Phoenix

The Phoenix Holdings Ltd.

Annual Report for 2023



Investment, Insurance, Credit, Finance

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Members of the Board

Benjamin Gabbay - Chairman

Richard Kaplan (External Director)

Rachel Levine (External Director)

Dr. Ehud Shapira (Independent Director)

Roger Abravanel

Ben Langworthy

Itzhak Shukri Cohen

Eliezer Yones

Stella Amar Cohen





March 24, 2024

Letter from the Chairman of the Board

Benjamin Gabbay

2023 was a difficult and complex year for the State of Israel. It was a year in which internal disputes intensified over the issue of judicial reform. On October 7, Hamas launched a murderous attack on Israel, which led to the Iron Swords War which has yet to end, and to escalation on several fronts. All of us at the Phoenix group bow our heads in memory of the fallen, embrace their family members, send a prayer for the safety of the hostages and the soldiers, and wish the wounded a full recovery.

As a leading financials group that serves people across the country, Phoenix responded immediately to support our community. Through dozens of volunteering programs, we were able to provide solutions and a helping hand to many in need. In the first days of the War, we initiated and led the provision of immediate resources for the Barzilai Medical Center located in the south. Across our businesses, Phoenix ensured full business continuity to all clients with efficient and effective service, as is expected of us. We then provided ongoing, wide-ranging support to our clients, agents, business partners, as well as supporting our employees and each other. The group will continue to work for the benefit of the evacuees, victims, and Israeli society as a whole.

In addition to the war, 2023 brought multiple social, political, and economic challenges. The strength of an organization is tested during challenging times, and I am proud that Phoenix's capabilities, strategic focus, and adaptive

management led to another year of growth and improved performance in core income from Insurance activities and from Asset Management and Credit activities.

Challenging times also underscore the importance of sound corporate governance and capable management to navigate and ensure value creation, risk management, and financial resilience. I am proud of the collaboration with my colleagues on the Board and with management, and believe that these efforts will continue to bear fruit in the years to come.

Looking ahead, the group will continue to focus on strategic execution including accelerated growth, higher profitability, innovation, client service, and financial resilience. Phoenix has developed diverse sources of growing cash flows and proven its ability to consistently distribute attractive dividends, and we intend to continue to work to create and unlock value across the group.

In the near future, the Board of Directors plans to adopt new medium-term targets that will reflect our confidence in the group's CEO, management, and employees to drive continued success and strategic execution.

Together with the Board of Directors, I would like to thank the group's employees and management for .their efforts supporting public causes during these challenging times while also ensuring business continuity and achieving goals and targets during the past year.

Finally, once again I convey our hope for the recovery of the wounded and the speedy return of the hostages.

Benjamin Gabbay
Chairman of the Board, Phoenix Holdings

Phoenix

Part 1

Description of the Corporation's Business

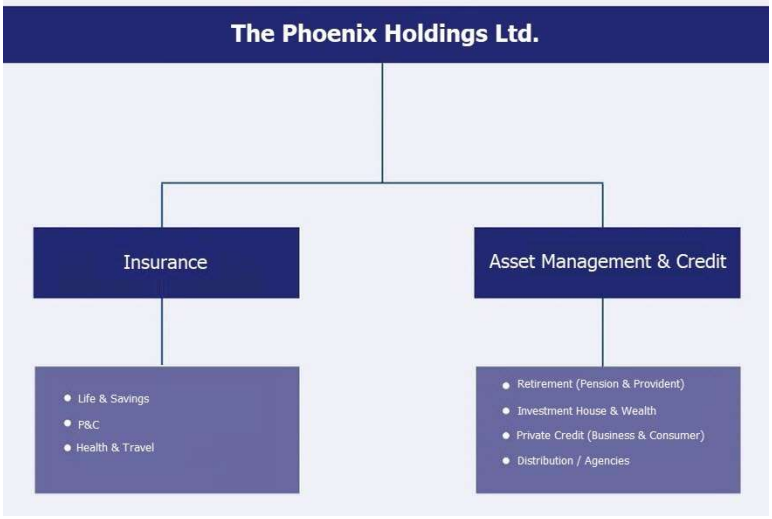


Description of the Corporation's Business - Consolidated

This chapter of the Periodic Report contains a description of the Company's operations and business development in 2023 (hereinafter - the "**reporting year**" or the "**reporting period**").[1]

For simplification purposes, the Group divided the presentation of its operating results into two key activities: The first - Insurance; and the second - Asset Management and Credit.

Activity structure:



The said activities are divided in the Report into seven reporting segments. **The insurance activity** is divided into three reporting segments - life and savings, Property and Casualty, and health insurance. **The Asset Management and Credit activity** is divided into four further reporting segments - asset management - Retirement (Pension and Provident), asset management - Investment House and Wealth, Credit and Distribution (Agencies). The various segments shall be named hereinafter in the Report on the Company's Business as "activities" or "segments".

In its **insurance** activity, the Company operates through The Phoenix Insurance Company Ltd.;

In the **asset management and credit** activity, the Company operates in the different subsegments mainly through The Phoenix Pension and Provident Funds Ltd., The Phoenix Investment House Ltd., The Phoenix Advanced Investments Ltd., The Phoenix Insurance Agencies 1989 Ltd. and the agencies it owns and holds; and through Gama Management and Clearing Ltd. - a reporting corporation wholly-owned (indirectly) by the Company;

As of the report date, the Group has approx. NIS **433** billion in assets under management. For a breakdown of the assets under management, see Section 4.4.3 below.

The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, and with respect to the Group's insurance, pension and provident fund operations - in accordance with circulars and guidance issued by the Commissioner of Capital Market, Insurance and Savings Authority.

[1] Pursuant to Regulation 8C of the Securities Regulations, the provisions of Regulation 8(b) 8A and 8B of the Securities Regulations do not apply to information in the periodic report of a corporation that consolidated or proportionately consolidated an insurer or where the insurer is its associate, insofar as this information pertains to the insurer.

The materiality of the information contained in this Periodic Report, including the description of material transactions during the reporting year, is examined from the Company's perspective, and in some cases, the description is extended beyond the reporting year to provide a more comprehensive view of the subject matter. Chapter A of this report - "Description of Company's Business", should be read together with all other parts of the Periodic Report, including the Report of the Board of Directors and the notes to the Financial Statements. As part of the Company's policy to increase its exposure to international investors, it adopted a voluntary reporting policy in English. For further details, see the Company's immediate report dated February 25, 2021 (Ref. No. 2021-01-023287).

Forward-looking information

This report contains forward-looking information, as defined in the Securities Law, 1968. Among other things, this information contains forecasts, goals, estimates and assessments relating to future events or matters, including reference to risk factors and developments other than those described in the report, the materialization of which is uncertain and may be affected by various factors that are beyond the Company's control.

Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company.

It is clarified that actual future results may differ than those described in this report. Forward-looking information in this report refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as it appears in the report, insofar as it becomes aware of any additional information in connection with such information.

Reference to forward-looking information in this report generally includes terms such as "assessment," "expectation," "intention" and the like.

Monetary values in this chapter and in the Report of the Board of Directors are generally in millions of NIS (unless otherwise stated). Monetary values stated in the financial statements are generally in thousands of NIS (unless otherwise stated).

The Company's business and terms specific to the insurance and finance industries

The Company's business are in sectors that require considerable professional knowledge and contain numerous professional terms. To clarify the information presented in this report wherever possible, the description of the Group's operations makes use of these professional terms, accompanied by the clearest possible explanations and notes.

The description presented in this report is for the purpose of the report alone, and does not constitute advice or a recommendation in relation to the insurance policies, provident funds, mutual funds, and alternative investment products, pension funds and other areas of activity detailed in this report, nor should it be used to interpret the insurance plans or rules and miscellaneous regulations.

The binding terms and conditions of the Company's policies, provident funds, pension funds, mutual funds, alternative investment products and other products are those terms and conditions specified in the policies, pension fund and provident fund articles, and in the various agreements made in the Company's other areas of activity.

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Glossary of Terms

The insurance industry has a specific jargon. The following terms, among others, will be used in this report:

"Designated bonds"	-	CPI-linked government bonds issued by the Israeli government to insurance companies and pension funds at a pre-determined interest rate and for pre-determined terms. In life insurance - Life insurance linked ("Hetz") bonds were issued, and in pension - "Miron" and "Arad" bonds.
"Institutional entity"	-	An insurer and management company, as defined in the Supervision Law.
"**Financial Statements**" and/or "**Financial Report**"	-	The Company's financial statements as of December 31, 2023.
"Insurance premiums"	-	The amounts paid by a policyholder to an insurer under an insurance contract (policy), which is not an investment contract.
"Contributions towards benefits"	-	The amount deposited by (or for) a planholder with a pension fund or provident fund.
"Fees"	-	A common term for registration fees, policy fees, levy fees and credit fees. These amounts are included in the insurance premiums and are intended to cover the insurer's expenses.
The "Commissioner"	-	The Commissioner of the Capital Market, Insurance and Savings Authority.
"Management company"	-	A company engaged in the management of provident funds or pension funds and which has received a license to do so from the Commissioner of Capital Markets, Insurance and Savings in the Ministry of Finance, in accordance with Section 4 of the Provident Funds Law as defined below.
"Insurance contracts"	-	As defined in Note 1 to the Financial Statements in the "Definitions" section.
"Investment contracts"	-	As defined in Note 1 to the Financial Statements in the "Definitions" section.
"Yield-dependent contracts"	-	As defined in Note 1 to the Financial Statements in the "Definitions" section.
"Prohibition on Money Laundering Law"	-	Prohibition on Money Laundering Law, 2000.
"Reduction of Concentration Law"	-	Law for the Promotion of Competition and Reduction of Concentration, 2013.
"Companies Law"	-	The Companies Law, 1999.
"Advice Law"	-	The Law Regulating the Practice of Investment Advice, Investment Marketing and Investment Portfolio Management, 1995.
"Advice and Marketing Law"	-	The Financial Services Supervision Law (Pension Advice and Marketing), 2005.
"Supervision Law"	-	Financial Services Supervision Law (Insurance), 1981.
"Joint Investments in Trust Law"	-	Joint Investments in Trust Law, 1994.
"Insurance Contracts Law"	-	The Insurance Contracts Law, 1981.
"Securities Law"	-	Securities Law"-the Securities Law, 1968.
"**CRAV Law**" or "**Road Accident Victims Compensation Law**"	-	Compensation for Road Accident Victims Compensation Law, 1975.
"Provident Funds Law"	-	The Financial Services Supervision Law (Provident Funds), 2005.
"Underwriting"	-	The process of approving an insurance offer and setting the premium, in accordance with actuarial assumptions, for the data specified in the insurance offer and additional information available to the insurer.
"**International Financial Reporting Standards**" or "**IFRS**"	-	International Financial Reporting Standards that include International Financial Reporting Standards (IFRSs), International Accounting Standards

		(IASs), and interpretations of International Financial Reporting Standards (IFRICs) and International Accounting Standards (SICs).
"Policyholder" and/or **"Planholder"**	-	The policyholder in life insurance and the planholder in pension funds and provident funds.
"Pension product"	-	A provident fund, pension fund, advanced education fund, or insurance policy that is an equity provident fund or an annuity provident fund, a life insurance plan or disability insurance plan included in the above plans or sold along with one of them, according to the definitions set out in the Advice and Marketing Law.
"Financial asset"	-	As defined in the Advice Law (Securities, Structured Products and Participation Units in Mutual Funds).
"Long-term savings assets"	-	Assets that include the assets of provident funds and pension funds - excluding old funds, assets held by insurers to cover yield-dependent life insurance liabilities, assets held by insurers to cover their liabilities under life insurance plans that provide the policyholder with a guaranteed return, and in respect of which the policyholder is not entitled to designated bonds.
"Motor Vehicle Insurance Ordinance"	-	Motor Vehicle Insurance Ordinance [New Version], 1970.
"Income Tax Ordinance"	-	Income Tax Ordinance [New Version], 1961.
"Individual"	-	Policyholders who are private individuals or small business customers, with whom the insurance company contracts on an individual basis.
"Premium"	-	The insurance premiums and other payments that the policyholder must pay the insurer in accordance with the terms and conditions of the policy, including fees.
"Accrual"	-	In long-term savings - the amounts accrued for planholders in a provident fund or pension fund or in a life insurance policy with a savings component.
"Collective"	-	A group of people (usually from a single workplace, or members of an organization or having supplier-customer relationship with a corporation or organization), with whom the insurance company enters into a single agreement that insures all group members (rather than into individual contracts with each member of the Group).
"Insurance fund"	-	An insurance plan approved as a provident fund for pension, severance pay or annuity, both under the Provident Funds Law and Provident Fund Regulations.
"Provident fund"	-	A provident fund (as defined in the Provident Funds Law), which is not a pension fund, but rather constituting a "pure" savings instrument in which the saved funds and the return payable in respect thereof are paid to the saver upon reaching retirement age, or at another time. For this purpose, the definition does not include "pension fund" or "insurance fund", as defined above and below.
"General fund"	-	An annuity provident fund that is not eligible for investment in designated bonds.
"Mutual fund"	-	A joint investment trust fund, as defined in Section 3 of the Joint Investments in Trust Law.
"Pension fund"	-	An annuity provident fund as defined in the Provident Funds Law, which is not an insurance fund and constitutes a savings instrument intended to pay the saver a monthly annuity after his/her retirement and for the rest of his/her life; a pension fund usually provides life insurance and disability insurance.
"Old pension fund"	-	A pension fund established prior to January 1 1995.
"New pension fund"	-	A pension fund established as from January 1 1995.

"Supplementary Healthcare Services" or **"SHABAN"**	-	Additional health services that supplement the basic Healthcare Services Basket. The programs operated by the health maintenance organizations, including Shaban, are regulated by the Ministry of Health.
"Retention"	-	The maximum amount of risk retained by an insurer after transferring some of the risk to a reinsurer.
"Insurance benefits"	-	Amounts to be paid upon the occurrence of an insured event according to the terms and conditions of the policy.
"Minimum Capital Regulations"	-	Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required for Insurer License), 2018;
"**Investment Regulations**" and/or "**Investment rules**"	-	Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012 and/or the Supervision of Insurance Business Regulations (Mode of Investment of the Capital and Reserves of an Insurer and Management of its Liabilities), 2001.
"Provident Fund Regulations"-	-	Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964.
"Securities Regulations"	-	Securities Regulations (Periodic and Immediate Reports), 1970.

For the sake of convenience, in this report, the following abbreviations shall have the meaning assigned to them, as follows:

The "**Company**" and/or the "**Corporation**" and/or "**The Phoenix Holdings**"	-	The Phoenix Holdings Ltd.
The "**Group**" and/or "**The Phoenix group**"	-	The Phoenix Holdings and its investees.
"The Phoenix Insurance group"	-	The Phoenix Insurance Company Ltd. and its subsidiaries.
"Agam Leaderim"	-	Agam Leaderim Insurance Agency (2003) Ltd.
"**Phoenix Investment House**"	-	The Phoenix Investment House Ltd. (formerly - Excellence Investments Ltd.) and the companies under its control.
"The Phoenix Pension and Provident Fund"	-	The Phoenix Pension and Provident Fund Ltd.
"**Gama Management and Clearing**" and/or "**The Phoenix Gama**"	-	Gama Management and Clearing Ltd.
The **"Stock Exchange"** or **"TASE"**	-	The Tel Aviv Stock Exchange Ltd.
"The Phoenix Insurance"	-	The Phoenix Insurance Company Ltd.
"The Phoenix Capital Raising"	-	The Phoenix Capital Raising (2009) Ltd.
"The Phoenix Investments"	-	The Phoenix Investments and Finances Ltd.
"The Phoenix Agencies"	-	The Phoenix Insurance Agencies 1989 Ltd.
"Ad 120"	-	Ad 120 Residence Centers for Senior Citizens Ltd.
"Phoeniclass"	-	Phoeniclass Ltd.
"Oren Mizrach"	-	Oren Mizrach Insurance Agency Ltd.
"IEC Gemel"	-	The Phoenix IEC Central Severance Fund Ltd.

Part A

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

1.1. The Group's Activity and Description of the Development of its Business

The Phoenix Holdings Ltd. was incorporated in 1949 and has been a publicly-traded company since 1978. As of the report publication date, the Company's shares are traded on a number of indices, mainly Tel Aviv 35. Bonds issued by the Company are listed in the Tel Bond Linked Yeter, Tel Bond Linked, and Tel Bond Maagar indices.

The controlling shareholder of the Company is Belenus Lux S.à.r.l. (hereinafter - "**Belenus**"), which is indirectly held through a chain of companies, by CCP III Cayman GP Ltd.,[2] Matthew Botein, Lewis (Lee) Sachs.

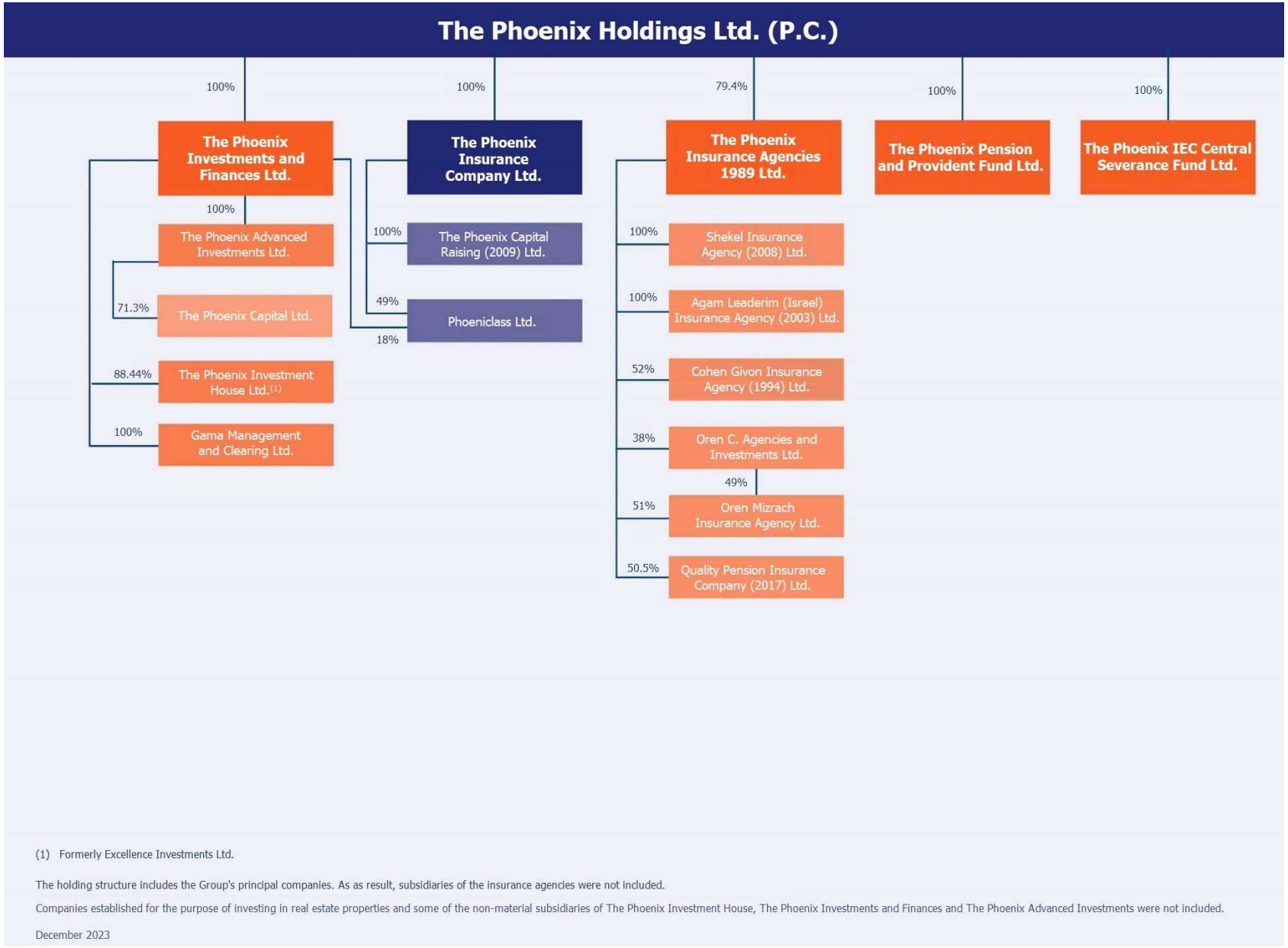
As of the report's publication date Belenus holds approx. 31.22% of the Company's shares. For further details regarding a transaction for the sale of approx. 2% of the Company's shares in the reporting period, see immediate report dated August 15, 2023 (Ref. No.: 2023-01-075799).

1.2. The Group's Structure

The following chart illustrates the principal holdings of the Company, close to the report's publication date. A full list of the Company's investees at the report date is included in Part Four of the Periodic Report, under Regulation 11 of the Securities Regulations.

For the holding structure of The Phoenix Holdings, see Section 1.1.

[2] Matthew Botein and Lewis (Lee) Sachs hold equal shares in Gallatin Point (GP) LLC, whose holdings are through a number of Belenus companies.



(1) Formerly Excellence Investments Ltd.

The holding structure includes the Group's principal companies. As as result, subsidiaries of the insurance agencies were not included.

Companies established for the purpose of investing in real estate properties and some of the non-material subsidiaries of The Phoenix Investment House, The Phoenix Investments and Finances and The Phoenix Advanced Investments were not included.

December 2023

1.3. Key Milestones in the Development of the Group's Business during the Reporting Year and until the Report Publication Date
General

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 rate risks of all of its assets and liabilities.

Interest rates - during the reporting period, the Bank of Israel increased its interest rate from 3.25% to 4.75%. Furthermore, in the reporting period, the NIS interest rate curves increased, and on the other hand the illiquidity premium decreased by approx. 0.35%. Changes in the shekel interest rate curve affect both the Company's financial results and The Phoenix Insurance's solvency ratio; in accordance with the provisions for calculating the solvency ratio, the illiquidity premium is not used.

The capital market - during the reporting period, there was volatility in financial markets in Israel and across the world. These changes affected both the Company's financial results, and The Phoenix Insurance's solvency ratio.

Inflation - during the reporting period, the inflation rate increased by 3.3%.

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 further details regarding the Iron Swords War, see Section 1.3.2 below), and the Bank of Israel lowered the interest rate by 0.25% concurrently with expectations of a decrease in inflation in Israel and globally in 2024r.

For further details regarding the effects of changes in the interest rate curve, the capital market and inflation rates on the Company's financial results, see Section 3 to the Report of the Board of Directors, and Note 41 to the Financial Report for 2023. As to the effect of the changes in the shekel yield curve and in capital markets on The Phoenix Insurance's solvency ratio, see Section 2.1.5 to the Report of the Board of Directors, and Section 8 in The Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2023.

For the purpose if using its financial results, the Company uses a real return of 3% (see Section 5.4.1 to the Report of the Board of Directors); 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, the Iron Swords War between the State of Israel and the Gaza-based "Hamas" terror organization broke out (hereinafter - the "**War**"), following a murderous attack by Hamas on localities in southern Israel. Based on published data, as of the report publication date, more than 1,450 Israeli citizens were murdered (including members of the defense forces) as part of the War, approx. 11,500 sustained various injuries, and 134 citizens and soldiers are

defined as hostages. In addition to the War in Gaza, Israel is involved in an armed conflict and military operational activity of varying intensities and in a number of fronts, the main of which is the conflict in the north of Israel, which has also driven tens of thousands of Israelis from their homes. The War and all of the activities in the various fronts have an adverse effect on the Israeli economy.

Following the above, the rating agency Moody's placed the State of Israel's credit rating on the Rating Watch Negative list, and thereafter, on February 9, 2024, it downgraded the State of Israel's credit rating to A2 with a negative outlook. The rating agency Fitch announced - on October 17, 2023 - on the placement of the State of Israel's Rating Watch Negative list, and the rating agency S&P announced - on October 24, 2023 - that it revised its outlook for the State of Israel's rating to negative. The rating downgrade did not have a significant effect on The Phoenix group. For details regarding the Company's rating, see Note 27 to the Financial Report.

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, see also Note 41 to the Financial Report.

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 direct effects on life products claims (life and disability insurance) and capital market volatility.

At this stage, there is 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 medium term; however, this effect is not expected to be material.

The potential risks associated with the War include slumps in the Israeli capital market, decline in investments in the Israeli economy, including foreign investments and investments in high-tech companies, decline in GDP, budget deficit, downgrade of Israel's credit rating, changes in yield curves and in central bank's interest rate, and more.

The Company presents in the special items line item only direct effects of Iron Swords on its results.

Following 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 across all areas of activity in an efficient manner, and even implemented, at the beginning of the War, a business continuity plan that ensures employees are able to work remotely, while supporting the employees' needs.

2. **Operating results of insurance underwriting**

   Following are the key effects in the different subsegments as of the publication date of the financial statements.

A. Life insurance and long-term savings -

The exposure arises mainly from life insurance, disability, and disability insurance. As of the balance sheet date, claims amounting to a total of approx. NIS 40 million (retention) were established.

The Phoenix Insurance has in place a non-proportional reinsurance contract, which provides coverage in respect of loss of life and disabilities resulting from a catastrophe event, and which mitigated the exposure to this risk in accordance with the policy's terms. Furthermore, the Company has a proportional reinsurance contract in respect of its disability insurance business, which mitigates the exposure to this subsegment. For details regarding catastrophe event reinsurance contracts, see Note 41(5) to the Financial Report.

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

In the Health Insurance Segment, the exposure due to the War is mainly in the field of travel insurance. In view of the decline in flights departing from and arriving to Israel, there has been a decline in sales compared with previous periods, which has no material effect.

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 immaterial. Furthermore, as of balance sheet date, the War had a positive indirect effect as a result of a decrease in the prevalence of claims in the motor property insurance subsegments.

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

Financial assets under management -

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

Insurance liabilities -

The insurance liabilities are exposed to changes in the risk-free interest rate and the illiquidity premium. For details on the impact of the interest rate and the sensitivity to the interest rate on insurance liabilities, see Note 41(5) to the Financial Report.

4. **Credit activity**

The credit granting activity is mostly 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. The direct effect of the War on the expected loan losses is immaterial.

5. **Other activities and additional information:**

Investment House and Wealth (including The Phoenix Investment House)

The extent of this indirect effect depends on the duration of the War and on the period of higher volatility in equity and corporate bonds markets, which might affect total assets under management. As of the outbreak of the War and through the financial statements publication date, this effect is immaterial.

Solvency ratio

In accordance with the Economic Solvency Ratio Report as of June 30, 2023, which was published by The Phoenix Insurance, and in accordance with an assessment of the solvency ratio as of September 30, 2023, which was carried out by The Phoenix Insurance (and which is not audited or reviewed by the independent auditor), The Phoenix Insurance has material surplus capital compared to the targets that were set, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the transitional provisions. For further details, see Section 2.1 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.

Insurance agencies

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

Liquidity, financial position and funding sources

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 details about the financial covenants of the bonds and suspending circumstances of the Notes, see Note 27 to the Financial Report. The Company is of the opinion that Group companies have sufficient liquidity levels. For further details, see Note 41(4) to the Financial Report.

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 substantial 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. During the War, the Group expanded the support to other military units.

In addition, the Group decided to adopt the Barzilai Medical Center, which 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 ten-million shekel fund in order to assist those of its policyholders 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 if the War will continue and/or expand to other fronts, the scope of business activity in Israel may be impacted; 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 beyond 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, 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).

In January 2024, about six months after the legislation and approval of the abolishment of the Standard of Reasonableness by the Knesset, the High Court of Justice voided the Standard of Reasonableness Law, on the grounds, among other things, that the Knesset exceeded its constituent authority.

At this stage, and particularly following the outbreak 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; as of the report publication date, it is suspended due to the Iron Swords War.

The insurance activity

1.3.4 Completion of a study regarding costs in connection with disability insurance coverage

In June 2023, The Phoenix Insurance completed a study regarding costs in connection with disability insurance coverage (hereinafter - the "**Study**"). Following the Study, the Company recorded in its financial statements as of June 30, 2023, a pre-tax income of approx. NIS 59 million.

1.3.5 FNX Private

In June 2023, The Phoenix Pension and Provident, The Phoenix Insurance and Saifa Management Services (2013) Ltd. signed an agreement for The Phoenix's assuming control over the partnerships of the FNX Private venture (a venture which is engaged in the direct marketing (rather than through external insurance agents) of The Phoenix's self-directed policies and provident funds (IRA)). As a result of assuming control over the said venture's partnerships, in the second quarter, the Company recorded a pre-tax and post-tax one-off income of approx. NIS 129 million; on the other hand, the Company deducted the revaluation gain from excess fair value of illiquid assets, which was recognized against the LAT reserve in the first quarter of the reporting period. For further details, see Report of the Board of Directors for the 2nd quarter of 2023, published with the Financial Statements on August 24, 2023 (Ref. No. 2023-01-029147).

1.3.6 Updating the minimum capital target

In August 2023, The Phoenix Insurance's Board of Directors increased the minimum economic solvency ratio target - net of the provisions during the Transitional Period - by 4 percentage points - from the 111% rate a 115% rate as of June 30, 2023.

1.3.7 The reform in the Health Insurance Segment and the Economic Arrangements Law for 2023 and 2024

For details regarding The Phoenix Insurance's assessments as to the implementation of insurance rates as part of the reform in the Health Insurance Segment and the Economic Arrangements Law for 2023 and 2024, see Section 2.3 below.

1.3.8 Collective long-term care insurance agreement with Maccabi

The collective long-term care insurance agreement for members of Maccabi Healthcare Services expired on December 31, 2023 and, as of the report publication date, the portfolio was transferred to another insurance company. For further details, see Section 2.3 below.

Asset management and credit

1.3.9 The Phoenix Investment House - Acquisition of assets under management from Psagot Investment House in several transactions

During the reporting period, two separate transactions were completed for the acquisition of assets under management (mutual funds activity and portfolio management activity) by The Phoenix Investment House from Psagot Investment House at the total amount of approx. NIS 19.2 billion for a total consideration of NIS 250 million.

Furthermore, in December 2023 The Phoenix Investment House and KSM Mutual Funds engaged with companies of the Psagot Investment House group in two binding agreements for the acquisition of assets (mutual funds activity and hedge funds activity) at the total amount of approx. NIS 22.2 billion for a total consideration of NIS 150 million as part of two separate transactions (hereinafter - the "**December Transaction**"). As of the report publication date, the December Transaction has been completed.

For further details, see Section 2.5.1.4 below, Report of the Board of Directors for the second quarter of 2023, published with the financial statements on August 24, 2023 (Ref. No. 2023-01-079147) and the immediate reports dated January 19, 2023 and July 2, 2023 and December 20, 2023 (Ref. Nos.: 2023-01-009285, and 2023-01-138141 and 2023-01-061972, respectively).

1.3.10 The Phoenix Pension and Provident Fund

A. Closing down of the retail unit

As part of promoting the Company's strategy to reduce expenses and strengthen the distribution channels, in May 2023, The Phoenix Insurance closed the activity of the retail unit, which employs 120 employees; the existing portfolio of the retail unit was sold to, and is operated by, Shekel Insurance Agency (2008) Ltd.

B. Loan and credit facility guaranteed by the Company

As part of a strategy for efficient and effective management of the capital at the Group level, in June of 2023 The Phoenix Pension and Provident approved a NIS 330 million loan and a NIS 150 million credit facility from a financial institution in order to refinance an internal debt of The Phoenix Pension and Provident to The Phoenix Insurance and to the Company; the debt arises from the rapid growth in the activity of The Phoenix Pension and Provident. To secure the repayment of the loan and credit facility, the

Company provided a guarantee to the financial institution. As of the report date, a credit facility totaling NIS 119 million was utilized.

1.3.11 The Phoenix Advanced Investments

Sale of holdings in Value Advanced Investments Ltd.

During December 2023, the Company sold - through The Phoenix Advanced Investments - all of its holdings (indirectly 50.1% of the share capital) in Value Advanced Investments Ltd. (hereinafter - "**Value**") to entrepreneurs and Value executives. For further details about the events that preceded the sale, see Section 2.5.2.10.2 below.

1.3.12 Full tender offer for Gama's activity

In August 2023, The Phoenix Investments executed a full tender offer to acquire shares of The Phoenix 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 further details, see the immediate reports dated August 10, 2023, and August 29, 2023 (Ref. Nos.: 2023-01-074644 and 2023-01-081274).

1.3.13 Restructuring in the credit segment

As part of the execution of the strategic plan in the credit segment, and the wish to concentrate the Group's credit activity under one arm in order to establish a significant credit activity arm within the Group, in the reporting year it was decided to execute a restructuring in the credit segment, as part of which The Phoenix Construction Financing and Guarantees Ltd., which provides financing to real estate development projects (mainly residential projects) (hereinafter - "**The Phoenix Financing and Construction**"), and was wholly owned by The Phoenix Insurance, became wholly owned by Gama.

For further details, see Section 2.6.1 below and the Company's immediate report dated December 12, 2023 (Ref. No.: 2023-01-134841).

1.3.14 Phoenix Retail Credit

During 2022, the Company decided that the provision of consumer credit will be carried out through The Phoenix Retail Credit Ltd.

Further to this decision, the Company started working with various suppliers, developing a software and also filed an application for an expanded credit provision license (hereinafter - the "**License**") in accordance with The Financial Services Supervision Law (Regulated Financial Services), 2018. In December 2023, The Phoenix Retail Credit was awarded the License.

In June 2023, Phoenix Retail Credit entered into a long-term agreement with a software company for the provision of managed services and the development of a system for the processing, management and development of consumer credit services to customers, in a manner that is compliant with the provisions of the law and the regulations.

As of the report publication date, the Company has not yet started operating and providing credit.

1.3.15 Restructuring - The Phoenix Agencies

As of the report publication date, the Company holds approx. 79.4% of The Phoenix Agencies. 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 and following delays due to the Iron Swords War, the Company is continuing to negotiate with several global entities that have expressed their interest in investing in The Phoenix Agencies. According to non-binding offers received by the Company, the enterprise value of The Phoenix Agencies ranges between USD 1 billion and USD 1.2 billion. At this stage, there is no certainty that the said transaction will come to fruition. For further details, see the Company's reports dated August 30, 2023 and November 8, 2023 (Ref. Nos.: 2023-01-100341 and 2023-01-101827, respectively).

Further developments during and subsequent to the reporting period:

1.3.16 Sustainability and ESG

In the reporting period, the Company continued to promote its sustainability strategy, which includes setting up an extensive and stable infrastructure for the management of sustainability and measurement of ESG components, in order to increase transparency and accountability on three levels: The organization, the products and services and the investments.

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. For the full report posted 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

In January 2024, the Company published the 2024 investment policy with regard to ESG considerations, which are relevant to the performance of the investment portfolios and may affect them. For further details in connection with the investment policy, see the Company's website at:

https://www.fnx.co.il/sites/docs/genery/mediniut_ashkaa_tzfuia/responsible-investments2024-he.pdf.

The Company has a policy in place regarding the identification of emerging ESG risks (including climate risks), which was approved by the Risk Management Committee.

During the reporting year, the Risk Management Department and the ESG Department, together with an external consulting company, identified emerging climate risks that were described in the annual climate risks report, whose conclusions were presented to the Risk Management Committee.

As part of the report, the climate risks that were identified were presented through a "risks map" divided into physical risks and transitional risks; for further details about physical risks and transitional risks, see Note 41. Furthermore, the exposure to selected risks was assessed in a qualitative manner within different periods of time, and based on the results of this assessment of the exposure, the Company defined a strategy and tools regarding the management and monitoring of the risks.

The Company continues to expand its knowledge regarding emerging ESG risks, including climate risks, and monitors regulatory and technological developments.

Furthermore, in the reporting year and at the beginning of 2024, the Group continued to take steps to reduce its environmental impact and carbon footprint, alongside the development of processes for mitigating climate and environmental risks in its activity. As part of this, the Group executed a process for the measurement of financed emissions in The Phoenix group's investment portfolio - Scope 3 according to the SPAF international measurement methodology. The measurement was carried out in respect of all types of assets and financial instruments used in the Group's investment activities, totaling NIS 370 billion as of the end of 2022. The measurement results show attributed emissions intensity of 32 (tons of CO^2 equivalent per one million shekels of investment).

As part of the approval of the Company's Compensation Policy for 2024-2026 and acknowledging the importance and advancement of the Company in this field, the Company included ESG parameters for the first time.

In July 2023, Maala's ESG index for 2022 was published, which assigned to the Company an 86/100 Platinum rating, and an AA ESG rating, which is published on the Stock Exchange.

In November 2023, the Greeneye rating agency assigned the Company a 74/100 ESG rating for 2022 - the highest in the sector. In February 2024, the international rating agency S&P assigned the Company's ESG rating for 2022 at 37/100.

At the beginning of 2024, the Company's Board of Directors approved a diversity policy with targets aiming to increase the percentage of women, who serve in the Board of Directors.

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

The Company continues to prepare for applying IFRS 17 (hereinafter - the "**Standard**"), in the Financial Statements of the Company and The Phoenix Insurance.

On June 1, 2023, the Capital Market, Insurance and Savings Authority published a third revision to the "Roadmap for the Adoption of International Accounting Standard (IFRS) 17 - Insurance Contracts" (hereinafter - the "**Third Revision**"). 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).

Furthermore, the Third Revision included a requirement to conduct a number of quantitative impact surveys ("**QIS**") by the Company and the publication of pro-forma reports regarding IFRS 17 and IFRS 9 as part of the 2024 financial statements.

During the reporting periods, the Company completed the key milestones in the revised roadmap, including the first QIS regarding the calculation of the opening balances of selected portfolios on the transition date as of January 1, 2023. As part of the preparations for the implementation of IFRS 9, the Company made changes to the structure of the assets against the capital portfolio.

In the reporting period, the Company focused on the process of implementation and integration of a new IT system, and on the mapping of the required controls and the manner of flow of information to the financial statements.

Furthermore, the Company held reviews and training sessions to the business teams and members of the Balance Sheet Committee in connection with the implementation of IFRS 17, and it is making preparations for its adoption in accordance with the time frames described above.

For further details, see Note 2AA to the Financial Report.

Debt raising

1.3.18 Issuance of further Bonds (Series 6) by the Company by way of series expansion

In January 2023, the Company issued - as part of an expansion - additional Bonds (Series 6) of up to approx. NIS 172 p.v.; the bonds are registered bonds of NIS 1 p.v. each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 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.

1.3.19 Issuance of further series of Bonds (Series 5 and Series 6) by the Company by way of series expansion

In October 2023, the Company issued - as part of the expansion of its Bonds (Series 5 and 6) NIS 134,962 thousand p.v. in Bonds (Series 5) of NIS 1 p.v. each, and NIS 265,038 thousand p.v. in Bonds (Series 6) 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.

Capital raising by The Phoenix Insurance through The Phoenix Capital Raising

1.3.20 Listing of restricted Tier 1 capital of The Phoenix Insurance

In August 2021, The Phoenix Insurance issued - through The Phoenix Capital Raising subordinated notes to institutional entities and to the Company. The subordinated notes were recognized by the Commissioner as an Additional Tier 1 capital instrument of The Phoenix

Insurance and listed by The Phoenix Capital Raising for trade on the TACT Institutionals trading platform operated by the TASE.

In April 2023, The Phoenix Capital Raising fulfilled the conditions for listing of the notes on the main list of the TASE, and at the beginning of May 2023 trading of the notes on the main list started. In accordance with the provisions of the deed of trust, the interest in respect of the notes 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.

At the beginning of 2024, trade of those subordinated notes as part of the Tel-Bond and Tel-Bond Coco index has started.

For further details in connection with the issuance of the subordinated notes 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).

1.3.21 Private placement of Restricted Tier 1 capital to the Company by way of expansion of Series PHONIX B12 Bonds of The Phoenix Insurance

In November 2023, The Phoenix Capital Raising completed a private placement to the Company of NIS 317,800 thousand p.v in Subordinated Notes (Series PHONIX B12), which are part of Restricted Tier 1 capital, against the injection of NIS 300,000 thousand to The Phoenix Insurance, which arose from the capital raising outlined in Section 1.3.19 above. The Additional Subordinated Notes were assigned an ilAA- rating by Maalot. The notes were recognized as Tier 1 capital in The Phoenix Insurance, and were listed on the Tel Aviv Stock Exchange.

1.3.22 Issuance of Bonds (Series N and O) by The Phoenix Insurance through The Phoenix Capital Raising

In December 2023, The Phoenix Capital Raising completed the issuance of two new series of Bonds (Series N) and (Series O), at a total amount of NIS 800,000 thousand p.v. The bonds were assigned an Aa3il rating by Midroog with a positive outlook, and an ilAA rating by Maalot. The notes were recognized as Tier 2 capital in The Phoenix Insurance, and were listed on the Tel Aviv Stock Exchange. For further details, see immediate reports of December 12, 2023, December 20, 2023, December 22, 2023 and December 25, 2023 (Ref. Nos.: 2023-01-112744, 2023-01-138678, 2023-01-139485 and 2023-01-116395, respectively).

Company's Share Capital:

1.3.23 Dividend distribution policy and actual dividend distribution

1.3.23.1 Dividend distribution policy

In 2020, the Company's Board of Directors approved a dividend distribution policy, whereby the Company shall distribute an annual dividend at a minimum rate of 30% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year. For further details, see the Company's immediate report dated October 28, 2020 (Ref. No. 2020-01-107812).

On March 28, 2022, the Company's Board of Directors approved an update to the dividend distribution policy, which will apply in connection with future dividend distributions that will be executed in connection with the Company's financial results for 2022 and thereafter. According to the update, the rate of dividend will not change, but the Company will take steps to distribute a dividend twice a year:

- Interim 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.

Furthermore, the Company will not include in the amount of the dividend any amounts that were used for the execution of the share buyback plan.

It should be clarified that the foregoing is not intended to derogate from the power of the Board of Directors to decide not to distribute a dividend or to distribute a dividend at rates that vary from what is stated above, all as it deems appropriate at any given time, subject to the provisions of the law.

1.3.23.2 Dividend distribution and retained earnings

In 2022, the Company distributed a cash dividend of NIS 337 million.

In August 2023, the Company distributed a NIS 120 million interim dividend on account of the Company's 2023 profits (hereinafter - the "**Interim Dividend**").

Subsequent to the report date, on March 26, 2024, concurrently with the approval of the Company's Financial Statements as of December 31, 2023, which are included in this Periodic Report, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 265 million. The total amount in dividend that was distributed and will be distributed in cash in respect of 2023 including the interim dividend as stated above is NIS 385 million, which represents a dividend per share of approx. NIS 1.04. It shall be clarified that to the extent that options are exercised by employees between the dividend declaration date and the record date, the per-share dividend amount shall be adjusted in accordance with the actual number of outstanding shares on the record

date. The Company shall publish, as required, a supplementary report in respect of said adjustment on the record date.

It is noted that, according to the Company's Financial Statements as of December 31, 2023, which are included in this Periodic Report, the Company has positive retained earnings of approx. NIS 2,720 million, taking into account the NIS 385 million dividend, as stated in this section.

1.3.23.3 External restrictions on dividend distribution

In the last two years, no external restrictions were placed which affected the Company's ability to distribute dividends, and the Company is unaware of any external restrictions that may affect its ability to distribute dividends in the future, except for the general statutory dividend distribution restrictions applicable by virtue of in the Companies Law, and the restrictions on dividend distribution under the deeds of trust of Bonds (Series 4 to 6). For further details, see Note 27 to the Financial Statements.

However, there are external restrictions under the Commissioner's Directives applicable to insurance companies, pertaining to the ability of The Phoenix Insurance to distribute dividends. It should also be noted that in October 2020, The Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target of 135%, taking into account the transitional provisions. In August 2023, The Phoenix Insurance's Board of Directors approved a revisions of the minimum solvency ratio target - without taking into account the transitional provisions in the transitional period - of 115%. It is noted that part of the sources of the interim dividend and the dividend distributed in accordance with Section 1.8.2 above originate in the distribution of a dividend by The Phoenix Insurance to the Company.

In August 2023, The Phoenix Insurance distributed a dividend in the total amount of NIS 350 million, which exceeds the threshold set in The Phoenix Insurance's dividend distribution policy. The distribution was carried out after compliance with solvency ratio targets and the distribution criteria in accordance with the Companies Law. Furthermore, The Phoenix Insurance carried out a distribution of The Phoenix Financing and Construction as a dividend in kind at a total amount of approx. NIS 315 million as described in Section 1.3.13 above.

1.3.23.4 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 buybacks totaling approx. NIS 38.2 million.

In January 2024, 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.

As of the report publication date, there are 6,451,617.5 treasury shares constituting approx. 2.55% of the Company's issued and paid-up share capital. For further details, see the

Company's immediate reports dated December 31, 2023 and January 31, 2024 (Ref Nos.: 2023-01-118477 and 2024-01-012186, respectively).

For details of the non-inclusion of the share buybacks in the dividend calculation, see Section 1.3.23.1 above.

1.3.24 Option plan for 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, in this section - "**Options**") to employees, officers, and service providers 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. As part of the said meeting, the shareholders also approved the allocation of 78,771 (illiquid) options of The Phoenix Investment House to the Company's CEO and 63,321 (illiquid) options to the Chairman of the Company's Board of Directors in respect of their service as directors in The Phoenix Investment House. For further details, 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).

In January 2024, the Company's Board of Directors approved the allocation of 223,322 (illiquid) options of The Phoenix Gama to the Company's CEO and 156,325 (illiquid) options to the Chairman of the Company's Board of Directors in respect of their service as directors in The Phoenix Gama. The allocation of the options to the Company's CEO and to the Chairman of the Board of Directors was approved as part of an extraordinary general meeting of the Company on March 7, 2024.

For further details, see immediate reports dated February 1, 2024 and March 7, 2024 (Ref. Nos.: 2024-01-010207 and 2024-01-020488, respectively).

1.3.25 Shareholders' 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 in the Company. For further

details, see the Company's immediate reports dated May 31, 2023 and July 4, 2023 (Ref. Nos.: 2023-01-050407 and 2023-01-062863).

Extraordinary meetings

An extraordinary meeting of the Company was held in January 2023; the following items were on the agenda of the meeting: 1) Revision of the Company's compensation policy; 2) adoption of amendments to the Company's Articles of Association. For further details, see the Company's immediate reports dated November 30, 2022 and January 8, 2023 (Ref. Nos.: 2022-01-115548 and 2023-01-003559, respectively).

An extraordinary meeting of the Company was held in March 2023, which discussed the appointment of Ms. Rachel Lavine for another term in office as an external director. For further details, see the Company's immediate reports dated February 16, 2023 and March 8, 2023 (Ref. Nos.: 2023-01-015454 and 2023-01-020875, respectively).

In August 2023, an extraordinary meeting of the Company was held, the agenda of which included the revision of the Company's Compensation Policy, the award of options to the Company's CEO and The Phoenix Investment House's CEO, and the award of options to the Chairman of the Board of The Phoenix Investment House. For further details, see Section 1.3.24 above the Company's immediate reports dated June 28, 2023 and August 2, 2023 (Ref. Nos.: 2023-01-060334 and 2023-01-088974, respectively).

Approval of Compensation Policy for 2024-2026

In January 2024, an extraordinary meeting of the Company was held, the agenda of which included the approval of a revised Compensation Policy to officers for 2024-2026. For further details, see the Company's immediate reports dated November 29, 2023 and January 9, 2024 (Ref. Nos.: 2023-01-108148 and 2024-01-003979, respectively).

In March 2024, an extraordinary meeting of the Company was held, the agenda of which included the award of options to the CEO and Chairman of the Board of The Phoenix Gama. For further details, see Section 1.3.24 above the Company's immediate reports dated February 1, 2024 and March 7, 2024 (Ref. No.: 2024-01-020488, respectively).

1.3.26 Renewal of liability insurance for officers and board members

In October 2023, the Company's Compensation Committee approved the engagement in an officers liability insurance policy covering the officers of the Company and its 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 (Exemptions for 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, in addition to the said limit of liability for claims

in Israel. In July 2023, the Company engaged in a captive insurance for the purpose of hedging the cyber attack risk.

1.3.27 Legal proceedings

For details further regarding legal proceedings, see Note 43A to the Financial Statements.

1.3.28 Human capital

For details regarding the Company's human capital and changes therein, see Section 4.6 below and Note 42 to the Financial Statements.

1.4 Areas of Activity

As described at the beginning of the Description of the Corporation's Business chapter, the Group is engaged, through its subsidiaries, in two key activities: Insurance (life and savings, Property and Casualty, and health insurance), and management of assets and credit (retirement (pension and provident funds), The Phoenix Investment House and Gama), holding of insurance agencies, provision of credit and other financial services, including the setting up and sale of alternative investments. The Group's key material operating segments are as follow:

1.4.1 Life and savings

The Life Insurance Segment includes life insurance policies, disability insurance policies, and savings policies, focusing mainly on retirement savings (under various categories of insurance policies), and insurance coverage of various risks, such as: life, disability and disability insurance. For further details, see Section 2.1 below.

1.4.2 Property and casualty insurance

Property and casualty insurance includes all insurance subsegments, except for life insurance, long-term savings, and health insurance. The principal insurance coverage provided in this segment are property and liability insurance. The Group operates in the Property and Casualty Insurance Segment in the following key subsegments - compulsory motor insurance, motor property insurance, and other property and casualty insurance.

A. **The compulsory motor insurance subsegment:** comprises the Group's activity in providing insurance coverage pursuant to the statutory provisions of the Motor Insurance Ordinance [New Version], 1970, resulting from the use of a motor vehicle, and provides cover for bodily injury (to the driver of the vehicle, passengers in the vehicle or pedestrians) resulting from the use of a motor vehicle, under the CRAV Law.

B. **The motor property insurance subsegment**: focuses on cover for property loss to insured vehicles and includes the Group sale of policies for property damages to insured

vehicles, including cover for motor property loss (for example, due to accident and/or theft) and cover for third-party loss caused by the insured vehicle.

C. **Other property and casualty insurance subsegments:** this includes the Group's activity in the sale of a variety of policies in three key subsegments: property (non-motor) insurance - which provides policyholders with cover against physical damage to his/her property (for example, insurance for homes and businesses); liability insurance which is generally sold together with property insurance for businesses and provides cover for the policyholder's liability towards third parties (for example, third-party liability, employers' liability, professional liability, including directors' and officers' liability, and product liability for faulty products); and other property and casualty insurance subsegments (for example, personal accidents insurance, engineering insurance - including contract works and marine insurance). For further details, see Section 2.2 below.

1.4.3 Health insurance

This segment includes the Group's activity in illnesses and hospitalization insurance, for individuals and groups, as well as dental insurance. The policies sold in these subsegments cover the range of damages sustained by the policyholder due illnesses and/or accidents (excluding death). Furthermore, this segment also includes the Group's activity in long-term care insurance and critical illness insurance, as well as travel insurance and sick leave insurance. For further details, see Section 2.3 below.

1.4.4 Asset management - Retirement (Pension and Provident)

The Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident (which confer rights according to bylaws), including advanced education funds. For further details, see Section 2.4 below.

1.4.5 Asset management - Investment House and Wealth

Activity in this segment takes places through The Phoenix Investments, The Phoenix Investment House and The Phoenix Advanced Investments, consists mainly of financial asset management services such as the marketing and management of investments for customers, underwriting and investment banking, management of mutual funds, and provision of stock exchange and trading services. In addition, The Phoenix group manages private funds under this area of activity, which are aimed at qualified investors. For further details, see Section 2.5 below.

