates, net of the expenses that the Company will incur in respect of the coverages, including fees and commissions to agents, expected claims, etc.

This cash flow is discounted based on an interest-rate curve set by the Commissioner which is based on the real yield to maturity of bonds of the Government of Israel ("risk-free interest"), with convergence in the long-term to a fixed real rate of 2.6% (UFR) plus a margin (VA) that was set by the Commissioner.

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 activity 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 C1 above - comments and clarifications.

As stated above, the measurement of the insurance liabilities in the economic balance sheet is carried out by discounting the projected cash flows, including future profit, by a risk-free interest plus VA and taking the UFR into consideration, on the basis of a best estimate that does not include conservatism margins, where the risk is reflected in the RM component, which is a separate liability. This measurement differs from the measurement applied in the financial statements, where insurance liabilities are estimated with conservatism margins using the discounting methods and rates described in the risk management note of the annual financial statements.

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 and based on current and future capital requirements. 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.

**<u>Limitations and qualifications with regard to calculation of the best estimate</u>**

- 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. Although there is low probability that extreme events will occur, the Company is unable to estimate this probability or the extent of the effect of those events. Accordingly, such events were not taken into account in the determination of the models’ underlying assumptions.
- 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 life and health SLT, 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. 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 (such as the rate of cancellations) and assumptions pertaining to market conditions (such as the interest rate), which may materially affect the BE.

- In many cases, the future cash flows refer to periods of tens of years into the future. The studies on which the underlying cash flow assumptions rely are based on management's best knowledge, mainly recent years' experience. It is highly uncertain whether the underlying cash flow assumptions will, indeed, materialize, including as a result of future regulatory changes which may have a material effect.

**Limitations and qualifications with regard to calculation of the risk margin (RM)**

The risk margin is calculated using the cost of capital method, at a rate of 6% in accordance with the guidance of the Economic Solvency Regime, and this rate does not necessarily reflect the 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 this context, it should be emphasized that the capital requirements are based on the model used to calculate the best estimate, despite its limitations as described above.

**Assumptions underlying the insurance liabilities calculation**

Demographic and operating 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, claims management, etc.) and assumptions regarding their future development (in accordance with the CPI, scope of premiums and assets, etc.).

**Set forth below are the key assumptions on which the Company relied in the calculations:**

a) Economic assumptions

- Discount rate - risk-free interest curve based on the yield to maturity of bonds of the Government of Israel (hereinafter - "risk-free interest") plus a margin (VA), with convergence in the long-term to a fixed real rate of 2.6% (UFR) as set by the Commissioner (hereinafter - the "Discount Rate").
- The yield on the assets backing the life and long-term health insurance products is identical to the Discount Rate (except for the assumed yield in respect of designated bonds).

The yield on designated bonds takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them. In that context, it should be noted that in March 2023 the Commissioner published a circular regarding the "Amendment of the Consolidated Circular - Chapter 3 Part 4 Title 5 - Reporting to the Commissioner of the Capital Market, Insurance and Savings - Hetz Bonds". For more information regarding this circular, see Section C(1) above.

b) 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 expense and their allocation to future cash flows include many assessments and judgments by the Company, which affect the amount of the liabilities.

c) Demographic assumptions

- Cancellations (discontinuation of premium payment, settlement of policies, payment of redemption value) - in accordance with Company's experience with the different products as observed in periodic cancellation studies, while making adjustments in accordance with the Company's estimates in cases where past experience does not faithfully represent the Company's expectations as to future changes.
- Mortality of pensioners - in accordance with the appendixes and the life expectancy increase assumption as published by the Commissioner in the Consolidated Circular Section 5, Part 2, Chapter 1 - Measurement Appendix C - Measurement of Liabilities, including the amendment of the provisions of the Circular Provisions on Measuring Liabilities - Updating the Demographic Assumptions in Life Insurance and Updating the Mortality Improvements Model for Insurance Companies and Pension Funds of June 30, 2022. It was also assumed, in accordance with the default assumption in that circular, that the effect of the selection of pensioners that do not have to take out an annuity shall be equal to a 3% increase in the value of the paid pension.
- Mortality of planholders - based on the Company's experience in accordance with periodic mortality studies conducted in connection with the relevant products, while making adjustments in accordance with the Company's estimates in cases where past experience does not faithfully represent the Company's expectations as to future changes.
- Morbidity (claims' rate and period) in relation to long-term care, income protection, disability and health insurance products - based on the Company's claims history to the relevant products, in accordance with periodic claims studies, and/or in accordance with reinsurance tariffs applicable to the relevant products.

