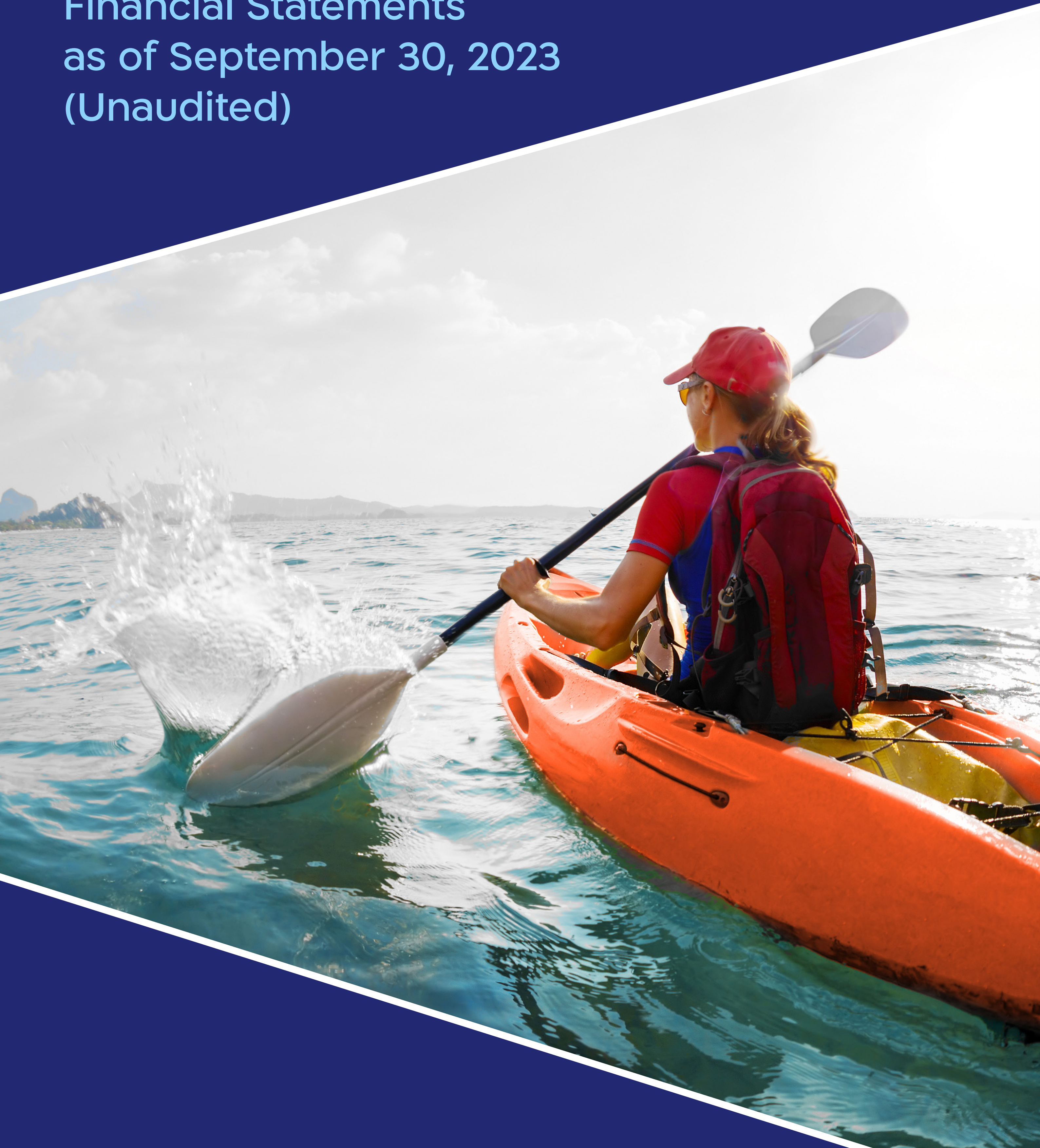
Phoenix

The Phoenix Holdings Ltd.

Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)



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Members of the Board

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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

November 28, 2023

From the Chairman of the Board

Benjamin Gabbay

The Financial Statements that the Group is now publishing for the third quarter of 2023 relate to the events that occurred prior to October 7, 2023. However, at this time, after being forced to wage war by a brutal terrorist organization and a vicious enemy, on the one hand we cannot ignore the pain, worry, anger and loss, while on the other hand we can proudly mention the strong feeling of connection among all sections of the population, the sense of mutual responsibility and the absolute conviction that "together we shall prevail."

As soon as the initial details of the events of October 7 became apparent, the Company's management convened for an initial meeting, during the morning of that fateful day, and three decisions were made to guide the Group's activity from that morning onwards, until the date of publication of the Financial Statements.

The first decision related to ensuring full business continuity in tandem with our total commitment to and concern for the Group's customers, agents and employees. The second decision determined the need to define robust risk management mechanisms, to contend with the situation, including the impact of the capital market's volatility and the exchange rates. The third decision related to The Phoenix's commitment to providing a material contribution to the community, including volunteering, while putting the Group's connections both here in Israel and around the world to use in this context.

I am proud of the Group's managers and its employees for fully meeting the objectives of the decisions made, and their implementation in a number of activities to support citizens, soldiers and entities in need of immediate relief, both through financial donations, through physical and professional support and voluntary work by Group employees. Thus for example, the Group has been adopting the 77th Battalion of the Armored Corps for many years now. At this difficult time, we have provided support both for those families who unfortunately have now become a part of the entire nation's 'family of the bereaved', as well as the families of those soldiers taking part in the combat. At the outset of the war the Group decided to adopt the Barzilai Medical Center, which has suffered direct rocket hits while continuing to treat hundreds of wounded. The Group donated directly to the hospital, and used its international contacts to enable various individuals and institutions around the world to donate substantial amounts to facilitate the immediate purchases required to meet the medical center's urgent needs. The Group decided to continue to support and donate to the Barzilai Medical Center in the future. Furthermore, the Group established a dedicated fund, beyond the insurance coverage, amounting to NIS ten million dedicated for the benefit of The Phoenix policyholders who have sustained damage during the war.

We believe that our role as The Phoenix Group is to bolster Israeli society's resilience and strength by enabling it to return to normal and to get back to work, as far as possible. The fortitude of the state as a whole and the army, as well as the inner strength of the civilian population, are contingent upon the stability and robustness of the economy, and the Group has a key role to play in contributing to that.

We are all currently operating under conditions of considerable uncertainty as to the duration and scope of the fighting, but we firmly believe in the State of Israel, the people and the Israel Defense Forces, as well as the Israeli economy and the opportunities it entails and it is our job to do our utmost to stabilize the economy for a stable, safe and prosperous future, one that we all truly deserve.

We sincerely hope and pray for the safe and speedy return of all the hostages, the full recovery of the wounded and the success of the security forces.

Benjamin Gabbay
Chairman of the Board of Directors

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 September 30, 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 September 30, 2023, outlines the principal changes in the Company's operations in the period from January through September 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 first and second quarters of 2023 periodic reports as well as the 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

<u>The Company's shareholders</u>

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 two global funds - 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.

In December 2022, the Company reported that a consortium of investors from the United Arab Emirates alongside other international investors are assessing the option of acquiring the control core in the Company from Belenus, and the parties' signing a memorandum of understanding. In July 2023, the Company reported that the parties reached a mutual understanding regarding the cancellation of the memorandum of understanding, and a concurrent execution of a transaction for the sale of shares by Belenus to the consortium, while retaining a stake of at least 30% of its shares on a fully diluted basis.

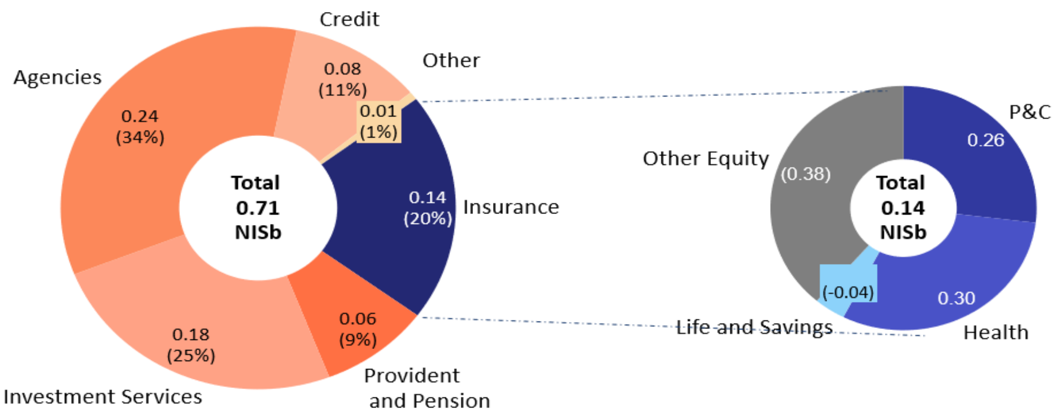
On August 14, 2023, a transaction for the sale of 2% of the Company's shares to a company controlled by an investor from the United Arab Emirates was completed, and as of the report's publication date Belenus holds 31.15% of the Company's shares.

For further details, please see reports dated December 13, 2022, July 23, 2023 and August 15, 2023 (Ref. Nos.: 2022-01-150541, 2023-01-068953 and 2023-01-075799, respectively).

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 income attributed to insurance and income 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 financial statements (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 approx. NIS 426 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 Fund 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., which - as of the report publication date - is a wholly owned subsidiary of

[1] Formerly Excellence Investment House.

the Company.[2] In its **distribution** activity through The Phoenix Agencies 1989 Ltd. (hereinafter - the "**Phoenix Agencies**"), and the agencies owned and held by The Phoenix Agencies.[3]

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 taking an overall look of its asset and liability management.

Interest rates - during the reporting period, the Bank of Israel increased its interest rate from 3.25% to 4.75%. Furthermore, in the reporting period, the risk-free interest rate curves increased, and on the other hand the illiquidity premium decreased by 0.29%. Changes in the risk-free interest rate curve affect both the Company's financial results, and The Phoenix Insurance's solvency ratio; changes in the illiquidity premium affect only The Phoenix Insurance's financial results.

The capital market - during the reporting period, there was volatility in financial markets in Israel and across the world. These changes affected 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 3.25%. 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 (for more information regarding the Iron Swords War, see Section 1.3.2 below), the Bank of Israel did not raise the interest rate, and inflation increased by 0.5% concurrently with expectations of a decrease in inflation in Israel and globally in 2023 compared with last year.

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 risk-free interest rate curve and in capital market on The Phoenix Insurance's solvency ratio, see Section 2.1.6 below, and Section 8 in The Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2023.

[2] For information about the completion of the tender offer for the acquisition of the entire stake in Gama, see Section 1.3.10 below.

[3] For further details regarding the restructuring in The Phoenix Agencies, see Section 1.3.11 below.

For the purpose if 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 income and investment income.

1.3.2. The Iron Swords War

On October 7, 2023, subsequent to the report date, the "Iron Swords War" broke out between the State of Israel and the Gaza-based "Hamas" terror organization (hereinafter - the "**War**"); the War broke out after a ruthless attack by Hamas on settlements based in the south of Israel. Based on published data, as of the report publication date, more than 1,250 Israeli citizens were murdered as part of the war, about 3,000 sustained various injuries, and about 177 citizens and soldiers are defined as kidnapped.

The outbreak of the War led to a series of effects and restrictions, including, inter alia, temporary closure of many businesses, restrictions on gatherings at work places and events, and discontinuation of teaching in the education system during the first couple of weeks of the War. Furthermore, many citizens were recruited as reservists. These measures reduced activity in Israel, which resulted in a decline in economic activity. In addition, as a result of the War, there were slumps in financial markets in Israel.

Following the above, the rating agencies Moody's and Fitch placed the State of Israel's credit rating under review for downgrade, whereas S&P downgraded the State of Israel's credit rating outlook to negative. For further details about the impact of the rating on The Phoenix Insurance, please see Section 1.3.18 below.

Due to its activity, The Phoenix group is exposed to declines on the financial markets and to slowdown, as well as to other risks arising from the War. For further details on sensitivity and exposure to risk factors, please see also Note 41 to the financial statements as of December 31, 2022, which were published on March 23, 2023 (Ref. No.: 2023-01-026428) (hereinafter - the ""**Annual Report**"), and developments in the Company's 2023 quarterly financial statements.
During the period from the outbreak of the War through the report publication date, the War impacted the Group's activity and results; this was mainly reflected in slumps in the capital market. The total impact of slumps in the capital market and interest-rate effects, from the date of the outbreak of the War through the report publication date, amounted to a post-tax income of approx. NIS 144 million. As to the effect on the results of the Company's underwriting activities, at this stage it is impossible to assess the financial effect on the Company's results, but based on an preliminary estimate, the Company believes that this effect is not expected to be material.

At this stage, there is significant uncertainty as to the development of the War, its scope and duration. Therefore, at this stage it is not possible to assess the full effect of the War on the Company and its results in the immediate and medium term; based on past events, such an effect may also be characterized with a significant recovery of the markets.

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

The War affects The Phoenix Group on a number of levels:

1. **Business continuity**

   The Company acted quickly to make the required preparations; it continues to render all of its services to all of its customers in all operating segments in an efficient manner, and even implemented a business continuity plan that ensures employees can work remotely, while supporting the employees' needs.

2. **Operating results of insurance underwriting**

   Set forth below are the key effects in the different sub-segments as of the publication date of the financial statements. It should be noted that based on a preliminary estimate that the Company made, the scope of exposure to market risks is not expected to be material, as described below:

   A. Life insurance and long-term savings -

   The exposure arises mainly from life insurance, permanent health insurance, and disability insurance, to the extent that claims will be filed in those sub-segments. It should be noted that The Phoenix Insurance has in place a non-proportional reinsurance contract, which provides coverage in respect of death and disabilities resulting from a catastrophic event and mitigates the exposure to this risk in accordance with the policy's terms; therefore, the Company is of the opinion that the scope of its exposure in this segment is not material. Furthermore, the Company has a proportional reinsurance contract in respect of its permanent health insurance business, which mitigates the exposure to this sub-segment. For information regarding the catastrophe event reinsurance contract, see Note 41 Section 5 to the annual financial statements. The activity in this sub-segment may be adversely impacted by economic slowdown and an increase in the rate of unemployment. Furthermore, as from the reporting date and through the financial statements publication date, there was no material change in the scope of withdrawals and redemptions, but the prolongation of the War might increase withdrawals from and redemption of savings and financial products (mainly advanced education funds and savings products).

B. Health insurance (including long-term care) -

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

C. Property and casualty insurance

Generally, damage to property due to a war event is not covered under a property insurance policy, and therefore the exposure as a result of the War is not expected to be material. Furthermore, the War may have a positive effect on this subsegment. Thus, for example, a preliminary assessment indicates that the War is expected to have a positive effect as a result of a decrease in the prevalence of claims in the motor property insurance and the compulsory motor insurance subsegments. At this stage, the Company is unable to estimate the financial effect.

3. **Effect on assets under management of The Phoenix Insurance and The Phoenix Pension and Provident and the insurance liabilities - the financial activity**

A. Financial assets under management -

The operations of the Group expose it to declines in the financial markets and changes in interest rate curves, which affect both the Group's own (nostro) investments and the management fees collected in respect of the management of the assets of planholders of participating policies and planholders of pension funds and provident funds. The income from investments that offsets insurance reserves and share capital as well as from management fees has a material effect on the operating results.

Following the War, there were slumps in the financial markets in Israel. Since the outbreak of the War and through the report publication date, the value of The Phoenix Insurance’s nostro assets decreased by approx. NIS 51 million (post-tax).

Furthermore, from the outbreak of the War to the report publication date, there was a decrease in the value of total assets under management by the Group under yield-dependent insurance policies, provident funds and pension funds by approx. 0.7%. The effect of the aforesaid decrease in planholders' portfolios means non-collection of variable management fees in some activities until the said decrease is covered by income from the asset portfolio.

The increase in non-collection of variable management fees since the outbreak of the War and through the report publication date totals approx. NIS 38 million before tax. Thus, as of the approval date of the financial statements, the estimated management fees which will not be collected due to negative real return amounted to approx. NIS 590 million (pre-tax).

Changes in the risk-free interest rate -

The losses accrued in the nostro assets referred to in Section A above include the effect of the increase in the risk-free interest rate since the outbreak of the War and through the report publication date. Furthermore, since the outbreak of the War and through the report publication date, the increase in the interest rate and the illiquidity premium caused a post-tax decrease of NIS 195 million in insurance liabilities. For further details regarding sensitivity to interest rates, please see Note 8 to the financial statements.

4. **<u>Liquidity, financial position and funding sources</u>**

An assessment carried out by the Company led to the conclusion that the War has had no material effect on the Company's liquidity, its financial strength and funding sources available to it. The Company complies with the Board of Directors' risk restrictions and with the contractual restrictions and financial covenants that were set in the deeds of trust. For further details about the financial covenants of the bonds and delaying circumstances of the promissory notes, please see Note 26 of the annual Financial Statements. The Company is of the opinion that Group companies have sufficient liquidity levels.

5. **<u>Solvency ratio</u>**

In accordance with the Economic Solvency Ratio Report as of June 30, 2023, which was published by The Phoenix Insurance, the latter has surplus capital, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the transitional provisions. For further information regarding the potential effects of the changes in the markets and the War during the period from the date of the Economic Solvency Ratio Report as of June 30, 2023, and the report publication date, see Section 2.1 below.

6. **Other activities**

Credit

The credit granting activity is managed by the subsidiary Gama Management and Clearing Ltd. Most of the exposure arising from this activity stems from a potential increase in credit losses. At this stage, it is impossible to estimate the amount of the expected credit losses, but the Company believes that they are not expected to be material.

Financial services (including The Phoenix Investment House)

The principal effect on the financial services activity is a decrease in the total assets under management. The extent of this effect depends on the duration of the War and of the higher fluctuations in equity and corporate bonds markets. As of the outbreak of the War and through the financial statements publication date, the value of the assets under management by mutual funds and the value of assets of managed portfolios (including ETFs) declined by approx. NIS 2.1 billion. The decline in the total assets under management stems mainly from declines in the financial markets, and leads directly to a decrease in income for this area of activity. This effect is not expected to be material.

Insurance agencies

Since the outbreak of the War and through the financial statements publication date, there was no material effect on the scope of the insurance agencies' activities,.

Corporate social responsibility

As part of the public response to the efforts made to support IDF soldiers and the home front during the War, the Group’s management decided to donate to and volunteer in the community while using the Group’s business relationships with entities from across the world, all in addition to the Group’s donations and voluntary work during normal times.

Since the outbreak of the War, the Group and its employees take part in a number of activities to support citizens, soldiers and entities, that are in need of immediate relief, both through financial donations, and through physical and professional support and voluntary work by Group employees.

The Group has been adopting Regiment 77 of the Armored Corps for many years now, and has also been assisting the regiment in a range of areas during the course of the War.

In addition, the Group decided to adopt the Barzilai Medical Center, that suffered direct rocket hits and treated hundreds of wounded since the outbreak of the War.

Using its international contacts, the Group raised millions of dollars to make immediate purchases to meet immediate needs of the medical center; the Group will continue supporting and donating to the Barzilai Medical Center in the future. Furthermore, The Group set up a dedicated NIS 10 million fund in order to assist those of its policy holders who were adversely affected by the war.

The above is based on information available to the Company as of the report publication date. It should be noted that War's impact on the scope of business activity in Israel is yet to be determined; therefore, the Group's results may be further impacted in the future.

It should also be clarified that the Company's assessments of the potential implications of the War on its operations are uncertain and are not under its control. These assessments are based, inter alia, on information available to the Company on this topic, and Israel's preparedness to cope with the implications of the War, the possible scenarios reviewed by the Company, at its discretion, as well as Group management's assessments of potential measures for dealing with the various effects, bearing in mind, inter alia, existing barriers (or the absence of such barriers) on the Group's ability to cope with such effects, and accordingly, their materialization is uncertain. These assessments may not materialize, in whole or in part, or may materialize in a different manner, including in a materially different manner, from that which is expected.

1.3.3. The legal reform

For information regarding the Government's plan to promote the execution of material changes in the Israeli judiciary, please see Report of the Board of Directors for the 2nd quarter of 2023, published with the financial statements as of that quarter of 2023 on August 24, 2023 (Ref. No. 2023-01-079147).

At this stage, and particularly in view of the Iron Swords War as described above, the Company is unable to assess future developments, or the effect of the impacts of the Government's plan on the Israeli economy in general and the Company's activity in particular.

The insurance activity

1.3.4. Group long-term care insurance agreement with Maccabi

The collective long-term care insurance agreement for members of Maccabi Healthcare Services expires on December 31, 2023. Therefore, The Phoenix Insurance informed Maccabi ahead of time of the non-renewal of the agreement and the transition to a mutual long-term care insurance in accordance with the terms of the agreement and the policy. Notwithstanding the above, in view of Maccabi's request to extend the term of the agreement by a further period, The Phoenix Insurance agreed to assess the extension of the term of the agreement by one further year, provided that The Phoenix Insurance shall not undertake any risk, including an insurance risk. The Phoenix Insurance is conducting negotiations with Maccabi, and if the parties will fail to agree the extension of the agreement by one further year under the conditions set out above, the policyholders will be transferred to a mutual long-term care insurance, in accordance with the policy and the agreement's continuity terms. For more information, see the Report on the Company's Business, which was published as part of the Annual Report.

1.3.5. The reform in the health insurance subsegment and the Economic Arrangements Law for 2023 and 2024

For information regarding The Phoenix Insurance's assessments as to the implementation of insurance rates as part of the reform in the health insurance subsegment and the Economic Arrangements Law for 2023 and 2024, see Section 5.5 below.

1.3.6. Capital injection to The Phoenix Insurance, and private placement by The Phoenix Capital Raising to the Company

In October 2023, the Company issued - as part of the expansion of its Series 5 and 6 bonds - NIS 134,962 thousand in series 5 bonds of NIS 1 p.v. each, and NIS 265,038 thousand in series 6 bonds of NIS 1 p.v. each. The terms of the bonds are identical to the terms of the existing bonds.

The Bonds were rated by Midroog at il.Aa2 with a stable outlook, and by Maalot at ilAA. The total consideration arising to the Company from the two expansions amounted to NIS 350,000 thousand.

In November 2023, The Phoenix Capital Raising completed a private placement to the Company of NIS 317,800 thousand p.v in Subordinated Bonds (Series L), which are part of Restricted Tier 1 capital, against the injection of NIS 300,000 thousand to The Phoenix Insurance, which arose from the above-mentioned capital raising. The additional subordinated bonds were assigned an ilAA- rating by Maalot. The subordinated bonds were recognized as Additional Tier 1 capital in The Phoenix Insurance, and were listed on the Tel Aviv Stock Exchange.

The asset management activity

1.3.7. Acquisition of assets under management from Psagot Investment House

During the reporting period, two separate transactions were completed for the acquisition of assets under management - at the total amount of approx. NIS 19 billion - by The Phoenix Investment House from the investment house Psagot for a total consideration of NIS 250 million. For further details, please see Report of the Board of Directors for the 2nd quarter of 2023, published with the financial statements as of that quarter of 2023 on August 24, 2023 (Ref. No. 2023-01-079147) and the immediate reports dated January 19, 2023 and July 2, 2023 (Ref. Nos.: 2023-01-009285, and 2023-01-061972).

1.3.8. The discontinuance of the operations of The Phoenix Value P2P Limited Partnership (formerly - Halman-Aldubi I2P1 Limited Partnership).

In July 2023, The Phoenix Value P2P Limited Partnership (hereinafter - the "**Partnership**") - a publicly-traded limited partnership, whose general partner is The Phoenix Value P2P General Partner Ltd. - which merged into The Phoenix as part of its merger with Halman Aldubi Investment House Ltd., in which the Company has an indirect stake of 47.5% (hereinafter - the "**General Partner**"), announced that the General Partner's Board of Directors decided that it is in the best interest of all holders of participation units in the Partnership (hereinafter - the "**Investors**") to take action to discontinue the Partnership's operations in accordance with the provisions of the partnership agreement, such that the Partnership will stop executing investments in the form of acquisition of new loans, and other the other hand will take steps to distribute to investors the funds that will be received in respect of the existing loans included in the Partnership's portfolio of assets. For further details, please see Report of the Board of Directors for the 2nd quarter, published with the financial statements as of that quarter of 2023 on August 24, 2023 (Ref. No. 2023-01-079147).

1.3.9. The Phoenix Value Urban Renewal, Limited Partnership (formerly - Halman-Aldubi, Urban Renewal Limited Partnership)

On November 23, 2023, The Phoenix Value Urban Renewal, Limited Partnership (hereinafter - the "**Partnership**") - a limited liability partnership, whose general partner is The Phoenix Value Urban Regeneration General Partner Ltd., which was transferred to The Phoenix as part of a merger with the investment house Halman Aldubi Investment House Ltd. (hereinafter - the "**General Partner**"), announced that the General Partner's

Board of Directors decided to postpone the redemption date, that was scheduled for December 1, 2023, to a later date that will be scheduled in accordance with the circumstances (and which will be announced at least 30 days in advance), but will not fall after more than twelve (12) months from the redemption date scheduled for December 1, 2023. The said decision will apply to redemption applications that were filed in relation to the redemption reference date that is scheduled for September 30, 2023.

In this context, it should be noted that the Group informed the Partnership that it will look into the option (without undertaking an obligation, both in relation to the Partnership and in relation to the Partnership's investors) to provide those of the Partnership's investors, that submitted redemption notices for September 30, 2023 and will wish to do so (if they will wish to do so, subject to their discretion), a non-recourse loan of up to 75% of the value of their investment in the Partnership, under conditions and subject to an assessment process in accordance with The Phoenix group's internal procedures and at its discretion.

Credit activity

1.3.10. Full tender offer in respect of Gama shares

In August 2023, The Phoenix Investments and Finances Ltd., a wholly-owned subsidiary of the Company (hereinafter - "**The Phoenix Investments**") published a full tender offer to acquire shares of Gama Management and Clearing Ltd. (hereinafter - "**Gama**"). After the acquisition of all the offerees' shares, Gama became a privately-held company (reporting corporation), which is wholly-owned by The Phoenix Investments. For more information, see the immediate reports dated August 10, 2023, and August 29, 2023 (Ref. Nos.: 2023-01-074644 and 2023-01-081274).

The distribution activity

1.3.11. Restructuring - The Phoenix Agencies

A. For further details regarding the restructuring of The Phoenix Agencies, please see Report of the Board of Directors for the 2nd quarter of 2023, published with the financial statements as of that quarter of 2023 on August 24, 2023 (Ref. No. 2023-01-079147).

B. 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, the Company is negotiating with several global entities that have expressed their interest in investing in The Phoenix Agencies. According to initial non-binding indications received by the Company, the value of The Phoenix Agencies is between USD 1 billion to USD 1.2 billion. At this stage, there is no certainty that the said transaction will come to fruition. For further details, please see the Company's reports dated August 30, 2023 and November 8, 2023 (Ref. Nos.: 2023-01-100341 and 2023-01-101827, respectively).

1.3.12. Dividend distribution

Distribution from The Phoenix Insurance to the Company

In August 2023, concurrently with the approval of The Phoenix Insurance's Financial Statements as of June 30, 2023, The Phoenix Insurance's Board of Directors decided to distribute a NIS 350 million dividend, at a rate higher than that set in the distribution policy, without detracting from its long-term dividend policy, and given the amount of the distributable profits and the solvency ratio rate of The Phoenix Insurance, and after compliance with the solvency ratio targets and the distribution tests as per the Companies Law.

Furthermore, the Board of Directors of The Phoenix Insurance also passed a decision as to a change in the minimum solvency ratio target, net of the transitional provisions, for purposes of dividend distribution from a 111% rate to a 115% rate.

Distribution of dividend by the Company to its shareholders

In August 2023, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, which was revised in March 2022,[4] totaling NIS 120 million and approx. NIS 0.5 per share.

The said distribution was based, among other things, on a dividend distribution from subsidiaries, including from The Phoenix Insurance, as detailed above.

1.3.13. 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 date - buybacks totaling approx. NIS 22 million, of which a total of approx. NIS 10 million was during the third quarter of 2023. Subsequent to the reporting date and through the report publication date, the Company made additional share buybacks totaling approx. NIS 16 million.

[4] Please see the immediate report dated March 29, 2022 (Ref. No. 2022-01-037000).

1.3.14. Award of options to employees and officers

In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company grants, from time to time and without consideration, option warrants (hereinafter - "**Options**") to employees and officers of the Company and companies under its control.

In June 2023 and August 2023, the Company's Board of Directors approved the award of up to 3,211,588 options to employees and officers of the Company and its subsidiaries, exercisable into ordinary shares of the Company NIS 1.00 par value each, subject to adjustments, without cash consideration. In accordance with the Board of Directors' decision, out of the amount of 3,211,588 options allotted to offerees a total of 57,190 options were allotted to the Company's CEO. The award of options to the Company's CEO was approved in an extraordinary general meeting of the Company on August 2, 2023 (hereinafter - the "**Meeting**").

As part of the Meeting, the shareholders also approved the allocation of 78,771 (illiquid) options of The Phoenix Investment House Ltd. to the Company's CEO and 63,321 (illiquid) options to the Chairman of the Company's Board of Directors[5] in respect of their service as directors in The Phoenix Investment House Ltd. For further details, please see Report of the Board of Directors for the 2nd quarter, 2023, published with the financial statements as of that quarter of 2023, on August 24, 2023 (Ref. No. 2023-01-079147) and the immediate reports dated June 28, 2023, July 26, 2023 and August 2, 2023 (Ref. Nos.: 2023-01-060307, 2023-01-060334, 2023-01-072205513 and 2023-01-088974, respectively).

1.3.15. 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. During the second quarter, the Capital Markets Authority published a revised roadmap - third revision (hereinafter - the "Revised Roadmap"). Among other things, the Revised Roadmap postponed the first-time application to January 1 2025. Furthermore, the Revised Roadmap included a requirement for the Company to conduct several quantitative impact studies (hereinafter - "QIS"). During the reporting period, the Company completed the first QIS regarding the calculation of the opening balances of selected portfolios on the transition date as of January 1, 2023.

For further details, please see Note 2(FF) to the 2022 Periodic Report. Regarding the deferral of the standard's application date, see Section 2.2.2 below.

1.3.16. ESG

In July 2023, the Company published an ESG report for 2022. The report was published on the Company's website and on the websites of the TASE and the Israel Securities Authority. To view the full report, as published on the Company's website, see the Company's website at:

https://www.fnx.co.il/sites/docs/genery/for_new_site/esg/ESG_BOOK_2022_HEB_Digital_new.pdf.

1.3.17. Buyback of Bonds Series 6

In July 2023, the Company executed a buyback of approx. NIS 124 million in bonds (Series 6). The Company's Board of Directors decided to execute the transaction due to its positive effect on the Company's capital structure and liquidity, and due to the fact that the buyback price reflected a bargain purchase. For further details, please see the immediate report dated July 2, 2023 (Ref. No.: 2023-01-061600).

1.3.18. Ratings

Maalot

On July 11, 2023, S&P Maalot announced the upgrading of the Company's rating from ilAA- to ilAA with a stable outlook, and the rating of The Phoenix Insurance Company from ilAA+ to ilAAA with a stable outlook.

Midroog

On August 23, 2023, Midroog announced it is reiterating the rating of The Phoenix Insurance at Aa1.il, and upgrading the outlook from stable to positive. Accordingly, the rating outlook of the subordinated bonds that were issued by The Phoenix Capital Raising (2009) Ltd. were upgraded from stable to positive.

Global rating for The Phoenix Insurance

Moody's

On November 2, 2023, the international credit rating agency Moody's reiterated The Phoenix Insurance's existing rating at A2, and changed the rating outlook from stable to negative following the placement of the State of Israel's credit rating under review for downgrade in view of the Iron Swords War.

S&P

In September 2023, the international rating agency S&P Global Ratings (hereinafter - "**S&P**") assigned to The Phoenix Insurance an 'A-' international rating with a stable outlook. During November 2023, S&P announced that it designated The Phoenix Insurance's ratings as Under Criteria Observation (UCO) following the publication of

S&P's revised methodology for assessing the risk-adjusted capital of insurance companies it rates. The UCO status does not change the rating's definitions and is not equivalent to placing the rating under credit watch. S&P intends to complete the assessment of the rating by the end of February 2024.

1.3.19. General Meetings

Annual general meeting

An annual general meeting of the Company was held in July 2023; the following items were on the agenda of the meeting: 1) discussing the 2022 Periodic Report; 2) reappointment of the Company's independent auditor and authorizing the Company's Board of Directors to set its fees; (3) appointment of Stella Amar Cohen as a director of the Company until the end of the second general annual meeting following the appointment date. For further details, please see the Company's immediate reports dated May 31, 2023 and July 4, 2023 (Ref. Nos.: 2023-01-050407 and 2023-01-062863).

Extraordinary general meeting

An extraordinary general meeting of the Company was held in August 2023; the following items were on the agenda of the meeting: 1) Revision of the Company's compensation policy; 2) approval of the allocation of options to Mr. Eyal Ben Simon, CEO of the Company and of The Phoenix Investment House; 3) approval of the allocation of options in The Phoenix Investment House to the Chairman of the Company's Board of Directors, Mr. Benjamin Gabbay. For further details, please see Section 1.3.12 above the Company's immediate reports dated June 28, 2023 and August 2, 2023 (Ref. Nos.: 2023-01-060334 and 2023-01-088974).

1.3.20. Renewal of liability insurance for officers and board members

On October 30, 2023 the Company's Compensation Committee approved the engagement in a professional liability insurance policy for officers serving in the Company and in subsidiaries, including those serving on behalf of the controlling shareholders, for an annual insurance period starting on November 3, 2023, in accordance with Regulation 1B1 to the Companies Regulations (Reliefs Regarding Transactions with Interested Parties), 2000. The limit of liability coverage is USD 150 million per case and in total per annual insurance period, together with reimbursement of reasonable legal expenses.

2. Description of the Business Environment

2.1. Implementation of the Provisions of the Economic Solvency Regime 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"). The Deduction During the Transitional Period as of June 30, 2023, amounts to NIS 2,754 million after its linear amortization as at this date (compared with NIS 3,385 million as of December 31, 2022). 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, 2023.

2.1.3. Publication of Economic Solvency Ratio Report

The Economic Solvency Ratio Report as of June 30, 2023 was published at the same time as the Financial Statements as of the third quarter, approved on November 28, 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. If the Company's solvency ratio goes down to 120% or less, it will publish a Full Solvency Ratio Report on a quarterly basis in a semi-annual format, instead of an estimated ratio.

2.1.4. **Economic solvency ratio and minimum capital requirement (MCR) as of June 30, 2023:**

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".

Economic solvency ratio:

	June 30, 2023	**As of December 31, 2022**
	Unaudited *)	**Audited**)**
	NIS thousand	
Shareholders equity in respect of SCR	14,395,951	14,711,664
Solvency capital requirement (SCR)	7,175,004	6,968,263
Surplus	7,220,947	7,773,401
Economic solvency ratio (in %)	**201%**	**211%**
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***	300,000	(410)
Shareholders equity in respect of SCR	14,695,951	14,711,254
Surplus	7,520,947	7,742,991
Economic solvency ratio (in %)	**205%**	**211%**

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

** Any reference made in this report to the term "audited", shall be construed as an audit held by an independent auditor in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information.

*** On October 25, 2023, the Board of Directors of The Phoenix Capital Raising (2009) Ltd. approved a private placement of subordinated bonds (Series L), which are part of Additional Tier 1 capital for a total consideration of approx. NIS 300 million.
Subsequent to the balance sheet date (December 31, 2022), approx. 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.

The Company believes, as of the publication date of the report, that no material deterioration of the Company's solvency ratio is expected compared to the ratio published in this report.

This Solvency Ratio Report was prepared based on the conditions and the best estimate as they were known to the Company on the publication date of the report as of June 30, 2023. Therefore, this report was not revised to reflect the effects of the Iron Swords War, if there are any such effects. For more information regarding the effects of the Iron Swords War, see Note 1.3.2 above.

As of the report publication date, since June 30, 2023 there has been a material increase in the index-linked risk-free interest, and equity markets suffered declines. For information about the effects of share indexes and the index-linked risk-free interest, see Chapter 8 - sensitivity tests - in the Solvency Ratio Report in respect of December 31, 2022.

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 June 30, 2023 compared with December 31, 2022, see Section 1(a) to The Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2023.

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

https://www.fnx.co.il/investors-relations-hebrew/kosherpiraon/

Minimum capital requirement (MCR)

	June 30, 2023	As of December 31, 2022
	Unaudited	Audited
	NIS thousand	
Minimum capital requirement (MCR)	1,926,915	1,843,583
Shareholders equity for MCR	11,290,628	11,596,249

A. 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 23, 2023, the Board of Directors of The Phoenix Insurance increased the minimum economic solvency ratio target by 4 percentage points without taking into account the provisions during the Transitional Period - from a rate of 111% to a rate of 115%, beginning on June 30, 2023.

Therefore, as of June 30, 2023, the calculation date, 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 Phoenix Insurance will meet the set capital targets at all times.

B. 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 June 30, 2023 and December 31, 2022, this ratio is higher than the target set by the Board of Directors.

	June 30, 2023	As of December 31 2022
	Unaudited	Audited
	NIS thousand	
Shareholders equity in respect of SCR	12,410,356	12,301,691
Solvency capital requirement (SCR)	8,293,689	8,254,667
Surplus	4,116,667	4,047,024
Economic solvency ratio (in %)	**150%**	**149%**
<u>Effect of material capital-related measures taken in the period between the calculation date and the publication date of the Solvency Ratio Report:</u>		
Raising of capital instruments*	300,000	-
Shareholders equity in respect of SCR	12,710,356	12,301,691
Surplus	4,416,667	4,047,024
Economic solvency ratio (in %)	**153%**	**149%**
<u>Capital surplus after capital-related actions in relation to the Board of Directors' target:</u>		
Minimum solvency ratio target without applying the Transitional Provisions	**115%**	**111%**
Excess capital over target	**3,172,613**	**3,139,011**

* On October 25, 2023, the Board of Directors of The Phoenix Capital Raising (2009) Ltd. approved a private placement of subordinated bonds (Series L), which are part of Additional Tier 1 capital for a total consideration of approx. NIS 300 million.

Subsequent to the balance sheet date as at December 31, 2022, the Company redeemed approx. 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.

2.1.5. **Capital-related measures and significant updates in 2023:**

1. The Company recalculated the value of the Deduction during the Transitional Period as of June 30, 2023 (in view of material increases in the interest rate curve, and in accordance with the Commissioner’s Directives). Following the recalculation, there was a material decrease in the Deduction Amount, 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) in the Solvency Ratio Report dated June 30, 2023.
2. 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 income. This distribution was taken into account in the results of the solvency ratio as of December 31, 2022.
3. Subsequent to the calculation date as of December 31, 2022, The Phoenix Insurance redeemed approx. 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.
4. On August 23, 2023, The Phoenix Insurance’s Board of Directors approved a cash dividend distribution in the amount of NIS 350 million. This distribution was taken into account in the results of the solvency ratio as of June 30, 2023 (for further details, see Section 1.3.12 above).

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

Changes in the linked 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 2023, 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	June 30, 2023	September 30, 2023	November 22, 2023
Short term	**1-3**	Between 0.68% and 0.86%	Between 1.86% and 1.20%	Between 1.99% and 1.60%	Between 1.52% and 1.46%
Mid-term	**4-10**	Between 0.88% and 0.86%	Between 1.12% and 1.03%	Between 1.54% and 1.44%	Between 1.50% and 1.76%
Mid-long term	**11-15**	Between 0.88% and 0.97%	Between 1.03% and 1.06%	Between 1.44% and 1.48%	Between 1.78% and 1.85%
Long term	**16-25**	Between 1.00% and 1.10%	Between 1.07% and 1.19%	Between 1.50% and 1.64%	Between 1.87% and 2.04%

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.

2.2. Arrangements in force

Set forth below are material regulatory directives published during the reporting period and thereafter, and which are not included in the Report on the Corporation's Business for 2022 and the Report of the Board of Directors for the first and second quarters of 2023. For further details regarding material regulatory directives published during the reporting period, please see Section 4.1.1 to the 2022 Report on the Corporation's Business and Section 2.2 to the Report of the Board of Directors for the first and second quarters of 2023.