1.4.6 The Credit Segment

This segment includes operating segments such as: acquisition-aggregator and factoring of payment cards' vouchers, financing against post-dated checks (checks factoring), financing

against charges placed on real estate properties and other areas of activity, such as: loans and credit to businesses, factoring (financing against invoices), business guarantees, and financing of equipment. As from January 2024, this segment also includes the activity of Sale Law guarantees and construction financing. The activity is mostly conducted by Gama Management and Clearing Ltd. (hereinafter - "Gama"), which is wholly-owned by the Company. For further details, see Section 2.6 below.

1.4.7 Distribution (agencies)

This area of activity includes insurance brokerage services provided by The Phoenix group through insurance agencies held by a wholly-owned subsidiary of the Company - The Phoenix Insurance Agencies (1989) Ltd. (hereinafter - "**The Phoenix Agencies**"), which markets insurance products, and Retirement (Pension and Provident) of various institutional entities in the market. For a list of material agencies held by The Phoenix Agencies, see Section 2.7 below.

1.5 Additional Operations that Do Not Constitute Areas of Activity

1.5.1 Other investing activities

In addition, and as part of its activity in the segments described above, the Group is engaged in a range of investment activities, including investments in securities, bonds and other financial assets (both liquid and illiquid), financing, credit, financial derivatives, real estate and holding companies, as well as ownership interest in various companies. The investing activity is conducted mainly against various insurance reserves, and against the equity capital required for the insurance activity and capital surpluses of The Phoenix Insurance and other Group companies. For details about the Company's investment activities, see Section 4.4 below.

1.6 Risk management

The Company manages the aforementioned areas of activity by employing risk management methodologies. The Group places emphasis on management of the risks to which it is exposed, with the purpose of identifying, quantifying, managing and estimating the potential impact of these risks on the future financial position of the Group companies. For further details on risk management, see Note 41 to the Financial Statements, and the "Disclosure on exposure to and management of market risks" chapter in the Report of the Board of Directors.

1.7 Investments in the Company's Equity and Transactions in its Shares

For further details on the Company's controlling shareholders, see Section 1 above.

Part B

Description of the Group's business by operating segment

2.1 Life and savings

The Group is engaged in subsegments of the Life Insurance Segment, which include life insurance policies, disability insurance policies and savings policies. Furthermore, the Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident Funds Ltd. (which confer rights according to bylaws), including advanced education funds, as well as through IEC Gemel - a central pension fund for employees of the Israel Electric Corporation. The Company classified pension and provident asset management as a separate segment. For further details, see Section 2.4 below.

2.1.1 Life insurance

2.1.1.1 General

Life insurance policies provide an option to obtain insurance coverage without a savings component (including protection in the event of death, disability insurance and disability insurance), as well as an option to combine insurance coverage with a savings component, or even savings without any insurance coverage. The policyholder can redeem the savings upon retirement or at another date. The policyholder may choose the composition that best suits his/her needs from among the insurance products (hereinafter - "**Life Insurance**") and savings components (hereinafter - "**Saving**"). Policies may be individual or sold as insurance funds in accordance with the Provident Fund Regulations. Savings for retirement in policies that are recognized as insurance funds are designed exclusively for payment of an annuity (excluding the severance pay component). Until December 31, 2007, policyholders could choose between an annuity or capital track (from which the savings could be withdrawn as one lump sum). Policies with a savings component can be divided into several key categories, differentiated by the methods employed by insurance companies to invest the funds, the types of coverages and the management fees or expenses collected by the insurance companies.

Key characteristics of life insurance instruments

The insurance funds (known as "executive insurance") provide savers tax incentives and include various provisions to protect the policyholders in accordance with labor laws.

1. **The insurance coverage**: Life insurance policies that combine life insurance and savings provide considerable flexibility in determining the various components and scope of the insurance coverage. As of the reporting period, the Company does not market life insurance policies that combine life insurance and savings.

2. **Manner of engagement and payment obligations of the institutional entity**: In life insurance, the insurance company's obligation towards the policyholder is a contractual undertaking written into the insurance contract (the policy). In an insurance contract, the insurance company undertakes to pay the insurance benefits when, upon the occurrence of the insurance event, even if there have been changes that were not

taken into account when the contract was drawn up, such as an increase in life expectancy.

3. **Returns**: in life insurance policies sold since 1991 and in provident funds, the accrued funds are invested in the free market in various investment channels, according to the saver's choice.

4. **Management fees**: The following table lists the key restrictions on management fees.

Life insurance policies can be managed in accordance with the following legal frameworks:

(a) **individual policies that include risk-weighted components only** - these policies do not include a savings component and do not accumulate redemption values. These insurance policies are offered both as individual insurance and through collective insurance agreements;

(b) **Policies with a savings component that may incorporate insurance coverage**:

- **Policies subject to the Provident Fund Regulations (hereinafter - "Insurance Funds**"), which include **executive insurance policies**: insurance which includes a retirement savings component, comprising contributions made by the employer and employee (severance pay and retirement benefits), where the premium paid for the insurance is allocated to the different risks (mainly death and disability) and to a retirement savings. The executive insurance is approved as an insurance fund in accordance with the Provident Fund Regulations and entitles the employer and employee to various tax benefits; **retirement benefits insurance for the self-employed:** An insurance that includes a savings for retirement age component and an insurance coverage, which entitles the policyholder to various tax benefits.
- **Policies that are not subject to the Provident Fund Regulations: Individual insurance policies:** policies for private individuals for savings purposes only, which are not approved as provident funds.

2.1.1.2 Description of life insurance products

Information about the different Group products in the field of life insurance:

Type of policy[3]	Product description	Marketing period	Main premium components	Linkage terms and annuity recipients
Products that include a savings component - guaranteed return				
"Mixed" policies - guaranteed return	The insurance amount is predetermined and paid to the beneficiaries in the event of the premature death of the policyholder or at the end of the policy period (usually at the age of 65).	By the end of 1990	Life insurance and savings and riders for the policyholder, to the extent purchased.	The insurance amounts, the savings accrued in these policies and the annuities they pay are CPI-linked. The basis for guaranteeing the return is the insurance companies' investment in respect of a significant part of the accrual in designated government (Hetz) bonds, which guarantee linkage to the CPI plus interest ranging from 4% to 6.2%. The Annuity Conversion Factor in these policies is guaranteed and based on the life expectancy as known at the time they were marketed.
Guaranteed return "pension" policies	The amount of the monthly pension that will be paid at the end of the insurance period is predetermined in the policy. The amount of pension specified in the policy is paid out when the policyholder reaches the age specified in the policy.			
Classic guaranteed return policies	The amount specified in the policy is paid at the end of the policy period; however, if the policyholder dies before that date, his/her beneficiaries receive the savings accumulated up to the date of his/her death.			
"Preferred" policies ("Yielding")	Policies that combine a savings component, which may be withdrawn as a monthly annuity or as a lump sum upon reaching retirement age, in accordance with the Provident Fund Regulations and life insurance, and death risk, where the policyholder determines how the premium shall be split between the life insurance component and savings component and may change the ratio in accordance with the policy's terms conditions and subject to approval by the Company.			

[3] These products do not involve management fees. Company's gains from these products arise from interest differences between the bonds and actual returns.

Type of policy[4]	Product description	Marketing period	Main premium components	Linkage terms and annuity recipients
Products that include a savings component - participating				
"Mixed" policies - participating	The insurance amount is predetermined and paid to the beneficiaries in the event of the premature death of the policyholder or at the end of the policy period (usually at the age of 65).	Between 1991 and 2003	Life insurance and savings and riders for the policyholder, to the extent purchased.	The savings accumulated in these policies as well as the annuity that they pay are not CPI-linked but rather depend on the income attained by the insurance company in the various investment channels. The Annuity Conversion Factor in these policies is based on the known life expectancy when they were marketed.
Participating "Pension" policies	The amount of the monthly pension that will be paid at the end of the insurance period is predetermined in the policy. The amount of pension specified in the policy is paid out when the policyholder reaches the age specified in the policy.			
Classic participating policies	The amount specified in the policy is paid at the end of the policy period; however, if the policyholder dies before that date, his/her beneficiaries receive the savings accumulated up to the date of his/her death.			
Participating "Preferred" ("Yielding", "Abundant") policies	Policies that combine a savings component, which may be withdrawn as a monthly annuity or as a lump sum upon reaching retirement age, in accordance with the Provident Fund Regulations and life insurance, in addition to a death event, where the policyholder determines how the premium shall be split between the life insurance component and savings component and may change the ratio in accordance with the policy's terms conditions and subject to approval by the Company. These insurance plans were marketed from 1982 to 2003. The ratio between the accrued assets and the annuity that the policyholder may receive (hereinafter - the "**Annuity Conversion Factor**") in these policies is specified and guaranteed.			

[4] The insurance company is entitled to fixed management fees at a rate of 0.6% per annum of total assets, plus a 15% rate of the real return less the fixed management fees (hereinafter - **"variable management fees**"). If real losses have accrued, the insurance companies are not entitled to variable management fees until the accrued loss is covered.

Type of policy[5]	Product description	Marketing period	Main premium components	Linkage terms and annuity recipients
Products that include a savings component - yield-dependent insurance policies				
Policies that include "Track", "Track for Life", "New Track" and "Track for Managers and Employees" and "Track for Self-Employed" insurances	Characterized by separation and full transparency regarding the various premium components: The savings amount accumulated in "Track" policies is invested in various investment tracks, as selected by the policyholder from a range of investment tracks offered. In policies sold until the end of 2012, the Annuity Conversion Factor is specified and guaranteed, whereas in policies sold as from 2013, the Annuity Conversion Factor is guaranteed only for policyholders who took out the policy when they were aged 60 or more, except for individual policies, in which the Annuity Conversion Factor is not guaranteed at all.	Since 2004	Life insurance component, savings component and management fees.	The savings accumulated in these policies as well as the annuity that they pay are not CPI-linked but rather depend on the income attained by the insurance company in the various investment channels. The Annuity Conversion Factor in these policies is based on the known life expectancy when they were marketed. In policies sold on or after January 1, 2013, the conversion factor will only be determined when the policyholder retires, based on the mortality tables in force at that time, unless the policyholder was more than 60 years of age when the insurance policy commenced.

[5] The insurance company is entitled to fixed management fees in respect of the accrual and to management fees in respect of the premium. For details regarding the maximum management fee rates, see the table in Section 2.1.2.1 below.

Type of policy	Product description	Marketing period	Main premium components	Linkage terms and annuity recipients
Policies that include risk component only (no savings component)				
Pure risk life insurance	Life insurance in the event of death with no savings component. This insurance guarantees the beneficiary a lump sum or payment in installments to beneficiaries in the event of death. The policy period varies from one to several years. This insurance is sold as a rider (additional coverage) to other life insurance policies or as a stand-alone policy.	N/A	Risk component only	N/A
Disability insurance	Guarantees payment of a monthly compensation amount after a waiting period, which starts when the policyholder becomes incapacitated (partially or fully); the policy pays out until the earlier of the end of its term or when the policyholder is once again able to work. Usually, the waiting period is three months. In addition to paying out a monthly compensation amount, the insurance benefits include releasing the policyholder from payment of the premium for other insurance coverages (death, disability, etc.), if any, and from payment of a premium in respect of the policy's savings component, thereby retaining the policyholder's rights throughout this period.			

Type of policy	Product description	Marketing period	Main premium components	Linkage terms and annuity recipients
Savings policies only				
Investment policies	These policies are for private individuals for savings purposes, which are not approved as provident funds. For more information regarding the new hosting tracks included in investment policies under The Phoenix's management, see Section 2.1.3 below. This policy is not subject to the Provident Fund Regulations.[6]	Since 2004	Savings component only	The savings accumulated in the policies is not linked to any index, but rather depends on the gains that the insurance company will obtain in the different investment tracks.
Collective policies				
Collective life insurance	Life insurance is designed for groups of policyholders, as prescribed in the Supervision of Insurance Business Regulations (Collective Life Insurance), 1993. Additional types of insurance may also be included. The premium is paid as a lump sum for the Group's planholders.	N/A	Risk component only	N/A
Other				
Other types of insurance	Insurance coverage such as accidental disability, accidental death, professional disability, and more, which account for a small part of total premiums and are immaterial to the Company's business performance.	N/A	Risk component only	N/A

[6] According to the Provident Fund Regulations, the remaining policies described above are approved as an insurance fund and entitle the employer and employee or the self-employed planholder to various tax benefits.

2.1.2 Structure of profitability

Basic profitability in the Life Insurance Segment stem from the following principal sources:

Underwriting income: the difference between the premium collected to cover the risk and the actual cost of the risk (as reflected in claims payouts, including contingent claims and the reserves for the claims, as well as annuity payouts or transfers to reinsurance).

Investment income / financial margin: in guaranteed-return policies - the margin between the actual return and the return guaranteed to the policyholder. In participating policies: the management fees in respect of the accrual as described above.

Operating income: the difference between the management fees component in respect of the marketing and operating expenses and actual expenses.

Profitability of the Life Insurance Segment as reported in the financial statements are also affected by accounting rules pertaining to revenue recognition and deferral of expenses, revaluation of assets, development of actuarial provisions as a result of regulatory requirements, and changes in the actuarial assumptions arising, among other things, from demographic changes that affect longevity, mortality, morbidity, changes in the uptake of pension benefits, changes in the interest rate environment, etc.

The insurance company's profitability from the sale of life insurance policies is based mainly on the aggregate performance of the abovementioned components throughout the term of the policy. Therefore, the extent to which the policies are retained (hereinafter - "**Portfolio Retention**") therefore plays a crucial role in the profitability of the insurance company over time.

Income from investments held against insurance reserves and capital have a significant effect on insurance companies' income, due to the substantial amounts of the Group's assets and reserves invested in the capital market. Furthermore, changes in the capital market, in the implicit returns and in other investments in the economy have a material effect on the Group's profitability.

Changes in marketing of life insurance products

As part of the permit to market individual life insurance and mortgage life insurance plans, in 2019, the Capital Market, Insurance and Savings Authority has set a mechanism of reimbursement of fees and commissions to insurance companies by agents. In accordance with the mechanism, reimbursement of fees and commissions will be carried out if the policy was cancelled during the course of six years from the insurance commencement date or alternatively during the course of three years from the insurance commencement date, subject to the provision of a benefit of at least 15% of the tariff. It is noted that in December 2022 revised permits for the marketing of the products were published, which aimed to modify and condition the reimbursement of the fees and commissions in terms of periods and an undertaking for fixed discounts over the life of the product. As of the report publication date,

these new permits have not yet entered into force. In that context, it is noted that a draft circular regarding discounts and cancellations was published in April 2023, which was intended to replace the said marketing permits (for information regarding the draft circular regarding this subject, see Section 4.1.6.1.12 below). 2.1.2.1 Following are the main restrictions placed on management fees in the executive insurance and retirement benefits insurance for the self-employed in accordance with the provisions of the law:

Executive insurance and retirement benefits insurance for the self-employed	
Maximum management fees until December 31, 2012	2% of accrual + 13% of contributions, provided that: deposits are converted using a ratio of 1:10 (*)
Maximum management fees for 2013 (transitional period)	1.1% of accrual + 4% of contributions (**)
Maximum management fees as from 2014	1.05% of accrual + 4% of contributions (***)
Maximum management fees collected from planholders with whom the fund lost contact or deceased planholders	0.3% of accrual
Maximum management fees collected from annuity recipients through December 31, 2021	0.6% of annuity (**)
Maximum management fees collected from annuity recipients as from February 1, 2022	0.3% of annuity

(*) Applicable to policies issued as from January 1, 2004.
(**) Applicable to policies issued from January 1, 2013.
(***) Applicable to policies issued from January 1, 2014.

2.1.2.1 Impact on competition between the various products

In the long-term savings market, there are several products, with provident funds being the leading products for long-term savings, inter alia as a result of measures taken by the Commissioner, such as: the default funds reform that accelerated the decrease in management fees in the pension fund product; cancellation of guaranteed conversion factors in life insurance products that include a savings component which made the product less attractive; transfer of savings funds from executive insurance to provident products; cancellation of capital provident funds. Furthermore, the attractiveness of the executive insurance was adversely affected as a result of Regulation 19 to the Income Tax Regulations, which caps contributions to executive insurance. For details regarding the amendment to the regulations, see Section 4.1.6.1.11 below. It is also noted that in February 2024, the Minister of Finance instructed the setting up of a "Team for Reducing the Gaps between Investment Instruments in Short and Medium-Term Savings" in order to assess the existing regulation of the investment instruments in short and medium-term savings (investment policies, investment provident funds, and mutual funds), and to map the regulatory and tax gaps therein. In addition, in accordance with the instructions of the Ministry of Finance, the team was asked to formulate recommendations about the appropriate regulation outline in relation

to those instruments, for reducing the arbitrage and for promoting the competition for the benefit of savers and investors, while recommending required legislative amendments.

At this stage it is impossible for the Company to assess what the recommendations of the said team will be or their effect on said investment instruments and on the Company's activity in this context. The Company will continue to monitor the team's activity and recommendations.

Other financial products (individual savings products)

In the reporting year, the trend continued whereby the total amount of the public's investments in savings products, such as investment policies that constitute an alternative to liquid savings products, but nevertheless, in view of the interest environment some of the public's investments were diverted to other channels such as bank deposits, etc. The attractiveness of individual savings policies stems from several reasons, including: a range of investment tracks with different risk levels, switching between investment tracks does not constitute a taxable event, attractive management fees, liquid savings that may be withdrawn at any time, and tax benefits.

The Company believes that the trends in the long-term savings subsegment may lead to the following:

- Pension funds will continue to be a leading product among long-term savings products, especially on the back of further restrictions on the transfer of and signing on for executive insurance, see as detailed in Section 2.1.2.1 above.
- The decrease in average management fees in the market will continue.
- To reduce profitability from annuity recipients as a result of the reduction of the maximum amount in management fees collected from recipients of annuities in the pension funds and in insurance policies for annuities.
- The use of technological and digital means in the marketing and distribution process of the products will increase in this segment.
- Lower profitability of life insurance products.
- Growth in individual savings products will continue. Diversion of savings funds to alternative products.

2.1.3 New products

Setting up hosting tracks in an investment policy - during 2022, The Phoenix Insurance launched hosting tracks as part of the investment policies under its management; the investment management in those tracks is carried out by BlackRock, which is a global investment management company: The Phoenix Blackrock General and The Phoenix Blackrock Foreign Shares. This unique collaboration allows policyholders, which hold investments policies, to benefit from the option to select an investment track that combines

global investments in the investment of the policies' assets. During the reporting period, The Phoenix Insurance launched another hosting track named The Phoenix Blackrock Bonds.

Launch of new investment tracks as part of the reform in investment tracks and direct expenses - as part of the reform in connection with the collection of direct expenses and investment tracks in provident funds (for details regarding the reform, see Section 4.1.3.1.3 below), as from January 2023 the institutional entities are required to set up two new investment tracks: a "combined liquid" investment track, and a "flexible index-tracking" investment track as part of their pension savings products. According to the provisions of the circular, the said tracks were added to the new pension funds and to the savings provident fund managed by The Phoenix Pension and Provident, and to the executive insurance policy under The Phoenix Insurance's management. In accordance with the provisions of the circular regarding this issue, the Company is making preparations for the implementation of the other provisions of the reforms to the investment tracks that will come into force in July 2024.

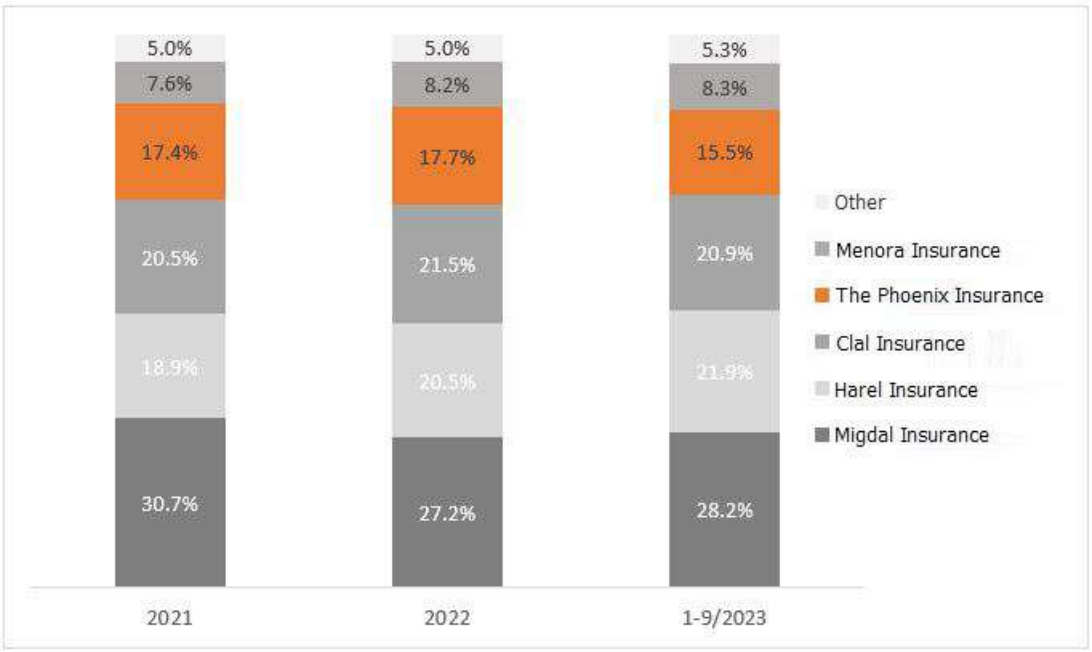
Setting up a new investment track through investment policies - during the reporting period an investment track through an investment policy was set up named "Bond Indices-Tracking Track". The track tracks the performance of three indices composed of government and corporate bonds denominated in NIS and CPI-linked and bearing fixed interest, which were issued in Israel and are designated for redemption within a specified period. Towards the end of the specified period, the Investment Committee shall set the composition of the investments for further management of the track's assets.

2.1.4 Competition

Life insurance -

Five key insurance companies operate in Israel in the Life Insurance Segment - The Phoenix, Migdal, Clal, Harel, and Menora, as well as several smaller insurance companies. According to the figures of the Capital Market, Insurance and Savings Authority, these five companies collected approx. 95% of the premiums in this segment in the first three quarters of 2023.

The market shares of the five key insurance companies in Israel out of total premiums in 2021 to September 2023 are as follows, by percentage:



The competition between the companies is reflected mainly in the discounts on risk products and management fees paid by policyholders, the price of the insurance coverages they purchase, the quality of service, returns on the investments, level and method of compensation in the various distribution channels, and in the development of additional distribution channels.

The following table provides information about the transfer of funds from/to the Company in the Life Insurance Segment from 2021 to 2023



* **External transfers only (excluding transfers within the Group)**

2.1.5 Effect of legislative changes on competition in the area of activity

Regulatory provisions in recent years have led to increased competition between the various entities operating in the life insurance market. Following are the main provisions:

- Lowering the prices of life insurance products.
- Lowering the management fees in alternative long-term savings products. For instance, through default funds.
- Amendment to the Advice Law, which prohibits a link between the rate of management fees and the amount of distribution fee paid to the pension agent.
- Reduction of maximum management fees charged from annuity recipients.
- The reform in connection with direct expenses, and the requirement to present expected annual cost to customers, which enables the comparison of the costs of management fees and management fees to external party between investment companies and tracks (for information regarding the reform, see Section 4.1.3.1.3 below).
- Revision of the mortality tables in insurance policies.
- The cap on contributions and transfer of funds to executive insurance as described in Section 2.1.2.1 above.

The Company believes that these changes may enhance existing trends in the long-term savings segment, as described above in connection with boosting competition. The weighted effect of these trends may have an adverse effect on profitability in the long-term savings segment.

How the Group deals with competition

The Group is taking action to address the growing competition in the industry, mainly through the following measures:

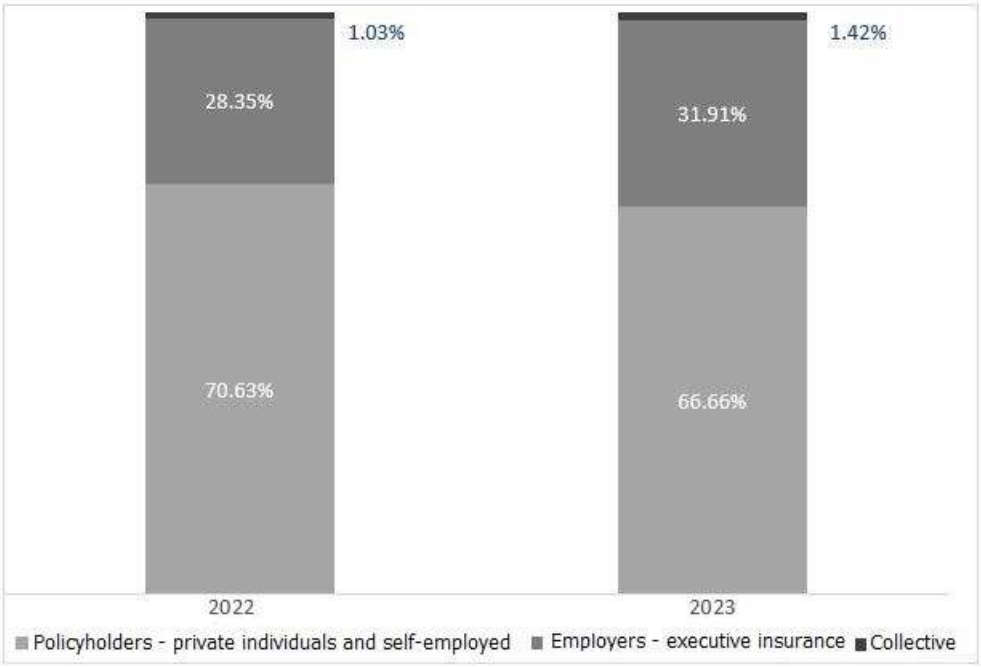
- Continued development and improvement of the investment function and quality of investment management.
- Increase in total assets under management.
- Organizational and operational streamlining in the Company's structure, and in the different units in the subsegment (for details in connection with the closure of the retail unit, see Section 1.3.10 above).
- Service and marketing using diverse distribution channels.
- Allocating management and financial resources to advertising, marketing and distribution channels, as well as brand-name enhancement.
- Structural changes allowing The Phoenix Insurance to develop while reducing the capital requirements to which it is subject.
- Collaborations with international entities such as BlackRock, as described in Section 2.1.3 above.
- Setting up new investment tracks that provide a range of investment alternatives to customers.

2.1.6 Customers

Life insurance

The Phoenix Insurance markets its products to a broad range of customers who can be divided into three main categories - salaried employees planholders, individual and self-employed policyholders, and groups. The Phoenix Insurance has no significant dependence on any single customer. The following table provides a breakdown of premiums and contributions towards benefits among life insurance customers, by percentage:[7]

[7] Including insurance contracts and investment contracts (investment contracts are individual policies without an insurance component).



The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from those which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

2.2 Property and casualty insurance

Key subsegments of Property and Casualty Insurance

This area of activity includes the Group's operations in the compulsory motor insurance subsegment, the motor property insurance subsegment and other property and casualty insurance, which includes the remaining Property and Casualty Insurance subsegments, such as property, liability, engineering, marine and aviation insurance.

The terms of most property and casualty insurance policies is up to one year, and these policies provide indemnity to the policyholder in the event of loss, depending on the insurance coverage.

2.2.1 Compulsory motor insurance

Compulsory motor insurance provides coverage for bodily injury resulting from the use of a motor vehicle.

2.2.1.1 Products and services

This subsegment consists of a single product - insurance coverage for bodily injury incurred as a result of road accidents, under the Motor Insurance Ordinance (New Version), 1970 (hereinafter - the "**Motor Insurance Ordinance**") for the motor vehicle owner and the driver against any liability they may incur under the Road Accident Victims Compensation Law, 1975 (hereinafter - the "**CRAV Law**") and against any other liability they may incur due to bodily injury caused by or as a result of the use of a motor vehicle to the driver, passengers, or pedestrians hit by the motor vehicle as a result of the use thereof, (for further details about the CRAV Law, see Sections 4.1.8.1.2 and 4.1.8.1.3 below).

Characteristics of compulsory motor insurance:

1. Duty to insure - the Motor Insurance Ordinance stipulates that a person shall not use, cause or allow another person to use a motor vehicle unless his/her or another person's use of the motor vehicle is covered by a policy which is in force.
2. Standard policy - the wording of the policy is dictated by the Commissioner in the Motor Vehicle Insurance Ordinance.
3. Absolute liability with no need to prove blame.
4. Exclusivity of course of action - a road accident victim, who has a cause of action under the CRAV Law, must claim damages only under the CRAV Law, and will have no cause of action under any other law.
5. Limit of compensation - the policy has no limit of liability. Nevertheless, the maximum wages for purposes of calculating the compensation due to loss of income and loss of earning capacity is limited to three times the average wages in Israel (net), and the maximum compensation for non-financial loss is limited to the amount prescribed in the CRAV Law, which is currently approx. NIS 180 thousand.
6. The insurance premium is a differential premium, which is based on a closed list of parameters that were set by the Capital Markets Authority.

7. Date on which the insurance comes into force - the date of commencement of the insurance stated in the insurance certificate, but not before the date on which the insurance certificate was stamped with the bank's stamp.

2.2.1.2 Competition

The compulsory motor insurance subsegment is characterized by intense competition since all insurance companies operate in this subsegment. In recent years new direct insurance companies were established which operate in this segment. Given that the insurance coverage is standard and the size of the market is limited, competition in the compulsory motor subsegment focuses mainly on insurance prices, rates of fees and commissions paid by the various companies to insurance agencies, proper segmentation of the population of policyholders and accurate pricing of the policies offered to them, as well as on developing digital tools to improve the selling and service capabilities both for the policyholders and agents working with The Phoenix Insurance.

Most customers purchase the compulsory motor insurance and the motor property insurance from the same company, and therefore customers usually look at the price in relation to both products together (compulsory motor insurance and motor property insurance).

Following is information about the market share of the Company and key competitors in the compulsory motor subsegment, by gross premiums by percentage (activity in Israel only):

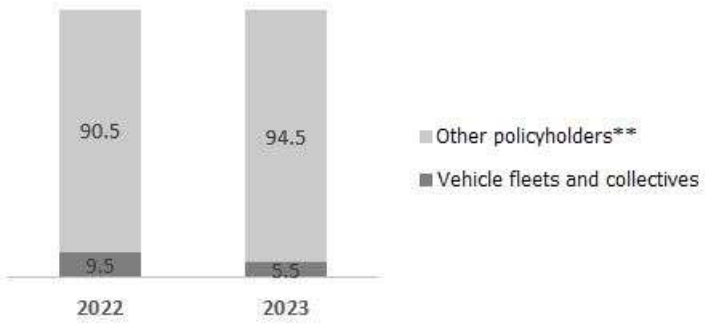


The Company copes with competition by working to increase its market share while maintaining the quality and profitability of the portfolio on the one hand and applying control measures on the other. Furthermore, The Phoenix Insurance diversifies its marketing and distribution methods by engaging in direct sales under the "Phoenix Smart" brand, via digital sales channels and call and service centers.

2.2.1.3 Customers

A. The Phoenix Insurance is not dependent on any single customer in the compulsory motor insurance subsegment.
B. The Phoenix Insurance has no single customer that accounts for 10% or more of its total income.

C. The Phoenix Insurance's customers consist of private customers, business customers, groups and car fleets.



* The figures are based on insurance policy commencement dates.
** Mainly individual policyholders.

The definitions for vehicle fleets and collectives were taken from the Codex of Regulations (Consolidated Circular).

Customer loyalty and retention:

The rate of renewals in terms of premiums in the compulsory motor insurance subsegment in 2023 was approx. 60.5% compared with approx. 62% in 2022.

Following are details about customer loyalty in the compulsory motor insurance subsegment in terms of premiums turnover for 2023, by percentage:



2.2.2 Motor property insurance

Motor property insurance consists of coverage for damage to property caused to the insured vehicle as well as for the policyholder's liability in respect of damage to third-party property resulting from the use of a motor vehicle.

2.2.2.1 Products and services

Motor property insurance (CASCO) is the most common type of voluntary insurance in the Property and Casualty Insurance Segment. Motor property insurance covers property damage caused to the insured vehicle (hereinafter - "**comprehensive insurance**") and damage caused to third-party's property as a result of the use of the insured vehicle (hereinafter - "**third-party insurance**"). In this chapter, comprehensive insurance signifies coverage given both in respect of property damage caused to the insured vehicle and in respect of property damage that the insured vehicle may cause to third-party's property.

This subsegment is divided into two categories:

A. Insurance for private and commercial motor vehicles weighing up to 3.5 tons (hereinafter - "**light commercial vehicle**"). This category is subject to the terms and conditions of a standard motor insurance policy, as explained below.
B. Insurance for vehicles which are not private or light commercial vehicles. This category is residual and applies to all vehicles which are not included in the first category (e.g. trucks, taxis, motorbikes, tractors, mechanical engineering equipment, etc.). The terms and conditions of the standard policy do not apply to these vehicles.

Characteristics of motor property insurance:

A. Motor property insurance is voluntary insurance which is not mandatory under law.
B. Standard Policy - by virtue of the Supervision of Insurance Business Regulations (Contract Terms and Conditions for Insuring a Private Vehicle), 1986. The terms and conditions of the standard policy include, among other things, coverage in the event of an accident, theft, fire, malicious damage, natural disaster damage, property damage caused to a third party, etc.
C. The Company markets various types of coverages and riders in the motor property segment: The terms and conditions of the standard policy include, among other things, coverage in the event of an accident, theft, fire, malicious damage, natural disaster damages, property damage caused to a third party, and more. The Company also offers various riders in addition to the basic coverage, such as coverage for risks of earthquake, riots, strikes as well as related services such as towing, replacement vehicle in the event of an accident or theft, coverage for broken windscreen and coverage for headlights and mirrors. The Company also offers a range of riders and specific coverages for electric vehicles, as well as for commercial vehicles that are not light commercial vehicles.

2.2.2.2 Competition

The motor property insurance subsegment is highly competitive, mainly due to the lack of differentiation in the insurance coverage offered by various companies and due to the establishment of new direct insurance companies in recent years. Competition in this segment focuses mainly on insurance prices, the service rendered by insurance companies to their policyholders, riders added to the standard policy, the rates of fees and commissions paid by the various companies to insurance agencies, proper segmentation of the population of policyholders and accurate pricing of the policies offered to them. Competition also focuses on the development of digital tools aimed to improve the selling capabilities and services, both to policyholders and to agents with whom the Company works. Following is information about the market share of the Company and key competitors in this subsegment, by gross premiums, by percentage (activity in Israel only):



To cope with the competition, the Company ensures that it maintains a reasonable level of profitability by applying an appropriate segmented pricing strategy, developing new products and recruiting agents. Furthermore, The Phoenix Insurance diversifies its marketing and distribution methods by engaging in direct sales under the "Phoenix Smart" brand, via digital sales channels and call and service centers.

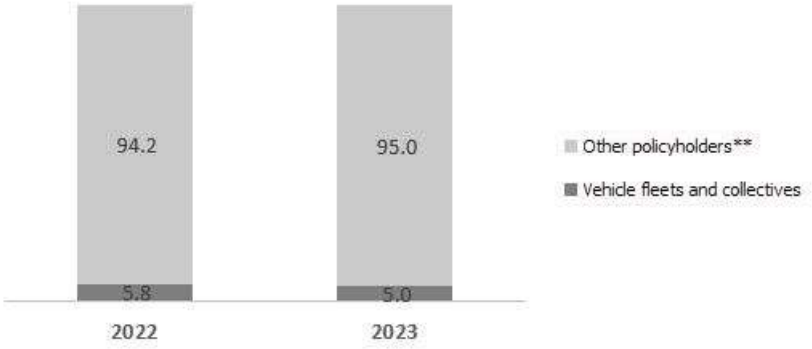
2.2.2.3 Customers

A. The Phoenix Insurance is not dependent on any single customer in the motor property insurance subsegment.

B. The Phoenix Insurance has no single customer who accounts for 10% or more of its total income.

C. The Phoenix Insurance's customers in the motor property insurance subsegment consist of private customers, business customers, groups and car fleets.

Breakdown of gross premiums from customers (*) by percentage



* The figures are based on insurance policy commencement dates. The definitions for vehicle fleets and collectives were taken from the Codex of Regulations (Consolidated Circular).
** Mainly individual policyholders.

Customer loyalty and retention

In 2023, the renewal rate in the motor property insurance segment, in terms of premiums for policies that were in force in the previous year was approx. 76.1%, compared to approx. 71.6% in 2022.

Following is information about customer loyalty in the motor property insurance subsegment in terms of premiums turnover in 2023, by percentage:



In the motor property insurance subsegment, customers who also had compulsory motor insurance policies in 2023, 2022 and 2021 accounted for 93%, 94% and 93%, respectively, of all the policies in this subsegment in the relevant years.

2.2.3 Other Property and Casualty Insurance

Other Property and Casualty Insurance consists of a broad range of insurance coverage that can be divided into three main subsegments: property insurance, liability insurance and other insurance.

2.2.3.1 Products and services

The Phoenix Insurance sells property and casualty insurance products in property, liability and other subsegments, offering insurance solutions as part of a broad range of plans catering to an extensive range of occupations and needs.

Property insurance

In the property insurance subsegment, the Group offers mainly home insurance, building insurance covering the mortgage period, and various types of business insurance.

A. **Home insurance policy**: this policy is based on the standard policy and includes a package of riders in addition to the mandatory requirements under the Supervision of Insurance Business Regulations (Terms of Home and Contents Insurance Contracts), 1986. Customers can opt for multiple coverages including building insurance covering the mortgage period, all risks insurance for jewelry and valuables, employers liability insurance, third-party liability insurance, terrorism damage insurance (beyond government compensation), etc.

The Company also offers its policyholders coverage against terrorism risks in respect of their home contents (excluding government compensation payout). Payment in respect of this coverage is made in addition to insurance benefits the policyholder is entitled to receive by virtue of the Property Tax and Compensation Fund Law, 1961, according to which the policyholder will be paid compensation due to loss or damage caused to the contents of his/her home due to an act of terrorism.

B. **Business insurance and large businesses insurance**: this type of insurance is designed to provide insurance coverage in respect of the policyholder's interests in business-related property and buildings and the contents thereof; the insurance covers physical loss or damage caused due to fire and related risks (coverage sold together with coverage for risk of fire, lightning and additional risks, e.g. burglary, natural damages, explosions, earthquakes, to the extent that these coverages are purchased (extended fire insurance policy)). Furthermore, one may purchase coverage for consequential loss stemming from certain physical damage to the property, i.e., loss of income.

The Phoenix Insurance generally offers this insurance as part of a comprehensive insurance package that includes, among other things, an option to purchase liability insurance and other types of insurance, such as money insurance, goods in transit insurance, electronic equipment insurance, etc. Business insurance is provided under umbrella policies (namely, policies that combine various insurance coverages). Furthermore, the Company has its EXTRA series of policies for offices, stores, workshops and synagogues, which are dedicated policies for these business categories. The coverage for large businesses is provided according to the needs of each customer and, in most cases, the customer works with an insurance consultant who acts on its behalf and defines the needs and, quite often, the wording of the policy as well.

In addition, the Company also sells business insurance coverage against cyber crimes; such coverage includes, among other things: breach of privacy, reimbursement of costs and expenses associated with managing a cyber event, reimbursement of costs associated with responding to a security breach, cyber extortion, loss of income, and data recovery costs.

Liability insurance

A. **Employers' liability insurance**: this type of insurance covers the employer's (the policyholder) liability towards its employees over the term of the policy in respect of bodily injury sustained by the employee covered under the insurance policy due to an accident or illness during the course of his work or as a result thereof. This policy is event-based. Coverage under these policies is usually residual and applies to amounts payable in excess of payouts by the National Insurance Institute, which is in charge of workplace accidents. In some cases, the limit of liability in policies of this type is pre-determined; however, a higher liability limit may be purchased based on the policyholder's needs and at his/her request. The liability covered by these policies is usually governed by the Torts Ordinance.

   This coverage is sold both as an individual standalone policy (employer liability coverage only), and as part of large business insurance policies, business insurance policies, umbrella insurance policies, or as a chapter within contractors' insurance policies.

B. **Third-party liability insurance**: the purpose of this insurance is to protect policyholders against legal liability which they may have towards third parties, for bodily injury or property damage caused due to their negligence, including consequential damages, and which occurred during the policy period. This policy is event-based. The coverage is adapted to the policyholder's activity and the limit of liability is set by the policyholder, at his/her discretion, based on the level of risk to which he/she believes to be exposed. This cover is sold both as an individual standalone policy (third-party liability coverage only), and as part of large business insurance policies, merchant insurance policies, umbrella insurance policies, or as a chapter within contractors' insurance policies. The liability covered by these policies is usually governed by the Torts Ordinance.

C. **Other liability insurance**: liability insurance also includes other products, including professional liability insurance, directors and officers' liability insurance, and product liability insurance.

   In contrast to the types of liability insurance listed above, these products offer tail coverage, although such policies usually also refer to the date on which the event occurred (policies based on the date on which the claim were filed with a retroactive date).

D. **Other types of insurance**

   In addition to property and liability insurance, The Phoenix Insurance also markets contractors' insurance (for the duration of a project or open policies for one insurance year in respect of all projects during that period), insurance covering mechanical-engineering equipment, mechanical breakdown insurance, refrigerated inventory insurance, cargo in transit and shippers' liability insurance, fidelity insurance, agricultural insurance, investment insurance for home buyers (Sales Law guarantee),

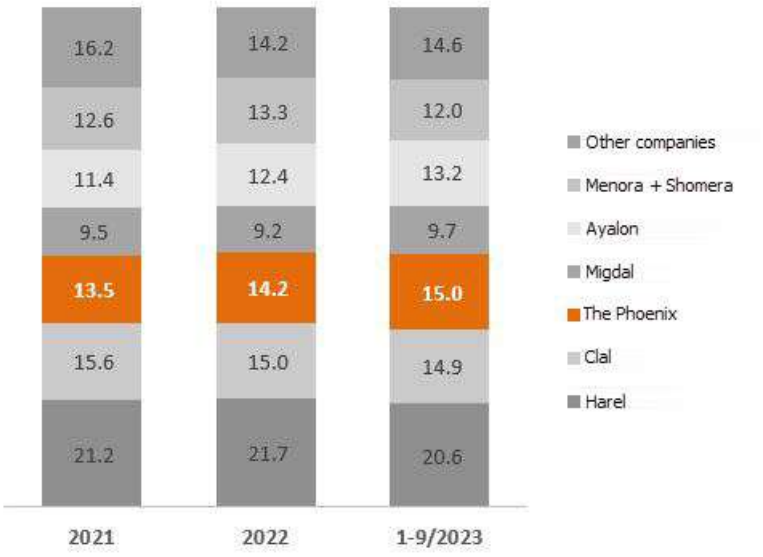
electronic equipment insurance, insurance covering production and cancellation of events, clinical trials insurance, flight cancellation insurance, money insurance, goods in transit insurance, works of art, marine, aviation, terrorism acts and cyber insurance.

2.2.3.2 Competition

A. The other property and casualty insurance subsegment is highly competitive, which is reflected in policies that are tailored to the customers' needs, niche activity, reduced tariffs and the offering of special discounts.

B. Most Israeli insurance companies compete with The Phoenix Insurance in the other property and casualty insurance subsegment.

Following is data about the market share of the various companies in the other property and casualty insurance subsegment, by percentage:

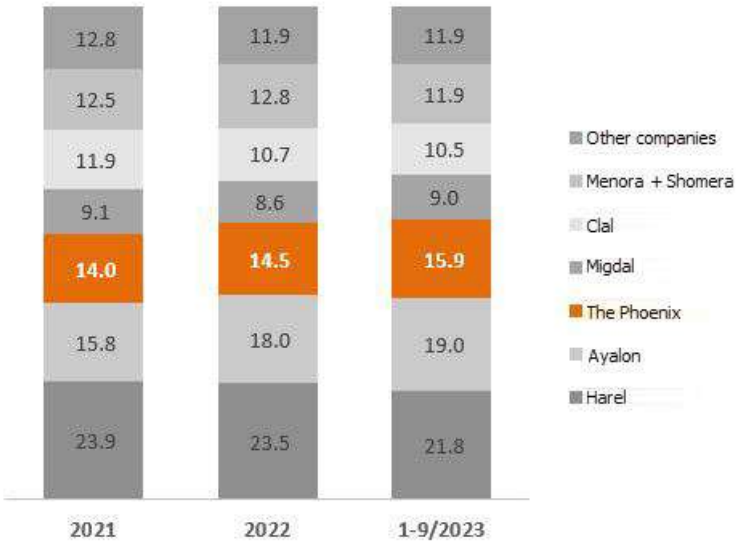


Following is a breakdown of information by property and liability subsegments:

Property and other insurance subsegments (excluding motor property insurance)



Liability subsegments



The principal methods for coping with competition in this segment include providing high-quality, readily accessible service, entering into niche insurance markets where competition is less intense and the Company can develop its expertise and reputation, customizing policies to customers' needs, and reinforcing the quality of pricing. Competition in this segment is impacted, among other things, by trends in the global reinsurance market.

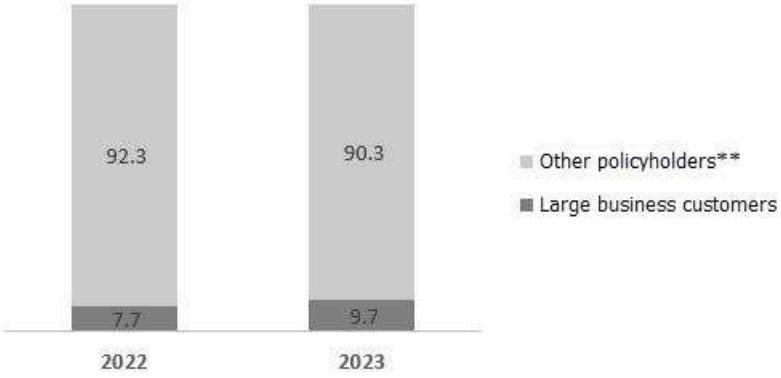
2.2.3.3 Customers

A. The Phoenix Insurance is not dependent on any single customer in the other Property and Casualty Insurance subsegment.

B. Neither does the Company have a single customer in the other property and casualty subsegment that accounts for 10% or more of its income.

C. The Company's customers in the other property and casualty insurance subsegment are mostly private customers, in addition to companies and merchants.

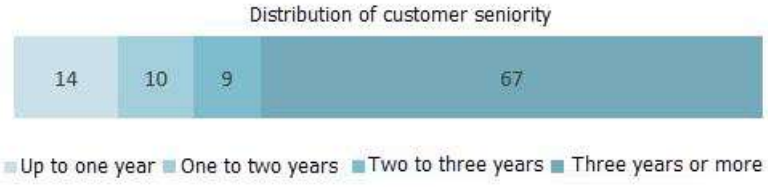
Breakdown of premiums from customers (gross), by percentage:*



* The figures are based on the commencement dates of the insurance policies. "Large business customers" signify policyholders which account for at least 1% of the premiums in the segment.
** Mainly individual policyholders.

The renewal rate in the other property and casualty insurance subsegment is relatively high due to the customization of policies to customers' requirements, specialization by the insurance companies and the tendency of customers in this subsegment to remain loyal to one insurance company, in part due to the desire to maintain continuity of the insurance coverage. In the home insurance subsegment, the renewal rate in 2023 was approx. 84%, compared with approx. 87% in 2022 (in terms of premiums received in the current year in respect of policies that were in effect in the previous year).

Following is information about customer loyalty in the home insurance subsegment in terms of premiums in 2023, by percentage:



The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from those which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

2.3 Health insurance

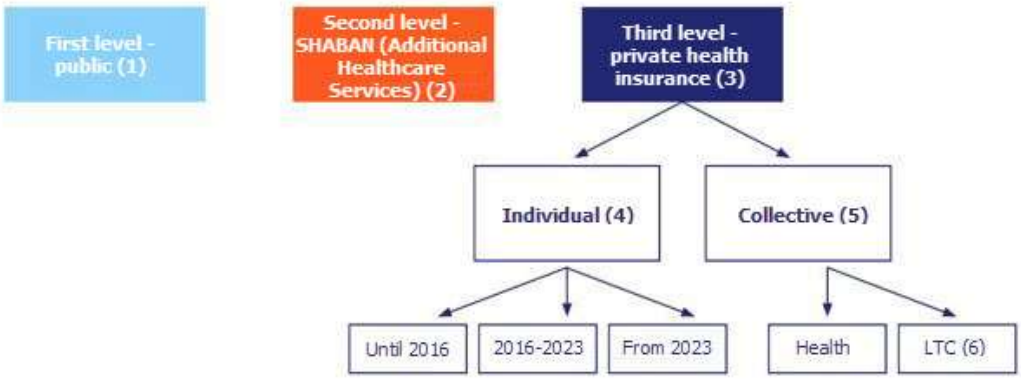
2.3.1 Products and services

2.3.1.1 General

Health insurance policies are designed to indemnify or compensate policyholders for medical expenses incurred as a result of decline in health, illness or accident. The illnesses and hospitalization subsegment also includes long-term care insurance, critical illness insurance, dental insurance, insurance covering sick leave, travel insurance, and personal accidents insurance.

2.3.1.2 Segment's structure and key markets

The Israeli health insurance market is divided into three levels:



Comments to chart:

(1) The first level comprises the basic basket of health services (hereinafter - the "**Healthcare Services Basket**"), which is provided mainly by health maintenance organizations to all Israeli residents by virtue of the National Health Insurance Law, 1994 (hereinafter - the "**Health Insurance Law**").

(2) The second level, which is an extension of or an alternative for the Healthcare Services Basket, is the supplementary health services (hereinafter - the "**SHABAN**"), which are provided to the public only by health maintenance organizations. This level is subject to the limitations stipulated in the Health Insurance Law.

(3) The third level comprises private health insurance purchased directly from insurance companies and subject to underwriting considerations applied by insurance companies when they issue such insurance to policyholders. Private health insurance is offered both in the form of personal health insurance policies (**individual insurance policies**) and in the form of collective policies (**collective insurance**). The Group's activity in the Health Insurance Segment includes both individual and collective insurance policies.

Individual health insurance (individual and collective) is part of the total national health expenditure in Israel. Private health insurance is a growing area of activity, among other things, in light of the gap between the healthcare services provided by the state within the framework of the Healthcare Services Basket and those provided under private health insurance. Private health services include the use of advanced drugs and medical treatments in order to improve quality of life and increase life expectancy; they are provided with high availability and tailored to the specific needs of different population groups, including coverage for transplants, medications not included in the Healthcare Services Basket, surgeries abroad, new medical technologies not included in the Healthcare Services Basket and long-term care services.

The different levels of the health insurance sector in Israel are highly regulated and closely supervised. The legislative arrangements in this sector have changed considerably and, in some cases, are influenced by government policies relating to healthcare, including the expansion or curtailing of the services provided as part of the Healthcare Services Basket.

(4) Individual insurance - these are generally insurance plans offered for long periods (for the policyholder's entire life or up to a pre-determined age), even if the policyholder's medical condition changes during this period.