- Pension take up rates, annuity take up age, and pension tracks - in accordance with the Company's experience as observed in periodic studies, the different policy types and funds.

d) Insurance liabilities in property and casualty insurance

The estimate of the insurance liabilities in the different subsegments in respect of policies earned is based on the provision for the balance sheet. The estimate includes Unallocated Loss Adjustment Expenses (ULAE) and does not include RM and other non-specific margins that were taken into account for reserve adequacy testing for the said balance sheet.
In respect of the unearned portion, the cost is based on the balance sheet calculation, taking into account the unearned portion of the outstanding claims; (risk margins and other non-specific margins are deducted from these calculations as well).

**(2) Deduction Value during the Transitional Period**

The Deduction during the Transitional Period (hereinafter - the "Deduction") is calculated in accordance with the provisions included in the Economic Solvency Regime and in the letter to insurance companies managers: "Principles for Calculating Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" of October 15 2020 (hereinafter - the "**Letter of Principles**").

According to the provisions of the economic solvency regime, as outlined in Section B above and due to the material changes in the interest rate curve, application of the study on retirement age and take up of pension benefits (hereinafter – the "Study"), and adjustment to demographic assumptions and a mortality improvement model for insurance companies and pension funds, in the period between December 31, 2021 and June 30, 2022, the Company recalculated the Deduction during the Transitional Period as of June 30, 2022. Accordingly, the Deduction during the Transitional Period as of December 31, 2022, which was recalculated, amounts to NIS 3,385 million after its linear amortization as at this date (compared with NIS 4,710 million as of December 31, 2021).

## Other assets and liabilities:

(3) **Intangible assets** - in accordance with Part A Chapter 2 Appendix A to the provision of the Economic Solvency Regime, 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.

(4) **Deferred acquisition costs** - in accordance with Part A Chapter 2 Appendix A to the provisions of the Economic Solvency Regime, an insurance company shall assess the value of acquisition expenses at zero. It should be noted that the value of the future profits implicit in the insurance contracts was taken into account in the liability in respect of insurance contracts item.

(5) **Investment in investees which are not insurance companies** - in accordance with Part A Chapter 2 Appendix B to the provisions of the Economic Solvency Regime, the calculation was carried

out using the adjusted equity method, in accordance with the circular on investees which are not insurance companies. In accordance with this method, the Company's stake in investees was included based on its proportionate share in the excess of their assets over their liabilities, calculated in accordance with the economic value of the assets and liabilities in accordance with the circular's provisions, which is calculated based on their financial statements after writing-off intangible assets. In investees where the economic balance sheet reflects an excess of liabilities over assets, the value of the investment will be zero rather than a negative amount, when its value in the accounting balance sheet is a positive amount.

The economic value of the investees does not include the profits implicit in those companies.

In the management company, 35% of the balance of the original difference relating to this company is added to the economic value.

(6) **Non-marketable debt assets** - in accordance with Part A, Chapter 1 to the provisions of the Economic Solvency Regime, the fair value of non-marketable debt assets is calculated on the basis of a discounted cash flow model; the discount rates are determined by a company providing price and interest rate quotes for institutional entities.

(7) **Designated bonds** - in accordance with Part A Chapter 2 Appendix E to the provisions of the Economic Solvency Regime, the insurance company adjusts the value of designated bonds to their value as per the economic balance sheet in accordance with their economic value that takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them. See also Section 2a(1)(a) above.

(8) **Contingent liabilities** - as to the value of contingent liabilities in the economic balance sheet, see Section d(2)(b) above.