2.2.1. In August 2023, the **Revised Consolidated Circular - Independent Auditor Chapter** was published. The revised Consolidated Circular includes various provisions of the Commissioner that formed a part of previous circulars, and revises references to the various chapters of the Consolidated Circular. The revision includes, among other things, the following issues: (1) Compromising the independent auditor's independence due to the provision of a related service; (2) the independent auditor's role in connection with Economic Solvency Ratio Reports; (3) revisions to the provisions regarding the issuance of a detailed annual report about annual financial statements; (4) and revision to provisions regarding the independent assessment of the pension liabilities of a pension fund.

[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.

2.2.2. In September 2023, the Commissioner published a **Decision on Reduced Insurance Payouts in Motor (Property) Insurance in respect of a Difference in Spare Parts Prices Where the Vehicle was Repaired in a Garage which is not Included in an Arrangement**. The decision deals with a practice implemented by insurance companies regarding motor property insurance policies, as part of which the insurance companies deduct some of the insurance benefits based on the difference between the price list of the spare parts' importer quoted by the appraiser in its appraisal, and the amount the insurance company would have paid for those parts had they been purchased from spare parts suppliers, with whom the insurance company entered into engagement. The decision sets the following provisions: (1) An insurance company that operates in the said manner should display to the policyholder, in a prominent way, the way he/she is expected to conduct himself/herself upon the occurrence of an insured event, both at the stage of the insurance offer, and when the policyholder reports a claim; (2) before a deduction is carried out, the insurance company shall consider, according to the relevant circumstances, to give the policyholder the option to pay a lower deductible similar to the deductible amount the policyholder would have paid had he/she repaired the car in a garage which is included in an arrangement; (3) regarding an existing policy, the insurance company may inform the policyholder when the terms of the policy are revised, during the insurance period or upon renewal of the policy, even if it did not do so on the insurance offer date, while documenting receipt of such notice by the policyholder; (4) an insurance company will not offset or deduct any amount from the insurance benefits in respect of the cost of spare parts without disclosing such deduction; (5) an insurance company that deducted some of the insurance benefits paid to a policyholder through the date on which this decision was passed is required to assess whether the deduction was made after a disclosure was given to the policyholder, in a prominent way, which allowed the policyholder to take action in order to reduce the damage, and that the policyholder received the Company's notice when the claim was opened or before the car was repaired. If the insurance company reduced insurance benefits without providing disclosure thereof, if the policyholder informed it of the insured event, the insurance company shall check whether the amount of insurance benefits it paid was lower than the repair amount paid by the policyholder (net of deductible), and any difference should be refunded to the policyholder. The results of the said assessment, and a report regarding all events in which a deduction was made should be delivered to the authority through December 31, 2023 in the format set in the decision. Should the Company be required to refund amounts following this ruling, it will not have a material effect on the Company.

2.2.3. In September 2023, the **Online Interface regarding Surgical Procedures in Israel Circular** was published. As part of the Economic Plan Law (Legislative Amendments for Achieving Budgetary Targets for the Budget Years 2023 and 2024), 2023 (hereinafter - the "Economic Arrangements Law"), the Financial Services Supervision Law (Insurance), 1981 was amended in order to reduce the incidence of "overlapping insurance" in the surgical procedures subsegment between Supplementary Healthcare Services (hereinafter - the "SHABAN Plans") of health maintenance organizations and private health insurance policies. As part of the amendment to the law, it was decided that the Capital Markets Authority will operate and maintain a secure online interface for the purpose of implementing the provisions set out in the said amendment. The circular sets provisions regarding the delivery of the information between the health maintenance organizations and the insurance companies, including the information, which the insurance companies and the health maintenance organizations are required to deliver to one another through the online interface. Furthermore, in order to execute a transfer of policyholders from a "first shekel" surgical procedure policy to a SHABAN surgical procedure supplementary policy, it was stipulated that the health maintenance organizations will deliver the information about the SHABAN companies to the Authority, and the latter will provide each such company with a specific response in accordance with the list of its policyholders, who hold a "first shekel" surgical procedure policy.

In addition, in September 2023, an amendment to the **Required Information on the Website of an Institutional Entity Circular** was published. As part of the amendment to the Economic Arrangements Law, it was stipulated that a health maintenance organization will be allowed to demand from an insurance company payment for a surgical procedure funded by the SHABAN Plan for its planholders that were insured - on the date on which the surgical procedure was carried out - under a first shekel surgical procedure policy, and that the requirement to pay to the health maintenance organization applies when the detailed criteria are met, including, among other things, that the surgeon included in the SHABAN Plan is part of a surgical procedures arrangement with the insurance company, or that he/she is included in the insurance company's list of specialist doctors. The purpose of the amendment to the circular is to enable a health maintenance organization to check its entitlement to a payment from an insurance company in accordance with what is required in the amendment to the law. The circular stipulates, among other things, that insurance companies that market a surgical procedures insurance policy will be required to present the list of surgeons, who have been part of an arrangement with the Company regarding its surgical procedures insurance policies during the past 12 months or as from October 1, 2023, the latest of the two, in order to obtain the information that will allow the health maintenance organization to demand the payment from the insurance company as described above.

2.2.4. The Iron Swords War

In October 2023, against the backdrop of the outbreak of the "Iron Swords War" and its effects on the Israeli economy and the activity of the institutional entities, the Capital Markets Authority published a number of regulatory expedients in the form of temporary orders put in place in view of the state of emergency in the country; those expedients include: postponing the dates for publication of the periodic reports of a pension fund, management company and insurance company in respect of the third quarter of 2023; postponing the filing dates with the Commissioner of several related and additional reports of a pension fund, management company and insurance company; postponing the date of reporting for the first time on a forward-looking assessment and scenarios in ORSA; canceling the requirement whereby the Board of Directors and its committees are required to convene physically at least once a quarter by the end of 2023; giving the option to suspend insurance policies in whole or in part, and the option to renew insurance coverage for a policyholder before obtaining his/her consent; stipulating that an institutional entity may exclude from its annual average the waiting times in call centers during the War; postponing the deadline for first-time submission of the Chief Actuary's report; postponing the date on which companies are required to display the quarterly report to a planholder in respect of the third quarter of 2023, and canceling the requirement to post the quarterly report by mail; giving flexibility as to the scope of analysis required before acquiring a bond in the secondary market, and extending the validity periods of existing analyses; providing expedients in connection with the requirements pertaining to an institutional investor's reports to the Commissioner regarding an active deviation or a material passive deviation; and stipulating that an insurance company will be allowed to request a policyholder to attach information, which is relevant to the claim, if it failed to achieve such information through the confidentiality waiver form.

Furthermore, following the breakout of the Iron Swords War, in October 2023, the Capital Markets Authority published a number of amendments that postpone the commencement date of a number of circulars, including the revised "Uniform Format" Circular, which deals with updating the employers' interface; the revised "Manner of Making Contributions to a Provident Fund" Circular regarding an employee that employs less than 3 employees; the provision of the Financial Information Service Law pertaining to a source of information, which is an institutional entity; and the amendment to the "Investment Tracks in a Provident Fund" Circular.

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 or in the Report of the Board of Directors for the first and second quarters of 2023. 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 Corporation's Business as well as Section 2.3 of the Report of the Board of Directors for the first and second quarters of 2023.

2.3.1. In August 2023, a draft non-enforcement position was published regarding the requirement applicable to small employers to report through an employers' interface. This draft was published further to the publication of the Circular on "Manner of Making Contributions to a Provident Fund - Update" of February 8, 2022, which prescribed that employers are required to submit an automated report on contributions to a provident fund in accordance with a uniform format described in the circular. Due to difficulties in the implementation of the provisions of the circular among small employers with 9 or less employees, and in order to give this group an adequate period to make the required preparations, since some of them are not aware of all of the solutions that are available in the market and which can provide them support in that respect, the draft suggests that the authority will not take enforcement measures against employers with 9 or less employees, which will not report through the employers' interface; the suspension of such measures will be in effect through June 1, 2024.

2.3.2. In September 2023, the Commissioner published a second **Draft Directives regarding Financial Services Supervision (Insurance) (Group Long-Term Care Insurance to Members of Health Maintenance Organizations) (Amendment), 2023**. Due to the increase in the incidence of claims filed and the incidence of paid claims in LTC, in addition to their adverse effect on policyholders' funds, the draft suggests to revise the existing insurance coverage in order to stabilize the funds of policyholders insured under long-term care insurance for members of a health maintenance organization. The revisions to the coverage include the following changes: (1) Reducing the amount of payments by stipulating that the monthly insurance benefits entitlement of a policyholder, who joined the basic tier of a long-term care insurance for members of a health maintenance organization, and who lives at home, shall be reduced by 10% based on the age at which the policyholder first joined the coverage; (2) revising the monthly insurance benefits such that they include linkage differences as from the known CPI as of those directives' effective date, instead of the current situation, where the insurance benefits are linked to the known CPI of July 1, 2016 (the effective date of the key directives).

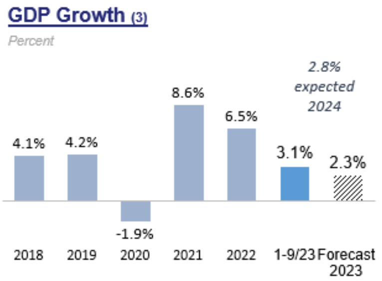
This change will reduce the insurance benefits and will lessen the burden on the policyholders' funds (3) extending the exclusion period to the first years of the policyholder's life, such that it will not include an event that occurred for the first time in the first 60 months of a policyholder's life. It is also suggested that those directives shall apply to long-term care insurance contracts that will be entered into or renewed as from the commencement date, and that they will also apply to contracts that were entered into prior to that date, if was determined therein that those directives shall apply to them. In addition, the draft suggests to postpone the effective date of the directives pertaining to the extended coverage as of January 1, 2028.

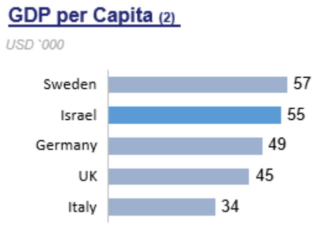
2.3.3. Further to the above, in September 2023, the Commissioner published a draft **Amendment of the Consolidated Circular - Title 6, Part 3 - Long-Term Care Insurance**. The circular stipulates that during the insurance period of a collective long-term care insurance to members of a health maintenance organization, an insurance company shall bear at least 20% of the risk insurance arising from the basic tier of the insurance plan. The draft suggests to cancel this stipulation in order to allow the health maintenance organizations the flexibility to set the risk rate applicable to the insurance company in accordance with the unique characteristics of the insurance plan in the different health maintenance organizations, and in order to increase the feasibility of the insurance plans' ability to continue offering coverage. The amendment is offered in view of changes in the long-term care market in recent years, due to which insurance companies in Israel and across the world are less willing to continue their operations in the field of long-term care insurance.

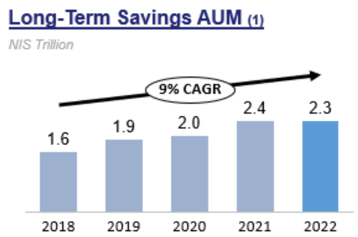
2.3.4. A draft **Clarification regarding the Transfer of Planholders who are Parents of a Disabled Child** was published in September 2023. As part of the draft, it is suggested to clarify that the definition of a "disabled child" as set in the terms and conditions of the new comprehensive pension funds should be interpreted such that a planholder's child shall be deemed "disabled" if the National Insurance Institute initially recognized his/her entitlement to a general disability annuity after the date on which the planholder joined the pension fund in which he/she is a planholder or the pension fund from which he/she was transferred, provided that the conditions set out in the clarifications were met.

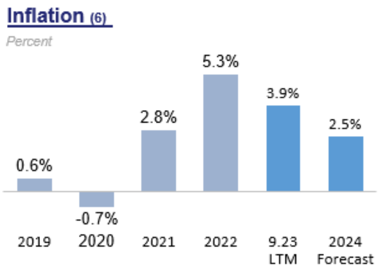
3. Developments in the Macroeconomic Environment

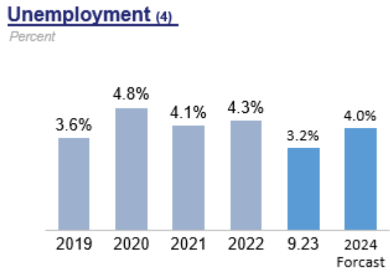
3.1. Key macroeconomic data











(*) Publicly-available data as of November 26, 2023.
(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 USD 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

In September 2023, the local macroeconomic data continued to indicate the resilience of the Israeli economy. The Bank of Israel decided to leave its interest rate unchanged (at 4.75%); however, the Bank of Israel clarified that it will not hesitate to increase its interest rate if necessary. The parameters that supported the decision to leave the interest rate unchanged were a mitigated inflation environment, which is expected to reach the target in the forthcoming year, as indicated by a forecast of the Bank of Israel's Research Department, decline in private consumption, growth, a labor market which is tight but does not have an extraordinary pay rise rate, the cooling housing market, the devaluation of the shekel, which was not extraordinary, and the global trends, especially the slower increase in inflation rates and in economic activity.

Compared with the previous CPIs, the August CPI was surprisingly high, standing at 0.5%, which is slightly higher than the market forecasts of 0.4%; the annual rate of inflation stood at 4.1%.

The Israeli labor market continued to be tight, although it was less tight than in previous months. In August, the unemployment rate declined and stood at 3.1%; at the same time, the number of job openings in August remained low and stood at 119 thousand. Currently, the tight labor market is not a key factor supporting an interest rate hike.

During the quarter, the changes in the judiciary continued to play a very significant role. The exchange rate of the shekel continued to be volatile, and strengthened according to the markets' view regarding the chances of reaching a compromise in connection with the abolishment of the standard of reasonableness. The expectation that a compromise will be reached supported the strengthening of the shekel and vice versa. Since the start of the political-judicial crisis, institutional entities' investments underwent restructuring; the exposure of those entities to foreign currencies increased, reaching a record level of 32%, which supported the devaluation of the shekel.

As of the end of September, the TA 125 recorded an aggregated increase (from the beginning of the year) of 3.4%, the yield on 10-year bonds increased by 0.5 percentage point to 4.27%, the Tel Bond 60 Index increased by 3% since the beginning of the year, the shekel devalued against the USD by 8.7% since the beginning of the year.

Subsequent to the balance sheet date

Since October 7, 2023, the Israeli economy has been dealing with the effects of the war in Gaza, and capital markets have been trying to price the economic and financial risks. The foreign currency market was one of the first to respond, and the shekel suffered a sharp devaluation against the USD and EUR. In response, the Bank of Israel declared that it will intervene in order to ensure liquidity and stabilize the markets. The plan included the sale of foreign currency at a total amount of up to USD 30 billion, and SWAP transactions at the total amount of up to USD 15 billion. According to the October foreign currency balance data, the Bank of Israel sold USD 8.2 billion.

Rating agencies Moody's and Fitch announced that they will reassess Israel's rating in the forthcoming months (specifically in relation to security-related events), and for the moment they placed the rating under review for downgrade; rating agency S&P announced a downgrading of the rating outlook.

In November, The Bank of Israel decided for the third time to leave its interest rate unchanged (at 4.75%). The key message that was delivered by the Governor of the Bank of Israel - financial robustness, economic resilience and "fiscal responsibility". The robustness was reflected in a current account surplus, low debt to GDP ratio, and high foreign currency balances. The levels of economic activity are high (although somewhat declining), and the labor market is tight (nearly at full employment). The Bank of Israel emphasized that the inflation environment is more moderate, but the target is yet to be reached, and the exchange rate continues to have an effect. In light of the War, the Bank of Israel expects that growth in the Israeli economy will be lower than previously forecast (2.3% and 2.8% in 2023 and 2024), and that the government deficit and the debt to GDP ratio will increase.

3.2.2. Capital markets abroad

USA

The US equity and government bonds markets closed a negative quarter for the first time in the past 12 months. The yield on 10-year bonds, reached at the end of September to its highest level since 2007 - the highest monthly increase in the past year.

The expectations that high interest rates will prevail over a long period of time has had an adverse effect on the equities channel, since higher yields on bonds are perceived as an investment alternative, are expected to have a potential effect on the real economy and consequently - on companies' profitability. The S&P 500 Index recorded an increase of 11.7% since the beginning of the year; however, this increase was driven by a small number of leading technology shares, whose prices increased as a result of the investor's enthusiasm about AI-related shares. The inflation rate in the Eurozone declined from 5.2% to 4.3% in September. Core inflation, excluding the fluctuating energy and food prices - an indicator which is closely monitored by the ECB as an indicator of basic price pressures, also declined more than expected from 5.3% to 4.5%, which increased the expectations that the ECB may stop its interest rate hikes.

Since the beginning of 2023 and through the end of September 2023, the S&P 500 Index recorded an increase of 11.7%, the Stoxx Europe 600 Index - an increase of 6%, and the Japanese share index - the Nikkei 225 - increased sharply by 22.1%. The yield on 10-year treasuries was 4.57%.

Subsequent to the balance sheet date

The interest rate announcement of Chairman of the Federal Reserve, Jay Powell, caused a "mini-turnover" in the markets, in view of the indications that the interest rate tightening process has probably ended. Thus, the treasury and the Fed responded to the markets and the markets respond to the treasury and the Fed. Powell's announcement ignited the largest combined change since November 2022, when share indexes, government bonds and corporate bonds in the USA all rallied at the same time. Markets in Europe (the Eurozone and the UK) rallied in view of similar expectations that the interest rate hikes cycle has come to an end.

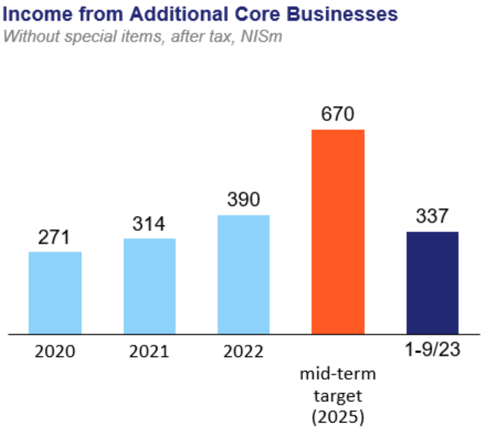
The market's volatility index - the VIX - experienced its largest weekly slump since December 2021. The yield on two-year government bonds declined by 11 base points to 4.92%, and the yield on 10-year government bonds dropped by 12 base points to 4.47%, having crossed the 5% threshold recently. The USD's exchange rate suffered its highest devaluation since July. Oil prices dropped below USD 81, and the risk premium from the Israel-Hamas war disappeared. Swaps involving the Federal Reserve's interest rate now show that traders believe that there is only a 10% chance that a further hike will take place until January 2024, and they fully price an interest rate cut by June 2024. The US services sector experienced the weakest expansion in the past five months, the increase in job openings was more moderate, and the unemployment rate increased to 3.9%.

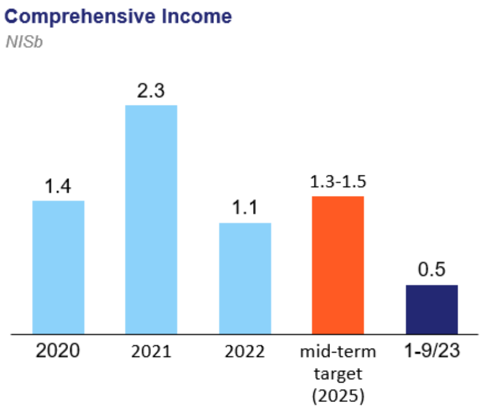
The events in Israel triggered an immediate response, and markets are trying to revise forecasts according to the developments.

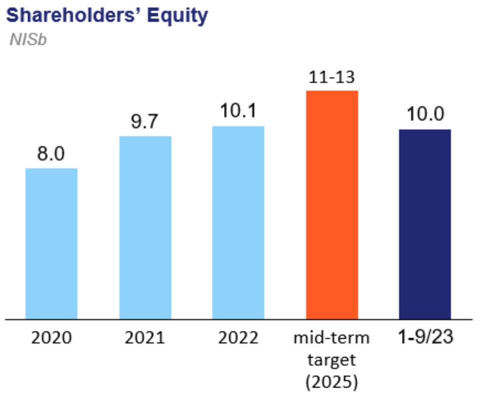
4. Business Targets and Strategy

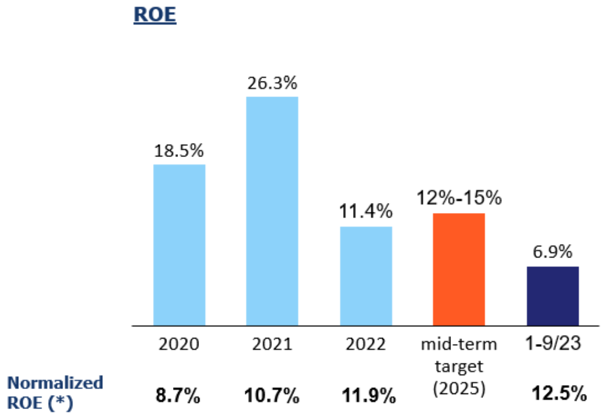
The Group's business strategy and targets constitute forward-looking information, as defined in Section 32A of the Securities Law, and are based on the data and information available to the Group as of the report date, its plans as a result thereof, the market situation and the Group's position. The 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 5.4.8 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

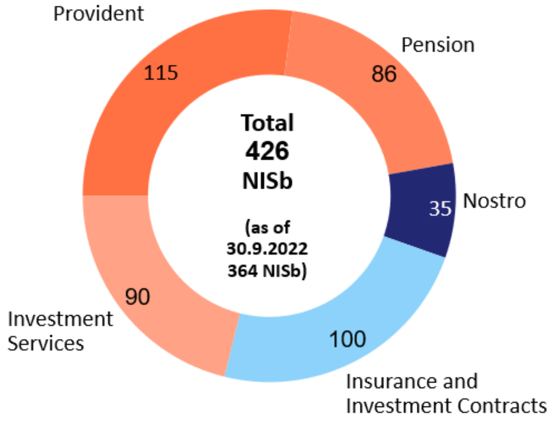
5.1. General

The Group's operations are affected by constant regulatory changes and 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.

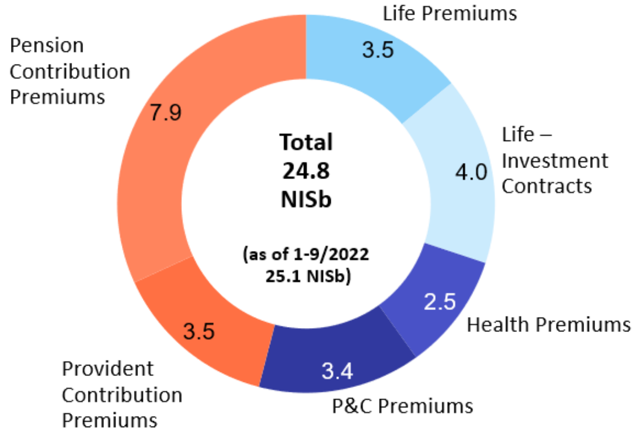
The Group's operations and results are significantly affected by the capital markets, including, among other things, the interest environment that has implications for its insurance liabilities and on the returns embodied in the Group's financial asset portfolios, and consequently - on the management 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 September 30, 2023



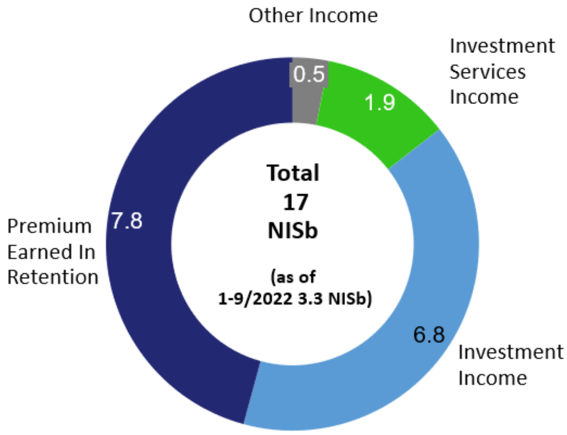
Premiums, gross, contributions towards benefits and proceeds in respect of investment contracts for 1-9/2023



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 the premiums line item; rather, they are charged directly to liabilities in respect of insurance contracts and investment contracts.

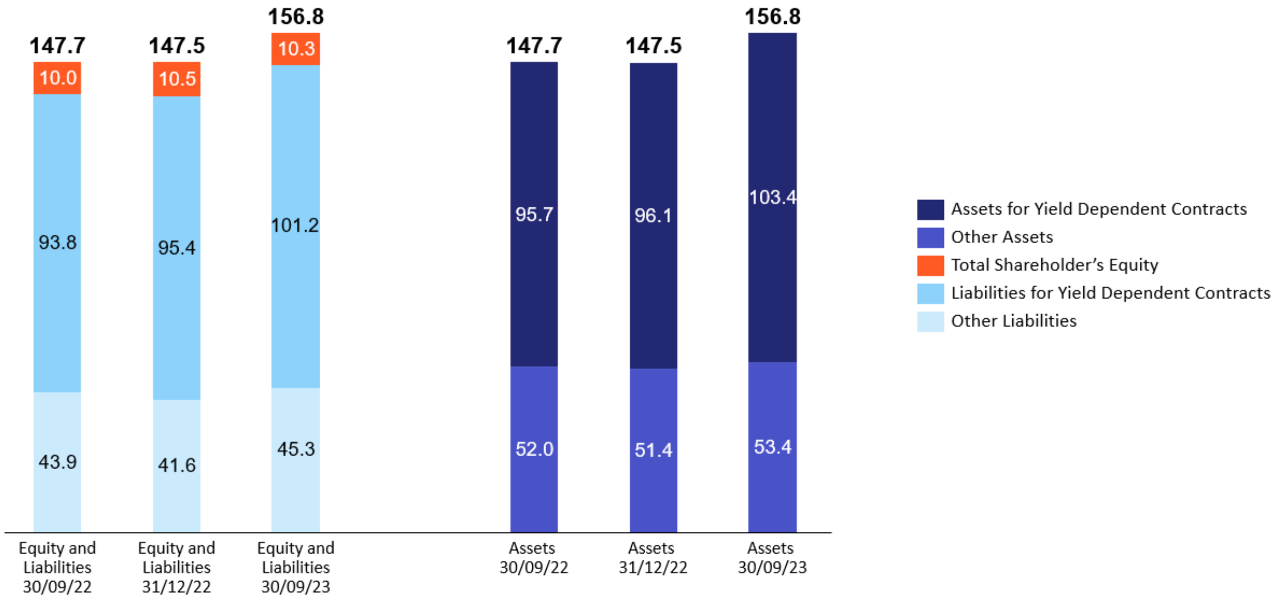
For further details on the premiums in the various operating segments, please see Note 3 to the Financial Statements.

Income for 1-9/2023



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 September 30, 2023, amounted to approx. NIS 103.4 billion, compared to approx. NIS 95.7 billion as of September 30, 2022, and approx. NIS 96.1 billion as of December 31, 2022. Other assets as of September 30, 2023 amounted to approx. NIS 53.4 billion, compared with approx. NIS 52.0 billion as of September 30, 2022 and approx. NIS 51.4 billion as of December 31, 2022.

Liabilities:

Liabilities in respect of insurance contracts and yield-dependent investment contracts amounted to approx. NIS 101.2 billion as of September 30, 2023, compared to approx. NIS 93.8 billion as of September 30, 2022, and approx. NIS 95.4 billion as of December 31, 2022. Other liabilities as of September 30, 2023 amounted to approx. NIS 45.3 billion, compared with approx. NIS 43.9 billion as at September 30, 2022 and approx. NIS 41.6 billion as of December 31, 2022.

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 income 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**").

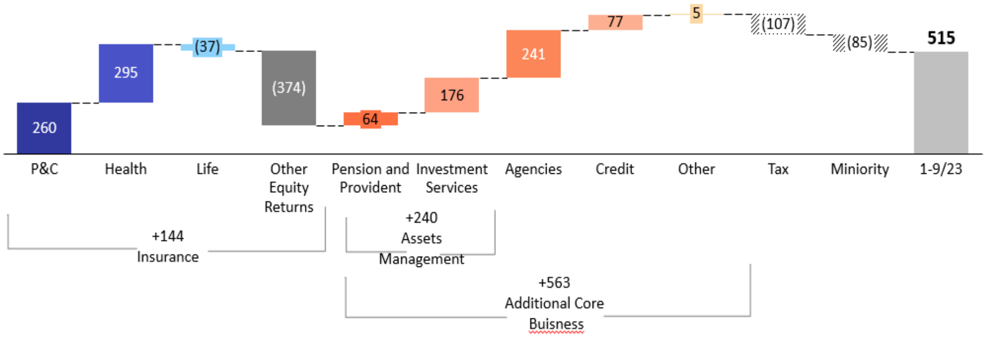
5.4.1.3. In the health insurance and in property and casualty insurance segments, the profitability analysis is based on a breakdown to underwriting income, which assumes a real return of 3%, and earnings stemming from capital market effects (hereinafter - the "**underwriting income**"), which include 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 income - 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 income 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 income attributed to insurance and income 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.

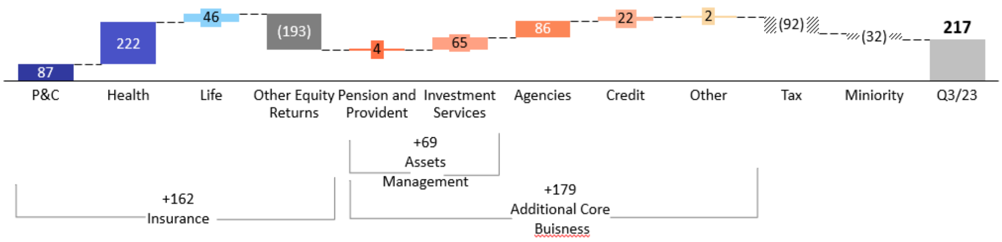
5.4.1.6. The Company allocates the assets which are not measured at fair value in accordance with the provisions of the law and Company's procedures, and specifically the allocation in accordance with the consolidated circular on testing the appropriateness of the LAT reserve (see Note 3 to the financial statements). This allocation may have an effect on investment income allocated to the different segments. Financial liabilities that serve the Company's equity requirements and finance expenses in respect thereof are not allocated to the operating segments. In the capital segment, the financial margin arises from investment income, with a 3% real return assumption, net of actual finance expenses.

5.4.2. **Set forth below is the composition of the Company's financial performance by segment for the 9-month reporting period and their comparison to the corresponding period last year (in NIS million):**



1-9/2022	(184)	948	496	(958)	73	182	231	48	5	(180)	(62)	599
Difference	444	(653)	(533)	584	(9)	(6)	10	29	-	73	(23)	(84)

Set forth below is the composition of the Company's financial performance by segments in the third quarter of 2023 compared with the corresponding quarter last year (in NIS million):



Q3-22	50	105	18	(202)	14	35	64	24	(6)	(20)	(20)	62
Difference	37	117	28	9	(10)	30	22	(2)	8	(72)	(12)	155

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

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

	1-9/2023	1-9/2022	1-12/2022
		In NIS million	
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention in the income statement	13,394	(1,182)	1,965
Net of amounts included in the above amounts:			
Investment income (losses) in respect of yield-dependent policies(*)	6,130	(7,615)	(6,618)
Changes in interest	(175)	(1,389)	(1,645)
Special items in the insurance segment	(71)	(119)	(85)
Total investment income, changes in interest and special items	5,884	(9,123)	(8,348)
Total payments and change in liabilities in respect of yield-dependent policies, net of investment income, changes in interest and special items	**7,510**	**7,941**	**10,313**

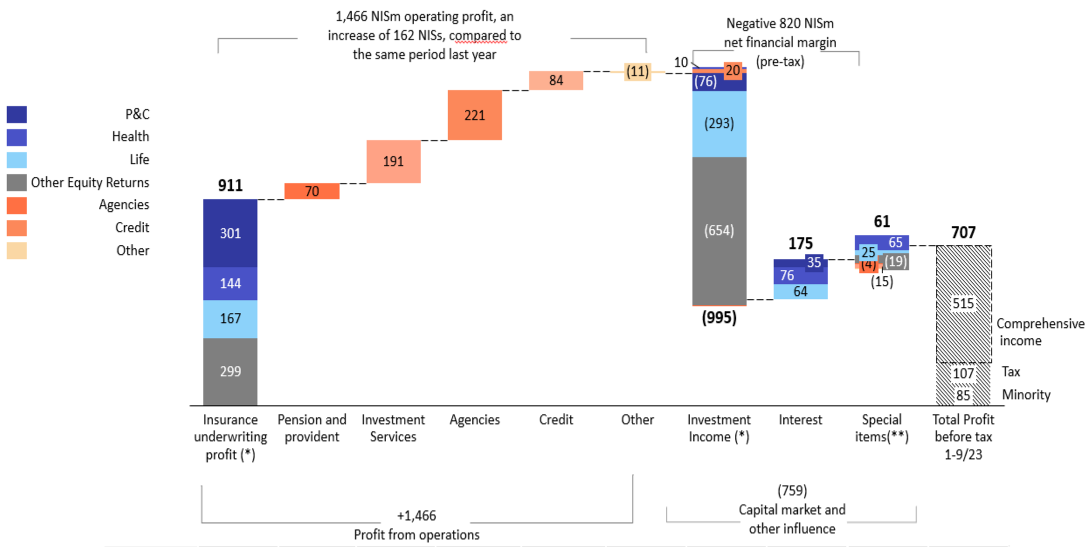
(*) Including health; for further details about the life insurance segment, see Section 5.5.3.7 below.

5.4.4. Set forth below is explanation regarding investment income in the insurance business:

	1-9/2023	1-9/2022	1-12/2022
		In NIS million	
Items from the income statement			
Investment income	6,748	(6,848)	(5,555)
Equity profits	60	49	62
Other comprehensive income	401	(424)	(231)
Tax effect on comprehensive income	190	(229)	(133)
Total	7,400	(7,452)	(5,858)
Less:			
Investment gains (losses) in respect of yield-dependent policies	6,130	(7,615)	(6,618)
Gains (losses) attributable to the credit and financial services segment	259	60	103
	6,389	(7,555)	(6,514)
Total investment income - nostro	1,011	103	657
Income from nostro investments, CPI-linked at 3%	2,006	2,179	2,661
Income from nostro investments, CPI-linked at over 3% (*)	**(995)**	**(2,076)**	**(2,004)**

(*) See Section 5.4.5 below.

5.4.5. **Set forth below is the composition of the sources of the Company's pre-tax income by income per activity and income from capital market effects, interest rate and Special Items for a period of 9 months in the reporting period (in NIS million):**



1-9/2022	*852*	*79*	*113*	*207*	*48*	*5*	*(2,076)*	*1,389*	*224*	*841*
Difference	*59*	*(9)*	*78*	*14*	*36*	*(16)*	*1,081*	*(1,214)*	*(163)*	*(134)*

(*) Please see Section 5.4.1.

(**) For further details 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 income after deducting effects of the capital market, Special Items and interest increased by approx. NIS 162 million in the reporting period, compared with the corresponding period last year.

In the reporting period, the nominal return from nostro investments was an annualized 4.2%, and the negative real return in the reporting period was an annualized 0.1%. 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 995 million, see Section 5.4.1 regarding the review of sources of earnings.

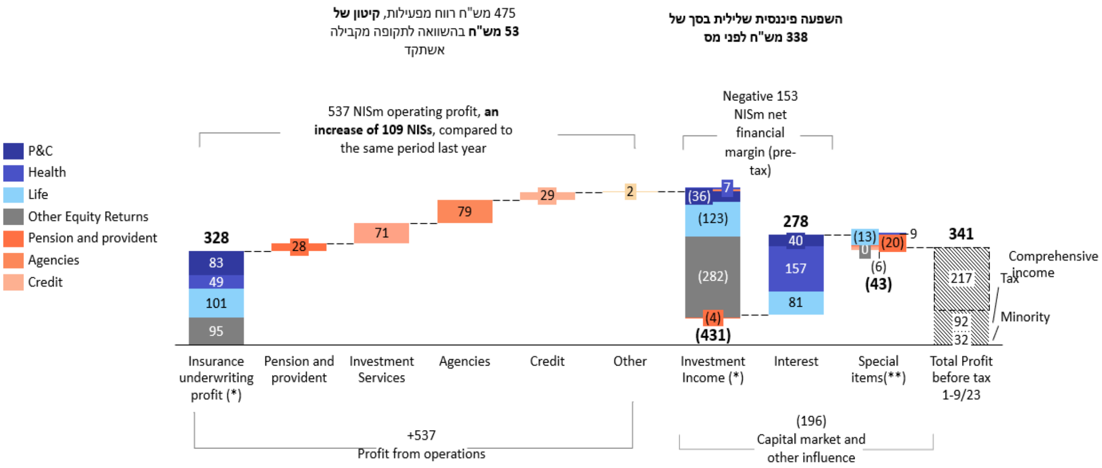
The change in investment income in excess of a real return of 3% in the reporting period compared with the corresponding period last year totaled approx. NIS 1,081 million, in view of the lower downturns in financial markets in Israel and across the world compared with the corresponding period last year. As of September 30, 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 552 million, before tax (as of the report publication date - approx. NIS 590 million before tax).

The change as a result of the effect of the risk-free interest rate curve and the decline in the illiquidity premium in the reporting period compared with the corresponding period last year caused a decrease of approx. NIS 1,214 million in income 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 approx. NIS 820 million before tax, as reflected in the above chart.

During the reporting period, income from Special Items decreased by approx. NIS 163 million compared with the corresponding period last year; most of the decrease stemmed from the recognition of a higher 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, and a one-off earning from assuming control over The Phoenix Capital net of studies compared with the recognition of one-off capital gain, during the reporting period, from assuming control in FNX Private Partnerships, which was partially offset from a study on costs for disability coverage.

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

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



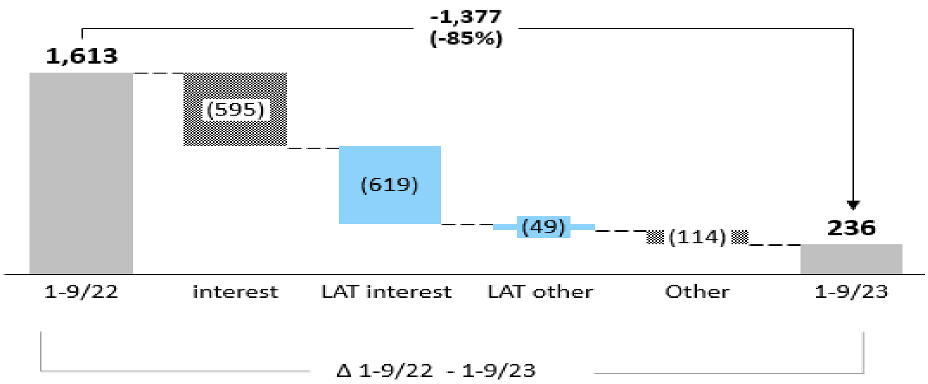
Q3-22	**280**	**24**	**41**	**65**	**24**	**(6)**	**(554)**	**269**	**(41)**	**102**
Difference	48	4	30	14	5	8	123	9	(2)	239

Operating income after deducting effects of the capital market, Special Items and interest increased by approx. NIS 109 million in the third quarter of the reporting period, compared with the corresponding quarter last year.

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 431 million, see Section 5.4.1 regarding the review of sources of earnings. The change in investment income, in excess of a real return of 3% in the third quarter of the reporting period compared with the

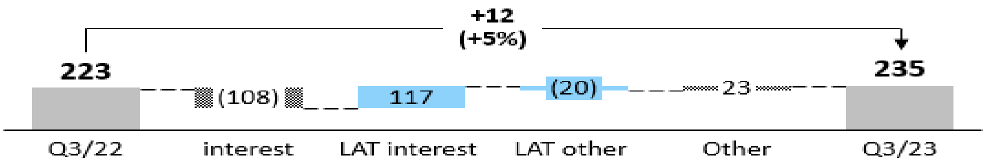
corresponding quarter last year totaled approx. NIS 123 million, in view of the lower downturns in financial markets in Israel and across the world compared with last year.
As of September 30, 2023, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 552 million, before tax (as of the report publication date - approx. NIS 590 million before tax).
The change as a result of the effect of the risk-free interest rate curve and the decline in the illiquidity premium in the third quarter of the reporting period compared with the corresponding quarter last year is an increase in income of approx. NIS 278 million. The total net negative effect of the interest and capital market effects (in excess of a real return of 3%) in the third quarter of the reporting period amounted to a pre-tax income of approx. NIS 153 million as reflected in the above chart.
The special items line item in the third quarter of the reporting period included mainly changes in assumptions, model revisions, and provisions for claims. This negative effect declined by approx. NIS 2 million compared with the corresponding quarter last year.