Most health insurance plans marketed from February 2016 and thereafter are subject to provisions according to which the insurance period is renewed every two years (for the Policyholder's entire life or up to a pre-determined age) (hereinafter - the "**Renewable Policies**").

Some of the Renewable Policies are characterized with the accumulation of considerable reserves during those periods. Changes in actuarial assumptions and forecasts with respect to future risk may lead to material changes in the provision amounts. Due to the considerable weight of the reserves amount, the investment income held against the insurance reserves in this segment has a material effect on profitability in this segment.

(5) Collective insurance - the terms and conditions of collective insurance agreements are determined in negotiation between the insurer and the policyholder representing the group and apply to all the individuals included in the relevant group. Such agreements are usually signed for pre-determined periods of several years (but no more than five years), and sometimes include a mechanism for adjusting the premium during the policy period. Due to this difference, the tariffs paid for collective insurance are generally lower than those paid for similar coverages in individual policies. Some collective insurance agreements include insurance continuity when the collective insurance agreement terminates or when an individual ceases to be a member of the group (right to continuity).

(6) Collective long-term care insurance - In accordance with the Commissioner's Directives, The Phoenix Insurance ceased to sell collective long-term care policies at the end of 2017, except for long-term care insurance to HMO members. As from January 2019, The Phoenix Insurance insured the customers of Maccabi Healthcare Services, and according to the agreement, the engagement terminated on December 31, 2023 and undertaken by another insurer.

2.3.1.3 Principal changes in the Health Insurance Segment

2.3.1.3.1 The reform in health insurance

On October 1, 2023 (hereinafter - the "**Effective Date**"), the **reform in health insurance of the Capital Markets Authority** came into force. This is a comprehensive and significant reform relating both to the nature and to the scope of the products, as well as to the methods employed in their marketing and management. The reform applies to individual health insurance policies that will be taken out as from the Effective Date, and to collective health insurance policies that will be taken out or renewed as from the Effective Date, such that individual health insurance policies will be divided into three groups:

Policies marketed until 2016	Policies marketed in 2016-2023	Policies to be sold as from October 2023
• Non-renewing policies. • Their premiums can be updated with the Commissioner's approval. • These policies are not subject to the reform.	• Renewable policies (to be renewed next in June 2024). • **Not** subject to the reform but are subject to the Economic Arrangements Law, as detailed below.	• Renewable policies that are subject to the reform and provisions of the Economic Arrangements Law, as detailed below.

Under the reform, five tiers were established for health insurance policies:



The first - a basic health insurance policy that will be composed of three uniform policies that define a uniform and comprehensive coverage in their respective areas: (1) a policy covering transplants and special treatments abroad; (2) a policy covering medicines that are not

included in the Israeli health care basket; and (3) a policy covering surgical procedures and alternative treatments to surgical procedures abroad;

The second - policies covering surgical procedures and alternative treatments to surgical procedures in Israel, from the first shekel payable or SHABAN without deductible or with a NIS 5,000 deductible;

The third, expansion policies for the basic tier, the second tier (surgical procedures and alternative treatments to surgical procedures in Israel) or the fifth tier (critical illness);

Fouth pillar - The following ambulatory insurance plans: Consultation and tests; tests and quick medical diagnosis; home hospitalization; treatments using advanced technology and medical accessories; medical support and treatments during a significant medical event, such as surgery, hospitalization or critical illness; any insurance plan approved by the Commissioner in advance and in writing;

and the fifth - critical illness policy.

In addition, the following key provisions were set: 1. Products from the second and fourth tiers shall be sold on the proviso that the policyholder has taken out a basic health insurance policy (the first tier), and in a manner that will allow the policyholder to purchase a basic policy from one company and other health insurance products from the other tiers from another company, if he/she chooses to do so; 2. Prohibition on the sale of overlapping insurance in indemnity health insurance products; 3. Imposition of requirements on the marketing entity regarding the presentation of the premium in the in the process of adding new policyholders, and the imposition of disclosure requirements as part of the sale of a policy covering surgical procedures in Israel; and 4. Prohibition on short-term rebates while setting a fixed-rate rebate for a period of at least ten years, including regarding the provision of rebates that will be renewed in existing and renewable policies.

Introduction of riders and marketing thereof

In February 2023, the Capital Market, Insurance and Savings Authority published an **amendment to the provisions of the circular regarding "Riders and Marketing Thereof"**, in order to adapt the provisions to the reform in the Health Insurance Segment. The amendment stipulates, among other things, that riders may be marketed in health insurance so long as the coverage or part thereof as part the rider is not marketed under the health plans in the fourth tier (ambulatory insurance plans).

2.3.1.3.2 The 2023 and 2024 economic plan

The Health Chapter in the Economic Plan Law (Legislative Amendments for Implementing Economic Policies for Budget Years 2023 and 2024), 2023 (hereinafter - the "**Economic Arrangements Law**"), came into force on October 1, 2023.

The objective of the law is to reduce the incidence of overlapping insurance in the surgical procedures subsegment between Supplementary Healthcare Services (SHABAN) of health maintenance organizations and private health insurance policies; the aim is to reach a situation where most of private surgical procedures in Israel will be conducted by the health management organizations as part of the SHABAN plans; this is based, among other things, on the recommendations of the public committee for strengthening healthcare services in Israel and regulating the public and private health system (hereinafter - the "Ash Committee"), which was set up in 2022 by the Ministry of Health in order to assess the issue, and whose recommendations were included in a report it published in November 2022.

Following are the key points of the heath chapter in the Economic Arrangements Law:

1. Where a policyholder who has a "surgeries in Israel - first shekel" policy files a claim for a surgery performed in Israel by virtue of his/her rights under the SHABAN Plan, and such a surgical procedure is also covered by the policyholder's insurance policy, the insurer shall pay the health maintenance organization through which the surgical procedure was carried out a total equal to the price of the surgical procedure paid by the health maintenance organization as per the Ministry of Health's price list. Furthermore, a mechanism was set up for appealing against the amount of the health maintenance organization's payment demand as described above.

2. Transferring a policyholder from a "first shekel" insurance policy (hereinafter - the "**original policy**") to a surgical procedures policy of the Supplementary Healthcare Services - on the next renewal date of a "first shekel" surgical procedure policy that will take place in June 2024, the insurance company is required to add - by default - the policyholders who also have Supplementary Healthcare Services to a surgical procedures policy of the Supplementary Healthcare Services instead of the original policy, unless the policyholder informed it, before he/she was transferred, that he/she wishes to stay with the original policy. In addition, a policyholder who was transferred to Supplementary Healthcare Services policy will have the option to return to the original policy within a year after his/her transfer, without reassessment of previous medical conditions, and without a qualification period.

3. A list of physicians - the insurance company will set a single list of surgeons to be included in the arrangement.This list will also be offered to "first shekel"

policyholders and to policyholders holding a SHABAN supplementary policy. In addition, at least half of the physicians included in the list will be included in the lists of SHABAN physicians of the health maintenance organizations.

4. These provisions will apply to surgical procedure insurance plans (individual and collective) that will be issued or renewed as from October 1, 2023, and to existing policies that were marketed as from February 1, 2016.

For information regarding other legislative changes relating to the Health Insurance Segment in the reporting period, see Section 4.1.9 below.

2.3.1.4 Description of health insurance plans/principal health services offered

2.3.1.4.1 **Insurance covering medical expenses**: such insurance plans usually include indemnification in respect of expenses incurred due to surgery, transplants and/or special medical treatment abroad, coverage for medicines that are not included in the Healthcare Services Basket, alternative treatments, medical services that involve the use of advanced technologies, ambulatory medical services, etc., all in accordance with the insurance plans purchased for or by policyholders. Supplementary products are added to these insurance plans, which provide a broad range of options for expanding the insurance coverage, in accordance with the policyholder's needs. It should be noted that as part of the reform carried out in the field of health insurance in 2016, a uniform policy for surgeries was prescribed, and as part of the 2023 reform uniform policies were set for other products: Transplants and special treatments abroad; medicines that are not included in the Israeli healthcare basket; and surgical procedures and alternative treatments to surgical procedures abroad.

2.3.1.4.2 **Long-term care insurance (LTC)**: Insurance for long-term care is designed to cover the costs incurred by individuals who are unable to perform activities of daily living (ADLs),[8] and require special care. Policyholders utilize their entitlement to long-term care insurance benefits primarily in old age. Long-term care insurance plans entitle policyholders to receive monthly benefits upon the occurrence of an insurance event, in accordance with the insurance amount purchased by the policyholder, for long-term care in the policyholder's home or in a nursing home. Coverage is provided for the period specified in the policy upon the occurrence of the insurance event. Some policies in this segment provide benefits for a limited time, while others

[8] Activities of Daily Living (ADLs) are six basic daily activities; one's inability to do all or some of those activities defines his/her need for long-term care.

provide life-long benefits, based on the option selected by the policyholder when taking out the insurance. The importance of this segment stems mainly from the increase in life expectancy and the relative increase in the number of people requiring long-term care. The Phoenix Insurance does not market individual long-term care policies in view of the risks involved in such insurance in its present form, and the complexity of the reinsurance that this segment requires. In addition, The Phoenix Insurance reduced the exposure to this subsegment upon the expiry of the collective long-term care agreement for members of the Maccabi health maintenance organization on December 31, 2023.

2.3.1.4.3 **Dental insurance**: under dental insurance, the Company issues policies that provide coverage for dental treatments including, among other things, conservative dentistry, orthodontics, implants, and periodontal dentistry. The policy is paid by way of monthly premiums. Dental insurance coverage is sold only as part of collective insurance.

2.3.1.4.4 **Critical illness insurance**: insurance that includes a payout upon diagnosis of a critical illness. The insurance guarantees payment of a one-off amount if the policyholder is diagnosed with one of the critical illnesses listed in the policy. Benefits are paid to the policyholder without any requirement to prove expenses incurred for the purpose of treating the illness; this differentiates critical illness policies from health insurance policies in which the policyholder is entitled to indemnity payments based on reimbursement of expenses. The Phoenix Insurance markets critical illness insurance with a compensation component.

2.3.1.4.5 **Travel insurance**: The Phoenix Insurance sells a travel insurance policy - "Phoenix Smart Travel Insurance", which is a modular travel insurance policy comprising a uniform basic policy and optional riders, which enable to adapt it to the traveler's needs, according to their travel style and existing medical condition;

In view of the Iron Swords War, which broke out on October 7, 2023, during the last quarter of the reporting year there was a significant decline in the purchase of travel insurance compared to the corresponding period last year.

2.3.2 Structure of profitability

In the Health Insurance Segment, profitability is generated, among other things, by applying a proper and strict underwriting process to policyholders, proper pricing of the various products, while taking into account the costs of inputs of the various health indices, and

efficient medical procurement activity. It should be noted that the profitability of individual insurance has a higher inherent risk due to, among other things, the prolonged coverage period (normally a significant number of years) and the lack of flexibility with respect to making changes both to the policy's terms and to the insurance tariffs. This is especially relevant for policies marketed since February 2016, with respect to which the Commissioner has the power to demand that changes are made to the insurance terms and conditions in relation to existing policyholders on renewal dates. Accordingly, in September 2022, the Capital Market Authority published a circular regarding the "Updating of Tariffs in Renewable Health Insurance Policies", which sets conditions whereby the insurance companies will be allowed to update the premium without first obtaining the Commissioner's approval. These terms were designed to balance out the need to update the terms and tariffs of medical expenses insurance policies, against the need to protect policyholders' interests.

Segment results are also affected by interest rates and capital market fluctuations, which have a major effect on investment income, and on long-term insurance reserves, primarily in the long-term care subsegments. In addition, the results of this subsegment have a significant effect on The Phoenix Insurance's solvency ratio. For further details, see Section 2.1.5 to the Report of the Board of Directors.

The changes that took place during the reporting period, and which were described in this chapter (approval of new tariffs in accordance with the capital market reform in relation to the health products, provisions regarding transfer of policyholders with surgical procedure insurance policies in Israel from "first shekel" policies as from 2016 to a "Supplementary SHABAN" surgical procedure policy, and changes in the rules for providing discounts in health insurance and critical illness policies), may affect - in the near future - the rate of new sales among policyholders with an insurance products with another company ("twisting") on the one hand, and on the other hand - affect the cancellation rate among Company's policyholders.

In addition, the profitability of the "surgical procedures in Israel" coverage might be affected from policyholders' preferring the "first shekel" policy or the "SHABAN supplementary policy" according to the availability of the surgical procedures in SHABAN, and any changes that may be made to the SHABAN plans.

It should also be noted that at this preliminary stage there is uncertainty as to the extent of the effect of the changes in the market and the nature of this effect, in view of the fact that changes may have conflicting effects in accordance with the relevant factors noted above; therefore, at this stage it is impossible to assess the impact of the change, if any, on the Health Insurance Segment.

2.3.3 New products

The Phoenix prepared the individual insurance products, the riders and the collective insurance policy in accordance with the provisions of the health insurance reform. On January 25, 2024, The Phoenix received a permit from the Commissioner regarding the new individual insurance products and riders and started marketing them.

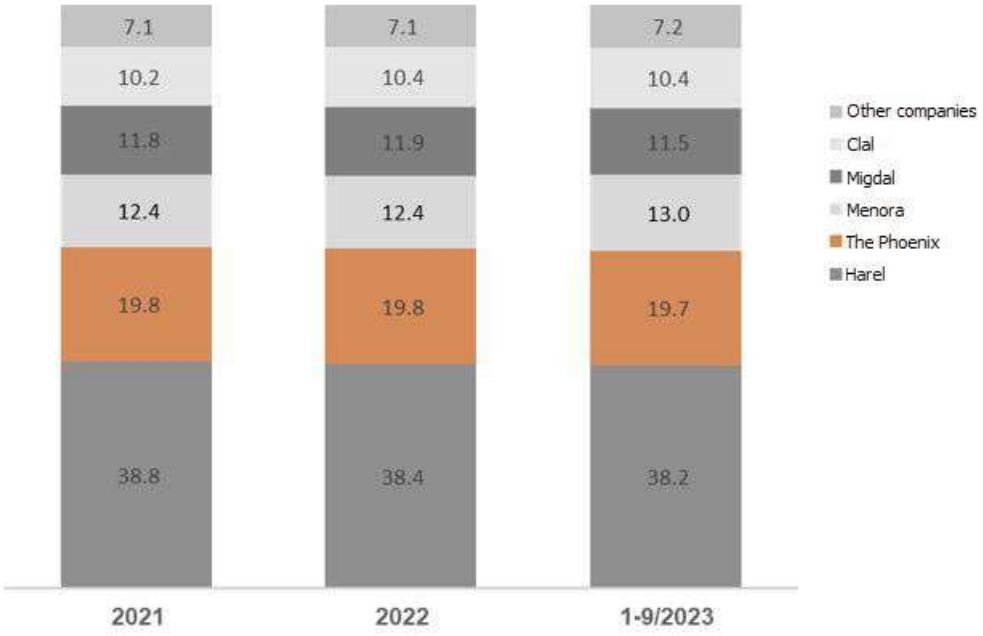
2.3.4 Competition

The key competitors in this segment are Harel, Clal, Migdal, and Menora, and the Supplementary Healthcare Services of the health maintenance organizations (SHABAN). In collective insurance, which are usually decided upon through a tender process, the large number of participants intensifies competition, which is reflected, among other things, in the erosion of rates.

As detailed in the following table, The Phoenix Insurance has the second largest market share among Israeli insurance companies.

The health insurance reform which entered into force in February 2016 prescribed a standard policy for surgeries in Israel; the additional reform which entered into force in October 2023 also prescribes standard policies in the following fields: (1) transplants and special treatments abroad; (2) medicines that are not included in the Israeli healthcare basket; and (3) surgical procedures and alternative treatments to surgical procedures abroad. Furthermore, the Authority publishes a calculator for comparing prices of health insurance policies offered by the various companies. The standard policies and the calculator intensify the competition in the segment.

Following[9] is information about the market share of the Company and key competitors in the Health Insurance Segment, by earned gross premiums, by percentage:



2.3.5 Customers

Health insurance customers can be divided into three main categories:

(a) **Private individuals**: Illnesses and hospitalization insurance plans for individual customers are typically whole-life insurance plans. Under individual policies, the policyholder may cancel the policy at any time.

(b) **Collective insurance**: The Phoenix Insurance enters into collective insurance policies with entities, workers' unions, and major Israeli corporations, under which it provides employees of these companies and their families with health and dental insurance. The term of illnesses and hospitalization insurance plans for customers in collective insurance is fixed, mostly up to 5 years. Entities that enter into collective insurance plans normally use the services of expert external insurance consultants, and their insurance policies are more diversified, in accordance with the customer's specific requirements. Additionally, collective insurance rates are lower (at the policyholder level) due to volume discounts, due to the fact that the policy period is fixed, as well as since agreements often include a price adjustment mechanism. Under collective insurance plans, all policyholders are normally not tested for pre-existing medical conditions and are exempt from a qualifying period.

(c) **Members of HMOs**: Until December 31, 2023, The Phoenix Insurance provided collective long-term care insurance services to the members of Maccabi Healthcare Services

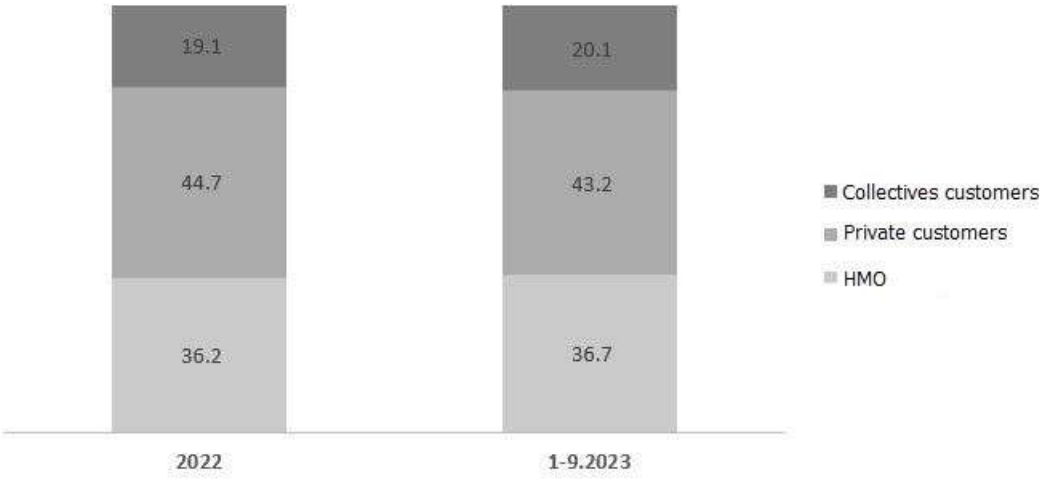
[9] The figures in this table are based on a sectors report from the Commissioner's website.

(hereinafter - "**Maccabi**"), including operational services for long-term care policyholders of Maccabi Magen - Mutual Medical Insurance Association Ltd.

In accordance with the agreement with Maccabi, The Phoenix will continue paying insurance benefits in the existing claims and will deal with new claims that will be filed so long as the insured event took place through December 31, 2023.

For that purpose, The Phoenix Insurance will leave under its management a claims reserve in accordance with the provisions of the agreement. The number of Maccabi members covered by long-term care insurance through Maccabi is approx. 1.6 million. The total annual premium amount for the reporting period is approx. NIS 1.2 billion. The Phoenix Insurance pays 20% of the total insurance benefits, and the Policyholders Fund pays 80% of the total insurance benefits. Accordingly, the premium that The Phoenix Insurance is entitled to is for 20% of the insurance risk and for operating the insurance plan. Furthermore, The Phoenix Insurance entered into proportional reinsurance contracts with several reinsurers to hedge and diversify the risk it is exposed to.

Following is a breakdown of premiums from customers (gross) in 2022-1-9.2023, by percentage-



In the reporting year, the Group did not have a single customer, total income from which constituted 10% or more of the total amount of the Group's income from health insurance premiums.

The rate of policy cancellation for private long-term insurance policies in the Health Insurance Segment, in terms of premiums[10] is 10.8%, 10.4%, and 9% in 2023, 2022 and 2021, respectively. In the long-term care subsegment - the rate is approx. 3.1%.

[10] Individual insurance policies only. Excluding critical illness insurance, LTC insurance and foreign travel insurance.

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

2.4 Asset management - Retirement (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 The Phoenix IEC Central Severance Fund Ltd. (hereinafter - "**IEC Gemel**") - the central provident fund for annuity of Israel Electric Corporation employees.[11]

Since the Company views asset management as comprising short-term asset management through The Phoenix Investment House, and asset management in the medium and long-term through The Phoenix Pension and Provident and IEC Gemel, the Company decided to classify pension and provident asset management as a separate segment.

As of the report date, the Company directly holds 100% of the shares of The Phoenix Pension and Provident, and 100% of the shares of IEC Gemel.

Key characteristics of the pension and provident instruments

The state encourages saving through the pension savings products - pension funds and provident funds - mainly by way of giving tax incentives to savers, through various provisions in labor laws, and by securing a return on the investment of some of the planholders' funds, and in some of the products.

A. Insurance coverage: The pension plans combine insurance coverage and savings, but the insurance coverage is limited to the basic events of retirement, disability, or death. Provident funds, on the other hand, offer only a savings component and do not provide insurance coverage. Nevertheless, as from July 2013, provident funds may offer their planholders insurance coverage as part of collective and individual policies.

B. Manner of engagement and payment obligations of the institutional entity: In a pension fund and/or provident fund, the planholder undertakes to comply with the fund's rules and regulations which define the rules for entitlement to payment, the rate of payment, etc. In a pension fund, there is mutual guarantee between the planholders. The actuarial assumptions which form the basis for planholders' rights are reviewed from time to time according to actual circumstances, and if these assumptions change, for better or worse, the planholders' rights change, and they bear jointly any actuarial surplus or deficit the fund may have.

C. Returns: As from October 2022, the comprehensive pension funds benefit from a guaranteed return of 5.15% as part of investing approx. 30% of planholders' funds.

D. Management fees: For details regarding restrictions on management fees, see table in Section 2.4.1.2.6 below.

[11] The management of the central provident fund for annuity of employees of the Israel Electric Corporation Ltd. is carried out in accordance with the management services agreement signed with the Israel Electric Corporation Ltd., which was extended through the end of 2025, when it was amended in March 2022, with the addition of an option for the IEC to extend the agreement by further 5 years.

2.4.1 Products and services

2.4.1.1 The pension subsegment

2.4.1.1.1 General

Pension funds enable their policyholders to save for pension in the long term (old-age pension) and also provides coverage for disability (disability pension) and death (survivors' pension), according to its articles of association.

The Group's activity in the pension subsegment is carried out through The Phoenix Pension and Provident.

The pension fund provides the following insurance coverages:

(1) Old-age pension: an annuity paid to planholders from the date of their retirement throughout their life.

(2) Disability pension: a pension paid to planholders who are work-incapacitated, based on a decision of the fund's medical committee. The annuity amount is determined as a percentage of the qualifying income for disability and survivors benefits, as defined by the fund's rules and regulations and in accordance with the degree of disability. Additionally, a planholder who becomes disabled may be "released" from contributions to the fund so long as he/she remains disabled. This means that the fund continues to credit his/her account with contributions during that period, as if he/she had made the contributions themselves, in accordance with the degree of his/her disability.

(3) Survivors pension: an allowance paid to the survivors (widow/er and orphans younger than 21) of a planholder who dies during the period in which he/she was insured or after he/she retires. As in the case of the disability pension, the survivor's pension is a percentage of the qualifying income for disability and survivors benefits, as defined in the fund's rules and regulations.

There are three categories of pension funds - old pension funds (under special/ordinary administration), new comprehensive pension funds, and new general pension funds:

(1) **Old Pension funds** - As part of the 1995 the pension funds reform, the purpose of which was, among other things, to reduce the funds' deficits and to balance out the funds' assets and liabilities, the old pension funds were closed to new policyholders, and the proportion of designated bonds was reduced. As a result of the reform, there are currently two classes of old funds - balanced old pension funds (10 funds) and pension funds under special government administration (8 funds).

(2) **New comprehensive pension funds** - as of the report publication date, there are 9 comprehensive pension funds operating in Israel.

These new pension funds started operating in 1995 following the aforementioned reform, whereby new planholders will be enrolled in new pension funds to be established as of that. The new comprehensive pension funds are entitled to various benefits from the government, including tax benefits as per the Income Tax Ordinance, the Provident Funds Law and the Provident Fund Regulations. Contributions into a new fund are capped at the equivalent of 20.5% of double the average wage in Israel. Currently, the maximum rate of management fees is 6% of the contributions towards benefits and 0.5% of the accrual.

As of June 2018, the new comprehensive pension funds operate according to unified rules and regulations that apply to all of the aforesaid pension funds.

In November 2021, an amendment was enacted, which supersedes the existing mechanism for ensuring the stability of pension fund savings in the old and new pension funds through designated bonds with a new mechanism that ensures stability by supplementing returns. According to the said legislative amendment, as of October 2022, in lieu of designated bonds, the state will undertake to supplement pension fund returns up to a rate of 5.15% for pension funds assets accumulated since the amendment's effective date, and the pension fund assets underlying the commitment to supplement the returns will be invested in the capital market.

New general pension funds - As detailed above, contributions into a new comprehensive pension fund are capped at the equivalent of 20.5% of double the average wage in Israel. Savers who wish to contribute higher amounts may do so in new general pension funds. Those funds were not eligible for designated bonds, and accordingly they are also not eligible to the supplementation of returns to up to 5.15% as has been the case in a comprehensive fund since October 2022. In new general funds, contributions are not capped, and one-off contributions may also be made. Furthermore, a new general fund does not have to provide the insurance coverages mentioned above, and as such, some of these funds only provide old-age pension. As of the report publication date, there are 9 new general pension funds operating in Israel. The maximum rate of management fees that may be collected in a general pension fund is 1.05% of the accrual and 4% of the contributions. For further details about management fees and changes therein, see Section 2.4.1.2.6 below.

The contributions towards benefits received from pension fund planholders are divided into the following components: life insurance (if insurance coverage was purchased), savings, and management fees. Pension fund management companies generate their income from the management fees they collect

(calculated as a percentage of the contributions towards benefits and the accrual).

In pension funds, claims are paid out of the fund, namely, from the planholders' assets, such that the policyholders are the ones to bear the risks arising from the claims. It should be noted that the new funds are required to apply an actuarial balancing out mechanism every quarter, which adjusts the actuarial liabilities to the fund's assets.

The Phoenix Pension and Provident manages the following funds:

"The Phoenix Comprehensive Pension" is a comprehensive pension fund established in 1995. The pension fund operates various insurance tracks offering various levels of insurance coverage and various types of payouts upon reaching retirement age; the fund also offers planholders several investment tracks to choose from.

The Phoenix Supplementary Pension (previously named: the "The Phoenix General Pension") is a new general fund established in 2000. The fund operates in conjunction with the comprehensive pension fund and contributions in excess of the aforesaid cap are deposited with it.

"**Amit**" - an old balanced pension fund, which was closed to new planholders in 1995.

"**Magen**" - an old balanced pension fund, which was closed to new planholders in 1995. It was transferred to the management of The Phoenix Pension and Provident in 2021 as part of the merger between Halman Aldubi Provident and Pension Funds Ltd. into The Phoenix Pension and Provident.

"**Attorneys' Pension Fund**" - an old balanced pension fund, which was closed to new planholders in 1995. It was transferred to the management of The Phoenix Pension and Provident in 2021 as part of the merger between Halman Aldubi Provident and Pension Funds Ltd. into The Phoenix Pension and Provident.

Following are key data regarding the pension funds under The Phoenix group's management in the reporting year:

Fund	Management company	Year on which fund was established	Type of fund	Contributions towards benefits for 2023 in NIS million	Assets as of December 31 2023 in NIS million
The Phoenix Comprehensive Pension	The Phoenix Pension and Provident Ltd.	1995	Comprehensive pension	9,662	84,712
The Phoenix Supplementary Pension		2000	New general	1,042	4,248
Amit Yessod (Pension Fund for Senior Planholders)		1992	Old balanced	10	1,753
Magen (Pension Fund for Senior Planholders)		1952	Old balanced	2.5	551
Attorneys' Pension Fund (Pension Fund for Senior Planholders)		1979	Old balanced	8	718
Total				**10,725**	**91,982**

The contributions towards benefits are current contributions only, and do not include transfers of accruals in respect of planholders' transitioning to the pension funds from other pension funds. Money transferred to the Group's pension funds in 2023 (including transfers for unification of accounts) totaled approx. NIS 13,532 million and, on the other hand, money transferred from the Group's pension funds to other funds totaled approx. NIS 5,098 million.

2.4.1.1.2 Structure of profitability

Management companies in the pension subsegment generate their income from management fees they collect (from contributions towards benefits and from accruals), and the profitability is the difference between the net management fees (after discounts, if any) and the management company's actual operating and marketing expenses. It should be noted that in recent years there has been an erosion in management fees as a result of various reforms and increased competition in the industry. In this context, in September 2021, the Commissioner published a document dealing with the results of the third procedure for determining selected pension funds, which includes a notice as to the Commissioner of the Capital Market, Insurance and Savings' selecting four new pension funds that will be used as "default funds", rate of management fees to be collected and the terms attached thereto, in respect of the period spanning from November 1, 2021 to October 31, 2024.

Amounts paid out by pension funds in respect of claims (including payment of annuities) have no direct effect on the management company's profitability, since the insurance is mutual and the risks arising from the claims are borne by the planholders.

In the pension funds, the return on investment of the planholders' funds is credited to the planholders (net of direct expenses) and it indirectly affects the total management fees from accruals collected by the management company.

Management fees as a percentage of contributions are not affected by the accrual amounts and from the results of the investments, but rather only by the contribution amounts. Furthermore, there are investment gains on the management company's nostro portfolio.

2.4.1.2 Provident funds subsegment

2.4.1.2.1 General

Provident funds offer savers (hereinafter - "**planholders**") an additional option for long-term or mid-term savings, entitling them to various tax benefits and the option (under certain conditions) to withdraw accrued funds as a lump sum.

Provident funds and advanced education funds are managed by the Group through The Phoenix Pension and Provident Funds.

In addition, the central provident fund for annuity of Israel Electric Corporation employees is managed through The Phoenix IEC Gemel. The purpose of this fund is to pay annuities to eligible IEC employees, as defined in the fund's rules and regulations. The group of eligible employees is a defined and closed group, and the rights of those employees are derived from the number of their years of service and the salary used to calculate their pension rights. The fund has an actuarial balancing out mechanism, under which the IEC's actuarial obligation is assessed against the fund's assets on a monthly basis, and funds are transferred in order to ensure balancing-out in accordance with the fund's bylaws and the provisions of the law.

2.4.1.2.2 Following are the types of provident funds managed by the Group:

Type of fund	Nature of fund	Summary of terms for withdrawal from fund
Provident fund for savings - retirement benefits fund	Long-term provident fund. In these funds, both the employer and the employee make regular monthly contributions deducted from the employee's salary, whereas for self-employed planholders, only the planholder contributes into the fund.	○ Amounts deposited through December 31, 2007 may be withdrawn as a lump sum at the age of 60 or on other dates, in accordance with the provisions of the law. ○ Amounts that were deposited as from January 1, 2008 may be withdrawn as an annuity. The withdrawal of funds accrued in excess of the amount required to pay the minimum annuity shall be done in accordance with the planholder's decision, whether by the capitalization of an annuity, or by payment of an annuity after a transfer to a pension or insurance fund. ○ Redemption of severance pay funds on the date of termination of employer-employee relations, in accordance with the provisions of the law.
Advanced education fund	Mid-term fund. The funds are designed for the employee's training or any other purpose in accordance with the fund's rules and regulations, and the provisions of the law.	For training purposes from the end of the third year of their enrollment in the fund; after six years of enrollment, the funds may be withdrawn for any purpose.
Personal severance pay provident fund	Fund for varying terms, depending on the periods of employment and planholder's preferences.	Regarding contributions made from January 2008 and thereafter, these funds also function as savings provident funds, but severance pay may be withdrawn as a lump sum, even if contributions were deposited with the fund in 2008 and thereafter, upon termination of the employer-employee relations and in accordance with the provisions of the law.
Central severance pay fund	A fund in which employers accumulate funds to guarantee the payment of severance pay to their employees. In these funds, the planholder is the employer, which accumulates the funds in its own name on behalf of all of its employees (these funds were closed to contributions in 2011).	The employer may redeem the funds or instruct the fund to pay the funds to its employee, subject to the provisions of the law.
Sick pay fund	A provident fund designated to accrue funds by the employer in order to secure its employees' rights to receive sick pay.	Withdrawal of funds is possible in the event of employee's sickness, and subject to the provisions of the law.

Minimum Guaranteed Return Provident Fund	A fund that guarantees a minimum rate of return to its planholders in accordance with the fund's rules and regulations. These funds are no longer open to new planholders.	In accordance with the above withdrawal provisions regarding savings provident funds - funds for retirement benefits.
Self-Directed provident funds and advanced education funds	Through which the planholder or a portfolio manager acting on his/her behalf can manage these types of self-employed planholders' saving funds that are defined in the regulations, as well as funds deposited with advanced education funds, subject to investment restrictions to be observed by the management company charged with the management of the savings. As from June 2017, the amount of contributions towards benefits in a self-managed provident fund is capped; as of the date of this report, this amount stands at approx. NIS 5.9 million.	In accordance with the above withdrawal provisions regarding savings provident funds - funds for retirement benefits and advanced education funds.
Investment provident fund	A savings provident fund which was first marketed in late 2016; the total amount of contributions towards benefits in such a fund is capped at NIS 70,000 per calendar year (CPI-linked). As of the report publication date, the contribution cap stood at NIS 79,006.	planholders may withdraw funds from an investment provident fund at any time with no obligation to wait until retirement age. However, early withdrawals are subject to tax on the total real profits accrued.
Child long-term investment provident fund for savings	Provident funds with which the National Insurance Institute of Israel has been depositing every month - since January 2017 - NIS 50 for every child entitled to a child allowance until the child reaches the age of 18. The parents can increase the sum of the savings by further NIS 50 out of the child allowance funds paid by the National Insurance Institute. Until the child reaches the age of 21, the National Insurance Institute will pay the management fees in respect of the savings with the provident fund; thereafter, the fees will be paid by the planholder.	Withdrawal of the accrued funds is possible when the child reaches the age of 18; if the child does not withdraw the funds until he/she reaches the age of 21, the child will receive a NIS 500 grant from the government.
Central provident fund for annuity	A provident fund designed for a single planholder - an employer planholder; the objective of such a fund is to pay annuity to the employees of that employer planholder, who are entitled to receive an annuity. The employer pays annuity payments through the fund to eligible employees, as defined in the fund's bylaws, in accordance with the employer's actuarial undertaking to the eligible employees, calculated in accordance with labor agreements and the rules set in the fund's bylaws and the legislative arrangement.	The employer may redeem the funds or instruct the fund to pay the funds to its employee, subject to the provisions of the law.

2.4.1.2.3 Companies managing provident funds generate their income from the management fees they collect on the assets. For details about the management fees in the provident funds managed by the Group, see Section 2.4.1.2.6 below. Given that the management company does not charge management fees as a percentage of income, the effect of the return on management fees income is indirect, and stems from the effect of the return on total assets under management, which forms the basis for collecting the management fees.

Provident funds managed by the Group

Following are the details of The Phoenix Pension and Provident:

Fund	Type of fund	Year founded	Contributions towards benefits in 2023 (in NIS million)	Net accrual in 2023 (In NIS million)	Assets under management as of December 31, 2023 (In NIS million)
The Phoenix Provident	Benefits and severance pay	1979	552	1,949))	29,069
The Phoenix Advanced Education	Advanced education	2000	3,298	231	31,926
The Phoenix Merkazit LePitzuim	Severance pay	1965	-	8))	1,190
The Phoenix Investment Provident Fund	Savings provident fund	2016	949	588	4,589
The Phoenix Gmula Minimum Guaranteed-Return	Benefits and severance pay	1974	6	33))	1,063
The Phoenix Provident Multi Track Severance Pay	Severance pay	2016	-	-	259
The Phoenix Investment Provident Fund for Savings for Each Child	Savings provident fund	2017	183	137	1,219
The Phoenix Sick Pay Fund	Sick pay provident fund	2004	-	-	3
Phoenix Self-Managed Advanced Education	Self-directed advanced education fund	2011	28	7	605
Phoenix Self-Managed Provident Fund	Self-directed provident fund	2011	-	(257)	1,319
Total			**5,016**	**(1,284)**	**71,242**

In 2023, net accrual increased compared with 2022 (from positive accrual of NIS 7,209 million in 2022 to negative accrual of NIS 1,284 million in 2023. In 2023, monies transferred to the Group's provident funds totaled NIS 5,250 million (2022 - transfers totaling NIS 8,878 million), whereas monies transferred from the Group's provident funds to other funds totaled NIS 7,141 million (2022 - transfers totaling NIS 3,640 million).

Below are details of the Group's main annuity provident funds managed by the Group:

Fund	Type of fund	Year founded	Contributions towards benefits in 2023 (in NIS million)	Net accrual in 2023 (in NIS million)	Assets under management as of December 31, 2023 (in NIS million)
Central provident fund for annuity of Israel Ports Development and Assets Ltd. employees	Central provident fund for annuity	2020	4	(219)	3,296
Central provident fund for annuity of System Operator Company Ltd. employees		2020	0.3	(0.3)	360
Central provident fund for annuity of Ashdod Port Company Ltd. employees		2021	1	(32)	81
Central provident fund for annuity of Israel Electric Corporation employees		2005	479	(806)	38,410
Total			**484.3**	**(1,057.3)**	**42,147**

2.4.1.2.4 Structure of profitability

In the provident funds subsegment, the management company's principal source of income is the difference between the income from management fees collected and the selling, operating and service expenses incurred by the management company. It should be noted that in recent years there has been an erosion in management fees as a result of various reforms and increased competition in the industry.

In the provident funds subsegment, the return on investment of the planholders' funds is credited to the planholders and it indirectly affects the total management fees from accruals collected by the management company. Management fees as a percentage of contributions are not affected by the results of the investments, but rather only by the contribution amounts.

For further details regarding maximum management fees, see Section 2.4.1.2.6 below.

In this context, it should be noted that The Phoenix Pension and Provident manages, among other things, a guaranteed-return provident fund - "Gmula". According to the rules and regulations of this fund, the maximum rate of management fees that may be charged in the fund's guaranteed return tracks is 2% of the accrual. Since this is a minimum guaranteed-return fund, the management company is required to ensure that planholders are credited by the amount of the guaranteed return. The annual calculation is performed in relation to the annual return achieved. To the extent that returns are obtained in excess of the guaranteed return and in excess of the relevant management fee rates charged by the company, these excess returns are credited to the fund through a dedicated fund that accumulates a surplus that is used in years in which the guaranteed return is not achieved.

2.4.1.2.5 Summary information about the Group's pension and provident funds:

2023

In NIS million	Pension funds			Provident funds for retirement benefits and severance pay	Advanced education Funds	Central severance pay fund	Investment provident fund	Child long-term investment provident fund for savings	Central funds for annuity	Other	Total
	Old	Comprehensive	Complementary								
Assets under management	1,753	84,712	4,248	31,451	32,531	3,738	4,590	1,219	3,738	3	167,983
Contributions towards benefits	10	9,662	1,042	558	3,328	-	949	183	6	-	15,738
Net accrual (decrease)	-42	15,981	1,572	-2240	239	-252	589	137	-8	0	15,976
Rate of management fees on accruals		0.16%	0.33%	0.57%	0.63%	0.48%	0.60%	0.23%			-
Rate of management fees on contributions	6.20%	1.60%	1.60%	0.17%	-	-	-	-			-

2022

In NIS million	Pension funds			Provident funds for retirement benefits and severance pay	Advanced education Funds	Central severance pay fund	Investment provident fund	Child long-term investment provident fund for savings	Central funds for annuity	Other	Total
	Old	Comprehensive	Complementary								
Assets under management	2,996	61,070	2,338	30,966	29,323	3,910	3,467	999	1,357	3	136,429
Contributions towards benefits	27	7,490	743	916	2,951	0	855	163	6	0	13,151
Net accrual (decrease)	-78	15,226	1,186	2,743	3,596	-249	828	131	-89	0	23,294
Rate of management fees on accruals	0.30%	0.17%	0.18%	0.61%	0.65%	0.60%	0.60%	0.02%	0.09%	0.61%	
Rate of management fees on contributions	6.28%	1.70%	1.34%	0.09%	-	-	-	-	-	-	

2021

In NIS million	Pension funds			Provident funds for retirement benefits and severance pay	Advanced education Funds	Central severance pay fund	Investment provident fund	Child long-term investment provident fund for savings	Central funds for annuity	Other	Total
	Old	Comprehensive	Complementary								
Assets under management	3,314	48,391	1,356	32,473	29,753	1,593	2,962	943	4,571	4	125,360
Contributions towards benefits	30	5,308	313	1,601	2,059	-	1,013	98	412	1	10,835
Net accrual (decrease)	-66	7,636	454	4,144	3,821	-48	1,155	86	160	-41	17,300
Rate of management fees on accruals	0.35%	0.19%	0.25%	0.60%	0.66%	0.66%	0.57%	0.23%	-	0.19%	-
Rate of management fees on contributions	6.26%	1.86%	1.38%	0.04%	-	-	0.10%	-			-

2.4.1.2.6 Following are the main restrictions placed on management fees according to the various pension and provident channels in accordance with the provisions of the law:

	Non-annuity provident funds (savings provident funds)	Advanced education funds, provident funds that are not non-annuity provident funds (that are not savings provident funds), self-directed funds and Gmula**	General pension fund	Comprehensive pension fund	Investment provident fund	Child long-term investment provident fund for savings
Maximum management fees until December 31, 2012	2% of accrual + 0% of contributions	2% of accrual + 0% of contributions	2% of accrual + 0% of contributions	0.5% of accrual + 6% of contributions	N/A	N/A
Maximum management fees for 2013 (transitional period)	1.1% of accrual + 4% of contributions	Without change	1.1% of accrual + 4% of contributions	Without change	N/A	N/A
Maximum management fees as from 2014	1.05% of accrual + 4% of contributions (*)	Without change (*)	1.05% of accrual + 4% of contributions	Without change	N/A	N/A
Maximum management fees	Without change	Without change	Without change	Without change	1.05% of the accumulated balance; 4% of contributions	0.23% of the accumulated balance***
Maximum management fees collected from planholders with whom the fund lost contact and deceased planholders	0.3% of accrual	0.3% of accrual	0.3% of accrual	0.3% of accrual	0.3% of the accumulated balance	0.23% of the accumulated balance***
Maximum management fees collected from annuity recipients	-	-	0.6% of annuity	0.5% of annuity	-	-
Maximum management fees collected from annuity recipients as from February 2022	-	-	0.3% of annuity	0.3% of annuity	-	-

(*) Notwithstanding that which is stated in the table, as of 2016, the management fees collected from a planholder's accrual in all his/her accounts with a provident fund that is not an insurance fund will be no lower than NIS 6 per month.

(**) In the case of The Phoenix Gmula provident fund, the fund's rules and regulations stipulate that the maximum management fees that may be collected in guaranteed return tracks will be up to 2% of the accrual.

(***) Collected from the National Insurance Institute rather than from planholders.

2.4.1.3 Impact on competition between the various products

There are several products in the long-term savings market, with the pension fund product being the leading one among long-term savings products. The pension product's becoming a leading product over the past few years stemmed, among other things, from regulatory

provisions, such as: The default funds reform, the cancellation of guaranteed conversion factors in life insurance products, and the cancellation of the capital provident funds. Furthermore, the addition of the restriction as to signing-up and transfer to executive insurance intensified the said trend even further (for details regarding this matter see Section 4.1.6.1.11 below).

Since advanced education funds offer dedicated tax benefits to those who make contributions into such funds, and since the minimum savings period is relatively short (6 years), there are no real alternatives to this savings channel.

Investment provident fund have several advantages, including: exposure to illiquid investments, attractive management fees, the option of switching to other investment tracks without a taxable event, and tax benefits upon reaching retirement age. The reporting year saw a continued trend whereby the volume of public investments in investment provident funds that constitute an alternative to other liquid savings products continued to grow. Nevertheless, in view of the interest rate hikes during the reporting period, some of the public's investments were diverted to other channels such as bank deposits, etc.

It is also noted that in February 2024, the Minister of Finance instructed the setting up of a "Team for Reducing the Gaps between Investment Instruments in Short and Medium-Term Savings" in order to assess the existing regulation of the investment instruments in short and medium-term savings (investment policies, investment provident funds, and mutual funds), and to map the regulatory and tax gaps therein. In addition, in accordance with the instructions of the Ministry of Finance, the team was asked to formulate recommendations about the appropriate regulation outline in relation to those instruments, for reducing the arbitrage and for promoting the competition for the benefit of savers and investors, while recommending required legislative amendments. At this stage it is impossible for the Company to assess what the recommendations of the said team will be or their effect on said investment instruments and on the Company's activity in this context. The Company will continue to monitor the team's activity and recommendations.

The Company believes that the trends in the long-term savings subsegment may lead to the following:

1. Pension funds will continue to be a leading product among long-term savings products, especially on the back of further restrictions on the transfer of and signing on for executive insurance, as detailed in Section 2.4.1.3 above.
2. The decrease in average management fees in the market will continue.
3. To reduce income from annuity recipients as a result of the reduction of the maximum amount in management fees collected from recipients of annuities in the pension funds and in insurance policies for annuities.
4. The use of technological and digital means in the marketing and distribution process of the products will increase in this segment.

2.4.1.4 New products

During the reporting year, the following investment tracks were launched:

- Launch of new investment tracks as part of the reform in investment tracks and direct expenses - as part of the reform in connection with the collection of direct expenses and investment tracks in provident funds (for details regarding the reform, see Section 4.1.3.1.3 below), as from January 2023 the institutional entities are required to set up two new investment tracks: a "combined liquid" investment track, and a "flexible index-tracking" investment track as part of their pension savings products. According to the provisions of the circular, the said tracks were added to the **new pension funds and to the savings provident funds** managed by The Phoenix Pension and Provident. It is noted that those tracks were also launched in an executive insurance policy managed by The Phoenix.
- During the reporting period, a passive investment track - share indices - was launched in "The Phoenix Advanced Education" advanced education fund, which has been marketed since January 2024.

2.4.2 Competition

Market data

Pension - in 2023, total contributions paid into comprehensive pension funds for the entire market amounted to approx. NIS 71.9 billion, compared to approx. NIS 62.3 billion in 2022.

Other than The Phoenix Pension and Provident, the largest companies that operate in the pension subsegment are Menora Mivtachim, Migdal Makefet, Clal Pension and Harel Pension. In addition, the activity of the default funds intensifies the competition in this field and the trend of erosion of management fees.

Following is data on the market share of the principal competitors in the pension market in 2021-2023 out of total premiums of the new comprehensive pension funds (according to the Capital Market, Insurance and Savings Authority's website "Pension Net"; figures are based on contribution amounts), by percentage:



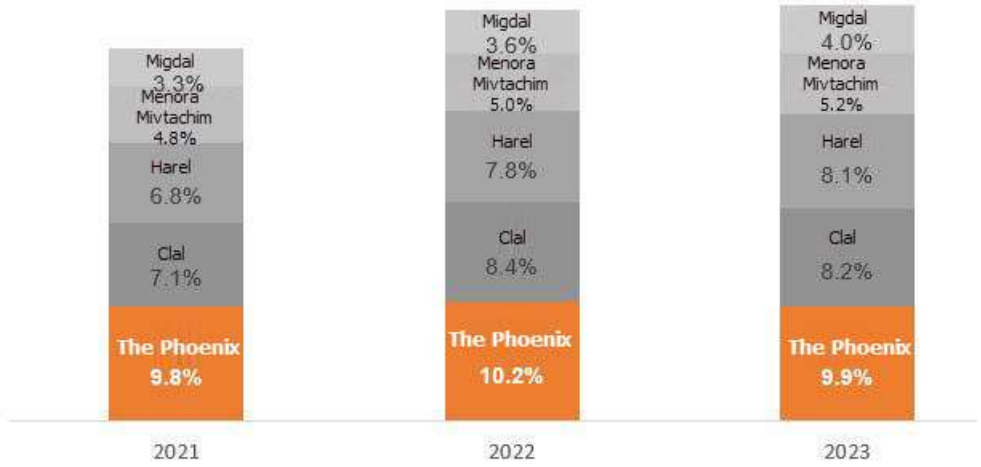
* In relation to 2021 - Psagot's contributions were added to those of Harel, and Halman's contributions were added to those of Meitav; therefore, in 2021 "other funds" include Altshuler Shaham, and Meitav Dash.
With respect to 2022 and 2023 - "other funds" include Altshuler Shaham, Infinity, More, and Meitav Dash.

The pension funds subsegment is characterized by fierce competition, which increased as a result of the introduction of the default pension funds. As a result of greater public awareness of the importance of saving towards retirement, and as a result of changes in alternative products (for further details, see Section 2.4.1.1.1 above), the public is more aware of the management fees rates collected on the deposits and accruals of pension funds planholders, as well as of the quality of investment management in the pension funds and the returns attained therein - all of which constitute important factors in the process of selecting a fund; there is also greater awareness of the quality of service rendered to customers.

Provident funds - In 2023, total assets under management by the segment was approx. NIS 722 billion, compared with approx. NIS 648 billion as of December 31, 2022.

Following is a list of the management companies with the highest amounts of assets under management in the provident funds segment, and a description of the development of their share in total provident fund assets in 2021 to 2023 based on the Capital Market, Insurance and Savings Authority's figures ("Gemel Net"), by percentage:

Data regarding the five major insurance companies

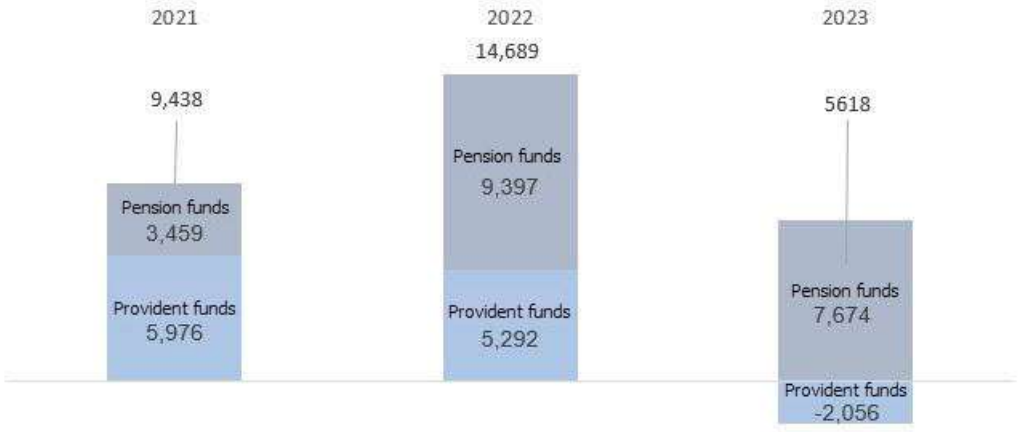


Data regarding investment houses



*It should be noted that in 2022, the provident funds managed by Psagot Provident and Pension Funds Ltd. and Halman Aldubi Provident and Pension Funds Ltd. are recorded this year as controlling a zero-market share, since in the reporting year these funds were purchased by Altshuler Shaham and The Phoenix, respectively.