(9) **Liabilities in respect of deferred taxes, net** - in accordance with Part A Chapter 2 Appendix C to the provisions of the Economic Solvency Regime, the calculation is based on the difference between the value attributed to assets and liabilities in the economic balance sheet (taking into account 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 Economic Solvency Regime, in addition to the criteria included in the above-mentioned accounting standard.

(10) **Accounts payable and accruals, receivables and debit balances** - in accordance with Part A Chapter 1 of the provisions of the Economic Solvency Regime, some of the balances in this item were calculated in accordance with the general principles regarding the economic balance sheet.

(11) **Financial liabilities** - were calculated in accordance with the general principles set in the provisions of the Economic Solvency Regime and subject to the guidance in Part A Chapter 3, whereby changes in the Company's credit risk may only taken into account in respect of changes in risk-free interest. That is to say, the discount rate is a risk-free interest plus the margin on issuance date.

## Section 2.B - Composition of liabilities in respect to insurance contracts and investment contracts

| | As of December 31, 2022 | | |
|---|---|---|---|
| | Best estimate (BE) of liabilities | | |
| | Gross | Reinsurance | Retention |
| | Audited | | |
| | In NIS thousand | | |
| **Liabilities in respect of insurance contracts and non-yield-dependent investment contracts** | | | |
| Life insurance contracts and long-term health insurance (SLT) | 11,415,228 | 693,659 | 10,721,569 |
| Property & casualty and NSLT health insurance contracts | 6,092,839 | 1,862,025 | 4,230,814 |
| **Total liabilities for insurance contracts and non-yield-dependent investment contracts** | **17,508,067** | **2,555,684** | **14,952,383** |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts - life insurance contracts and long-term health insurance (SLT) | 91,638,483 | 334,211 | 91,304,272 |
| **Total liabilities in respect of insurance contracts and investment contracts** | **109,146,550** | **2,889,895** | **106,256,655** |

| | As of December 31, 2021 | | |
|---|---|---|---|
| | Best estimate (BE) of liabilities | | |
| | Gross | Reinsurance | Retention |
| | Audited | | |
| | In NIS thousand | | |
| **Liabilities in respect of insurance contracts and non-yield-dependent investment contracts** | | | |
| Life insurance contracts and long-term health insurance (SLT) | 13,138,785 | 610,284 | 12,528,501 |
| Property & casualty and NSLT health insurance contracts | 6,021,766 | 1,869,275 | 4,152,491 |
| **Total liabilities for insurance contracts and non-yield-dependent investment contracts** | **19,160,551** | **2,479,559** | **16,680,992** |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts - life insurance contracts and long-term health insurance (SLT) | 93,633,187 | 375,217 | 93,257,970 |
| **Total liabilities in respect of insurance contracts and investment contracts** | **112,793,738** | **2,854,776** | **109,938,962** |

**Key changes compared with December 31, 2021:**

- The decrease in liabilities for insurance contracts and non-yield dependent investment contracts is mainly due to an increase in the risk-free interest rate, that was partially offset by the implementation of the study on retirement age and pension take up rates, and the Demographic Assumptions Circular, as set out in Section 1A above.
- The decrease in liabilities for insurance contracts and non-yield dependent investment contracts is mainly due to an increase in the risk-free interest rate, negative returns in planholders portfolios, and the implementation of the study on retirement age and pension take up rates that was partially offset by the Demographic Assumptions Circular, as set out in Section 1A above.

## Section 3 - Recognized own funds equity in respect of SCR

| | As of December 31, 2022 | | | |
|---|---|---|---|---|
| | Tier 1 capital | | | |
| | Basic | Additional | Tier 2 capital | Total |
| | Audited | | | |
| | In NIS thousand | | | |
| Equity capital | 10,317,309 | 1,146,514 | 3,894,393 | 15,358,216 |
| Deductions from Tier 1 capital (a) | (236,290) | - | - | (236,290) |
| Deductions (b) | - | - | - | - |
| Deviation from quantitative limitations (c) | - | - | (410,262) | (410,262) |
| **Recognized own funds in respect of SCR (d)** | **10,081,019** | **1,146,514** | **3,484,131** | **14,711,664** |
| Out of which - amount of expected profit in future premiums Post-tax EPIFP | 6,635,675 | | | 6,635,675 |