5.4.6. **<u>Set forth below is the composition of the differences between the interest rate effects and main special items on pre-tax insurance liabilities for the 9-month in the reporting period compared to the corresponding period last year (in NIS million):</u>**



Results	+175 Interest		+61 Special Items		
1-9/2023	99	76	57	4	236
P&C	35	-	-	-	35
Health	-	76	57	8	141
Life	64	-	-	25	89
Other Equity Returns	-	-	-	(19)	(19)
Pension and provident	-	-	-	(4)	(4)
Financial Services	-	-	-	(15)	(15)
Credit	-	-	-	(7)	(7)
Other	-	-	-	16	16
1-9/2022	694	695	106	118	1,613
P&C	204	-	-	-	204
Health	-	695	106	(26)	775
Life	490	-	-	39	529
Pension and provident	-	-	-	14	14
Financial Services	-	-	-	69	69
Agencies	-	-	-	22	22

5.4.7. **Set forth below is the composition of the differences between the interest effects and main special items effects on pre-tax insurance liabilities in the third quarter of 2023 compared with the corresponding quarter last year (in NIS million):**



Δ Q3/22 - Q3/23

Results	+278 Interest		(43) Special Items		
Q3/2023	121	157	(5)	(38)	235
P&C	40	-	-	-	40
Health	-	157	(5)	14	166
Life	81	-	-	(13)	68
Other Equity Returns	-	-	-	(6)	(6)
Pension and provident	-	-	-	(20)	(20)
Financial Services	-	-	-	(6)	(6)
Credit	-	-	-	(7)	(7)
Q3/2022	229	40	15	(61)	223
P&C	136	-	-	-	136
Health	-	40	15	(5)	50
Life	93	-	-	(45)	48
Financial Services	-	-	-	(6)	(6)
Other	-	-	-	(5)	(5)

5.4.8. **Set forth below are data regarding the Company's return on equity:**

	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Return on shareholders' equity for the period (based on comprehensive income for the period)(*)	6.9%	8.4%	8.9%	2.6%	11.4%
Normalized return on shareholders' equity for the period (based on comprehensive income for the period) (**)	12.6%	12.2%	12.7%	11.4%	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.

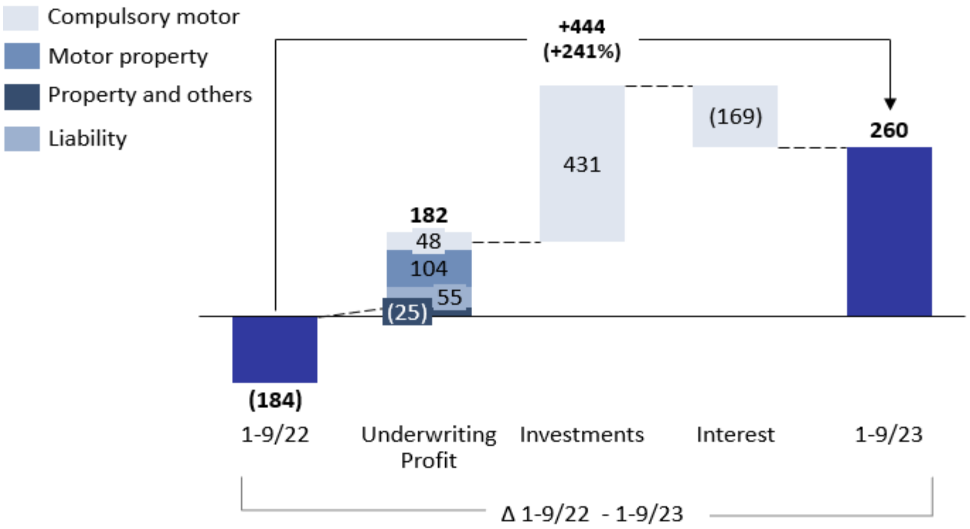
(**) Normalized return on equity is calculated based on the comprehensive income for the period attributable to Company's shareholders, net of the effect of the capital market and special items (see Section 5.4.1 above), adjusted to reflect a one-year period and divided by the average normalized equity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

Set forth below is a composition of the main effects and changes on the results of the property and casualty insurance subsegment for the reporting period compared to the corresponding period last year (in NIS million, before tax):



Results

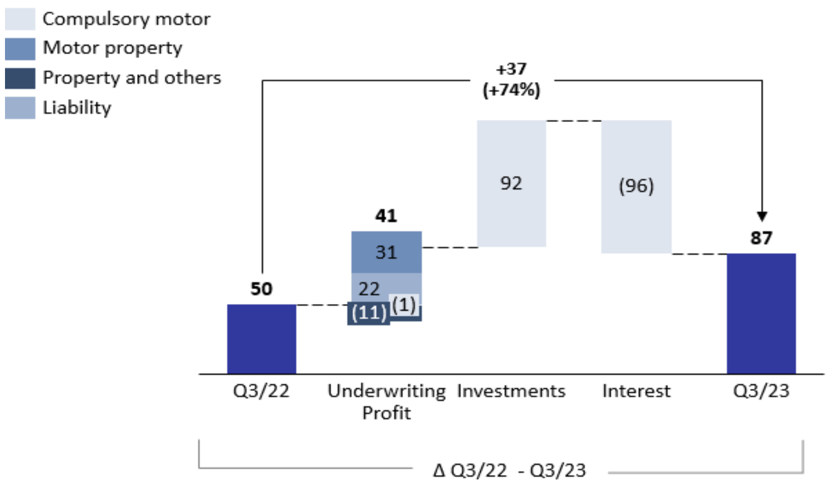
1-9/2023	***301***	***(76)***	***35***	***260***
1-9/2022	*119*	*(507)*	*204*	*(184)*

The NIS 182 million increase in underwriting income 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 subsegments, offset against a decrease in profitability in other property subsegments.

The NIS 431 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 169 million decrease in interest income in the Reporting Period compared with the corresponding period last year stems from mainly from the classification of approx. NIS 176 million in excess value of illiquid assets from the health insurance segment to the P&C insurance subsegment, compared with a decrease in insurance liabilities in the compulsory motor and liability insurance subsegments as a result of changes in the discount rate in the Reporting Period.

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



Results

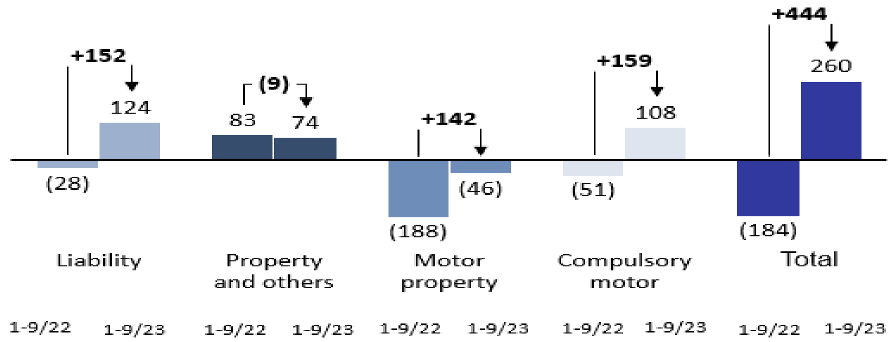
Q3-23	***83***	***(36)***	***40***	***87***
Q3-22	*42*	*(128)*	*136*	*50*

The NIS 41 million increase in underwriting income in the third quarter of the reporting period compared with the corresponding quarter last year stems mainly from the motor property insurance and liability insurance subsegment - offset against a decrease in profitability in other property subsegments.

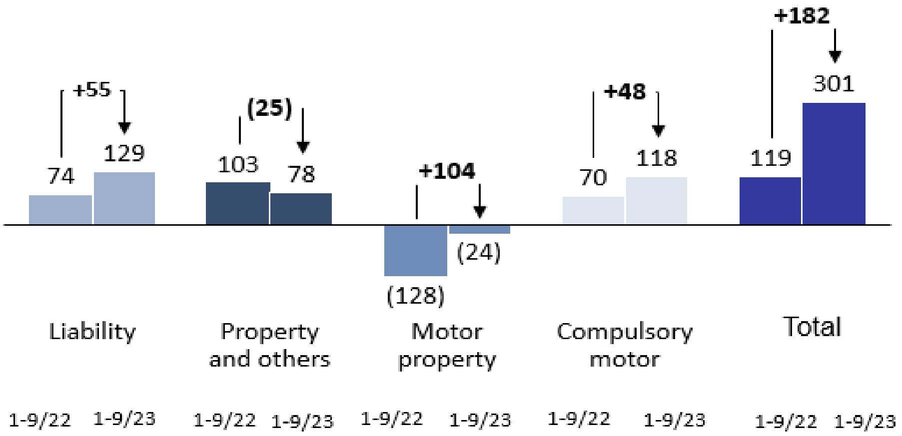
The NIS 92 million decrease in loss in the investment income line item in the third quarter of the reporting period compared with the corresponding quarter last year stemmed from a lower negative effect in financial markets in Israel and globally during the reporting period, compared with the corresponding period last year, in relation to the mix of the portfolio against the segment’s liabilities.

The NIS 96 million decrease in interest income in the third quarter of the Reporting Period compared with the corresponding quarter last year stems mainly from reclassification of excess value of illiquid assets from the health insurance segment to the P&C insurance subsegment in the corresponding quarter last year totaling approx. NIS 96 million.

5.5.1.1. **Set forth below is the pre-tax comprehensive income in the various subsegments of property and casualty insurance (P&C) for the reporting period compared with the corresponding period last year (in NIS million):**

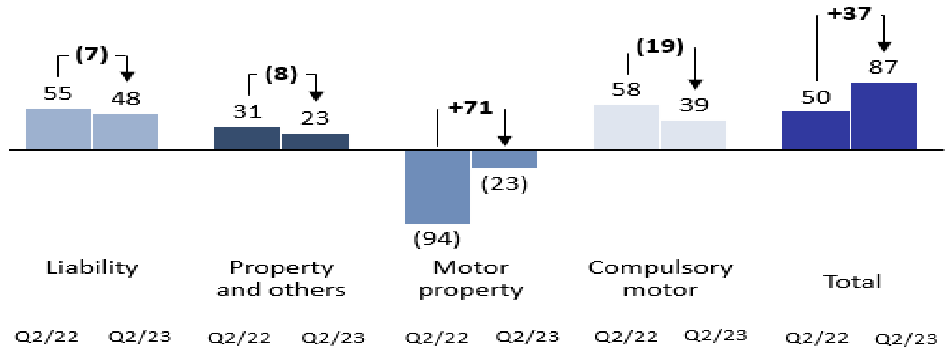


Set forth below is the pre-tax underwriting income in the various subsegments of property and casualty insurance (P&C) for the reporting period compared with the corresponding period last year (in NIS million):

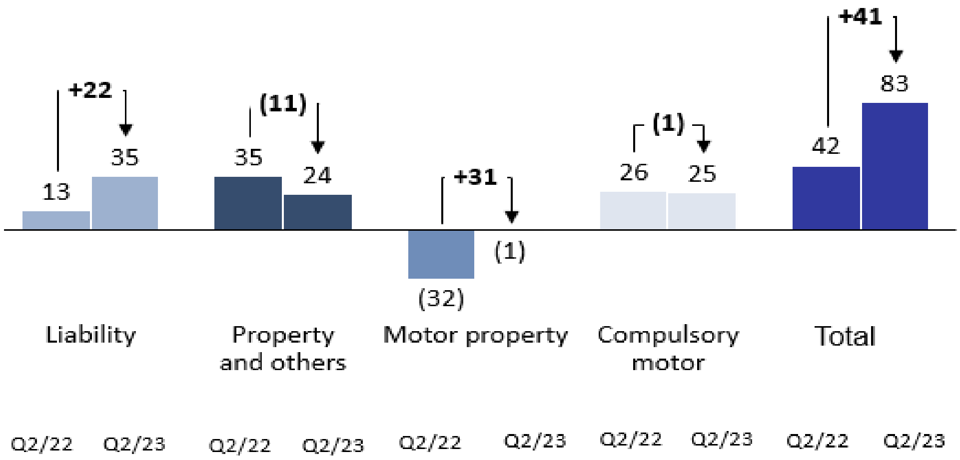


The increase in underwriting income in the reporting period compared with the corresponding period last year arises mainly from a decrease in loss in the motor property subsegment, mainly as a result of an increase in the average premium and an improvement in the LR rate, and from the liability insurance subsegment as a result of a approx. NIS 40 million decrease in insurance liabilities in the Sales Law guarantees subsegment in the first quarter of the reporting period; for more information, see Note 8A(4) to the financial statements. The increase in income in the compulsory motor subsegment stems mainly from an increase in average premium and a decrease in liabilities with respect to previous years. 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 pre-tax comprehensive income in the various subsegments of property and casualty insurance for the third quarter of 2023 and their comparison with the corresponding quarter last year (in NIS million):**



5.5.1.3. **Set forth below is the pre-tax underwriting income in the various subsegments of property and casualty insurance for the third quarter of 2023 and their comparison with the corresponding quarter last year (in NIS million):**



The increase in underwriting income in the third quarter of the reporting period compared with the corresponding quarter last year arises mainly from a decrease in loss in the motor property subsegment as a result of an increase in the average premium and an improvement in the LR rate, and from the liability insurance subsegment, mainly as a result of a positive development in claims in respect of previous years in the third party liability subsegment.

The increase in profitability was partially offset against a decrease in profitability of other property insurance subsegments, mainly as a result of an increase in the cost of claims in business insurance.

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

	Motor property (*)				
	In NIS million				
	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Gross loss ratio	85.4%	90.5%	84.2%	98.5%	91.0%
Retention loss ratio	85.4%	90.5%	84.2%	98.5%	91.1%
Gross combined ratio	107.0%	116.3%	106.9%	126.3%	116.6%
Retention combined ratio	107.0%	116.3%	106.9%	126.3%	116.6%

	Property and other subsegments				
	In NIS million				
	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Gross loss ratio	58.0%	30.3%	47.7%	20.8%	31.4%
Retention loss ratio	36.1%	19.2%	34.3%	14.3%	22.5%
Gross combined ratio	85.2%	57.5%	76.2%	48.3%	58.9%
Retention combined ratio	70.5%	51.6%	73.9%	51.1%	53.3%

(*) Includes UGL (excess value of illiquid assets); for more information, see Section 5.5.1 above.

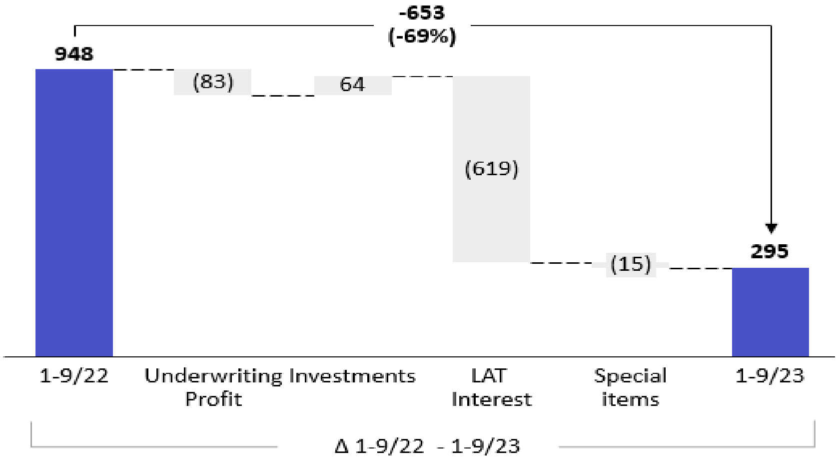
5.5.2. Health insurance

Investment income 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.

The collective long-term care insurance agreement for members of Maccabi Healthcare Services expires on December 31, 2023. Therefore, The Phoenix Insurance informed Maccabi ahead of time of the non-renewal of the agreement and the transition to a mutual long-term care insurance in accordance with the terms of the agreement and the policy. For further details, please see Section 1.3.4 above.

According to the Capital Markets Authority's health insurance reform, which came into force on October 1, 2023, and the provisions of the Economic Arrangements Law for 2023 - 2024, The Phoenix Insurance took action to implement those provisions, and, among other things, priced the new health insurance products and applied for a marketing permit from the Capital Markets Authority. As of the report publication date, The Phoenix Insurance has not yet received a marketing permit for most of the products.

Set forth below is the composition of the main effects and changes on the results of the health insurance subsegment for the reporting period compared to the corresponding period last year (in NIS million):



Results

1-9/2023	***144***	***10***	***76***	***65***	***295***
1-9/2022	*227*	*(54)*	*695*	*80*	*948*

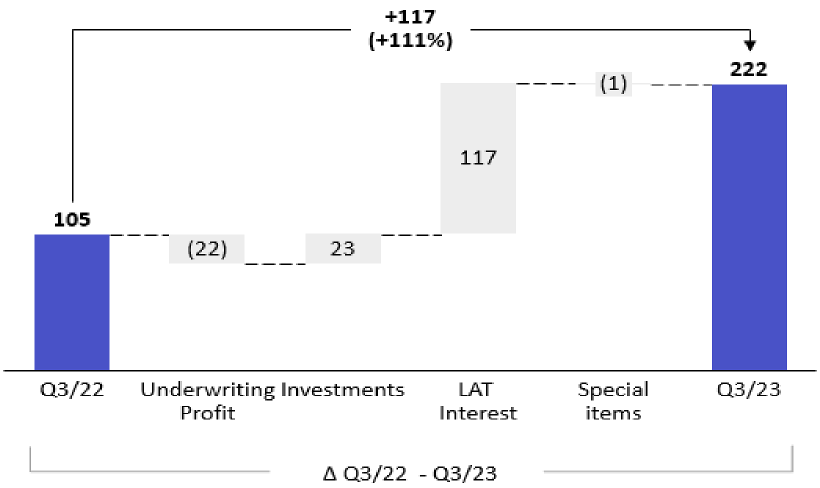
The decrease in underwriting income in the reporting period compared to the corresponding period last year in the amount of approx. NIS 83 million is mainly due to a decrease in income from long-term care insurance policies.

The approx. NIS 64 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 619 million decrease in interest income in the reporting period compared with the corresponding period last year stems mainly from an increase in insurance liabilities as a result of the decrease in the illiquidity premium in the reporting period compared to the decrease in insurance liability as a result of the effect of the increase in the discount rate in the corresponding period last year, and the change in excess value of illiquid assets, which was recognized in the LAT reserve.

In addition, the results in the reporting period compared with the corresponding period last year were affected from a approx. NIS 15 million decrease in earnings in the Special Items line item. In the reporting period, the Company recognized a one-off capital gain of approx. NIS 113 million from assuming control in the FNX Private partnerships; this gain was partially offset against changes in assumptions, model revisions, and others. In the corresponding period last year, the Company recorded a one-off earning of approx. NIS 99 million as a result of the transfer of the Company's rights in Phoeniclass Ltd. to The Phoenix Insurance; this one-off earning was recognized in the LAT reserve as part of the excess value of illiquid assets.

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



Results

Q3-23	***49***	***7***	***157***	***9***	***222***
Q3-22	*71*	*(16)*	*40*	*10*	*105*

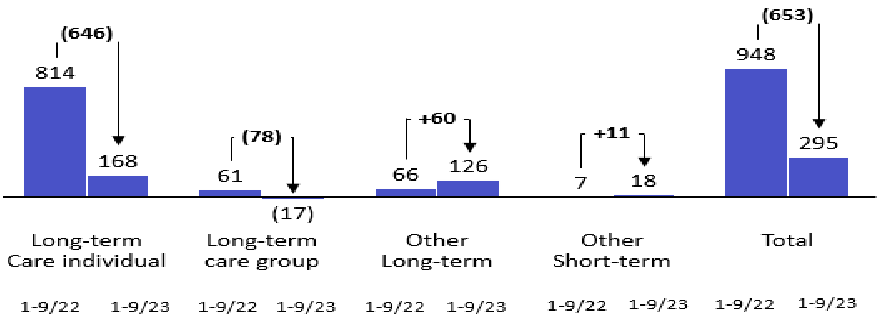
The NIS 22 million decrease in underwriting income in the third quarter of the reporting period, compared to the corresponding quarter last year, is mainly due to a decrease in income from long-term health insurance policies, which was partially offset against an increase in travel insurance policies.

The NIS 23 million increase in investment income in the third quarter of the reporting period compared with the corresponding quarter last year stemmed mainly from 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.

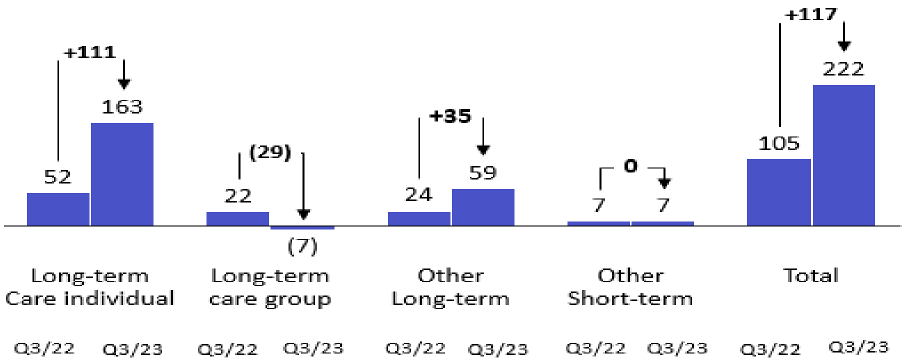
The NIS 117 million increase in interest income in the third quarter of the reporting period compared to the corresponding quarter last year stems mainly from the decrease in insurance liabilities as a result of the increase in the risk-free interest rate in the third quarter of the reporting period by a higher amount than the corresponding quarter last year.

As of September 30, 2023, the LAT reserve balance amounts to approx. NIS 213 million.

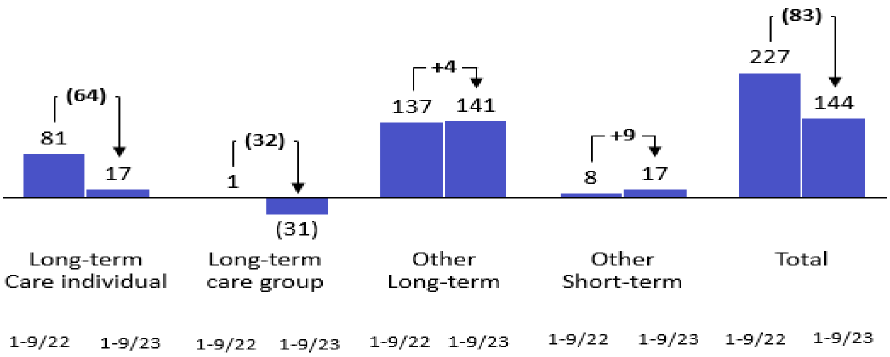
5.5.2.1. **Set forth below is the (pre-tax) comprehensive income (loss) in the various subsegments of health insurance for the reporting period compared with the corresponding period last year (in NIS million):**



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

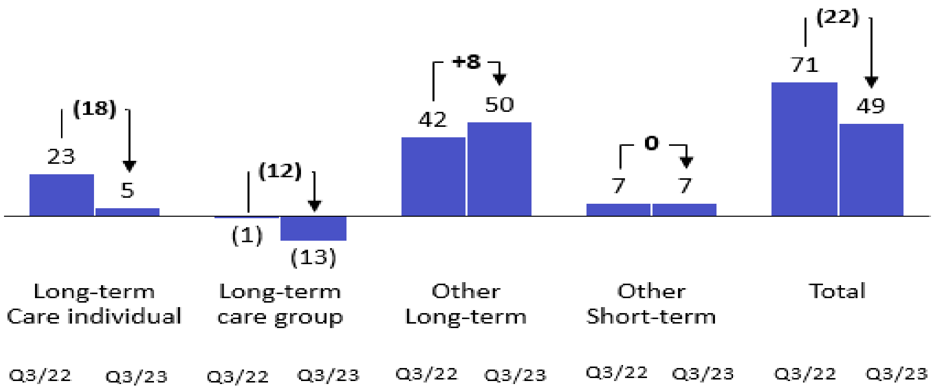


5.5.2.3. **Set forth below is the pre-tax underwriting income (loss) in the various subsegments of health insurance for the reporting period compared with the corresponding period last year (in NIS million):**



The decrease in underwriting income in the reporting period compared to the corresponding period last year in the amount of approx. NIS 83 million is mainly due to an increase in incidence of claims and a change in LAT reserve for LTC policies compared with last year.

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

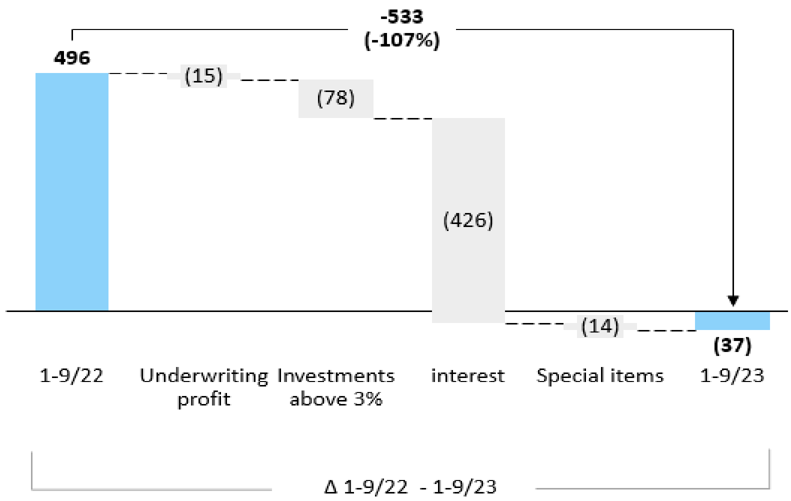


The decrease in underwriting income in the second quarter of the reporting period, compared to the corresponding quarter last year, in the amount of approx. NIS 22 million is mainly due to an increase in incidence of claims and change in LAT reserve.

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.

Set forth below is the composition of the main effects and changes on the results of the life insurance subsegment for the reporting period compared to the corresponding period last year (in NIS million):



Results

1-9/2023	***167***	***(293)***	***64***	***25***	***(37)***
1-9/2022	*182*	*(215)*	*490*	*39*	*496*

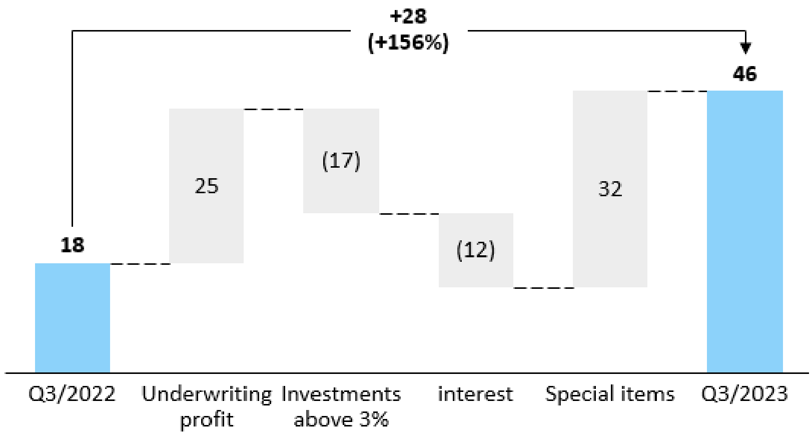
The results in the reporting period were affected mainly by a decrease of approx. NIS 426 million in income as a result of the change in the risk-free interest rate curve and illiquidity premium during the reporting period compared with the corresponding period last year. In addition, the results in the reporting period compared with the corresponding period last year were affected by a decrease of approx. NIS 15 million in underwriting income, which stemmed mainly from an increase in general and administrative expenses compared to last year - which was offset by an improvement in the profitability of life insurance products compared with last year.

Furthermore, in the reporting period, the results were affected - compared with the corresponding period last year - by a decrease of approx. NIS 78 million in investment income in excess of a real return of 3%, which mainly arose from lower income on nostro investments. As of September 30, 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 552 million, before tax (as of the report publication date - approx. NIS 590 million before tax).

The NIS 14 decrease in income from special items stems from a NIS 25 million income in the reporting period, mainly as a result of the effects of the study regarding long-term health insurance, which was partially offset by model revisions and provisions for class actions, compared with income of approx. NIS 39 million in the corresponding period last year as a result of the effects of a study on retirement age and pension uptake rates, which was partially offset by the implementation of a circular regarding the revision to mortality assumptions, model revisions and provisions for class actions.

For more information regarding sensitivity to interest and CPI risks, see Note 8B to the financial statements.

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



Δ Q3/22 - Q3/23

<u>Results</u>

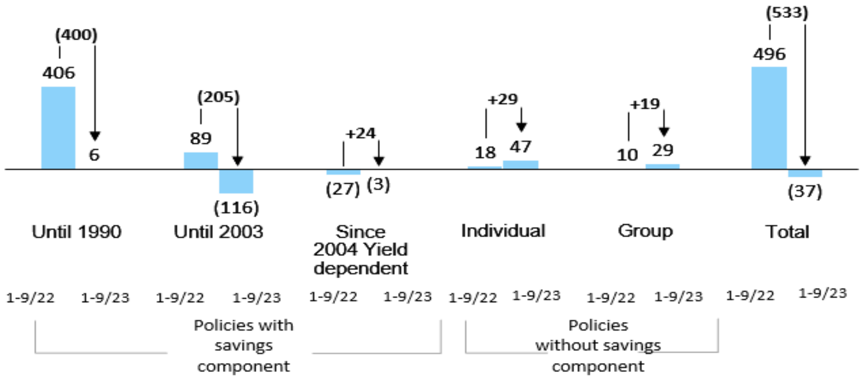
Q3-23	**101**	**(123)**	**81**	**(13)**	**46**
Q3-22	76	(106)	93	(45)	18

The results in the third quarter of the reporting period compared with the corresponding quarter last year were affected by an increase of approx. NIS 25 million in underwriting income, which stemmed mainly from an increase in the profitability of life insurance products, which was partially offset by an increase in general and administrative expenses.

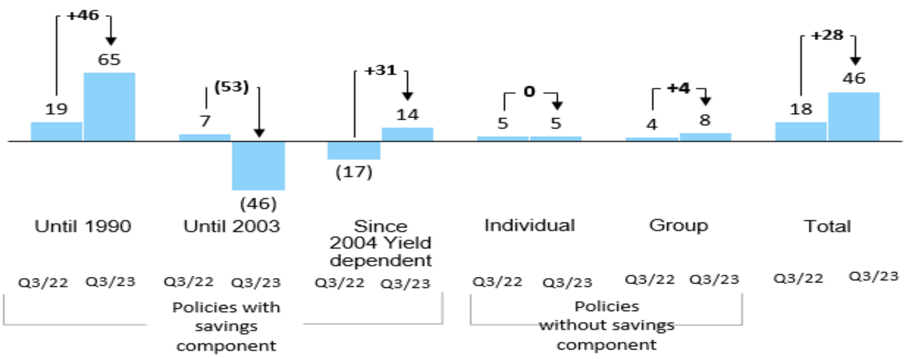
Furthermore, in the third quarter of the reporting period, the results were affected - compared with the corresponding quarter last year - by av decrease of approx. NIS 17 million in investment income in excess of a real return of 3%, which mainly arose from lower income on nostro investments in the corresponding period last year. As of September 30, 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 552 million, before tax (as of the report publication date - approx. NIS 590 million before tax).

The NIS 32 million increase in income in the special items line item in the third quarter of the reporting period compared with the corresponding quarter last year stems mainly from a lower revision of mortality assumptions, model revisions, and provisions for class actions compared with last year.

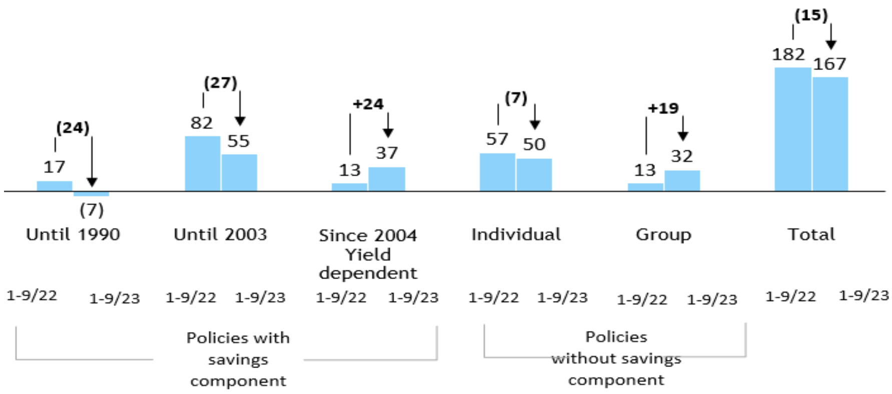
5.5.3.2. **Set forth below is the results of the (pre-tax) comprehensive income (loss) in the various subsegments of life insurance for the reporting period compared with the corresponding period last year (in NIS million):**



5.5.3.3. **Set forth below is the pre-tax comprehensive income (loss) in the various subsegments of life insurance in the third quarter of the reporting period compared with the corresponding quarter last year (in NIS million):**

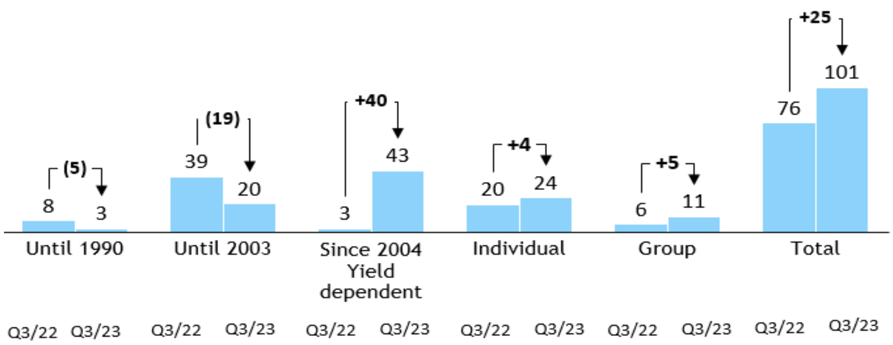


5.5.3.4. **<u>Set forth below is the pre-tax underwriting income (loss) in the various subsegments of life insurance for the reporting period compared with the corresponding period last year (in NIS million):</u>**



The NIS 15 million decrease in underwriting income in the reporting period, compared with the corresponding period last year is attributed mainly to the decrease in underwriting income in policies issued through 1990, as a result of a decrease in the financial margin, and the effect of the expenses, and in policies issued through 2003 - as a result of the decline in the financial margin; this decrease was partially offset by an increase in profit from policies issued as from 2004, as a result of an improvement in expenses and an increase in management fees and an improvement in collective life insurance policies as a result of a decline in the incidence of claims.

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



The NIS 25 million increase in underwriting income in the third quarter, compared with the corresponding quarter last year is attributed mainly to an increase in underwriting income in policies issued as from 2004, as a result of an increase in management fees and a decrease in expenses - which was partially offset against policies issued through 2003 as a result of the decline in the financial margin.

5.5.3.5. The rate of redemptions out of the average reserve (in annual terms) was approx. 6.4% compared with 5.0% 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. For information about the effects of the Iron Swords War subsequent to the report date, see Section 1.3.2.

5.5.3.6. 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:

	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
	In NIS million				
Investment income (losses) credited to policyholders net of management fees	5,215	(7,108)	1,097	(1,666)	(6,325)
Management fees	454	453	158	153	591

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

5.5.3.7. **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)				
	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Nominal returns before payment of management fees	5.65%	(7.06%)	1.38%	(1.60%)	(5.69%)
Nominal returns after payment of management fees	5.21%	(7.50%)	1.22%	(1.75%)	(6.29%)
Real returns before payment of management fees	2.32%	(10.98%)	0.61%	(2.80%)	(10.42%)
Real returns after payment of management fees	1.90%	(11.40%)	0.45%	(2.95%)	(10.99%)

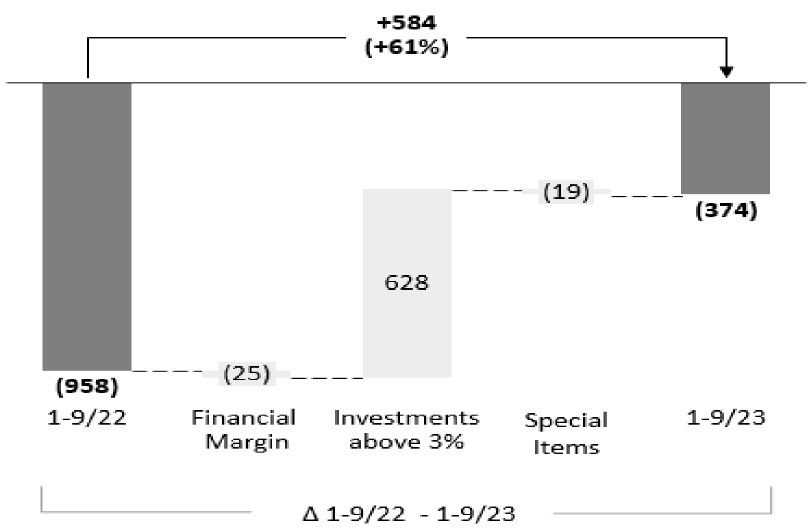
Fluctuations in these returns are a function of capital market returns in Israel and abroad, changes in the consumer price index, and changes in the exchange rate of the shekel against major currencies.

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

	Policies issued from 2004 and thereafter				
	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Nominal returns before payment of management fees	5.72%	(8.24%)	1.11%	(1.75%)	(6.64%)
Nominal returns after payment of management fees	5.02%	(8.90%)	0.87%	(1.98%)	(7.49%)
Real returns before payment of management fees	2.39%	(12.11%)	0.34%	(2.95%)	(11.32%)
Real returns after payment of management fees	1.71%	(12.74%)	0.10%	(3.17%)	(12.13%)

5.5.4. Capital gains - other

Set forth below is the composition of the main effects and changes in respect of other capital gains for the reporting period compared to the corresponding period last year (in NIS million):

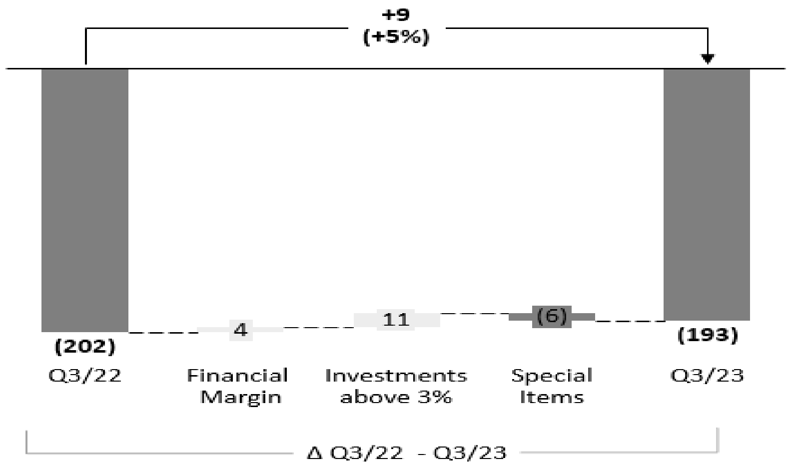


Results

1-9/2023	***299***	***(654)***	***(19)***	***(374)***
1-9/2022	*324*	*(1,282)*	*-*	*(958)*

The NIS 584 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.

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



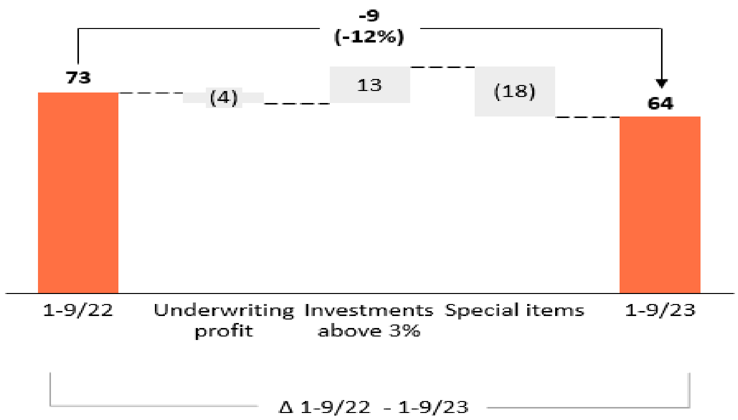
Results				
Q3-23	***95***	***(282)***	***(6)***	***(193)***
Q3-22	*91*	*(293)*	*-*	*(202)*

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 investment management - pension and provident subsegment for the reporting period compared to the corresponding period last year (in NIS million):</u>



Results				
1-9/2023	***72***	***(4)***	***(4)***	***64***
1-9/2022	*76*	*(17)*	*14*	*73*

<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 third quarter of 2023 compared to the corresponding quarter last year (in NIS million):</u>

Results

Q3-23	***28***	***(4)***	***(20)***	***4***
Q3-22	*21*	*(7)*	*-*	*14*

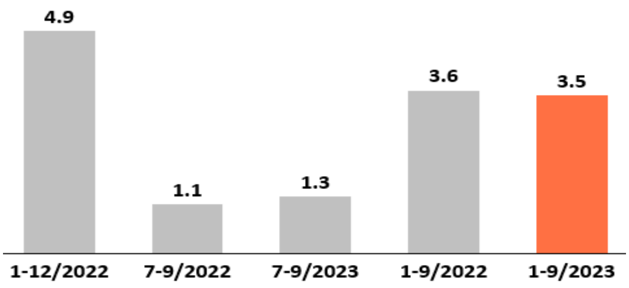
5.6.1.1. Provident funds subsegment

The Group manages provident funds 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.