Following is a summary of the net transfer of money (from/to the Company) in the Retirement (Pension and Provident) subsegments from 2021 to 2023:



Following is detailed information about the transfer of money from and to the Company in the Retirement (Pension and Provident) subsegments from 2021 to 2023:

2023

In NIS thousand	Provident funds	Pension funds	Total
Transfers to the company from other entities			
Transfers from other insurance companies	582,662	2,062,916	2,645,578
Transfers from pension funds	215,861	10,325,987	10,541,848
Transfers from provident funds	3,981,229	291,752	4,272,981
Total transfers to the company	**4,779,753**	**12,680,654**	**17,460,407**
Transfers from the Company to other entities			
Transfers to other insurance companies	216,209	51,853	268,062
Transfers to pension funds	123,535	4,690,645	4,814,180
Transfers to provident funds	6,496,472	263,235	6,759,707
Total transfers from the Company	**6,836,216**	**3,111,431**	**11,841,949**
Net transfers	**(2,056,463)**	**9,397,441**	**5,618,458**

2022

In NIS thousand	Provident funds	Pension funds	Total
Transfers to the company from other entities			
Transfers from other insurance companies	68,480	1,569,150	1,637,630
Transfers from pension funds	92,011	10,709,351	10,801,362
Transfers from provident funds	8,771,147	230,371	9,001,518
Total transfers to the company	**8,931,638**	**12,508,872**	**21,440,510**
Transfers from the Company to other entities			
Transfers to other insurance companies	164,450	63,244	227,694
Transfers to pension funds	195,252	2,894,162	3,089,414
Transfers to provident funds	3,279,969	154,025	3,433,994
Total transfers from the Company	**3,639,671**	**3,111,431**	**6,751,102**
Net transfers	**5,291,967**	**9,397,441**	**14,689,408**

2021

In NIS thousand	Provident funds	Pension funds	Total
Transfers to the company from other entities			
Transfers from other insurance companies	94,043	318,689	412,732
Transfers from pension funds	25,927	2,667,954	2,693,881
Transfers from provident funds	1,659,752	18,749	1,678,501
Total transfers to the company	1,779,722	3,005,392	**4,785,114**
Transfers from the Company to other entities			
Transfers to other insurance companies	146,747	49,956	196,703
Transfers to pension funds	65,863	2,016,934	2,082,797
Transfers to provident funds	2,829,742	131,646	2,961,388
Total transfers from the Company	3,042,352	2,198,536	**5,240,888**
Net transfers	**(1,262,630)**	**806,856**	**(455,774)**

Effect of legislative changes on competition in the area of activity

Regulatory provisions in recent years have led to increased competition between the various entities operating in the pension savings market. Following are the main provisions:

- Lowering the management fees in alternative long-term savings products. For instance, through default funds.
- Prohibition on linking the rate of management fees and the amount of distribution fee paid to pension agents.
- Settlement of the consolidation of pension savings by transferring amounts saved by the planholder with inactive pension funds to his/her account with active pension funds.
- Provisions which increase the possibility for planholders' transitioning to new pension funds close when approaching retirement age.
- Amendment to the regulations on transfer of funds from one provident fund to another; the amendment makes it possible to transfer funds from one investment provident fund to another or to an annuity pension fund.
- Reduction of maximum management fees charged from annuity recipients.
- The reform in allocation of designated bonds for pension funds.
- The reform in connection with direct expenses, and the requirement to present expected annual cost to customers, which enables the comparison of the costs of management fees and management fees to external party between investment companies and tracks; for further details, see Section 4.1.3.1.3 below.
- Changes and adjustments to investment tracks in the different savings products, in view of the publication of the circular regarding investment tracks in provident funds. For further details, see Section 4.1.6.1.9 below.
- The cap on contributions and transfer of funds to executive insurance.
- Updating the mortality tables in a pension fund's rules and regulations.

The Company believes that these changes may enhance existing trends in the provident and pension asset management segment, as described above, in connection with boosting competition. The

weighted effect of these trends may have an adverse effect on profitability in the provident and pension asset management segment.

How the Group deals with competition

The Group is taking action to address the growing competition in the industry, mainly through the following measures:

- Continued development and improvement of the investment function and quality of investment management.
- Increase in total assets under management.
- Organizational and operational streamlining in the Company's structure, and in the different units in the subsegment with an emphasis on the provision of digital services. For details in connection with the closure of the retail unit, see Section 1.3.10 above.
- Setting up new investment tracks that provide a range of investment alternatives to customers.
- Service and marketing using diverse distribution channels.
- Allocating management and financial resources to advertising, marketing and distribution channels, as well as brand-name enhancement.
- Activation of customer retention function dealing with customers who wish to transfer their funds to other funds/withdraw their funds.

2.4.3 Customers

A. **Pension funds**

Following is a breakdown of The Phoenix Pension and Provident Funds' customers[12] (by percentage):

	2023	2022
Salaried employee planholders	97	96
Planholders - private individuals and self-employed	3	4
Total	**100**	**100**

The number of planholders of The Phoenix Comprehensive Pension Fund was higher in 2023 by approx. 9.1%, and its assets under management increased by approx. 39% compared with 2022, following the increase in the number of planholders and total assets by approx. 13.3% in 2022 and approx. 26% in 2021, respectively.

B. **Provident funds**

As of December 31, 2023, approx. 1,219 thousand planholder accounts were managed by The Phoenix Pension and Provident's provident funds, compared with approx. 1,200 thousand accounts in the previous year. Following is the breakdown of planholder categories in provident funds, by percentage:

	Advanced education fund		Fund for retirement benefits and severance pay		Investment provident fund		Child long-term investment		Provident	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Self-employed	87	86	50	50	0	0	0	0	58	55
	13	14	50	50	100	100	100	100	42	45
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

[12] In The Phoenix Comprehensive Pension and The Phoenix Supplementary Pension.

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from those which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

2.5 Asset management - Investment House and Wealth

2.5.1 General information about the segment

2.5.1.1 Segment structure and changes therein

The Phoenix group operates in the asset management - Investment House and Wealth segment, inter alia, through The Phoenix Investment House (hereinafter - "**The Phoenix Investment House**" and/or the "**Investment House**").

As of the report publication date, The Phoenix Investments holds 88.4% of the shares of The Phoenix Investment House. For further details in connection with the restructuring of the holding in The Phoenix Investment House, see Section 2.5.1.2 below. The Phoenix Investment House operates through companies under its control in a variety of activities in the capital market sector: investment marketing and management for customers; management and operation of mutual funds; trading services on the TASE and related services; trust services (in the framework of options and management of employee compensation plans as well as mergers and acquisitions); family office services; marketing of alternative products as well as sale of related products.

Significant external changes that affect this area of activity are the scope and nature of activity in the capital market as well as regulatory changes. For further details, see Section 2.5.1.5 below.

The Group also operates in the field of asset management - Investment House and Wealth in the development and distribution of alternative investment products. The activity is carried out under The Phoenix Advanced Investments Ltd. (hereinafter - "**The Phoenix Advanced Investments**"), which outlines the activity in this field and its development through subsidiaries and/or related companies, as described below.

2.5.1.2 Restructuring in The Phoenix Investment House

In May 2022, an agreement was signed for a statutory merger between KSM ETN Holdings Ltd. (hereinafter - "**KSM Holdings**"), a subsidiary of The Phoenix Investment House (84%), whose remaining shares (16%) were held by three minority shareholders, of which approx. 9.55% were held by Avner Hadad and Boaz Nagar, each according to his share (hereinafter - the "**Managers**"). The merger was completed in January 2023.

Following the merger and further actions, the Company is holding (indirectly) approx. 88.4% of the shares of The Phoenix Investment House and the minority interests in KSM Holdings hold approx. 11.56% of the shares of The Phoenix Investment House, with their share being 7.5%.

Furthermore, options arrangements were established to execute transactions, from 2026 to 2029, between The Phoenix Investments and the Managers in connection with their holdings in the Investment House's shares at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration - in case of exercising the option by the managers - in cash or by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion. The options arrangements shall expire on the date of an initial public offering of The Phoenix Investment House.

For further details, see the Company's immediate report dated January 26, 2023 (Ref. No.: 2023-03-010285).

2.5.1.3 Acquisition of Epsilon Investment House Ltd.

In November 2022, The Phoenix Investment House entered into an agreement where under it will acquire from with Mr. Shmuel Frenkel and Mr. Lior Aviani (hereinafter - the "**Sellers**"), the entire issued share capital of Epsilon Investment House Ltd. (hereinafter - "**Epsilon**") (after the Sellers or any one of them will acquire the holdings of Discount Investments Ltd. in Epsilon), which holds, among other things, Epsilon Mutual Funds Management (1991) Ltd. (hereinafter - "**Epsilon Funds**") and Epsilon Investment Portfolios Management Ltd. (hereinafter - "**Epsilon Portfolios**") for the consideration set in the agreement (hereinafter - the "**Transaction**"). The transaction was completed on February 13, 2023. As of December 31, 2022, assets under management in Epsilon Funds and Epsilon Portfolios amount to approx. NIS 5 billion.

In March 2023, the mutual funds under the management of Epsilon were transferred to be managed by KSM Mutual Funds, and during March to May 2023 KSM Mutual Funds took steps to merge the mutual funds that were transferred from Epsilon with its existing funds.

2.5.1.4 Acquisition of the portfolio management activity, the mutual funds and hedge funds from Psagot

The first Psagot transaction

In January 2023, the Investment House entered into two separate (and non-contingent) agreements with companies of the Psagot Investment House group, as follows: (a) Acquisition of the entire portfolio management activity of the Psagot Investment House with assets under management of approx. NIS 8.1 billion and in consideration for approx. NIS 50 million (hereinafter - the "**Portfolios Acquisition Agreement**"); (b) acquisition of mutual funds under the management of Psagot Mutual Funds Ltd. (hereinafter - "**Psagot Funds**") with assets under management of approx. NIS 17.1 billion, and in consideration for NIS 260 million (hereinafter - the "**Funds Acquisition Agreement**").

Portfolios Acquisition Agreement: The Portfolios Acquisition Agreement stipulates that the direct employees of the portfolio management activity will be transferred; the agreement also includes a non-compete clause as is generally accepted in transactions of this type. The Portfolios Acquisition Agreement was granted approvals as required by law, including the approval of the Israel Competition Authority, and the court's approval for an arrangement under Section 350 to the Companies Law, for the purpose of receiving guidance for the merger of Psagot's portfolio management activity with and into the Company's activity. The transaction was completed in the first quarter of 2024.

The Funds Acquisition Agreement: In accordance with the Funds Acquisition Agreement, it was agreed that 105 mutual funds (hereinafter - the "**Transferred Funds**") will be transferred from Psagot Funds to be managed by KSM Mutual Funds. Under the Funds Acquisition Agreement, subsequent to the sale each of the parties will be allowed to continue its activities in the funds market without any restrictions, and Psagot will not be precluded from managing funds that compete with the Sold Funds.

Immediately prior to the signing date of the Funds Acquisition Agreement, the parties started transferring Psagot's funds. On May 17, 2023, KSM Mutual Funds reported that the Israel Competition Authority informed the parties that it is reviewing the funds transaction. Having discussed the matter with the Israel Competition Authority, KSM Mutual Funds and Psagot Funds agreed, that until the position of the Israel Competition Authority is delivered in connection with the funds transaction, no ETFs will be transferred to KSM Mutual Funds beyond those that had already been transferred, and that 12 active mutual funds will be transferred.

On July 13, 2023, 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 Original Transaction (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 Commissioner or the Israel Competition Authority will not take compliance measures in respect of its execution. Furthermore, KSM Mutual Funds signed an agreed order pursuant to Section 50B to the Economic Competition Law, 1988 (hereinafter - the "**Competition Law**"), which will become effective once the Competition Court approves it, which subjects KSM Mutual Funds to a payment of approx. NIS 1.3 million to the Israel Competition Authority, and provided that the said amount is paid, the Commissioner will not instigate any compliance measures against the fund manager or anyone acting on its behalf in respect of the execution of the original transaction without submitting merger notices to the Commissioner, and without obtaining the Commissioner's consent to the merger; such signature does not constitute an admission by the fund manager of breaching the Competition Law in any way.

In view of the above, the parties took steps to complete the alternative transaction, and at the same time to transfer the remaining sale proceeds to Psagot Funds, against the transfer of the remaining sold mutual funds from Psagot Funds to the Company.

The transfer of the funds and their merger as part of the transactions referred to above were completed in October 2023. As part of the above, 89 mutual funds were transferred from Psagot Funds with total assets under management of approx. NIS 11 billion. On January 8, 2024, the Jerusalem Competition Court handed down a judgment that confers upon the agreements of the parties with the Israel Competition Authority the status of an order as described above.

Second transaction with Psagot for the acquisition of active mutual funds and a hedge fund

On December 19, 2023, The Phoenix Investment House and KSM Mutual Funds engaged with companies of the Psagot Investment House group in two binding agreements for the sale of assets as detailed below for a total consideration of NIS 150 million (hereinafter in this section - the "**Agreements**" and/or the "**Transaction**"). Following are the key details of the Agreements:

Agreements for the sale of the active funds and the shares of Psagot Compass Investments Ltd.

A. The agreement between The Phoenix Investment House and KSM Mutual Funds on the one hand and Psagot Finance and Investment Group Ltd., Psagot Investment House Ltd., and Psagot Funds on the other hand (hereinafter - "**Psagot Group**" and "**Psagot Investment House**", respectively), whereunder Psagot Funds will sell KSM all the active funds, that are currently under the management of Psagot Funds with assets under management of approx. NIS 22.2 billion (hereinafter - the "**Active Funds**"); the agreement

includes an undertaking on behalf of Psagot Group and Psagot Investment House not to compete with the activities of the Active Funds (hereinafter jointly - the "**Funds Sale Agreement**"). The Funds Sale Agreement includes a mechanism that is designed to ensure that no activity will be transferred from Psagot Funds to KSM Mutual Funds, in the event that - as a result of such a transfer - the 20% threshold pertaining to the funds market as set in the law shall be exceeded.

B. An agreement between The Phoenix Investment House, Psagot Group and Psagot Investment House, whereunder Psagot Investment House shall sell 100% of the shares of Compass Investments Ltd., which operates in the field of hedge fund management (hereinafter - "**Psagot Compass**"), which includes an undertaking of the Company and Psagot Investment House not to compete in the field of hedge fund management (hereinafter - the "**Compass Agreement**").

The consideration amount also includes components in respect of non-compete undertaking as stated above. The consideration is subject to an adjustment mechanism, which is based on the rate of decrease - if any and if it exceeds a minimum set rate - in the income the active funds will have on completion date, compared to the income attributed thereto immediately prior to the signing date.

As of the report publication date, the conditions precedent for the completion of the said transaction were fulfilled, and the transaction was effectively completed in March 2024.

2.5.1.5 Restrictions, legislation, standards and specific constraints

The Phoenix Investment House's operations in various areas of the capital market are subject to substantial regulation. The following is a list of key provisions that apply to the Investment House's operations:

2.5.1.5.1 Regulation of mutual funds

Mutual funds management is regulated under the provisions of the Joint Investments in Trust Law and regulations promulgated thereunder, and the ETFs activity is also regulated under the Tel Aviv Stock Exchange regulations and guidelines, including with regard to listing ETFs. This subsegment is regulated by the Israel Securities Authority. The law and regulations include, among other things: provisions about the approvals required to set up a mutual fund; holdings through means of control of the fund manager; terms and conditions for the qualifications of employees and/or people who take part making decisions concerning the management of a fund's investment portfolio; requirements pertaining to the composition of the board of directors of the fund manager; qualification of its members; appointment of board of directors' committees; obligation to publish a prospectus; obligation to publish the fund's annual report; duties of the fund's manager and trustee; allowed transactions, types of assets and maximum rates of such assets that the fund's manager is allowed to hold; material transactions or transactions that involve a conflict of interest and approval thereof; actions which the fund's manager, trustee and related parties

thereof may not carry out; definition of actions that constitute breaches that carry monetary sanctions (administrative compliance); civil or criminal offenses and related sanctions; minimum equity; obligation to have insurance coverage; and other various restrictions in respect of changes in the fund's investment policy.

The law also regulates the fund manager's disclosure and reporting requirements, including monthly reports to the Israel Securities Authority about each fund's assets, liabilities, payments made out of its assets, and additional details, as well as reports issued on an ongoing basis.

In addition, as part of Amendment 28 to the Joint Investments in Trust Law 1994, as from October 2018, all ETNs managed by the Investment House were converted into ETFs and transferred to the management of KSM Mutual Funds. Furthermore, in June 2021, KSM Mutual Funds adopted an outline agreed between the Association of Mutual Funds Managers and the Israel Securities Authority to reduce the number of similar funds under active management. Under the outline, KSM Mutual Funds merged a number of active funds under its management and took steps to adjust the classifications of the funds under its management, such that they are in line with the said outline.

In December 2022, the Israel Securities Authority published a **directive regarding the integration of ESG considerations in decision-making processes or risk management processes.** According to the directive, a fund manager will assess the need to include ESG considerations in the process of selecting the investment and making investment-related decisions. The fund manager's decision will be reported, and it will also consider how to reflect the implementation of the policy that will be set for its customers.

On June 11, 2023, the fund manager published its policy regarding the incorporation of EGS considerations into its services, and the considerations it took into account when determining this policy, which came into force on July 12, 2023.

On January 1, 2024, the Ministry of Finance and the Israel Securities Authority published a law memorandum for the Law for the Encouragement of Activity in the Capital Market (Legislative Amendments), 2023, which includes steps to accelerate economic activity and develop the capital market after the Iron Swords War. As part of the law memorandum, the public's investment channels will be expanded by creating an infrastructure for setting up private mutual funds.

2.5.1.5.2 Regulation in the investment marketing and portfolio management subsegment

Investment portfolio management and investment marketing are regulated by the provisions of the Advice Law, its regulations, directives, as well as circulars of the Israel Securities Authority. According to the Advice Law, a corporation engaged in the management of investment portfolios and investment marketing, as well as

those it employs as investment portfolio managers and/or in providing investment marketing services to customers, must hold a portfolio management license from the Israel Securities Authority. The Advice Law and the regulations promulgated thereunder also apply to the relationships between the license holder and its customers and imposes various duties as to the nature of the engagement, the dealings between the license holders and customers, the provision of services to customers, as well as meeting minimum capital and insurance coverage requirements.

In addition, the portfolio management activities taking place with the TASE Member and Epsilon Portfolios are subject to the Prohibition on Money Laundering Law and the Prohibition on Money Laundering Ordinance (Identification, Reporting and Record-Keeping Obligations of Portfolio Managers to Prevent Money Laundering and Financing of Terrorism), 2010, which imposes various obligations in connection with identifying customers and reporting their actions.

On December 19, 2022, the Israel Securities Authority published a directive to fund managers and large licensees regarding the integration of ESG considerations in investment decision or risk management processes. In accordance with the directive, in July 2023, the TASE Member's portfolio management activity adopted policies regarding the incorporation of ESG considerations into the portfolio management services provided to customers.

In August 2023, the Israel Securities Authority published a revision to a directive to license holders in connection with the provision of services using technological means. As part of the revision of the directive, the chapter dealing with the provision of trade signaling services was amended (among other things, the service was amended to "independent trading consulting service"), and so was the chapter dealing with social trading. The amendments in the two chapters were aimed to remove the main restrictions on services prior to the implementation of the amendments.

2.5.1.5.3 Regulation of TASE services:

Following are the main statutes that govern the operations of the TASE Member:

A. TASE Rules and Regulations: The TASE Member is subject to the provisions of the TASE Rules and Regulations and the guidelines set thereunder, which relate, among other things, to: terms of qualifications for TASE membership; TASE members' obligations vis-a-vis the TASE, its members, and their customers; permitted areas of activity; requirements for appointing various control functions; provisions regarding monitoring and control over compliance with the TASE Rules and Regulations; various provisions for IT management, etc.

B. TASE clearing house bylaws: In addition to its membership in the TASE, the TASE Member is part of the TASE clearing house and thus subject to the clearing house's bylaws. Furthermore, since some of its customers trade options and derivatives on the MAOF clearing house, and since the TASE Member is not a member of the MAOF clearing house, the Member operates in this clearing house through a supporting member, and as such is subject to the MAOF clearing house bylaws applicable to TASE members who are not members of the clearing house.

C. The Advice law and the regulations promulgated thereunder: Since the TASE Member holds an investment marketing license, it is subject to the provisions of the Advice Law, regulations promulgated thereunder, guidelines and circulars of the Israel Securities Authority.

D. The Prohibition on Money Laundering Law and ordinances promulgated thereunder: The TASE Member is subject to the provisions of the Prohibition on Money Laundering Law and the Prohibition on Money Laundering Ordinance (Identification, Reporting and Record-Keeping Obligations of Portfolio Managers to Prevent Money Laundering and Financing of Terrorism), 2010. These provisions stipulate, among other things, the duties of identifying the account holder and duties concerning control and reporting in relation to customers of the TASE Member.

2.5.1.5.4 In May 2023, the TASE published an amendment to the TASE Rules and Regulations to regulate the areas of activity that TASE Members, which are not banks, are allowed to engage in with respect to virtual currencies. The amendment has not yet been approved by the Israel Securities Authority. In accordance with the amendment to the TASE Rules and Regulations, TASE Members, which are not banks, will be allowed to give their customers the option to trade virtual currencies under conditions and restrictions set by the TASE.

2.5.1.6 Changes in the scope of operations and profitability of the subsegment

2.5.1.6.1 On December 31, 2023, assets under management by the Investment House totaled approx. NIS 86 billion, compared to approx. NIS 60.4 billion as of December 31, 2022. The increase in assets under management stemmed mainly from the acquisition of the Epsilon investment house (portfolios and funds), and from the acquisition of portfolio activity and funds from Psagot as part of the first Psagot transaction. It is noted that subsequent to the report date, a further acquisition of assets under management was carried out as part of the second Psagot transaction, as described in Sections 2.5.1.3 and 2.5.1.4 above.

2.5.1.6.2 Market trends in the reporting year and their effect on the Investment House's areas of activity:

A. **Mutual funds**

The scope of activity in this industry is derived from the situation in the capital market, the range of instruments issued, the number of issues and total amount of investments therein, and from changes in the public's preferences as to investments specializing in foreign markets and in Israel, commodities and financial derivatives.

The reporting year was characterized with variances between the subsegments of the funds industry: while the passive funds raised approx. NIS 22 billion, the traditional active funds redeemed NIS 25 billion, and on the other hand the money market funds raised NIS 53 billion.

As of the end of the reporting year, The Phoenix Investment House manages, through the Fund Manager, 421 funds in most of the existing investment channels: 125 managed funds (of which 28 funds managed by external entities - hosting), 182 ETFs, and 114 open-ended tracker funds).
Following are data about total assets under management by the mutual funds sector in Israel and in KSM Mutual Funds (in NIS billion):

	December 31, 2023		December 31, 2022		December 31, 2021	
	Total industry	**KSM Mutual Funds**	**Total industry**	**KSM Mutual Funds**	**Total industry**	**KSM Mutual Funds**
Traditional funds	149	11	164	10.1	207	13.9
Open-ended tracker funds	74.5	17.2	59	12.3	69	13.4
ETFs	125	37.7	95	26	105	28
Money market funds	107	1.9	50	0.6	17	0.7
Total	**455.5**	**67.8**	**368**	**49**	**398**	**56**

B. **Investment marketing and investment management for customers**

Total assets under management in investment portfolios (including financial assets issued by the Investment House and acquired into the managed portfolios) as of December 31 of each of the last three years was as follows (in NIS billion):

	2023	2022	2021
Asset under management	21.7	13.1	12.5

The increase in the asset as of December 31, 2023 stems mainly from the acquisition of Epsilon Portfolios, that was completed on February 13, 2023 (approx. NIS 2.3 billion), and the acquisition of the portfolio management activity from Psagot (approx. NIS 5.8 billion), which was completed in June 2023; the actual transfer of the portfolios was carried out in the first quarter of 2024 after receipt of the court approval as set out in Section 2.5.1.4 above.

C. **Stock exchange and trading services**

During the reporting year, trading volumes on the TASE increased by approx. 16% compared with 2022. This increase stemmed mainly from higher trading volumes in MAKAM and bonds.

In the reporting year, the TASE Member's trading volumes increased by 37% compared with 2022; this increase stemmed mainly from the increase in trading volumes of MAKAM (Israeli T-Bills) and bonds.

The profitability generated by the TASE Member is exposed to changes in the Bank of Israel interest rate and in the Federal Reserve's interest rate. Following global macroeconomic developments that have been taking place since the second quarter of 2022, inflation rates in Israel and across the world have increased. As part of the steps taken to tackle inflation, central banks across the world, including the Bank of Israel, started increasing interest rates. Interest rates hikes affect the increase in the Investment House's finance income.

2.5.1.7 Critical success factors

The critical success factors in this operating segment are: securing high returns on investments for customers compared with competitors in the same investment channels or alternative investment channels; a professional and high-skilled workforce; a savvy marketing function; a high-level digital infrastructure; a high level of service to customers; rapid response to market events and developments; familiarity and relationships with financial institutions abroad; expanding the product mix while adapting it to market needs; innovation; adapting the nature of operations to regulatory changes; ongoing, close work relationships with institutional investors and customers; reliable, advanced IT systems and software.

2.5.1.8 Main entry and exit barriers

2.5.1.8.1 The principal entry barriers for this operating segment are: the relevant legislation, including restrictions and conditions for obtaining the permits and licenses required to engage in the activity; the need to meet equity requirements or provide other collateral based on the provisions of the relevant laws, such as insurance coverage; finding professional and skilled employees; relationships with financial institutions and investment funds overseas; obtaining approvals from the authorities to issue products to the public (TASE and the Israel Securities Authority).

2.5.1.8.2 The main exit barriers from this area of activity are the sale of activities that in some cases require obtaining licenses, control permits and other approvals. Furthermore, in some of the activities, the relevant company has long-term agreements for the provision of services in that operating segment (including commitments under various tenders) and exiting the area of activity requires termination of such agreements. The main exit barrier from the field of alternative investments is the funds that raised and operate significant investment amounts; such funds should be operated; they are required to report to investors and/or their management should continue over years.

2.5.1.9 Alternatives for products in the segment and changes therein

Alternatives to investment management (portfolio and mutual funds) are savings channels which do not require ongoing investment management (for example, bank deposits), self-management of investments in securities, direct management through bank advisory services or any other type of investment advisory services, and purchase of ETFs. Furthermore, long-term savings products offered by insurance companies and provident funds' management companies (for example, investment provident funds, savings policies, etc.) also serve as an alternative. Alternatives for ETFs and tracker funds are managed mutual funds that strive to outperform the indices, and foreign index funds traded on foreign exchanges, whose activity is similar to that of ETFs traded on the TASE. For details regarding the "Team for Reducing the Gaps between Investment Instruments in Short and Medium-Term Savings", see Section 2.4.1.3 above.

2.5.1.10 Competitive structure in the segment and changes therein

The subsegments in which The Phoenix Investment House operates in the capital market are characterized by numerous competitors and fierce competition from investment houses, banks and other entities operating in the capital market. For details about competition in this area of activity, see Section 2.5.6 below.

The Investment House offers its customers a digital platform for onboarding new customers and management of portfolio management customers, with customers given the option to manage their investments by opening accounts with the TASE Member or

through their accounts with banking corporations. Competition in the field of alternative investments intensified in recent years, with the introduction of investment houses and institutional entities into the field in addition to private entities that have already been active players.

2.5.2 Products and services

The following are the key subsegments comprising the Company's asset management activity - Investment House and Wealth:

2.5.2.1 Investment marketing for customers

This subsegment includes the following activities of the Investment House through the TASE Member and Epsilon Portfolios: Provision of investment marketing services in Israel and abroad and other activities, including the marketing of financial assets.

2.5.2.2 Management of investment portfolios

The Phoenix Investment House, through the TASE Member and Epsilon Portfolios, provides investment marketing services and manages investment portfolios for private customers, corporations and institutional entities from various economic sectors through a range of investment channels. The TASE Member and Epsilon Portfolios hold an investment portfolio management and investment marketing license under the Advice Law. The management of the investment portfolios is carried out by a professional team comprised of qualified investment managers, licensed to manage investment portfolios through most of Israeli banks and TASE Members, which are not banks, and a number of foreign entities.

Transactions in customer accounts managed with banks and/or with TASE members are carried out by a TASE Member and Epsilon Portfolios, under powers of appointment authorizing the execution of transactions in the customers' accounts. The investment policy is determined in coordination with the customers according to their definitions and needs and is set forth in a written agreement. In addition, the TASE Member and Epsilon Portfolios have agreements with the banks with whom customers' accounts are managed; according to these agreements, the TASE Member and Epsilon Portfolios undertake, among other things, to act solely on behalf of their customers based on the power of appointment granted by them.

Income from portfolio management operations with the TASE Member and Epsilon Portfolios stems from management fees collected from customers that receive investment marketing and management services.

2.5.2.3 Management of mutual funds

Mutual fund management operations are regulated by the Joint Investments in Trust Law and the regulations promulgated thereunder, and in the case of ETFs - the operations are also regulated by the TASE Rules and Regulations. Mutual funds are established under an agreement between the fund manager and a trustee, which specifies the fund's investment policy, the maximum fees which the fund manager and trustee may charge, etc. The sale of mutual fund units is made in accordance with a prospectus in which fund units are offered to the public. Publication of such a prospectus requires a permit from the Israel Securities

Authority, and the subscription period for the units offered under the prospectus is limited to one year from the date of issuing the prospectus; this period is renewed for one further year by the fund manager's publication of a prospectus once a year. Furthermore, ETFs are traded on the TASE and can be purchased and sold during trading on the TAXE. Most income stems from management fees charged by each fund. In tracker funds (including ETFs), the fund manager is also entitled to set variable management fees that may be positive or negative depending on the performance of the fund versus the asset which the fund tracks in accordance with the provisions of the Joint Investments in Trust Law and the regulations promulgated thereunder.

For details about the number of funds managed by KSM and total assets under management, see Section 2.5.1.6.1 above.

2.5.2.4 The fund manager's engagement with external consultants and investment managers in investment management agreements for the mutual funds

In 2017, an agreement was signed between KSM Mutual Funds and Alliance Bernstein (Luxembourg) S.a.r.l., a New York-based foreign mutual funds management company (hereinafter - "**AB**"), whereunder KSM Mutual Funds will serve as the representative and marketer of AB's funds in Israel in the private customers segment, and will also offer units of Class A foreign funds managed by AB to the Israeli public. AB shall also serve as an investment advisor to funds under the foreign shares category of KSM Mutual Funds.

In October 2020, KSM Mutual Funds and The Phoenix Investments entered into an advisory services agreement, whereunder The Phoenix Investments shall provide external advisory services to funds managed by KSM Mutual Funds. As of December 31, 2023, The Phoenix Investments serves as an advisor of 3 funds.

In addition, as of the report date, KSM Mutual Funds receives consulting services from other consultants in the field of external fund management consulting.

As of December 31, 2023, KSM Mutual Funds has 10 funds in respect of which such consulting services are provided. In the reporting year, KSM Mutual Funds provided "hosting" services in mutual funds to external fund managers. In January 2024, KSM Mutual Funds decided to terminate the engagement with the external investment managers to which KSM Mutual Funds provides such services. The engagement is expected to be terminated by the end of the first half of 2024.

2.5.2.5 Index tracking services provided by KSM

KSM provides index tracking services to managers of others' funds including for the index-tracking pension savings plans launched by The Phoenix Insurance and by The Phoenix Pension and Provident. As of the report date, eight investment baskets are being managed, with total assets under management of approx. NIS 32.5 billion.

2.5.2.6 REIT fund management

REIT1 Ltd. (hereinafter - "**REIT**") is an investment fund investing in real estate; REIT is traded on the TASE. In April 2006, REIT entered into an agreement with REIT 1 Management Services Ltd. (hereinafter - "**REIT Management**"), approx. 47.5% of the issued share capital

of which is held by the Investment House; under the agreement, REIT Management will provide REIT with advisory services in respect of the REIT's management. This agreement was extended a number of times over the years. The term of the present agreement ends in September 2025. The other shareholders in REIT Management have the option to acquire the Investment House's stake in REIT Management's shares. The option is exercisable in September 2025.

2.5.2.7 Underwriting and investment banking

Until December 2022, The Phoenix Investment House, through Excellence Nessuah Underwriting (1993) Ltd. (hereinafter - "Excellence Nessuah Underwriting"), provides underwriting, management, consultancy and distribution services for public and private offerings in Israel. In December 2022, Excellence Nessuah Underwriting changed its status to an inactive underwriter; this was done further to the completion of a transaction as part of which a new underwriting company - The Phoenix Underwriting Ltd. - was established; the Company holds only 19.9% in the new company (through The Phoenix Investments).

2.5.2.8 Stock exchange and trading services

The Phoenix Investment House provides its customers, through the TASE Member, brokerage services in all trading channels including foreign and Israeli shares, bonds in Israel, bonds abroad (through Excellence Nessuah Financial Products Ltd.), derivatives, foreign securities, coordination of issues, coordination of tender offers, and distribution of securities for interested parties in companies.

Securities trading activities are carried out through accounts with the TASE Member in the name of its customers. It is noted that trading of foreign bonds is not carried out through the TASE but rather on the OTC market. Furthermore, the TASE Member renders analysis services in markets in Israel and abroad.

The TASE Member also provides market-making services involving securities traded on the TASE, in cooperation with Bina Investments Ltd. As of the report date, the TASE Member is the market maker of 101 securities.

In addition, the TASE Member extends its customers credit for securities activities.

During the past year, there was an increase in the number of private customers of the TASE Member, and the TASE Member invested significant marketing and sales resources, by expanding the marketing channels and increasing its manpower in order to support its increased activity in this area.

During the past year, the amount of credit extended to customers decreased from approx. NIS 713 million in 2022 to approx. NIS 705 million in the reporting period.

The TASE Member provides its customers with deposit services (both deposits denominated in shekels and in foreign currency). All customers' funds are deposited by the TASE Member in trust with banking corporations according to the policy set by the TASE Member at its sole discretion, for variable periods, which are not necessarily identical to the depositing periods for which customers deposited their funds with the TASE Member. The TASE Member's profitability in this area stems from the difference between the interest rate the TASE Member

receives from banking corporations for various periods, and the interest rate it credits its customers with.

As part of executing the activities described above, the TASE Member provides acquiring and operating services in respect of securities and funds, in accordance with and subject to the provisions of the TASE Rules and Regulations applicable to non-bank TASE members.

As of the report date, trading in stocks and bonds through non-bank TASE members represents a small portion of the trading turnover of this activity in the TASE.

2.5.2.9 ESOP Trust Services

ESOP is engaged in the provision of trust services to its customers, mainly in the following fields:

Trustee services to employee compensation plans governed by the provisions of Section 102 to the Income Tax Ordinance [New Version], 1961 (hereinafter - the "**Income Tax Ordinance"**). Trustee services (including tax withholding agent services) as part of M&A transactions. Trustee for lock-up in accordance with the provisions of the TASE Rules and Regulations (in an IPO). Source code escrow - as part of which the source code of various software is deposited with ESOP.

In consideration for the trust services, ESOP is entitled to trustee's fees and other various payments as set out in the trust agreement to which ESOP is a party. It should be noted that for the purpose of providing the trust services, ESOP uses accounts with the TASE Member, and most of its customers' accounts are managed with the TASE Member.

2.5.2.10 The Phoenix W Ltd.

In March 2023, the Investment House founded The Phoenix W Ltd. (hereinafter - "**W**"), a company that provides its customers with a range of family office services. W provides capital management, investment and financial planning services to a range of customer types. As of the report date, W is in the process of obtaining an investments marketing license from the Israel Securities Authority.

2.5.2.11 Alternative Investments in The Phoenix group

As part of implementing the Group's strategy of enhancing the area of alternative assets offered to investors, in recent years the Group started taking steps to develop and distribute alternative investment products. As of the report date, total assets under management in respect of alternative investment products was approx. NIS 6.1 billion. As of the report date, the activity is carried out under The Phoenix Advanced Investments Ltd. (hereinafter - "**The Phoenix Advanced Investments**"), which outlines the activity in this field and its development through subsidiaries and/or related companies, as described below. For further details, see Section 1.3.9 above.

Following are the key activities in the area of alternative investments:

2.5.2.11.1 The Phoenix Capital Ltd.

The Company holds - directly and indirectly - 71.3% of The Phoenix Capital Ltd. (hereinafter - the "**Phoenix Capital**"). The Phoenix Capital serves as the general partner in the following funds:

The "Anchor" fund: the Anchor fund was launched in February 2018 (The Phoenix Anchor Fund L.P.). The Anchor fund invests in CLO bonds abroad. The fund focuses on qualified investors. As part of the agreement for the establishment of the fund, The Phoenix Investments has undertaken to provide a number of services for the fund's management. In addition, The Phoenix Insurance and/or subsidiaries under its control provide a guarantee to the credit facility extended to the fund by a banking corporation totaling USD 40 million as of the reporting year.

Pollen Fund: In June 2021, The Phoenix Capital established The Phoenix Credit Strategies Fund, L.P., a feeder fund for investment by qualified investors in a fund under the management of Pollen Street Capital. The fund provides credit to non-bank lenders in Europe. In the reporting year, the period of capital raising for the fund ended according per the fund's terms and conditions.

"**The Phoenix Invest Varied Debt Strategies Israeli Partnership**" **fund**: In February 2019, The Phoenix Capital established the said fund, which constitutes a cluster of funds that invest in non-bank credit platforms in Israel and abroad, as well as in debt funds. As part of the agreement for the establishment of the fund, The Phoenix Insurance has undertaken to provide a number of services for the fund's management.

KKR Fund: Subsequent to the report date, The Phoenix Capital founded the Phoenix – KKR Income Trust Fund, L.P., which serves as a feeder fund for qualified investors' investment in KKR-INCOME TRUST SCA SICAV-RAIF. The fund invests in collateral-backed private debt, focusing on large companies.

Co-Invest Funds: As part of the Company's policy. The Phoenix Advanced Investments is establishing co-invest funds, which invest - alongside The Phoenix group - in a range of investment areas in accordance with the provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Collaboration with a Related Fund).

The "Phoenix Real Estate Debt" fund: The Phoenix Capital owns 50% in the general partner, Phoenix RealTech Ltd. (formerly The Phoenix Financial Technologies Funds Ltd. (hereinafter - **"Phoenix RealTech**"). Phoenix RealTech serves as the general partner of the Phoenix Real Estate Debt fund, which invests in bridge loans backed by housing real estate properties in the USA. The fund focuses on qualified investors. As part of the agreement for the establishment of the fund, The Phoenix Investments has undertaken to provide a number of services for the fund's

management. In addition, The Phoenix Insurance and/or subsidiaries under its control provide a guarantee to the credit facility extended to the fund by a banking corporation totaling approx. USD 60 million.

2.5.2.11.2 Value Advanced Investments Ltd.

During the reporting year, The Phoenix Advanced Investments held 50.1% in Value Advanced Investments Ltd., which was engaged in the field of alternative investments through a holding in a publicly-traded P2P fund, a holding in a publicly-traded urban renewal fund, and the distribution of a number of international investment funds through dedicated feeders. On December 25, 2023, the Company sold - through The Phoenix Advanced Investments Ltd. - all of its holdings (50.1% of the share capital) in Value Advanced Investments Ltd. (hereinafter - "**Value**") to entrepreneurs and Value executives.

2.5.2.11.3 Phoenix Investment Funds Ltd.

The Phoenix Investment Funds Ltd. - a wholly owned company of The Phoenix Advanced Investments - is the general partner in the "Phoenix Co Invest" fund (hereinafter - "**Phoenix Co-Invest Private Equity**"), which commenced its operations in June 2019 and invests - together with The Phoenix group - in private equity and infrastructure transactions where there is surplus allocation. The fund ended its capital raising phase, and as of the report publication date, its investment period has ended.

2.5.2.11.4 The Phoenix Alternative Investment House Ltd. (formerly - "Excellence Alternative Assets Ltd.")

The Phoenix Alternative Investment House Ltd. offers qualified customers investments in alternative products, mainly through the setting up of special-purpose limited partnerships, which serve as feeder funds that invest in leading Israeli funds.

2.5.2.11.5 Smart Capital

In the reporting year, The Phoenix Advanced Investments acquired 49% of the shares of Safravision Ltd., a company that manages - through its subsidiary, Smart Capital Alternative Solutions S.V. Ltd., a platform that links leading international funds with financial marketers.

2.5.3 Breakdown of income and profitability of products and services

The following are details of the Investment House's income by subsegments included in the Company's Investment House and Wealth segment, costs attributable to these subsegments, and their operating income, as of December 31, 2021, 2022, and 2023 (in NIS millions).

	Stock exchange and trading services			Investment management (ETFs, mutual funds, and portfolio management)			Other (**)		
	December 31 2023	December 31 2022	December 31 2021	December 31 2023	December 31 2022	December 31 2021	December 31 2023	December 31 2022	December 31 2021
Total income	276	174	120	321	248	271	59	58	38
Variable costs that do not constitute income in another subsegment	-	-	-	86	78	79	-	-	-
Fixed costs that do not constitute income in another subsegment	125	107	102	169	117	110	45	40	34
Total costs	125	107	102	255	195	189	45	40	34
Operating income	151	67	18	54	53	82	14	18	4
Total assets	1,267	1,379	973	1,119	1,306	890	327	433	434
The minority share in the subsegment from external	-	-	-	-	7	12	(*	-	-

(* An amount lower than NIS 1 million

** Due to continued decline in the activity and the failure to meet the criteria for reporting as a segment, the investment banking and underwriting subsegment was restated under other activities, including in the comparative figures.

2.5.4 Customers

- Mutual funds are marketed to the general public.
- Customers in the investment portfolio management subsegment include institutional customers, various types of corporations (companies, non-profit organizations, local authorities, kibbutzim, etc.), as well as private customers. The relationships between the Investment House and its customers in the Investment Management Segment are mostly long term relationships. However, there is no minimum engagement period, and the parties may terminate the engagement at any time, subject to the provisions of the agreement and the law.
- Customers in the trading and stock exchange services subsegment are institutional entities in Israel and abroad, qualified customers, various types of corporations, and private individuals.
- Customers in the area of alternative products are sophisticated customers as per the First Addendum to the Securities Law, which are corporations and private customers in Israel. Despite the above, it is noted that public funds include non-qualified investors.
- The customers in the trust services subsegment are Israeli or foreign private customers and corporations (both private companies and publicly-traded companies), which wish to benefit from ESOP's basket of services, including trust services in M&A transactions, trust services for equity-based employee benefit plans, source code escrow services, ESOP as a paying agent and more.
- Customers in the family office area of activity are private customers, with minimum capital available for investment.

2.5.5 Marketing and distribution

- The investment portfolio management and investment marketing segment functions through a network of independent agents, private providers of potential customers and a number of telemarketing representatives engaged in recruiting customers through proactive telephone calls.
- Marketing of mutual funds is mainly carried out through investment advisors at the branches of the various banks, institutional entities and portfolio managers, as well as through advertising on various media channels.
- Marketing of the trading activity is mainly carried out through advertising in digital media, including on the Investment House's website and other websites, apps, etc.
- The marketing and distributing of the alternative products, which are marketed to qualified investors by The Phoenix Advanced Investments, is mostly carried out by agents and/or Family Office, with whom the Group works, in addition to direct marketing. Furthermore, the public funds are marketed directly by the Group - by means of digital marketing, telemarketing and internal marketing.
- The marketing and distribution of the family office services is carried out through different marketing channels, and is based on the Investment House's existing customers.

2.5.6 Competition

Investment marketing and management

In Israel, there are numerous organizations specializing in portfolio management for others and in the provision of investment marketing services.

The main competitors of the TASE Member and Epsilon Portfolios are the large entities. The Investment House believes that it is one of the leaders in the field of portfolio management in Israel. It seems that most of the competition in this area in future years will take place in the sphere of digital portfolio management and investment marketing, with market players investing substantial resources in such platforms.

The mutual funds sector is also characterized by a large number of competitors and by fierce competition. Competition is primarily against other mutual fund managers and alternative products. In recent years, competition has become fiercer and is manifested, inter alia, in competition on management fees, good performance measured according to returns, and risk indicators which will lead, inter alia, to higher ratings.

Regarding the active funds - The banks' rating systems are extremely important to the competition in this industry, as investment advisors and customers base their investment decision process on such ratings. To the best of The Phoenix Investment House's knowledge, the banks have several rating systems based on various models, which include different parameters in relation to the mutual funds, which are determined exclusively by each bank.

Competitors in the TASE Member's market are bank and non-bank TASE members. As of the report date, there are 11 TASE members that are Israeli banks, 5 non-bank TASE members, 3 foreign banks, and 3 remote members. Competition between TASE members focuses on fees and commissions rates, quality of service and analytics, and a range of services offered to customers.

The Investment House's market share varies by type of activity. Recent years saw an evident trend of reduction of the rates of fees and commissions that are collected, and addition of strict regulatory requirements.

2.5.7 Property, plant and equipment

In April 2013, the Investment House signed a lease agreement with Amot Investments Ltd. (hereinafter - "**Amot**"), whereby the Investment House leased from Amot six floors of office space in the building known as Amot Platinum in Kiryat Arieh, Petah Tikvah. The lease was signed for a period of 10 years, which began in the first quarter of 2014, with two optional lease extension terms of 5 years each; the lease term expires at the end of February 2024. The Investment House and Amot signed an agreement whereunder the lease term will be extended by the end of 2024.

As from January 2025, the Investment House is expected to rent new offices with an area of approx. 7,000 sq.m in "The Phoenix-Art" building, located in 3 Masada St., Bnei Brak, which is owned by The Phoenix Insurance.

The Phoenix Advanced Investments is expected to move to the HaElef compound project in Rishon LeZion.

2.5.8 Human capital

Material changes in the workforce:

	2023	2022
No. of employees at end of year	480*	423

* During the reporting year, the Investment House took on 25 employees as part of the acquisition of Epsilon and Psagot (as described in Sections 2.5.1.3 and 2.5.1.4 above).

Benefits and the nature of employment agreements

The majority of the Investment House's employees have written personal employment contracts in place. The majority of the Investment House's employees employed in professional positions receive, in addition to their base salary, annual bonuses at varying rates. The Investment House's executives are eligible for bonuses calculated as a variable rate of the annual financial performance of specific consolidated companies. Certain employees of the Investment House are eligible for bonuses calculated according to transaction volumes, or according to other preset criteria.

The Investment House gives its employees bonuses according to their bonus agreements. Bonuses to the Investment House employees are determined by the its profits, the profits of its subsidiaries, and additional components according to each employee's position and purview, subject to applicable statutory restrictions, if any.

The Investment House's employment termination liabilities are determined in accordance with the law and employment agreements. The Investment House's liabilities for base salaries in respect of employment termination are covered by current ongoing contributions and accrued amounts in pension funds, severance pay funds, and executive insurance policies. The Investment House also complies with the provisions of the extension order for comprehensive pension insurance for some of its employees who, as of the order's effective date, were not eligible for pension arrangements to their benefit.

During the reporting year, the Investment House adopted an option plan, by virtue of which options may be allocated - exercisable into shares of the Investment House - to officers and employees of the Investment House and The Phoenix group. Accordingly, such options were allocated in accordance with Section 102 under the capital gains track to employees and officers of the Investment House, and to employees and officers of The Phoenix group, who serve as officers in the Investment House or are involved in its activity.

In March 2024, the CEO of the TASE Member announced his wish to terminate his employment by the TASE Member. As of the report publication date, the termination date has not yet been set.

2.5.9 Suppliers

2.5.9.1 The TASE member has an agreement with service organization FMR Computers and Software Ltd. (hereinafter - "**FMR**"), according to which the TASE Member receives software development services, computer-assisted data processing, including generation of reports, and computer processing based on information received directly from the TASE. The agreement is extended from time to time. The said agreement is material to the TASE Member, as well as to other non-bank TASE members, due to significant dependence on this IT service provider since, as of the reporting date, there is no other available supplier for the services that the Investment House receives from FMR, and without the FMR system, the TASE Member will be unable to provide TASE member services. In 2021, the services agreement with FMR was extended through June 2025.

2.5.9.2 The TASE Member and Epsilon Portfolios has an agreement with Danel Financial Solutions Ltd. (hereinafter - "**Danel System**"), which provides IT systems used for day-to-day operations. The TASE Member uses the Danel System to review compliance with its customers' investment policy and with the Company's policy, to calculate the portfolios' exposures, manage various control reports, to produce periodic statements for its customers, and more. The Danel System is the main system used by the employees of the TASE Member in the portfolio management activity. This constitutes a material agreement for the TASE Member regarding portfolio management activity.

2.5.9.3 For details about the lease agreement between the Investment House and Amot Investments Ltd., and the move to new offices owned by The Phoenix Insurance as from January 2025, see Section 2.5.7 above.

2.5.9.4 In March 2022, the TASE Member entered into an agreement with E&A Financial Software Ltd. (hereinafter - the "Trade One" system"), a new trading system available to the TASE Member's customers. As from the third quarter of 2023, the Trade One system was launched for the use of several customers of the TASE Member for the purpose of testing the system. During the first quarter of 2024, the Trade One system has been offered to all customers of the TASE Member. The Trade One system is expected to be the main system that will be used by customers of the TASE Member as part of their day-to-day trading activity.

2.5.9.5 KSM Mutual Funds entered into agreements with index developers for the purpose of issuing tracker funds, and in agreements for operating mutual funds with First International Bank and other banks. For details, see Section 2.5.12 below.

2.5.10 Investments

2.5.10.1 Following the recommendations of the Committee for Increasing Trading Competition and Liquidity on the Stock Exchange, the ownership structure was changed by allocating shares to TASE members based on an economic model that had been formulated. As of the report date, the Investment House holds approx. 2.9% of the issued share capital of the Tel Aviv Stock Exchange Ltd. (hereinafter - the "**TASE**"). It should be noted that the sale of the aforesaid shares is subject to a price cap, beyond which the consideration paid in respect to the shares shall be remitted to the Stock Exchange. In January 2024, the Investment House completed the sale of its said holdings in the TASE.

2.5.10.2 In 2021, the Investment House invested in a company operating as an investment house in the field of cryptocurrency, against the allocation of approx. 49% of that Company's issued capital (approx. 47%, fully diluted). The investment agreement sets a mechanism for updating the Investment House's holding rate in the said company (out of the remaining existing shareholders), such that upon the occurrence of transactions of investments in the said company's capital at a company value exceeding an amount set in the agreement, the Investment House's holding rate in the company may decrease to up to approx. 40% (fully diluted).

2.5.11 Financing

The Phoenix Investment House finances its operations using its own sources, banking sources, and non-banking sources. The Investment House's main operations in the securities subsegment usually require liquid cash assets, which are mainly financed by its equity capital, bank credit and loan from the Company. The Investment House does not have restrictions on obtaining credit facilities.