| | As of December 31, 2021 | | | |
|---|---|---|---|---|
| | Tier 1 capital | | | |
| | Basic | Additional | Tier 2 capital | Total |
| | Audited | | | |
| | In NIS thousand | | | |
| Equity capital | 9,912,145 | 1,296,569 | 3,571,301 | 14,780,015 |
| Deductions from Tier 1 capital (a) | (567,905) | - | - | (567,905) |
| Deductions (b) | - | - | - | - |
| Deviation from quantitative limitations (c) | - | - | - | - |
| **Recognized own funds in respect of SCR (d)** | **9,344,240** | **1,296,569** | **3,571,301** | **14,212,110** |
| Out of which - amount of expected profit in future premiums Post-tax EPIFP | 6,787,011 | | | 6,787,011 |

**Key changes compared with December 31, 2021:**

- Basic Tier 1 capital was positively affected by the increase in risk-free interest rates, implementation of the study on retirement age and pension take up rates, and implementation of the "Circular regarding Updating of Tariff in Renewable Health Insurance Policies". On the other hand, the application of the "Demographic Assumptions Circular", as set out in Section A1, and negative returns in the nostro and planholders portfolios in the reporting period had a negative effect on Basic Tier 1 capital.
- In addition, Basic Tier 1 capital was positively affected by new business sales and the expiry of the underwriting capital requirement for an existing business (which reduces the RM component).
- In the period from the publication date of the report as of December 31, 2021 through the publication date of the report as of December 31, 2022 cash dividends totaling NIS 320 million were distributed, which reduced Basic Tier 1 capital. NIS 205 million of the total dividend amount distributed from December 31, 2022 through the publication date of this report are included in the "deductions from Tier 1 capital" line item in the above table.

- Additional Tier 1 capital was adversely affected from the increase in risk-free interest in the reporting period.
- The balance of Tier 2 capital for purposes of solvency capital requirement increased as a result of the NIS 650 million capital raising carried out during the reporting period, which was offset following the increase in the interest rate in the reporting period and following a deviation from quantitative limits as a result of a decrease in capital requirements. Subsequent to the balance sheet date (December 31, 2022), NIS 411 million in Series F bonds were redeemed (immediate report dated January 15, 2023, Ref. No.: 2023-01-006268). The redemption referred to above does not have a material effect on the solvency ratio as of December 31, 2022 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.
- For further details regarding these changes, see Section 1a above and Section 4 below.

(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' Equity" to the Economic Solvency Regime Appendix.

(c) Exceeding quantitative restrictions - in accordance with the provisions of Chapter 2 in Part B - "Directives regarding Insurance Companies' Equity" to the Economic Solvency Regime Appendix.

(d) Composition of Recognized own funds in respect of SCR

| | As of December 31 | |
|---|---|---|
| | **2022** | **2021** |
| | **Audited** | |
| | **In NIS thousand** | |
| **Tier 1 capital** | | |
| **Basic Tier 1 capital** | **10,081,019** | **9,344,240** |
| **Additional Tier 1 capital** | | |
| Additional Tier 1 capital instruments | 1,146,514 | 1,296,569 |
| **Additional Tier 1 capital** | **1,146,514** | **1,296,569** |
| **Total Tier 1 capital** | **11,227,533** | **10,640,809** |
| **Tier 2 capital** | | |
| Tier 2 capital instruments | 1,887,068 | 1,444,620 |
| Hybrid Tier 2 capital instruments | 1,607,989 | 1,704,914 |
| Hybrid Tier 3 capital instruments | 399,336 | 421,767 |
| Less deduction due to deviation from quantitative limit | (410,262) | - |
| **Total Tier 2 capital** | **3,484,131** | **3,571,301** |
| **Total recognized own funds in respect of SCR** | **14,711,664** | **14,212,110** |

- For an explanation about key changes compared with December 31, 2021, see Section 3 above.
- For information about equity for purposes of solvency capital requirement without applying the Transitional Provisions to the Transitional Period and without applying a stock scenario adjustment, see Section 6 "Effect of application of Directives for the Transitional Period", below.