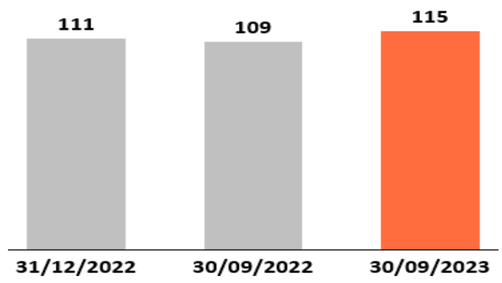
The pre-tax comprehensive income in the reporting period amounted to approx. NIS 53 million compared to approx. NIS 66 million during the corresponding period last year. The pre-tax comprehensive loss in the third quarter in the reporting period amounted to approx. NIS 1 million compared to approx. NIS 11 million income in the corresponding quarter last year; most of the decrease in income compared with last year stems from an increase in provision for a class action.

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

<u>Contributions towards benefits (NIS billion)</u>



<u>Assets under management (NIS billion)</u>



Based on Ministry of Finance data,[5] aggregate contributions towards benefits in the provident funds subsegment in the first three quarters of 2023 totaled approx. NIS 36.3 billion, compared to a total of approx. NIS 38.6 billion in the corresponding period last year, reflecting a decrease of approx. 6.4%. According to the Ministry of Finance data, as of September 30, 2023, total assets under management in the provident funds subsegment amounted to approx. NIS 695 billion, compared to approx. NIS 636 billion as of September 30, 2022, an increase of approx. 9.45%.

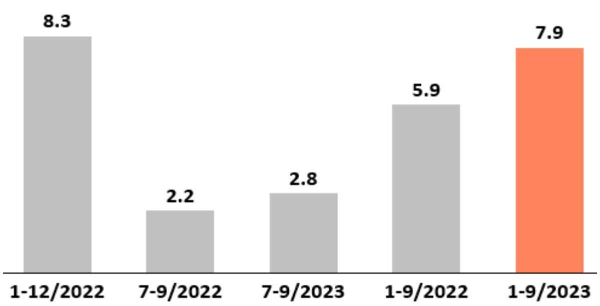
5.6.1.2. Pension funds subsegment

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

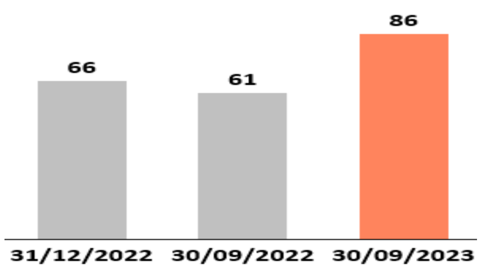
The pre-tax income in the reporting period amounted to approx. NIS 11 million compared with pre-tax income of approx. NIS 7 million in the corresponding period last year. the pre-tax comprehensive income in the third quarter in the reporting period amounted to approx. NIS 5 million compared to approx. NIS 3 million during the corresponding quarter 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,6 aggregate contributions towards benefits in the new comprehensive pension funds subsegment in the first three quarters of 2023 totaled approx. NIS 49.7 billion, compared to a total of approx. NIS 42.9 billion in the corresponding period last year, reflecting an increase of approx. 15.8%.

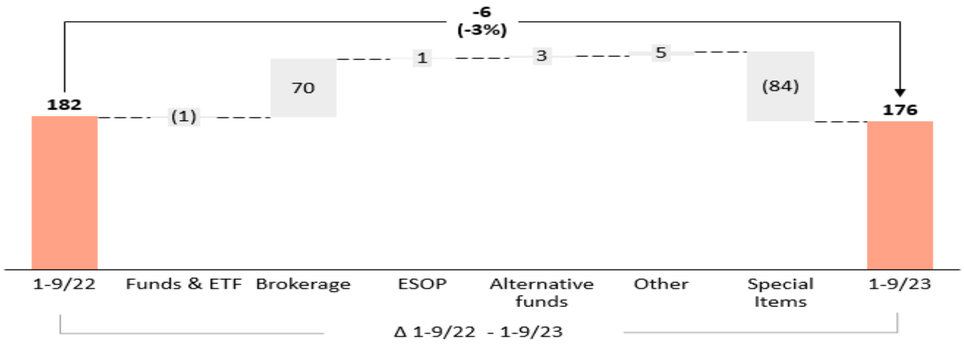
According to Ministry of Finance data, as of September 30, 2023, total assets under management in the new comprehensive pension funds subsegment amounted to a total of approx. NIS 695 billion, compared to approx. NIS 580 billion on September 30, 2022, an increase of approx. 20.0%.

[5] Based on Gemel Net data.
[6] Based on Pension Net data.

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.

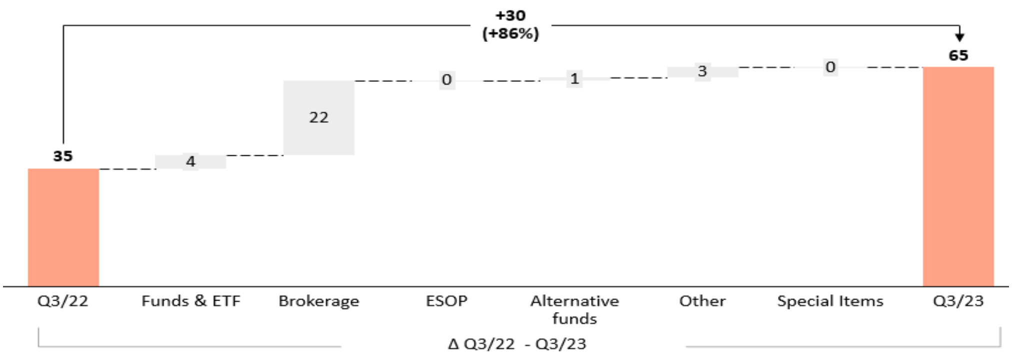
Set forth below is the composition of the main effects and changes on the results of the financial services subsegment for the reporting period compared to the corresponding period last year (in NIS million):



Results							
1-9/2023	**40**	**120**	**13**	**10**	**8**	**(15)**	**176**
1-9/2022	41	50	12	7	3	69	182

The NIS 6 million decrease in profits in the reporting period compared with the corresponding period last year arises mainly from an improvement of approx. NIS 70 million in the profitability of the TASE Member, which was partially offset against a decrease in income of approx. NIS 84 million, mainly as a result of the recognition of a one-off capital gain from assuming control in The Phoenix Capital in the corresponding period last year.

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

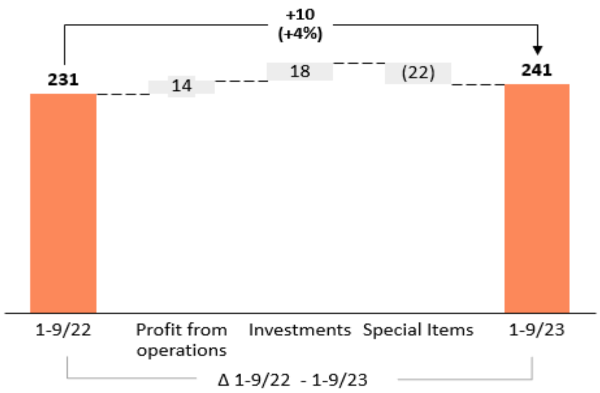


Results							
Q3-23	**15**	**42**	**5**	**6**	**3**	**(6)**	**65**
Q3-22	11	20	5	5	-	(6)	35

The NIS 30 million increase in income in the third quarter of the reporting period compared with the corresponding quarter last year arises mainly from an improvement of approx. NIS 22 million in the operating income of the TASE Member.

5.6.3. The insurance agencies segment

Set forth below is the composition of the main effects and changes on the results of the insurance agencies subsegment for the reporting period compared to the corresponding period last year (in NIS million):



Results

1-9/2023	***221***	***20***	***-***	***241***
1-9/2022	*207*	*2*	*22*	*231*

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

Results

Q3-23	***79***	***7***	***-***	***86***
Q3-22	*65*	*(1)*	*-*	*64*

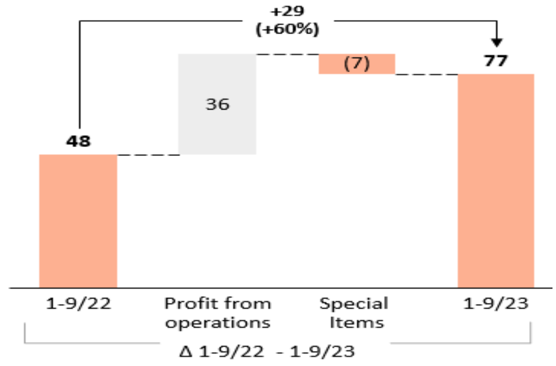
In the reporting period, hiring of new employees in Israel was down, which led to a decrease in income from fees and commissions. On the other hand, pre-tax operating income before interest, depreciation and amortization (EBITDA) increased to a total of NIS 259 million in the reporting period, compared with NIS 235 million in the corresponding period last year.

As to the option of introducing an international partner to The Phoenix Agencies, see Section 1.3.11(b) above.

5.6.4. The Credit Segment

In August 2023, The Phoenix Investments executed a full tender offer in respect of Gama's shares; after the acquisition of all the offerees' shares, Gama became a privately-held company (reporting corporation), which is wholly-owned by The Phoenix Investments; for more information, see Section 1.3.10 above.

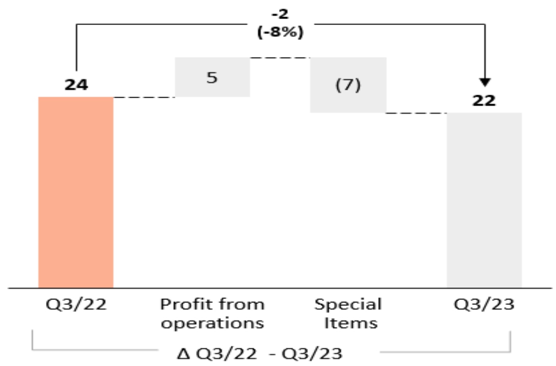
<u>Set forth below is the composition of the main effects and changes on the results of the credit segment subsegment for the reporting period compared to the corresponding period last year (in NIS million):</u>



Results

1-9/2023	***84***	***(7)***	***77***
1-9/2022	*48*	-	*48*

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



Results

Q3-23	***29***	***(7)***	***22***
Q3-22	*24*	-	*24*

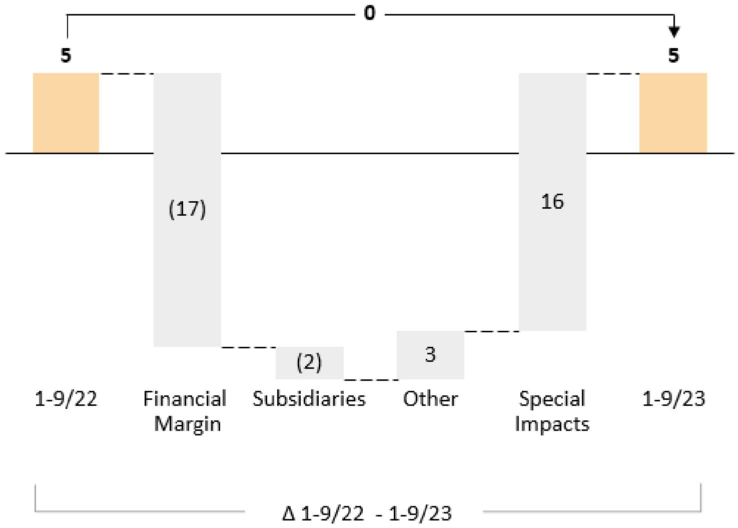
The increase in operating income in the reporting period compared with the corresponding period last year stems mainly from an increase in activity turnovers and an increase in credit spreads in the reporting period compared with the corresponding period last year.

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 reflects a significant increase in credit risk in the Israeli economy, Gama reduced its checks factoring activity.

Gama's credit loss expenses in the reporting period amounted to NIS 12.7 million, of which NIS 7.2 million is recorded 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

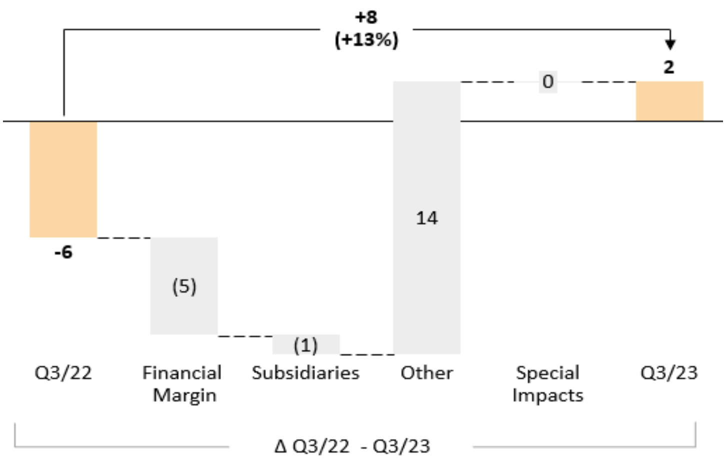
<u>Set forth below is the composition of the main effects and changes on the results of "other" segment and activity that is not attributed to operating segments in the reporting period compared to the corresponding period last year (in NIS million, before tax):</u>



<u>Results</u>

1-9/2023	**11**	**(2)**	**(20)**	**16**	**5**
1-9/2022	28	-	(23)	-	5

<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 third quarter of 2023 compared to the corresponding quarter last year (in NIS million before tax):</u>



Results

Q3-23	***3***	***(1)***	***-***	***-***	***2***
Q3-22	*8*	-	*(14)*	-	*(6)*

The results in the reporting period and in the third quarter compared with the corresponding periods last year were mainly affected by a decrease of approx. NIS 12 million and a decrease of approx. NIS 5 million, respectively, in the financial margin, and from a one-off capital gain of approx. NIS 16 million as a result of buyback of bonds in the reporting period.

5.7. Analysis of cash flow development

5.7.1. The cash flow for the first three quarters of 2023

The consolidated cash flows from operating activities in the reporting period amounted to approx. NIS 2,339 million. The consolidated cash flows used for investing activities in the reporting period amounted to approx. NIS 1,186 million and included mainly a total of approx. NIS 505 million used to purchase intangible assets and to capitalize costs of intangible assets, approx. NIS 350 million used to acquire the non-controlling interests in a consolidated company, and a total of approx. NIS 253 million used to purchase property, plant, and equipment.

The consolidated cash flows provided by financing activities in the reporting period amounted to approx. NIS 606 million; the cash flows included, among other things, a total of approx. NIS 1,321 million arising from a REPO liability, a total of approx. NIS 769 million used to repay financial liabilities, and a total of approx. NIS 297 million used for distributing a dividend to the shareholders.

The Group's cash and cash-equivalent balances increased from a total of approx. NIS 19,798 million at the beginning of the reporting period to approx. NIS 21,558 million at the end of the reporting period.

5.7.2. **Sources of financing and liquidity**

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 as a source of liquidity, and classifies this holding as a financial investment (for more details, see Section 1.3.6 above).

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 (for more information, see Section 1.3.7 above).

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 - for information about restructuring and dividend, see Section 1.3.11.

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 1.3.11 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): TBU

	As of September 30 2023	As of September 30 2022	As of December 31 2022
	NIS thousand		
Financial assets			
Cash and cash equivalents	209	76	160
Other financial investments	1,116	1,143	1,158
Total assets	1,325	1,219	1,319
Less current maturities			
Financial liabilities - current (*)	37	19	35
Current financial assets net of current maturities	**1,288**	**1,200**	**1,284**
Non-current financial liabilities			
Non-current financial liabilities	1,514	1,488	1,496
Other liabilities	-	5	10
Total liabilities	1,514	1,493	1,506
Net financial debt	**(226)**	**(293)**	**(222)**
LTV (**)	**2%**	**3%**	**2%**

(*) The other financial investments include an investment in a Restricted Tier 1 capital instrument of The Phoenix Insurance, which has been listed on the main list since April 2023, amounting to NIS 1,034 million (fair value as of September 30, 2023 - approx. NIS 1,034 million). Stock exchange value as of November 26, 2023 is approx. NIS 1,220 million.

(**) The Company LTV is calculated as net financial debt as described above, in relation to the Company’s market value as of September 30, 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 management thereof compared to that described in the report of the second quarter of 2023.

Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of September 30, 2023

	NIS								
	Non-linked	**CPI-linked**	**Foreign currency**	**Other non-monetary items**	**pension companies in**	**Credit company in Israel**	**ETNs - linkage to various indices**	**Israeli insurance company**	**Total**
Intangible Assets	-	-	-	2,036,275	473,533	11,725	-	1,026,837	3,548,370
Deferred tax assets	-	-	-	91,576	712	9,890	-	11,192	113,370
Deferred acquisition costs	-	-	-	-	1,103,374	-	-	1,619,292	2,722,666
Property, plant & equipment	-	-	-	145,414	1,902	20,528	-	1,158,406	1,326,250
Investments in investees	23,936	20,330	-	144,027	-	-	-	1,498,750	1,687,043
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	-	2,233,796	2,233,796
Investment property - other	-	-	-	-	-	-	-	1,206,719	1,206,719
Reinsurance assets	-	-	-	-	-	-	-	3,575,463	3,575,463
Credit for purchase of securities	650,000	-	110,000	-	-	-	-	-	760,000
Current tax assets	-	26,855	-	-	-	7	-	235,124	261,986
Receivables and debit balances	270,563	-	4,419	-	60,242	6,591	-	517,877	859,692
Premiums collectible	-	-	-	-	-	-	-	1,063,398	1,063,398
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	-	81,748,485	81,748,485
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds	-	-	-	-	-	-	180,000	-	180,000
Credit in respect of factoring, clearing and financing	-	-	-	-	-	3,485,801	-	-	3,485,801
Liquid debt assets	7,560	5,797	163	-	169,204	-	-	5,749,401	5,932,125
Illiquid debt assets	212,397	466,945	31,000	-	931,902	12,008	-	14,821,493	16,475,745
Shares	-	-	-	137,244	16,047	-	-	2,126,899	2,280,190
Other	-	-	30,431	24,999	47,726	-	-	5,765,473	5,868,629
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	-	19,093,748	19,093,748
Other cash and cash equivalents	413,791	-	30,000	-	72,146	7,937	-	1,939,997	2,463,871
					-	-			
Total assets	**1,578,247**	**519,927**	**206,013**	**2,579,535**	**2,876,788**	**3,554,487**	**180,000**	**145,392,350**	**156,887,347**
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	-	-	-	-	1,055,848	-	-	24,502,350	25,558,198
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	-	101,246,899	101,246,899
Liabilities in respect of deferred taxes	-	-	-	34,983	85,944	-	-	470,641	591,568
Liability for employee benefits, net	22,422	-	-	-	-	13,516	-	37,993	73,931
Liability in respect of current taxes	-	63,334	-	-	3,271	12,250	-	11,301	90,156
Payables and credit balances	316,278	-	-	-	121,557	68,796	-	3,028,202	3,534,833
Liabilities for bonds, ETNs, short ETNs, composite ETNs and structured bonds	-	-	-	-	-	-	176,000	-	176,000
Payable dividend	-	-	-	-	-	-	-	-	-
Financial liabilities (*)	1,861,072	(*) 915,860	122,000	-	2,775	2,953,456	-	(*) 9,449,421	15,304,584
Total liabilities	**2,199,772**	**979,194**	**122,000**	**34,983**	**1,269,395**	**3,048,018**	**176,000**	**138,746,807**	**146,576,169**
Total exposure	**(621,525)**	**(459,267)**	**84,013**	**2,544,552**	**1,607,393**	**506,469**	**4,000**	**6,645,543**	**10,311,178**
Bond L of The Phoenix Insurance		**1,034,186**						**(1,034,186)**	
Total exposure including Bond L of The Phoenix Insurance	**(621,525)**	**574,919**	**84,013**	**2,544,552**	**1,607,393**	**506,469**	**4,000**	**5,611,357**	**10,311,178**

(*) 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 September 30, 2022

	NIS								
	Non-linked	CPI-linked	Foreign currency	Other non-monetary items	Provident and pension companies in Israel	Credit companies in Israel	ETNs - linkage to various indices	Israeli insurance company	Total
Intangible Assets	-	-	-	1,696,519	441,949	6,911	-	781,815	2,927,194
Deferred tax assets	-	-	-	60,171	436	6,867	-	-	67,474
Deferred acquisition costs	-	-	-	3,524	832,322	-	-	1,615,103	2,450,949
Property, plant & equipment	-	-	-	178,851	4,507	8,217	-	782,994	974,569
Investments in investees	21,573	18,273	-	143,344	-	59	-	1,379,080	1,562,329
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	-	1,926,633	1,926,633
Investment property - other	-	-	-	-	-	-	-	1,050,214	1,050,214
Reinsurance assets	-	-	-	-	-	-	-	3,233,752	3,233,752
Credit for purchase of securities	735,050	-	158,950	-	-	-	-	-	894,000
Current tax assets	-	33,181	-	-	-	1,669	-	22,506	57,356
Receivables and debit balances	184,387	-	5,588	-	29,582	15,495	-	405,586	640,638
Premiums collectible	-	-	-	-	-	-	-	896,437	896,437
Held-for-sale assets of disposal group	-	-	-	-	-	-	-	-	-
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	-	77,698,735	77,698,735
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds	-	-	-	-	-	-	200,000	-	200,000
Credit in respect of factoring, clearing and financing	-	-	-	-	-	3,356,631	-	-	3,356,631
Liquid debt assets	8,775	12,064	651	-	103,056	-	-	6,043,984	6,168,530
Illiquid debt assets	1,877,020	422,176	20,000	-	889,755	10,706	-	14,523,705	17,743,362
Shares	-	-	-	526,094	24,746	-	-	2,116,308	2,667,148
Other	1,000	-	18,550	51,833	53,427	-	-	4,766,051	4,890,861
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	-	15,931,737	15,931,737
Other cash and cash equivalents	285,958	-	32,295	-	105,789	22,010	-	1,897,182	2,343,234
Total assets	**3,113,763**	**485,694**	**236,034**	**2,660,336**	**2,485,569**	**3,428,565**	**200,000**	**135,071,822**	**147,681,783**
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	-	-	-	-	999,187	-	-	23,359,651	24,358,838
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	-	93,789,515	93,789,515
Liabilities in respect of deferred taxes	-	-	-	53,068	73,219	-	-	306,598	432,885
Liability for employee benefits, net	19,182	-	-	-	504	4,316	-	44,127	68,129
Liability in respect of current taxes	-	21,080	-	-	14,346	2,841	-	-	38,267
Payables and credit balances	332,178	-	739	-	372,027	38,386	-	2,350,081	3,093,411
Liabilities for bonds, ETNs, short ETNs, composite ETNs and structured bonds	-	-	-	-	-	-	198,087	-	198,087
Payable dividend	-	-	-	-	-	-	-	-	-
Financial liabilities (*)	3,659,126	(*) 1,089,217	167,000	-	2,807	2,931,176	-	(*) 7,829,642	15,678,968
Held-for-sale liabilities of disposal group	-	-	-	-	-	-	-	-	-
			-						
Total liabilities	**4,010,486**	**1,110,297**	**167,739**	**53,068**	**1,462,090**	**2,976,719**	**198,087**	**127,679,614**	**137,658,100**
Total exposure	**(896,723)**	**(624,603)**	**68,295**	**2,607,268**	**1,023,479**	**451,846**	**1,913**	**7,392,208**	**10,023,683**
Bond L of The Phoenix Insurance		**985,840**						**(985,840)**	
Total exposure including Bond L of The Phoenix Insurance	**(896,723)**	**361,237**	**68,295**	**2,607,268**	**1,023,479**	**451,846**	**1,913**	**6,406,368**	**10,023,683**

(*) 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						ETNs - linkage	Israeli	
				Other non-	pension	Credit company	to various	insurance	
	Non-linked	CPI-linked	Foreign currency	monetary items	companies in	in Israel	indices	company	Total
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	-	-	23,131,640	24,147,641
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	-	95,352,948	95,352,948
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**
Bond L of The Phoenix Insurance		**995,404**						**(995,404)**	
Total exposure including Bond L of The Phoenix Insurance	**(773,521)**	**252,593**	**78,267**	**2,595,671**	**1,128,537**	**465,854**	**302**	**6,785,695**	**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 circulars of the Commissioner of the Capital Market, Insurance and Savings 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 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 September 30, 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 / Maalot	Midroog / Maalot	Midroog / Maalot
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 September 30, 2023	NIS 398 million	NIS 756 million	NIS 348 million
CPI-linked nominal p.v. as of September 30, 2023	NIS 398 million	NIS 841 million	NIS 348 million
Carrying amount of bonds' outstanding balances as of September 30, 2023	Approx. NIS 397 million	Approx. NIS 829 million	Approx. NIS 325 million
Carrying amount of interest payable as of September 30, 2023	Approx. NIS 4 million	Approx. NIS 1.5 million	Approx. NIS 1.7 million
Market value as of September 30, 2023 (**)	Approx. NIS 409 million	Approx. NIS 749 million	Approx. NIS 296 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

(*) Series 6 Bonds - in January 2023, an expansion of NIS 172 million par value was carried out; a buyback of NIS 124 million par value of the original number of Series 6 Bonds was carried out in June 2023.

(**) The market value includes interest accrued as of July 2, 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 Series 4 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 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 Series 5 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 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 September 30, 2023 was approx. 2.9% (including Restricted Tier 1 capital instrument issued by The Phoenix Insurance through The Phoenix Capital Raising), and the Company's shareholders' equity as per its separate financial statements as of September 30, 2023, was approx. NIS 10,018 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 September 30, 2023.

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

Benjamin Gabbay **Chairman of the Board of Directors**	**Eyal Ben Simon** **CEO**

November 28, 2023

Phoenix

Part 2

Consolidated Interim Financial Statements

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Building a better working world

Review Report of Independent Auditors 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 September 30, 2023, the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine and three-months periods then ended. The Company's Board of Directors and management are responsible for the preparation and presentation of financial information for this interim periods 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 periods 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 September 30, 2023 and whose revenues included in consolidation constitutes approximately 1.9% and 2.3% of total consolidated revenues for the nine and three-month periods then ended, respectively. Furthermore, we did not review condensed financial information for the interim periods of companies presented on the basis of the equity method. the investment in which, at equity, amounted to approximately NIS 632,221 thousand as of September 30, 2023, and the Company's share in the earning amounted to approximately NIS 35,003 thousand and 5,582 thousand for the nine and three-month periods then ended, respectively. 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.

Review Scope

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,
November 28, 2023

Kost Forer Gabbay & Kasierer
Certified Public Accountants

	Note	As of September 30, 2023	As of September 30, 2022	As of December 31, 2022
		Unaudited	Unaudited	Audited
		NIS thousand		
Assets				
Intangible assets	4	**3,548,370**	**2,927,194**	**2,991,526**
Deferred tax assets		**113,370**	**67,474**	**72,649**
Deferred acquisition costs		**2,722,666**	**2,450,949**	**2,453,383**
Property, plant & equipment		**1,326,250**	**974,569**	**1,151,443**
Investments in associates		**1,687,043**	**1,562,329**	**1,593,737**
Investment property in respect of yield-dependent contracts		**2,233,796**	**1,926,633**	**2,142,074**
Investment property - other		**1,206,719**	**1,050,214**	**1,147,899**
Reinsurance assets		**3,575,463**	**3,233,752**	**3,172,249**
Credit for purchase of securities		**760,000**	**894,000**	**765,000**
Current tax assets		**261,986**	**57,356**	**157,835**
Receivables and debit balances		**859,692**	**640,638**	**730,293**
Held-for-sale asset		**-**	**-**	**18,387**
Premiums collectible		**1,063,398**	**896,437**	**757,329**
Financial investments in respect of yield-dependent contracts	5A	**81,748,485**	**77,698,735**	**77,394,271**
Financial investments for holders of deposit certificates and structured bonds		**180,000**	**200,000**	**201,000**
Credit assets in respect of factoring, clearing and financing	5C	**3,485,801**	**3,356,631**	**3,443,337**
Other financial investments:				
Liquid debt assets		**5,932,125**	**6,168,530**	**5,659,895**
Illiquid debt assets		**16,475,745**	**17,743,362**	**16,461,500**
Shares		**2,280,190**	**2,667,148**	**2,402,272**
Other		**5,868,629**	**4,890,861**	**5,002,823**
Total other financial investments	5B	**30,556,689**	**31,469,901**	**29,526,490**
Cash and cash equivalents in respect of yield-dependent contracts		**19,093,748**	**15,931,737**	**16,358,509**
Other cash and cash equivalents		**2,463,871**	**2,343,234**	**3,439,766**
Total assets		**156,887,347**	**147,681,783**	**147,517,177**
Total assets for yield-dependent contracts		**103,358,148**	**95,741,413**	**96,055,588**

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

	Note	As of September 30, 2023	As of September 30, 2022	As of December 31, 2022
		Unaudited	Unaudited	Audited
		NIS thousand		
Equity				
Share capital		**313,331**	**310,660**	**311,640**
Premium and capital reserves in respect of shares		**861,565**	**845,683**	**851,918**
Treasury shares	8G	**(178,102)**	**(155,628)**	**(155,628)**
Capital reserves		**1,187,224**	**834,438**	**1,123,705**
Retained earnings		**7,834,311**	**7,776,248**	**8,013,123**
Total equity attributable to the Company's shareholders		**10,018,329**	**9,611,401**	**10,144,758**
Non-controlling interests		**292,849**	**412,282**	**388,640**
Total equity		**10,311,178**	**10,023,683**	**10,533,398**
Liabilities				
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts		**25,558,198**	**24,358,838 (*)**	**24,147,641 (*)**
Liabilities in respect of insurance contracts and yield-dependent investment contracts		**101,246,899**	**93,789,515 (*)**	**95,352,948 (*)**
Liabilities in respect of deferred taxes		**591,568**	**432,885**	**589,897**
Liability for employee benefits, net		**73,931**	**68,129**	**66,667**
Liability in respect of current taxes		**90,156**	**38,267**	**64,793**
Payables and credit balances		**3,534,833**	**3,093,411**	**3,455,571**
Liabilities in respect of structured products		**176,000**	**198,087**	**200,698**
Financial liabilities	5D	**15,304,584**	**15,678,968**	**13,105,564**
Total liabilities		**146,576,169**	**137,658,100**	**136,983,779**
Total capital and liabilities		**156,887,347**	**147,681,783**	**147,517,177**

(*) Reclassified, for further details, please see Note 2D.

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

Approval date of the financial statements: November 28, 2023

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS thousand				
Premiums earned, gross	8,975,134	9,151,701	3,035,546	3,118,892	12,137,231
Premiums earned by reinsurers	1,210,266	1,200,225	412,699	408,240	1,570,094
Premiums earned - retention	7,764,868	7,951,476	2,622,847	2,710,652	10,567,137
Investment income (losses), net and finance income	6,748,037	(6,848,452)	1,458,579	(1,413,080)	(5,554,831)
Income from management fees	1,265,824	1,148,749	447,954	386,705	1,547,728
Income from fees and commissions	656,814	618,657	250,736	188,392	835,912
Income from other financial services	242,000	158,000	82,000	57,000	223,000
Income from factoring and clearing	138,615	105,851	48,047	42,024	142,754
Other income (Note 4B)	149,150	140,037	7,067	3,250	144,780
Total income	16,965,308	3,274,318	4,917,230	1,974,943	7,906,480
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	14,440,557	(339,066)	3,801,064	943,492	2,988,830
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	1,046,089	842,697	305,263	235,403	1,023,801
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	13,394,468	(1,181,763)	3,495,801	708,089	1,965,029
Fees and commissions, marketing expenses and other purchase expenses	1,580,476	1,418,271	570,932	496,104	1,933,805
General and administrative expenses	1,545,056	1,315,556	541,862	438,098	1,805,284
Other expenses	95,171	47,532	35,325	16,023	91,096
Finance expenses	294,484	230,811	102,948	80,706	318,534
Total expenses	16,909,655	1,830,407	4,746,868	1,739,020	6,113,748
Share in income of equity-accounted investees	60,280	49,452	17,207	19,178	61,548
Net income before income tax	115,933	1,493,363	187,569	255,101	1,854,280
Taxes on income (tax benefit)	(83,273)	409,264	42,711	72,362	504,336
Income for the period	199,206	1,084,099	144,858	182,739	1,349,944
Attributed to:					
Company's shareholders	114,059	1,022,356	112,465	162,393	1,257,124
Non-controlling interests	85,147	61,743	32,393	20,346	92,820
Income for the period	199,206	1,084,099	144,858	182,739	1,349,944
Earnings per share attributable to the Company's shareholders (in NIS):					
Basic earnings per share					
Earnings per ordinary share of NIS 1 par value (in NIS)	0.45	4.07	0.44	0.65	5.00
Diluted earnings per share					
Earnings per ordinary share of NIS 1 par value (in NIS)	0.45	3.97	0.44	0.63	4.91

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousand				
Income for the period	**199,206**	**1,084,099**	**144,858**	**182,739**	**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	**294,158**	**(800,990)**	**90,216**	**(166,743)**	**(685,971)**
Net change in fair value of financial assets classified as available for sale, carried to the income statement	**(195,647)**	**(388,214)**	**(106,876)**	**(88,170)**	**(318,278)**
Gain on impairment of financial assets classified as available for sale, carried to the income statement	**458,027**	**518,080**	**161,132**	**103,476**	**612,492**
The Group's share in other comprehensive income (loss) of equity-accounted investees	**35,022**	**17,807**	**9,288**	**(1,016)**	**27,511**
Tax effect	**(190,282)**	**229,021**	**(49,396)**	**51,780**	**133,322**
Total components of net other comprehensive income (loss) subsequently reclassified to profit or loss	**401,278**	**(424,296)**	**104,364**	**(100,673)**	**(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	**401,278**	**(423,441)**	**104,364**	**(100,673)**	**(132,674)**
Total comprehensive income for the period	**600,484**	**660,658**	**249,222**	**82,066**	**1,217,270**
Attributed to:					
Company's shareholders	**515,337**	**598,653**	**216,829**	**61,720**	**1,123,907**
Non-controlling interests	**85,147**	**62,005**	**32,393**	**20,346**	**93,363**
Comprehensive income for the period	**600,484**	**660,658**	**249,222**	**82,066**	**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 (*)	-	-	-	1,522	-	-	-	-	-	(1,522)	-	-	-
Balance as of January 1, 2023 after first-time application of IFRS 9	311,640	851,918	(155,628)	8,014,645	(56,503)	11,000	62,920	224,054	(14,435)	895,147	10,144,758	388,640	10,533,398
Net income	-	-	-	114,059	-	-	-	-	-	-	114,059	85,147	199,206
Total other comprehensive income	-	-	-	-	-	-	-	-	35,022	366,256	401,278	-	401,278
Total comprehensive income	-	-	-	114,059	-	-	-	-	35,022	366,256	515,337	85,147	600,484
Share-based payment	-	1,833	-	-	-		12,815	-	-	-	14,648	-	14,648
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(196,844)	(196,844)
Acquisition of treasury shares	-	-	(22,474)	-	-	-	-	-	-	-	(22,474)	-	(22,474)
Exercise of employee options	1,691	7,814	-	-	-	-	(9,505)	-	-	-	-	-	-
Commencement of consolidation (Note 4)	-	-	-	-	-	-	-	-	-	-	-	28,907	28,907
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	2,779	-	-	-	(2,779)	-	-	-	-	-
Dividend (Note 8H and 8V)	-	-	-	(297,172)	-	-	-	-	-	-	(297,172)	-	(297,172)
Acquisition of minority interests (see Note 1H)	-	-	-	-	(140,504)	-	-	-	-	-	(140,504)	(212,525)	(353,029)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	3,341	-	-	-	-	-	3,341	3,012	6,353
Transaction with minority interest	-	-	-	-	(199,605)	-	-	-	-	-	(199,605)	196,512	(3,093)
As of September 30, 2023 (unaudited)	313,331	861,565	(178,102)	7,834,311	(393,271)	11,000	66,230	221,275	20,587	1,261,403	10,018,329	292,849	10,311,178

(*) 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	-	-	-	1,022,356	-	-	-	-	-	-	1,022,356	61,743	1,084,099
Other comprehensive income (loss)	-	-	-	593	-	-	-	-	17,807	(442,103)	(423,703)	262	(423,441)
Total comprehensive income (loss)	-	-	-	1,022,949	-	-	-	-	17,807	(442,103)	598,653	62,005	660,658
Share-based payment	-	(5,416)	-	-	-	-	13,611	-	-	-	8,195	-	8,195
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(15,697)	(15,697)
Acquisition of treasury shares	-	-	(55,859)	-	-	-	-	-	-	-	(55,859)	-	(55,859)
Dividend	-	-	-	(581,000)	-	-	-	-	-	-	(581,000)	-	(581,000)
Commencement of consolidation	-	-	-	-	-	-	-	-	-	-	-	50,624	50,624
Exercise of employee options	337	1,790	-	-	-	-	(2,127)	-	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant and equipment, at the depreciation amount	-	-	-	2,307	-	-	-	(2,307)	-	-	-	-	-
Acquisition of non-controlling interests					(14,435)		-		-		(14,435)	(3,382)	(17,817)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	2,483	-	-	-	-	-	2,483	49,007	51,490
Balance as of September 30, 2022 (unaudited)	310,660	845,683	(155,628)	7,776,248	(57,607)	11,000	63,136	129,047	(24,139)	713,001	9,611,401	412,282	10,023,683

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 July 1, 2023 (unaudited)	313,168	858,022	(167,733)	7,841,012	(265,226)	11,000	64,561	222,109	11,299	1,166,327	10,054,539	448,268	10,502,807
Net income	-	-	-	112,465	-	-	-	-	-	-	112,465	32,393	144,858
Total other comprehensive income	-	-	-	-	-	-	-	-	9,288	95,076	104,364	-	104,364
Total comprehensive income	-	-	-	112,465	-	-	-	-	9,288	95,076	216,829	32,393	249,222
Share-based payment	-	2,049	-	-	-	-	3,326	-	-	-	5,375	-	5,375
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(20,205)	(20,205)
Acquisition of treasury shares	-	-	(10,369)	-	-	-	-	-	-	-	(10,369)	-	(10,369)
Exercise of employee options	163	1,494	-	-	-	-	(1,657)	-	-	-	-	-	-
Commencement of consolidation	-	-	-	-	-	-	-	-	-	-	-	1,598	1,598
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	834	-	-	-	(834)	-	-	-	-	-
Dividend (Note 8V)	-	-	-	(120,000)	-	-	-	-	-	-	(120,000)	-	(120,000)
Acquisition of minority interests (see Note 1H)	-	-	-	-	(129,656)	-	-	-	-	-	(129,656)	(169,436)	(299,092)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	1,611	-	-	-	-	-	1,611	231	1,842
As of September 30, 2023 (unaudited)	313,331	861,565	(178,102)	7,834,311	(393,271)	11,000	66,230	221,275	20,587	1,261,403	10,018,329	292,849	10,311,178

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 as of July 1, 2022 (unaudited)	310,514	845,296	(155,628)	7,773,062	(56,276)	11,000	60,516	129,840	(23,123)	812,658	9,707,859	354,125	10,061,984
Net income	-	-	-	162,393	-	-	-	-	-	-	162,393	20,346	182,739
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(1,016)	(99,657)	(100,673)	-	(100,673)
Total comprehensive income (loss)	-	-	-	162,393	-	-	-	-	(1,016)	(99,657)	61,720	20,346	82,066
Share-based payment	-	(423)	-	-	-	-	3,576	-	-	-	3,153	-	3,153
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(6,981)	(6,981)
Exercise of employee options	146	810	-	-	-	-	(956)	-	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant and equipment, at the depreciation amount	-	-	-	793	-	-	-	(793)	-	-	-	-	-
Dividend	-	-	-	(160,000)	-	-	-	-	-	-	(160,000)	-	(160,000)
Transaction with minority interest													
Allocation of shares of a consolidated company to minority interests	-	-	-	-	1,104	-	-	-	-	-	1,104	48,174	49,278
Acquisition of non-controlling interests	-	-	-	-	(2,435)	-	-	-	-	-	(2,435)	(3,382)	(5,817)
Balance as of September 30, 2022 (unaudited)	310,660	845,683	(155,628)	7,776,248	(57,607)	11,000	63,136	129,047	(24,139)	713,001	9,611,401	412,282	10,023,683

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 paid 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 company 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 nine months ended September 30 2023	For the nine months ended September 30 2022	For the three months ended September 30 2023	For the three months ended September 30 2022	For the year ended December 31 2022
		Unaudited				Audited
		NIS thousand				
Cash flows from operating activities						
Income for the period		199,206	1,084,099	144,858	182,739	1,349,944
Adjustments required to present cash flows from operating activities	(a)	2,140,233	394,356	445,898	456,828	1,379,463
Net cash from operating activities		2,339,439	1,478,455	590,756	639,567	2,729,407
Cash flows from investing activities						
Purchase of property, plant and equipment		(253,929)	(122,357)	(85,311)	(58,135)	(190,135)
Proceeds from disposal of property, plant and equipment		964	326	956	155	342
Investment in associates		(112,857)	(121,919)	(24,825)	(64,394)	(160,281)
Dividend from associates		15,053	20,552	3,304	895	41,580
Change in loans granted to associates		1,306	1,254	776	549	(3,688)
Acquisition of consolidated companies consolidated for the first time	(b)	(82,361)	(6,407)	(34,361)	-	(9,775)
Proceeds from the sale of pension funds, provident funds, and fees and commissions portfolios		45	25,049	-	-	30,372
Acquisition of minority interest in a consolidated company		(350,017)	(17,817)	(310,092)	(5,817)	(17,817)
Proceeds from disposal of investment in associate		101,209	105,936	-	105,936	108,158
Acquisition and capitalization of intangible assets costs (*)		(505,195)	(226,924)	(305,067)	(80,301)	(334,726)
Net cash used for investing activities		(1,185,782)	(342,307)	(754,620)	(101,112)	(535,970)
Cash flows from financing activities						
Issuance of shares to non-controlling interests in a consolidated company		-	49,007	-	49,007	49,713
Acquisition of Company shares		(22,474)	(55,859)	(10,369)	-	(55,859)
Short-term credit from banks, net		(245,000)	538,000	(152,000)	169,000	420,000
Repayment of financial liabilities		(768,967)	(648,228)	(107,888)	(196,078)	(651,637)
Dividend to shareholders		(297,172)	(581,000)	(120,000)	(160,000)	(581,000)
Repayment of lease liability principal		(36,352)	(38,788)	(14,510)	(12,760)	(50,082)
Issuance/receipt of financial liabilities		774,651	1,827,287	217,613	521,376	1,910,320
Change in liability for REPO, net		1,320,720	134,355	549,161	134,355	708,302
Dividend paid to non-controlling interests		(109,345)	(15,697)	(71,675)	(6,981)	(74,665)
Repayment of contingent liability in respect of a put option to non-controlling interests		(10,374)	(10,000)	(10,374)	(10,000)	(10,000)
Net cash provided by financing activities		605,687	1,199,077	279,958	487,919	1,665,092
Increase in cash and cash equivalents		1,759,344	2,335,225	116,094	1,026,374	3,858,529
Balance of cash and cash equivalents at beginning of period	(c)	19,798,275	15,939,746	21,441,525	17,248,597	15,939,746
Balance of cash and cash equivalents at end of period	(c)	21,557,619	18,274,971	21,557,619	18,274,971	19,798,275

(*) Including acquisition of the portfolio management activity and mutual funds from Psagot; for further details, see Note 4C.