Following is the balance of the Phoenix Investment House's outstanding liabilities (in NIS millions):

	As of December 31, 2023	As of December 31, 2022	As of December 31, 2021
Short-term credit and loans	**179**	**577**	**157**

Short-term credit - credit is used for transactions in financial instruments, the TASE Member's credit operations, and for Excellence's operating activities, and bears variable interest ranging from Prime minus 0.1% to Prime minus 0.7%. For USD-denominated credit at an interest of SOFR plus 1%.

In the reporting period, the Investment House utilized, from time to time, available credit facilities according to its current needs and liquidity (the Investment House did not fully utilize its available credit facilities). The available credit facilities do not limit the Investment House in its current activity.

2.5.12 Material agreements

A. **Operation of funds** - as of the report publication date, some of the Mutual Funds of KSM Mutual Funds are operated by KSM Mutual Funds (for ETFs and some tracker funds), and some are operated by First International Bank of Israel Ltd. (for managed funds and some tracker funds). In addition, various banks provide brokerage services and custodian services. Furthermore, Bank Hapoalim Ltd. provides TASE member services to the mutual funds operated by KSM Mutual Funds.

KSM Mutual Funds' management believes that, although it is not dependent on either of these suppliers (as services are rendered by a number of suppliers under competitive terms), switching to a new service provider may involve significant costs and a relatively long implementation period. The Investment House is potentially exposed to operational risks due to the need to routinely adapt operations to ever-evolving regulatory requirements; the Investment House is also exposed to operational risks from malfunctions in its computer and/or communications systems with the operating bank, which may cause interruptions in transfer and withdrawal orders in the segment products, and indirectly undermine the Investment House's reputation.

B. **Agreements between index developers and KSM Mutual Funds**

Issuance of tracker funds on a securities index requires a license from the index developer, who is also responsible for the index being calculated and published, and the fund manager undertook to indemnify the index developer for expenses and damages caused to them due to claims and proceedings related to the tracker funds.

It is noted that, in recent years, there has been an increase in payments for licenses to index developers. The growth stems from the expansion of products and the increase in the license fee amount, which are calculated according to total assets under management.

C. In October 2018, an agreement between KSM Mutual Funds and a sister company thereof (hereinafter - the "**Market Maker**") - for the provision of money-making services in respect of ETF units managed by the Money Maker - entered into force. Pursuant to the agreement, the Market Maker provides money-making services to ETF units. The Market Maker is required to comply with the rules set in Chapter I of the Part Three of the TASE Rules and Regulations, and the guidance provided therein in relation to market making, as revised from time to time. At the end of each trading day, the Market Maker works with the ETF's manager to redeem and create the fund's units in consideration for the assets comprising the tracker asset of the ETF, including other assets creating an exposure for these assets, as well as cash (hereinafter, jointly - the "**asset mix**"). The asset mix and the manner of its transfer between the Money Maker and the ETF manager are described in the prospectus of each ETF and/or in KSM Mutual Funds' reports to the public.

D. Liquidity agreement between the Phoenix Insurance and the TASE member - In 2017, The Phoenix Insurance signed a master credit facility agreement extending no more than NIS 400 million in credit to the TASE Member; the funds will be used to bridge liquidity timing

differences that may arise if customers of the TASE Member withdraw their deposits and the TASE Member does not have sufficient funds to cover such withdrawals.

E. For details about the lease agreement between the Investment House and Amot Investments Ltd., see Section 2.5.7 to the Report.

F. For details about the agreement between the TASE Member, a subsidiary of the Investment House, and FMR Computers and Software Ltd., see Section 2.5.9.1 above.

G. For details about the agreement between the portfolio management company and Danel Financial Solutions Ltd., see Section 2.5.9.2 above.

2.5.13 Legal proceedings

For details see Note 42 to the Financial Statements.

2.5.14 Business targets and strategy

As part of The Phoenix's strategic plan, in the reporting year The Investment House focused its activity in the area of activity of KSM Mutual Funds, the TASE Member, portfolio management and ESOP. In order to establish a growth strategy, The Investment House works to utilize economies of scale and to find solutions for the provision of financial services through digital means, both in the field of asset management and in the field of distribution.

During the reporting year, The Investment House placed an emphasis on improving its performance in the field of mutual funds management. The Investment House works to increase its market share in passive and active funds, both through organic growth (by utilizing the combined sales function of the passive and active funds) and through mergers and acquisitions, among other things through the acquisition of mutual funds from Epsilon and Psagot; it also works to establish its position as a leading investment house in the field of short-term asset management.

Furthermore, The Investment House works to expand its activity in the field of brokerage services to individuals and corporations through the TASE member by way of recruiting new customers, while providing them a digital services offering that integrates all Group's areas of activity into The Investment House; The Investment House also works to increase total assets under management in the field of portfolio management, both through organic growth (through improving the quality of its investment management) and through mergers and acquisitions (acquisition of Epsilon Portfolios and Psagot's portfolio management activity).

The Investment House takes steps for and invests in purchasing and/or development of new digital platforms and operational systems in order to improve the service provided to its customers, expand the service and product mix available to customers and mitigate operational risks.

The Investment House will continue to set the standard for a high service level to its customers and will reinforce the relationship with its customers and distributors, with emphasis on regulation, supervision, control and auditing.

2.5.15 Risk management and compliance, control and supervision mechanisms

The Phoenix Investment House has corporate governance activities for risk management, which includes three defense lines:

The first line of defense - the Investment House's business and operating units which undertake risks as part of their activities and participate in the processes of identifying and assessing risk, taking preventative measures, mitigating risks, and monitoring and reporting them. The second line of defense - the risk management department of each of the subsidiaries. The third line of defense - the board of directors, the committees of the board of directors and the internal auditing function.

Following is the structure of The Investment House's risk management, control and monitoring function:

During the reporting year, The Investment House transitioned from operating a central Risk Management Department with a Risk Management Manager reporting to the CEO of The Investment House, to a Risk Management Department comprising

risk management managers in the subsidiaries who report to the CEO of the relevant subsidiary and receive professional support from the head of financial models in The Investment House. The Risk Management Department of each subsidiary manages operational risks and financial risks (market, liquidity and credit risks) and the business continuity of the relevant company, in collaboration with the IT Systems Department. The department operates alongside the Legal Department, which is charged with managing legal and regulatory risk in the Investment House.

In the framework of its risk-management function, the Investment House has a control function that examines, among other things, credit activities, risks and investments, including through credit and investment controllers.

In addition, the TASE Member has a compliance officer, who is in charge of compliance and Prohibition on money laundering. His role includes, among other things, monitoring the compliance of the relevant organs with the provisions of the laws applicable thereto, including the TASE Rules and Regulations and its guidelines.

IT risks, including cyber protection and information security, are managed by the IT Department and the head of information security.

The Investment House appointed an officer in charge of privacy protection, whose role is to mitigate the privacy protection risks and report to subsidiaries' managements and boards of directors.

The Investment House conducts periodic risk and compliance surveys in accordance with the provisions of the relevant regulations and/or proactive surveys in order to increase the efficiency of its activities and maintain monitoring and control thereon. The risk surveys include mapping and identifying risks in the Investment House's different areas of activity and the scope of exposure arising therefrom, as well as recommending steps to mitigate the risks. The risk and compliance surveys are presented to the Audit Committee and boards of directors

of the companies whose activities were surveyed; based on the surveys, multiannual work plans are prepared to close the gaps and minimize risks in the audit, control, compliance and risk management areas.

The Investment House has an internal audit division that includes an internal auditor who is responsible, inter alia, for implementing annual and multi-year work plans for the internal audit function, and monitors implementation of findings and reporting.

In The Phoenix Advanced Investments, the management of the various risks is coordinated under the Group's Chief Risk Officer, the internal audit function, and the Compliance Department in The Phoenix. In addition, a dedicated head of control was appointed for this activity.

Some of the Investment House's subsidiaries have internal compliance programs for securities, as a direct result of the Improvement of the Israel Securities Authority's Compliance Procedures (Legislation Amendments) Law, 2011, and the Increasing Compliance in the Capital Market (Legislative Amendments) Law, 2011. Changes in these plans are approved by the Board of Directors of the relevant subsidiary from time to time. In addition, in the reporting year, The Investment House adopted a Compliance Program in the field of competition laws.

2.5.16 Discussion of risk factors

The following table summarizes the key risk factors which may affect the course of the Investment House's business in its various areas of activity. Risks are described according to their nature - macroeconomic risks, industry-specific risks, and risks that are specific to the Investment House. The risks are ranked according to the assessment as to their effect on The Investment House's business as a whole made by The Investment House's management. For details, see Note 41 to the Financial Statements.

Type of risk	Summary description	The extent of effect on The Phoenix Investment House's business
Macroeconomic risks	The economic conditions, including employment levels	Moderate
	Market risks	Moderate
Industry-specific risks	Market failure and illiquidity	High
	Decline in scope of activity and in the value of assets under The Phoenix Investment House's management	Moderate
	Customer credit	Moderate
	Dependency on third parties and dependency on a supplier	Moderate
	Operational risks and trading errors	High
	Business continuity	High
	Regulatory risks and regulatory changes	High
	Legal risks and class actions	High
	Industry-specific risk in the field of ETNs	Moderate
	Cyber risks	High
	Human capital	Moderate

The Phoenix Investment House's specific risks	Reputational risk	High
	Independent operation of ETFs	High

It should be emphasized that there are other risk factors that are specific to each of the Investment House 's areas of activity that are not detailed below but which could affect them.

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from those which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

2.6 The Credit Segment

2.6.1 General information about the segment

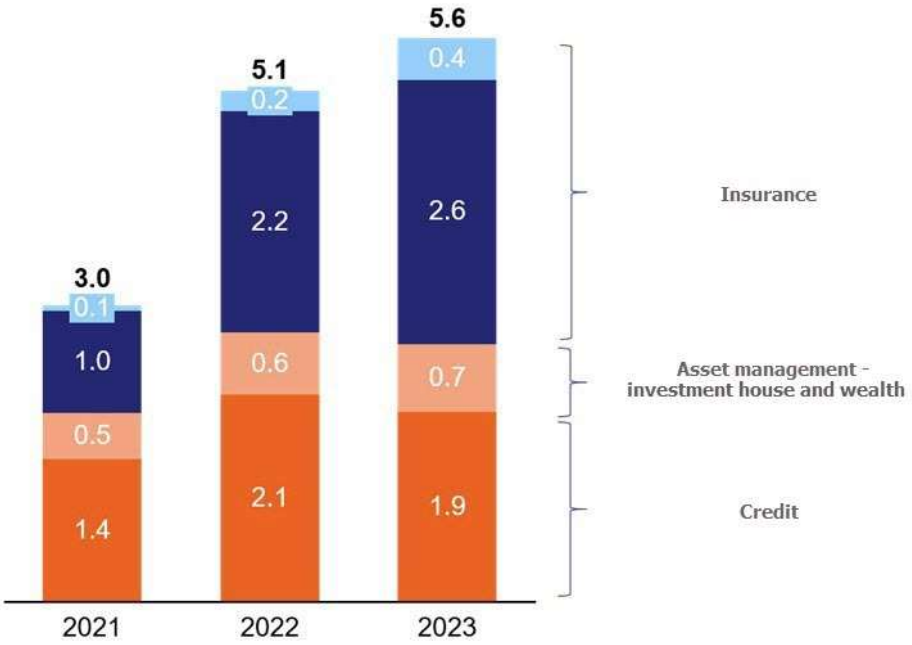
General

The Company operates in this area of activity through a number of Group companies, the main one of which is Gama Management and Clearing Ltd. (hereinafter - "**Gama**").

Furthermore, the Group has a number of other credit entities that use the Group's nostro funds, and which are not included in the Credit Segment as of the report date, including financing to construction projects (mainly residential), which is managed by The Phoenix Construction Financing and Guarantees Ltd. (hereinafter - "**The Phoenix Financing and Construction**") (which was held through December 31, 2023 by The Phoenix Insurance), mortgages to senior citizens[13] and other entities.[14]

As part of the execution of the strategic plan in the credit segment, and the wish to concentrate the Group's credit activity under a single arm in order to establish a significant credit activity arm within the Group, in the reporting year, the activity was restructured, with The Phoenix Financing and Construction becoming wholly owned by Gama as of January 1, 2024. For further details, see Section 1.3.13 above.

As of the report date, the total amount of the Group's credit activities which is not attributable to the planholders asset management, through all of the abovementioned entities, is approx. NIS 5.6 billion, as described in the following chart:



The core activity in the Credit Segment as of the report date was Gama's activity. As of the report date, Gama is a privately-held company wholly-owned by the Company, whose bonds are listed on the TASE, and accordingly, it is a reporting corporation, as this term is defined in the Securities Law.

[13] For details about The Phoenix Mortgages (Gold), see Section 4.4.4.4 below.
[14] For details in connection with the TASE Member in The Phoenix Investment House, see Section 2.5.2.8 below.

Gama renders payments and financial services as well as credit services to companies and businesses. Following is the Company's description of Gama's key activities.[15]

Gama - General

In the reporting year, The Phoenix Investments and Finances carried out a number of transactions for the purchase of additional shares in Gama, and in August 2023, following a full tender offer in respect of The Phoenix Gama's shares, Gama became a privately-held company (reporting corporation), which is wholly-owned by The Phoenix Investments. For further details, see the immediate reports dated August 10, 2023, and August 29, 2023 (Ref. Nos.: 2023-01-074644 and 2023-01-081274).

Gama is a financing company that renders payment and financial management services and credit services to companies and businesses in Israel.

Gama was rated Aa3 with a stable outlook by Midroog in 2006 and maintained this rating ever since; the latest affirmation of the rating took place on June 14, 2023.

Gama's management is highly experienced in the field of business credit. This management team is supported by a sales and business division, most of the managers and representatives of which are long-serving Gama employees.

Gama has approx. 16,600 customers, who conducted transactions with Gama during the 12 months prior to the report date, and to whom it provides credit solutions as well as comprehensive financial solutions, which are uniquely based on the various types of credit products offered by Gama through a single dedicated platform. Gama's customers come from a range of fields, including commerce, services, retail and industry in Israel.

Gama has a customer base comprising thousands of customers in the field of payment cards acquiring and factoring (as an aggregator); among its customers are leading Israeli commerce and retail companies, including leading chain stores and leading Israeli commerce and services companies. Those customers opt to use Gama's services due to it unique solutions, technological capabilities, and its one-stop-shop systems.

In the field of payment cards, Gama has independently-developed information systems it uses to manage its activity during its years of activity and to provide services and information to customers, including systems for payment cards reconciliations.

Alongside its credit card acquiring activity (as an aggregator), Gama also offers credit to be used for its customers' business activity. Gama works to leverage the synergy between its range of credit and finance products to generate added value to its customers, such as in the form of various types of credit offerings adapted to various dedicated objectives in accordance with the customers' various needs using a single financial system.

Following is a breakdown of Gama's customers by years of doing business with the company* -

[15] For detailed information regarding all aspects of Gama's activity, see Gama's 2023 report: P1580628-00.pdf (tase.co.il).

No. of customers	In the first year of the contract	One to two years	Two to three years	Between three and five years	Five years and up
16,593	3,855	2,789	2,317	3,027	4,605

*In this table, the population of customers for each year includes the customers that were active during that year. The period during which the customer has been doing business with Gama refers to the date on which the customer conducted its first ever transaction with Gama.

Following is the development in the number of Gama's active customers in recent years –

2023	2022	2021
16,593	14,785	12,709

Gama Subsidiaries

Gama has two wholly-owned subsidiaries (100%): Gama Personal Direct Financing Ltd. (hereinafter - "**Gama Financing**") and Control Credit Adjustments Ltd. (hereinafter - "**Control**"); both companies were incorporated in Israel. Furthermore, Gama has a 50% stake in Caspogama Advanced Payment Solutions (2014) Ltd., which was incorporated in Israel.

As stated above, as from January 1, 2024, Gama also wholly-owns (100%) The Phoenix Construction Financing. The Phoenix Construction Financing became wholly owned by Gama, which also received some of the Sale Law guarantees and construction financing activities as part of a restructuring in The Phoenix group, which aims to concentrate - under Gama - most of the business credit activities of the Group, in order to maximize the synergy between Gama's credit products and allow Gama to provide more comprehensive and extensive solutions to its customers.

The restructuring was executed in phases; in the first phase, on December 31, 2023, The Phoenix Insurance distributed a dividend in kind to the Company comprising of shares of The Phoenix Construction Financing and Guarantees Ltd.. The distribution of the dividend in kind was carried out according to a valuation received from an external appraiser at a value of approx. NIS 315 million. In the second phase, in January 2024, the Company transferred its entire stake in The Phoenix Financing and Construction to Gama. It is noted that as part of the restructuring:

1. The Phoenix Financing and Construction was transferred to Gama with a credit portfolio of approx. NIS 600 million.
2. The Phoenix Construction Financing has a remaining debt of approx. NIS 330 million to The Phoenix Insurance.
3. The Company provided Gama or its subsidiaries with a guarantee of approx. NIS 200 million, in accordance with the requirements of Gama's activity.
4. Gama's shareholders' equity increased by approx. NIS 300 million.

Gama's areas of activity

Both Gama and Gama Financing hold an expanded license for the provision of credit and an extended license for the provision of services in financial assets from the Capital Market, Insurance and Savings

Authority (hereinafter - the "**Capital Markets Authority**") in accordance with the Financial Services Supervision Law (Regulated Financial Services), 2016 (hereinafter - the "**Financial Services Law**").

Gama operates own its own and through its subsidiaries in the following operating segments:

1. Acquiring aggregator and factoring of payment card vouchers

This activity is carried out by Gama and by Gama Financing. As part of this activity, Gama operates as an acquiring aggregator; that is to say, it aggregates payment card debit and credit transactions for many merchants, with the acquirer fee paid by the merchant being agreed upon between the merchant and Gama.

Furthermore, as part of its payment cards activity, Gama provides merchants with the service of factoring payment cards vouchers.

2. Financing against post-dated checks (check factoring)

This activity is carried out by Gama and by Gama Financing. As part of this activity, Gama provides funding to companies, merchants, or credit providers against the assignment or delivery of post-dated checks issued by third parties - this activity is also known as checks factoring.

3. Financing provided against real estate properties

This activity is carried out by Gama and by Gama Financing. As part of this activity, Gama provides customers with loans against which a pledge is placed (mostly first-ranking pledge) on assets, land and real estate.

4. Loans for businesses

This activity is carried out by Gama and by Gama Financing. As part of this activity, Gama provides financing to businesses, mostly against collaterals that secure some or all of the loan amount.

5. Additional (other) areas of activity

Gama also operates in a number of other areas of activity, such as: factoring (financing against invoices), business guarantees, and financing of equipment.

The following table provides data as to Gama's overall annual transaction turnover in millions of NIS in 2021-2023:

2023	2022	2021
38,718	38,950	*34,015

***** Following a change that took place in 2022 in connection with the method used by the chief operating decision maker to assess the activity volumes of some of the subsegments (checks factoring, financing against real estate assets and other activities), the volumes of activity in respect of those subsegments were restated as part of the comparative figures relating to 2021 such that they do not include the interest in respect thereof.

Financial information about Gama's areas of activity:

Breakdown of financial data as of December 31, 2023 or 2023 (as the case may be) (in NIS thousand)

	Acquiring and factoring credit vouchers subsegment	Checks factoring subsegment	Financing activities subsegment vs. real estate properties	Loans for businesses	Other	Unat-tributed and ad-justment	Total
Finance income	573,831	39,622	117,937	40,497	12,051	(432,035)	351,903
Finance expenses	432,035	21,678	62,060	21,726	2,573	(432,035)	108,037
Net finance income	141,796	17,944	55,877	18,771	9,478	-	243,866
Expenses for doubtful and bad debts	(40)	2,674	3,634	5,124	1,325	-	12,717
Selling and marketing expenses	-	-	-		-	5,776	5,776
General and administrative expenses	-	-	-		-	116,998	116,998
Pre-tax income in the period							108,375
Income taxes	-	-	-		-	29,189	29,189
Net income							**79,186**
Comprehensive income							**79,435**
Total assets	**1,911,371**	**264,603**	**1,164,242**	**389,600**	**52,124**	**-**	**3,781,940**

Breakdown of financial data as of December 31, 2022 or 2022 (as the case may be) (in NIS thousand)

	Acquiring and factoring credit vouchers subsegment	Checks factoring subsegment	Financing activities subsegment vs. real estate properties	Loans for businesses	Other	Unat-tributed and ad-justment	Total
Finance income	434,347	54,640	66,540	17,693	7,464	(339,805)	240,879
Finance expenses	339,805	18,958	24,408	7,781	1,760	(339,805)	52,907
Net finance income	94,542	35,682	42,132	9,912	5,704	-	187,972
Expenses for doubtful and bad debts	73	6,355	2,186	1,679	(47)	-	10,246
Selling and marketing expenses	-	-	-		-	5,696	2,538
General and administrative expenses	-	-	-		-	87,502	87,502
Pre-tax income in the period							84,528
Income taxes	-	-	-		-	22,332	22,332
Net income							**62,196**
Comprehensive income							**63,414**
Total assets	**1,391,757**	**673,063**	**1,075,010**	**322,027**	**50,392**	**-**	**3,512,249**

Breakdown of financial data as of December 31, 2021 or 2021 (as the case may be) (in NIS thousand)

	Acquiring and factoring credit vouchers subsegment	Checks factoring subsegment	Financing activities subsegment vs. real estate properties	Loans for businesses	Other	Unat-tributed and ad-justment	Total
Finance income	354,633	32,021	30,877	12,031	2,364	(280,792)	151,134
Finance expenses	280,792	6,759	10,041	3,920	454	(280,792)	21,174
Net finance income	73,841	25,262	20,836	8,111	1,910	-	129,960
Expenses for doubtful and bad debts	(735)	1,574	592	(905)	(151)	-	375
Selling and marketing expenses	-	-	-		-	2,538	2,538
General and administrative expenses	-	-	-		-	70,839	70,839
Listing expenses	-	-	-		-	32,871	32,871
Pre-tax income in the period							23,337
Income taxes	-	-	-		-	8,257	8,257
Net income							**15,080**
Comprehensive income							**14,754**
Total assets	**1,144,050**	**580,787**	**671,203**	**199,308**	**19,104**	**-**	**2,614,452**

The nature of adjustments made to the financial data as of December 31, 2023, December 31, 2022 and December 31, 2021 is as follows:

In credit vouchers acquiring and factoring - the breakdown of finance income against finance expenses presented in the table reflect Gama's turnover with the merchants and financing entities;

Selling and marketing, general and administrative expenses are presented in the adjustments column since Gama does not allocate those expenses to the different operating segments.

2.6.2 Key Developments in Gama's Activity

Investments in the Gama's Equity and Transactions Involving its Shares

As described above, in the reporting year, The Phoenix Investments and Finances acquired all shares of the company, which were held by its shareholders.

On September 28, 2023 Gama allotted 980,709 shares to The Phoenix Investments and Finances against a capital injection of approx. NIS 13.7 million.

Subsequent to the report date, on January 1, 2024, Gama allotted 24,446,142 shares to The Phoenix Investments and Finances against capital injection amounting to approx. NIS 320 million.

Dividend distribution policy

In March 2023, Gama's Board of Directors approved the re-adoption of a dividend distribution policy (that was first adopted by the Board of Directors on April 20, 2021). As part of the dividend distribution policy, every quarter Gama will declare the distribution of a dividend out of its distributable profits that

have not been previously distributed, as arises from Gama's reviewed or audited consolidated financial statements, in accordance with the Board of Directors' discretion. On November 12, 2023, after Gama became a privately-held company, its Board of Directors approved that the dividend distribution shall be carried out every half a year instead on a quarterly basis as stated above.

According to the policy, the dividend rate will not be lower than 30% of the annual net income as per Gama's latest reviewed or audited consolidated financial statements, provided that the dividend distribution shall meet the requirements of the law. It should be clarified that the foregoing is not intended to derogate from the power of Gama's Board of Directors to decide not to distribute a dividend or to distribute a dividend at rates that vary from what is stated above, all as it deems appropriate at any given time, subject to the provisions of the law.

2.6.3 General environment and effect of external factors on Gama's activity

The Israeli corporate credit market - covering the provision of credit to wholesale and retail companies and businesses from all operating segments of the Israeli economy - is mainly controlled by banking corporations and institutional entities. Other market players include the payment card companies, credit funds and non-bank credit companies.

In recent years, regulators introduced many regulatory measures aimed at regulating the field of financial services in Israel in general and the field of non-financial credit in particular, while increasing competition in these fields and providing consumers with a regulated alternative alongside or in collaboration with the services currently provided by banking corporations and institutional entities, while creating a licensing regime for market players in order, inter alia, to enable the connection of non-banking entities to the existing payments systems while keeping out entities that lack a reliable, stable infrastructure in order to protect the payments system and the interests of customers and/or against entities with illicit activity.

In addition, in recent years regulators have also introduced regulatory measures aimed at increasing competition among entities providing the most common financial and banking services (following the recommendations of the "Strum Committee"); those new regulatory measures included, among other things, legislation whose aim was to increase competition and reduce concentration in the Israeli banking market, as well as to increase the competition in the acquiring market by regulating the activity of acquiring aggregators - a field in which Gama operates under agreements with CAL and Isracard, alongside the legislation already in place, regulating the factoring market.

Furthermore, in recent years we witnessed a trend of expansion in technological financial services and solutions; those included local and international payment apps, the entry of multinationals such as Apple Pay and Google Pay to the payments market, and the provision of credit through online platforms. This trend expanded the services offering and the potential of creating other regulated market players that will operate as an alternative to, alongside or in collaboration with banking corporations and institutional entities. This potential expansion of the means of payment offered to merchants is in line with Gama's activity to date; Gama's objective is to provide merchants solutions

that will maximize value for them by providing them a one stop shot providing as many financial services and financing solutions as possible.

Under said regulation, on June 14, 2022, the Open Banking Reform began to come into force gradually, in accordance with **the Financial Information Service Law, 2021** (hereinafter - the "**Financial Information Service Law**"), that allows entities holding the required license to obtain, at the consent of the customer, online access to financial information about the customer from sources of financial information for the purpose of providing various services to the customer, including offering products or financial services to the customer. At the same time, the Financial Information Service Law requires sources of information that hold financial information pertaining to the customer to give financial information service providers online access to the customer's financial information (provided that the customer has given his/her consent).

In accordance with the Financial Information Service Law, an entity holding a license to provide credit, such as Gama, may act as a provider of financial information services after obtaining the Capital Markets Authority's approval. After the law came into force, the Capital Markets Authority published circulars regarding "Directives to Financial Information Service Providers", that prescribe provisions regarding the manner by which such a license may be obtained, as well as provisions regarding the activity of a credit provider license holder as a financial information service provider.

Furthermore, in accordance with the Financial Information Service Law, a credit provider license holder, such as Gama, is considered a source of information, that will be obliged to provide access to financial "information about credit", in accordance with the dates set out in the law; as of the report publication date, the law is expected to take effect in November 2024.

In addition, in June 2023, The Regulation of Engagement in Payment Services and Payment Initiation Law, 2023 (hereinafter - the "**Regulation of Engagement in Payment Services Law**") was published, which prescribes a new supervision and licensing regime, which will apply to non-bank providers of payment services, which are not supervised by The Bank of Israel. The purpose of the law is to enable the entry of new market players into the payments market, including international entities, and thereby increase the competition in this field and allow the development of innovative financial products and services, that will contribute to the promotion of the Israeli payments markets, increase its efficiency and lead to economy-wide cost savings as part of the execution of payment transactions. The new law supplements the Payment Services Law, 2019, which enshrined the protections available to those who make payments and to beneficiaries in relation to payment services.

Concurrently with the regulation of the payment services as described above, the Bank of Israel also promotes processes and actions designed to increase the number of market players using the payment systems under its supervision, and also allows the creation of channels for development of payments other than through the banking corporations or credit card companies, including immediate payments. For example, as part of the above, in the past year The Bank of Israel started allocating an authentication code to non-banking entities.

In the opinion of the Company, in the next few years these trends will lead to increased growth in the non-banking credit market, payments market, and financial services market, as an alternative to, alongside or in collaboration with banking corporations and institutional entities. Accordingly, on the one hand these developments may allow further growth in the Company's activity, both in terms of the range of products it will be able to offer its customers, and in terms of the synergy between those products. On the other hand, the said regulation may also intensify the threat by competitors, both in terms of the number and range of market players, including the entry of international market players, and in terms of the number and range of the payment products available in the market, which might decrease the use of traditional means of payment, such as payment cards, which is the Company's main focus of activity.

2.6.4 General information about Gama areas of activity

2.6.4.1 Acquiring aggregator and factoring of payment card vouchers

The two key services in this subsegment are acquiring aggregator of payment cards and factoring of payment card vouchers. The services are provided to merchants with whom Gama enters into engagements.

Gama, on its own and through its subsidiary - Gama Financing - operates as an acquiring aggregator. As of the date of this report, Gama has a material acquiring aggregation agreement in place with CAL, and an immaterial acquiring aggregation agreement with Isracard.

The Law for the Promotion of Competition and Reduction of Concentration in the Israeli Banking Market (Legislative Amendments), 2017 was published in 2017 as part of the "Strum Reform" (hereinafter - the "**Competition Promotion Law**"), whereby an entity providing acquiring services shall only be allowed to refuse entering into engagement with acquiring aggregators for reasonable reasons and as provided by law. After the legislation of the Strum Reform and the Competition Promotion Law, Gama entered into an acquiring aggregation agreement with CAL.

As part of its factoring of payment card vouchers, Gama brings forward payments to merchants in respect of acquiring proceeds payable to merchants by acquirers for credit vouchers from transactions conducted with the merchants through payments cards, against the merchant's assigning to Gama its right to those proceeds.

In order to provide the vouchers factoring services outside its activity as a acquiring aggregator, Gama has in place agreements with the entities providing acquiring services: (CAL (including Diners), Isracard (including Premium Express Ltd. - American Express) and Max; those agreements allow Gama to provide payment card vouchers factoring services to merchants that have in place agreements with any of the said entities providing acquiring services, with the latter undertaking - as part of the agreements - to pay Gama the acquiring proceeds assigned to Gama by the merchant.

In this field of activity Gama also offers to its customers - and sometimes also to merchants that do not receive from Gama acquiring aggregation and factoring services - additional relevant services.

In addition, Gama offers merchants the option to receive credit voucher reconciliation services through an independently-developed system; this service is provided by Control - a Gama subsidiary. As part of this service, Control analyzes information from various parties involved in the acquiring process and presents customers with an analysis of the merchant's payment card activity, including information regarding transactions that were not paid by the acquiring services providers, canceled and disputed transactions and more.

	Net income for the year ended			
	December 31, 2023		December 31, 2022	
	In NIS thousand	In %	In NIS thousand	In %
Acquiring aggregator services	29,848	21.0	18,577	19.6
Factoring of payment card vouchers	111,948	79.0	75,965	80.4
Total	**141,796**	**100%**	**94,542**	**100%**

2.6.4.2 Changes in the scope of operations and profitability of the subsegment

CAL's acquiring aggregation agreement with Gama triggered competition in terms of the acquirer fees paid by merchants to acquiring aggregators and to entities providing the acquiring services; the said agreement caused a decrease in acquirer fees and reduced many merchants' costs relating to transactions conducted with payment cards, especially small and medium merchants.

On the other hand, the significant cumulative increase in interest rates in Israel since mid-2022 led to an increase in the costs incurred by merchants in respect of factoring of debit vouchers, such that in order to reduce the finance costs, some of the merchants limit the use of factoring of debit vouchers, whether by limiting the number of payments in transactions with their customers, or by partially or fully relinquishing those services.

Despite the aforesaid, during the reporting period, Gama expanded the volume of its activity in this field, and its profitability therefrom increased.

2.6.4.3 Development in the subsegment's market, or changes in its customers' characteristics

The payment card vouchers acquiring and factoring market benefited from organic growth over the years as a result of population growth and improved living standards. Furthermore, in view of regulatory measures encouraging reduced use of cash and technological advancements, we are witnessing a transition from payment in cash to payment using other means of payments, such as payment cards, including digital means. In addition, the Strum Reform and the changes in triggered in the market resulted with a less concentrated acquiring market and an increase in the market share of new players in the field of payment acquiring - acquiring aggregators.

2.6.4.4 Technological changes that may have a material effect on the acquiring aggregator and factoring of payment card vouchers subsegment

The adoption of the EMV standard has made the use of payment cards by merchants even more secure. This process allows the introduction of other innovative technologies and payment methods, such as contactless payments. In addition, the development of other innovative technologies in the field of payment cards accelerated the transition to e-commerce, including using technologies that secure the payment, such as 3d Secure. The payment cards market adopts new clearing technologies, both in physical terminals and through the Internet and e-commerce, alongside the development of advanced digital payment options such as local and international payment apps (such as Apple Pay and Google Pay) and local and international digital wallets that offer various payment apps, through which transactions may be conducted both in physical terminals and online.

Currently, payment apps and digital wallets operate through payment cards; accordingly, Gama's acquiring and factoring services are also required for payments made using such methods. The introduction of technological and regulatory changes that allow direct payment from one account to another mature into a viable product, rather than through a payment card, specifically in terms of payments for goods and services bought physically from merchants and online payments for retail goods and services, may adversely affect the scope of activity in the Israeli payment cards market, as well as Gama's activity in this field.

Gama continues to take steps to integrate its capabilities with the new means of payment and payment apps, in order to become a one stop shop offering a comprehensive solution for merchants encompassing all means of payment.

The development of authentication technologies allowed the regulator, which supervises Gama's activity - the Capital Markets Authority - to adopt recently a policy that allows the recruitment of new customers using remote authentication, even in cases where customer authentication is required as part of the know your customer process for anti-money laundering purposes; this allows a more efficient and faster customer recruitment process in terms of resources invested by companies.

2.6.4.5 Financing against post-dated checks (check factoring)

Post-dated checks (deferred checks) are a type of a bill whose characteristics are set in the Bills of Exchange Ordinance. Pursuant to the Bills of Exchange Ordinance, the person or entity writing the check is defined as the "drawer", and the check's payee, or the person or entity to whom the check was lawfully endorsed is defined as the "check holder". The service in this subsegment is the provision of credit to merchants against the factoring of checks, with the check's drawer being a third party.

2.6.4.5.1 Segment structure and changes therein

The principal players in this field are banking corporations and entities licensed to provide credit services.

2.6.4.5.2 Changes in the scope of operations and profitability of the subsegment

The significant accumulated interest rate hike in Israel since the second half of 2022 through the publication date of this report, and its consequences on the activity of the entire economy has impacted the increase of risk in the credit segment, and specifically in this subsegment. In view of these macroeconomic changes and the increased risk in this area in particular, Gama took steps to mitigate the credit risk in this subsegment, including by adjusting the interest spread and substantially reducing the activity, following which the portfolio was reduced by approx. 60% during the reporting period, in view of, among other things, the stricter underwriting terms and lower risk appetite in this area.

If the interest rate in Israel will remain unchanged in the next year, it is likely that the company will continue implementing its above policy regarding its risk appetite in the segment, such that its activity in the segment will not increase significantly, and accordingly Gama's income in this segment will not increase too.

2.6.4.5.3 Development in the subsegment's market, or changes in its customers' characteristics

In recent years competition in this subsegment intensified; this is reflected in an improvement of the services offered to customers. One of the key factors that impacted the change of the non-bank credit market in general and the area of checks factoring in particular is the enactment of the Financial Services Law in 2016; this law was enacted in order to significantly regulate non-bank financial services thereby increasing efficiency levels in the market as well as the ability of non-bank entities to compete with banks and with one another. This regulation supports the expansion of the non-bank credit market and increases companies and businesses' awareness to the option of obtaining credit from such sources.

On the other hand, the increase in the costs of raising sources of financing as incurred by non-banking credit providers following the significant accumulated interest rate hike in Israel and the increase in the risk in the segment cooled off the competition in this segment, due to, among other things, a decrease in the number of players operating in this market.

2.6.4.5.4 Technological changes that may have a material effect on the subsegment

The checks factoring market is a traditional market that relies on the Bills of Exchange Ordinance. Currently, digital checks are not yet available.

2.6.4.6 Financing provided against real estate properties

This activity is conducted by Gama itself and by Gama financing. The activity mainly focuses on companies, businessmen and businesswomen, small and medium developers, investors and private individuals, who wish to obtain financing by mortgaging a real estate asset they own. The financing advanced in this area of activity can be used to purchase real estate assets,

develop and improve the real estate, develop and improve the customer's business activity, and/or for other purposes. Normally, financing is provided for a period of up to five years.

In 2023, Gama made a gradual entry into the construction projects financing activity, which includes, among other things, development of construction projects, and urban renewal, National Planning Scheme No. 38/2 projects, as well as raze and rebuild projects.

In 2024, this construction projects financing activity will be carried out through Gama's subsidiary - The Phoenix Construction Financing - which specializes in the provision of such credit, and which, as of the date of its transfer to Gama, owns a credit portfolio of approx. NIS 600 million.

2.6.4.6.1 Segment structure and changes therein

The scope of the financing against real estate assets subsegment is very wide; the subsegment includes, inter alia, construction financing, investments in building projects, National Planning Scheme No. 38 projects, purchasing groups, and more. As of the report date, Gama's activity in this subsegment focuses on financing against the provision of a real estate property as a collateral, and the credit extended may be used for real estate-related purposes or for any other purpose of the borrower, as stated above. For many years, this subsegment was controlled by banks. In recent years, there has been a growth in this field among non-bank entities that extend loans against real estate properties, especially to businessmen, entrepreneurs and investors.

2.6.4.6.2 Changes in the scope of operations and profitability of the subsegment

Gama started operating in this subsegment in 2017. This subsegment has driven growth in Gama's activity, and its scope increased since its establishment both in terms of amounts of credit extended and in terms of Gama's income from this subsegment.

The significant cumulative increase in interest rates in the Israeli economy since the second half of 2022 and through the date the publication of this report, and the Iron Swords War that broke out on October 7, 2023, caused a decline in real estate activity in Israel, both on behalf of the developers and on behalf of the end customers; consequently, this increase led to a decline in developers and companies' demand for financing for the purchase of real estate and/or its improvement. Furthermore, such interest rate hikes also led to lower demand for financing by companies and businesses for the development and improvement of their business, in view of increased finance costs and non-viability of such improvements. If interest rates in Israel will remain at its current level as of the report publication date, and if the Iron Swords War will continue, as well as its direct effects on this segment, which led both to a decline in demand and to an increase in construction costs due to shortage of construction workers, this might have an adverse effect on the growth of this area of activity, both in terms of the number of transactions, and in terms of the interest spreads.

2.6.4.6.3 Development in the subsegment's market, or changes in its customers' characteristics

In connection with this matter, see the description of the effect of interest rate hikes and the Iron Swords War on the area of activity, as described in Section 2.6.4.6.2 above.

2.6.4.6.4 Technological changes that may have a material effect on the subsegment

In the opinion of Gama, as of the report date there are no technological changes that are expected to have a material effect on this subsegment.

2.6.4.7 Loans for businesses

This activity is carried out by Gama and by Gama Financing. This activity is usually carried out as part of a basket of financing solutions to businesses to which the Company renders services. The average duration of the loans provided in 2023 is approx. 18 months. Loans in this subsegment are mostly advanced such that the principal and the interest are repaid on a current basis over the term of the loan ("**Spitzer**") and are backed with collaterals of various types.

As part of this subsegment, the Company also advances state-backed loans by virtue of an agreement the Company signed with the Accountant General Department in the Ministry of Finance (hereinafter - the "**Accountant General**"). The term of the agreement with the Accountant General is through December 31, 2025. In addition, in the last quarter of 2023, the Accountant General also set up a special fund for the advancement of loans to businesses, whose turnover was adversely affected by the Iron Swords War; the Company took part of this scheme and advanced loans to businesses as part of it.

2.6.4.7.1 The structure of the areas of activity and changes therein

The key players in this field are the banking system, credit card companies, funds, institutional entities, and non-bank financing entities. In recent years, non-bank entities entered into these areas of activity.

With the phased introduction of the open banking reform, Gama believes that this reform will intensify competition in this segment on the part of non-banking credit services providers.

2.6.4.7.2 Changes in the scope of operations and profitability of the subsegments

In view of the market's opening to competition, the regulation of the non-bank market, and the marketing activities of the various actors, Gama estimates that the competition in these fields will continue to develop alongside a continued growth in non-bank activities.

Gama views the business loans and credit activity as its growth engine in coming years.

Without detracting from what is stated above, the significant accumulated increase in interest rates in the Israeli economy since the second half of 2022 and during the reporting period impacted companies and businesses' demand for financing for their businesses in view of the

increase in finance costs, and at the same time increased the risk associated with the segment, which moderated Gama's growth in this area of activity.

2.6.4.7.3 Development in the segments' market, or changes in its customers' characteristics

In connection with this matter, see the description of the effect of interest rate hikes in Israel and the outbreak of the Iron Swords War on the area of activity, and the effect of the introduction of the open banking reform, as described above.

2.6.4.7.4 Technological changes that may have a material effect on the segments

The Company is of the opinion that the implementation of the open banking reform and the underwriting capabilities arising therefrom, which rely on technological capabilities of receiving information and analyzing it in real time, are expected to have a material effect on the area of activity, both in terms of customers' switching between financing entities, and in terms of a more accurate underwriting capability, based on reliable real time information about the customer's position, that will enable resources savings during the underwriting process.

2.6.4.8 Other

This activity is conducted by Gama itself and by Gama financing. As part of this activity, Gama provides a range of credit solutions to businesses, such as: factoring, financial guarantees and financing of equipment. These activities are executed both as a value proposition for Gama's customers and other customers, who are not among Gama's customers in the field of acquiring (as an aggregator) and factoring of payment card vouchers in accordance with their business needs, and to meet demand on behalf of its customers as part of Gama's strategy to serve as one-stop-shop that meets all the financial needs of its customers.

Gama has a constructive advantage in the areas of activity when it comes to customers of acquiring aggregators and factoring of debit vouchers; this is due to the flow of transactions it clears and/or factors for the merchant as part of its current business activity, which may be used as a collateral for activities in this field, in accordance with the offsetting right awarded to Gama in the engagement agreements.

Financial guarantees - Gama commenced its activity in this area in the last quarter of 2021, and worked to introduce this service to the market and to achieve recognition as a financially robust entity that provides financial guarantees.

In November 2022, the Accountant General gave Gama approval to issue guarantees for government-issued tenders, government support units and government entities, alongside banks, credit card companies and a small number of non-bank entities.

This move enhances Gama's ability to compete in this market and will also allow it to continue expanding its activity in this field in the future, specifically in this extensive area of engagement with the government and other public entities. It is noted that to this end Gama is making

preparations for issuance of digital guarantees in accordance with the interface dictated by the government and entities operating on its behalf.

Factoring (financing against invoices) - as part of this activity, merchants and companies that issued to their customers invoices for deferred payment in respect of services or products they provided to customers can receive an advance, which is normally a non-recourse advance of up to approx. 95%, other than in a case of a commercial dispute. On the date on which the debtor pays the amount to Gama, the latter transfers the remaining payment amount to the merchant, net of interest and a fee.

2.6.4.8.1 The structure of the areas of activity and changes therein

The key players in this field are the banking system, credit card companies (as part of their business loan activity), institutional entities, and non-bank financing entities. In recent years, non-bank entities entered into these areas of activity.

2.6.4.8.2 Changes in the scope of operations and profitability of the subsegments

In view of the market's opening to competition, the regulation of the non-bank market, and the marketing activities of the various actors, Gama estimates that the competition in these fields will continue to develop alongside a continued growth in non-bank activities. In 2023, Gama increased its financial guarantees portfolio by 68.6%, such that as of the report date the portfolio amounts to approx. NIS 167 million; Gama views the financial guarantees area of activity as a growth engine for future years. With regard to the equipment financing activity, Gama did not take steps to expand the portfolio in 2023, in view of the characteristics of the activity and its operational aspects.

2.6.4.8.3 Development in the segments' market, or changes in its customers' characteristics

In recent years competition in these subsegments intensified. One of the key factors that impacted the expansion of the non-bank credit market in general and the area of check discounting in particular is the enactment of the Financial Services Law in 2016; this law was enacted in order to significantly regulate all non-bank financial services, and thereby facilitate the expansion of the market and the ability of non-bank entities to compete with banks.

The field of financial guarantees was also significantly impacted by the state's recognizing non-bank credit companies that meet the threshold criteria set by the state, as companies that may provide financial guarantees to state-issued tenders. This recognition may intensify the competition in the business credit market, and strengthens the position of those companies and their ability to compete with banks and/or insurance companies.

In addition, a regulation on behalf of the Capital Markets Authority is expected to come into force in June 2024, which stipulates that an entity holding an expanded license to provide credit, which issues guarantees to secure the debt of another entity, is required to meet the

capital requirement set in the circular, if its guarantees portfolio exceeds NIS 25 million; this is in addition to the minimum capital requirements set in the Financial Services Law.

The coming into force of this circular may improve the stability of non-banking entities that will provide guarantees, and even reduce the number of market players in the non-banking market, and consequently intensify the competition in this field between non-banking entities and the banking system and credit cards companies, which are supervised by The Bank of Israel.

Gama already meets the additional capital requirements set in the circular of the Capital Markets Authority as stated above.

2.6.4.8.4 Technological changes that may have a material effect on the segments

In recent years, the areas of activity are impacted by the technological changes in the financial market, and an increasing number of services are provided online and via digital channels. Gama gives its customers the option to apply online for guarantees. In addition, as from 2023, the issuance of guarantees to entities on behalf of the state shall be carried out digitally using interfaces that were approved by the state. Accordingly, Gama is making preparations for the digital issuance of guarantees.

2.6.5 Critical success factors in the area of activity and Changes therein

The following success factors may be listed in connection with Gama's activity:

- Reputation - the reputation of Gama and its managers is of crucial importance due to the nature of Gama's activity. Gama is a long-standing market player; over the years, it forged a reputation as a reliable and professional company, which is financially stable and robust, and as a generator of competition in the small and medium businesses sector in Israel.
- Liquidity and availability of services - as a rule, services of the type provided by Gama require liquidity levels that will allow the conducting of a large number of transactions, the recruitment of new customers and the provision of services to customers with large-scope activities. Liquidity is also a crucial factor when it comes to the availability of the service and to Gama's ability to provide quick, simple and efficient solutions that meet its customers' needs.
- High-quality underwriting mechanisms and compliance capabilities - supported by a professional, long-serving and highly qualified team, Gama implements its underwriting and risk assessment policies. Gama conducts ongoing controls over and monitoring of credit and money laundering risks, relying for that purpose on its knowhow and capabilities in this area.
- Nationwide deployment of people on the ground - Gama has 25 customer portfolio managers across the country; many of them are highly experienced and long-serving; this team of portfolio managers provides personal and highly professional service with short response time and high degree of availability.
- Excellent customer services - high-quality and efficient customer services (both human and automated); the combination of top-class customer service representatives and an advanced

automated system used both by customers and by Gama's representatives, enables Gama to provide high-quality services with a high degree of availability.

- Familiarity with the market and customization of solutions - Gama's extensive and in-depth familiarity with the market allows it to understand the unique needs of its sub-markets, thereby giving its the insight required to customize solutions that meet the unique needs of its different customers.

2.6.6 Major entry and exit barriers in areas of activity

The following entry and exit barriers apply to Gama's activity:

- Meeting regulatory thresholds - generally, the engagement in Gama's various areas of activity requires companies to comply with the provisions of the Financial Services Law and the regulations promulgated thereunder, including obtaining a financial services provider license, a permit to hold means of control in a financial services provider, and compliance with the relevant requirements of the Financial Services Law, including meeting the regulatory capital requirements applicable to financial services providers, as well as directives of the Capital Markets Authority published by it from time to time under its power to oversee Regulated Financial Services, which are regulated under this law.
- Financing sources - Gama's various areas of activity require financial resources, including equity, the ability to raise funds from external sources under terms and conditions which will enable the company to offer competitive propositions relative to its competitors.

2.6.7 Customers

2.6.7.1 Acquiring aggregator and factoring of payment card vouchers

During the 12 months prior to December 31, 2023, approx. 16,000 customers conducted transactions with Gama.

Gama provides these services to a large number of customers. Accordingly, in the opinion of Gama and its managers, it is not dependent on a single customer or on a small number of customers, the loss of whom will have a material impact on this area of activity.

Gama's customers in this subsegment are Israeli retailers, chain stores and service providers operating in various sectors, such as household electrical and electronics, food, fashion and clothing, tourism, garages, air-conditioning, jewelry, medicine, homeware and gifts, coffee shops and restaurants and service providers. Gama's customers in this subsegment are mainly limited liability companies and licensed dealers.

2.6.7.2 Financing against post-dated checks (check factoring)

A. As of December 31, 2023, approx. 500 active customers conducted transactions with Gama during the 12 months to December 31, 2023. As of December 31, 2023, the credit portfolio in this area of activity is composed of 4,126 withdrawers, who are - to the best of Gama's knowledge - are Israeli residents.

B. In 2023, Gama conducted approx. 6,455 factoring transactions; the average value of a transaction with a customer in that period was approx. 269 thousand. In 2022, Gama

conducted approx. 8,891 factoring transactions; the average value of a transaction with a customer in that period was approx. NIS 336 thousand.

C. Gama's customers in this subsegment are Israeli businesses from various sectors, such as construction and infrastructures, commerce, industry, finance, services, wholesalers and retailers in various sectors, such as household electrical and electronics, department stores, food, furniture, fashion and clothing, computers, air-conditioning and jewelry. Gama's customers in this subsegment are mainly corporations and a relatively small portion of customers are licensed dealers.

D. In the reporting year, 98% of the customers in this activity have already used Gama's services.

2.6.7.3 Financing provided against real estate properties

As of December 31, 2023, Gama's credit portfolio comprises approx. 200 customers.

In 2022, Gama conducted approx. 125 financing transactions; the average value of a transaction with a customer in that period was approx. NIS 4,018 thousand. In 2022, Gama conducted approx. 93 financing transactions; the average value of a transaction with a customer in that period was approx. NIS 4,873 thousand.

As of the report date, the amounts of credit advanced do not exceed tens of millions of shekels per transaction.

2.6.7.4 Financing

As of December 31, 2023, the company's credit portfolio comprises approx. 2,100 customers.

In 2023, the company made 1,191 financing transactions; the average value of a transaction with a customer in that period was approx. NIS 305 thousand. In 2022, the company made 1,384 financing transactions; the average value of a transaction with a customer in that period was approx. NIS 245 thousand.

2.6.7.5 Other

In 2023, Gama had approx. 500 active customers in one or more of the products included in these areas of activity. Most of Gama's customers in this subsegment are Israeli businesses. Gama has no single customer who accounts for 10% or more of its income as per its consolidated financial statements.

2.6.8 Competition

2.6.8.1 Acquiring aggregator and factoring of payment card vouchers

Gama's key competitors in the field of factoring of payment card vouchers are the acquiring companies that bring forward payments to merchants or conduct factoring of payment card vouchers, both directly and through subsidiaries (Isracard and its subsidiary "Tzameret Mimunim", Max and its subsidiary "Max It Discounting Ltd.", CAL and its subsidiary "Iatzil Finance").

In the aggregators market Gama triggered competition. Gama believes that despite the fact that acquiring aggregators do not publish the scope of their activities, and despite the fact that Gama does not know their exact number, it has the largest market share in the Israeli acquiring aggregators market. However, as of the report date, Gama's market share in the acquiring aggregator market, which has been growing at a very fast rate since the commencement of the activity, is still lower than the scope of the acquiring activity of any of the established acquiring companies.