## Section 4 - Solvency capital requirement (SCR)

| | As of December 31 | |
|---|---|---|
| | 2022 | 2021 |
| | Capital requirements | |
| | Audited | |
| | In NIS thousand | |
| **Basic solvency capital requirement (BSCR)** | | |
| Capital required in respect of market risk component* | 5,307,614 | 5,339,168 |
| Capital required in respect of counterparty risk component | 497,977 | 461,803 |
| Capital required in respect of underwriting risk component in life insurance | 2,967,172 | 3,305,793 |
| Required capital in respect of underwriting risk component in health insurance (SLT+NSLT) | 4,299,031 | 5,076,207 |
| Capital required in respect of underwriting risk component in P&C insurance | 1,300,622 | 1,163,279 |
| Effect of diversification of risk components | (4,870,456) | (5,131,205) |
| Capital required in respect of the intangible assets risk component | 79,755 | 91,275 |
| **Total basic solvency capital requirement (BSCR)** | **9,581,715** | **10,306,320** |
| Capital required in respect of operational risk | 387,978 | 352,399 |
| Loss absorption adjustment due to deferred tax asset | (3,001,430) | (2,992,261) |
| **Total solvency capital requirement (SCR)** | **6,968,263** | **7,666,458** |

* Equity scenario adjustment.

For information about solvency capital requirement without applying the Transitional Provisions to the Transitional Period and without applying a stock scenario adjustment, see Section 6 “Effect of application of Directives for the Transitional Period”, below.

**Key changes in solvency capital requirement compared to December 31, 2021:**

- The required capital for the market risk remains essentially unchanged in light of the opposing effects of a decrease in the intensity of the stock scenario arising both from a decrease in the symmetrical adjustment component (SA) and from negative returns on the investment portfolios, and was offset, on the other hand, by the expiry of the stock scenario in the Transitional Periods.
- The decrease in the required capital for the underwriting risk in life insurance component is mainly due to the effect of the increase in interest rates and completion of the Retirement Age and Pension take up Rates Study, which reduced the capital requirement, and on the other hand, the effect of publication of the Circular on mortality improvements, which increased the capital requirements and offset some of these effects (for further information about the effect of the interest, the Study, and the Circular, see Section 1A above).
- The decrease in the required capital for the underwriting risk in health insurance component is mainly due to the effect of the increase in interest rates, and the implementation of the Circular regarding Tariff Updating in Renewable Health Insurance Policies. For further details, please see Section 1A above.
- In addition, changes in solvency capital requirement are affected from the expiry of capital requirement in respect of existing insurance products, which reduce the solvency capital requirements, and, on the other hand, by marketing of new products that increase the solvency capital requirement.

# Section 5 - Minimum capital requirement (MCR)

## (a) Minimum capital requirement (MCR)

| | As of December 31 | |
|---|---|---|
| | 2022 | 2021 |
| | Audited | |
| | In NIS thousand | |
| Minimum capital requirement according to MCR formula | 1,843,583 | 1,797,312 |
| Lower boundary (25% of solvency capital requirement in the Transitional Period) | 1,742,066 | 1,916,615 |
| Upper boundary (45% of solvency capital requirement in the Transitional Period) | 3,135,718 | 3,449,906 |
| **Minimum capital requirement (MCR)** | **1,843,583** | **1,916,615** |

## (b) Recognized own funds for MCR

| | As of December 31, 2022 | | |
|---|---|---|---|
| | Tier 1 capital | Tier 2 capital | Total |
| | Audited | | |
| | In NIS thousand | | |
| Shareholders equity in respect of SCR according to Section 3 | 11,227,533 | 3,484,131 | 14,711,664 |
| Deviation from quantitative limitations due to minimum capital requirement* | - | (3,115,415) | (3,115,415) |
| **Shareholders equity for MCR** | **11,227,533** | **368,716** | **11,596,249** |

| | As of December 31, 2021 | | |
|---|---|---|---|
| | Tier 1 capital | Tier 2 capital | Total |
| | Audited | | |
| | In NIS thousand | | |
| Shareholders equity in respect of SCR according to Section 3 | 10,640,809 | 3,571,301 | 14,212,110 |
| Deviation from quantitative limitations due to minimum capital requirement* | - | (3,187,979) | (3,187,979) |
| **Recognized own funds for MCR** | **10,640,809** | **383,322** | **11,024,131** |

(*) 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.