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

		For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
		2023	2022	2023	2022	2022
		Unaudited				Audited
		NIS thousand				
(a)	Adjustments required to present cash flows from operating activities:					
	Items not involving cash flows					
	Investment losses (income), net on financial investments in respect of insurance contracts and yield-dependent investment contract	(5,390,603)	7,841,804	(1,073,036)	1,706,192	7,404,308
	Change in fair value of investment property in respect of yield-dependent contracts	8,571	-	-	-	(199,182)
	Losses (income), net on other financial investments					
	Liquid debt assets	73,303	45,015	5,412	33,240	137,976
	Illiquid debt assets	(1,205,947)	(1,071,491)	(319,519)	(324,004)	(1,449,128)
	Shares	9,676	(195,460)	(39,173)	4,088	(155,913)
	Other	598,543	614,804	235,817	(7,914)	691,349
	Depreciation and amortization	332,467	295,522	114,205	101,331	408,658
	Loss from disposal of property, plant and equipment	-	(2)	-	-	-
	Income from sale of provident funds	-	(14,185)	-	-	(14,185)
	Change in fair value of investment property	4,676	6,286	-	-	(96,200)
	Gain on notional disposal as a result of assuming control of an investee	(129,096)	(108,942)	-	-	(109,586)
	Change in financial liabilities	1,111,309	5,010,726	384,780	1,636,039	1,899,625
	Expenses on income tax (tax benefit)	(83,273)	409,264	42,711	72,362	504,336
	Company's share in the income of associates, net	(60,280)	(49,452)	(17,207)	(19,178)	(61,548)
	Payroll expenses in respect of share-based payment	12,815	13,611	3,326	3,576	17,556
	Changes in other balance sheet line items, net:					
	Change in liabilities in respect of non-yield-dependent insurance contracts	1,410,557	275,279 (*)	35,308	189,388 (*)	64,082 (*)
	Change in liabilities in respect of yield-dependent contracts	5,893,951	(2,868,496) (*)	1,171,789	(471,304) (*)	(1,305,063) (*)
	Change in liabilities for bonds, ETFs	(24,698)	(6,913)	(17,000)	(16,971)	(4,302)
	Change in financial investments for holders of ETFs, certificates of deposit	21,000	6,000	14,000	17,000	5,000
	Change in credit assets in respect of factoring, clearing and financing	(42,464)	(806,239)	3,052	(148,309)	(892,945)
	Change in deferred acquisition costs	(269,283)	(440,301)	(68,134)	(169,923)	(442,735)
	Change in reinsurance assets	(403,214)	(427,206)	28,877	(66,553)	(365,703)
	Change in liabilities for employee benefits, net	6,841	(3,541)	(1,990)	(15,391)	(2,469)
	Change in accounts receivable and collectible premiums	(425,927)	(155,993)	24,021	467,733	(123,460)
	Change in payables and credit balances	499	146,372	(558,220)	(161,112)	506,544
	Change in credit for purchase of securities	5,000	(397,000)	(5,000)	(140,000)	(268,000)
	Revaluation of loans granted to associates	(1,482)	2,995	(1,935)	592	(1,100)
	Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts:					
	Acquisition of real estate properties	(100,293)	(83,615)	(26,861)	(23,033)	(99,874)
	Proceeds on sale of real estate properties	-	219,844	-	-	219,844
	Sales (acquisitions), net of financial investments	1,036,389	(4,441,880)	(71,858)	(1,137,006)	(3,699,920)
	Financial investments and other investment property:					
	Sales (acquisitions), net of financial investments	67,137	(2,923,195)	659,252	(859,139)	(540,903)
	Acquisition of real estate properties	(62,515)	(50,721)	(20,385)	(12,199)	(58,419)
	Proceeds on sale of real estate properties	-	119,055	-	-	119,054
	Cash paid and received during the period for:					
	Taxes paid	(318,757)	(620,218)	(56,625)	(218,980)	(765,600)
	Taxes received	65,331	52,629	291	16,303	57,366
	Total cash flows provided by (used in) operating activities	2,140,233	394,356	445,898	456,828	1,379,463

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

		For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
		2023	2022	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)	(2,241)	22,346	759	-	27,944
	Property, plant and equipment, net	(121)	(783)	(121)	-	(877)
	Goodwill arising from acquisition	(159,102)	(82,272)	(9,309)	-	(79,216)
	Intangible assets	(124,509)	(64,925)	(9,232)	-	(111,217)
	Deferred taxes	40,309	6,190	1,999	-	23,020
	Minority interests	28,907	50,624	1,598	-	53,886
	Investments in investees	-	(74,732)	-	-	(72,109)
	Disposal of investment in an associate	129,096	114,983	-	-	115,627
	Financial liabilities	-	733	-	-	8,614
	Liability for payment in respect of acquisition of an investee	4,877	21,050	4,877	-	24,134
	Liabilities for employee benefits	423	379	423	-	419
	Payables for acquisition of a subsidiary	-	-	(25,355)	-	-
		(82,361)	(6,407)	(34,361)	-	(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	2,713,058	2,459,240	2,154,153
	Cash and cash equivalents in respect of yield-dependent contracts	16,358,509	13,785,593	18,728,467	14,789,357	13,785,593
		19,798,275	15,939,746	21,441,525	17,248,597	15,939,746
	Balance of cash and cash equivalents at end of period:					
	Cash and cash equivalents	2,463,871	2,343,234	2,463,871	2,343,234	3,439,766
	Cash and cash equivalents in respect of yield-dependent contracts	19,093,748	15,931,737	19,093,748	15,931,737	16,358,509
		21,557,619	18,274,971	21,557,619	18,274,971	19,798,275
(d)	Significant non-cash activities					
	Recognition of right-of-use asset against a lease liability	(47,466)	(49,618)	(30,319)	(9,284)	(52,319)
	Dividend declared for non-controlling interests	(87,499)	-	-	-	-
(e)	Breakdown of amounts included in operating activities					
	Interest paid	196,957	128,250	61,376	52,736	178,990
	Interest received	800,689	602,031	191,063	163,459	957,447
	Dividend received	41,975	38,716	7,303	9,125	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 September 30, 2023 and for the nine- and three-month periods 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 subsidiary controlled by the Company.
The Phoenix Advanced Investments	-	The Phoenix Advanced Investments Ltd., a wholly-owned subsidiary of The Phoenix Investments.
Gama		Gama Management and Clearing Ltd., a subsidiary wholly-owned by The Phoenix Investments.
The Phoenix Agencies	-	The Phoenix Insurance Agencies 1989 Ltd. - a company under the Company's control.
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"). 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 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.
In December 2022, the Company reported that a consortium of investors from the United Arab Emirates alongside other international investors are assessing the option of acquiring the control core in the Company from Belenus, and the parties' signing a memorandum of understanding. In July 2023, the Company reported that the parties reached a mutual understanding regarding the cancellation of the memorandum of understanding and concurrently, on the execution of a transaction for the sale of Belenus shares to the consortium, with Belenus retaining a stake of at least 30% of its shares, fully diluted. On August 14, a transaction for the sale of 2% of the Company's shares to a company controlled by an investor from the United Arab Emirates was completed, and as of the report's publication date Belenus holds 31.22% of the Company's shares. For further details, please see reports dated December 13, 2022, July 23, 2023 and August 15, 2023 (Ref. Nos.: 2022-01-150541, 2023-01-068953 and 2023-01-075799, respectively).

D. The Iron Swords War

On October 7, 2023, subsequent to the report date, the "Iron Swords War" broke out between the State of Israel and the Gaza-based Hamas terror organization (hereinafter - the "War"); the War broke out after a ruthless attack by Hamas on settlements based in the south of Israel. Based on published data, as of the report publication date, more than 1,250 Israeli citizens were murdered as part of the war, about 3,000 sustained various injuries, and 177 citizens and soldiers are defined as kidnapped.

The outbreak of the War led to a series of effects and restrictions, including, inter alia, temporary closure of many businesses, restrictions on gatherings at work places and events, and discontinuation of teaching in the education system during the first couple of weeks of the War. Furthermore, many citizens were recruited as reservists. These measures reduced activity in Israel, which resulted in a decline in economic activity. In addition, as a result of the War, there were slumps in financial markets in Israel.

Following the above, the rating agencies Moody's and Fitch placed the State of Israel's credit rating under review for downgrade, whereas S&P downgraded the State of Israel's credit rating outlook to negative. For more information regarding the rating's effect on The Phoenix Insurance, see Section G. below.

Due to its activity, The Phoenix Group is exposed to declines in the financial markets, a slowdown in activity, and to other risks arising from the War. For further details on sensitivity and exposure to risk factors, please see also Note 41 to the Consolidated Annual Financial Statements and developments in the Company's 2023 quarterly financial statements.

During the period from the outbreak of the War through the report publication date, the War impacted the group's activity and results; this was mainly reflected in slumps in the capital market. The total impact of slumps in the capital market and interest-rate effects, from the date of the outbreak of the War through the report publication date, amounted to a post-tax income of NIS 144 million. As to the effect on the results of the Company's underwriting activities, at this stage it is impossible to assess the entire financial effect on the Company's results, but based on an preliminary estimate, the Company believes that this effect is not expected to be material.

NOTE 1 - GENERAL (cont.)

D. The Iron Swords War (cont.)

At this stage, there is significant uncertainty as to the development of the War, its scope and duration. Therefore, at this stage it is not possible to assess the full effect of the War on the Company and its results in the immediate and medium term; based on past events, such an effect may also be characterized with a significant recovery of the markets.

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

The War affects The Phoenix Group on a number of levels:

1. Business continuity

The Company acted quickly to make the required preparations; it continues to render all of its services to all of its customers in all operating segments in an efficient manner, and even implemented a business continuity plan that ensures employees can work remotely, while supporting the employees' needs.

2. Operating results of insurance underwriting

Set forth below are the key effects in the different sub-segments as of the publication date of the financial statements. It should be noted that based on a preliminary estimate that the Company made, the scope of exposure to market risks is not expected to be material, as described below:

A. Life insurance and long-term savings -
The exposure arises mainly from life insurance, permanent health insurance, and disability insurance, to the extent that claims will be filed in those sub-segments. It should be noted that The Phoenix Insurance has in place a non-proportional reinsurance contract, which provides coverage in respect of death and disabilities resulting from a catastrophic event and mitigates the exposure to this risk in accordance with the policy's terms; therefore, the Company is of the opinion that the scope of its exposure in this segment is not material. Furthermore, the Company has a proportional reinsurance contract in respect of its disability insurance business, which mitigates the exposure to this sub-segment. For information regarding the catastrophe event reinsurance contract, see Note 41 Section 5 to the annual financial statements.

The activity in this sub-segment may be adversely impacted by economic slowdown and an increase in the rate of unemployment. Furthermore, as from the reporting date and through the financial statements publication date, there was no material change in the scope of withdrawals and redemptions, but the prolongation of the War might increase withdrawals from and redemption of savings and financial products (mainly advanced education funds and savings products).

B. Health insurance (including long-term care) -
The Phoenix Insurance is of the opinion that the exposure in the health insurance and long-term care insurance subsegments as a result of the war is not expected to be material.

NOTE 1 - GENERAL (cont.)

D. The Iron Swords War (cont.)

2. Operating results of insurance underwriting (cont.)

C. Property and casualty insurance

Generally, damage to property due to a war event is not covered under a property insurance policy, and therefore the exposure as a result of the War is not expected to be material. Furthermore, the War may have a positive effect on this subsegment. Thus, for example, a preliminary assessment indicates that the War is expected to have a positive effect as a result of a decrease in the prevalence of claims in the motor property insurance and the compulsory motor insurance subsegments. At this stage, the Company is unable to estimate the financial effect on the segment's results.

3. Effect on assets under management of The Phoenix Insurance and The Phoenix Pension and Provident and the insurance liabilities - the financial activity

A. Financial assets under management -

The operations of the Group expose it to declines in the financial markets and changes in interest rate curves, which affect both the Group's own (nostro) investments and the management fees collected in respect of the management of the assets of planholders of participating policies and planholders of pension funds and provident funds. The income from investments that offsets insurance reserves and equity capital as well as management fees have a material effect on the financial performance.

Following the War, there were slumps in the financial markets in Israel. Since the outbreak of the War and through the report publication date, a NIS 51 million (post-tax) loss was recorded in The Phoenix Insurance's nostro assets.

Furthermore, from the outbreak of the War to the report publication date, there was no material change in the value of total assets under management by the Group under yield-dependent insurance policies, provident funds and pension funds.

The estimated variable management fees, which will not be collected due to negative real return until the achievement of cumulative positive real return in the profit-participating policies marketed through 2004, amounted to NIS 552 million as of September 30, 2023, and from this date through the publication date of the financial statements - to NIS 590 million.

B. Changes in the risk-free interest rate -

The losses accrued in the nostro assets referred to in Section a. include the impact of the increase in the risk-free interest rate since the outbreak of the War and through the report publication date. Furthermore, since the outbreak of the War and through the report publication date, the increase in the interest rate and the illiquidity premium caused a post-tax NIS 195 million decrease in insurance liabilities.
For information regarding sensitivity to interest, see Note 8.

4. Liquidity, financial position and funding sources

An assessment carried out by the Company led to the conclusion that the War has had no material effect on the Company's liquidity, its financial strength and funding sources available to it. The Company complies with the Board of Directors' risk restrictions and with the contractual restrictions and financial covenants that were set in the deeds of trust. For further details about the financial covenants of the bonds and delaying circumstances of the promissory notes, please see Note 26 of the annual Financial Statements. The Company is of the opinion that Group companies have sufficient liquidity levels.

NOTE 1 - GENERAL (cont.)

D. The Iron Swords War (cont.)

5. Solvency ratio

In accordance with the Economic Solvency Ratio Report published by The Phoenix Insurance as of June 30, 2023, The Phoenix Insurance has excess capital, net of the transitional provisions and taking into account the transitional provisions. For information regarding the Economic Solvency Ratio Report as of June 30, 2023, see Section 2.1 to the Report of the Board of Directors.

6. Other activities

Credit

The credit granting activity is managed by the subsidiary Gama Management and Clearing Ltd. Most of the exposure arising from this activity stems from a potential increase in credit losses. At this stage, it is impossible to estimate the amount of the expected credit losses, but the Company believes that they are not expected to be material.

Financial services (including The Phoenix Investment House)

The principal effect on the financial services activity is a decrease in the total assets under management. The extent of this effect depends on the duration of the War and of the higher fluctuations in equity and corporate bonds markets. As of the outbreak of the War and through the financial statements publication date, the value of the assets under management by mutual funds and the value of assets of managed portfolios (including ETFs) declined by approximately NIS 2.1 billion. The decline in the total assets under management stems mainly from declines in the financial markets and from redemptions, and leads directly to a decrease in income for this area of activity. This effect is not expected to be material.

Insurance agencies

Since the outbreak of the War and through the financial statements' publication date, there was no material effect on the operating results of insurance agencies.

The above is based on information available to the Company as of the report publication date. It should be noted that War's impact on the scope of business activity in Israel is yet to be determined; therefore, the Group's results may be further impacted in the future.

E. The legal reform

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.
At this stage, and particularly in view of the Iron Swords War as described in Note 1D above, the Company is unable to assess future developments, or the effect of the impacts of the Government's plan on the Israeli economy in general and the Company's activity in particular.

F. 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 shares of The Phoenix Agencies 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; the income is estimated at NIS 670 million.

NOTE 1 - GENERAL (cont.)

F. (cont.)

The merger was completed in June 2023 after the fulfillment of all conditions precedent; accordingly, The Phoenix Agencies declared a NIS 675 million cash dividend, of which NIS 250 million were paid as of the publication date of the financial statements. In addition, it was decided that if The Phoenix Agencies will require shareholder loans in order to supplement the dividend balance as stated above, the Company and the other shareholders shall advance shareholder loans. As a result of the merger, the equity attributed to the Company's shareholders decreased by NIS 120 million. For further details, please see Note 8E(3) to the Consolidated Annual Financial Statements.

G. Global rating for The Phoenix Insurance

1. 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.
   On November 2, 2023, the international credit rating agency Moody's reiterated The Phoenix Insurance's existing rating at A2, and changed the rating outlook from stable to negative following the placement of the State of Israel's credit rating under review for downgrade in view of the Iron Swords War.
2. In September 2023, the international rating agency S&P Global Ratings (hereinafter - "S&P") assigned to The Phoenix Insurance an 'A-' international rating with a stable outlook. During November 2023, S&P announced that it designated The Phoenix Insurance's ratings as Under Criteria Observation (UCO) following the publication of S&P's revised methodology for assessing the risk-adjusted capital of insurance companies it rates. The UCO status does not change the rating's definitions and is not equivalent to placing the rating under credit watch. S&P intends to complete the assessment of the rating by the end of February 2024.

H. Full tender offer in respect of Gama shares

During the reporting period and until the Tender Offer date, The Phoenix Investments purchased 10.8 million Gama shares for a total consideration of NIS 115 million.

In August 2023, The Phoenix Investments completed the acquisition of the remaining Gama shares through a tender offer in consideration for NIS 220 million, such that subsequent to the acquisition Gama became a privately-held company, which is wholly-owned by The Phoenix Investments. It should be noted that subsequent to the completion of the acquisition as stated above, so long as Gama's bonds are widely held and listed on the Tel Aviv Stock Exchange, Gama shall report as a reporting corporation, as defined in the Securities Law, 1968.

On September 13, 2023, and following Gama's becoming a privately-held company, its Board of Directors decided, according to a recommendation by Gama's Compensation Committee, to accelerate the lockup period of the restricted shares that were issued to Gama employees and officers, and to cancel the option plan, by virtue of which options were issued to Gama employees and officers. Gama's Board of Directors also approved, according to a recommendation by Gama's Compensation Committee, to pay consideration to employees and officers, to whom options were issued, in respect of their consent to cancel the options they were awarded. The total expense amount recorded in Gama's financial statements due to the above was NIS 6.5 million.

On September 28, 2023 Gama allotted 980 thousand shares to The Phoenix Investments against capital injection amounting to NIS 14 million.

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, Financial Instruments (of 2017).

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.

A. 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.

B. 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.

C. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. Preparation format of the Consolidated Interim Financial Statements (cont.)

IFRS 9 - Financial Instruments (cont.)

1. Financial assets (cont.)

D. 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.

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.

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.)

   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.

   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.

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

The Company derecognizes a financial liability if and only if it is extinguished - that is to say, when the obligation established in a contract is repaid or canceled or expires.
A financial liability is extinguished when the debtor repays the liability by a cash payment, other financial assets, goods or services, or is legally released from the liability.
If the terms of an existing financial liability change, the Company assesses whether the terms of the liability are materially different than the existing terms.
When a material change has been made to the terms of an existing financial liability, the change is accounted for as a derecognition of the original liability and a recognition of a new liability. The difference between the balance of the 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. Preparation format of the Consolidated Interim Financial Statements (cont.)

IFRS 9 - Financial Instruments (cont.)

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 income 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.

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 - Financial Instruments: 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

1. First-time application of IFRS 9 - Financial Instruments (cont.)

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.

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

A. In May 2021, the IASB issued an amendment to IAS 12, Taxes on Income (hereinafter - "IAS 12" or the "Standard"), which narrows 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.

B. In May 2023, the IASB published an amendment to IAS 12 - *Taxes on Income* (hereinafter - the "Amendment") - following the international tax reform of the OECD — BEPS Pillar Two Model Rules (hereinafter - "Pillar 2" or the "International Tax Reform").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

3. Amendment to IAS 12 - Taxes on Income (cont.)

B. (cont.)

The Amendment:
(a) A mandatory temporary exemption from the implementation of the provisions of the standard in respect of accounting for and disclosing deferred tax assets and liabilities arising from the adoption of the Pillar 2 rules (hereinafter - "Temporary Exemption"; and
(b) Focused disclosure requirements for multinational entities affected by the International Tax Reform.
The Temporary Exemption referred to in Section (a) above – the implementation of which is required to be disclosed – applies immediately. The remaining focused disclosure requirements referred to in Section (b) above apply to annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.
The Company applies the Temporary Exemption, and therefore no disclosure was given and deferred tax assets and liabilities arising from the adoption of the Pillar 2 rules were not recognized. Furthermore, the Company is assessing the effects of the International Tax Reform on its financial statements.

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.

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

1. Amendments to IAS 7 - Statement of Cash Flows, and IFRS 7 - Financial Instruments: Disclosures

In May 2023, the IASB issued amendments to IAS 7 - *Statement of Cash Flows* - and IFRS 7 - *Financial Instruments: Disclosures* (hereinafter - the "Amendments"), to clarify the characteristics of supplier finance arrangements, and require additional disclosure regarding those arrangements.
The disclosure requirements in the Amendments are intended to assist users of financial statements in assessing the effects of the entity's supplier finance arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.
The Amendments were applied for annual reporting periods beginning on January 1, 2024. Early adoption is permitted but will need to be disclosed.
The Company believes that the above amendments are not expected to have a material effect on the Company's consolidated financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Disclosure of the new IFRSs in the period prior to their application (cont.)

2. IFRS 17 - Insurance Contracts and IFRS 9 Financial Instruments

Further to what is stated in Note 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 June 1, 2023, the Commissioner of the Capital Market, Insurance and Savings Authority published a third revision of the "Roadmap for the Adoption of International Accounting Standard (IFRS) 17 - Insurance Contracts" (hereinafter - the "Third Revision"), which includes a number of amendments compared with the "Roadmap - Second Revision", that was published on December 14, 2022.
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 Market, Insurance and Savings Authority before the first-time application date, the time table for adapting the IT systems, the completion of the formulation of the accounting policy, the preparations for the calculation of the risk adjustment for a non-financial risk, the involvement of the independent auditors, and the disclosure of high-quality supplementary information for the dedicated note as from the financial statements for the first quarter of 2024.

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.

Furthermore, in accordance with the Third Revision, by August 30, 2023 the Company reported to the Capital Markets Authority the results of the first Quantitative Impact Study (hereinafter - "QIS") for assessing the effect of the first-time application of IFRS 17. As part of the first QIS, the Company conducted quantitative tests in order to check the methodology employed to calculate the opening balances, based on the opening balances as of January 1, 2023 of certain insurance contracts set in the Third Revision.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Reclassification

During the reporting period, the Company classified liabilities in respect of collective long-term care health insurance (Maccabi Healthcare Services) from the "Liabilities in respect of insurance contracts and non-yield-dependent investment contracts" line item to the "Liabilities in respect of insurance contracts and yield-dependent investment contracts" line item. The reclassifications did not have an effect on the equity, profit and loss and comprehensive income.

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

	CPI		
	Known CPI %	In lieu CPI %	USD representative exchange rate %
For the nine months ended on:			
September 30, 2023	3.2	2.9	8.7
September 30, 2022	4.4	4.3	13.9
For the three months ended on:			
September 30, 2023	0.8	0.7	5.1
September 30, 2022	1.2	1.0	1.2
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. Furthermore, as from July 1, 2023, the results of "FNX Private - Policies Income, General Partnership" - are included in the results of this segment (for further details, see Note 4B).

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 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, product liability and other subsegments.

- 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. Furthermore, as from July 1, 2023, the results of "FNX Private - Funds Income, General Partnership" - are included in the results of this segment . (For further details, please see Note 4B).
In accordance with the Commissioner's directives, segment activity is described separately for the pension activity and the provident activity.

NOTE 3 - OPERATING SEGMENTS (cont.)

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.

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

	For the 9-month period ended September 30, 2023									
	Life insurance and savings (a)	Health (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	3,461,247	2,479,344	3,034,543	-	-	-	-	-	-	8,975,134
Premiums earned by reinsurers	206,260	175,452	828,554	-	-	-	-	-	-	1,210,266
Premiums earned - retention	3,254,987	2,303,892	2,205,989	-	-	-	-	-	-	7,764,868
Investment income (losses), net and finance income	6,150,077	586,239	136,983	81,524	24,650	15,876	116,719	(345,747)	(18,284)	6,748,037
Income from management fees	451,802	-	-	554,368	287,643	2,881	-	2,984	(33,854)	1,265,824
Income from fees and commissions (e)	28,944	32,123	177,550	-	-	590,584	-	-	(172,387)	656,814
Income from financial services	-	-	-	-	242,000	-	-	-	-	242,000
Income from factoring and clearing	-	-	-	-	-	-	138,615	-	-	138,615
Other income	255	113,454	-	17,489	6,080	12,495	-	101	(724)	149,150
Total income	9,886,065	3,035,708	2,520,522	653,381	560,373	621,836	255,334	(342,662)	(225,249)	16,965,308
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	9,582,644	2,611,588	2,175,733	70,592	-	-	-	-	-	14,440,557
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	196,725	316,595	532,769	-	-	-	-	-	-	1,046,089
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	9,385,919	2,294,993	1,642,964	70,592	-	-	-	-	-	13,394,468
Fees and commissions and other purchase expenses	446,038	389,645	568,376	276,989	45,503	-	4,290	-	(150,365)	1,580,476
General and administrative expenses	304,428	129,956	107,523	202,185	314,270	359,693	86,907	78,903	(38,809)	1,545,056
Other expenses (income)	(1,106)	-	-	25,805	26,075	19,733	6,089	18,913	(338)	95,171
Finance expenses	19,627	-	12,486	14,182	6,932	2,991	81,221	173,335	(16,290)	294,484
Total expenses	10,154,906	2,814,594	2,331,349	589,753	392,780	382,417	178,507	271,151	(205,802)	16,909,655
Share in income (losses) of equity-accounted investees	11,989	35,550	4,317	362	8,835	1,266	-	(2,039)	-	60,280
Income (loss) before taxes on income	(256,852)	256,664	193,490	63,990	176,428	240,685	76,827	(615,852)	(19,447)	115,933
Other comprehensive income before taxes on income	219,839	38,127	66,306	-	-	-	-	267,288	-	591,560
Total comprehensive income (loss) before taxes on income	(37,013)	294,791	259,796	63,990	176,428	240,685	76,827	(348,564)	(19,447)	707,493
	As of September 30, 2023									
	Unaudited									
	NIS thousand									
Liabilities, gross in respect of insurance contracts and yield-dependent investment contracts	93,380,877	7,866,022	-	-	-	-	-	-	-	101,246,899
Liabilities, gross in respect of insurance contracts and non-yield-dependent investment contracts	12,829,943	3,826,871	7,845,536	1,055,848	-	-	-	-	-	25,558,198

(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 9-month period ended September 30, 2022									
	Life insurance and savings (a)	Health (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	4,352,972	2,270,398	2,528,331	-	-	-	-	-	-	9,151,701
Premiums earned by reinsurers	247,328	164,130	788,767	-	-	-	-	-	-	1,200,225
Premiums earned - retention	4,105,644	2,106,268	1,739,564	-	-	-	-	-	-	7,951,476
Investment income (losses), net and finance income	(5,889,169)	(809,063)	75,882	68,503	5,475	2,177	54,445	(332,076)	(24,626)	(6,848,452)
Income from management fees	450,607	-	-	495,555	228,779	1,589	-	3,128	(30,909)	1,148,749
Income from fees and commissions (e)	54,447	39,793	178,618	-	-	533,497	-	-	(187,698)	618,657
Income from financial services	-	-	-	-	158,000	-	-	-	-	158,000
Income from factoring and clearing	-	-	-	-	-	-	105,851	-	-	105,851
Other income	-	-	-	15,324	92,780	33,240	-	2	(1,309)	140,037
Total income	(1,278,471)	1,336,998	1,994,064	579,382	485,034	570,503	160,296	(328,946)	(244,542)	3,274,318
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	(2,325,313)	142,221	1,766,527	77,499	-	-	-	-	-	(339,066)
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	177,816	206,204	458,677	-	-	-	-	-	-	842,697
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	(2,503,129)	(63,983)	1,307,850	77,499	-	-	-	-	-	(1,181,763)
Fees and commissions and other purchase expenses	421,710	353,633	504,253	232,435	54,569	8,854	3,979	-	(161,162)	1,418,271
General and administrative expenses	278,616	112,857	89,514	170,072	243,507	314,401	68,421	74,630	(36,462)	1,315,556
Other expenses (income)	(1,267)	-	-	15,327	10,577	17,145	6,089	-	(339)	47,532
Finance expenses (income)	3,642	-	23,875	10,828	(2,748)	2,074	34,356	181,416	(22,632)	230,811
Total expenses	(1,800,428)	402,507	1,925,492	506,161	305,905	342,474	112,845	256,046	(220,595)	1,830,407
Share in income (losses) of equity-accounted investees	17,656	24,026	1,049	-	4,002	2,918	-	(199)	-	49,452
Income (loss) before taxes on income	539,613	958,517	69,621	73,221	183,131	230,947	47,451	(585,191)	(23,947)	1,493,363
Other comprehensive income (loss) before taxes on income	(43,701)	(10,052)	(253,897)	-	(1,051)	-	850	(344,356)	-	(652,207)
Total comprehensive income (loss) before taxes on income	495,912	948,465	(184,276)	73,221	182,080	230,947	48,301	(929,547)	(23,947)	841,156
	As of September 30, 2022									
	Unaudited									
	NIS thousand									
Liabilities, gross in respect of insurance contracts and yield-dependent investment contracts (*)	86,948,976	6,840,539	-	-	-	-	-	-	-	93,789,515
Liabilities, gross in respect of insurance contracts and non-yield-dependent investment contracts (*)	12,444,358	3,570,792	7,344,501	999,187	-	-	-	-	-	24,358,838

(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.
(*) Reclassified, for further details, please see Note 2D.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

	Life insurance and savings (a)	Health (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 3-month period ended September 30, 2023									
	Unaudited									
	NIS thousand									
Premiums earned, gross	1,108,460	840,734	1,086,352	-	-	-	-	-	-	3,035,546
Premiums earned by reinsurers	68,014	58,828	285,857	-	-	-	-	-	-	412,699
Premiums earned - retention	1,040,446	781,906	800,495	-	-	-	-	-	-	2,622,847
Investment income (losses), net and finance income	1,399,865	121,833	47,558	25,689	8,129	4,351	42,258	(185,624)	(5,480)	1,458,579
Income from management fees	157,203	-	-	192,926	110,100	1,851	-	822	(14,948)	447,954
Income from fees and commissions (e)	11,470	10,880	59,709	-	-	204,985	-	-	(36,308)	250,736
Income from financial services	-	-	-	-	82,000	-	-	-	-	82,000
Income from factoring and clearing	-	-	-	-	-	-	48,047	-	-	48,047
Other income	-	-	-	663	2,839	3,621	-	93	(149)	7,067
Total income	2,608,984	914,619	907,762	219,278	203,068	214,808	90,305	(184,709)	(56,885)	4,917,230
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	2,434,041	630,457	715,918	20,648	-	-	-	-	-	3,801,064
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	62,508	97,258	145,497	-	-	-	-	-	-	305,263
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	2,371,533	533,199	570,421	20,648	-	-	-	-	-	3,495,801
Fees and commissions and other purchase expenses	144,558	136,331	212,194	95,352	16,035	-	1,468	(63)	(34,943)	570,932
General and administrative expenses	100,573	41,345	34,062	83,306	109,216	121,939	35,374	32,627	(16,580)	541,862
Other expenses	(444)	-	-	8,698	12,462	6,655	2,030	6,036	(112)	35,325
Finance expenses	5,773	-	4,086	6,999	2,988	760	29,460	57,697	(4,815)	102,948
Total expenses	2,621,993	710,875	820,763	215,003	140,701	129,354	68,332	96,297	(56,450)	4,746,868
Share in income (losses) of equity-accounted investees	1,576	8,566	3,570	-	3,439	(23)	-	79	-	17,207
Income (loss) before taxes on income	(11,433)	212,310	90,569	4,275	65,806	85,431	21,973	(280,927)	(435)	187,569
Other comprehensive income (loss) before taxes on income	57,786	9,615	(3,359)	-	-	-	-	89,718	-	153,760
Total comprehensive income (loss) before taxes on income	46,353	221,925	87,210	4,275	65,806	85,431	21,973	(191,209)	(435)	341,329
	As of September 30, 2023									
	Unaudited									
	NIS thousand									
Liabilities, gross in respect of insurance contracts and yield-dependent investment contracts	93,380,877	7,866,022	-	-	-	-	-	-	-	101,246,899
Liabilities, gross in respect of insurance contracts and non-yield-dependent investment contracts	12,829,943	3,826,871	7,845,536	1,055,848	-	-	-	-	-	25,558,198

(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 3-month period ended September 30, 2022									
	Life insurance and savings (a)	Health (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	1,436,452	791,168	891,272	-	-	-	-	-	-	3,118,892
Premiums earned by reinsurers	82,981	57,679	267,580	-	-	-	-	-	-	408,240
Premiums earned - retention	1,353,471	733,489	623,692	-	-	-	-	-	-	2,710,652
Investment income (losses), net and finance income	(1,236,527)	(143,453)	(3,933)	17,674	1,058	(2,321)	24,594	(61,315)	(8,857)	(1,413,080)
Income from management fees	152,172	-	-	167,242	72,953	-	-	1,073	(6,735)	386,705
Income from fees and commissions (e)	15,902	12,833	57,353	-	-	179,845	-	-	(77,541)(e)	188,392
Income from financial services	-	-	-	-	57,000	-	-	-	-	57,000
Income from factoring and clearing	-	-	-	-	-	-	42,024	-	-	42,024
Other income	-	-	-	471	1,413	1,938	-	-	(572)	3,250
Total income	285,018	602,869	677,112	185,387	132,424	179,462	66,618	(60,242)	(93,705)	1,974,943
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	21,674	400,951	496,783	24,084	-	-	-	-	-	943,492
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	55,851	66,690	112,862	-	-	-	-	-	-	235,403
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	(34,177)	334,261	383,921	24,084	-	-	-	-	-	708,089
Fees and commissions and other purchase expenses	144,081	126,339	185,224	82,051	18,069	-	1,569	-	(61,229)	496,104
General and administrative expenses	91,139	37,124	28,678	56,537	78,119	109,450	23,883	22,013	(8,845)	438,098
Other expenses (income)	(914)	-	-	5,041	4,124	5,855	2,030	-	(113)	16,023
Finance expenses (income)	2,598	-	4,098	3,201	10	730	15,151	63,110	(8,192)	80,706
Total expenses	202,727	497,724	601,921	170,914	100,322	116,035	42,633	85,123	(78,379)	1,739,020
Share in income (losses) of equity-accounted investees	757	11,570	4,018	-	2,605	427	-	(199)	-	19,178
Income (loss) before taxes on income	83,048	116,715	79,209	14,473	34,707	63,854	23,985	(145,564)	(15,326)	255,101
Other comprehensive loss before taxes on income	(64,635)	(11,301)	(29,083)	-	(16)	-	-	(47,418)	-	(152,453)
Total comprehensive income (loss) before taxes on income	18,413	105,414	50,126	14,473	34,691	63,854	23,985	(192,982)	(15,326)	102,648
	As of September 30, 2022									
	Unaudited									
	NIS thousand									
Liabilities, gross in respect of insurance contracts and yield-dependent investment contracts (*)	86,948,976	6,840,539	-	-	-	-	-	-	-	93,789,515
Liabilities, gross in respect of insurance contracts and non-yield-dependent investment contracts (*)	12,444,358	3,570,792	7,344,501	999,187	-	-	-	-	-	24,358,838

(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.

(*) Reclassified, for further details, please see Note 2D.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

	For the year ended December 31, 2022									
	Life insurance and savings (a)	Health (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 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 income	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
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	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
Share in income (losses) of equity-accounted investees	26,648	26,017	4,213	-	2,494	2,735	(57)	(502)	-	61,548
Income (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)
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, gross in respect of insurance contracts and yield-dependent investment contracts (*)	88,307,936	7,045,012	-	-	-	-	-	-	-	95,352,948
Liabilities, gross in respect of insurance contracts and non-yield-dependent investment contracts (*)	12,517,305	3,473,852	7,140,483	1,016,001	-	-	-	-	-	24,147,641

(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.

(*) Reclassified, for further details, please see Note 2D.

NOTE 3 - OPERATING SEGMENTS (cont.)

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

Breakdown of results by type of policy

Data for the nine-month period ended September 30, 2023:

	Policies including a saving component (including appendices) by policy issuance date			Policies without a savings component Risk insurance sold as a single policy		
			From 2004			
	Until 1990 (1)	Until 2003	Yield-dependent	Individual	Group	Total
	Unaudited					
	NIS thousand					
Gross premiums	39,616	880,976	1,931,869	515,251	93,535	3,461,247
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	3,980,720	-	-	3,980,720
Financial margin including management fees (2)	(41,774)	153,698 (3)	297,122	-	-	409,046
Payments and change in liabilities in respect of insurance contracts, gross	677,881	2,879,277 (4)	4,244,854 (4)	260,483	65,895	8,128,390
Payments and change in liabilities for investment contracts	-	-	1,454,254 (4)	-	-	1,454,254
Total payments and change in liabilities from life insurance and long-term savings						9,582,644
Total comprehensive income (loss) from life insurance and savings business	6,239 (5)	(116,301) (5)	(3,054)	47,466 (5)	28,637	(37,013)

(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 September 30, 2023, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 552 million. As of the report publication date, the estimated management fees which were not collected amounted to approximately NIS 590 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 the discount rate and in the assumptions regarding the cost of claims in long-term health insurance totaling approximately NIS 123 million, before tax. For further details, please see Note 8A.