In order to beat its competitors, Gama operates on a number of levels - price, reputation and quality of service, while leveraging its in-depth familiarity with the business and retail markets. Gama also leverages its knowhow, reputation, long-serving and experienced staff, high-quality service and professional experience with regard to the advanced IT systems it puts at the disposal of its customers in its capacity as an entity factoring payment cards vouchers for thousands of Israeli merchants - in favor of promoting its acquiring aggregator activity. However, the significant increase in interest rates in Israel, its effect on the general activity, and the aggressiveness of the competitors might have a negative effect on Gama's continued extensive growth in this field.

The turnover of transactions cleared through Gama as an acquiring aggregator in 2023 amounted to approx. NIS 16.3 billion (compared with approx. NIS 14.6 billion in 2022 and approx. NIS 12 billion in 2021). This increase reflects a continued and consistent increase in the number of merchants conducting their acquiring activities via Gama, as well as the increase in business activity in Israel.

2.6.8.2 Financing against post-dated checks (check factoring)

Gama is of the opinion that the market share of non-bank players is on the increase due to the regulation of the market by the legislature. Competition in the market - in accordance with the risk levels of each player - revolves around a number of key parameters: reputation, quality of services and interest rates.

Gama is unable to quantify its market share in the field of financing against post-dated checks, since it does not have access to the data of other players in this field.

Gama believes that its advantages in this subsegment stem from its many years of experience in the field of credit, its relationships with thousands of merchants, including merchants from the credit card acquiring activity, its high professional standards in the field of compliance and mitigation of money laundering risks, its exacting corporate governance practices and strict credit risk management coupled with a low risk appetite. These parameters are also reflected in the Aa3 rating with a stable outlook that was assigned to Gama by Midroog and reaffirmed over many years by the credit rating agency. Gama's financial robustness and strict compliance with underwriting procedures allow it to raise financing at low interest rates and leverage that financing in the form of competitive credit to its customers, as well as a negligible specific loan loss provisions for impaired debts. However, as stated above, Gama opted to reduce its activity in this field in accordance with its risk appetite.

2.6.8.3 Financing provided against real estate properties

Gama's key competitors in this field are mainly banks, institutional entities, credit funds and various non-bank financing companies.

Gama is unable to quantify its market share in this field, since it does not have access to its competitors' data or to the data of other players in this field; however, it believes that its market share is very small.

Gama believes that its advantages in this subsegment stem from its reputation as a solid and stable company, which has been serving thousands of Israeli businesses for many years and has a large-scope credit portfolio. In addition, the fact that The Phoenix Construction Financing has been a wholly-owned subsidiary of Gama since the beginning of 2024 will allow Gama to increase it ability to compete in this area of activity, both in view of the access it has to customers and developers, and in view of its position as a well-known, reputable and active market player in the real estate market with tens of customers that had already used its services.

2.6.8.4 Loans for businesses

Competition in this field has been intensifying following the entry of new players. The main entities active in this field are banks, institutional entities, credit funds and various non-banking financing companies.

Gama is unable to quantify its market share in this field, since it does not have access to its competitors' data or to the data of other players in this field; however, it believes that its market share is very small.

Gama believes that its advantages in this subsegment stem from its reputation as a solid and stable company, which has been serving thousands of Israeli businesses for many years and has a large-scope credit portfolio. Gama's financial robustness allow it to raise funding sources at low interest rates and leverage that financing in the form of competitive credit offering. All this alongside a personal, fast and professional service, customized to meet the customers' needs.

2.6.8.5 Other

To the best of Gama's knowledge, its key competitors in these areas are banks, institutional entities, credit card companies, and non-bank entities. The vast majority of the guarantees to businesses are controlled by the banking system, and so is the credit advanced to small and medium businesses.

Gama is unable to quantify its market share in these market segments, since it does not have access to its competitors' data or to the data of other players in these fields; however, it believes that its market share is small.

When competing with other entities, Gama highlights its relative advantages, it long-standing reputation within the business sector in Israel, its financial strength, arising, among other things, from its being a wholly-owned subsidiary of The Phoenix Investments and Finances, and its long-standing financial stability - a critical parameter of the capability to expand the activity in the field

of financial guarantees; this is since the issuance of the guarantee depends on the beneficiary's consent to receive a company guarantee instead of a bank guarantee. In addition, the Company specializes in the provision of credit to the business sector, and has extensive knowledge of the market as a result of its provision of financing solutions that are customized to meet the customer's needs; it has the capability to maximize value proposition to the customer as a result of its other activities with the Company, such as acquiring (as an aggregator), and the factoring of payment card vouchers, the fact that it offers high-quality fast services, and the conditions at which Gama offers those services to its customers.

2.6.9 Seasonality

2.6.9.1 Acquiring aggregator and factoring of payment card vouchers

This subsegment is related to the activity of the Israeli retail market, and as such it is impacted by changes in trade volumes; thus, for example, sales increase before the Jewish holidays (the High Holidays and Passover) and, as a result, the volume of Gama's activities in this subsegment increases accordingly or declines during crisis periods, such as war, security events or exceptional economic events.

2.6.9.2 Financing against post-dated checks (check discounting), financing provided against real estate properties, loans to businesses and others

These subsegments are not impacted by seasonality; therefore seasonality is not expected to have a material effect on Gama's activities in these subsegments.

2.6.10 Specific regulation

Gama is subject to the following regulatory requirements and restrictions by virtue of the regulations relevant to all its areas of activity:

Financial Services Supervision Law (Regulated Financial Services), 2016

The Financial Services Law stipulates, among other things, that entities engaged in the provision of financial services are required to have the relevant license; the said law also imposes restrictions and sets provisions applicable to those entities in connection with the management of their business activity in the field of provision of financial services.

The Commissioner of the Capital Market, Insurance, and Savings is charged with the application of the provisions of the Financial Services Law (hereinafter - the "**Commissioner**"). In its capacity as the official charged with the application of the provisions of the said law, the Commissioner has extensive regulatory, compliance, and administrative review powers, including the power to impose monetary sanctions. Providers of financial services are required to comply with the Commissioner's directives and guidance as published from time to time. From time to time, the Commissioner publishes circulars that provide guidance regarding the activity of financial services license holders.

As of the report date both Gama and Gama Financing hold an expanded license for the provision of credit and an extended license for the provision of services in financial assets.

The Prohibition on Money Laundering Law, 2000

The purpose of the Prohibition on Money Laundering Law is to prevent money laundering in Israel through, inter alia, institutional entities and financial services providers. The provisions of the said law include three key requirements applicable to Gama which engages in the provision of credit against post-dated checks:

The Prohibition on Money Laundering (Credit Providers' Requirements regarding Identification, Reporting and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 2018 (hereinafter in this section - the "Order") came into effect in 2018. The Order requires all credit providers (including Gama) to identify the customer and verify his details, implement a "know your customer" procedure, report certain actions to the Israel Money Laundering and Terror Financing Prohibition Authority in accordance with the Order, have in place controls regarding the activity of the service recipient, ensure that customers are not included in the list of terror organizations and terror activists, and meet documentation and document retaining requirements. The Prohibition on Money Laundering (Credit Providers' Requirements regarding Identification, Reporting and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 2020 was issued in 2021; this order amends the 2018 Order and imposes, inter alia, similar requirements on provision of services in financial assets.

Bills of Exchange Ordinance [New Version]

A deferred receivable is a bill that has the characteristics set in the Bills of Exchange Ordinance. The Bills of Exchange Ordinance regulates the endorsement of the receivable (the check) by one person to another, such that the rights attached to the receivable (the check) are transferred to the endorsee; the Bills of Exchange Ordinance also regulates the rights of a "holder in due course" of a bill.

Law for Reducing the Use of Cash, 2018

In accordance with the recommendations of the Locker Committee, the Law for Reducing the Use of Cash outlines a policy for reducing and limiting the use of cash as a means of payment in the Israeli economy, with the main objectives being taking action against "black capital", economic crimes and money laundering, and expanding the tools available to the government in its efforts to achieve those objectives.

Furthermore, the Law for Reducing the Use of Cash sets restrictions on endorsement of checks whose amount is higher than NIS 10,000; however, the said restrictions do not apply to endorsement in favor of a regulated financial entity; nevertheless, restrictions have been placed as to the number of endorsements and the identity of the endorsers. The Ministry of Finance may prescribe that such an endorsement shall only be allowed with respect to services he specifies. As of the report date, no such restrictions were placed.

The Fair Credit Law, 1993

The Fair Credit Law applies to loans extended by lenders to individuals or licensed dealers (i.e. - it does not apply to loans extended to corporations other than those types of corporations specified by the Minister of Justice).

The objective of the Fair Credit Law is to protect consumers in the credit market and increase the competition in this field by setting the maximum cost of a loan, which is not linked to the consumer price index, and by prescribing that the actual cost of the loan, as defined in the Fair Credit Law, shall not exceed the said maximum cost.

It is also prescribed that the maximum rate of arrears interest imposed on such loans shall not exceed 1.2 times the interest payable on the loans.

Furthermore, the Fair Credit Law prescribes disclosure requirements applicable to lenders in respect of each credit transaction; the aim of this provision is to protect borrowers.

The Credit Data Law, 2016

The Credit Data Law aims to reduce any asymmetry in connection with financial information, increase the competition in the retail credit market as well as the accessibility of credit, reduce the discrimination in the process of granting credit as well as the economic gaps, and create a database of non-identifying information to be used by the Bank of Israel in carrying out its functions.

Gama operates as an Information Source as per the Credit Data Law; as such, it transfers information to the database run by the Bank of Israel, and on the other hand it is entitled to receive information from the said database, all in accordance with the provisions of the Credit Data Law and the provisions applicable to Gama thereunder.

The Payment Services Law, 2019

The law, which came into force in October 2020, cancels the Payment Cards Law, 1986, and regulates, among other things, various aspects of the relationships between the provider of payment services and a payer, and between the provider of payment services and a beneficiary (the merchant), when means of payment are used; this law includes provisions whereby the provider of payment services shall transfer funds to the merchant immediately or within a reasonable period of time agreed upon with the merchant; the law also prescribes general provisions regarding the execution of payment instructions and liability arrangements pertaining thereto. As of the report date Gama is unable to assess the expected impact that the changes arising from the Payment Services Law will have on its activity.

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

The provisions of The Regulation of Engagement in Payment Services and Payment Initiation Law, 2023 (hereinafter - the "**Regulation of Engagement in Payment Services Law**") will come into force gradually as from June 6, 2024 (hereinafter - the "**Effective Date**"). This law will regulate a new supervision and licensing regime by the Israel Securities Authority, which will apply to providers of payment services, which are not supervised by The Bank of Israel; it prescribes a range of provisions regarding the activity of license holders. Gama, which currently holds a license for the provision of services in financial assets by virtue of the Financial Services Law, will be allowed to continue its engagement in the field of payment services without having to hold a license under the new law for up to 24 months from the Effective Date (provided that it notifies this to the Israel Securities Authority and files a license application within 18 months from the Effective Date). The Israel Securities Authority started publishing the first procedures regarding the supervision regime

as per the law, and regarding the licensing process that will include an assessment of the applicant's business plan, a requirement to meet capital requirements, assessment of the technological means of the license holder and more.

The Privacy Protection Law, 1982

The Privacy Protection Law and the regulations promulgated thereunder require each company to assess the databases it owns and possesses, and, among other things, determine the level of security required therein. Gama has lawfully registered databases. Gama operates in accordance with the regulations in order to ensure that the appropriate security level is maintained and that the information it holds is protected in accordance with the provisions of the law.

The Insolvency and Economic Rehabilitation Law, 2018

The provisions of the Insolvency Law focus or rehabilitation of corporations and debtors. The provisions of the Insolvency Law work for the benefit of debtors, but do not allow them to evade paying debts; therefore, Gama believes that the law's impact on its activities shall not be material or different than its impact on other financial entities.

Banking Law (Licensing), 1981

Section 21 to the Banking Law (Licensing) Law allows non-bank corporations to extend credit originating, inter alia, from the issuance of notes (as defined in Section 35a to the Securities Law), the issuance of which requires the publication of a prospectus in accordance with Section 15 to the Securities Law, subject to compliance with certain conditions. The said section sets, among other things, a cap on the maximum amount that can be raised by way of issuing bonds; it also stipulates that the loan extended does not constitute a residential loan whose repayment is secured by a mortgage, an undertaking to register a mortgage or the mortgaging of rights in land.

Restrictions under the acquiring aggregator agreement

In accordance with the provisions of the acquiring aggregator agreement, Gama undertook not to conduct cross-border acquiring activities, i.e. - not to conduct acquiring transactions for foreign merchants, as this term is defined in the acquiring aggregator agreement.

The PCI DSS V3.2.1 standard

Gama is PCI compliant. The purpose of the PCI standard is to secure the sensitive data handled by organizations operating in the payment card industry (data that allow the execution of transactions). The standard defines the security level required from entities handling payment cards numbers, with the level of security being in line with the amount of data. Gama is classified to the highest security level.

The standard defines how data are to be saved and the requirements an entity needs to comply with in order to expose them. The standard requires entities to pass a strict annual assessment by a Qualified Security Assessor, at the end of which organizations receive an annual certificate saying that they are PCI compliant.

2.6.11 Financing

Gama funds its activity using its own sources, funds received from banks and institutional entities (mainly through loans, capital raising and by way of issuing bonds to institutional entities and commercial securities).

Details about the effective interest rate and the average interest on loans received from banks and non-bank entities, divided into short-term and long-term loans:

		Effective interest rate (In the range)		Average interest rate (In the range)		
		For 2023	For 2022	For 2023	For 2022	Type of interest
Bank credit sources	Short-term loans	6%-5.5%	-	6%-5.5%	-	variable
	Long-term loans	6.5%-6%	-	6.5%-6%	-	
Institutional entities	Short-term loans	7%-5%	4%-2%	7%-5%	4%-2%	variable
	Long-term loans	7%-6%	4%-2%	7%-6%	3%-2%	variable
Bonds (Series B)		3.22%	3.22%	3%	3%	Fixed
Bonds (Series C)		5.99%	3.21%	5.85%	3.07%	variable

Loans taken by Gama from institutional and banking entities (in NIS thousand), interest rates payable thereon and their term:

Collateral (+)	Annual interest (In the range)	Loan period Years	Balance as of December 31, 2022 (estimated value)	Balance as of December 31 , 2023 (estimated value)	The loan amount - in NIS million	Purpose of the loan	Date of loan provision
Pledging of receivables	Between Prime and Prime + 1%	4.5	250	139	2	Receivables financing	8/2020
Pledging of receivables	Between Prime and Prime + 1%	3.0	-	98	1	Financing a real estate portfolio	7/2023
Pledging of receivables	Between Prime and Prime + 1%	3.0	44	40	5	Financing a real estate portfolio	8/2021
Pledging of receivables + financing agreements	Between Prime and Prime + 1%	3.0	200	200	2	Financing a real estate portfolio	9/2021
Pledging of receivables	Between Prime and Prime + 1%	3.0	-	75	7	Receivables financing	04/23

The amount of pledged receivables provided as collateral to the credit providers exceeds the balance of Gama's outstanding debt to those credit providers. In the event that the collateral are realized, the institutional entities that provided the loan can use them to repay the debt owed to them, and the remaining balance of pledged receivables shall be used to repay Gama's debts to its unsecured creditors.

It is noted that subsequent to the report date, on January 1, 2024 and as part of The Phoenix Construction Financing's becoming a subsidiary of Gama, as stated above, The Phoenix Insurance advanced to The Phoenix Construction Financing a loan of approx. NIS 306 million. The loan - with an average duration of up to 3 years - bears interest at market rates, which was set, among other things, taking into consideration the yield of the Company's traded Bond (Series C) bearing variable interest, as of the loan advancement date.

Credit facilities

By virtue of a credit facility's instrument of approval of January 3, 2023, Gama has in place a credit facility of approx. NIS 200 million from a bank; the facility will expire on December 31, 2024. The credit facility's instrument of approval sets out a number of preliminary conditions for the utilization of the credit facility, including, inter alia, a requirement whereby the credit will be extended against receivables deposited with Gama's accounts with that bank, with those receivables being pledged in favor of the said bank. As of the report date, this facility has not been utilized.

On January 3, 2023, Gama's Board of Directors approved the receipt of a fixed credit facility from another bank; the amount of the credit facility is NIS 100 million, and it is due to expire on April 30, 2024. The credit facility's instrument of approval sets out a number of preliminary conditions for the utilization of the credit facility, including, inter alia, a requirement whereby the credit will be extended against receivables deposited with Gama's accounts with that bank, with those receivables being pledged in favor of the said bank. As of the report date, this facility has not been utilized.

Shareholder loans

On April 29, 2008, The Phoenix Investments and Gama signed a shareholder loan agreement, which was amended on May 27, 2021, by virtue of which The Phoenix Investments advanced to Gama a shareholder loan of NIS 50 million. The loan's principal shall be repaid in 6 equal annual installments, with the first payment due in October 2022. Repayments on account of the loan's principal shall be made provided that there is no impediment to making repayments on account of the loan's principal in accordance with the terms of the subordination letters. As of the report date, the balance of the loan principal amounts to approx. NIS 33 million.

Subsequent to the reporting date, on January 1, 2024, The Phoenix Holdings provided to Gama and/or its subsidiaries, an approx. NIS 200 million guarantee, in accordance with the needs of Gama group companies, and Gama will pay a fee in respect of actual utilization of the guarantee.

2.6.12 Material agreements

Acquiring aggregator agreement

In July 2017 Gama and CAL signed an agreement, amended from time to time, whereby Gama shall act as an acquiring aggregator. In view of the provisions of Section 7B to the Banking Law (Service to Customers), an acquiring entity is prohibited from terminating its agreement with the aggregator on unreasonable grounds.

By virtue of the agreement, Gama shall provide acquiring aggregator services to merchants through CAL, which delivers to Gama the transactions' proceeds less a variable fee, which is derived from the overall turnover of all merchants that worked with CAL using Gama's acquiring aggregator services during that month. Gama credits the merchants in accordance with the agreements between the merchants and Gama.

The agreement sets out instances in which CAL will be allowed to terminate the agreement with immediate effect, including if the regulations or tariffs of the international payment cards organizations will be modified in a way that will impact the execution of the agreement; if the agreement between CAL and the other payment cards companies shall be changed in a manner which makes it impossible or difficult to execute the agreement; if an instruction or a decision to do so is issued by the Israel Competition Authority; if an issuer refuses to pay CAL the vouchers' proceeds, and if the interchange fee increases.

CAL is required to approve each of Gama's engagements with merchants, provided that its decision is reasonable and lawful. The acquiring aggregation agreement with CAL will expire on January 5, 2025, as per the agreement's terms and conditions.

Furthermore, in November 2022, Gama entered into an acquiring aggregator agreement with Premium Ltd., as subsidiary of Isracard in connection with the American Express brand.

Agreement with Matrix I.T.E.R.P Solutions Ltd.

For details about the agreement, see Section 2.6.16 below.

Engagements with payment card companies for the provision of payment card vouchers factoring services

In November 1999 Gama and Isracard entered into an agreement whereby Gama shall provide payment card vouchers factoring services to merchants who use Isracard's acquiring services; under the said agreement, Isracard has undertaken to pay Gama the vouchers' proceeds that will be assigned to Gama by the merchants. Each of the parties may terminate the agreement by giving a 30-day advance notice.

In November 2004 Gama and Max signed an agreement whereby Gama may provide payment card vouchers factoring services to merchants who use Max's acquiring services; under the said agreement, Max has undertaken to pay Gama the vouchers' proceeds that will be assigned to Gama by the merchants. Subject to the terms of the agreement, it shall be renewed automatically every two years, unless one of the parties has informed the other (by giving it a 60-day advance notice) that it does not wish to extend the term of the agreement.

In March 2011 Gama and CAL signed an agreement whereby Gama may provide payment card vouchers factoring services to merchants who use CAL's acquiring services; under the said agreement, CAL has undertaken to pay Gama the vouchers' proceeds that will be assigned to Gama by the merchants. Subject to the terms of the agreement, it shall be renewed automatically every two years, unless one of the parties has informed the other (by giving it a 60-day advance notice) that it does not wish to extend the term of the agreement.

It should be noted that in August 2011, subsequent to the signing of the said agreements, Section 7A to the Banking Law (Service to Customers) was enacted, whereby an entity providing acquiring services shall only be allowed to refuse entering into engagement with entity providing payment card vouchers factoring services for reasonable reasons and as provided by law; therefore, the expiry of Gama's said agreements is subject to the provisions of said law.

Agreements for assignment by way of sale of payment card transaction vouchers to banks

In 2015-2016 Gama entered into separate agreements with Bank Leumi le-Israel B.M., Bank Hapoalim Ltd., Israel Discount Bank Ltd., and Mizrahi Tefahot Bank Ltd., for the execution of assignment transactions by way of sale of Gama's rights to receive funds in respect of the factoring of payment card transaction vouchers, which were assigned to Gama by merchants.

As part of the agreements with the banks, it was agreed that Gama shall irrevocably assign to each of the banks, by way of sale, its rights to receive funds in respect of vouchers cleared for certain merchants by a certain acquiring services entity, in connection with management and factoring agreements signed between Gama and the merchants, whereby the merchants assigned to Gama their rights to receive funds from the acquiring services entities in respect of payment card transaction vouchers executed with cardholders. Pursuant to the provisions of the agreements with the banks, Gama gave the acquiring entities an irrevocable order to deposit the proceeds in respect of the vouchers directly with the bank. Each of the agreements with the banks may be terminated by each of the parties, at any given time and for any reason, by giving a 30-day advance notice.

Subject to the agreements for the sale of the payment card transaction vouchers, Gama entered into agreements with each of the said banks for the purpose of regulating Gama's activities with the relevant bank.

Agreement for the provision of credit management services and Sale Law guarantees between The Phoenix Insurance and The Phoenix Construction Financing

Subsequent to the reporting date, on January 1, 2024, and as part of the restructuring carried out in the group's credit activities, and the transfer of The Phoenix Construction Financing to Gama as described above, an agreement came into effect for the provision of credit management services and Sale Law guarantees between The Phoenix Construction Financing and The Phoenix Insurance. In accordance with the agreement, The Phoenix Financing and Construction is entitled to annual management fees in respect of the management of The Phoenix Insurance's remaining credit portfolio pertaining to projects financed by The Phoenix Construction Financing, and in respect of the management of the issuance of Sale Law policies, both in relation to the existing portfolio and in relation to new projects (if any are approved by The Phoenix Insurance), issuance of performance guarantees and other guarantees required in projects financed by The Phoenix Construction Financing. The management fees were set, among other things, based on the opinion of an expert, whereby the principles for collaboration in connection with future activity and the management services as described above are in accordance with market conditions.

2.6.13 Marketing and distribution

Gama's marketing, distribution and support activities are conducted through a number of channels: Gama has a team of highly-experienced portfolio managers, who are deployed nationwide. In addition, Gama has a telemarketing call center providing services through inbound and outbound calls. Furthermore, Gama has a website, which provides its customers with useful financial information on a daily basis about the merchant's transactions, their reception after transmission and the payment thereof. Furthermore, Gama has in place business collaborations with professional organizations that represent many businesses and refer members to use Gama's services. Gama also conducts targeted media campaigns for the business sector.During the reporting year, Gama increased its marketing and advertising expenses, including, among other things, in order to increase its exposure to potential customers of its business financial guarantees product, which is a relatively new product on the market, and in order to expand its business credit activity, and financing against real estate activity..

Furthermore, in February 2023, Gama's Board of Directors decided to change its branding, such that it reflects the fact that it is part of the Company's finance group, and consequently also reflect Gama's financial robustness and strength as a result of being part of that group. The change in branding reflects a further step in the implementation of Gama's business strategy as the leading business credit solutions entity; this change enhances Gama's ability to compete in this market.

2.6.14 Intangible assets

Gama has set out an in-house computing function charged with the running of Gama's computer systems which are based on Matrix's systems. Every year, Gama invests many resources in upgrading and maintaining its computer systems and infrastructures, and in adapting them to the company's needs.

Gama maintains a remote disaster recovery site and practices the use of that site that will be used as its main site in case of an emergency (the shutdown of the main site).

Gama has six verbal trademarks, which are registered as trademarks.

2.6.15 Human capital

As of the report date, Gama's workforce comprises 170 employees and managers (including service providers and IT employees under a service agreement with Matrix) working full- or part-time. Work relations in Gama are positive and constructive.

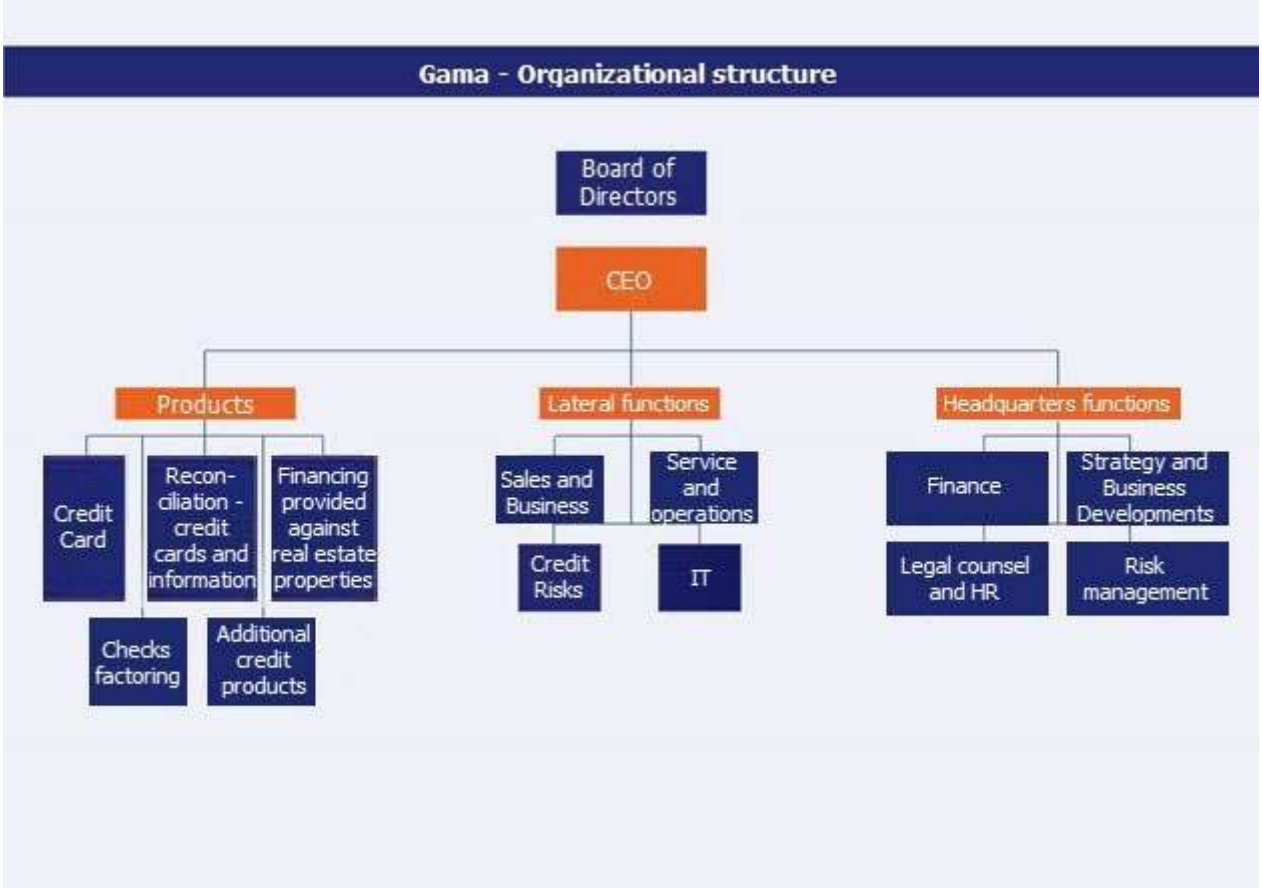
In January 2024, the Company's CEO, Mr. Ariel Genut informed the Company's Board of Directors that he wishes to terminate his term of office in the Company. Mr. Genut has an undertaking to give a one-year advance notice, through January 31, 2025. As of the report publication date, the actual termination date has not yet been set and a replacement has not been named.

In 2022, Gama's Board of Directors decided to implement a restructuring that is designed to support its transition from product-based management to customer-based management. This change constitutes an implementation of Gama's strategy for growth in the Credit Segment and an increase in the synergy between all financial products Gama offers its customers, while maximizing the potential of its customer

base in its different products. Accordingly, as part of this change, the sales units of Gama's products were consolidated into a single sales and distribution function; most of the operations and service functions of Gama's different products were consolidated into a single operations and service function. Furthermore, in 2022, Gama added a legal counsel function to the company, which is also responsible for compliance and regulation.

It is noted that further to the implementation of Gama's strategy to achieve growth in the credit segment, during the reporting year other organizational changes were made that support this strategy, the key of which include the adding of an organization-wide credit manager, who is in charge of all of the products and serves as a VP and member of management, and the appointment of a Chief Risk Officer.

Description of Gama's organizational structure



(*) Some of the officers, who serve in the organization-wide functions, are also in charge of the management of one and/or more of the products.

Benefits and the nature of Gama employees' employment agreements

Gama's employees are employed through personal agreements. Employees' terms of employment include, among other things, wages, provisions for pension fund, executive insurance policies and advanced education fund. The employees are also entitled to paid sick leave, paid annual leave and recreation pay as is generally accepted in Gama and based on the number of years they have been employed by Gama. From time to time Gama awards bonuses to its employees subject to the discretion of its management and its financial results.

In March 2022, Gama approved an option allocation plan by virtue of which it allocated - during 2022 - options to officers, managers and other Gama employees. After Gama became a privately-held company in August 2023, all of the options awarded by virtue of that plan were cancelled.

In November 2023, Gama's Compensation Committee and Board of Directors approved a new option plan for officers, managers and employees of Gama and The Phoenix group, by virtue of which the Company's Board of Directors approved the award of options to Gama's shares, to employees and officers of Gama and The Phoenix group, on January 31, 2024 and March 4, 2024.

The entire amount of Gama's current liabilities for employee rights upon retirement is covered by contributions to executive insurance polices and pension funds. The remaining balance of Gama's liabilities for employee rights upon retirement beyond the amounts contributed to executive insurance policies and pension funds are provided for as a liability in the financial statements.

On February 6, 2024, Gama received notice from the National Labor Federation in Eretz-Israel whereby the latter will be the representative employee organization among Gama's employees, after the joining of the required majority of the company's employees to whom the collective agreement will apply. On February 7, 2024, a further notice was received from the National Labor Federation in Eretz-Israel, whereby in view of requests of the representatives of the employees committee (hereinafter - the "Representatives"), and after talks held among the members, the Histadrut agreed to the Representatives' request to suspend proceedings and wait for Gama's reply regarding the recognition of the National Labor Federation in Eretz-Israel as a representative employee organization; such reply will be issued once the organizational changes made in Gama - including finding a replacement for the CEO - are finalized.

2.6.16 Suppliers and service providers

As of the report date, Gama has an engagement with a material supplier - Matrix I.T. Solutions Ltd. (hereinafter - "**Matrix**").

In 1998 Matrix granted Gama a non-exclusive license to use a software it developed. Over the years software were developed that are used exclusively by Gama as part of its payment card factoring activities. The development is conducted, inter alia, through Matrix's software developers who work at Gama's offices.

In July 2005 Matrix signed a document titled "Continued Joint Work Relations" in which it clarified that the systems and code that were developed for Gama are exclusive to Gama and Gama has exclusive rights of use therein, such that those systems and code shall not constitute part of Matrix's systems, without first obtaining Gama's written consent.

2.6.17 Legal proceedings

As of the report date, Gama and its subsidiaries are not parties to material legal proceedings.

2.6.18 Objectives and strategy

Gama's strategy is assessed and impacted by, among other things, the changes taking place in its areas of activity and the continued increase in the number of competitors in each of those areas.

The company's business strategy focuses on serving as a one-stop-shop that will provide its business customers with credit, financing and financial services. Accordingly, Gama aims to achieve continued growth in its areas of activity by marketing and promoting the credit and financing solutions it provides businesses with through its range of platforms.

Gama works to strengthen and enhance its direct relationships with all its customers and recruiting new ones, while increasing its service offering and providing solutions to its customers' varied needs, and at the same time increasing the added value it generates to its customers. Gama's extensive range of services, its position in the field of credit card acquiring aggregation and factoring, its many years of experience and its high professional standards constitute an excellent basis for continued growth in its existing areas of activity and for entering into new related fields. As of the report publication date, Gama is in the process of considering and formulating a strategy for promoting its various activities in the next few years.

In addition, the activity of the subsidiary - The Phoenix Construction Financing - which has been a wholly-owned subsidiary of the Company since January 1, 2024, will also support the implementation of the company's strategy to serve as a credit hub for businesses, and will allow the maximization of the synergies for the Group's customers in the fields of real estate and infrastructures and not only in the fields of retail and consumption, which - up until the reporting period - constituted a substantial part of the company's customers as part of the payment cards activity.

Alongside the expansion of its activity, Gama aims to increase profitability while consistently aiming to adjust prices to risks in all of its products.

Since its IPO, in 2021, Gama has been investing in improving its technological infrastructures, the risk management aspects of its activity, and specifically the credit risk, improving and streamlining the work processes, corporate governance, recruiting professional and experienced employees - all in order to achieve the strategic objective of sustainable and controlled growth.

2.6.19 Credit risk management

Generally, Gama is engaged in extending credit to licensed dealers and corporations through a range of products. As part of its activity, Gama is exposed to the risk that borrowers will fail to repay the credit or become insolvent. Gama works to reduce the said exposures based on its experience, while implementing an underwriting, control and risk-monitoring methodology it developed over the years. The provision of credit is assessed by a skilled and highly-experienced team and approved by the competent functions in accordance with the hierarchy of authority Gama has in place.

2.6.20 Discussion of risk factors

The following table summarizes the key risk factors which may affect the course of Gama's business in its various areas of activity. Risks are described according to their nature - macroeconomic risks, industry-specific risks, and risks that are specific to Gama. The risks are ranked according to the assessment as to their effect on Gama's business as a whole made by Gama's management. For details, see Note 41 to the Financial Statements.

Following are the risk factors listed above, and Gama's assessment of their potential effect on Gama and its activity:

Risk factor	High effect	Moderate effect	Minor effect
Macroeconomic risks			
Deterioration in the Israeli economy	X		
Interest rate change		X	
Liquidity and funding sources	X		
CPI risk and foreign currency risk			X
Industry-specific risks			
Increased competition		X	
Technological changes		X	
Compliance risks		X	
Regulatory changes	X		
Legal risks		X	
Specific risks			
Credit Risk	X		
Fraud and embezzlement		X	
IT systems, information security and cyber risks	X		
Goodwill		X	
Liquidity risk		X	
Collection risk		X	
Key personnel dependency		X	
Operational risk		X	

It should be emphasized that there are other risk factors that are specific to each of Gama's areas of activity that are not detailed above but which could affect them.

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from those which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

2.7 Distribution (agencies)

2.7.1 General information about the segment

General

The Company holds 79.412% of the shares of The Phoenix Agencies, which holds several insurance agencies. The agencies provide brokerage and marketing services in connection with pension, insurance and financial products of several insurance companies, including The Phoenix Insurance, as well as products of investment houses and other institutional entities. The rate of premiums received through insurance agencies controlled by the Group out of total premiums in The Phoenix group in 2022-2023:

Type of product	Premium rate in 2023	Premium rate in 2022
Life insurance	21.83%	20.5%
Retirement (Pension and Provident)	32.94%	29.8%
Health - individual	14.3%	13.6%
Property and casualty insurance	11.4%	9.8%

It should also be noted that in 2022 the rate of fees and commissions received in respect of the various products through agencies controlled by the Group out of the total fees and commissions in the insurance agencies segment was approx. 6.2%.[16]

Holding structure of The Phoenix Agencies

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 had a 60% stake, approved a merger offer between the two aforesaid companies, in accordance with a merger agreement under which Agam Holdings was wound up and merged with and into The Phoenix Agencies in consideration for allotment of ordinary shares of The Phoenix Agencies that were issued to the other shareholders of Agam Holdings. As of the report date, the Company holds 79.412% of The Phoenix shares, Hagoz (2015) Ltd. (hereinafter - "**Hagoz**"), which is owned by Mr. Yitzhak Oz, holds 17.5% of The Phoenix Agencies' shares, and Y.H.G Sasson Ltd. (hereinafter - "**Y.H.G Sasson**"), which is owned by Mr. Moshe Sasson, holds 3.088% of The Phoenix Agencies' shares.

Furthermore, an agreement in principle was signed in connection with the merger between the Company, The Phoenix Agencies, and the other shareholders in The Phoenix Agencies subsequent to the merger (Hagoz and Y.H.G Sasson), Mr. Yitzhak Oz and Mr. Moshe. Among other things, the agreement regulates the following matters:

1. **Executive Chairman**: Mr. Yitzhak Oz was appointed Executive Chairman of The Phoenix Agencies, Agam Israel and Shekel Insurance Agency (2008) Ltd.

[16] The information is based on the data from Chapter 6 of the Commissioner Report for 2022.

2. **Options agreement:** The options agreement of March 28, 2019, and the additions thereto of December 31, 2019, between Yitzhak Oz, Hagoz, the Company and Agam Holdings (hereinafter - the "Options Agreement") under which a put option and a call option were awarded in respect of the shares of Agam Holdings (see report on this issue of December 31, 2019, Ref. No. 126565-01-2019), will be replaced with a new Options Agreement, where under the parties will have options in relation to The Phoenix Agencies' shares that will be held by Hagoz and Y.H.G Sasson following the merger (instead of in relation to their shares in Agam Holdings). The consideration in respect of the exercise of any of the options will be calculated based on an appraisal of The Phoenix Agencies, and in accordance with various understandings in connection with the appraisal.

The period during which the put option may be exercised is January 1, 2027 through January 3, 2028.

The period during which the call option may be exercised is January 4, 2028 through January 4, 2029.

The Company may pay for the exercise of the options in cash or by allocating Company shares, subject to its discretion. If the call option is exercised by allocating Company shares, the number of Company shares that will be allocated to the seller will be increased by 1% compared with the number of shares the seller would have received had it not been for this provision; this is compared with a 5% increase if the put option is exercised by share allocation as stated above.

Other matters that will be regulated by the new Options Agreement are: (1) Enterprise value of The Phoenix Agencies that will serve as a minimum price for the shares that will be held by Hagoz on the option exercise date shall be calculated based on a multiple of 5 in respect of the average annual EBITDA (income before interest, depreciation and amortization) for the past 24 months, net of minority interest in accordance with the financial statements of The Phoenix Agencies, and without taking into account various income and expenses agreed between the parties; (2) in the event of the issuance of The Phoenix Agencies' shares to the public, the call and put options will be canceled (Hagoz will be allowed to exercise part or all of the put option before such issuance).

3. **Other provisions**: The agreement in principle includes other provisions, including, among other things: Reference to various events in The Phoenix Agencies, such as the introduction of another investor to The Phoenix Agencies; allocation of options by The Phoenix Agencies to officers in The Phoenix group, including the Chairman of The Phoenix Agencies, and the manner of managing The Phoenix Agencies.

4. During the reporting year, the agreement in principle was amended such that Mr. Yitzhak Oz is entitled to a bonus at the total amount of approx. NIS 5 million. Furthermore, Hagoz will be entitled to a further bonus of NIS 20 million, which is conditional upon the sale of at least 50% of the remaining Hagoz shares, as defined in the amendment to the agreement.

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 and following delays due to the Iron Swords War, the Company is continuing to negotiate with several global entities that have expressed their interest in investing in The Phoenix Agencies. According to non-binding offers received by the Company, the enterprise value of The Phoenix Agencies

ranges between USD 1 billion and USD 1.2 billion. At this stage, there is no certainty that the said transaction will come to fruition. For further details, see the Company's reports dated August 30, 2023 and November 8, 2023 (Ref. Nos.: 2023-01-100341 and 2023-01-101827, respectively).

Following are data regarding the agencies and the material activities held by The Phoenix Agencies (hereinafter - the "**Material Agencies**"):

Shekel Insurance Agency (2008) Ltd. (hereinafter - "**Shekel**"), an agency wholly owned by The Phoenix Agencies. Shekel is an arrangement management agency, mainly in the field of life insurance, long-term savings, financial and health insurance products; Shekel cooperates with all insurance companies and investment houses in Israel which are engaged in its areas of activity. Shekel operates through dedicated departments and through agencies and ventures it owns with other partners. Among Shekel's professional departments and areas of activity are the fields of pension and provident funds, finance, health insurance, retirement services for retiring employees and a center providing advice and personal response to queries from senior management of various employers. Furthermore, Shekel provides personal services in connection with all Property and Casualty Insurance subsegments, such as motor, home, marine, travel insurance and more.

Shekel provides comprehensive services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and examination of all existing pension plans and setting up a pension solution tailored to meet the employee's needs. Services to employers include comprehensive operational pension services; as part of these services, Shekel provides collection and acquiring services in relation to contributions towards pension and automated statements, including a control and feedback system between the financial institution and the employer.

Shekel employs 468 employees. Shekel renders services to approx. 5,200 employers, has approx. 220,000 active customers and owns more than 18 niche ventures, partnerships, subsidiaries and initiatives.

In November 2023, Ms. Keren Shamir announced the termination of her term of office as Shekel's CEO, and in January 2024, Mr. Amit Keinan was appointed as her replacement, who served through that date as a partner and manager in subsidiaries of Shekel.

The Employee Benefit Experts - Benefit Ltd. (hereinafter - "Benefit") - Benefit, which is wholly-owned by Shekel, specializes in the provision of advisory services to organizations (including provision of actuarial opinions), assessing and improving employees' rights, benefits and compensation, and supporting retirement schemes in various organizations. Benefit also specializes in setting up advisory systems in the said areas. In addition, Benefit holds 100% of

the rights in Benefit Life Insurance Agency (1995) Ltd., which is engaged in marketing pension products.

Agam Leaderim (Israel) Insurance Agency (2003) Ltd. (hereinafter - "**Agam**"): After the completion of the merger between Agam Leaderim Holdings (2001) Ltd. and The Phoenix Agencies, Agam is a subsidiary agency wholly owned by The Phoenix Agencies.

Agam is an arrangement management agency, mainly in the field of life insurance, long-term savings, financial and health insurance products. Agam operates through dedicated departments and through agencies and ventures it owns together with other partners. Among Agam's professional departments and areas of activity are the fields of pension and provident funds, finance, health and travel insurance, retirement services to retiring employees and a center providing advice and personal response to queries from senior managements of various employers.

Agam provides comprehensive services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and examination of all existing pension plans and setting up a pension solution tailored to meet the employee's needs. Agam provides comprehensive operational pension services to employers, including collection and acquiring services in respect of contributions towards pension and automated reporting, as well as a controls and feedback system between the financial institution and the employer.

Agam employs 447 employees. Agam renders services to more than 200,000 active customers and owns more than 20 niche ventures, partnerships, subsidiaries and initiatives.

Oren Mizrach Insurance Agency Ltd. (hereinafter - "**Oren Mizrach"**): a subsidiary agency of The Phoenix Agencies, which holds approx. 70% of the equity and voting rights therein (directly and indirectly). Mr. Oren Cohen serves as the agency's CEO and holds (indirectly) approx. 30% of the voting rights and capital in the agency. The agency operates in all insurance and finance subsegments, with an emphasis on the Property and Casualty Segment. The agency also holds a number of other agencies.

In the field of individual motor and home insurance - the agency operates, inter alia, through a sister agency - Webprice Insurance Agency (2017) Ltd. - which developed a computer system that generates a digital acquisition process that offers customers the most cost-efficient home and motor insurance from among quotes by various insurance companies.

Oren Mizrach is growing, among other things, through mergers and acquisitions. During the reporting period, 12 further transactions were executed to increase control in agencies or existing portfolios or to acquire new portfolios and agencies at the total amount of approx. NIS 54 million.

Cohen Givon Insurance Agency (1994) Ltd.: a subsidiary agency of The Phoenix Agencies, which holds 52% of the equity and voting rights therein. The remaining shares are held directly and indirectly by Mr. Ran Givon, who serves as the agency's CEO. The agency specializes in providing property and casualty insurance to municipalities and local authorities.

Ramon-Granit Insurance Agency (1994) Ltd.:

In February 2023, the sale of all of the shares of the Ramon Granit agency that were held by the Company to Mr. Shuky Lesher was completed, and as of the report date The Phoenix Agencies does not hold this agency.

T.A.I.S. Shades Life Insurance Agency (1987) Ltd.: an investee subsidiary agency of The Phoenix Agencies, which holds 50% of the equity and voting rights therein (directly and indirectly). The remaining shares are held indirectly by three partners, two of whom, Mr. Eli Lanir and Mr. Yoram Nitzan, also serve as joint CEOs in the agency.

The agency is engaged in the fields of pension, health and individual risks insurance and cooperates with all institutional entities operating in these areas. Furthermore, the agency has diverse activity in most Property and Casualty Insurance subsegments.

Quality Pension Insurance Agency (2017) Ltd.: An agency held, as of the report date, at a rate of 50.5% of the voting and equity rights by The Phoenix Agencies. Mr. Itay Barda serves as the agency's chairman and holds (indirectly) approx. 49.5% of the voting and equity rights. The agency operates in the Life and Health Insurance Segments and in the long-term savings and finance subsegments, mainly through sub-agents. The agency also holds a number of other agencies. In the reporting period, the agency expanded its activity, by, among other things, engaging with partners in engagements for setting up companies providing supplementary services, and for the setting up and purchase of insurance agencies.

Other agencies: in addition to the above-listed agencies, The Phoenix Agencies operates through other insurance agencies, held jointly with other shareholders (which, in most cases, run the agencies). These agencies operate in the various areas of insurance, pension and provident funds. The agencies are engaged in brokerage activities in the fields of pension, property and casualty, life and other insurance.

2.7.2 Volume of activity

A. **The area of activity's structure and changes therein**

The Phoenix Agencies operates in the field of insurance agencies in Israel, which is an area of activity regulated by the Commissioner of the Capital Market, Insurance and Savings Authority. For the key applicable regulatory provisions, see Section 2.7.7 below.

During the reporting period, there was an increase in income and profits in The Phoenix Agencies' areas of activity, including, among other things, as a result of its high technological capabilities, level of service and unique services provided by its key agencies.

In addition, the agencies have a comparative advantage stemming from their utilization of synergies arising from mergers and acquisitions and collaborations in their areas of activity, which, in the opinion of the Company, worked in their favor during the reporting year.

In February 2022, as part of the economic plan for 2023-2024, it was decided to set up an inter-ministerial team for assessing institutional entities' holdings in insurance agencies. The team was appointed in April 2023 and was tasked with assessing the effect of institutional entities' holdings in corporations that constitute insurance agents on the activity of those agencies and their objectivity in the process of marketing products, the measures that should be applied to deal with those effects and the desired arrangement as to existing holdings of institutional entities in insurance agencies. As of the report publication date, the committee has not yet published its recommendations. .

For details about income, costs and income attributed to this area of activity, see Note 3 to the Financial Statements.

B. **Critical success factors in the area of activity and Changes therein**

The following success factors may be listed in connection with the distribution (agencies) activity:

- High technological level as well as effective early adoption of new technologies.
- A range of diverse distribution channels.
- Retaining each agency's comparative advantage in its field, including the field of arrangement management.
- High-quality, fast, flexible and reliable customer service system.
- Significant financial capabilities.
- Flexibility and agreements with all Israeli insurance companies with the aim of providing optimal solutions to customers.
- Management with experience in the field of agencies.

C. **Major entry and exit barriers in area of activity**

The following entry and exit barriers apply to the distribution (agencies) activity:

- Compliance with regulatory and legal requirements (see Section 2.7.7 below).
- Having in place the technological and professional platforms to support the area of activity.
- Experience, reputation and professional knowhow, as well as skilled manpower.
- Substantial financial capabilities.
- Obtaining a license from the Commissioner in accordance with the Supervision Law.
- Obtaining a control permit from the Commissioner in accordance with the Supervision Law.

2.7.3 Products and services

A. The agencies held by The Phoenix Agencies are engaged in mediation and distribution activities in the fields of property and casualty, pension, life and other insurance. The agencies offer their agents insurance products of a range of insurance companies, including those of the Company.

Furthermore, the Company's key agencies also offer technological solutions, as described in Section 2.6 above.

B. In the opinion of The Phoenix Agencies, as of the report date no changes are expected to take place in the scope and range of The Phoenix Agencies' products and services. However, there is a trend whereby agencies enter, in accordance with the law, to the area of distribution of other products such as: alternative products, savings policies, and more.

C. In the opinion of The Phoenix Agencies, as of the report date, the Company's market share in this area of activity is not expected to decrease.

2.7.4 Customers

Customers of the distribution (agencies) activity comprise two primary groups:

A. In the field of agencies under arrangement, The Phoenix Agencies' customers are employees and employers who are customers of the agencies held by The Phoenix Agencies.

B. In other agencies held by The Phoenix Agencies, customers are both business customers and individuals from all sectors of the economy.

As of the report date, The Phoenix Agencies is not dependent on a single customer, the loss of which will have a material impact on this area of activity.

2.7.5 Competition

The distribution (agencies) activity is intensely competitive. The main competitors of the agencies under arrangement (Shekel and Agam) are the insurance agencies engaged in the field of pension in general and the other arrangement agencies in particular, the most significant of which are Mivtach Simon, Tmura and Davidoff. Furthermore, the financial and pension agents, who work through "insurance agents hubs" also started competing with the agencies under arrangement for their end customers.

The main methods used by The Phoenix Agencies to address the competition, and key factors that affect its competitive position include, among other things, a constant improvement of service levels, ongoing streamlining and adoption of new technologies allowing the provision of fast, professional and effective services to employees and employers.

2.7.6 Seasonality

The activity of The Phoenix Agencies is not significantly affected by seasonality. Nevertheless, as a rule, the fourth quarter generates the highest profitability in the fields of pension, provident funds and finance.

2.7.7 Specific regulation

The distribution (agencies) activity is supervised by the Commissioner and is subject to many legal provisions, including the Supervision Law, the Provident Funds Law, the Pension Advice Law and regulations promulgated thereunder, as well as the Commissioner's Directives, which aim to protect

policyholders and planholders. These directives relate both to regulatory requirements applicable to insurance agencies and to requirements stemming from their relationships with their customers. Violation of the provisions of the law, including the Commissioner's Directives, may constitute an administrative violation, in respect of which a monetary sanction is imposed; in some instances, an administrative violation may even constitute a criminal offense.

Following is a summary of the legal provisions applicable to the distribution (agencies) activity, as well as material bills and drafts published during the reporting period and through the report's publication date:

2.7.7.1 Legislative arrangements:

2.7.7.1.1 **The Supervision Law** regulates, among other things, the issues of insurance agencies' licensing, permits of control and holding of means of control, receipt of business and payment of brokerage fees and commissions for insurance brokerage services.

Pursuant to the provisions of the Supervision Law, it is forbidden to engage in insurance brokerage services and receive fees and commissions for such services without first obtaining a license from the Commissioner as required by law. The Supervision Law regulates, among other things, the receipt of an insurance agent license, including a corporate agent license, a control permit and a permit to hold means of control in a corporate agent. The Supervision Law also sets provisions regarding the safeguarding of policyholders' interests, such as the prohibition on providing a misleading description of an insurance transaction.