## Section 6 - Effect of the application of the directives for the Transitional Period

| | As of December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | 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 | Total excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario |
| | Audited | | | | |
| | In NIS thousand | | | | |
| Total insurance liabilities, including risk margin (RM) | 112,379,916 | (3,385,061) | - | - | 115,764,977 |
| Basic Tier 1 capital | 10,081,019 | 2,227,708 | - | - | 7,853,311 |
| Recognized own funds in respect of SCR | 14,711,664 | 1,817,447 | - | 592,526 | 12,301,691 |
| Solvency capital requirement (SCR) | 6,968,263 | (1,157,352) | (129,052) | - | 8,254,667 |

| | As of December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | 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 | Total excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario |
| | Audited | | | | |
| | In NIS thousand | | | | |
| Total insurance liabilities, including risk margin (RM) | 115,824,642 | (4,710,468) | - | - | 120,535,110 |
| Basic Tier 1 capital | 9,344,240 | 3,099,959 | - | - | 6,244,281 |
| Recognized own funds in respect of SCR | 14,212,110 | 3,099,959 | - | - | 11,112,151 |
| Solvency capital requirement (SCR) | 7,666,458 | (1,610,509) | (541,921) | - | 9,818,889 |

See description of the Transitional Provisions applicable to the Company during the Transitional Period in Section 2a - information about economic balance sheet, Subsection 2 - the value of the Deduction during the Transitional Period.

**Key changes compared with December 31, 2021 regarding the effect of the implementation of the provisions for the Transitional Period:**

- A recalculation of the amount of Deduction during the Transitional Period led to a decrease of the effect of the inclusion of the amount of Deduction during the Transitional Period, in addition to the linear amortization of the deduction amount. For further details, please see Section 1 and Section 2a(2) above.
- The effect of the stock scenario adjustment is small in view of the expiry and due to the decrease in exposure to shares and the decrease in the intensity of the scenario due to the decrease in the symmetrical adjustment (SA) component.
- As of December 31, 2022, the Company has Tier 2 capital, which is not recognized in accordance with a calculation of the solvency ratio without applying the Transitional Provisions for the Transitional Periods, and without adjusting the shares scenario at the total amount of NIS 592 million. Subsequent to the balance sheet date, the Company redeemed NIS 411 million in Series F bonds (immediate report dated January 15, 2023, Ref. No.: 2023-01-006268) due to the amount of the Tier 2 capital which is not recognized; the said redemption does not have a material effect on the solvency ratio as of December 31, 2022.
- For an explanation about other key changes compared with December 31, 2021, see Section 1a above.

## Section 7 - Changes in Capital Surplus

Set forth below is a table that describes the changes during the reporting period in the capital required for purpose of the solvency capital requirement, the capital required for the purpose of solvency, and finally in the capital surplus (deficit) by main effect items. The data included in this section were calculated and reported in accordance with the Commissioner's guidance. The Commissioner determined the order of the presentation of the items in the above table; the Commissioner also determined that the order of the items in the table does not necessarily represent the order by which the various items will be calculated. It should be noted that the order by which the items are calculated may impact the results of the calculation.

| | Recognized own funds in respect of SCR | Solvency capital requirement (SCR) | Capital surplus (deficit) |
|---|---|---|---|
| | | Audited | |
| | | In NIS thousand | |
| **As at January 1, 2022** | **14,212,110** | **7,666,458** | **6,545,652** |
| adjusting the Transitional Provisions for the Transitional Period and adjusting the stock scenario | (3,099,959) | 2,152,430 | (5,252,389) |
| As of January 1, 2022, excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario | 11,112,151 | 9,818,889 | 1,293,262 |
| The effect of operating activities (a) | 1,038,453 | (523,211) | 1,561,664 |
| Effect of economic activity (b) | 864,492 | (977,657) | 1,842,149 |
| New businesses (c) | 448,507 | 359,067 | 89,439 |
| Effect of the issuance of capital instruments (net of redemptions) and a declared dividend (d) | (320,000) | - | (320,000) |
| Effect of changes in deferred tax, additional Tier 1 capital and Tier 2 capital | (841,913) | (422,421) | (419,491) |
| As of December 31, 2022, total without applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario | 12,301,691 | 8,254,667 | 4,047,024 |
| Effect of the Transitional Provisions for the Transitional Period and adjusting the stock scenario | 2,409,973 | (1,286,404) | 3,696,377 |
| **As of December 31, 2022** | **14,711,664** | **6,968,263** | **7,773,401** |