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional information regarding the life insurance and long-term savings segment (cont.)

Breakdown of results by type of policy (cont.)

Data for the nine-month period ended September 30, 2022:

	Policies including a saving component (including appendices) by policy issuance date			Policies without a savings component Risk insurance sold as a single policy		
	Until 1990 (1)	Until 2003	From 2004 Yield-dependent	Individual	Group	Total
	Unaudited					
	NIS thousand					
Gross premiums	44,527	886,711	2,870,892	459,700	91,142	4,352,972
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	6,056,013	-	-	6,056,013
Financial margin including management fees (2)	(78,597)	148,197 (3)	301,740	-	-	371,340
Payments and change in liabilities in respect of insurance contracts, gross	320,719	(1,806,415) (4)	397,514 (4)	249,481	78,590	(760,111)
Payments and change in liabilities for investment contracts	-	-	(1,565,202) (4)	-	-	(1,565,202)
Total payments and change in liabilities from life insurance and long-term savings						(2,325,313)
Total comprehensive income (loss) from life insurance and savings business	405,985 (5)	88,484 (5)	(26,671)	18,144	9,970	495,912

(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 September 30, 2022, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 672 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 interest rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 588 million, before tax. For further details, please see Note 8A.

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional information regarding the life insurance and long-term savings segment (cont.)

Breakdown of results by type of policy (cont.)

For the three-month period ended September 30, 2023:

	Policies including a saving component (including appendices) by policy issuance date			Policies without a savings component Risk insurance sold as a single policy		
			From 2004			
	Until 1990 (1)	Until 2003	Yield-dependent	Individual	Group	Total
	Unaudited					
	NIS thousand					
Gross premiums	12,641	293,523	597,384	174,408	30,504	1,108,460
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	1,473,801	-	-	1,473,801
Financial margin including management fees (2)	(8,833)	52,055 (3)	104,757	-	-	147,979
Payments and change in liabilities in respect of insurance contracts, gross	128,127	795,856 (4)	1,147,678 (4)	91,533	21,014	2,184,208
Payments and change in liabilities for investment contracts	-	-	249,833 (4)	-	-	249,833
Total payments and change in liabilities from life insurance and long-term savings						2,434,041
Total comprehensive income (loss) from life insurance and savings business	65,576 (5)	(46,074) (5)	13,585	4,971	8,295	46,353

(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 September 30, 2023, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 552 million. As of the report publication date, the estimated management fees which were not collected amounted to approximately NIS 590 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 81 million, before tax. For further details, please see Note 8A.

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional information regarding the life insurance and long-term savings segment (cont.)

Breakdown of results by type of policy (cont.)

For the three-month period ended September 30, 2022:

	Policies including a saving component (including appendices) by policy issuance date			Policies without a savings component		
			From 2004	Risk insurance sold as a single policy		
	Until 1990 (1)	Until 2003	Yield-dependent	Individual	Group	Total
	Unaudited					
	NIS thousand					
Gross premiums	15,418	301,757	932,429	156,722	30,126	1,436,452
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	1,533,783	-	-	1,533,783
Financial margin including management fees (2)	(34,242)	48,153 (3)	103,798	-	-	117,709
Payments and change in liabilities in respect of insurance contracts, gross	193,642	(266,234) (4)	377,866 (4)	79,450	23,952	408,676
Payments and change in liabilities for investment contracts	-	-	(387,002) (4)	-	-	(387,002)
Total payments and change in liabilities from life insurance and long-term savings						21,674
Total comprehensive income (loss) from life insurance and savings business	19,581 (5)	6,708 (5)	(17,121)	4,779	4,466	18,413

(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 September 30, 2022, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 672 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 93 million, before tax. For further details, please see Note 8A.

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional information regarding the life insurance and long-term 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		
			From 2004	Risk insurance sold as a single policy		
	Until 1990 (1)	Until 2003	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 long-term savings						(73,812)
Total comprehensive income (loss) from life insurance and savings business	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 and the effect of the change in the discount rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 671 million. For details, see Note 8A.

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the health insurance segment

	For the 9-month period ended September 30, 2023				
	Long-term care		Other (2)		
	Individual (5)	Group (6)	Long-term (7)	Short-term	Total
	Unaudited				
	NIS thousand				
Gross premiums	209,676	927,144	1,290,939(1)	98,971(1)	2,526,730
Payments and change in liabilities in respect of insurance contracts, gross	288,026	1,522,967	763,090	37,506	2,611,589
Total comprehensive income (loss) from health insurance business	168,170(3)	(17,068)(3)	125,527	18,162	294,791

(1) Of this, individual premiums in the amount of NIS 876,897 thousand and collective premiums in the amount of NIS 513,013 thousand.

	For the 9-month period ended September 30, 2022				
	Long-term care		Other (2)		
	Individual	Group	Long-term	Short-term	Total
	Unaudited				
	NIS thousand				
Gross premiums	200,098	822,232	1,187,346(1)	107,394(1)	2,317,069
Payments and change in liabilities in respect of insurance contracts, gross	(589,036)	(93,856)	768,548	56,565	142,221
Total comprehensive income (loss) from health insurance business	814,410(3)	61,400(3)	65,511	7,144	948,465

(1) Of this, individual premiums in the amount of NIS 808,888 thousand and collective premiums in the amount of NIS 485,852 thousand.

	For the 3-month period ended September 30, 2023				
	Long-term care		Other (2)		
	Individual	Group (6)	Long-term	Short-term	Total
	Unaudited				
	NIS thousand				
Gross premiums	69,785	313,816	464,603(1)	42,066(1)	890,270
Payments and change in liabilities in respect of insurance contracts, gross	(49,185)	433,576	228,916	17,151	630,458
Total comprehensive income (loss) from health insurance business	162,877(4)	(7,109)(4)	59,120	7,037	221,925

(1) Of this, individual premiums in the amount of NIS 306,246 thousand and collective premiums in the amount of NIS 200,423 thousand.

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the health insurance segment (cont.)

	For the 3-month period ended September 30, 2022				
	Long-term care		Other (2)		
	Individual	Group	Long-term	Short-term	Total
	Unaudited				
	NIS thousand				
Gross premiums	67,884	280,693	410,291(1)	52,590(1)	811,457
Payments and change in liabilities in respect of insurance contracts, gross	25,853	93,216	256,780	25,102	400,951
Total comprehensive income from health insurance business	51,742(4)	22,336(4)	23,559	7,777	105,414

(1) Of this, individual premiums in the amount of NIS 293,405 thousand and collective premiums in the amount of NIS 169,476 thousand.

	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) The profit in the nine-month period ended September 30, 2023, includes a decrease in the insurance reserves (LAT) in the amount of approximately NIS 42 million, and the loss in the nine-month period ended September 30, 2022 - a decrease in LAT of NIS 821 million.

(4) The profit (loss) in the three-month period ended September 30, 2023, includes a decrease in the insurance reserves (LAT) in the amount of approximately NIS 159 million, and the profit in the three-month period ended September 30, 2022 - a decrease in LAT of NIS 56 million.

(5) For details about gain from assuming control in the FNX Private in the reporting period, see Note 4B.

(6) For information about the termination of the agreement and the collective long-term care insurance policy (hereinafter - the "Agreement") for Maccabi Healthcare Services members (hereinafter - "Maccabi"), please see Note 8V.

(7) For information about the effects of the Capital Markets Authority's reform on sales of health products, see Noe 8W.

NOTE 3 - OPERATING SEGMENTS (cont.)

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

	For the 9-month period ended September 30, 2023				
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
	Unaudited				
	NIS thousand				
Gross premiums	574,369	1,450,629	798,725	626,100	3,449,823
Reinsurance premiums	39,687	-	548,371	297,184	885,242
Premiums - retention	534,682	1,450,629	250,354	328,916	2,564,581
Change in unearned premium balance, retention	60,846	225,982	27,405	44,359	358,592
Premiums earned - retention	473,836	1,224,647	222,949	284,557	2,205,989
Investment income, net and finance income	57,851	25,038	5,948	48,146	136,983
Income from fees and commissions	21,565	9	120,250	35,726	177,550
Total income	553,252	1,249,694	349,147	368,429	2,520,522
Payments and change in liabilities in respect of insurance contracts, gross	418,473	1,045,299	419,896	292,065	2,175,733
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	33,362	(50)	339,525	159,932	532,769
Payments and change in liabilities for insurance contracts - retention	385,111	1,045,349	80,371	132,133	1,642,964
Fees and commissions, marketing expenses and other purchase expenses	59,245	225,301	174,137	109,693	568,376
General and administrative expenses	23,390	39,206	22,922	22,005	107,523
Finance expenses	6,453	-	663	5,370	12,486
Total expenses	474,199	1,309,856	278,093	269,201	2,331,349
Share in income of equity-accounted investees	1,783	868	184	1,482	4,317
Income (loss) before taxes on income	80,836	(59,294)	71,238	100,710	193,490
Other comprehensive income before taxes on income	27,374	13,335	2,815	22,782	66,306
Total comprehensive income (loss) for the period before taxes on income	108,210	(45,959)	74,053	123,492	259,796
Liabilities in respect of insurance contracts, gross, as of September 30, 2023 (unaudited)	3,155,990	1,291,227	809,990	2,588,329	7,845,536
Liabilities in respect of insurance contracts - retention - as of September 30, 2023 (unaudited)	2,145,902	1,291,188	236,214	1,713,333	5,386,637

(*) Property and other 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 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 9-month period ended September 30, 2022				
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
	Unaudited				
	NIS thousand				
Gross premiums	560,592	1,113,504	705,557	508,627	2,888,280
Reinsurance premiums	107,804	9	490,261	238,600	836,674
Premiums - retention	452,788	1,113,495	215,296	270,027	2,051,606
Change in unearned premium balance, retention	100,293	159,798	24,742	27,209	312,042
Premiums earned - retention	352,495	953,697	190,554	242,818	1,739,564
Investment income, net and finance income	33,059	8,617	3,609	30,597	75,882
Income from fees and commissions	44,731	215	104,010	29,662	178,618
Total income	430,285	962,529	298,173	303,077	1,994,064
Payments and change in liabilities in respect of insurance contracts, gross	407,054	863,619	184,914	310,940	1,766,527
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	116,723	311	148,314	193,329	458,677
Payments and change in liabilities for insurance contracts - retention	290,331	863,308	36,600	117,611	1,307,850
Fees and commissions, marketing expenses and other purchase expenses	55,296	211,776	146,549	90,632	504,253
General and administrative expenses	20,033	34,099	19,207	16,175	89,514
Finance expenses	11,734	-	1,281	10,860	23,875
Total expenses	377,394	1,109,183	203,637	235,278	1,925,492
Share in income of equity-accounted investees	430	174	47	398	1,049
Income (loss) before taxes on income	53,321	(146,480)	94,583	68,197	69,621
Other comprehensive loss before taxes on income	(104,107)	(42,069)	(11,364)	(96,357)	(253,897)
Total comprehensive income (loss) for the period before taxes on income	(50,786)	(188,549)	83,219	(28,160)	(184,276)
Liabilities in respect of insurance contracts, gross, as of September 30, 2022 (unaudited)	3,122,989	1,064,297	729,326	2,427,889	7,344,501
Liabilities in respect of insurance contracts - retention - as of September 30, 2022 (unaudited)	1,946,194	1,064,124	200,583	1,751,666	4,962,567

(*) Property and other 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 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 3-month period ended September 30, 2023				
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
	Unaudited				
	NIS thousand				
Gross premiums	185,655	453,025	244,403	208,218	1,091,301
Reinsurance premiums	12,887	-	160,768	104,774	278,429
Premiums - retention	172,768	453,025	83,635	103,444	812,872
Change in unearned premium balance, retention	(2,926)	6,863	5,230	3,210	12,377
Premiums earned - retention	175,694	446,162	78,405	100,234	800,495
Investment income, net and finance income	20,215	8,548	2,289	16,506	47,558
Income from fees and commissions	5,876	-	41,703	12,130	59,709
Total income	201,785	454,710	122,397	128,870	907,762
Payments and change in liabilities in respect of insurance contracts, gross	131,635	375,817	121,574	86,892	715,918
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(312)	7	94,669	51,133	145,497
Payments and change in liabilities for insurance contracts - retention	131,947	375,810	26,905	35,759	570,421
Fees and commissions, marketing expenses and other purchase expenses	21,417	88,208	65,134	37,435	212,194
General and administrative expenses	7,822	13,023	7,612	5,605	34,062
Finance expenses	2,119	-	241	1,726	4,086
Total expenses	163,305	477,041	99,892	80,525	820,763
Share in income of equity-accounted investees	1,476	716	154	1,224	3,570
Income (loss) before taxes on income	39,956	(21,615)	22,659	49,569	90,569
Other comprehensive income (loss) before taxes on income	(1,259)	(843)	32	(1,289)	(3,359)
Total comprehensive income (loss) for the period before taxes on income	38,697	(22,458)	22,691	48,280	87,210
Liabilities in respect of insurance contracts, gross, as of September 30, 2023 (unaudited)	3,155,990	1,291,227	809,990	2,588,329	7,845,536
Liabilities in respect of insurance contracts - retention - as of September 30, 2023 (unaudited)	2,145,902	1,291,188	236,214	1,713,333	5,386,637

(*) Property and other subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 75% of total premiums in these subsegments.

(**) Other liability subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 85% of total premiums in these subsegments.

NOTE 3 - OPERATING SEGMENTS (cont.)

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

	For the 3-month period ended September 30, 2022				
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
	Unaudited				
	NIS thousand				
Gross premiums	187,225	366,461	221,999	155,825	931,510
Reinsurance premiums	36,139	3	151,564	70,881	258,587
Premiums - retention	151,086	366,458	70,435	84,944	672,923
Change in unearned premium balance, retention	20,878	26,140	3,368	(1,155)	49,231
Premiums earned - retention	130,208	340,318	67,067	86,099	623,692
Investment income (losses), net and finance income	(1,042)	(1,664)	98	(1,325)	(3,933)
Income from fees and commissions	12,406	62	34,382	10,503	57,353
Total income	141,572	338,716	101,547	95,277	677,112
Payments and change in liabilities in respect of insurance contracts, gross	77,663	335,374	44,691	39,055	496,783
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	31,748	6	35,109	45,999	112,862
Payments and change in liabilities for insurance contracts - retention	45,915	335,368	9,582	(6,944)	383,921
Fees and commissions, marketing expenses and other purchase expenses	17,603	83,139	52,987	31,495	185,224
General and administrative expenses	6,460	11,271	6,077	4,870	28,678
Finance expenses	2,035	-	282	1,781	4,098
Total expenses	72,013	429,778	68,928	31,202	601,921
Share in income of equity-accounted investees	1,637	682	171	1,528	4,018
Income (loss) before taxes on income	71,196	(90,380)	32,790	65,603	79,209
Other comprehensive loss before taxes on income	(12,734)	(3,569)	(1,957)	(10,823)	(29,083)
Total comprehensive income (loss) for the period before taxes on income	58,462	(93,949)	30,833	54,780	50,126
Liabilities in respect of insurance contracts, gross, as of September 30, 2022 (unaudited)	3,122,989	1,064,297	729,326	2,427,889	7,344,501
Liabilities in respect of insurance contracts - retention - as of September 30, 2022 (unaudited)	1,946,194	1,064,124	200,583	1,751,666	4,962,567

(*) Property and other subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 77% of total premiums in these subsegments.

(**) Other liability subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 83% 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 income	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
Share in income of equity-accounted investees	1,743	672	198	1,600	4,213
Income (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 (audited)	3,025,588	1,061,880	670,253	2,382,762	7,140,483
Liabilities in respect of insurance contracts - retention - as of December 31, 2022 (audited)	1,902,667	1,061,809	196,571	1,663,974	4,825,021

(*) Property and other 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 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 9-month period ended September 30, 2023		
	Provident funds	Pension	Total
	Unaudited		
	NIS thousand		
Investment income, net and finance income	74,101	7,423	81,524
Income from management fees	325,131	229,237	554,368
Other income (see Note 4B)	15,616	1,873	17,489
Total income	414,848	238,533	653,381
Change in liabilities for investment contracts	70,592	-	70,592
Fees and commissions, marketing expenses and other purchase expenses	143,506	133,483	276,989
General and administrative expenses	126,806	75,379	202,185
Other expenses	14,161	11,644	25,805
Finance expenses	7,499	6,683	14,182
Total expenses	362,564	227,189	589,753
Share in income of equity-accounted investees	362	-	362
Total comprehensive income for the period before taxes on income	52,646	11,344	63,990

	For the 9-month period ended September 30, 2022		
	Provident funds	Pension	Total
	Unaudited		
	NIS thousand		
Investment income (losses), net and finance income	73,455	(4,952)	68,503
Income from management fees	311,202	184,353	495,555
Other income	14,192	1,132	15,324
Total income	398,849	180,533	579,382
Change in liabilities for investment contracts	77,499	-	77,499
Fees and commissions, marketing expenses and other purchase expenses	127,121	105,314	232,435
General and administrative expenses	106,409	63,663	170,072
Other expenses	13,953	1,374	15,327
Finance expenses	8,105	2,723	10,828
Total expenses	333,087	173,074	506,161
Total comprehensive income for the period before taxes on income	65,762	7,459	73,221

NOTE 3 - OPERATING SEGMENTS (cont.)

E. Additional data regarding the pension and provident segment (cont.)

	For the 3-month period ended September 30, 2023		
	Provident funds	Pension	Total
	Unaudited		
	NIS thousand		
Investment income, net and finance income	22,236	3,453	25,689
Income from management fees	111,058	81,868	192,926
Other income	-	663	663
Total income	133,294	85,984	219,278
Change in liabilities for investment contracts	20,648	-	20,648
Fees and commissions, marketing expenses and other purchase expenses	49,092	46,260	95,352
General and administrative expenses	57,108	26,198	83,306
Other expenses	4,338	4,360	8,698
Finance expenses	2,852	4,147	6,999
Total expenses	134,038	80,965	215,003
Total comprehensive income (loss) for the period before taxes on income	(744)	5,019	4,275

	For the 3-month period ended September 30, 2022		
	Provident funds	Pension	Total
	Unaudited		
	NIS thousand		
Investment income (losses), net and finance income	18,607	(933)	17,674
Income from management fees	103,050	64,192	167,242
Other income	-	471	471
Total income	121,657	63,730	185,387
Change in liabilities for investment contracts	24,084	-	24,084
Fees and commissions, marketing expenses and other purchase expenses	45,326	36,725	82,051
General and administrative expenses	33,801	22,736	56,537
Other expenses	4,583	458	5,041
Finance expenses	2,377	824	3,201
Total expenses	110,171	60,743	170,914
Total comprehensive income for the period before taxes on income	11,486	2,987	14,473

NOTE 3 - OPERATING SEGMENTS (cont.)

E. Additional data regarding the pension and provident segment (cont.)

	For the year ended December 31, 2022		
	Provident funds	Pension	Total
		Audited	
		NIS thousand	
Investment income (losses), 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 income	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
Total comprehensive income for the period before taxes on income	77,717	11,266	88,983

NOTE 4 - BUSINESS COMBINATIONS

A. Acquisition of 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 2022 Consolidated Annual Financial Statements.

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, a final 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 4 - BUSINESS COMBINATIONS (cont.)

B. Assuming control of FNX Private

1. General

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 Private" venture (hereinafter - "FNX 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%.
In the first quarter of 2023, the Companies and Saifa, entered into an agreement for the incorporation of the Venture as two separate legal entities (hereinafter - "FNX Private Partnerships"), such that the Companies will continue holding 50% of the joint Venture.

2. Assuming control

In the second quarter of 2023, the Group completed a transaction for the acquisition of further 10% in the joint Venture's partnerships in consideration for NIS 25 million, such that subsequent to the acquisition the Group holds (directly and indirectly) 60% of the venture. Subsequent to the completion of the transaction, and as a result of assuming control in the Venture, the Company recognized, in the second quarter, a pre- and post-tax profit of NIS 129 million, which is included in the other income line item (in the health insurance segment - NIS 114 million, and in the pension and provident segment - NIS 15 million).
As of the report date, 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, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities assumed. A final adjustment of the consideration for the acquisition as well as the fair value of the assets and liabilities purchased can be carried out up to 12 months from the date of purchase. At the time of the final measurement, the adjustments are made by way of a restating the comparison results previously reported according to the provisional measurement.
The Company has opted to measure the non-controlling interests in the acquired company according to the proportionate share of the non-controlling interests in the fair value of the net identified assets of the acquiree.

The fair value of FNX Private Partnerships' identified assets and identified liabilities as of the consolidation commencement date (June 30, 2023) is as follows:

	NIS thousand
Intangible assets	103,277
Liabilities in respect of deferred taxes	(35,310)
Total identifiable assets net of identifiable liabilities	**67,967**
Non-controlling interests	(27,309)
Income from assuming control	(129,096)
Goodwill arising from the acquisition	113,793
Total acquisition cost	**25,355**

NOTE 4 - BUSINESS COMBINATIONS (cont.)

B. Assuming control of FNX Private (cont.)

2. Assuming control (cont.)

As stated above, the date on which control was assumed is June 30, 2023, and therefore the financial results of the FNX Private Partnerships for the 3 months ended September 30, 2023 are included in the life insurance and savings segment and in the pension and provident segment. In the second quarter, the results of the FNX Private Partnerships were included in the income of equity-accounted investees.

3. As part of assuming control, The Phoenix Investments also acquired 18% of the shares of Tehuda Management Services and 9% of the shares of Safra Consultation and Investments Ltd.; the said acquisitions include an indirect acquisition of 6% of the shares of The Phoenix Capital, such that subsequent to the acquisition the Company holds - through The Phoenix Investments - 71% of The Phoenix Capital's shares. The consideration for the acquisition amounts to NIS 7 million.

C. Acquisition of the portfolio management activity and mutual funds from Psagot by The Phoenix Investment House (including through subsidiaries)

1. In January 2023, The Phoenix Investment House and Psagot Mutual Funds Ltd. (hereinafter - "Psagot Funds") signed an agreement where under The Phoenix Investment House 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").

   In July 2023, following discussions regarding the Transaction held with the Israel Competition Authority, the parties received the Israel Competition Authority's position regarding the parties' offer to enter into an alternative transaction that includes changes to the sold assets and the consideration compared to the Funds Agreement (hereinafter - the "Alternative Transaction"), whereby the Israel Competition Authority will not demand the filing of merger notices in respect of the Alternative Transaction, and therefore the Competition Commissioner (hereinafter - the "Commissioner") or the Israel Competition Authority will not take enforcement measures in respect of its execution. The estimated total assets under management that will be acquired in the Alternative Transaction shall stand at NIS 11.1 billion, in consideration for an estimated total of NIS 200 million, instead of the total assets under management and consideration under the Funds Agreement.

   During August 2023, the parties completed the Alternative Transaction.

   As of the date of approval of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities assumed. A final adjustment of the consideration for the acquisition as well as the fair value of the assets and liabilities purchased can be carried out up to 12 months from the date of purchase. As a result of this purchase, The Phoenix Investment House recorded intangible assets, which include customer relations and non-competition agreement in the amount of NIS 53 million, and goodwill in the amount of NIS 153 million.

NOTE 4 - BUSINESS COMBINATIONS (cont.)

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

2. Furthermore, in January of 2023, 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 estimated at approx. NIS 8.1 billion (hereinafter - the "Portfolio Agreement"), in consideration for NIS 50 million. During the reporting period, 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.
   In June 2023, the parties agreed an amendment to the Portfolio Agreement whereby the Court's approval in accordance with Section 350 to the Companies Law, 1999, is not a condition precedent to the completion of the transaction. In view of the above, the conditions precedent set in the Portfolio Agreement were fulfilled and the transaction was completed.
   As of the date of approval of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities assumed. A final adjustment of the consideration for the acquisition as well as the fair value of the assets and liabilities purchased can be carried out up to 12 months from the date of purchase. As a result of this purchase, The Phoenix Investment House recorded intangible assets, which include customer relations and non-competition agreement in the amount of NIS 11 million, and goodwill in the amount of NIS 23 million.

As of September 30, 2023, The Phoenix Investment House paid the entire consideration amount of NIS 240 million to Psagot Securities and Psagot Funds after making adjustments to the consideration amount as agreed in the contract between the parties.

For said acquisitions, 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).
In addition, The Phoenix Investment House and a bank entered into a loan agreement for the purpose of paying the outstanding consideration amount.

D. Additional acquisitions in a consolidated company of The Phoenix Agencies

During the reporting period a consolidated company of The Phoenix Agencies purchased a controlling stake in insurance agencies. As a result of those acquisitions, a consolidated company of The Phoenix Agencies recorded intangible assets comprising insurance portfolios totaling NIS 9.2 million, goodwill totaling NIS 9.3 million and other net assets whose amount is immaterial.

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 September 30		As of December 31
	2023	2022	2022
	Unaudited		Audited
	NIS thousand		
Investment property	2,233,796	1,926,633	2,142,074
Financial investments:			
Liquid debt assets	21,811,901	20,467,588	21,252,417
Illiquid debt assets	7,812,630	8,762,624	8,306,926
Shares	20,503,430	20,749,140	19,610,785
Other financial investments	31,620,524	27,719,383	28,224,143
Total financial investments	81,748,485	77,698,735	77,394,271
Cash and cash equivalents	19,093,748	15,931,737	16,358,509
Other	282,119	184,308	160,734
Total assets for yield-dependent contracts	**103,358,148**	**95,741,413**	**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.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

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

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

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

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial investments:				
Liquid debt assets	15,127,693	6,684,208	-	21,811,901
Illiquid debt assets	-	5,007,002	2,805,628	7,812,630
Shares	18,116,550	235,179	2,151,701	20,503,430
Other financial investments	10,990,660	986,137	19,643,727	31,620,524
Total	**44,234,903**	**12,912,526**	**24,601,056**	**81,748,485**

	As of September 30, 2022			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial investments:				
Liquid debt assets	14,995,807	5,471,781	-	20,467,588
Illiquid debt assets	-	6,950,826	1,811,798	8,762,624
Shares	17,883,003	1,148,034	1,718,103	20,749,140
Other financial investments	9,485,246	1,479,201	16,754,936	27,719,383
Total	**42,364,056**	**15,049,842**	**20,284,837**	**77,698,735**

	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.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

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

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

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
	NIS thousand				
Balance on January 1, 2023 (audited)	-	1,916,398	1,876,296	17,268,806	21,061,500
Total income recognized in profit or loss (*)	-	260,203	30,990	1,938,347	2,229,540
Purchases	-	1,001,980	378,611	2,854,603	4,235,194
Proceeds from interest and dividend	-	(70,090)	(26,018)	(784,283)	(880,391)
Redemptions / sales	-	(768,602)	(108,178)	(1,633,746)	(2,510,526)
Transfers into Level 3 (**)	-	570,072	-	-	570,072
Transfers from Level 3 (**)	-	(104,333)	-	-	(104,333)
Balance as of September 30, 2023 (unaudited)	-	2,805,628	2,151,701	19,643,727	24,601,056
(*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of September 30, 2023	-	172,190	21,359	1,293,445	1,486,994

(**) Transfers into (from) Level 3 stem mainly from securities whose rating changed.

	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
	NIS thousand				
Balance on January 1, 2022 (audited)	-	1,722,489	1,622,980	13,931,585	17,277,054
Total income (losses) recognized in profit or loss (*)	-	(15,651)	158,188	1,757,779	1,900,316
Purchases	-	1,184,665	267,173	3,150,059	4,601,897
Proceeds from interest and dividend	-	(24,517)	(16,354)	(525,887)	(566,758)
Redemptions / sales	-	(652,279)	-	(1,507,360)	(2,159,639)
Transfers into Level 3 (**)	-	85,126	-	44,212	129,338
Transfers from Level 3 (**)	-	(488,035)	(313,884)	(95,452)	(897,371)
Balance as of September 30, 2022 (unaudited)	-	1,811,798	1,718,103	16,754,936	20,284,837
(*) Of which: Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of September 30, 2022	-	(53,947)	70,243	1,241,760	1,258,056

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

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

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

2. Fair value of financial assets by level (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 July 1, 2023	-	2,646,814	2,148,312	18,836,507	23,631,633
Total income recognized in profit or loss (*)	-	83,733	16,648	786,592	886,973
Purchases	-	292,572	29,376	937,040	1,258,988
Proceeds from interest and dividend	-	(23,656)	(12,933)	(335,931)	(372,520)
Redemptions / sales	-	(194,261)	(29,702)	(580,481)	(804,444)
Transfers into Level 3 (**)	-	426	-	-	426
Balance on September 30, 2023	-	2,805,628	2,151,701	19,643,727	24,601,056
(*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of September 30, 2023	-	45,537	20,473	527,820	593,830

(**) Transfers to Level 3 stem mainly from securities the rating of which was revised.

	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 July 1, 2022	-	2,112,051	1,699,302	16,146,981	19,958,334
Total income (losses) recognized in profit or loss (*)	-	(30,919)	13,266	(8,678)	(26,331)
Purchases	-	239,105	10,559	1,419,108	1,668,772
Proceeds from interest and dividend	-	(8,568)	(5,024)	(163,844)	(177,436)
Redemptions / sales	-	(270,309)	-	(668,911)	(939,220)
Transfers into Level 3 (**)	-	-	-	44,212	44,212
Transfers from Level 3 (**)	-	(229,562)	-	(13,932)	(243,494)
Balance on September 30, 2022	-	1,811,798	1,718,103	16,754,936	20,284,837
(*) Of which: Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of September 30, 2022	-	(51,361)	8,621	(114,272)	(157,012)

(**) Transfers into (from) Level 3 stem mainly from securities whose rating changed.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

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

2. Fair value of financial assets by level (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
	Audited				
	NIS thousand				
Balance as of January 1, 2022	-	1,722,489	1,622,980	13,931,585	17,277,054
Total income 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 - balance 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

1. Illiquid debt assets

Composition:

	As of September 30, 2023	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
Loans and receivables		
Designated bonds and treasury deposits (*)	8,364,876	10,668,210
Other non-convertible debt assets, excluding deposits with banks	7,309,970	7,225,953
Deposits with banks	800,899	807,389
Total illiquid debt assets	16,475,745	18,701,552
Impairments carried to profit and loss (cumulative)	82,617	

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

(**) The change in fair value in the reporting period is mainly attributed to the increase in the risk-free interest rate. See also Note 1C above.

	As of September 30, 2022	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
Loans and receivables		
Designated bonds (*)	8,567,501	11,607,825
Other non-convertible debt assets, excluding deposits with banks	6,613,266	6,565,369
Deposits with banks	2,562,595	2,580,582
Total illiquid debt assets	17,743,362	20,753,776
Impairments carried to profit and loss (cumulative)	52,251	

(*) 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 (*)	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 September 30, 2023			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Liquid debt assets	4,433,419	1,498,706	-	5,932,125
Shares	1,665,735	89,449	525,006	2,280,190
Other	617,682	282,174	4,968,773	5,868,629
Total	6,716,836	1,870,329	5,493,779	14,080,944

	As of September 30, 2022			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Liquid debt assets	4,349,822	1,818,708	-	6,168,530
Shares	1,807,641	372,780	486,727	2,667,148
Other	695,497	465,967	3,729,397	4,890,861
Total	6,852,960	2,657,455	4,216,124	13,726,539

	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

	Fair value measurement at the reporting date				
	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
	NIS thousand				
Balance on January 1, 2023 (audited)	-	-	486,793	4,111,483	4,598,276
Total income (losses) recognized:					
In profit and loss (*)	-	-	(7,763)	217,843	210,080
In other comprehensive income	-	-	28,051	280,877	308,928
Purchases	-	-	25,081	839,277	864,358
Proceeds from interest and dividend	-	-	(6,867)	(214,346)	(221,213)
Redemptions / sales	-	-	(289)	(266,361)	(266,650)
Balance as of September 30, 2023 (unaudited)	-	-	525,006	4,968,773	5,493,779
(*) Of which: Total unrealized losses for the period recognized in profit and loss in respect of assets held as of September 30, 2023	-	-	(18,377)	(39,535)	(57,912)

	Fair value measurement at the reporting date				
	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
	NIS thousand				
Balance on January 1, 2022 (audited)	-	-	498,033	2,863,064	3,361,097
Total income (losses) recognized:					
In profit and loss (*)	-	-	(6,128)	130,633	124,505
In other comprehensive income	-	-	23,607	322,549	346,156
Purchases	-	-	89,166	916,274	1,005,440
Proceeds from interest and dividend	-	-	(1,727)	(105,950)	(107,677)
Redemptions / sales	-	-	-	(379,820)	(379,820)
Transfers from Level 3 (**)	-	-	(116,224)	(17,353)	(133,577)
Balance as of September 30, 2022 (unaudited)	-	-	486,727	3,729,397	4,216,124
(*) Of which: Total unrealized losses for the period recognized in profit and loss in respect of assets held as of September 30, 2022	-	-	(7,726)	(67,075)	(74,801)

(**) 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.)

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

	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	Fair value measurement at the reporting date Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Unaudited				
	NIS thousand				
Balance as of July 1, 2023	-	-	527,862	4,752,796	5,280,658
Total income (losses) recognized:					
In profit and loss (*)	-	-	(9,721)	92,718	82,997
In other comprehensive income	-	-	10,581	79,106	89,687
Purchases	-	-	1,913	233,827	235,740
Proceeds from interest and dividend	-	-	(5,340)	(86,384)	(91,724)
Redemptions / sales	-	-	(289)	(103,290)	(103,579)
Balance on September 30, 2023	-	-	525,006	4,968,773	5,493,779
(*) Of which: Total unrealized losses for the period recognized in profit and loss in respect of assets held as of September 30, 2023	-	-	(17,377)	(13,965)	(31,342)

	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	Fair value measurement at the reporting date Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Unaudited				
	NIS thousand				
Balance as of July 1, 2022	-	-	491,931	3,453,113	3,945,044
Total income (losses) recognized:					
In profit and loss (*)	-	-	(2,479)	93,021	90,542
In other comprehensive income	-	-	(2,738)	(9,231)	(11,969)
Purchases	-	-	1,685	453,057	454,742
Proceeds from interest and dividend	-	-	(1,672)	(34,645)	(36,317)
Redemptions / sales	-	-	-	(225,918)	(225,918)
Balance on September 30, 2022	-	-	486,727	3,729,397	4,216,124
(*) Of which: Total unrealized losses for the period recognized in profit and loss in respect of assets held as of September 30, 2022	-	-	(4,027)	(24,180)	(28,207)

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 (cont.)

	Fair value measurement at the reporting date				
	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 income (losses) recognized:					
In profit and 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 - balance 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 September 30		As of December 31
	2023	2022	2022
	Unaudited		Audited
	NIS thousand		
Trade receivables and checks for collection	990,378	1,104,996	1,105,547
Credit vouchers	25,568	26,309	17,064
Loans and checks for collection	1,092,375	964,016	1,010,058
Credit vouchers for sale	1,413,485	1,281,518	1,335,486
Provision for doubtful debts	-	(20,208)	(24,818)
Loan loss provision (*)	(36,005)	-	-
Total	**3,485,801**	**3,356,631**	**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 September 30, 2023	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
Financial liabilities presented at amortized cost:		
Short-term credit from banking corporations	764,982	764,982
Loans from non-bank entities	806,703	806,703
Bonds (see Note 8D)	2,149,660	2,051,356
Subordinated bonds (1)	3,684,738	3,534,172
Additional Tier 1 capital subordinated bond (1)	216,791	187,250
Trade receivables for credit cards	1,536,277	1,536,277
REPO in respect of non-yield-dependent contracts (2)	955,192	955,192
Other (3)	31,449	31,449
Total financial liabilities presented at amortized cost	10,145,792	9,867,381
Financial liabilities presented at fair value through profit and loss:		
Derivatives held for yield-dependent contracts	1,954,617	1,954,617
Derivatives held for non-yield-dependent contracts	782,564	782,564
REPO in respect of yield-dependent contracts (2)	1,287,696	1,287,696
Liability for short sale of liquid securities	1,013,470	1,013,470
Total financial liabilities presented at fair value through profit and loss	5,038,347	5,038,347
Lease liabilities (4)	120,445	
Total financial liabilities	15,304,584	

(1) The bonds were issued for the purpose of complying with the capital requirements.
   A. See Note 8F regarding full early redemption of Series F Bonds.
   B. See Note 8I regarding listing for trading of Series L Bonds.

(2) The Phoenix Insurance entered into repo and reverse 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 collateral 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 September 30, 2022	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
Financial liabilities presented at amortized cost:		
Short-term credit from banking corporations	715,681	715,681
Loans from non-bank entities	819,940	819,940
Bonds (see Note 8C)	2,019,392	1,905,628
Subordinated bonds (1)	4,067,389	3,962,778
Additional Tier 1 capital subordinated bond (1)	208,770	188,097
Trade receivables for credit cards	1,594,592	1,594,592
REPO in respect of non-yield-dependent contracts (2)	139,068	139,068
Other (3)	34,846	34,846
Total financial liabilities presented at amortized cost	9,599,678	9,360,630
Financial liabilities presented at fair value through profit and loss:		
Derivatives held for yield-dependent contracts	2,593,401	2,593,401
Derivatives held for non-yield-dependent contracts	757,992	757,992
Liability for short sale of liquid securities	2,611,744	2,611,744
Total financial liabilities presented at fair value through profit and loss	5,963,137	5,963,137
Lease liabilities (4)	116,153	
Total financial liabilities	15,678,968	

(1) The bonds were issued for the purpose of complying with the capital requirements.

(2) The Phoenix Insurance entered into repo and reverse 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 collateral 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 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) The Phoenix Insurance entered into repo and reverse 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 collateral 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.)

2. Fair value of financial liabilities by level

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Liability for short sale of liquid securities	1,013,470	-	-	1,013,470
REPO in respect of yield-dependent contracts	-	1,287,696	-	1,287,696
Derivatives	1,308,692	1,417,902	10,587	2,737,181
Financial liabilities presented at fair value	2,322,162	2,705,598	10,587	5,038,347

	As of September 30, 2022			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Liability for short sale of liquid securities	2,611,744	-	-	2,611,744
Derivatives	858,450	2,484,081	8,862	3,351,393
Financial liabilities presented at fair value	3,470,194	2,484,081	8,862	5,963,137

	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

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities (cont.)

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 fair market value, reference to the current market value of another instrument which is substantially the same, discounted 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 Tel Aviv Stock Exchange. The quoted prices and interest rates used for discounting purposes are determined by a company which won the tender, published by the Ministry of Finance, for the setting up and operating a database of quoted prices and interest rates for institutional entities.

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.

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 company 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 capital 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 Provisions of the Economic Solvency Regime, 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 Provisions of the Economic Solvency Regime (hereinafter - the "Deduction"). The Deduction will decrease gradually until 2032 (hereinafter - the "Transitional Period"). In addition to a reduced capital requirements, that will increase gradually until 2023, in respect of certain investment types.

In accordance with the provisions of the Economic Solvency Ratio Report, 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, in the framework of the Report of the Board of Directors, the 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. In addition, if the Company's solvency ratio falls to 120% or below, it will publish a Full Solvency Ratio Report on a quarterly basis in a semi-annual format, instead of an estimated ratio.

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

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

The Phoenix Insurance published its Solvency Ratio Report as of June 30, 2023 along with the publication of the financial statements.

In accordance with the Solvency Ratio Report as of June 30, 2023, The Phoenix Insurance has excess capital, net of the transitional provisions and taking into account the transitional provisions..
The calculation carried out by The Phoenix Insurance as of June 30, 2023 was reviewed by the Company's independent auditors in accordance with the principles of International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard is relevant for the execution of the engagement to assess whether the Company's solvency calculations as of June 30, 2023, comply, in all material respects, with the Commissioner's Directives, and are not part of the audit or review 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 June 30, 2023, 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 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 June 30, 2023 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 23, 2023, the Company's Board of Directors increased the minimum economic solvency ratio target by 4 percentage points without taking into account the provisions during the Transitional Period - from a rate of 111% to a rate of 115% beginning on June 30, 2023. 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.)