2.7.7.1.2 **The Pension Advice Law** regulates the granting of a license to provide pension advice and market pension products; the law includes provisions on providing operating services to employers, including restrictions applicable to insurance agents who render operating services to an employer for whose employees it provides pension advice. Furthermore, the law regulates the requirements, prohibitions and restrictions applicable to the marketing of pension products, including the insurance agent's duty to ensure that the pension product suits the customer's needs; under the law, the agent also has a duty of care and a fiduciary duty to its customers. The law also sets provisions on payment to agents, including prohibition on direct collection of a fee or commission from a customer in addition to a fee or commission paid by an institutional entity.

2.7.7.1.3 **The Provident Funds Law** provides for the right of an employee - for whom an employer makes contributions towards pension - to select the license holder to market the pension products or carry out transactions in his/her provident fund. Furthermore, an amendment to the law enacted in 2017 prohibits a management company from paying insurance agents any fees and commissions the calculation of which is tied to the rate of management fees collected by the management company from planholders.

2.7.7.1.4 **The Insurance Contract Law** and amendments thereto, regulate, among other things, the insurance agent's position in the relationship between an insurer, policyholder, and an

insurance agent, and sets, among other things, presumptions as to the insurance agent's being an agent of the insurer.

2.7.7.2 Commissioner's circulars, positions and procedures:

2.7.7.2.1 The circular titled Services Rendered to Customers by Agents and Advisors stipulates provisions on rendering adequate customer service by a license holder and stipulates the rules and conditions for collecting fees and reimbursement of expenses paid directly by the customer. In addition, the circular prescribes provisions regarding the following matters: Separation of service and marketing of unsupervised products; purchase of an insurance or pension portfolio; collection of payment from a customer; disclosure to the customer regarding services that may be obtained independently; purchase of the contact details of a potential customer (leads); and prohibition on advertising withdrawal of funds or tracing of funds services.

2.7.7.2.2 The Signing-On to Insurance Plans circular sets provisions regulating conduct of insurance companies and insurance agents when signing on policyholders to an insurance plan. Among other things, the circular prescribes provisions regarding the following topics: A requirement whereby the insurance policies meet the insurance candidate's needs, including by checking the list of insurance products he/she has in place by submitting a query to the Har Habituach website; a special sales procedure for senior citizens (in cases where the signing on process is not carried out as part of a face to face meeting with the insurance candidate); requiring the performance of enhanced assessment of needs upon the cancellation of a policy and switching to another company also in the different P&C insurance (property) subsegments; and requiring that any conversation aimed at signing on customers will be recorded.

2.7.7.2.3 The Explanation Document Circular - Amendment sets a uniform wording for the explanation document to be delivered to customers by an agent marketing pension products, among others, while providing pension advice or marketing pension products, as part of his/her duty under the Pension Advice Law to ensure that the pension product suits the customer's needs and to explain his/her recommendation in writing. Furthermore, the Circular sets guidance on a license holder's duty, in the process of ensuring that the pension product meets the customer's needs, and of providing fair disclosure as to the considerations guiding his/her recommendation.

2.7.7.2.4 The Power of Appointment to a License Holder Circular sets a uniform format for a power of appointment form, by which a customer may appoint a license holder to receive information about pension savings managed for him/her in an institutional entity, or take in his/her name actions as part of pension advice or marketing, including through the central pension acquiring system (as defined in the Pension Advice Law). In December 2023, an amendment to the circular was published, which prescribed a Temporary Order, whereby a lasting power of attorney, that was given to a license holder for a period of 10 years, and which is due to expire between October 1, 2023 to January 1, 2024, will be extended automatically until the earlier of the following - two months will have elapsed

from the end of the declaration of a special situation on the home front or until six months will have elapsed from the expiry of the original power of attorney.

2.7.7.2.5 **The Institutional Entity's Engagement with an License Holder Circular** regulates the engagement between insurance agents and institutional entities in view of the Supervision Law and the Pension Advice Law's provisions prohibiting agents from brokering between customers and institutional entities, if the agent and the institutional entity do not have an agreement in place that includes the terms and conditions set in the said laws.

2.7.7.2.6 **The Circular titled Involvement of an Entity which is not a License Holder in the Marketing and Sale of Insurance Products other than Collective Insurance** regulates engagements between regulated entities and external entities with regard to setting rules about an external entity's involvement in the marketing or sale of an individual insurance product, such that such activities shall not be in violation of the law.

2.7.7.2.7 **The Insurance Circular titled Service Contracts and their Marketing** stipulates, among other things, provisions on the marketing of service contracts through insurance agents.

2.7.7.2.8 **The Clarification on Pension Marketing Procedure when Accepting Candidates to a Pension Plan** stipulates that a transaction carried out for a customer with respect to a pension product, including the signing on of a customer to a pension plan, shall only be carried out after a pension marketing procedure has been followed as set out in the Pension Advice Law. The clarification further stipulates that an institutional entity may only pay a distribution fee if a pension insurance agent conducted such a transaction as part of a pension marketing procedure. The clarification applies to signing on new planholders to a pension plan as of February 4, 2018.

2.7.7.2.9 **Rules for Adequate Internship** Circular - The circular set forth provisions and rules for the supervisor and the trainee; such provisions and rules shall constitute threshold requirements for appropriate traineeship as part of the legal requirements for receiving an insurance agent license, a pension advisor license or a pension marketing agent license.

2.7.7.2.10 In June 2023, the **Economic Plan Law (Legislative Amendments to Achieve Budgetary Targets for the Budget Years 2023 and 2024), 2023** (hereinafter - the "**Economic Arrangements Law**") included an amendment to the Pension Advice Law, according to which an institutional entity will not "unreasonably refuse" to engage with a pension advisor in an agreement for the execution of a transaction for a customer, and will not terminate an engagement in such an agreement with a pension advisor under the circumstances listed in the definition of "unreasonable refusal".

2.7.7.2.11 In July 2023, the **Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment), 2023, and Supervision of Financial Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds) (Amendment No), 2023** were published in accordance with the government's resolution of February 24, 2023 dealing with "Increasing the Competition in the Insurance and Savings Brokering Industry", which was included in the economic plan for 2023-2024.

According to the Amendment to the Income Tax Regulations, the contribution into an insurance fund will be capped to that portion of the wage that exceeds double the average wage in Israel, such that the portion up to double the average wage in Israel will be deposited with an annuity provident fund which is not an insurance fund. Furthermore, as a complementary step, the Transfer Regulations, were amended such that the transfer of funds to an insurance fund will be limited to that portion of the wage that exceeds double the average wage in Israel.

2.7.7.3 Drafts

2.7.7.3.1 In April 2023, a **Draft of the Supervision of Financial Services Regulations (Provident Funds) (Direct Distribution Fee to a Pension Insurance Agent), 2023** was published. The draft regulation was published further to the government's resolution regarding "Reducing Distortions in the Insurance and Savings Brokering Segment", which was included in the Arrangements Law Bill for 2023-2024. The regulations suggest setting a tiered refund mechanism in connection with the sales commission in the event of frequent transfers from one product to another. It is also suggested to determine that a pension insurance agent will be allowed to receive from an institutional entity a one-off fee only if the agreement between the insurance agent and the institutional entity stipulates that the insurance agent will be required to refund the said fee to the institutional entity during the first six years following the signing-on of a planholder to a provident fund, or following the date on which the agent was appointed, if at least one of the events listed in the draft occurred. According to the explanatory notes, the purpose of the proposed regulations is to mitigate the sales bias, which causes excess volatility in the market, whose outcome is an increase in insurance premiums and management fees, and ineffective management of the pension funds in a manner that is not in line with the customer's best interest.

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

the license holder that marketed the policy, the insurance company will receive from the license holder that marketed the policy a refund at an amount equal to the amount of the one-off fee paid in respect of the marketing of the policy, in accordance with the draft; (3) the insurance company will not compensate the license holder for the refund of such fees (whether directly or indirectly); (4) an insurance company will document the information concerning the fees paid for the marketing of insurance policies, discounts given to policyholders, cancellations of insurance policies, and fees refunded to the company due to such cancellations.

2.7.8 Material agreements

2.7.8.1 Restructuring of The Phoenix Agencies

For information about the engagement with Hagoz and Y.H.G Sasson, see Section 2.7.1 above.

2.7.8.2 Oren Mizrach Insurance Agency Ltd.

In December 2020, an agreement was signed between the Company, The Phoenix Agencies, Oren Mizrach and Webprice Insurance Agency (2017) Ltd. and Mr. Oren Cohen and several companies under his ownership for the purchase of some of Oren Mizrach and Webprice's shares from Oren Cohen by The Phoenix Agencies, such that subsequent to the purchase, The Phoenix Agencies holds approx. 70% of the shares, directly and indirectly. As part of the agreement, the parties were awarded call and put options for the purchase or sale of the remaining shares held (indirectly) by Mr. Oren Cohen. The options will be effective from December 31, 2027 to December 31 2029. For further details, see the Company's immediate report dated December 6, 2020 (Ref. No. 2020-01-132153) and Note 8 to the Financial Statements.

2.7.9 Marketing and distribution

The marketing and distribution of the products of agencies held by the Company is carried out in accordance with the Commissioner's Directives, as described in Section 2.7.7. The arrangement agencies provide, as aforesaid, end-to-end services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and review of all existing pension plans and setting up a pension solution tailored to meet the employee's needs, including marketing of pension and financial products and health insurance. The arrangement agencies receive fees and commissions from insurance companies for the abovementioned marketing and brokerage services.

Services to employers include end-to-end operational pension services, including collection and acquiring services in relation to contributions towards pension and automated statements, including a controls and feedback system between the financial institution and employer. The arrangement agencies collect handling fees from employers for these services. The marketing and distribution of the other products is carried out in the manner generally accepted in the industry, through licensed insurance agents.

2.7.10 Human capital

For details about the number of employees engaged in this field, including any material changes in the workforce, see Section 4.6 to the Report.

2.7.11 Suppliers and service providers

As part of its current activities, The Phoenix Agencies engages with a range of service providers. To the best of The Phoenix Agencies' knowledge, it is not dependent on a primary supplier.

2.7.12 Legal proceedings

As of the report date, The Phoenix Agencies is not a party to material legal proceedings.

2.7.13 Investments

The Phoenix Agencies grants shareholders' loans to some of its investee agencies based on predetermined milestones, for the purpose of funding the acquisition of agencies and insurance portfolios.

2.7.14 Objectives and strategy

The Company views the agencies arm as an independent arm that operates to maximize the profit from the agencies activity. Accordingly, the Company executed a transaction to introduce Mr. Yitzhak Oz and Mr. Moshe Sasson as partners in this activity. In addition, the Company is assessing the option of introducing an international partner to this activity while maximizing value in accordance with the Company's strategy. For more information, see Section 2.7.1 above.

In addition, as an independent arm, the Group's agencies work with all other insurance companies engaged in their area of activity, in accordance with independent considerations and for the benefit of the policyholders.

During the reporting period, The Phoenix Agencies purchased - through its various agencies - a number of agencies and insurance portfolios in accordance with the Group's strategy to achieve growth in this segment.

The Phoenix Agencies aspires to expand its activities in the insurance agencies' areas of activity and to improve its profitability either through mergers and acquisitions and collaborations with other entities or by improving its ongoing operations, through, among other things, increasing the efficiency of the agencies' procedures and adopting technological solutions.

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from those which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

Part C

Additional Information about Insurance Areas of Activity Not Included in the Areas of Activity

N/A

Part D

Additional information at Company level

4.1 Restrictions and Regulation to which the Group's Activity is Subject

4.1.1 Regulation and supervision - general

As described in this chapter, the Group's activities in its areas of activity are subject to the general provisions of the law and the specific provisions of the law applicable to each of the Group's areas of activity.

Group companies are regulated by various regulators, including the Capital Market, Insurance and Savings Authority (hereinafter - the "**Authority**" or the "**Commissioner**"), which regulate the activity of the Group's institutional entities and insurance agencies. The Authority is an independent authority which reports to the Ministry of Finance, and its roles include: 1. Protecting and safeguarding the interests of policyholders, planholders and customers of the regulated entities. 2. Ensuring the stability and proper management of the regulated entities. 3. Promoting competition in the financial system in general, and in particular - in the fields of capital market, insurance and savings. 4. Encouraging technological and business innovation for the regulated entities, in view of the Authority's purviews as per Sections 1-3 above.

Furthermore, part of Group companies' activity, which is concentrated under an investment house, is regulated by the Israel Securities Authority. Furthermore, in its capacity as a publicly-traded company, the Group is also subject to the provisions of the securities laws and is regulated in that context by the Israel Securities Authority; in addition, the Group is subject to the provisions of the companies laws applicable to publicly traded companies. The Group's companies are subject, from time to time, to administrative compliance procedures and fines.

The following is a summary of the legal provisions applicable to the Group as well as bills and drafts that have a material effect on the Group, published during the reporting period and through the report publication date. It should be noted that the provisions listed in this report do not constitute an exhaustive list of all legal provisions applicable to the Company, rather - they are only the key ones. Many other regulations and directives regulate the activities of the insurer and the management companies in the fields of insurance, pension funds and provident funds. The regulations and directives are updated on the Ministry of Finance's website at:

https://mof.gov.il/hon/Regulations/Pages/RegulationAndLegislation.aspx

4.1.1.1 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; 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; as well as automatically extending the ongoing power of appointment given to a licensee, expiring during the period from October 1, 2023 to January 1, 2024, until the earlier of the following - until two months will have elapsed from the end of the declaration of a special situation in the home front or until six months will have elapsed from the expiry of the original power of appointment.

Furthermore, following the breakout of the Iron Swords War, in October 2023, the Capital Markets Authority published a number of amendments that postpone the effective date of a number of amendments to circulars, including the **Uniform Format** Circular (see Section 4.1.6.1.8 below) and the **Investment Tracks in a Provident Fund Circular** (see Section 4.1.6.1.9 below).

Furthermore, in October-November 2023, the Capital Markets Authority published **Guidance to Institutional Entities in the Wake of the Iron Swords War**. The guidance includes points of emphasis regarding the services provided by the institutional entities to policyholders and savers, and regarding operational aspects of the institutional entities' activities, so long as a special situation on the home front is in place, and other aspects, including dealing with planholders and surviving relatives' queries in pension funds and insurance funds; adding an option in the existing calls routing system of the call center that will allow victims of the War and their relatives to identify in order to receive priority in the queue; tracing planholders and beneficiaries in relation to deaths that occurred as part of the War;

sending letters to policyholders and planholders' email address and not only to their postal address; freezing compulsory motor insurance and motor property insurance to drafted vehicles, and reimbursing the premium to the policyholder at the end of the period during which the vehicle was drafted, and settlement a claim in home insurance of an unoccupied property. In addition, an emergency reporting format was set up regarding reports that will be delivered to the Capital Markets Authority in connection with the topics listed in the letters and at the frequency stated therein.

In addition, from November 2023 to January 2024 legislative amendments were published aimed at supporting populations that were adversely affected by the War (hostages, missing persons, soldiers, policemen, residents of the Gaza Envelope settlements, etc.), including: Requiring employers to make contributions towards annuity provident funds in respect of an employee who is a hostage or a missing person, while receiving indemnity from the National Insurance Institute **(The Law for Protecting Employees at Times of Emergency (Amendment No. 5 and Temporary Order - Iron Swords), 2023)**; deferral of dates set in contracts regarding soldiers, policemen, missing persons, hostages, etc. **(The Law for Deferral of Dates (Temporary Order - Iron Swords) (Contract, Judgment, or Payment to Government Agencies), 2023)**; and setting general grounds for suspension, that will suspend the prescription period for causes of actions that existed immediately prior to the outbreak of the War, in accordance with the provisions of the amendment **(The Prescription Law (Amendment No. 8 - Iron Swords, 2024)**.

4.1.1.2 Legislative arrangements

4.1.1.2.1 **The Insurance Contract Law, 1981** mainly regulates the relationship between an insurer and policyholders, including the status of the insurance agent.

4.1.1.2.2 **Financial Services Supervision (Insurance) Law, 1981** and the regulations promulgated thereunder regulate, among other things, the Commissioner's purviews, licensing of insurers and insurance agents, holding of means of control in an insurer and in an agent which is a corporation, supervising of insurance businesses and the safeguarding policyholders' interests. The Supervision Law includes a list of provisions the breach of which constitutes a criminal offense; the law expands the scope of officers' responsibility to prevent the breaches. Furthermore, in accordance with the Supervision Law, the Commissioner has is authorized to impose monetary sanctions and civil fines of significant amounts without filing an indictment.

4.1.1.23 The **Law for the Promotion of Competition and Reduction of Concentration, 2013 (hereinafter - the "Market Concentration Law" or the "Law")**, which was published in December 2013, is composed of three key chapters: (1) restricting the control in "pyramid-shaped" companies to two tiers and imposing enhanced corporate governance rules on such companies; (2) separation between significant financial corporations (such as banks, insurance companies, investment funds, etc.) and significant non-financial entities as defined in the Reduction of Concentration Law, which prohibits a significant non-financial corporation from controlling and holding means of control in an insurer which is a significant financial entity; and (3) aggregate concentration considerations and sectoral competition considerations in the allocation of rights to use government resources (essential infrastructures and privatized assets) to concentrating entities.

A list of concentrated entities, a list of significant non-financial entities, and a list of the significant financial entities is published from time to time on the Ministry of Finance's website.

The Phoenix Insurance and The Phoenix Pension and Provident are included in the list of the significant financial entities published by the Committee for the Reduction of Concentration, due to their definition as significant financial entities.

The Law allows reporting entities to have a holding structure of no more than two tiers. The Company is a first-tier company.

The Concentration Law sets restrictions and conditions for separating significant financial entities from significant non-financial entities. Under the said restrictions, the Concentration Law limits an institutional entity's holding to no more than 10% of the means of control in any significant non-financial corporation; they also prohibit a controlling shareholder of a significant non-financial corporation, a person related to such a controlling shareholder or an officer in a significant non-financial corporation from serving as a director in a significant financial corporation.

Circulars issued by the Capital Market, Insurance and Savings Authority

4.1.1.24 In January 2022 and September 2022, amendments were published to **The Signing-On to Insurance Plans** circular, which prescribe, among other things, a special two-phases signing-on process as part of proactive marketing to senior citizens in cases where the signing-on process is carried out in circumstances other than a face to face with the insurance candidate. Further to the above, in March 2023, an amendment was published to **The Signing-On to Insurance Plans Circular**, which deferred to May 2023 the effective date of the requirement to send

- as part of proactive marketing of health insurance to a senior citizen - a summary of the insurance coverage in accordance with the wording set out in Appendix F.

4.1.1.25 The Financial Information Service Law, 2021 requires various financial institutions that hold information about customers (banks, credit companies, institutional entities) (hereinafter - the "**sources of information**") to allow entities holding the required license (hereinafter - "**financial information service providers**") to obtain, at the consent of the customer, online access to financial information about the customer. Based on this information, the Financial Information Service Providers will be able to offer services to the customer through an online system (such as: concentrating all the information in one place for the customer, comparing costs between different financial institutions, brokering, receiving offers for the customers, pension advice, etc.). Regarding institutional entities it was decided that they are only required to give a service provider access to "financial information about credit"; it was also decided that the law will not apply to the transfer of financial information to the pension acquiring system. In accordance with the provisions of the law, information should be made accessible by the source of information through the financial information interface and in accordance with directives issued by the regulator of the source of information.

Subsequently, in June 2023, the **Circular regarding Directives to Financial Information which are Institutional Entities** was published. The circular sets provisions that regulate the activities of institutional entities, which are "sources of information" in order to make financial information accessible in accordance with the law.

In November 2023, the **Financial Information Service Order (Deferral of the Effective Date of the Law Pertaining to a Source of Information which is an Institutional Entity or a Holder of a License for the Provision of Deposit and Credit Services), 2023** was published. As part of the order, the effective date of the law regarding the information about credit of a source of information, which is an institutional entity, was postponed by six months, such that the effective date will be May 14, 2024, and regarding corporations' accounts it will be November 15, 2024, due to the Iron Swords War and other reasons related to the completion of automation preparedness.

4.1.2 Provisions regarding regulation of corporate governance

4.1.2.1 Drafts

4.1.2.1.1 In March 2023, the Israel Securities Authority published **proposed amendments to the Regulations regarding Diversity in Boards of Directors of Reporting Corporations, Mutual Funds and Large Portfolio Management Companies.** The proposed amendments were published against the backdrop of the global emerging

trend in recent years for promoting equality as part of the fundamental underlying values of ESG considerations, and in view of investors' interest in the composition of boards of directors and gender diversity. As part of the regulations, it is suggested to set disclosure requirements for reporting corporations regarding gender diversity in the board of directors, and regarding the policy of diversity in the workforce.

4.1.2.1.2 In May 2023, the Capital Markets Authority published a letter regarding **Gender Diversity in the Board of Directors of an Institutional Entity**. The provisions of the Consolidated Circular regarding the "Board of Directors of an Institutional Entity" prescribe that both sexes must be adequately represented in the Board of Directors of an institutional body. According to the Authority's letter, despite the fact that since the publication of the circular there has been an increase in the number of women, who serve as board members, some institutional entities do not implement the directive adequately. In view of the above, the letter emphasizes that the Board of Directors of an institutional entity is required to take gender diversity into consideration when deciding on the composition of its Board of Directors. It is also noted in the letter, that in accordance with his power to approve the appointment of officers, the Commissioner will take into consideration, among other things, the issue of appropriate gender diversity in the Board of Directors to which the director was appointed, such that the weight of this issue in the decision to approve or not to approve the appointment will be higher the lower the gender diversity. Regarding the setting of a policy for gender diversity in the Company's Board of Directors, see Section 1.3.17 above.

4.1.3 Provisions regarding investment management by institutional entities

4.1.3.1 Legislative arrangements

4.1.3.1.1 **Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012** set a uniform framework for investment rules applicable to all institutional entities, including the nostro funds.

4.1.3.1.2 The codex of regulations on management of investment assets compiles and combines regulatory provisions that were included in the various circulars by virtue of the Commissioner's power pursuant to the Regulations; this power was given to the Commissioner with the aim of adapting some of the restrictions applicable to institutional entities to changing market conditions.

4.1.3.1.3 **Supervision of Financial Services Regulations (Provident Funds) (Direct Costs Due to Execution of Transactions), 2008** regulate the types of direct expenses an institutional entity may deduct from planholders' funds under its

management in respect of investments it makes in addition to the management fees it collects from planholders.

In October 2022, the **Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses Incurred as a Result of Execution of Transactions) (Amendment), 2022** were published. The amendment was published further to the recommendations of the Yafeh Committee, which was appointed by the Commissioner of the Capital Market, Insurance and Savings in order to review the issue of direct expenses: Following are the key changes set as part of the amendment: (1) Instead of setting a direct fees percentage point cap, each institutional entity will set, in advance, and for each investment track under its management, a cap on the "management fees to external parties" it may charge in the next financial year; (2) all other types of direct expenses (regardless of whether they arise from direct liquid investments or from direct illiquid investments), shall not be subject to the management fees to external parties cap; (3) the types of direct fees, that may be collected as part of tracks specializing in investment in liquid assets and tracks specializing in tracking indexes, were limited; (4) for new investment tracks, that contain a variable management fees component in accordance with the track's profit, it was determined that entities will not be allowed to collect any direct expenses other than direct expenses in respect of taxes; (5) it was determined that whenever there is a legal requirement to present to the planholder or policyholder the management fees, the planholder or the policyholder shall also be presented with the total expected cost that he/she will bear during that year in respect of management fees and direct expenses. The amendment's effective date was January 1, 2023.

4.1.3.1.4 Further to the above, in July 2023, the **Manner of Presentation of Annual Expected Cost to Planholders or Policyholders Circular** was published, which prescribes provisions that regulate the manner by which institutional entities should present to existing and new customers the expected annual cost in a uniform manner. The circular sets a fixed formula that is supposed to allow calculating the total expected cost, in a manner that will ensure uniformity between institutional entities, and as a result, according to the explanatory notes, the savers will be easily able to compare the rates of total expected costs of the investment alternative he/she assesses. It also prescribes that the circular shall not apply to insurance policies with a savings component, which were marketed before 2004, or to old funds.

4.1.3.1.5 In addition, in March 2023, an **Amendment to the Provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Publication of External Management Costs Cap as Part of an**

Advance Statement of an Institutional Investor regarding its Investment Policy, Establishment of an Index-Tracking Investment Basket, and Reports to the Investment Committee regarding Variable Management Fees that were Collected) was published. The objective of the amendment to the circular is to adjust it to amendments to the Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses from Execution of Transaction), 2008, and the "Investment Tracks in Provident Funds Circular" (see Section 4.1.6.1.9 below), regarding, among other things, the manner of publication of the external management fees cap in an advance statement of an institutional investor regarding its investment policy, and allowing the setting up of a dedicated investment track for the management of investments in index-tracking assets.

4.1.4 Provisions on accounting reports, reporting and presentation rules and reports to be submitted to the Commissioner

4.1.4.1 General

The Supervision Law and the regulations promulgated thereunder stipulate, among other things, provisions regarding the content, details and accounting principles to be applied in the preparation of insurance companies' financial statements, including the accounting treatment applied to insurer's assets and liabilities.

The principal accounting principles used by the Group in the drawing up of the financial statements are described in note 2 to the Company's financial statements.

From time to time the Commissioner publishes circulars and directives pertaining to reporting rules for both insurers and management companies, and to the accounting rules that should be applied to financial statements of insurers and management companies.

4.1.4.1.1 In June 2020, the Capital Market, Insurance and Savings Authority published a paper titled "**Roadmap for the Adoption of International Accounting Standard (IFRS) 17 - Insurance Contracts"**. The roadmap lists the steps required to ensure the preparedness of Israeli insurance companies for the implementation of IFRS 17 - Insurance Contracts - and the timetables for the implementation of these steps. The steps set out in the roadmap are designed to increase the level of regulatory certainty as to the planned implementation date of the standard and as to the main steps insurance companies will need to take in order prepare for the implementation. The roadmap sets key milestones, the achievement of which will be required as part of the preparations made by insurance companies. These milestones pertain to several aspects of preparedness: (1) IT systems; (2) project management; (3) accounting policies; (4) quantitative tests; and (5) disclosure to the public.

Further to the above, in June 2023, the Commissioner published the **Third Revision to the Roadmap**, which postponed the date of application of the standard in Israel to January 1, 2025, and which revised the milestones for the implementation of the standard accordingly, including the updating of the requirement to disclose in the 2024 financial statements the comprehensive income for the first half of 2024 instead of disclosing comprehensive income for the entire year in 2024.

For further details regarding the preparations made by the Company for application of the standard, see Note 2AA to the Financial Statements.

4.1.4.1.2 In March 2023, **Amendment to the Consolidated Circular - Chapter 3 Part 4 Title 5 - Reporting to the Commissioner of the Capital Market, Insurance and Savings - Hetz Bonds** was published. The amendment includes guidelines as the method that will be employed to adjust the insurance liabilities for the purpose of allocating designated Hetz government bonds after the implementation of IFRS 17 - "Insurance Contracts" - in view of the fact that one of the material consequences of the implementation of the standard is a material change in the measurement of the liabilities in respect of insurance contracts (the insurance reserves), which includes transition from measurement on the basis of traditional actuarial methods to measurement based on future cash flows discounted at risk-free interest.

4.1.4.1.3 In February 2023, the Commissioner published a **Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT in Property and Casualty Insurance**. The provisions of the Consolidated Circulars regarding the "measurement of liabilities" deal with an insurance company's right to refer to the difference between the amortized cost and the fair value of assets that are not recognized in the statements of financial position at fair value, except for designated bonds, when performing LAT ("**UGL**"). The purpose of the circular is to clarify how the method employed to revalue the assets may be taken into account when performing LAT in property and casualty insurance. Specifically, it is clarified that a company may take UGL into account even when it calculates the reserve employing methods other than best practice, if the calculation of the reserve is carried out using a discount rate based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities, provided that the balance of the reserve after deducting the UGL does not fall below the best estimate of the liability.

4.1.4.1.4 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 amendment includes provisions on the following issues: Compromising the independent auditor's independence due to

the provision of a related service; the independent auditor's role in connection with Economic Solvency Ratio Reports; revisions to the provisions regarding the issuance of a detailed annual report about annual financial statements; and revision to provisions regarding the independent assessment of the pension liabilities of a pension fund.

4.1.5 Actuary and risk management, including provisions regarding Solvency II-based Economic Solvency Regime

4.1.5.1 General

As part of its insurance activities, an insurer is required to hold assets against its insurance liabilities.

From time to time, the Commissioner publishes circulars providing guidance on actuarial assessments used in life, health and property and casualty insurance.

Most of the actuarial rules, methods and assumptions used to determine the Group's insurance liabilities are listed in Section 2.1 of the Report of the Board of Directors, Notes 2 and 40 to the financial statements, and the actuary's statements in the Life, Health and Property and Casualty Segments, which are attached to the financial statements.

4.1.5.2 Duty to appoint an actuary, actuaries' work methods and required qualifications

The Supervision Law stipulates that an insurer, including an insurer which serves as a pension fund's management company, must appoint an actuary for each of its insurance segments; the actuary's roles include, among other things, making recommendations to the Board of Directors and CEO as to the amount of the insurer's insurance liabilities or the actuarial balance sheet of the pension fund it manages, as applicable.

In September 2022, an amendment to the provisions of the **Consolidated Circular - Supervising Actuary and Chief Actuary.** As part of the circular, it was decided that an insurer will appoint only one chief actuary that will head the insurer's actuarial science function; the said actuary will report directly to the insurer's CEO and will also serve as a member of management. The circular also sets the roles of the chief actuary, as the head of the actuary function; he/she is in charge of supervising the work of all of the actuaries employed by the insurer, and the roles of the supervisory actuary. The circular prescribes that the chief actuary will be required to submit to the Board of Directors and CEO of the insurer and to the Commissioner a periodic actuarial report at least once a year, in which it will review the implementation of the solvency directives, and specifically the processes, the actuarial calculations and the results derived therefrom, and the key activities of the actuarial science function in the discussed period (hereinafter - the "**Chief Actuary Report**"). The circular also adds the requirement that on each balance sheet date a supervisory actuary will submit to the board of directors and CEO of the insurer and to the Commissioner a report in which he/she will describe his/her recommendations as to the appraisal of the insurer's insurance liabilities. Finally, it is determined that the chief actuary should attach a short statement to the annual report of the supervisory actuary. The circular sets out transitional provisions whereby the effective date of the circular's provision whereby an

insurer will appoint only one chief actuary, in the case of an insurer which had two serving chief actuaries prior to the effective date, and the effective date of the circular's provision whereby the chief actuary shall report to the CEO shall be January 1, 2024 - the date on which IFRS 17 comes into force. It is noted that in June 2023, the date of the standard's implementation in Israel was postponed to January 1, 2025 (see Section 4.1.4.1.2 above).

Further to the above, in January 2024, the Commissioner published the **Revision of the Provisions of the Consolidated Circular - Chief Actuary Report - Draft**. The draft suggests to determine, among other things, the topics , which will be reviewed in the Chief Actuary Report, in order to improve the quality of reporting in connection with the "Economic Solvency Regime". The circular sets forth the structure and scope of the required report, as well as the content of the statement of the chief actuary and the supervising actuaries working alongside him/her.

4.1.5.3 Duty to appoint a Chief Risk Officer, his/her roles and required qualifications

An institutional entity is required to appoint a Chief Risk Officer and set up a risk management function. The Chief Risk Officer's roles include, among other things, identifying the Company's material risks, quantifying and estimating their effect and reporting to the management and the Board of Directors.

4.1.5.4 Provisions regarding the implementation of Solvency II-based Economic Solvency Regime

The Phoenix Insurance is subject to the Solvency II-based Economic Solvency Regime in accordance with the provisions Commissioner's Circular 2020-1-15 - "**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. In accordance with the provisions of the Economic Solvency Regime, the economic solvency ratio report as of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date.

Increasing the economic capital in accordance with the transitional provisions - the Company opted for the alternative provided by the Economic Solvency Regime regarding the transitional provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the "Deduction during the Transitional Period"). With regard to the Deduction during the Transitional Period, a letter was addressed to insurance companies managers titled "Principles for calculating Deduction

during the Transitional Period in the Solvency II-based Economic Solvency Regime" (hereinafter - the "Letter of Principles"). Pursuant to the Letter of Principles, the Deduction during the Transitional Period shall be calculated by dividing insurance policies issued through December 31, 2016 into homogeneous risk groups. The aforesaid deduction shall be calculated as the difference between insurance reserves (retention) as per the economic balance sheet, including the risk margin attributed thereto (net of the difference between the fair value and the carrying amount of designated bonds) and the insurance reserves (retention) as per the Financial Statements. This difference shall be deducted on a linear basis until December 31, 2032. The deduction balance at each reporting date (hereinafter - the "Deduction Value During the Transitional Period") shall be proportionate to the expected increase in the solvency ratio calculated excluding expedients during the Transitional Period. For details regarding The Phoenix Insurance's commitment to publish data in connection with its economic solvency ratio on a quarterly basis in respect of the quarter preceding the reporting data, see Section 1.3.21 above.

4.1.6 The principal legal frameworks of the Retirement (Pension and Provident) Segment

4.1.6.1 Legislative arrangements

4.1.6.1.1 **The Financial Services Supervision (Provident Funds) Law,** 2005 (the "**Provident Funds Law**") regulates the establishment of management companies, the manner in which they are to be managed and ways in which they operate; the law lists the terms and conditions for obtaining a license to manage a management company, and sets provisions on obtaining permits to control and hold stakes in management companies. The law also regulates the relationship between a planholder and the management company and even determines the rights of a planholder in a provident fund.

4.1.6.1.2 **Financial Services Supervision (Consulting, Marketing and Pension Acquiring System) Law**, 2005 (the "**Pension Advice Law**") regulates the practice of engaging in advice on and marketing of pension products, including provisions on the duty to obtain a license and the terms and conditions of such a license, prohibitions and restrictions on the practice of providing advice on and marketing of pension products, supervision of license holders, and the Commissioner's right to set proper conduct provisions and provisions designed to safeguard policyholders' interests, including the imposition of sanctions, civil fines and criminal sanctions. The law also sets provisions dealing with the licensing procedure of a company operating a pension acquiring system, and the mechanisms for supervising such a company (the "**Clearing System"**).

The Clearing System is used to transfer information about pension products of planholders in the various institutional entities, transfer applications to make changes in the pension products and information about direct contributions by employers; the Clearing System is also used to make actual transfers of funds.

4.1.6.1.3 **The Prohibition on Money Laundering Law, 2000, and the Prohibition on Money Laundering (Obligations of Identification, Reporting and Record Keeping by Insurers, Insurance Agents and Management Companies to Prevent Money Laundering and Financing of Terrorism) Ordinance, 2017**, require insurers, insurance agents and management companies to identify and verify customers' details. The said law and ordinance set, among other things, provisions regarding the requirement to conduct a "know your customer" procedure when issuing a life insurance contract and opening a provident fund account, the requirement to check whether the customer is included in the list of active terrorist groups and individuals as defined in the ordinance, and the requirement to submit regular and special reports to the Israel Money Laundering and Financing of Terrorism Prohibition Authority.

4.1.6.1.4 **The Income Tax Ordinance (New Version), 1961** confers upon provident funds, pension funds and insurance funds a special status with regard to income tax credits and deductions and various exemption provisions; this status is designed to encourage the public to save for retirement through provident and insurance funds.

4.1.6.1.5 **Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964** regulate certain aspects of the management of provident funds, including contributions to be made into such funds, the use of their funds, payments to planholders and provisions with regard to reports issued to planholders. The Regulations apply to pension funds, provident funds and insurance plans approved as insurance funds (executive insurance and insurance for the self-employed).

4.1.6.1.6 The **Supervision of Financial Services Regulations (Provident Funds) (Insurance Coverages in Provident Funds), 2013** regulate the insurance coverages that a management company is allowed to purchase for planholders in an annuity provident fund under its management, the terms and conditions of such insurance coverage, and the terms and conditions for group insurance in an advanced education fund and in a non-annuity provident fund.

4.1.6.1.7 The **Supervision of Financial Services Regulations (Provident Funds) (Self-Directed Provident Funds), 2009** allow savers to manage the investment of their pension savings by themselves. This arrangement enables savers to benefit

from tax benefits in respect of contributions made into provident funds and/or advanced education funds, and at the same time, to control the manner in which their funds are invested, either personally or through a portfolio manager who follows the savers' instructions.

4.1.6.1.8 In June 2021, The Capital Market, Insurance and Savings Authority published a paper that lists the **principles for implementation of the API technology in the pension savings market** that includes the key principles according to which the Capital Market, Insurance and Savings Authority will act to upgrade the technological infrastructure in the pension savings market. Furthermore, the Commissioner published a **Circular on Uniform Format for Transferring Information and Data in the Pension Savings Market - Update;** the circular's key points are: Adding an - "Events Interface Set Up", and requiring license holders to transfer applications to join provident funds using this interface; requiring that applications to only be submitted using the transition interface; cutting the period for giving feedback to an application to transfer funds; and giving customers the option to update material details using the Clearing System.

Later on, in February 2023, a Circular on a **Uniform Format for Transferring Information and Data in the Pension Savings Market - Amendment** - was published. As part of the revised circular, the effective date of the provisions regarding the integration of API-based protocols, which were supposed to come into force on November 26, 2023 are postponed to June 1, 2024. Furthermore, the Commissioner canceled the gradual coming into effect of Section 5A to Appendix E (Employers Interface), that prohibits the use of escrow account in connection with an employer that employs more than 10 employees, and an employer that employs less than 10 employees, such that as of the effective date of this section, the provision will apply to all employers. The directive was supposed to come into force on February 1, 2024, but the effective date was postponed to June 1, 2024 as part of amendments for the postponement of circulars published by the Capital Markets Authority due to the Iron Swords War, as set out in Section 4.1.1.1 above.

For details regarding the draft circular on a **Uniform Format for Transferring Information and Data in the Pension Savings Market**, which was published in December 2023, see Section 4.1.6.1.13 below.

4.1.6.1.9 In September 2022, the **Investment Tracks in Provident Funds Circular - Amendment** was published. The objectives of the circular is to revise and expand the range of specialized investment tracks that an institutional entity may manage, while implementing the conclusions of the Yafeh Committee for the review of the direct expenses issue. Following are the key changes in the circular:

(1) Specialized investment tracks were set, which the institutional entity will be allowed to manage in a provident fund which is not an advanced education fund, or an investment provident fund, in accordance with the following clusters: (a) Cluster 1 - actively-managed investment tracks; specialized investment tracks characterized with direct investments alongside investments in index-tracking assets; (b) Cluster 2 - actively-managed investment tracks with variable management fees; specialized investment tracks characterized with direct investments alongside investments in index-tracking assets whereby the institutional entity collects variable management fees in accordance with the return that was achieved. It should be noted that institutional entities will only be allowed to set up those investment tracks after the publication of an amendment to the Management Fees Regulations, which will allow the collection of variable management fees: (c) Cluster 3 - direct investment tracks in liquid assets: specialized investment tracks that are characterized in investments in liquid assets; (d) Cluster 4 - index-tracking investment tracks; specialized investment tracks that are characterized in index-tracking instruments; (e) Cluster 5 - faith and sustainability-based investment tracks: investment tracks that specialize in the management of investment in accordance with religious values or a sustainability and environment-based outlook.

(2) It was decided that an institutional entity, which is not a management company of a sectoral provident fund, must have in place the following specialized investment tracks at the very least: combined liquid investment track (from Cluster 3) and flexible index-tracking investment track (from Cluster 4).

(3) It was determined that a planholder who opted to invest in a financial investment track shall select, when joining the track: (a) the term during which he/she will invest in the financial investment track from among the following options: 6 months, 12 months or 24 months; and (b) the investment track to which the institutional entity will transfer the funds from the financial investment track at the end of that period.

(4) It was determined that an institutional entity will set out in the bylaws of an advanced education fund a default investment track, which will be one of the following tracks: specialized flexible investment track and a flexible index-tracking investment track.

(5) As part of the transitional provisions, it was determined that an institutional entity that manages a general track outside the insurance policies that were marketed prior to 2004 shall merge it into a specialized flexible investment track (from Cluster 1); such merger will take place by June 1, 2023 in accordance with the provisions of the law.

Further to the above, in December 2022, the **Investment Tracks in Provident Fund - Amendment Circular** was published, which postponed the effective date

of the "Investment Tracks in Provident Funds - Amendment" Circular as of January 1, 2024, except for the following provisions that came into force on January 1, 2023: (1) The requirement to maintain a combined liquid investment track and a flexible index-tracking investment track; (2) giving institutional entities the option to set up a sustainability investment track and an environmental investment track; and (3) the transitional provision that refer to the manner of modifying the different track, taking into account existing obligations as part of the modification of the investment tracks. Furthermore, as part of the final wording, the requirement to merge the general track into a specialized flexible investment track in an annuity provident fund was canceled; therefore, a provision was added that allows continued management of the general tracks of annuity provident funds, which will still be closed to new members.

In October 2023, following the Iron Swords War, the Commissioner published an amendment to the circular that postponed the effective date of the amendment to the circular to July 1, 2024.

4.1.6.1.10 In June 2023, the **Economic Plan Law (Legislative Amendments to Achieve Budgetary Targets for the Budget Years 2023 and 2024), 2023** (hereinafter - the "**Economic Arrangements Law**") included an amendment to the Pension Advice Law, according to which an institutional entity will not "unreasonably refuse" to engage with a pension advisor in an agreement for the execution of a transaction for a customer, and will not terminate an engagement in such an agreement with a pension advisor under the circumstances listed in the definition of "unreasonable refusal".

4.1.6.1.11 In July 2023, the **Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment), 2023, and Supervision of Financial Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds) (Amendment No), 2023** were published in accordance with the government's resolution of February 24, 2023 dealing with "Increasing the Competition in the Insurance and Savings Brokering Industry", which was included in the economic plan for 2023-2024. According to the Amendment to the Income Tax Regulations, the contribution into an insurance fund will be capped to that portion of the wage that exceeds double the average wage in Israel, such that the portion up to double the average wage in Israel will be deposited with an annuity provident fund which is not an insurance fund. Furthermore, as a complementary step, the Transfer Regulations, were amended such that the transfer of funds to an insurance fund will be limited to that portion of the wage that exceeds double the average wage in Israel.

Drafts

4.1.6.1.12 In April 2023, a **Draft of the Supervision of Financial Services Regulations (Provident Funds) (Direct Distribution Fee to a Pension Insurance Agent), 2023** was published. The draft regulation was published further to the government's resolution regarding "Reducing Distortions in the Insurance and Savings Brokering Segment", which was included in the Arrangements Law Bill for 2023-2024. The regulations suggest setting a tiered refund mechanism in connection with the sales commission in the event of frequent transfers from one product to another. It is also suggested to determine that a pension insurance agent will be allowed to receive from an institutional entity a one-off fee only if the agreement between the insurance agent and the institutional entity stipulates that the insurance agent will be required to refund the said fee to the institutional entity during the first six years following the signing-on of a planholder to a provident fund, or following the date on which the agent was appointed, if at least one of the events listed in the draft occurred. According to the explanatory notes, the purpose of the proposed regulations is to mitigate the sales bias, which causes excess volatility in the market, whose outcome is an increase in insurance premiums and management fees, and ineffective management of the pension funds in a manner that is not in line with the customer's best interest.

4.1.6.1.13 In December 2023, the draft circular on a **Uniform Format for Transferring Information and Data in the Pension Savings Market** was published. The circular sets a uniform record for the transfer of information between all parties operating in the pension savings market (institutional entities, savers, license holders, employers, and more). Further to the process conducted by the Authority to assess the desired structure of the market for transferring information in the pension savings market, and in view of the ongoing state of war in Israel, it is suggested to postpone the effective date of the circular's provisions that deal with interfaces with API technology, which were supposed to come into force on June 1, 2024. It is further suggested in the draft to modify the existing interfaces, such that they are in line with the regulatory provisions that came into force or are expected to come into force, regarding capping contributions to insurance funds in accordance with the amendment to the Income Tax Regulations, presenting expected annual cost in accordance with the "Presentation of Annual Expected Cost to Planholders or Policyholders" circular, changing the guaranteed return mechanism in accordance with the provisions of the Provident Funds Law, and revising Form 161, that came into force in January 2024. In addition, in all matters pertaining to the receipt of information regarding severance pay balances accrued during the course of an employee's employment by an employer for the purpose of

filling out Form 161, it is suggested to define a uniform structure for obtaining the employee's consent and transferring the data to the employer for the purpose of receiving the data through a central pension clearing system. It is also suggested to cut the response time for the severance pay interface to 3 hours, in accordance with the time set as response time in the holdings interface. In addition, it is suggested to make a number of changes to the transitioning interface and the employers interface in order to streamline the work processes pertaining to contributions and adding information that will be transferred between a transferring fund and a receiving fund in order to maintain the planholders' rights as part of a transitioning interface.

4.1.6.1.14 In February 2024, the **Bill for Supervision of Financial Services (Pension Advice, Marketing and Clearing System) (Amendment No. 13), 2024** was published. As part of the amendment, it is suggested to prescribe that banking corporations will be allowed to give pension advice through digital means, including an app, and to conduct with customers phone calls that are required as part of the provision of the pension advice and further to that service.

4.1.7 The principal legal frameworks of the life and savings area of activity

4.1.7.1 Legislative arrangements

4.1.7.1.1 Many of the provisions of the law that apply to the field of asset management - pension and provident funds as listed in Section 4.1.6 above, also apply to life and savings. For a detailed description of these directives, see Section 4.1.6 above.

4.1.7.1.2 In April 2023, the **Draft Circular regarding Discounts and Cancellations in Life Insurance** was published. The draft circular was published further to the government's resolution regarding "Reducing Distortions in the Insurance and Savings Brokering Segment", which was included in the Arrangements Law Bill for 2023-2024, with the aim - according to the explanations - of addressing the issue of over-replacement of insurance policies with new policies and its negative effect on policyholders. As part of the draft, it is suggested to prescribe provisions regarding the provision of discounts in life insurance, and to set a mechanism for refunding the one-off fee paid to the license holder in respect of the marketing of the product. The suggested provisions as per the draft circular are: (1) An insurance company may offer to a life insurance policyholder a discount regarding the approved insurance premium, provided that the discount rate that will be offered to the policyholder and will be set in the insurance contract will not be reduced from the date on which the insurance coverage came into force through the end of the insurance period; (2) where a policy was canceled during the 6 years from the insurance coverage's effective date, or if the policyholder gave notice to the effect that he/she no longer wishes to receive services from the license holder that

marketed the policy, the insurance company will receive from the license holder that marketed the policy a refund at an amount equal to the amount of the one-off fee paid in respect of the marketing of the policy, in accordance with the draft; (3) the insurance company will not compensate the license holder for the refund of such fees (whether directly or indirectly); (4) an insurance company will document the information concerning the fees paid for the marketing of insurance policies, discounts given to policyholders, cancellations of insurance policies, and fees refunded to the company due to such cancellations.

4.1.8 The principal legal frameworks of the Property and Casualty Insurance segment

4.1.8.1 Legislative arrangements

4.1.8.1.1 Property and casualty insurance

Supervision of Financial Services Regulations (Insurance) (Calculation of Insurance Reserves in Property and Casualty Insurance, 2013 deal with the manner of calculating insurance reserves such that they adequately and properly reflect the insurer's insurance liabilities.

For further details on these regulations and the Commissioner's Directives, see Note 2 to the Financial Statements.

4.1.8.1.2 Compulsory motor insurance

The Motor Insurance Ordinance (New Version), 1970 (the "**Motor Insurance Ordinance**") stipulates that every person using or allowing others to use a motor vehicle must have a valid insurance policy in accordance with the Motor Insurance Ordinance. Pursuant to the Motor Insurance Ordinance, a compulsory motor insurance policy covers the motor vehicle's owner and the driver against any liability they may incur under the Road Accident Victims Compensation Law, 1975 (hereinafter - the "**CRAV Law**") and against any other liability they may incur due to bodily injury caused by or as a result of the use of a motor vehicle to the driver, passengers, or pedestrians hit by the motor vehicle as a result of the use thereof.

4.1.8.1.3 The **Road Accident Victims Compensation Fund** ("**Karnit**") is a corporation established under the CRAV Law; its purpose is to compensate victims who are eligible for compensation by virtue of that law, but are unable to claim compensation from an insurance company due to one of the following circumstances: the identity of the driver who caused the accident is unknown; the driver does not have compulsory motor insurance, or the insurance does not cover the liability; the vehicle's insurer is under liquidation or an administrator was appointed for the insurer.

4.1.8.1.4 In accordance with the **Economic Efficiency Law (Legislative Amendments for the Implementation of the Economic Plan for 2009 and 2010), 2009** (the "**Economic Efficiency Law**") as from 2010, the insurance liability in respect of the provision of medical services, which are included in the basket of services set out in the Second Addendum to the National Health Insurance Law, and in the National Health Insurance Ordinance (Medications in the Health Services Basket) was transferred from the insurance companies to the health maintenance organizations; accordingly, the premium component relating to the said insurance liability in respect of medical services is transferred to the health maintenance organizations.

4.1.8.1.5 **The Motor Insurance Regulations (Creation and Management of Databases), 2004**, determine the activity of a database operator, which is in charge of the management of the database and the generation of reports used, among other things, to assess the risks in the compulsory motor insurance subsegment, and to determine the cost of pure risk on the basis of which compulsory motor insurance tariffs are determined (hereinafter - the "**Base Tariff**").

4.1.8.1.6 **The Motor Insurance Regulations (Residual Insurance Arrangement and Mechanism for Determining the Tariff), 2001, stipulate the residual insurance arrangement (the "Pool")**, which is based on a co-insurance by all insurers. The purpose of the residual insurance is to cover the compulsory motor insurance risk of those who are rejected by commercial insurance companies due to exceptional risk levels (mainly motorbikes and all-terrain vehicles). Each insurance company's share in the residual insurance is determined every year based on its proportionate share - during the past year - in the compulsory motor insurance subsegment. The Pool operates as an insurer, and its rates are determined by the Commissioner. The Phoenix's proportionate share in the Pool's losses in the reporting year was 13%.

4.1.8.1.7 **The National Insurance Law (Combined Version) 1995 (hereinafter - the "National Insurance Law") authorized the National Insurance Institute (**the **"NII")** as a corporation operating as an insurance entity by virtue of that law. Pursuant to Section 328 of the National Insurance Law, where the NII has a liability to pay an annuity to a victim, and at the same time a liability arises to a third-party to pay compensation to that victim in respect of the same event, the NII may receive indemnification from the said third party in respect of annuities it has paid or is required to pay. In 2015, following negotiations held between the Israeli Insurance Association and NII, pursuant to the approval of the Competition Commissioner, the parties reached a draft subrogation agreement, which regulates the NII's indemnification right and lists, among other things, the circumstances in which the Company may reject the

subrogation demand and indemnification rates. Following the above, in July 2015, the Company signed a subrogation agreement with the National Insurance Institute.