(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, including reinsurance transaction regarding the permanent health insurance businesses. For further details, see Section 1a above.

(b) This section includes the effect of the current operating activity, including:

1. Changes in the value of investment assets;
2. Changes in capital required 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 (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, excluding their effect on market risks, counterparty risk and operational risk.

(d) This item includes capital-related measures, including issuance and redemption of Tier 1 capital and Tier 2 capital instruments that were carried out through the report date, and a dividend declared subsequent to the publication date of the solvency ratio report.

**Key explanations for changes in capital surplus for the reporting period:**

- The effect of operating activities led to an increase in capital surplus during the reporting period, mainly as a result of the implementation of a study regarding the annuity take up rate, and the implementation of the "Circular Regarding Tariff Updating in Renewable Health Insurance Policies", which were partially offset by the "Demographic Assumptions Circular".
- The effect of economic activity led to an increase in capital surplus in the reporting period mainly due to an increase in the risk-free interest rate, which increased the recognized own funds in respect of SCR and decreased the solvency capital requirement (SCR). This effect was partially offset as a result of negative returns on investment portfolios.
- For further details about significant effects on the economic solvency ratio's components, see Section 1a above.

## Section 8 - Sensitivity Tests

Set forth below is a sensitivity analysis of the economic solvency ratio to various risk factors as of the report date. This analysis reflects the effects of various risk factors both on equity, including the effect of 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 or effects on the Deduction Amount.

It should be noted that the sensitivities are not necessarily linear; i.e., sensitivities at other rates are not necessarily a simple extrapolation of the sensitivity tests presented.

| | As of December 31, 2022 | As of December 31, 2021 |
|---|---|---|
| | Audited | |
| | Effect on the economic solvency ratio (in percentage points) | |
| A 50-base-point decrease in risk-free interest (a) | (18%) | (18%) |
| A 25% decrease in the value of equity assets (b) | (18%) | (15%) |
| A 5% increase in morbidity rate (c) | (11%) | (12%) |
| A 5% decrease in mortality rates (c) | (13%) | (14%) |

(a) The sensitivity to a 50-base-point decrease in interest was calculated by creating a risk-free interest curve for a new solvency that includes a corresponding 50-base-point decrease compared with the basic curve up to the 10th year, and subsequent to that year an extrapolation according to the Smith Wilson model with convergence to a UFR of 2.6% as required in the Solvency Circular.
The sensitivity test was implemented to all debt assets and insurance liabilities which are exposed to changes in the risk-free interest for solvency, including recalculation of indirect effects on variable management fees.

(b) Sensitivity to a 25% decrease in the value of equity assets applies to all equity accounted for in the equity sub-risk component, including all Israeli shares and foreign shares, investment funds and illiquid capital expenditures. For the purpose of the sensitivity test, the SA was recalculated in line with a 25% slump in the TA 125 Index, that is used to calculate the SA.

(c) Sensitivities to an increase in morbidity rates and a decrease in mortality rates were calculated for all insurance products which are sensitive to those changes, where relevant.

## Section 9 - Dividend Distribution Restrictions

The Company's policy is to have a solid capital base to ensure its solvency and ability to meet its liabilities to policyholders, to preserve the Company's ability to continue its business activity such that it is able to provide returns to its shareholders. The Company is subject to capital requirements set by the Commissioner.

The Company’s Board of Directors has set a minimum economic solvency ratio target and target range based on Solvency II. The economic solvency ratio target range, within which the Company seeks to be during and at the end of the Transitional Period, taking into account the Deduction during the Transitional Period and its gradual reduction is 150%-170%.