On August 23, 2023, The Phoenix Insurance's Board of Directors decided to distribute a NIS 350 million dividend, at a rate higher than that set in the distribution policy, without detracting from its long-term dividend policy, and given the amount of the distributable profits and the solvency ratio rate of The Phoenix Insurance, and after compliance with the solvency ratio targets and the distribution tests as per the Companies Law. This dividend distribution was taken into account in the results of the solvency ratio as of June 30, 2023.

The dividend distributions described above were 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 June 30, 2023 does not include the effect of the business activity of The Phoenix Insurance subsequent to June 30, 2023 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, regulatory changes affecting the business environment, and the effects of the Iron Swords War described in Note 1D above.

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 "ORSA Circular"); the ORSA Circular 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 ORSA circular, 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 ORSA Circular.

State of Emergency Directive of the Commissioner of the Capital Market, Insurance and Savings - October 2023 (Institutional Entities Circular 2023-9-7) stipulates that the deadline for submitting the Own Risk and Solvency Assessment (ORSA) will be postponed by 60 days to March 31, 2024.

D. The Company undertook to supplement, at any time, the equity 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 capital 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.

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

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, guidance issued by the Israel Securities Authority and/or the TASE Rules and Regulations. As of the financial statements date, The Phoenix Pension and Provident complies with those requirements.

F. On October 25, 2023, the Board of Directors of The Phoenix Capital Raising approved a private placement to the Company of NIS 317,800 million p.v. in subordinated bonds (Series L) of The Phoenix Capital Raising (hereinafter - the "Subordinated Bonds"), which are part of Additional Tier 1 capital, for a total consideration of NIS 300 million. The additional subordinated bonds were assigned an ilAA- rating by Maalot. The subordinated bonds were recognized as Tier 1 Capital in The Phoenix Insurance, and were listed on the Tel Aviv Stock Exchange.

G. For more information regarding the effects of the Iron Swords War, see Note 1D.

H. For information regarding the share buyback, see Note 8G.

I. For further details regarding the Company's dividend distribution, please see Notes 8G and 8P.

J. For information about The Phoenix Insurance's international rating, see Note 1G.

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 the claim as a class action (hereinafter - the "motion to certify" or the "motion stage", respectively). Provided 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.

In Sections 1-9, 11-20, 22-27, 29-30, 32-38, 40-43, 45-46 and 53 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 petitions to approve the lawsuit as class actions will be rejected - no provision was included in the financial statements, except for petitions to approve 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 petitions to approve lawsuits as class actions as set out in Sections 10, 21, 28, 31, 39, 44, 52-47, 54-58 in the table below, at this preliminary stage, the chances of the petitions to approve lawsuits as class actions cannot be assessed and therefore no provision is included in respect thereof in the Financial Statements.

NOTE 7 - CONTINGENT LIABILITIES (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 Tel Aviv District Court The Phoenix Insurance and other insurance companies 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. 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. In July 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. The class action continues to be heard in the District Court. The parties are in 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 and referred to the claim of collecting sub-annuals at a rate higher than the rate permitted by law, which, as stated, was rejected.

NOTE 7 - CONTINGENT LIABILITIES (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
2.	February 2010 Central District Court The Phoenix Insurance (and other insurance companies in a parallel case, in light of filing a consolidated class action statement of claim) 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 "policy factor" commission 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. 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. In June 2023, the parties filed with the Court a motion to approve a settlement agreement. According to the settlement agreement that was filed, the considerations paid to the class members (as defined in the settlement agreement), are: Refund at the rate of 42% in respect of the past for the "policy factor"; future discount of 50% in respect of the "policy factor"; and payment of compensation and legal fees to the class action plaintiff and his attorney (for more information, see immediate report of June 21, 2023, Ref No.: 2023-01-057877). 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.
[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 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 (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 Tel Aviv District Court The Phoenix Insurance Approximately NIS 220 million or alternatively NIS 90 million.[4]	Non-payment of interest in respect of insurance benefits from the date of the insured 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. 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.
4.	July 2014 Central District Court The Phoenix Pension and Provident Fund Ltd. and management companies of additional pension funds. 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.	In March 2022, the District Court certified the claim as a class action lawsuit. 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. The class action continues to be heard in the District Court, and a pre-trial hearing was scheduled for February 29, 2024.

[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 insured 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 for motion to certify the claim as a class action were different and higher and also related to the linkage claim, which was rejected.

NOTE 7 - CONTINGENT LIABILITIES (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 Beer Sheva District Court The Phoenix Insurance 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. The class 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 insured event occurred from June 25, 2012 through June 25, 2015. In January 2023, the parties filed with the Court a settlement agreement approval motion at amounts which are immaterial for The Phoenix Insurance. The settlement agreement is subject to the Court's approval.
6.	September 2015 Tel Aviv District Court The Phoenix Pension (currently - The Phoenix Pension and Provident Fund Ltd.) and management companies of additional pension funds 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. In January 2023, the plaintiffs filed an appeal to the Supreme Court. An appeal hearing is scheduled for July 29 2024.

[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 (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
7.	December 2015 Tel Aviv District Court The Phoenix Insurance and another insurance company 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. In September 2020, the plaintiff filed an appeal with the Supreme Court. In July 2023, the position of the Capital Market, Insurance and Savings Authority was filed to the Supreme Court, which is consistent with the position of The Phoenix Insurance. The appeal continues to be heard in the Supreme Court. A hearing was scheduled for February 22, 2024.
8.	February 2016 Central District Court The Phoenix Insurance 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 insured 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.	In May 2023, the parties filed with the Court a settlement agreement approval motion at amounts which are immaterial for The Phoenix Insurance. 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 (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 9-11 below were submitted on the grounds of unlawful collection of investment management expenses which are not sanctioned by the policies or by laws.			
9.	November 2016 Jerusalem Regional Labor Court Excellence Nessuah Gemel Ltd. (currently: The Phoenix Pension and Provident Fund Ltd.) 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. In June 2023, the Supreme Court handed down its judgment (hereinafter the "Judgment"), whereby the motion for leave to appeal was allowed, and the motions to certify the claims as class actions were dismissed (see Section B(2) below). According to the Court's decision, The Phoenix announced its position, whereby the motion to certify should be disallowed in view of the Judgment. A pre-trial hearing is scheduled for January 24, 2024.
10.	June 2019 Tel Aviv Regional Labor Court The Phoenix Insurance 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.	In October 2022, the Court stayed the proceedings until after a judgment is rendered in the motion to appeal described in Section B(2) below. In June 2023, a judgment was rendered. In November 2023, following the judgment, the plaintiff asked to file an amended motion to certify the lawsuit as a class action, and the court approved this request. An amended motion as stated above has not yet been filed.

[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 (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
11.	June 2019 Jerusalem Regional Labor Court Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) 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 by laws.	Halman Aldubi has yet to submit its response to the motion to certify the claim as a class action. In March 2022, the Court stayed the proceedings until after a judgment is rendered in the motion to appeal described in Section B(2) below. In June 2023, a judgment was rendered. In November 2023, in view of the judgment, the court ordered the applicant to inform it regarding the further steps it will take in connection with the proceeding.
12.	January 2017 Central District Court The Phoenix Insurance and other insurance companies 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. 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 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 (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
13.	June 2017 Central District Court The Phoenix Insurance 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. The class 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. 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 (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.	June 2017 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction). The National Insurance Institute (hereinafter - the "National Insurance Institute"). The Phoenix Insurance and additional insurance companies (hereinafter, jointly: the "Official Respondents") 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. 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 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 (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.	August 2017 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction) Excellence Gemel & Hishtalmut Ltd. (currently: The Phoenix Pension and Provident Fund Ltd.) 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.	In March 2022, the court certified the claim as a class action. As part of the certification decision, it is decided that the class on behalf of which the class action will be conducted is as requested in the certification motion. 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. 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.
16.	May 2018 Haifa Regional Labor Court The Phoenix Pension and Provident Fund Ltd.[4] 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. 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. 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 (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 2018 Jerusalem District Court The Phoenix Insurance and another insurance company 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 insured 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. As part of the certification decision it was determined that the class 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. In May 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. A pre-trial hearing is scheduled for February 27, 2024.

[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 (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.	December 2018 Tel Aviv District Court The Phoenix Insurance, other insurance companies and banks 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.	On November 24, 2023, the District Court issued a ruling approving the petition to approve the claim as a class action. As part of the certification ruling, it was decided that the group in whose name the class action will be heard will comprise those who took a mortgage loan from one or more of the defendant banks, and was insured under more than one building insurance policy for the same building during that period by the defendant insurance companies that were sued. It was further decided that the joint questions for the class members are whether the defendant insurance companies insured the class members under overlapping insurance; did they create among class members a reasonable expectation that they will conduct themselves in a reasonable manner, including, among other things, that they will not insure the same building under an overlapping insurance during the same period without adding any insurance coverage; were they negligent by breaching an expected standard of conduct; did they breach a fair disclosure duty; does their charging insurance premiums in respect of two insurance policies that do not add upon each other amount to unlawful enrichment; are class members entitled to a refund and what is the amount of the refund.
19.	March 2019 Central District Court The Phoenix Insurance 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. A pre-trial hearing is scheduled for March 25, 2024.

[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 (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 2019 Tel Aviv District Court The Phoenix Insurance 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 income 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. 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.
21.	July 2019 Tel Aviv District Court The Phoenix Insurance and other insurance companies 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 claim as a class action. 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 (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.	August 2019 Central District Court The Phoenix Insurance and other insurance companies 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. In February 2020, the position of the Capital Market, Insurance and Savings Authority was submitted, which is not in line with the plaintiffs' position.
23.	December 2019 Central District Court PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance 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). 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.	In April 2023, the Court approved a 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; 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. 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 (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.	January 2020 Central District Court The Phoenix Insurance, other insurance companies and a road recovery and towing services company. 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.
25.	February 2020 Central District Court The Phoenix Insurance 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.	In January 2023, a decision was issued, granting the motion to certify the claim as a class action. 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. The class action continues to be heard in the District 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 (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.	February 2020 Tel Aviv Regional Labor Court (the hearing was transferred from the Tel Aviv District Court) Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) 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.
27.	April 2020 Tel Aviv District Court The Phoenix Insurance, other insurance companies and the managing corporation of the Compulsory Motor Insurance Pool (the "Pool") Ltd. 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. Hearings are scheduled for January 9 and 10, 2024. 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 (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.	May 2020 Tel Aviv District Court 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 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 claim as a class action. The motion to certify the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for January 21, 2024. At the same time, the parties agreed to conduct a mediation procedure.
29.	June 2020 Tel Aviv District Court PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance 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.	In September 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. 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 (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.	June 2020 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction) The Phoenix Insurance and another insurance company 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. A pre-trial hearing is scheduled for December 6, 2023.
31.	July 2020 Haifa Magistrate Court PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance 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 insured 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 claim as a class action.
32.	July 2020 Central District Court The Phoenix Insurance and other insurance companies 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.

[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 (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
33.	September 2020 Tel Aviv District Court The Phoenix Insurance 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.	In September 2022, the District Court partially certified the motion to approve the action as a class action lawsuit. 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. The class 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. 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 (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.	September 2020 Central District Court The Phoenix Insurance and another insurance company 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 disability 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 insured event had occurred. 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.	In October 2022, the parties filed with the Court a motion to certify a settlement agreement at amounts which are immaterial for The Phoenix Insurance. 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. A hearing is scheduled for November 29, 2023.
35.	December 2020 Central District Court The Phoenix Insurance 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 insured 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 insured 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 (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.	March 2021 Tel Aviv District Court The Phoenix Insurance and other insurance companies 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.
37.	March 2021 Central District Court The Phoenix Insurance 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.
38.	April 2021 Central District Court The Phoenix Insurance, banks, investment houses, credit card companies and other insurance companies 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 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 (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.	July 2021 Tel Aviv District Court The Phoenix Insurance 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.
40.	December 2021 Tel Aviv District Court The Phoenix Insurance 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 are in mediation.
41.	January 2022 Central District Court The Phoenix Insurance 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. A pre-trial hearing is scheduled for January 23, 2024.
42.	January 2022 Central District Court The Phoenix Insurance and another insurance company 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.

[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 (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
43.	April 2022 Tel Aviv District Court The Phoenix Insurance 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. 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 19 in the table above).	The motion to certify the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for December 28 2023. 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 17 to the table) has not been allowed by the Court.
44.	May 2022 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction) The Phoenix Pension and Provident (formerly - "The Phoenix Excellence Pension and Provident Funds Ltd.") and another management company 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. 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 30 in the table above).	The Phoenix Pension and Provident has yet to submit its response to 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.

NOTE 7 - CONTINGENT LIABILITIES (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
45.	June 2022 Haifa Regional Labor Court The Phoenix Insurance 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.
46.	September 2022 Tel Aviv District Court Excellence Nessuah Brokerage Services Ltd. (Currently: Excellence Investment Management and Securities Ltd.) 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.	The motion to certify the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for April 4, 2024.
47.	October 2022 Tel Aviv District Court The Phoenix Insurance and other insurance companies 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 claim as a class action. A pre-trial hearing is scheduled for April 10, 2024.

[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 (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
48.	November 2022 Haifa District Court The Phoenix Insurance 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 parties agreed to conduct a mediation procedure.
49.	April 2023 Central District Court The Phoenix Insurance 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 insured 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 claim as a class action. A pre-trial hearing is scheduled for March 8, 2024.
50.	April 2023 Central District Court The Phoenix Insurance 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 insured 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 claim as a class action. A pre-trial hearing is scheduled for March 4, 2024.

[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 (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.	April 2023 Haifa District Court The Phoenix Insurance and another insurance company 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 claim as a class action.
52.	July 2023 Tel Aviv District Court The Phoenix Insurance, The Phoenix Pension and Provident and additional companies NIS 297 million from all defendants	The lawsuit concerns the plaintiffs' claim, whereby starting on January 1, 2012, when Amendment 190 to the Income Tax Ordinance [New Version] came into effect, as alleged, the defendants did not ensure that the recipients of annuities from one of the new pension funds and/or provident funds and/or insurance funds they manage would receive the tax exemption for those entitled due to the component known as a "recognized annuity," as defined in the Income Tax Ordinance.	The Phoenix Insurance and The Phoenix Pension and Provident have yet to submit their response to the motion to certify the claim as a class action. A pre-trial hearing is scheduled for March 17, 2024.
53.	July 2023 Tel Aviv District Court The Phoenix Insurance NIS 3.18 million	The lawsuit concerns the claim that callers to The Phoenix Insurance's call center to purchase comprehensive motor / third party insurance were allegedly treated differently than other callers due to their ethnic background, in that they had been asked to submit a no claims confirmation, while other callers allegedly had the option to present the confirmation retroactively, after entering into the insurance policy.	On July 16, 2023, concurrently with the filing of the motion to certify the claim as a class action, the parties filed with the Court a motion to certify a settlement agreement at amounts which are immaterial for The Phoenix Insurance. 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 (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
54.	August 2023 Tel Aviv Regional Labor Court The Phoenix Insurance and The Phoenix Pension and Provident The claim amount was not estimated but it was stated as being more than NIS 2.5 million.	The lawsuit concerns the claim that the defendants allegedly act contrary to the provisions of the law by transferring the redemption funds of their policyholders or planholders under a pension fund and/or executive insurance and/or annuity provident fund to an annuity after the stipulated date for this purpose under the law. Thus, the defendants are unjustly enriched, overcharge management fees, and do not compensate their policyholders / planholders with the interest on arrears plus the returns with respect to the alleged delay.	The Phoenix Insurance and The Phoenix Pension and Provident have yet to submit their response to the motion to certify the claim as a class action. A pre-trial hearing is scheduled for February 25, 2024.
55.	August 2023 Central District Court The Phoenix Insurance The claim amount was not estimated but it was stated that it is higher than NIS 3 million (potentially tens of millions of shekels).	The claim deals with a claim that in cases where customers had a credit balance, The Phoenix Insurance has allegedly acted unlawfully by not transferring those funds to the customers - whether by transferring the funds to the customers by way of a check that was not paid-in, rather than by way of bank transfer or by crediting the amount to the customer's credit card, or due to any other reason; by not informing the customers of the funds they are entitled to; and by not acting to recover those funds. It was further claimed that damage was allegedly caused to customers to whom The Phoenix Insurance transferred funds in respect of a credit balance through checks that were paid-in, rather than by way of bank transfer or by crediting the amount to the customer's credit card.	The Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed. A pre-trial hearing is scheduled for February 28, 2024.
56.	September 2023 Haifa District Court The Phoenix Insurance The claim amount was not estimated but it was stated as being more than NIS 2.5 million.	The lawsuit concerns the claim that The Phoenix Insurance did not return the insurance premium to policyholders who had frozen their motor insurance policies, allegedly, for the period after the policy had been frozen and until the date of its retroactive cancellation, on the motor insurance policy's original termination date (with the lawful linkage differences and interest). It was further claimed that these policyholders who had been forced to contact The Phoenix Insurance to receive a refund, and encountered difficulties, and that, as a result of this, they allegedly suffered non-pecuniary damage.	The Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed. A pre-trial hearing is scheduled for February 25, 2024.

[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 (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
57.	September 2023 Tel Aviv-Jaffa District Court The Phoenix Insurance and seven other insurance companies The claim amount was estimated at NIS 80 million in relation to all of the defendants.	The lawsuit concerns the claim that policyholders whose vehicles require optional flatbed towing or must be towed using this method when the vehicle requires repair (and must be towed to an auto-repair shop), and who had purchased a rider for the defendants to provide towing services, had allegedly paid the defendants premiums in vain, as the defendants only provide conventional towing services, and they charge an additional, separate fee for flatbed towing, without disclosing this in the rider.	The Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed. A pre-trial hearing is scheduled for July 7 2024.
58.	November 2023 Tel Aviv-Jaffa District Court The Phoenix Insurance and seven other insurance companies The claim amount in relation to all defendants was not estimated, but it was stated as being more than NIS 2.5 million, and in relation to a specific sub-class it was estimated at NIS 10 million.	The lawsuit concerns the claim that when setting the price of premiums in life, health, and P&C insurance policies, "catastrophe events" such as a "surprise" war and/or other extreme or unexpected events that reduced the defendants' risk and exposure were not factored in; that in light of the Iron Swords War, the defendants are expected to experience a major reduction in the risk in policies in which the risk components had significantly decreased (and completely eliminated in some cases), and therefore, the premiums on such policies should be returned or reduced, starting from the date the state of emergency was declared; that government institutions and public entities or "hybrid" entities have adapted their operations in a manner that reduces their operations and lowers insurance coverage realization rates; and that for policies in the business sector, the risk has declined substantially. In particular, it was argued that for policyholders who have been conscripted in an emergency reserve conscription ("Order 8"), for whom, some of the policies exclude coverage in case of a war, the actuarial risk has dropped significantly, and therefore – their premiums should be returned or reduced.	The Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed.

[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 (cont.)

B. Concluded claims*

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
1.	June 2021 Tel Aviv District Court 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"). 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 (for further details, see the immediate report dated April 24, 2023, Ref. No. 2023-01-038587). 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. 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 (cont.)

B. Concluded claims* (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
2.	September 2016 Central District Court The Phoenix Insurance 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. 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. In June 2023, the Supreme Court allowed the defendants' motion for leave to appeal and dismissed the motions to certify the claims as class actions. It should be noted that motions to certify the claim as a class action regarding investment management expenses are also pending against Excellence Gemel (please see Section A(9) above in the table), The Phoenix Insurance (see Section A(10) above in the table) and Halman Aldubi Provident and Pension Funds Ltd. (see Section A(11) above in the table).

[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 (cont.)

B. Concluded claims* (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
3.	April 2017 Tel Aviv Regional Labor Court (the hearing was transferred from the Tel Aviv District Court due to substantive jurisdiction) 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. 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. In September 2022, the National Court dismissed the plaintiffs' appeal. In December 2022, the plaintiffs filed a petition to the Supreme Court, in its capacity as the High Court of Justice, requesting the reversal of the judgment that dismissed the appeal. In June 2023, the Supreme Court, sitting as the High Court of Justice, denied the plaintiffs' petition to reverse the judgment.

[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 (cont.)

B. Concluded claims* (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
4.	January 2018 Central District Court The Phoenix Insurance and other insurance companies 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.	In January 2022, the District Court issued a judgment rejecting the motion to certify of the claim as a class action lawsuit. In April 2022 the plaintiff filed an appeal to the Supreme Court. In September 2023, the Supreme Court dismissed the appeal filed by the plaintiff.
5.	June 2020 Tel Aviv Regional Labor Court The Phoenix Insurance 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.	In September 2023, a judgment was rendered, confirming the settlement agreement between the parties at amounts which are immaterial for The Phoenix Insurance. According to the settlement agreement, The Phoenix Insurance will alter its future conduct, such that subsequent to the death of policyholders, it will link accumulated funds to the investment track (in addition to collection of management fees); with respect to the past, it will compensate the class members in an amount equal to 30% of the amounts they are due (provided they are due) if the said amounts had been linked to the investment track (net of management fees); and shall also pay compensation to the lead plaintiff and his counsels' legal fees.

[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 (cont.)

B. Concluded claims* (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
6.	July 2019 Jerusalem Regional Labor Court Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) 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 by laws; the practice continued until May 2017, at which time the Fund's by laws were changed so as to include the specific provision for charging direct investment management expenses.	On October 29, 2023, the court issued a ruling confirming the plaintiff's withdrawal from the motion to approve 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 (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) (hereinafter - “Halman Aldubi” and “Hadas Provident”, respectively) - which was merged into The Phoenix Pension and Provident on October 1, 2021 - 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, which concealing from the ISA data and documents reflecting cooperation between the parties. In addition, allegations were made regarding a series of appointments and interested party transactions made in Pilat Group in violation of the law, which allegedly 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; in addition, declaratory reliefs are requested against Oracle Group and Hadas Provident. In June 2023, the Court approved a mediation agreement between the plaintiffs and all of the other defendants other than Halman Aldubi. The lawsuit against Halman Aldubi continues to be heard in court. A hearing is scheduled for December 24, 2023.

3. 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.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

C. Legal and other proceedings (cont.)

3. (cont.)

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.

4. In April 2023, a letter was received from the Capital Markets Authority, along with a draft audit report regarding the collective long-term care insurance plan administered by The Phoenix Insurance for members of the Meuhedet HMO. The draft audit report focuses on the adequacy of the management of the money held in the fund between 2017 and 2019, and mainly concerns the manner in which contingent claims funds were managed.

   In June 2023, The Phoenix Insurance responded to the letter and to the draft audit report. In July 2023, The Phoenix Insurance added upon its response. The Authority's decision has yet to be issued.

5. 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 31.5 million. The causes of action against the Group in these proceedings are different.

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 income in respect of its existing portfolio, in addition to the exposure embodied in claims for compensation for customers in respect of past activity.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

D. Complaints (cont.)

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.

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 (unaudited)
Certified class actions:		
A specific amount was attributed to the Company	6	1,152,743
The claim pertains to several companies and no specific amount was attributed to the Company	2	328,000
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	17	2,536,092
The claim pertains to several companies and no specific amount was attributed to the Company	7	2,877,895
The amount of the claim was not specified	22	-
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 demands	17	31,507

The total provision amount in respect of class actions, legal proceedings and others, filed against the Group as specified above as of September 30, 2023 and December 31, 2022, amounted to approximately NIS 406,793 thousand (of which a total of approximately NIS 13,550 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

	September 30, 2023	September 30, 2022	December 31, 2022
	Unaudited	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. Set forth below is the effect of the changes in the interest rate curve and the main changes described above on the insurance liabilities:

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS million				
Life insurance segment:					
Effect of updating assumption regarding rates of annuity uptake	-	(462)	-	-	(462)
Effect of updating other assumptions on the supplementary retirement pension reserve and paid pensions	-	-	-	-	(12)
The effect of the changes in the assumptions regarding the cost of claims in long-term health insurance	(59)	-	-	-	-
Effect of updating assumptions on the expense rates	-	-	-	-	(1)
Effect of updating assumptions on the mortality rates	-	364	-	-	364
Change in the discount rate used in the calculation of the supplementary retirement pension reserve and paid pensions	(64)	(490)	(81)	(93)	(560)
Total decrease in liabilities on retention in life insurance segment	**(123)**	**(588)**	**(81)**	**(93)**	**(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 (*)	(76)	(793)	(157)	(40)	(919)
Total decrease in liabilities on retention in health insurance segment	**(76)**	**(793)**	**(157)**	**(40)**	**(956)**
P&C insurance segment:					
Change in discount rate (*)	(35)	(204)	(40)	(136)	(264)
Total decrease in liabilities on retention in P&C insurance segment	**(35)**	**(204)**	**(40)**	**(136)**	**(264)**
Total decrease in liabilities on retention before tax	**(234)**	**(1,585)**	**(278)**	**(269)**	**(1,891)**
Total decrease in liabilities on retention, after tax	**(154)**	**(1,043)**	**(183)**	**(177)**	**(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 4B(3).

Furthermore, in the first quarter of 2023, 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 income 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. Sensitivity tests pertaining to interest and CPI risks

Further to what is stated in Note 41 Section 3 to the annual financial statements, in view of interest rate hikes in Israel and across the world, the Company assessed the sensitivity of its financial results as of September 30, 2023 to changes in interest rates.

The Phoenix Insurance is of the opinion that as of September 30, 2023, its total sensitivity (assets and liabilities) to a corresponding 1% increase in the risk-free interest rate curve is a post-tax NIS 87 million profit compared with a post-tax NIS 105 million loss as a result of a corresponding 1% decrease in the risk-free interest rate curve. The result of the said scenario assumes an increase in the K-value, if any, for insurance liabilities in the form of yield-dependent insurance policies. To complete the picture, it should also be noted that in a scenario of a significant increase in interest rates, the positive effect on insurance liabilities declines as the effect of the release of the LTC LAT balance is exhausted.

C. 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 (SPC) - The Phoenix Construction Finance Ltd. (hereinafter - the "Phoenix Construction and Financing"). In this framework, in the reporting period, most of 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 The Phoenix Construction Financing (approx. 10%), and the remaining share was transferred against a shareholder loan. It should be noted that all exposure limits on The Phoenix Insurance and regulatory provisions shall also 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.

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. 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 4C.

E. 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.

F. 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.

G. 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 603 thousand shares at a total cost of approximately NIS 22.5 million. Subsequent to the purchase, the Company holds 5,999 thousand Company shares.

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

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.

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 further details 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. 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. In June 2023, the NIS 330 million loan agreement was signed with the bank for a two-year period at Prime minus 0.51%; the interest on the loan will be repaid on a quarterly basis, and the loan principal will be repaid at the end of the loan term. In addition, as of September 30, 2023, The Phoenix Pension and Provident utilized NIS 100 million out of the credit facility at Prime minus 0.75%.

L. In May 2023, The Phoenix Insurance closed the activity of the retail unit, which employs 120 employees. As part of the costs incurred due to the closure of the said unit, The Phoenix Insurance recognized a one-off expense of NIS 13 million in the other expenses line item.

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

M. On June 27, 2023, the Company's Board of Directors approved - after obtaining the approval of the Compensation Committee - the allocation to employees of the Company and its subsidiaries, some of whom are Company officers (including the Company's CEO), and to service providers of the Company (hereinafter- the "Offerees") of up to 3,211,588 unlisted options (including options that were awarded in a private placement that was approved by the Board of Directors on August 1, 2023), which are offered without cash consideration (but in consideration of work or services provided to the Company by the Offerees), under the theoretical assumption of all allocatable options being exercised taking into consideration the cap price and the cashless exercise mechanism under the outline, immediately after exercise thereof and taking into account the issued and paid-up capital of the Company, the shares arising from the exercise of the options as of the Board of Directors' approval, shall constitute approximately 0.37% of the issued and paid-up capital of the Company and approximately 0.37% of its voting rights (and approximately 0.36% and 0.36%, respectively, fully diluted). The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value of one option was estimated at approximately NIS 6.1, and the total value of the options allotted was estimated at that date at approximately NIS 20 million.

In accordance with the Board of Directors' decision, out of the amount of 3,211,588 options allotted to offerees a total of 57,190 options were allotted to the Company's CEO. The award of options to the Company's CEO was approved in an extraordinary general meeting of the Company held on August 2, 2023 (hereinafter - the "Meeting").

For further details regarding the vesting terms and conditions, see Note 37B to the Consolidated Annual Financial Statements. In addition, please see the immediate reports dated June 28, 2023, July 26, 2023 and August 2, 2023 (Ref. Nos.: 2023-01-060307, 2023-01-060334, 2023-01-072205513 and 2023-01-088974, respectively).

N. In June 2023, the Company executed a buyback of NIS 124 million par value of bonds (Series 6). The bonds are not linked to the CPI (principal and interest), and bear unlinked annual interest, as stated above, at the rate of 1.94%, which is paid in two annual payments in 2023-2032. Following this buyback, the Company recorded in the second quarter a NIS 16 million gain from early redemption.

O. In April 2023, Gama and a banking corporation (which is not an interested party in the Company) entered into a loan agreement, whereby Gama will receive a NIS 75 million loan, that will be repaid in a single installment on April 30, 2026. The interest on the outstanding balance of the loan's principal shall be repaid in quarterly installments as from July 30, 2023 through April 30, 2026, and its effective rate will range between Prime minus 1.5% and Prime plus 1.5%.

Furthermore, in July 2023, Gama entered into an agreement with a banking entity (which is not an interested party in the Company), to receive a loan of NIS 100 million, of which NIS 25 million will be repaid in eleven equal quarterly installments and the outstanding balance of NIS 75 million will be repaid in one lump sum in July 2026. The interest on the outstanding balance of the loan's principal shall be repaid in quarterly installments as from October 30, 2023 through July 30, 2026, and its effective rate will range between Prime minus 1.5% and Prime plus 1.5%.

P. On August 23, 2023, the company's Board of Directors approved a dividend distribution in the amount of NIS 120 million in respect of the Company's income for the 6-month period ended June 30, 2023. The dividend per share of NIS 1 par value is NIS 0.47. The record date is August 31, 2023, and the dividend paid on September 7, 2023.

Q. On July 11, 2023, S&P Maalot announced the upgrading of the Company's rating from ilAA- to ilAA with a stable outlook, and the upgrading of The Phoenix Insurance Company's rating from ilAA+ to ilAAA with a stable outlook.

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

R. On August 23, 2023, Midroog announced it is affirming the rating of The Phoenix Insurance Company at Aa1.il, and upgrading the rating outlook from stable to positive. Accordingly, the rating outlook of the subordinated bonds that were issued by The Phoenix Capital Raising were upgraded from stable to positive.

S. In August 2023, after approval by the Board of Directors of The Phoenix Investment House, the Company's Board of Directors and their respective Compensation Committees, (illiquid) options were allocated to employees of The Phoenix Investment House and other Company subsidiaries, some of whom are Company officers (including the Company's Chairman of the Board of Directors and CEO) and to service providers of the Company (hereinafter - the "Offerees"); the total number of options that were allocated a total of 1,285,797 (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 fair value at the Award Date is calculated based on an appraisal received from an external appraiser, which amounted to approximately NIS 21 million. The vesting period shall be spread over 4 years.
Out of the total number of options allocated as described above, 63,321 options were allocated to the Chairman of the Company's Board of Directors, and 78,771 options were allocated to the Company's CEO. The award of options to the Company's Chairman and CEO was approved in an extraordinary general meeting of the Company held on August 2, 2023. For further details, please see the immediate reports dated June 28, 2023 and August 2, 2023 (Ref. Nos.: 2023-01-060334 and 2023-01-088974, respectively).

T. As of December 31, 2023 the Agreement terminates and the collective long-term care insurance policy (hereinafter - the "Agreement") for Maccabi Healthcare Services members (hereinafter - "Maccabi"). Therefore, The Phoenix Insurance informed Maccabi and the Commissioner ahead of time of the non-renewal of the agreement and the transition to a mutual long-term care insurance without a life insurance risk component for The Phoenix Insurance in accordance with the terms of the agreement and the policy. Notwithstanding the above, in view of Maccabi's request to extend the term of the agreement by a further period, The Phoenix Insurance agreed to assess the extension of the term of the agreement by one further year, provided that The Phoenix Insurance shall not undertake risk, including an insurance risk. The Phoenix Insurance is conducting negotiations with Maccabi, and if the parties will fail to agree the extension of the agreement by one further year under the conditions set out above, the policyholders will be transferred to a mutual long-term care insurance, in accordance with the policy and the agreement's continuity terms.

U. According to the Capital Markets Authority's health insurance reform (surgery insurance rates), which came into force on October 1, 2023, and the provisions of the Economic Arrangements Law for 2023 - 2024, The Phoenix Insurance took action to implement those provisions, and, among other things, priced the new health insurance products and applied for a marketing permit from the Capital Markets Authority. As of the report publication date, The Phoenix Insurance has not yet received a marketing permit for most of the products.

V. In August 2023, KSM Mutual Funds, a wholly-owned subsidiary of The Phoenix Investment House (hereinafter - the "Borrower") took a NIS 115 million bank loan for the purpose of acquiring the activity of Psagot Mutual Funds Ltd. The loan is for a period of 7 years; the loan principal and the interest will be repaid on a quarterly basis starting on December 31, 2023. The loan principal will bear a fixed interest of Prime minus 0.5%. The Phoenix Investment House serves as a guarantor for KSM Mutual Funds' debts as part of the loan agreement.

W. 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. In October 2023, the Company issued - by way of extension - Series 5 and Series 6 Bonds for a total consideration of NIS 343 million:

1. The Company issued, by way of expansion, NIS 134,962 thousand par value in Series 5 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated October 25, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 128 million. The Bonds (Series 5) are rated ilAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd.

2. The Company issued, by way of expansion, NIS 265,038 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 October 25, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 215 million. The Bonds (Series 5) are rated ilAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd.

The consideration paid for the bonds, as stated above, was mainly used for an investment in subordinated bonds (Series L) of The Phoenix Capital Raising, which are part of Additional Tier 1 capital, at a total amount of NIS 300 million. For further details, please see Note 6F.

B. Subsequent to balance sheet date and through the report publication date, the Company carried out a buyback of 447 thousand shares at a total cost of approximately NIS 15.6 million. Subsequent to the purchase, the Company holds 6,446 thousand Company shares.

C. For more information regarding the effects of the “Iron Swords War”, see Note 1D above.

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 September 30, 2023			
	Presented at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	Unaudited			
	NIS thousand			
Liquid debt assets (a1)	234,948	5,514,453	-	5,749,401
Illiquid debt assets	-	-	14,821,493	14,821,493
Shares (a2)	18,086	2,108,813	-	2,126,899
Other (a3)	350,519	5,414,954	-	5,765,473
Total	603,553	13,038,220	14,821,493	28,463,266

	As of September 30, 2022			
	Presented at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	Unaudited			
	NIS thousand			
Liquid debt assets (a1)	408,786	5,635,198	-	6,043,984
Illiquid debt assets	-	-	14,523,705	14,523,705
Shares (a2)	-	2,116,308	-	2,116,308
Other (a3)	523,672	4,242,379	-	4,766,051
Total	932,458	11,993,885	14,523,705	27,450,048

	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 September 30, 2023	
	Carrying amount	Amortized cost
	Unaudited	
	NIS thousand	
Government bonds	2,369,127	2,646,656
Other debt assets:		
Other non-convertible debt assets	3,145,326	3,400,835
Other convertible debt assets	234,948	257,134
Total liquid debt assets	5,749,401	6,304,625
Impairments carried to profit and loss (cumulative)	641,848	

	As of September 30, 2022	
	Carrying amount	Amortized cost
	Unaudited	
	NIS thousand	
Government bonds	2,493,910	2,881,014
Other debt assets:		
Other non-convertible debt assets	3,141,288	3,405,587
Other convertible debt assets	408,786	453,517
Total liquid debt assets	6,043,984	6,740,118
Impairments carried to profit and loss (cumulative)	432,840	

	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 September 30, 2023	
	Carrying amount	Cost
	Unaudited	
	NIS thousand	
Liquid shares	1,630,989	1,638,602
Illiquid shares	495,910	335,384
Total shares	2,126,899	1,973,986
Impairments carried to profit and loss (cumulative)	328,191	

	As of September 30, 2022	
	Carrying amount	Cost
	Unaudited	
	NIS thousand	
Liquid shares	1,648,646	1,668,986
Illiquid shares	467,662	332,367
Total shares	2,116,308	2,001,353
Impairments carried to profit and loss (cumulative)	321,250	

	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 September 30, 2023	
	Carrying amount	Cost
	Unaudited	
	NIS thousand	
Total liquid financial investments	566,824	525,645
Total illiquid financial investments	5,198,649	3,883,953
Total other financial investments	5,765,473	4,409,598
Impairments carried to profit and loss (cumulative)	265,399	

	As of September 30, 2022	
	Carrying amount	Cost
	Unaudited	
	NIS thousand	
Total liquid financial investments	585,100	591,083
Total illiquid financial investments	4,180,951	3,098,407
Total other financial investments	4,766,051	3,689,490
Impairments carried to profit and loss (cumulative)	231,481	

	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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Building a better working world

To
The Shareholders of The Phoenix Holdings Ltd.

Dear Madam/Sir,

Re: Independent Auditors' Special Report on the Separate Interim Financial Information pursuant to 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 September 30, 2023 and for the nine and three-months periods 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 1,093,609 thousand as of September 30, 2023, and the Company's share in of their earnings amounted to approximately NIS 86,010 thousand and NIS 21,903 thousand for the nine and three-months periods 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,
November 28, 2023

Kost Forer Gabbay & Kasierer
Certified Public Accountants

	As of		
	September 30, 2023	September 30, 2022	December 31, 2022
	Unaudited		Audited
	NIS thousand		
Assets			
Investments in investees	8,904,124	9,320,775	9,842,459
Loans and capital notes to investees	1,105,351	795,125 (*)	803,529 (*)
Total non-current assets	10,009,475	10,115,900	10,645,988
Investments and capital notes for investees	1,042,117	1,002,868 (*)	1,011,345 (*)
Other financial investments	35,361	11,157 (*)	10,603 (*)
Receivables and debit balances	1,534	4,222	10,791
Dividend receivable (see Note 2C)	337,501	-	-
Current tax assets	44	31	31
Deferred tax assets	24,390	-	-
Cash and cash equivalents	135,920	26,703	16,959
Total current assets	1,576,867	1,044,981	1,049,729
Total assets	11,586,342	11,160,881	11,695,717
Equity attributable to Company's shareholders			
Share capital	313,331	310,660	311,640
Premium on shares and capital reserves	861,565	845,683	851,918
Treasury shares	(178,102)	(155,628)	(155,628)
Capital reserves	1,187,224	834,438	1,123,705
Surplus	7,834,311	7,776,248	8,013,123
Total equity	10,018,329	9,611,401	10,144,758
Liabilities			
Non-current liabilities			
Bonds	1,514,051	1,487,779	1,495,505
Current liabilities			
Payables and credit balances	17,410	7,988	10,362
Liability in respect of deferred taxes	-	18,606	9,689
Short-term bonds	36,552	35,107	35,403
Total current liabilities	53,962	61,701	55,454
Total liabilities	1,568,013	1,549,480	1,550,959
Total equity and liabilities	11,586,342	11,160,881	11,695,717

(*) Reclassified.

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

Approval date of the financial statements: November 28, 2023

The attached additional information is an integral part of the Company's separate interim financial information.

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
			NIS thousand		
Company's share in the profits of investees, net of tax	70,826	994,035	109,090	153,196	1,216,360
Investment income, net and finance income	74,941	81,167	21,742	25,865	101,271
Income from management fees of investees	2,250	2,250	750	750	3,000
Total income	148,017	1,077,452	131,582	179,811	1,320,631
General and administrative expenses	9,698	7,323	3,044	1,886	9,897
Finance expenses	39,820	47,773	16,033	15,532	62,710
Total expenses	49,518	55,096	19,077	17,418	72,607
Income before income tax	98,499	1,022,356	112,505	162,393	1,248,024
Income (expenses) for income taxes	(15,560)	-	40	-	(9,100)
Net income for the period attributable to the Company's owners	114,059	1,022,356	112,465	162,393	1,257,124

The attached additional information is an integral part of the Company's separate interim financial information.