The minimum economic solvency ratio target, taking into account the Transitional Provisions, was set at 135%, and the minimum solvency ratio target without taking into account the provisions during the Transitional Period is set to reach 135% at the end of the Transitional Period according to the Company’s capital plan. On August 24, 2022, the Company's Board of Directors increased the minimum economic solvency ratio target without taking into account the provisions during the Transitional Period by 3 percentage points - from the 108% rate a 111% rate as of June 30, 2022.

As of December 31, 2022, the date of the calculation, the Company has capital surplus in relation to the targets that were set, as described in the table set forth below.

It is hereby clarified that the aforesaid does not guarantee that the Company will meet the set targets at all times.

**Dividend**

According to the letter published by the Commissioner, 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 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.

**Dividend distribution**

In the third quarter of 2022, The Phoenix Insurance distributed a dividend in the amount of NIS 115 million; for further information about the said dividend distribution, see the immediate report of August 25, 2022.

In the first quarter of 2023, The Phoenix Insurance distributed a dividend in the amount of NIS 205 million; for further information about the said dividend distribution, see the immediate report of March 23, 2023.

Subsequent to the dividend distributions, as set out above, the economic solvency ratio of The Phoenix Insurance and the economic solvency ratio without applying the Transitional Provisions for the Transitional Period and without adjusting the share scenario, meet the minimum economic solvency ratio target without taking into account the provisions in the Transitional Period as set by the Board of Directors at a rate of 111%

and meet the 150%-170% target range, in which the Company seeks to be during and after the Transitional Period, taking into account the Deduction during the Transitional Period and its gradual reduction, thus, the Company meets the requirements of the letter published by the Commissioner in October 2017 regarding restrictions on dividend distribution, as set out above.

The following are data on the Company's economic solvency ratio, calculated without taking into account the Transitional Provisions and the solvency ratio target set by the Company's Board of Directors with respect to the solvency ratio calculated without taking into account the provisions during the Transitional Period and adjusting the stock scenario, as required by the letter. As stated, the ratio is higher than the solvency ratio required by the letter.

### Solvency ratio without applying the Transitional Provisions for the deployment period, and without adjusting the shares scenario:

| | As of December 31 | |
|---|---|---|
| | 2022 | 2021 |
| | Audited | |
| | In NIS thousand | |
| Recognized own funds in respect of SCR - please see Section 6 | 12,301,691 | 11,112,151 |
| Solvency capital requirement (SCR) - please see Section 6 | 8,254,667 | 9,818,889 |
| Surplus | 4,047,024 | 1,293,262 |
| **Economic solvency ratio (in %)** | **149%** | **113%** |
| **Effect of material capital-related measures taken in the period between the calculation date and the publication date of the solvency ratio report:** | | |
| Raising of capital instruments* | - | 354,205 |
| Recognized own funds in respect of SCR | 12,301,691 | 11,466,356 |
| Surplus | 4,047,024 | 1,647,467 |
| **Economic solvency ratio (in %)** | **149%** | **117%** |
| **Capital surplus after capital-related actions in relation to the Board of Directors' target:** | | |
| Minimum solvency ratio target without applying the Transitional Provisions | **111%** | **108%** |
| **Capital surplus over target** | **3,139,011** | **861,956** |

* Subsequent to the balance sheet date, the Company redeemed NIS 411 million in Series F bonds (immediate report dated January 15, 2023, Ref. No.: 2023-01-006268); the said redemption does not affect the solvency ratio without applying the Transitional Provisions for the Transitional Periods, and without adjusting the stock scenario as of December 31, 2022, in view of the unrecognized Tier 2 capital balance due to the quantitative limit on the recognition of Tier 2 capital.

- For an explanation about key changes compared with last year see Section 1A above.

| May 30, 2023 | | | | |
|---|---|---|---|---|
| **Date** | **Benjamin Gabbay**<br>**Chairman of the Board** | **Eyal Ben Simon**<br>**Chief Executive Officer** | **Eli Schwartz**<br>**Deputy CEO, Chief Financial Officer** | **Amit Netanel**<br>**Executive VP, Chief Risk Officer** |