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS thousand				
Net income for the period	114,059	1,022,356	112,465	162,393	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	-	(678)	-	(5)	(754)
Net gains from disposal of financial assets classified as available for sale, carried to the income statement	-	42	-	(45)	(111)
Gain on impairment of financial assets classified as available for sale, carried to the income statement	-	186	-	76	208
The Group's share in other comprehensive income (loss) of investees	401,278	(423,703)	104,364	(100,673)	(230,419)
Taxes on income relating to components of other comprehensive income	-	104	-	225	152
Total components of income (loss) items, subsequently reclassified to profit or loss	401,278	(424,049)	104,364	(100,422)	(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	-	346	-	(251)	97,707
Other comprehensive income (loss) for the period, net	401,278	(423,703)	104,364	(100,673)	(133,217)
Total comprehensive income for the period	515,337	598,653	216,829	61,720	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	Capital 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, 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 (*)	-	-	-	1,522	-	-	-	-	-	(1,522)	-
Balance as of January 1, 2023 after first-time application of IFRS 9	311,640	851,918	(155,628)	8,014,645	(56,503)	11,000	62,920	224,054	(14,435)	895,147	10,144,758
Net income	-	-	-	114,059	-	-	-	-	-	-	114,059
Other comprehensive income	-	-	-	-	-	-	-	-	35,022	366,256	401,278
Total comprehensive income	-	-	-	114,059	-	-	-	-	35,022	366,256	515,337
Share-based payment	-	1,833	-	-	-	-	12,815	-	-	-	14,648
Acquisition of treasury shares	-	-	(22,474)	-	-	-	-	-	-	-	(22,474)
Exercise of employee options	1,691	7,814	-	-	-	-	(9,505)	-	-	-	-
Transfer from revaluation reserve in respect of valuation of property, plant, and equipment, at the depreciation amount	-	-	-	2,779	-	-	-	(2,779)	-	-	-
Dividend (see Note 8H and 8P to the Consolidated Financial Statements)	-	-	-	(297,172)	-	-	-	-	-	-	(297,172)
Acquisition of minority interests	-	-	-	-	(140,504)	-	-	-	-	-	(140,504)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	3,341	-	-	-	-	-	3,341
Transaction with minority interest	-	-	-	-	(199,605)	-	-	-	-	-	(199,605)
As of September 30, 2023 (unaudited)	313,331	861,565	(178,102)	7,834,311	(393,271)	11,000	66,230	221,275	20,587	1,261,403	10,018,329

(*) See Note 2B to the Condensed Consolidated Interim 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	Capital 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
Net income for the period	-	-	-	1,022,356	-	-	-	-	-	-	1,022,356
Other comprehensive income (loss)	-	-	-	593	-	-	-	-	17,807	(442,103)	(423,703)
Total comprehensive income (loss)	-	-	-	1,022,949	-	-	-	-	17,807	(442,103)	598,653
Share-based payment		(5,416)	-	-	-	-	13,611	-	-	-	8,195
Acquisition of treasury shares	-	-	(55,859)	-	-	-	-	-	-	-	(55,859)
Dividend	-	-	-	(581,000)	-	-	-	-	-	-	(581,000)
Exercise of employee options	337	1,790	-	-	-	-	(2,127)	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	2,307	-	-	-	(2,307)	-	-	-
Allocation of shares of a consolidated company to minority interests	-	-	-	-	2,483	-	-	-	-	-	2,483
Acquisition of non-controlling interests	-	-	-	-	(14,435)	-	-	-	-	-	(14,435)
Balance as of September 30, 2022 (unaudited)	310,660	845,683	(155,628)	7,776,248	(57,607)	11,000	63,136	129,047	(24,139)	713,001	9,611,401

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	Capital 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 July 1, 2023 (unaudited)	313,168	858,022	(167,733)	7,841,012	(265,226)	11,000	64,561	222,109	11,299	1,166,327	10,054,539
Net income	-	-	-	112,465	-	-	-	-	-	-	112,465
Other comprehensive income	-	-	-	-	-	-	-	-	9,288	95,076	104,364
Comprehensive income	-	-	-	112,465	-	-	-	-	9,288	95,076	216,829
Share-based payment	-	2,049	-	-	-	-	3,326	-	-	-	5,375
Treasury shares	-	-	(10,369)	-	-	-	-	-	-	-	(10,369)
Exercise of employee options	163	1,494	-	-	-	-	(1,657)	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	834	-	-	-	(834)	-	-	-
Dividend	-	-	-	(120,000)	-	-	-	-	-	-	(120,000)
Acquisition of minority interests	-	-	-	-	(129,656)	-	-	-	-	-	(129,656)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	1,611	-	-	-	-	-	1,611
As of September 30, 2023 (unaudited)	313,331	861,565	(178,102)	7,834,311	(393,271)	11,000	66,230	221,275	20,587	1,261,403	10,018,329

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	Capital 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 of July 1, 2022 (unaudited)	310,514	845,296	(155,628)	7,773,062	(56,276)	11,000	60,516	129,840	(23,123)	812,658	9,707,859
Net income for the period	-	-	-	162,393	-	-	-	-	-	-	162,393
Other comprehensive loss	-	-	-	-	-	-	-	-	(1,016)	(99,657)	(100,673)
Total comprehensive income (loss)	-	-	-	162,393	-	-	-	-	(1,016)	(99,657)	61,720
Transfer from revaluation reserve in respect of revaluation of property, plant and equipment, at the depreciation amount	-	-	-	793	-	-	-	(793)	-	-	-
Dividend	-	-	-	(160,000)	-	-	-	-	-	-	(160,000)
Share-based payment	-	(423)	-	-	-	-	3,576	-	-	-	3,153
Acquisition of non-controlling interests	-	-	-	-	(2,435)	-	-	-	-	-	(2,435)
Exercise of employee options	146	810	-	-	-	-	(956)	-	-	-	-
Allocation of shares of a consolidated company to minority interests	-	-	-	-	1,104	-	-	-	-	-	1,104
Balance as of September 30, 2022 (unaudited)	310,660	845,683	(155,628)	7,776,248	(57,607)	11,000	63,136	129,047	(24,139)	713,001	9,611,401

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	Capital 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 (audited)										
Balance as of January 1, 2022	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
Net income for the period	-	-	-	1,257,124	-	-	-	-	-	-	1,257,124
Other comprehensive income (loss)	-	-	-	2,097	-	-	-	95,610	27,511	(258,435)	(133,217)
Total 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)	-	-	-	-
Dividend	-	-	-	(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)	-	-	-
Transaction with minority interest	-	-	-	-	(14,435)	-	-	-	-	-	(14,435)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	3,587	-	-	-	-	-	3,587
Balance as of December 31, 2022	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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
		2023	2022	2023	2022	2022
		Unaudited		Unaudited		Audited
		NIS thousand				
Cash flows for operating activities						
Profit		114,059	1,022,356	112,465	162,393	1,257,124
Adjustments required to present cash flows for operating activities	(a)	(116,836)	(1,027,810)	(131,245)	(157,878)	(1,271,235)
Net cash used for operating activities of the Company		(2,777)	(5,454)	(18,780)	4,515	(14,111)
Cash flows from investing activities:						
Receipt (repayment) of a loans and capital notes repaid by subsidiaries		71,237	5,441	9,315	316	5,125
Dividend from investees		753,530	615,000	498,530	115,000	615,000
Sales (acquisitions) of financial investments by the Company, net		(22,554)	17,270	(22,900)	6,643	22,652
Investment in investees		(2,800)	(14,925)	(1,050)	-	(16,675)
Loans and capital notes provided to subsidiaries		(363,405)	(105,097)	(214,000)	(105,097)	(109,500)
Net cash from investing activities		436,008	517,689	269,895	16,862	516,602
Cash flows from financing activities						
Dividend paid to shareholders		(297,172)	(581,000)	(120,000)	(160,000)	(581,000)
Acquisition of Company shares		(22,474)	(55,859)	(10,369)	-	(55,859)
Repayment of bonds		(143,015)	(315,159)	-	-	(356,563)
Issuance of bonds (less issuance expenses)		148,391	356,564	-	59,616	397,968
Net cash used in financing activities		(314,270)	(595,454)	(130,369)	(100,384)	(595,454)
Increase (decrease) in cash and cash equivalents		118,961	(83,219)	120,746	(79,007)	(92,963)
Balance of cash and cash equivalents at beginning of period		16,959	109,922	15,174	105,710	109,922
Balance of cash and cash equivalents as of end of period		135,920	26,703	135,920	26,703	16,959

The attached additional information is an integral part of the Company's separate interim financial information.

		For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
		2023	2022	2023	2022	2022
		Unaudited				Audited
		NIS thousand				
	Adjustments required to present cash					
(a)	**flows (for) from operating activities:**					
	Items not involving cash flows:					
	Income from financial investments, net	(2,204)	(11,553)	(1,851)	(225)	367
	Income and expenses not involving cash flows:					
	Accrued interest and appreciation of bonds	14,319	35,970	7,337	10,707	43,992
	Tax income, net	(15,560)	-	40	-	(9,100)
	Company's share in the profits of investees, net	(70,826)	(994,035)	(109,090)	(153,196)	(1,216,361)
	Changes in other balance sheet line items, net:					
	Change in receivables and debit balances	9,178	12,685	8,964	6,367	7,948
	Change in payables and credit balances	7,217	(3,460)	5,147	3,192	(1,086)
	Change in loans to investees	(40,428)	(67,417)	(23,229)	(24,723)	(96,995)
	Changes in current tax assets line items	(18,532)	-	(18,563)	-	-
	Total cash flows for operating activities	(116,836)	(1,027,810)	(131,245)	(157,878)	(1,271,235)
	Significant non-cash activities:					
	Dividend receivable from subsidiaries	337,501	-	-	-	-

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 Consolidated Interim Financial Statements as of September 30, 2023 (hereinafter - the "Consolidated Financial Statements").

Further to that detailed in Note 2 to the Condensed Consolidated Interim 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 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 603 thousand shares at a total cost of approximately NIS 22.5 million. Subsequent to the purchase, the Company holds 5,999 thousand Company shares.

B. 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.

C. In June 2023, as part of the merger of Agam Leaderim Holdings (2001) Ltd. with and into The Phoenix Agencies, The Phoenix Agencies declared a cash dividend of NIS 675 million. The Phoenix Holdings' share of the dividend is approximately NIS 537 million; as of September 30, 2023, NIS 200 million has been paid. In addition, it was decided that if The Phoenix Agencies will require shareholder loans in order to supplement the dividend balance as stated above, the Company and the other shareholders shall advance shareholder loans. As a result of the merger, the equity attributed to the Company's shareholders decreased by NIS 120 million. For further details, please see Note 1F to the Consolidated Financial Statements.

D. 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.

E. On January 30, 2023, The Phoenix Investments repaid NIS 43 million in capital notes. And on July 3, 2023 and September 12, 2023, The Phoenix Investments issued capital notes totaling NIS 74 million and NIS 90 million, respectively. The capital notes are not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date..

F. On July 3, 2023, the Company gave The Phoenix Investments a loan of NIS 50 million repayable after four years, with interest, according to Section 3(j) of the Income Tax Ordinance.

NOTE 2 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

G. 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 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 4C to the Consolidated Financial Statements.

H. In June 2023, the Company executed a buyback of NIS 124 million par value of bonds (Series 6). The bonds are not linked to the CPI (principal and interest), and bear unlinked annual interest, as stated above, at the rate of 1.94%, which is paid in two annual payments in 2023-2032. Following this buyback, the Company recorded in the second quarter a NIS 16 million gain from early redemption.

I. 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 Funds 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 was signed in June 2023.

J. On August 23, 2023, the company’s Board of Directors approved a dividend distribution in the amount of NIS 120 million in respect of the Company’s profits for the 6-month period ended June 30, 2023. The dividend per share of NIS 1 par value is NIS 0.47. The record date is August 31, 2023, and the payment date is September 7, 2023.

K. On August 23, 2023, The Phoenix Insurance's Board of Directors decided to distribute a NIS 350 million dividend, at a rate higher than that set in the distribution policy, without detracting from its long-term dividend policy, and given the amount of the distributable profits and the solvency ratio rate of The Phoenix Insurance, and after compliance with the solvency ratio targets and the distribution tests as per the Companies Law.

L. For other significant events during the reporting period, please see Note 8 to the Consolidated Financial Statements.

NOTE 3 - SUBSEQUENT EVENTS

A. Subsequent to balance sheet date and through the report publication date, the Company carried out a buyback of 447 thousand shares at a total cost of approximately NIS 15.6 million. Subsequent to the purchase, the Company holds 6,446 thousand Company shares.

B. In October 2023, the Company issued - by way of extension - Series 5 and Series 6 Bonds for a total consideration of NIS 343 million; the consideration paid for the bonds, as stated above, was mainly used for an investment in subordinated bonds (PHONIX B12 Bonds) of The Phoenix Capital Raising, which are part of Additional Tier 1 capital, at a total amount of NIS 300 million. (For further details, see Note 9A to the Consolidated Financial Statements); in addition, a total of approximately NIS 50 million from the offering proceeds was used as a loan to The Phoenix Investment House in accordance with the terms and conditions of Bonds (Series 6).

C. For other significant events subsequent to the reporting period, see Note 9 to the consolidated financial statements.

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Building a better working world

November 28, 2023

To
The Board of The Phoenix Holdings Ltd. (Hereinafter: the "Company")

Dear Madam/Sir,

Re: 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. The Review Report dated November 28, 2023 on the Condensed Consolidated Financial Information of The Phoenix Holdings Ltd. as of September 30, 2023 and for the nine- and three-month periods then ended.

2. Special report dated November 28, 2023 on the Standalone Interim Financial Information in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Holdings Ltd. of The Phoenix Holdings Ltd. as of September 30, 2023 and for the nine- and three-month periods then ended.

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Phoenix

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 of The Phoenix Investments Ltd.
4. Meni Neeman, EVP, Chief Legal Counsel and Corporate Secretary 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 June 30, 2023 (hereinafter - the "Last Quarterly 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 third 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.

November 28, 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 third 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.

November 28, 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 September 30, 2023 (hereinafter - the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the 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.

November 28, 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 September 30, 2023 (hereinafter - the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the 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.

November 28, 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".

Phoenix

Part 6

The Phoenix Insurance Solvency Report

Economic Solvency Ratio Report of The Phoenix Insurance Company Ltd. as of June 30, 2023

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To:
The Board of Directors of
The Phoenix Insurance Company Ltd.

Re: **Independent auditor's report on the Solvency II-based Economic Solvency Ratio Report Of The Phoenix Insurance Ltd. (hereinafter - the "Company") as of June 30, 2023**

Introduction

We have performed the procedures set forth below in connection with the Solvency II-based Economic Solvency Ratio Report for the Company as of June 30, 2023 (hereinafter - the "**Report**" or the "**Solvency Ratio Report**"). Our report refers only to the calculations of the solvency ratio and the manner of presentation of the Solvency Ratio Report and does not refer to any other activity of the Company.

Responsibility

The Board of Directors and management are responsible for the preparation and presentation of the Report in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") regarding the financial Solvency of a solvency II-Based insurance company as included in Chapter 2, Part 2, Section 5 of the consolidated circular and in accompanying guidelines (hereinafter collectively - the "**Commissioner's Directives**"). The calculations, projections and assumptions underlying the preparation of the Information are the responsibility of the Board of Directors and management. This responsibility includes the selection and application of appropriate methods for preparing the edited information and the use of assumptions and estimates for individual disclosures, which are reasonable in the given circumstances. Moreover, this responsibility includes the planning, implementation, and maintenance of systems and processes relevant to the preparation of the edited information in a manner that does not include material misstatement.

Our responsibility is to draw a conclusion on the editing and presentation of the calculation of the Solvency Ratio Report in accordance with the directives of the Commissioner based on the procedures set forth below.

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Scope of the Review

We performed our communications in accordance with the principles of International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information published by the IAASB. The working procedures included the procedures set forth below, in order to assess whether the calculations for this subject, as of June 30, 2023, in all material respects, do not comply with the Commissioner's made by the Company on the aforementioned matter, as of June 30, 2023, in all substantive respects, are not in accordance with the Commissioner's Directives. However, we do not provide a separate conclusion for each disclosure.

The work procedures included the following:

- Review of the Solvency Ratio Report and the explanations included in it;
- Making inquiries, especially with the people responsible for producing the Solvency Ratio Report and for compiling calculations for the solvency ratio;
- including inquiries about the fundamental changes that occurred in the models, methodologies, in the computational processes, and systems;
- Review of material changes in studies that affected this Report, as relevant;
- Performing analytical review procedures, including examining the likelihood of significant changes in the key sections of the Report.

We have not examined the appropriateness of the deduction amount during the Transitional Period as of June 30, 2023, as shown in Section 2. Detail regarding the above working procedures regarding the amount of deduction that does not exceed the expected amount of the risk and capital margin required for solvency in respect of life and health insurance risks due to existing businesses during the Transitional Period in accordance with the future development of the required capital, that affects both the calculation of the expected capital release and the expected risk margin release as detailed in the instructions for calculating the risk margin.

Our work is considerably smaller in scope than an audit conducted in accordance with accepted audit standards, and therefore does not allow us to gain confidence that we are aware of all of the significant matters that could have been identified in an audit. Accordingly, we do not have an opinion of the audit.

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Conclusion

Except for the abovementioned regarding the appropriateness of the deduction amount during the Transitional Period, and based on the procedures performed, nothing has come to our attention that causes us to believe that the calculation of the solvency ratio and the manner of presentation of the Company's Solvency Ratio Report for June 30, 2023, are not prepared in accordance with the Commissioner’s Directives, in all substantive respects.

It should be emphasized that the projections and assumptions are based mainly on past experience, as evidenced by actuarial studies conducted from time to time. Given the reforms in the capital market, insurance and savings, and changes in the economic environment, past data do not necessarily reflect future results. Information is sometimes based on assumptions about future events, management's actions, and the future pattern of the risk margin, which may not necessarily realize or realized differently from the assumptions used as the basis for the information. In addition, actual results may differ materially from the information since the combined scenarios of events may differ materially from the assumptions in the information.

We draw attention to Section D, comments, and clarifications regarding the solvency ratio, regarding the uncertainties arising from regulatory changes, and exposure to dependencies that cannot be assessed its impact on the solvency ratio, as well as the uncertainties inherent in the actuarial and financial assumptions and projections used in the preparation of the Report.

Respectfully,

Tel Aviv,
November 28, 2023

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 "**Provisions of the Economic Solvency Regime**"), 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 Provisions of the Economic Solvency Regime set a standard model for calculating eligible shareholders' equity and the regulatory solvency capital requirement (SCR), with the aim of bringing insurance companies to hold buffers to absorb losses arising from the materialization of unexpected risks to which they are exposed.

The solvency ratio is the ratio between the eligible shareholders' equity and the regulatory solvency capital requirement.

The eligible shareholders' equity is composed of Tier 1 capital and Tier 2 capital. Tier 1 capital includes shareholders' 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 shareholders' 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 comprised of risks to which the Company is exposed, 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 Provisions of the Economic Solvency Regime.
- Minimum capital requirement (hereinafter "MCR" or "minimum capital requirement"). In accordance with the Provisions of the Economic Solvency Regime, the minimum capital requirement shall be equal to the highest of the amount of the minimum Tier 1 capital 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 Provisions of the Economic Solvency Regime 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. If the Company's solvency ratio reaches 120%, the Company will publish a full quarterly Solvency Ratio Report in a half-year format, instead of the estimated ratio.

Forward-looking information

The data included in this Economic Solvency Ratio Report, including the eligible and the required shareholders' equity 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, uptake of pension benefits, rate of release of the risk margin and underwriting income rate), assumptions regarding future management actions, risk-free interest rates, capital market returns, future revenue, and damage in catastrophe scenarios.

A. Definitions

The Company	- The Phoenix Insurance Company Ltd.
Provisions of the Economic Solvency Regime	- 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 Provisions of the Provisions of 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 Provisions of the Economic Solvency Regime.
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-accrual 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.
The Commissioner	- Commissioner of the Capital Market, Insurance and Savings Authority.
Effect of diversification of risk-weighted 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 shareholders' 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 Provisions of the Economic Solvency Regime.
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 Provisions of the Economic Solvency Regime.
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 Provisions of the Economic Solvency Regime.
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 Provisions of the Economic Solvency Regime.
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".
Unaudited	-	The term refers to a review conducted in accordance with the principles of the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.
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.

B. Calculation Methodology

The Economic Solvency Ratio Report as of December 31, 2022 and June 30, 2023 was calculated and prepared in accordance with the Provisions of the Economic Solvency Regime.

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 properties. The economic balance sheet attributes zero value to intangible assets and deferred acquisition costs other than investment in "Insurtech" as defined in the Provisions of the Economic Solvency Regime, and the Commissioner's approval in that respect was obtained, as required.

Increasing economic capital according to the Transitional Provisions

As aforesaid, the Company opted for the current alternative provided by the Transitional Provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves 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.

The Company recently calculated the Deduction Amount as of June 30, 2022. Due to the material changes in the interest rate curve, in the period between June 30, 2022 and June 30, 2023, the Company recalculated the Deduction during the Transitional Period as of June 30, 2023. For further information about the Deduction Amount, see Section 2A(2) below.

<u>Solvency capital requirement (SCR)</u>

The calculation of the solvency capital requirement is based on an assessment of the economic shareholders' equity's exposure to the following risk-weighted 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-weighted components include sub-risk-weighted components with respect to specific risks to which the insurance company is exposed. The exposure assessment of the economic shareholders' equity to each sub-risk component is carried out based on a 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-weighted components and the sub-risk-weighted 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 shareholders' equity 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 Provisions of the Economic Solvency Regime, 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.

C. 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 June 30, 2023. Any information or studies obtained or completed after the reporting date of the Company's annual report as of June 30, 2023 were not taken into account.

The Solvency Ratio Report was prepared on the basis of the terms and conditions and the best estimate as known to the Company as of the reporting date on June 30, 2023. Accordingly, the Report has not been revised for consequences of the Iron Swords War, if any. For further information about the consequences of the Iron Swords War, see Note 1 to the interim financial statements for the third quarter of 2023 and section 1.3.2 of the Company's Report of the Board of Directors for September 30, 2023.

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 shareholders' 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. <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's Business in the Periodic Report for 2022 and in the Periodic Report for the period ended September 30, 2023.

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 Provisions of the Economic Solvency Regime, the value of contingent liabilities in the economic balance sheet is determined based on their value in the accounting balance sheet in accordance with the provisions of IAS 37; this measurement does not reflect their economic value. 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 of December 31, 2022, see Note 39 to the financial statements of 2022. For an update as to developments in this exposure after reporting date, see Note 7 to the financial statements as of September 30, 2023.

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, where as 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). 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 the calculation of the solvency ratio as of June 30, 2023, the Company has not yet included the effect of the amendment, due to its assessment of immateriality from application of the amendment and due to the uncertainty as to the results of the calculations of the reserves in IFRS 17, including the risk adjustment component, and its allocation for the purpose of the calculation of Hetz bonds in the period applicable to IFRS 17.

Section 1 - Economic solvency ratio and minimum capital requirement (MCR)

A. Economic solvency ratio

	As of June 30, 2023	As of December 31, 2022
	Unaudited *)	Audited **)
	NIS thousand	
Shareholders' equity in respect of SCR - see Section 3	14,395,951	14,711,664
Solvency capital requirement (SCR) - see Section 4	7,175,004	6,968,263
Surplus	7,220,947	7,773,401
Economic solvency ratio (in %)	**201%**	**211%**
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***	300,000	(410)
Shareholders' equity in respect of SCR	14,695,951	14,711,254
Surplus	7,520,947	7,742,991
Economic solvency ratio (in %)	**205%**	**211%**

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

** Any reference made in this report to the term "audited", shall be construed as an audit held by an independent auditor in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information.

*** On October 25, 2023, the Board of Directors of The Phoenix Capital Raising (2009) Ltd. approved a private placement of additional Tier 1 subordinated notes (Series PHONIX B12 Bonds) for a total consideration of NIS 300 million.
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.

On October 7, 2023, subsequent to the reporting date, the Iron Swords War broke out between the State of Israel and the terrorist organization Hamas in Gaza (hereinafter - the "**War**"), after the murderous attack by the terrorist organization on communities in southern Israel. As a result of the War, based on public information, as of the publication date of the report, more than 1,250 Israelis were murdered, 3,000 suffered various degrees of injuries, and some 177 civilians and soldiers are defined as kidnapped.

The War resulted in a series of consequences and restrictions in the beginning, including the temporary closure of many businesses, restrictions on gatherings at workplaces and events, and the suspension of studies at schools in the first two weeks of fighting. In addition, a large number of civilians were called up to the IDF reserves. These measures resulted in reduced activity in Israel and a decrease in economic activity. Additionally, as a result of the War, there were sharp declines in the financial markets in Israel.

By virtue of its activity, The Phoenix Group is exposed to declines in the financial markets, a slowdown in activity, and to other risks arising from the War. For information about sensitivity and exposure to risk factors, see also Note 41 to the financial statements for December 31, 2022, published on March 23, 2023 (Ref. No.: 2023-01-026428) (hereinafter - the “**Annual Report**") and developments in the Company's quarterly financial statements for 2023.

In the period from the outbreak of the War until the publication date of the report, the War affected the Group's activities and results, which was mainly reflected in the decline in the capital market.

At this stage, there is significant uncertainty regarding how the War will develop, its scope, and duration.

The Company believes, as of the publication date of the Report, that no material deterioration of the Company's solvency ratio is expected regarding publication of the Report.

As of the publication date of the Report, starting in June 30, 2023, there was a material increase in the linked risk-free interest rate, and there were also declines in the stock markets. For information about the effects of the changes in share prices and the linked risk-free interest rate, see Part 8, Sensitivity Tests in the Solvency Ratio Report for December 31, 2022.

For further information about the consequences of the Iron Swords War, see Note 1 to the interim financial statements for the third quarter of 2023 and section 1.3.2 of the Company's Report of the Board of Directors for September 30, 2023.

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:

- The Company recalculated the value of the Deduction during the Transitional Period as of June 30, 2023 (in accordance with Section B above and due to material increases in the interest rate curve, application of the Study and in accordance with the Commissioner's Directives). Following the recalculation, there was a material decrease in the Deduction Amount 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 results of the economic solvency ratio as of June 30, 2023 include a distribution of a cash dividend in the amount of NIS 350 million, which was paid in the third quarter of 2023.
- In the reporting period, there was a moderate increase in the risk-free interest rate curve and an increase in inflation rates in the economy. The increase in the interest rate increased the capital surpluses as well as the solvency ratio of the Company; this increase was offset against the increase in inflation rate in Israel.
- In the reporting period, there was a decrease in capital requirements due to a decrease in the stock scenario (due to a decrease in the symmetrical adjustment component ("SA") in the scenario arising from changes in the Tel Aviv 125 Index).
- In the reporting period, there was an increase in the capital surplus and solvency ratio of the Company due to the amortization in the capital requirement for existing life and health insurance products, which reduces the solvency capital requirement and the risk margin (RM).
- For details regarding other capital-related measures subsequent to the balance sheet date, see footnote in the above table.

B. Minimum capital requirement (MCR)

	As of June 30, 2023	As of December 31, 2022
	Unaudited	Audited
	NIS thousand	
Minimum capital requirement (MCR) - see Section 5A	1,926,915	1,843,583
Shareholders' equity for MCR - see Section 5B	11,290,628	11,596,249

Section 2 - Economic Balance Sheet

	Information about economic balance sheet	As of June 30, 2022		As of December 31, 2022	
		Balance sheet according to accounting standards	Economic balance sheet	Balance sheet according to accounting standards	Economic balance sheet
		Unaudited		Audited	
		NIS thousand			
Assets					
Intangible assets	3	832,169	140,647	805,156	159,510
Deferred tax assets, net		6,448	6,448	-	-
Deferred acquisition costs	4	1,744,776	-	1,657,544	-
Property, plant & equipment		1,032,363	1,032,363	913,636	913,636
Investments in investees that are not insurance companies					
Other investees	5	1,572,135	1,159,915	1,434,476	1,155,587
Total investments in investees that are not insurance companies		1,572,135	1,159,915	1,434,476	1,155,587
Investment property in respect of yield-dependent contracts		2,206,935	2,206,935	2,142,074	2,142,074
Investment property - other		1,231,386	1,231,386	1,193,932	1,193,932
Reinsurance assets - see Section 2B	1	3,604,340	3,014,961	3,172,249	2,889,895
Receivables and debit balances	10	1,955,819	1,899,215	1,807,914	1,745,624
Financial investments in respect of yield-dependent contracts		80,603,591	80,603,591	77,394,271	77,394,271
Other financial investments					
Liquid debt assets		5,646,108	5,646,108	5,526,350	5,526,350
Illiquid debt assets, excluding designated bonds	6	7,378,733	7,321,624	7,000,949	6,871,856
Designated bonds	7	7,898,197	9,946,772	7,695,966	9,880,196
Shares		1,909,806	1,909,806	1,869,608	1,869,608
Other		5,512,779	5,512,779	4,890,182	4,890,182
Total other financial investments		28,345,623	30,337,089	26,983,055	29,038,192
Cash and cash equivalents in respect of yield-dependent contracts		18,728,467	18,728,467	16,358,509	16,358,509
Other cash and cash equivalents		2,065,744	2,065,744	2,752,806	2,752,806
Total assets		**143,929,796**	**142,426,761**	**136,615,622**	**135,744,036**
Total assets in respect of yield-dependent contracts		**101,743,507**	**101,890,265**	**96,055,588**	**96,261,754**

	Information about economic balance sheet	As of June 30, 2023 Balance sheet according to accounting standards	As of June 30, 2023 Economic balance sheet	As of December 31, 2022 Balance sheet according to accounting standards	As of December 31, 2022 Economic balance sheet
		Unaudited		Audited	
		NIS thousand			
EQUITY					
Basic Tier 1 capital		6,475,991	10,116,551	6,627,651	10,317,309
Total equity		**6,475,991**	**10,116,551**	**6,627,651**	**10,317,309**
Liabilities					
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts - see Section 2B	1, 8	26,276,156	17,886,858	24,516,307	17,508,068
Liabilities in respect of insurance contracts and yield-dependent investment contracts - see Section 2B	1, 8	98,420,846	95,707,898	94,112,888	91,638,483
Risk margin (RM)	1	-	7,012,387	-	6,618,426
Deduction during the Transitional Period	2	-	(2,753,936)	-	(3,385,061)
Liabilities in respect of deferred taxes, net	9	395,248	2,501,422	460,160	2,522,344
Payables and credit balances	4,10	3,674,661	3,530,865	3,037,358	2,902,704
Financial liabilities	11	8,686,894	8,424,716	7,861,258	7,621,763
Total liabilities		**137,453,805**	**132,310,210**	**129,987,971**	**125,426,727**
Total equity and liabilities		**143,929,796**	**142,426,761**	**136,615,622**	**135,774,036**

Key changes compared with December 31, 2022

- 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 2A 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) <u>Liabilities in respect to insurance contracts, risk margin (RM) and investment contracts and reinsurance assets</u>

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 a 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 VAT and taking the UFR into consideration, on the basis of a best estimate that does not include conservatism margins, where the risk is reflected in the RM component, which is a separate liability. This measurement differs from the measurement applied in the financial statements, where insurance liabilities are estimated with conservatism margins using the discounting methods and rates described in the risk management note of the annual financial statements.

Risk margin - In addition to the insurance liabilities based on an optimal assessment, a component of the risk margin is calculated which reflects the total cost of capital that another insurance company would be expected to require in order to receive the insurance company's total insurance liabilities, calculated on the basis of an optimal assessment. The risk margin is calculated in accordance with the Commissioner's Directives, based on a capital cost rate of 6%, and is discounted at an adjusted risk-free interest rate, but excluding the VA component 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.

Limitations and qualifications with regard to calculation of the best estimate

- 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, its 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 expenses 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 uptake rates, annuity uptake 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 contingent 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, in the period between June 30, 2022 and June 30, 2023, the Company recalculated the Deduction during the Transitional Period as of June 30, 2023. Accordingly, the Deduction during the Transitional Period as of June 30, 2023, which was recalculated, amounts to NIS 2,754 million after its linear amortization as of this date (compared with NIS 3,385 million as of December 31, 2022).

Other assets and liabilities:

(3) **Intangible assets** - 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 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 2B - Composition of liabilities in respect to insurance contracts and investment contracts

	As of June 30, 2023		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	Unaudited		
	NIS thousand		
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts			
SLT life insurance and long term health insurance contracts	11,245,573	621,428	10,624,145
NSLT property & casualty insurance and health insurance contracts	6,641,285	2,062,823	4,578,462
Total liabilities for insurance contracts and non-yield-dependent investment contracts	**17,886,858**	**2,684,251**	**15,202,607**
Liabilities in respect of insurance contracts and yield-dependent investment contracts - life insurance contracts and long-term health insurance (SLT)	95,707,898	330,710	95,377,188
Total liabilities in respect of insurance contracts and investment contracts	**113,594,756**	**3,014,961**	**110,579,795**

	As of December 31, 2022		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	Audited		
	NIS thousand		
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts			
SLT life insurance and long term health insurance contracts	11,415,228	693,659	10,721,569
NSLT property & casualty insurance and 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**

Key changes compared with December 31, 2022:

- The increase in liabilities for insurance contracts and yield-dependent investment contracts is mainly due to an increase in yield-dependent investment track activity.

Section 3 - Shareholders' equity in respect of SCR

	As of June 30, 2023			
	Tier 1 capital			
	Basic	Additional	Tier 2 capital	Total
	Unaudited			
	NIS thousand			
Shareholders' equity	10,116,551	1,165,514	3,490,707	14,772,772
Deductions from Tier 1 capital (a)	(376,821)	-	-	(376,821)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	-	-
Shareholders' equity in respect of SCR (d)	**9,739,730**	**1,165,514**	**3,490,707**	**14,395,951**
Of which - expected profits in future premiums (EPIFP) after tax	6,960,479			6,960,479

	As of December 31, 2022			
	Tier 1 capital			
	Basic	Additional	Tier 2 capital	Total
	Audited			
	NIS thousand			
Shareholders' equity	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)
Shareholders' equity in respect of SCR (d)	**10,081,019**	**1,146,514**	**3,484,131**	**14,711,664**
Of which - expected profits in future premiums (EPIFP) after tax	6,635,675			6,635,675

Key changes compared with December 31, 2022:

- Basic Tier 1 capital was negatively affected by recalculation of the amount of the Deduction during the Transitional Period as set out in Section 2A(2) above; the effect was offset by positive effects from sales of a new business and amortization of the underwritten capital requirement for an existing business (which decreases the RM component).
- Between the publication date of the Report as of December 31, 2022 and the publication date of the Report as of June 30, 2023, cash dividends totaling NIS 350 million were distributed, which reduced basic Tier 1 capital and are included in the section "deductions from Tier 1 capital" above.
- The decrease in Tier 2 capital is due to the redemption of NIS 411 million Series F bonds (immediate report of January 15, 2023, Ref. No. 2023-01-006268).
- 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' Shareholders' 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' Shareholders' Equity" to the Economic Solvency Regime Appendix.

(d) Composition of shareholders' equity in respect of SCR

	As of June 30, 2023	As of December 31, 2022
	Unaudited	Audited
	NIS thousand	
Tier 1 capital		
Basic Tier 1 capital	**9,739,730**	**10,081,019**
Additional Tier 1 capital		
Additional Tier 1 capital instruments	1,165,514	1,146,514
Additional Tier 1 capital	**1,165,514**	**1,146,514**
Total Tier 1 capital	**10,905,244**	**11,227,533**
Tier 2 capital		
Tier 2 capital instruments	1,905,564	1,887,068
Hybrid Tier 2 capital instruments	1,185,413	1,607,989
Hybrid Tier 3 capital instruments	399,728	399,336
Less deduction due to deviation from quantitative limit	-	(410,262)
Total Tier 2 capital	**3,490,707**	**3,484,131**
Total shareholders' equity in respect of SCR	**14,395,951**	**14,711,664**

- For an explanation about key changes compared with December 31, 2022, see Section 3 above.
- For information about shareholders' 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 June 30, 2023	As of December 31, 2022
	Capital requirements	
	Unaudited	Audited
	NIS thousand	
Basic solvency capital requirement (BSCR)		
Capital required in respect of market risk component *	5,233,512	5,307,614
Capital required in respect of counterparty risk component	554,010	497,977
Capital required in respect of underwriting risk component in life insurance	3,009,172	2,967,172
Required capital in respect of underwriting risk component in health insurance (SLT+NSLT)	4,566,293	4,299,031
Capital required in respect of underwriting risk component in P&C insurance	1,351,009	1,300,622
Effect of diversification of risk-weighted components	(5,020,217)	(4,870,456)
Capital required in respect of the intangible assets risk component	70,323	79,755
Total basic solvency capital requirement (BSCR)	**9,764,102**	**9,581,715**
Capital required in respect of operational risk	400,529	387,978
Loss absorption adjustment due to deferred tax asset	(2,989,627)	(3,001,430)
Total solvency capital requirement (SCR)	**7,175,004**	**6,968,263**

* Stock scenario adjustment.

For information about shareholders' 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.

Key changes in solvency capital requirement compared to December 31, 2022:

- In the reporting period, there was no significant change in the Company's solvency capital requirement.

Section 5 - Minimum capital requirement (MCR)

(a) Minimum capital requirement (MCR)

	As of June 30, 2023	As of December 31, 2022
	Unaudited	Audited
	NIS thousand	
Minimum capital requirement according to MCR formula	1,926,915	1,843,583
Lower boundary (25% of solvency capital requirement in the Transitional Period)	1,793,751	1,742,066
Upper boundary (45% of solvency capital requirement in the Transitional Period)	3,228,752	3,135,718
Minimum capital requirement (MCR)	**1,926,915**	**1,843,583**

(b) Shareholders' equity for MCR

	As of June 30, 2023		
	Tier 1 capital	Tier 2 capital	Total
	Unaudited		
	NIS thousand		
Shareholders' equity in respect of SCR according to Section 3	10,905,245	3,490,707	14,395,952
Deviation from quantitative limitations due to minimum capital requirement*	-	(3,105,324)	(3,105,324)
Shareholders' equity for MCR	**10,905,245**	**385,383**	**11,290,628**

	As of December 31, 2022		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	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**

(*) 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 June 30, 2023				
	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
	Unaudited				
	NIS thousand				
Total insurance liabilities, including risk margin (RM)	117,853,207	(2,753,936)	-	-	120,607,143
Basic Tier 1 capital	9,739,730	1,812,365	-	-	7,927,365
Shareholders' equity in respect of SCR	14,395,952	1,812,365	-	173,231	12,410,356
Solvency capital requirement (SCR)	7,175,004	(941,571)	(177,114)	-	8,293,689

	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				
	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
Shareholders' equity 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

See description of the transitional provisions applicable to the Company during the Transitional Period in Section 2a - information about economic balance sheet, Subsection 2- Deduction Value during the Transitional Period.

<u>Key changes compared with December 31, 2022 regarding the effect of the implementation of the provisions for the Transitional Period</u>:

- 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, see Section 1 and Section 2a(2) above.
- As of June 30, 2023, the Company has Tier 2 capital, which is not recognized in accordance with the 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 173 million.
- For an explanation about other key changes compared with December 31, 2022, see Section 1a above.

Section 7 - 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, 2023, 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 111% rate a 115% rate as of June 30, 2023.

As of June 30, 2023, 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.

<u>Dividend</u>

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.

<u>Dividend distribution</u>

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.

In the third quarter of 2023, The Phoenix Insurance distributed a dividend in the amount of NIS 350 million; for further information about the said dividend distribution, see the immediate report of August 24, 2023.

Subsequent to the dividend distributions, as set out above, the economic solvency ratio of The Phoenix Insurance and the economic solvency ratio excluding 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, according to the Commissioner’s requirements 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 Transitional Period, and without adjusting the shares scenario:

	As of June 30, 2023	As of December 31, 2022
	Unaudited	Audited
	NIS thousand	
Shareholders' equity in respect of SCR - see Section 6	12,410,356	12,301,691
Solvency capital requirement (SCR) - see Section 6	8,293,689	8,254,667
Surplus	4,116,667	4,047,024
Economic solvency ratio (in %)	**150%**	**149%**
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*	300,000	-
Shareholders' equity in respect of SCR	12,710,356	12,301,691
Surplus	4,416,667	4,047,024
Economic solvency ratio (in %)	**153%**	**149%**
Capital surplus after capital-related actions in relation to the Board of Directors' target:		
Minimum solvency ratio target without applying the Transitional Provisions	**115%**	**111%**
Capital surplus over target	**3,172,613**	**3,139,011**

* On October 25, 2023, the Board of Directors of The Phoenix Capital Raising (2009) Ltd. approved a private placement of additional Tier 1 subordinated notes (Series PHONIX B12 Bonds) for a total consideration of NIS 300 million.

Subsequent to the balance sheet date of December 31, 2022, 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.

November 28, 2023				
Date	**Benjamin Gabbay** **Chairman of the Board**	**Eyal Ben Simon** **CEO**	**Eli Schwartz** **Deputy CEO, Chief Financial Officer**	**Amit Netanel** **Executive VP, Chief Risk Officer**