Further to the said agreement, in March 2018, the **Economic Efficiency Law (Legislative Amendments for the Achievement of Budgetary Targets 2019), 2018** was published, whereby the individual subrogation right available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law in respect of road accidents occurring as from January 1, 2014, will be revoked, and - as a result - the agreements signed to regulate this right will be terminated. The bill prescribes that In lieu of this right of individual right of subrogation, a netting arrangement shall apply, under which a fixed amount will be remitted to the National Insurance Institute from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. At the end of the day, the said bill was not passed as a binding law. Nonetheless, following the said bill and after negotiations between the insurance companies and the National Insurance Institute, in July 2021 a new arrangement was signed with the National Insurance Institute. In accordance with the arrangement, the insurers transferred to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022; the previous subrogation agreement of 2015 continues to apply in respect of those years. It was also agreed that in respect of road accidents occurring as from January 2023, the subrogation agreement shall not apply; on the other hand, in 2023-2024, 10% of the insurance premiums collected each year will be transferred to the to the National Insurance Institute; in respect of road accidents occurring as from 2025, the percentage will increase to 10.95% in lieu of the National Insurance Institute's right to bring a restitutionary claim against an insurer liable to payment in respect of damage.

4.1.8.1.8 For information regarding **The National Insurance Regulations (Discounting), 1978**, which deal with the discounting of annuities, see Note 41 to the financial statements.

4.1.8.1.9 A **Draft Amendment to the Consolidated Circular - Appendix 6.2.1 to Title 6, Part 2, Variables and Categories in Compulsory Motor Insurance** was published in June 2023. The Capital Markets Authority has the power to set the variables, according to which insurance premiums in the compulsory motor insurance subsegment will be calculated, subject to the approval of a joint committee of the Knesset's Constitution, Law and Justice Committee and the Knesset's Finance Committee. According to the draft, based on the recommendations of the operator of the statistical database that operates in the segment, and is charged with the risk assessment, the Capital Markets Authority intends to request the joint committee's approval for the adding the following variables to the list of variables one will be allowed to use in order to determine the insurance premiums in the segment: distance traveled, driving course

for motorcyclists, autonomous breaking system, and a support system assisting to keep the vehicle in the traveled lane.

4.1.8.1.10 Motor property

Regulations Concerning Supervision of Insurance Business (Contract Terms and Conditions for Insuring a Private Vehicle), 1986, stipulate the wording of a standard policy that includes the minimum terms and conditions for provision of insurance coverage for private and commercial vehicles weighing up to 3.5 tons. According to the regulations, policyholders may only be given benefits in addition to the terms and conditions of the standard policy, and the scope of their coverage, risks, property and liabilities may only be expanded - not reduced.

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 were transferred by the Company to the Authority on December 31, 2023. Should the Company be required to refund amounts following this ruling, it will not have a material effect on the Company. Further to the ruling, in February 2024 the Commissioner published a draft circular regarding the "Filing of Insurance Plans in the Motor Property Subsegment", which deals, among other things, with the ruling and its consequences, as described in Section 4.1.8.1.11 below.

Drafts

4.1.8.1.11 In February 2024 a draft circular was published regarding the **Filing of Insurance Plans in the Motor Property Subsegment**. Further to the ruling referred to in Section 4.1.8.1.10 above, and after reviewing the materials that the Authority obtained following the collection of findings in audits conducted at insurers, it is suggested to set principles pertaining to the terms of insurance plans in the motor property subsegment. The following are the key changes suggested in the draft. 1. The maximum deduction rate out of the total cost of repairing the vehicle, which an insurer will be allowed to offset (if the vehicle was repaired in an auto-repair shop that does not participate in the arrangement), will be approved by the Authority; 2. If the policyholder took reasonable measures to minimize the damage it incurs or if it reduced the damage it incurred by reducing the cost of repairs when repairing the vehicle in an auto-repair shop that does not participate in the arrangement, the insurance company will deduct a deductible as if the policyholder repaired its vehicle in an auto-repair shop that participates in the arrangement; and 3. An insurer will not include in a motor property insurance plan compensation for constructive total loss.

4.1.8.1.12 **Other property and casualty insurance**

Regulations Concerning Supervision of Insurance Business (Contract Terms and Conditions for Insuring Homes and their Contents), 1986 stipulate the wording and terms and conditions of a standard policy and a minimum binding home and contents insurance coverage.

4.1.8.1.13 For details about the publication of the **Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT in Property and Casualty Insurance** in February 2023, see Section 4.1.4.1.4 above.

4.1.9 The principal legal frameworks of the health insurance area of activity

4.1.9.1 In October 2023, the **reform in health insurance of the Capital Markets Authority** came into force. The key points of the reform are explained in detail in the chapter dealing with the principal changes in the Health Insurance Segment in Section 2.3.1.3 above .

4.1.9.2 In September 2023, an amendment to the **Introduction of Riders and Marketing Thereof** circular was published. The main amendment to the Health Insurance Segment was designed to modify the marketing of riders such that it is made in line with the provisions of the health insurance reform. As part of the reform in the Health Insurance Segment, insurance riders were included in the fourth tier, and from now on they will be approved as insurance plans for all intents and purposes. Accordingly, this circular prescribes that only the coverage or its share in the rider that were not marketed under the insurance plans shall be considered as riders: consultation and tests; medical diagnosis; home care services, treatment using advanced technologies and medical devices; medical support and treatment during a significant event such as: a surgical procedure, hospitalization, and critical illness. Following are the key additional changes in the circular: (1) New terms were set regarding the introduction of riders in the Health Insurance Segment, which were marketed by private companies that are not supervised by the authority, and which can, among other things, terminate the service at any time; (2) it was prescribed that an insurance company may request from the Commissioner not to give the recipient of the service the choice of two service providers, where the insurance company presented a position whereby a single service provider may be engaged; (3) a rider that includes coverage for medical conditions without the involvement of an insurance company will be sold separately from the sale of an insurance plan, and after at least three business days have elapsed between the sale of the insurance plan and the sale of the rider.

4.1.9.3 In October 2023, the **provisions of Chapter Q "Health" in the Economic Plan Law (Legislative Amendments for Implementing Economic Policies for Budget Years 2023 and 2024), 2023** (hereinafter - the "**Economic Arrangements Law**"), came into force. The objective of the Amendment is 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; the aim is to reach a situation where most of private surgical procedures in Israel will be conducted by the health management organizations as part of the SHABAN Plans. In effect, the Amendment implements the recommendations of the public committee for strengthening healthcare services in Israel and regulating the public and private health system (hereinafter - the "Ash Committee"), which were published in November 2022. The

key points of the Economic Arrangements Law are explained in detail in the chapter dealing with the principal changes in the Health Insurance Segment - Section 2.3.1.3 above.

Further to the above, in October 2023, the **Online Interface regarding Surgical Procedures in Israel Circular** came into force. The circular sets provisions regarding the scope of the information and the manner by which it is to be transferred between the health maintenance organizations and the insurance companies through the online interface in order to implement the provisions set forth in the Economic Arrangements Law.

In addition, in October 2023, an amendment to the **Required Information on the Website of an Institutional Entity Circular** was published. 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 in its surgical procedures insurance policies in accordance with provisions set in the circular regarding the period and the required information.

Furthermore, in March 2024, the Circular regarding **Transfer of Policyholders to a SHABAN Surgical Procedure Supplementary Policy** was published, which prescribes provisions regarding the transfer of policyholders from the original policy to a SHABAN surgical procedure supplementary policy, provisions regarding the manner by which policyholders will be informed of the transfer, before the transfer and after it, and provisions regarding the delivery of the policyholder's notice that he/she does not wish to be transferred as described above.

4.1.9.4 In December 2023, the Commissioner published Directives regarding **Financial Services Supervision (Insurance) (Collective Long-Term Care Insurance to Members of Health Maintenance Organizations) (Amendment), 2020**. As part of the provision, the existing insurance coverage was revised in order to stabilize the funds of policyholders insured under long-term care insurance for members of a health maintenance organization. In addition, the "Amendment to the Provisions of the Consolidated Circular - Section 6, Chapter 3 - Long-Term Care Insurance" was published, which amended the requirement that an insurance company will bear the insurance risk that will not be lower than 20% in the basic tier of the collective long-term care insurance policy for members of the health maintenance organizations 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 provisions became effective on January 1, 2024. The Phoenix Insurance insured the customers of Maccabi Healthcare Services under a collective long-term care insurance, which expired on December 31, 2023 and was renewed with another insurer. Therefore, these

provisions do not affect the activity of The Phoenix Insurance in the collective long-term care insurance subsegment. For further details, see Section 2.3 above.

4.1.9.5 In March 2024, **Amendment to the Consolidated Circular - Title 6, Part 3, Chapter 2 - The Requirement to Offer Supplementary Healthcare Coverage was published.** The circular was published further to the Economic Arrangements Law, and clarified the scope of the coverage in a SHABAN supplementary health insurance policy, as follows: (a) Indemnification of a policyholder for a private surgical procedure held in Israel, including the expenses covering the costs of the surgical procedure; such indemnification is paid only if the policyholder's SHABAN plan does not cover the expenses arising from the surgical procedure, or if the surgeon is not part of a surgical procedures arrangement with the health maintenance organization, but is a part of an arrangement with the insurance company; (b) indemnification in respect of the deductible paid by the policyholder according to a policyholder's SHABAN plan for a surgical procedure that was funded through the SHABAN plan, even if the surgeon is not included in a surgical procedures arrangement with the insurance company; and (c) indemnification in respect of the purchase of a medical accessory where the accessory in question is not covered by the SHABAN plan, but is covered by the Company's insurance policy, and the surgical procedure will be funded by the SHABAN plan.

4.1.10 The principal legal frameworks of asset management - financial services

For details on the legal frameworks of the Investment House and Wealth segment, see Section 2.5.1.5 of the report.

4.1.11 The principal legal frameworks of the Credit Segment

For details on the Credit Segment, see Section 2.6.7 below.

4.1.12 The principal legal frameworks of the distribution (agencies) activity

For details on the legal frameworks of the financial services segment, see Section 2.7.7 below.

4.2 Entry and Exit Barriers

4.2.1 Entry barriers

4.2.1.1 Insurance, pension funds and provident funds activity

In accordance with the provisions of the law, an entity wishing to engage in insurance (including the holding of pension and provident funds' management companies) is required to obtain an insurer license under the Supervision Law (hereinafter - an "**insurer license**"); the holding of more than five percent of a certain type of means of control in an insurer is conditional upon obtaining a permit from the Commissioner to hold such means of control (hereinafter - a "**holding permit**"), and control in an insurance agency is also conditional upon obtaining a control permit from the Commissioner (hereinafter - a "**control permit**").

When reviewing requests for insurer licenses, an insurer license, a holding permit and a control permit, the Commissioner takes into account, among other things, a broad range of considerations, including: the applicant's work plans; the suitability of officers' qualifications to their roles; financial means; experience and business background of the entities applying for the license or permit; the competition in the capital market, including the insurance industry and the level of service therein; the Government's economic policy; reinsurance arrangements; the workforce, etc. The Commissioner may set terms and conditions and restrictions in connection with issuing permits including the condition that the insurer has a fixed and stable control core, a prohibition on placing a charge on means of control included in the insurer's control structure, maintaining the framework of the control group, including setting provisions or restrictions on the sale or transfer of means of control to others.

Furthermore, pursuant to Section 32(c1) to the Supervision Law, a material holding in the field of long-term savings is prohibited. A material holding is defined as the holding of a market share of more than 15% of long-term savings assets, as defined in the Supervision Law.

The **Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required for Insurance License), 2018** were approved in January 2018; these regulations supersede the Supervision of Financial Services (Insurance) (Minimum Capital Required from Insurer), 1998, and determine the rate of equity required to obtain an insurer license. The purpose of the regulations is, among other things, to reduce entry barriers to the Israeli insurance market and encourage the entry of companies relying on technology and innovation.

It should be noted that, pursuant to the aforesaid regulations, new insurance companies entered the market targeting a broad range of customers wishing to purchase insurance directly; so far, those insurance companies focused on selling motor insurance and travel insurance, mostly through digital means supported, inter alia, by call centers.

In the field of pension savings, the establishment of the default pension funds and the termination of collective agreements between employers and management companies in March 2019 in accordance with the **Circular on Provisions Regarding Selection of Provident Funds**, caused the funds selected as default funds to become more dominant than others. For further details, see Section 2.4.1.1.2.

Furthermore, pursuant to the Reduction of Concentration Law, restrictions are placed on investment in institutional entities by entities holding significant non-financial holdings. For further details on the Reduction of Concentration Law, see Section 4.1.1.2.3 above.

4.2.1.2 Permit to hold means of control in institutional entities

In July 2013, the Commissioner and Banking Supervision Department published a joint document dealing with **Guiding Principles for General Criteria and Conditions for Entities Applying for a Permit to Control and Hold Regulated Financial Entities.** In the document, the Commissioner drafted a list of guiding principles that shall constitute the basis for a detailed framework of criteria and conditions for issuing a control permit; the details of this framework may vary according to the types of regulated entity. The considerations taken into account when assessing a permit application relate, among other things, to four principal areas: (1) personal and business honesty and integrity; (2) financial strength; (3) planned investment strategy; (4) the applicant's business experience, area of business of the applicant and the entities in respect of which a permit is requested, and the potential for conflicts of interest in the regulated entity.

Further to said document, in February 2014, the Commissioner published a document dealing with a **Policy for Control in an Institutional Entity (hereinafter - the "Policy Paper").** The Policy Paper lists the Commissioner's Directives regarding control in an institutional entity and on the filing of an application for a control permit in an institutional entity. The directives pertain to applicants applying for a new control permit; however, they will also apply to holders of an existing control permit, with the necessary modifications to the permit they hold. It should be noted that in the case of joint control, each entity in the controlling shareholders' group is required to obtain a control permit, and therefore, each such entity is required to file a control permit application.

The Policy Paper pertains, among other things, to the following issues: (1) the terms and conditions that pertain to an applicant applying for a join control permit; (2) the control structure and method of holding means of control in an institutional entity in the case of a non-financial entity, foreign banking corporation and a foreign institutional entity, an entity managing funds, partnership, trust and an institutional entity; (3) the minimum holding rate. In that context, it was determined, among other things, that the required holding rates are as follows: a stake of more than 30% in an institutional entity which is required to maintain a large amount of minimum capital, a stake of more

than 40% in an institutional entity which is required to maintain a medium amount of minimum capital, and a stake of more than 50% in an institutional entity which is required to maintain a small amount of minimum capital; (4) the funding of the corporations through which the institutional entity is held; (5) placing of charges on the means of control; (6) the financial strength of the applicant. It should be noted that the Company is an institutional entity which is required to maintain a large amount of minimum capital, and accordingly, the minimum holding rate required of its controlling shareholders is 30%.

Furthermore, in July 2019, the Commissioner published a paper dealing with a **Policy for Issuing - to Entities Managing Customers' Funds - Permits to Hold Means of Control in an Institutional Entity without a Controlling Shareholder**; the paper's objective is the set terms and conditions which an entity managing customers' funds is required to comply with in order to receive a holding permit for holding up to 7.5% of the means of control in an institutional entity without a controlling shareholder. It should be noted that, in accordance of the above, in January 2020, the Company and its controlling shareholders received a permit to hold a stake of up to 7.5% in Clal Insurance Enterprises Holdings Ltd.

4.2.1.3 Licenses and permits received

As stated in Section 4.2.1.1 above, pursuant to the Supervision Law, the holding of more than 5% of an insurer's "**means of control**"[17] is subject to obtaining the Commissioner's permit.

In 2019, as part of the transaction for the acquisition of control in the Company by the funds, the ultimate shareholders of the funds and the funds themselves were given a Control Permit and a Holding Permit in respect of the Company and regulated corporations under its control, The Phoenix Insurance and The Phoenix Pension and Provident Funds (hereinafter - the "**Control Permit**").

The Control Permit includes various provisions, including: provisions regarding maintaining the control and holding structure in the funds (including in the ultimate managing partner of each of the funds), provisions regarding the holdings and control structure of corporations in the Company's chain of control and Beleneus's holdings in the Company itself; provisions regarding the sale or transfer of means of control between control group members, and sale or transfer of means of control in the Company; provisions regarding the requirement to maintain minimum equity; restrictions regarding the placing of charges on means of control of the Company or companies in the chain of control; various provisions regarding reporting to the Commissioner changes in shareholding in the Company; obligation to supplement

capital of The Phoenix Insurance, including provisions regarding the holding in trust of 4.5% of the shares of the Company's control core in order to supplement the equity if The Phoenix Insurance is unable to comply with the equity requirements it is subject to (as shall be applicable from time to time).

It also should be noted that, as part of the transaction for acquisition of control, a permit to hold means of control as collateral in respect of an obligation (hereinafter - the "Charge Permit") was given to the funding entities in the transaction (several Israeli banks and institutional entities); the permit allowed these entities to place a charge on the means of control in the Company, which is held by the funds (through Belenus) and on the means of control in Belenus. The Charge Permit stipulates, among other things, provisions regarding the sale of the pledged means of control and provisions on reporting to the Commissioner.

The Control Permit is updated, from time to time, as required, and in accordance with structural changes resulting from mergers and acquisitions of various companies and operations in the Group's areas of activity supervised by the Capital Market, Insurance and Savings Authority.

4.2.1.4 Shareholders equity

Insurance companies

A company engaged in insurance activity is required to meet regulatory capital requirements which constitute a significant entry barrier for operating in this field.

For further details about the capital requirements, including the application of a Solvency II-based economic solvency regime, the transitional provisions in connection with full application of the provisions, the restrictions on dividend distribution and the capital adequacy target, see Section 2.1 to the Report of the Board of Directors.

The management company - The Phoenix Pension and Provident

In 2020, as part of the transfer of The Phoenix Pension and Provident's shares to The Company, the latter has undertaken to supplement, at any given time, The Phoenix Pension and Provident's equity to the amount set in the Provident Fund Regulations.

4.2.1.5 Expertise, knowhow and experience

The Group's insurance and financial services activities require the possession of specific knowhow, mainly in the field of actuarial sciences and risk management; these activities also require familiarity with the relevant markets, including the reinsurance market. Furthermore, gaining experience in this area of activity, accumulating actuarial information and creating an extensive database serve a very important role in the setting prices and underwriting new businesses.

4.2.1.6 Minimum size (economies of scale)

In order to cover the high fixed operational costs required to operate investment and insurance systems, including meeting the range of regulatory requirements in the various areas of activity, actors need to have minimum income.

4.2.2 Exit barriers

The principal exit barriers from the Group's various areas of activity are also prescribed by the relevant laws.

4.2.2.1 The insurance, pension funds and provident funds activity

The liquidation or winding-up of an insurer's insurance businesses are regulated by the Commissioner, who may instruct an insurer to act in a certain manner when winding-up businesses or ask the court to issue an order whereby the liquidation will be carried out by the court or under court supervision. A merger, split, discontinuance of management or voluntary liquidation require obtaining the Commissioner's advance approval. Where an application for issuing orders appointing a receiver or a temporary liquidator was filed in respect of a management company, and such orders were not canceled within the period set in the Provident Funds Law, or if management was not transferred to another management company within the period set in the law, the Commissioner may exercise his powers in an effort to maintain the stability of the provident fund, including by appointing an authorized manager in accordance with the rules set for insurance companies. In the life insurance and pension businesses and in the Property and Casualty Insurance business, which are long-tail businesses, the discontinuance of activities involves a run-off coverage arrangement in respect of all policyholders and planholders' rights.

The transfer of control in an institutional entity requires the acquired to obtain a control permit; for further details about criteria and general terms and conditions applicable to an entity applying for a permit to control and hold regulated institutional entities, see Section 4.2.1.2 to the Report.

4.2.2.2 Investment House and Wealth

For further details on entry and exit barriers in the Investment House and Wealth segment, see Section 2.5.1.8 to the Report.

4.2.2.3 Credit

For further details on key entry and exit barriers in the credit segment, see Section 2.6.6 to the Report.

4.2.2.4 Distribution (agencies)

For further details on key entry and exit barriers in the distribution (agencies) activity, see Section 2.7.2 to the Report.

4.3 Critical success factors

4.3.1 General success factors

Success factors common to all of the Group's areas of activity:

1. The economic conditions, employment and interest rates, inflation and the condition of the capital market;
2. Regulation, including supervision of prices;
3. Competition in the area of activity;
4. Customer loyalty and portfolio retention;
5. Quality of investment management;
6. Quality and manner of risk management;
7. Distribution channels, including their ability to boost demand and create new markets;
8. The product offering and ability to adapt the products to market conditions and customers' needs;
9. Quality of service to policyholders, planholders and agents;
10. Positioning the Company as a leader in the field, while creating a brand that will enhance its status among competitors;
11. Retaining and acquiring high-quality staff;
12. Technological innovation;
13. Level of IT systems, technology and cyber security;
14. Effectiveness of operations and the level of operating, marketing and selling expenses;
15. Exercising effective controls;
16. Strength and stability.

4.3.2 Unique success factors in insurance and savings and asset management - Retirement (Pension and Provident)

The following factors may be attributed to these areas of activity:

1. Quality of underwriting;
2. Rate of management fees entities may collect under law and the actual rate collected;
3. Management of compensation in the distribution channels;
4. Quality of actuarial assumptions applied to pricing and to determining reserves;
5. Incidence and severity of the claims, including catastrophe events;
6. Quality of all aspects of claims management;
7. Effectiveness of protections and reinsurance costs;
8. Changes in underwriting risk factors;
9. Scope of tax benefits to the customer (in the life insurance and long-term savings segment);
10. Transition to effective digital processes and products;
11. Developments in medical and other technologies, inculcating medical inflation;
12. Quality of management of own capital and the investments in the Company's nostro portfolio;
13. Quality of investment management and the risks in the planholders' portfolios;

4.3.3 Unique success factors of other areas of activity

For critical success factors in the asset management - Investment House and Wealth activity, see Section 2.5.1.7 above.

For critical success factors in the Credit Segment, see Section 2.6.5 above.

For critical success factors in the distribution (agencies) activity, see Section 2.7.2 above.

4.4 Investments[18]

4.4.1 Investment management

4.4.1.1 Structure of investment management

The Phoenix Investments manages the insurance, pension and provident funds investments of The Phoenix group, including investments against yield-dependent liabilities (funds of planholders and policyholders), non-yield-dependent liabilities (nostro funds), and the Group's share capital. Furthermore, The Phoenix Investments has an management investment agreement in connection with the management of the passive tracks with The Phoenix Investment House and BlackRock.

The Phoenix Investment House also manages investments for the Investment House and Wealth activity, and The Phoenix Advanced Investments manages alternative investments. For further details regarding The Phoenix Investment House and The Phoenix Advanced Investments, see Section 2.5 above.

Investment management is carried out jointly for planholders and policyholders of The Phoenix Insurance and The Phoenix Pension and Provident (hereinafter - "**planholders' funds**") through The Phoenix Investments. In that context, it should be noted that The Phoenix Investments does not manage the investments of IEC Gemel, and accordingly IEC Gemel is not considered part of the "Group of Investors" (as defined in the Investment Rules Regulations) together with The Phoenix Insurance and The Phoenix Pension and Provident with regard to investments in liquid securities.

Investment management by The Phoenix Investments is carried out through a large, professional and highly-qualified team with vast experience in investment management, which is composed, as of the reporting year, of approx. 90 employees.[19] The management of investments in liquid securities is carried out in separate teams - one charged with management of planholders' funds and the other charged with management of the nostro funds. In addition to those teams, there are a number of professional units that provide investment services in relation to illiquid assets, both to the team dealing with nostro funds and to the team dealing with planholders' funds, such as: Real estate, illiquid credit, investment funds, private transactions and infrastructures. The investments are supported by a knowledgeable and highly-experienced internal research department, and by research conducted by leading research bodies in Israel and abroad. Furthermore, The Phoenix entered into engagements with investment managers, who are among the largest leading investment managers in the world.

The management of planholders' funds is carried out through common committees, including a joint investment committee, a joint internal credit subcommittee, a joint advisory committee for technology investments, and a troubled debt forum.

[18] This section relates to the investment management of an insurer, pension fund and provident fund managed by a management company, rather than to investment management within the investment house and wealth segment.

[19] The figure is as of December 31, 2023.

Illiquid transactions are offered simultaneously to the planholders' investment manager and to the nostro's investment manager in accordance with a predetermined split ratio. Any deviation from the split ratio requires advance written approval of the investment committees.

4.4.1.1.1 The Group's investment management policy

The investment policy defines the exposure ranges in relation of each of the different investment channels for each of the tracks. The investment policies are based, among other things, on the targets of work plans, work assumptions about macroeconomic conditions in Israel and around the world, trends in various markets and investment areas, estimates as to interest rates, foreign currency exchange rates, political and security conditions, unemployment rates, etc. The investment policies are brought for approval before the investment committees (planholders and nostro) and the boards of directors of The Phoenix Insurance and The Phoenix Pension and Provident Funds at least once a year.

It is noted that, as part of the investment policy, the board of directors and investment committees also approve the credit policy for the management of the credit assets of the portfolios under management. The credit policy sets out work processes, authorization hierarchy and credit portfolio credit exposures, considering, among other things, maximum exposure limits to a single borrower, to a group of borrowers, to a specific subsegment, ensuring the existence of management, supervision and control mechanisms for risk management, etc.

The investment policy of the portfolios under management is reviewed continuously as part of the discussions of the investment committees. Furthermore, the control and risk management units continuously oversee the investment activity, with emphasis on the volumes of activity, exposure rates in each type of investment channel, compliance with the restrictions of the investment and credit policy and provisions of the law.

In accordance with the Commissioner's Directives, the Company publishes on its website information concerning its investment policies. For details on the Company's investment policy, see the Company's website at:
https://www.fnx.co.il/investors-relations-hebrew/investment-information-reports/the-expected-investment-policy/

4.4.1.1.2 Responsible and sustainable investments

Furthermore, in accordance with the growing recognition of the importance of "responsible investments" across the world and specifically in Israel, the Company publishes on its website information regarding ESG (Environmental Social and Governance) considerations it takes into account as part of the implementation of its investment policies, and the corporate governance criteria that guide its investment committee when making decisions about investment in securities. For details on the

above, see the Company's website at: https://www.fnx.co.il/esg/responsible-investments/

In addition, as from 2023, the Group executed a process for the measurement of financed emissions in The Phoenix group's investment portfolio - Scope 3 according to the SPAF international measurement methodology. The measurement was carried out in respect of all types of assets and financial instruments used in the Group's investment activities, totaling NIS 370 billion as of the end of 2022. For more information, see Section 1.3.17 above on ESG and sustainability.

4.4.1.1.3 Voting policy in General Meetings of companies in which the Group invests

As part of The Phoenix group's fiduciary duty in managing planholders and planholders' funds, and in order to maximize the return on the investment, The Phoenix participates in the General Meetings of corporations in which it holds rights and also has an obligation to vote therein in accordance with the Supervision of Financial Services Regulations (Provident Funds) (Participation of Management Company in General Meeting), 2009.

For that purpose, The Phoenix group formulated a policy for voting in General Meetings (hereinafter - the "**Voting Policy**"), which is published on the website at: https://www.fnx.co.il/fnx-insurance-ltd/investment-information-reports/participation-in-general-meetings/

When making a voting decision, the conduct of the corporation will be reviewed with a view of the principles of proper corporate governance and their application, including a review of the corporate governance score awarded to the corporation. The Phoenix formulates the voting decision in accordance with its outlook and the considerations relevant to the item on the agenda; under special circumstances, The Phoenix has the sole discretion, subject to prior approval from the Investments Committee, to deviate from the above policy.

In the reporting year, The Phoenix group contracted a leading global consulting company for the provision of voting operation and analysis services in order to vote in foreign companies, in which The Phoenix group has a significant holding, based on a policy for voting in General Meetings abroad, which the Company intends to adopt. The review received from the consulting firm will be submitted to a special unit at The Phoenix, which is responsible for reviewing the information in the review, conformity or non-conformity with the voting policy that was drawn up, and for approving the manner of voting in the investee in accordance with the Company's existing procedure.

4.4.1.1.4 Institutional activism

From The Phoenix's perspective, the role of the institutional entities is, among other things, to take action to improve corporate governance in publicly-held companies, which they hold. The Phoenix takes an active line involving taking responsibility and being significantly involved in its material holdings, with the understanding that the involvement of institutional entities is an integral part of their role of improving the investments, protecting investors in publicly-held companies, and developing the capital market.

Following are examples for active steps taken by The Phoenix in General Meetings in the reporting year:

- Compensation Policy and officers' terms of service - The Phoenix group has objected to decisions pertaining to the compensation policy or officers' terms of service, and even proactively approached companies with regard to those topics, resulting with changes to the compensation policy and/or officers' terms of service, such that they will be consistent with the principles set out in the Voting Policy.
- Appointment of external directors - The Phoenix group thoroughly examined appointment of external directors, and objected to such appointments where they were not in line with its Voting Policy for qualitative and pertinent considerations. In addition, The Phoenix group took steps to offer a position of an ED in order to achieve gender diversity in the boards of directors.
- Increasing the rate of external directors - The Phoenix group acted proactively to appoint additional external directors, in cases where it believed the board of directors' independence should be strengthened.
- Interested party transactions - The Phoenix group took steps involving the companies in which the investment was made in order to review the adequacy of the procedure in which it was decided to conduct a transaction with the controlling shareholder and the manner in which the terms and conditions of the transaction were drawn up. Furthermore, following its request, a number of transactions were removed from the agenda in which there was a difference between the interest of the controlling shareholder/interested party in the transaction and the interest of the other shareholders in the Company.

4.4.1.1.5 Investment control

The Investment Control Department is a separate unit operating independently of the unit charged with initiating, performing, allocating, and assessing investment assets. The unit reports to the Investment Controller Department, which is part of The Phoenix Insurance's Finance Division, and operates independently of the investment activity. The unit audits the investment activity on an ongoing basis in accordance with the regulations applicable to the Company's investment management activities. Accordingly, the Investment Controller Department is in charge of a range of reports

that the Company is required to issue pursuant to regulatory provisions and internal requirements of the various corporate organs.

4.4.1.1.6 **Self-directed policies (IRA)**: the investments in respect of self-directed policies and provident funds (IRA) are managed through external investment managers funded by planholders, or directly by the planholders.

4.4.1.1.7 Investment committees

Following are details regarding the external investment committees that manage the investments of the institutional entities:

Committee	Managing entity	Committee members	Convening dates	Committee's roles and activity
Participating Investment Committee	Policyholders and planholders of The Phoenix Insurance and The Phoenix Pension and Provident (hereinafter "**planholders' funds**").	All committee members are external to The Phoenix group, and do not work for the Group or provide it with services.	Generally, every two weeks	The ultimate organ in relation to the management of the planholders' funds. The committee sets the investment policy as part of the overall investment policy set by the Board of Directors in relation to each provident fund, investment track or insurance liability. In addition, the committee discusses the transactions presented for its approval in accordance with the Company's existing authorization hierarchy. In each meeting, a review of the market in Israel and abroad is held, which is delivered by internal investment managers, and periodically - by external consultants. The committee discusses existing and expected changes in the different markets. In addition, monitoring and analysis are carried out of the returns achieved, from the perspective of the target returns, the structure of the current portfolio, and the investment policy. Furthermore, the committee receives reports on an ongoing basis regarding transactions that were approved by a credit subcommittee, monitors transactions that were carried out, decisions that were made, etc.
Nostro Investments Committee	The Phoenix Insurance (nostro funds)	Five members, including two external directors	At least once a month	Management of the investments of the insurer's own capital and the investment of funds to cover insurance liabilities, which are non-yield dependent (hereinafter - the "**Nostro Funds**"). The committee's roles are, among other things, setting the Company's investment policy as part of the overall investment policy set by the Board of Directors in relation to the nostro funds, approving illiquid transactions and credit according to the authorization hierarchy, which was approved by the Company's Board of Directors. The committee also receives monthly reviews and monitors the return on the nostro portfolio; it also receives reports regarding existing and expected changes in the various markets.
Credit Subcommittee	Joint committee for managing planholders' funds and nostro funds	All committee members are external to The Phoenix group, and do not work for the Group or provide it with services.	As needed	Among other things, the committee oversees the implementation of the policy of the board of directors and investment committees regarding credit granting, approves granting of credit according to the authorization hierarchy, and makes decision on how to handle troubled debts, according to the authorization hierarchy.
Technology subcommittee	Joint committee for managing planholders' funds and nostro funds	The committee is composed of external members with significant knowledge and experience in the field of technology, and from (external) representatives from the participating and nostro investment committees	As needed	The Technology Committee has been authorized by the investment committees to advise them on technology-related transactions, through a hierarchy of powers set up by the investment committees.

4.4.2 Regulation of credit management

4.4.2.1 Credit risk management

The codex of regulations and the provisions of circulars dealing with management of investment assets include provisions on the management of credit by institutional entities, as follows:

4.4.2.1.1 Credit risk management relating to investment activity

The objective of the guidelines on credit risk management relating to investment activity is to ensure that institutional entities have managerial, professional and operational support as well as adequate control and supervision mechanisms. The circular sets rules and tools for determining a policy for providing credit as part of the overall investment policy set by the Board of Directors; in addition, the circular determines the powers of the investment committees and the credit committee, as well as supervision, control and reporting mechanisms.

4.4.2.1.2 Provision of illiquid debt by institutional entities

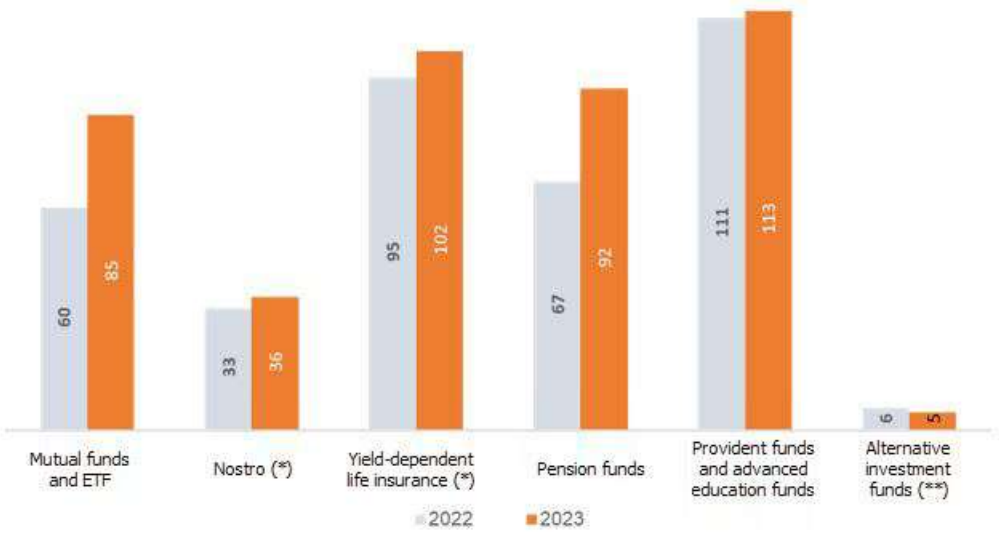
The Group is engaged in various types of financing, including various types of commercial debt (bonds and illiquid loans), with or without collateral, structured financing including asset-backed bonds, other structured products, financial derivatives and compound assets, deposits, capital notes, and guarantees under the Sale Law and for building projects (solely as part of the nostro activities). It is noted that in January 2024, part of the Sale Law guarantees activity, and the construction financing activity were transferred to Gama Management and Clearing Ltd. For further details, see Section 2.6 above.

4.4.2.1.3 Handling troubled debt and debt collection actions taken by institutional entities

The Code of Regulations provides for the manner of handling troubled debts and debt collection actions taken by institutional entities aim to ensure that institutional entities will be proactive in collecting debts. Furthermore, the provisions are designed to define a framework for an institutional entity's ongoing monitoring and control of debts under its management, handling of troubled debt and reaching decisions as to the measures taken to collect the debt, its participation in a debt settlement arrangement process and the identity of the functions in charge of these actions. The Troubled Debt Forum is in charge of assessing the status of debts and their classification as troubled and/or other debt. Troubled debts shall be classified in accordance with the following categories: a) debt under special supervision; b) debt in arrears; c) doubtful account. The Troubled Debt Forum is in charge, among other things, of drawing up immediate and periodic reports and participating in all discussions held by competent organs in order to decide the handling of troubled debt, while making recommendations on provisions for debts in accordance with authorization hierarchies. The Internal Credit Committee is in charge of making recommendations as to the manner of handling troubled debts which are adjusted loans. Furthermore, troubled debts are monitored on an ongoing basis, the status of troubled debts is discussed, and a quarterly report is issued to the Board of Directors and its various committees regarding troubled debts and the developments in the debts' status and the handling status.

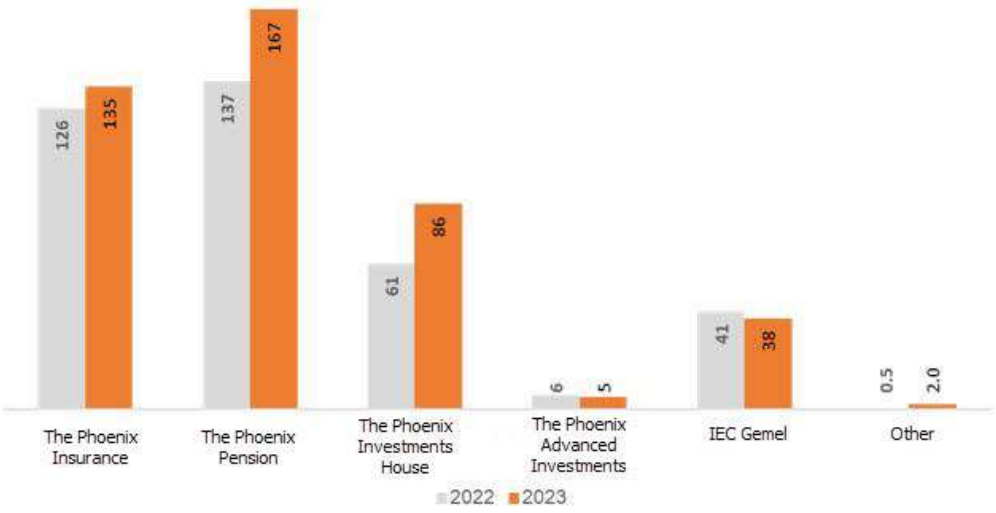
4.4.3 Breakdown of assets under management

Total assets under management by The Phoenix group as of the report date amount to NIS 433 billion, as detailed below:[20]



(*) For details about the separation between liabilities with respect to insurance contracts and investment contracts, see Notes 17 and 18 to the Financial Statements.
(**) The decrease in assets under management as of the report date compared to the end of 2022 arises from the sale of The Phoenix's indirect holdings in the General Partner of The Phoenix Value, for further details see Section 2.5.2.11.2 above.

Following are the assets under management broken down by management bodies:



For details on the Group's investment in real estate properties or disposal of such properties during the reporting year, see Note 9 to the Group's Financial Statements.

For further details about the Group's investments, see also Notes 14, 15 and 42 to the Financial Statements.

[20] NIS billion; the figures were rounded for convenience of presentation.

4.4.4 Investment income and its effect on the profits of the insurance and management companies

The investment income that offsets insurance reserves and share capital has a material effect on the income of the insurance company and management companies. A substantial part of the Group's asset portfolio is invested in liquid securities traded in the capital market. Therefore, returns in various investment channels in the capital market have a material effect both on the returns achieved for the Group's customers and on the Group's income. The Company measures it normalized investment results using a real return rate of 3%. As of the publication date of the report, the variable management fees that the Company collect amount to a negative balance of NIS 219 million, and therefore, in the reporting year the Company did not collect variable management fees.

The extent of the effect on income also depends on the characteristics of the insurance liabilities (nostro, participating) and the terms and conditions of management fees for products against which the relevant reserve is held, as outlined below (in this matter, see also under Section 5 to the Report of the Board of Directors).

Product	Crediting of the return	Effect on income of the insurer and management companies
Participating policies issued through December 31, 2003	The return on investments is credited to policyholders, while the insurer is entitled to fixed management fees and to variable management fees from the real return achieved after deducting the fixed management fees.	In these products, the financial results of the insurance company are affected by volatility in the return credited to policyholders in view of the fact that the variable management fees are collected from the real return achieved after deducting the fixed management fees.
In participating policies issued since 2004	Return on investments is credited to policyholders while the insurer is only entitled to fixed management fees	In these products, the effect of the investment results on the insurance company's income is reduced to the effect derived from total assets under management, on which the insurer's fixed management fees are based.
Medium and long savings products (pension, provident and advanced education funds)	The return on investments of planholders' funds is credited to planholders	The return indirectly affects the total management fees from accruals collected by the management company but fees as a percentage of the contributions (contributions towards benefits) are not affected by the results of the investments, but rather only by the contribution amounts. Furthermore, in connection with a guaranteed-return provident fund, the profitability of the management company may be eroded if the provident fund did not achieve the guaranteed return.
Life insurance policies which are not yield-	The return on investment is credited to the insurer	In these property and casualty insurance policies and in the equity portfolio, the linkage of assets does not

dependent (in respect of that portion of the life insurance portfolio that is not backed by designated bonds)		fully correspond to the linkage of the liabilities. Therefore, changes in capital markets, interest rates, the consumer price index and foreign currency exchange rates may have a material effect on the Group's financial performance, especially due to the sizable reserves managed by the Group.

4.4.5 Material investments in investees

In addition to the institutional entities held by the Group, it also holds other investments, the principal of which as of the report date are: A stake of approx. 79% in the Phoenix Agencies, which is held by the Company; an 88.44% stake in The Phoenix Investment House, through The Phoenix Investments; and a 67% stake in the issued and paid up share capital of Phoeniclass Ltd. (comprised from a 49% holdings of The Phoenix Insurance and an 18% holding of The Phoenix Investments in respect of equity rights only). For further details regarding the holding in Phoeniclass, see Section 4.4.5.2 below. Furthermore, in the reporting year, a full tender offer of The Phoenix Investments and Finances to purchase the shares of Gama Management and Clearing Ltd. was accepted in full, and it became a privately-held company (reporting corporation), which is wholly-owned by The Phoenix Investments (for further details, see Section 2.6 above)

As of December 31, 2023, the Group's investment in associates totals approx. NIS 1,652 million, including shareholders' loans. For further details, see Note 8 to the Financial Statements.

The following is a general summary description of the Company's material subsidiaries and affiliates, the activities of which were not included in the description of the areas of activity and/or other sections in this chapter.

4.4.5.1 Transfer of The Phoenix Construction Financing and Guarantees Ltd. from The Phoenix Insurance to Gama

As from January 1, 2024, The Phoenix Construction Financing and Guarantees Ltd., which provides financing to real estate development projects (mainly residential projects) (hereinafter - "**The Phoenix Financing and Construction**"), was transferred from The Phoenix Insurance and became wholly owned by Gama, which is wholly owned (indirectly) by the Company. For further details, see the immediate report dated December 12, 2023 (Ref. No.: 2023-01-134841) and Section 2.6 above.

4.4.5.2 Phoeniclass

Phoeniclass and the Kibbutzim College of Education (hereinafter - the "Kibbutzim College") entered into a combination transaction agreement in respect of a land plot in north Tel Aviv, owned by Kibbutzim College, including the land on which the Kibbutzim College's existing buildings are situated. As part of the transaction, and in exchange for the rights to built 450 residential units on the land plot, Phoeniclass will execute the residential project, transfer to the Kibbutzim College some of the sales proceeds, which will be used to fund a new complex

for the College, and will bear some of the cost of building public spaces that will be handed over to the Tel Aviv municipality for commercial and public use (hereinafter - the "**Project**"). Phoeniclass is working to promote the licensing and planning procedures for the Project, while negotiating with the Kibbutzim College (and its representatives) to finalize the transaction's principles and execution. As part of the steps taken to promote the licensing procedures, in September 2022 the local planning committee approved an application for a building permit in respect of the first residential high-rise.

The Phoenix Insurance, The Phoenix Investments and the partner have an agreement governing their relationship as shareholders in Phoeniclass, under which the partner, having the relevant knowledge and expertise, is responsible for project management, construction, and marketing.

4.4.5.3 Ad 120 Residence Centers for Senior Citizens Ltd.

The Phoenix Insurance holds 47% (directly and indirectly) of the issued and paid up share capital of Ad 120 Residence Centers for Senior Citizens Ltd. (hereinafter - "**Ad 120**"). Ad 120 develops, builds and managers high-end senior housing facilities. It is noted that the Company continues to classify its holdings in Ad 120 against its liabilities for life and savings, health and P&C insurance.

4.4.5.4 The Phoenix Mortgages (Gold)

The Phoenix Insurance (through The Phoenix Insurance) has a 51% stake in The Phoenix Mortgages (Gold) Ltd., whose activity focuses on granting loans to people over 60 against a first lien on their apartment.

4.5 Reinsurance

4.5.1 General

Israeli insurance companies normally cover a substantial proportion of the insurance risk they assume by entering into engagements with reinsurers. The maximum amount of risk retained by an insurer after transferring some of the risk to the reinsurer is called "retention". Reinsurance has several advantages:

1. It allows insurance companies to diversify the risks to which they are exposed;
2. It allows insurance companies to improve their ability to assume additional risks and at higher insurance amounts;
3. It allows insurance companies to enhance their ability to protect their share capital from exceptional events (catastrophe events, including multiple natural disasters: earthquake, fire, etc.), and to manage it optimally.

Despite the above, reinsurance agreements do not prejudice the contractual rights of policyholders, nor do they exempt insurance companies from their obligations towards policyholders. Therefore, the stability of reinsurers impacts insurance companies. Furthermore, the terms of engagement with reinsurers impact the profitability of insurance companies. It should be noted that settling accounts with reinsurers may take many years.

There are two types of reinsurance:

Contractual reinsurance is drafted as part of a reinsurance treaty, which is signed every year between the insurance company and the reinsurer; in this type of reinsurance, the reinsurer assumes all risks or businesses to be transferred to it by the ceding insurer, under the agreed terms and conditions, without the need to approve each and every risk or business.

Reinsurance comprises proportional reinsurance and non-proportional reinsurance. The difference between the two types of reinsurance is reflected in the type of relationship between the assumption of risk (the coverage of a claim) and the premium; in proportional reinsurance, the share of the risk assumed by the reinsurer is generally identical in proportion to the reinsurer's share in the premium, whereas in non-proportional insurance - the risk assumed by the reinsurer is not directly proportional to its share in the premium. Thus, for example, in a proportional reinsurance contract where the reinsurer undertakes to pay 75% of each claim in the property subsegment, that reinsurer will also receive 75% of the premium in respect of the subsegment (excluding the fees component), whereas in a non-proportional reinsurance contract, where the reinsurer's share of each claim in the compulsory motor subsegment shall be the portion above USD 100 thousand and below USD 1 million, that reinsurer's share in the premium will be a fixed and predetermined percentage of all premiums or exposure in the subsegment, or a predetermined premium amount.

A. **Proportional reinsurance**

Quota share reinsurance contract: the reinsurer undertakes a fixed percentage of coverage of each claim in a specific subsegment against an identical fixed proportion of the premium.

Surplus reinsurance contract: the reinsurer undertakes a variable percentage of coverage of each claim up to an agreed cap against an identical proportion of the premium.

B. **Non-proportional reinsurance**

Excess of loss contract: this is insurance for an individual claim, whereby the ceding insurer agrees to absorb all aggregate losses up to a predetermined retention amount, and the reinsurer agrees to absorb the excess losses above the predetermined retention amount (mostly up to the predetermined limit) against a predetermined proportion of all premiums in that subsegment or a predetermined premium amount. One of the contracts that fall under this category of non-proportional reinsurance contracts is the contract protecting against catastrophes.

Stop loss contract: the reinsurer indemnifies the ceding insurer to the extent that the percentage or total amount of losses in a certain subsegment over a certain period (usually a year) exceeds a predetermined percentage or total amount, in return for a predetermined percentage of all premiums in this subsegment.

Facultative reinsurance is taken out to cover risks arising from specific policies. Facultative reinsurance shall apply in one of the following cases: (1) when the insurance amount exceeds the reinsurance capacity; or (2) the risk or area of activity is excluded from the contract with the reinsurer; or (3) when it is estimated that the business is relatively risky. In facultative reinsurance, the reinsurer decides separately and in advance for each risk or area of activity whether it wishes to share the risk and at what percentage.

Generally, the rate of reinsurance in the Life Insurance Segment is significantly lower than the rate of reinsurance in property and casualty insurance. This is due to the fact that most of the premium in life insurance is in respect of a savings component, which is not reinsured. Furthermore, in life insurance there is more reliable statistics as to the risks. The scope of reinsurance purchased also varies among Property and Casualty subsegments; in the case of subsegments with homogeneous risk, where the level of risk is highly diversified within the portfolio (such as in the motor subsegment - compulsory and property), there is a lower level of reinsurance, whereas in more heterogeneous subsegments, with lower risk diversification levels and higher risk (such as in other property insurance), a higher rate of reinsurance is undertaken.

4.5.2 The reinsurers market and the manner of engagement with reinsurers

The market of reinsurers which have ratings which are relevant for The Phoenix Insurance (reinsurers with a financial rating higher than

A-), comprises more than 200 insurers. The Phoenix Insurance works continuously with approx. 100 reinsurers. The reinsurers' capacity depends mainly on the materialization of insurance risks, which

they assumed during the past few years. Thus, for example, the occurrence of catastrophes around the world causes a decrease in reinsurers' capacity.

A potential deterioration in the condition of the reinsurance market may have a number of consequences: firstly, an insurance company that entered into reinsurance contract is directly exposed to the reinsurer's ability to meet its obligations upon the occurrence of an insurance event; secondly, a decline in the strength of a reinsurer may cause the insurance company to seek replacing it with another reinsurer, which will involve further costs in connection with the original reinsurance and a risk that the original coverage terms will not be achieved; this will also require the recording of an accounting loss, since there is a concern that the reinsurer will not meet its obligations; thirdly, a deterioration in the condition of the reinsurance market may reduce the capacity of reinsurers, in a way that impairs the insurance company's ability to offer coverage in the ordinary course of its business; this may also lead to an increase in reinsurance prices and to other changes in the terms of engagement with the reinsurer, in a way that will lead to additional costs or impair the quality of the insurance coverage. In addition to the above, if an insurance company does not have access to reinsurance at the required scope, it may lead to its failing to meet the regulatory capital requirements it is subject to.

The term of reinsurance engagements in property and casualty insurance is usually one year. The term of reinsurance engagements in life, health and long-term care insurance is usually the entire life of the policies issued within a defined period.

Reinsurance prices are affected by factors such as the quality of the insurance portfolio (past performance of the insurance portfolio); relevant events in Israel and globally, the interest rate and the condition of capital markets worldwide.

In reinsurance, the ceding insurer pays reinsurers a premium, while reinsurers reimburse the ceding insurer in respect of claims, and pays it fees, mainly in respect of proportional reinsurance contracts. The fees paid by reinsurers normally constitute a percentage of the premium transferred to reinsurers; in some cases, this rate is determined in advance (regardless of the results achieved), in other cases - the rate depends on the underwriting results of the ceded businesses. The fee amount may vary during the engagement period.

Sometimes, The Phoenix Insurance receives - in addition to the basic fee - a profit fee payable as a percentage of the underwriting income in respect of the relevant risk (i.e., premium net of claims, reinsurer's expenses and fees).[21]

The Iron Swords War, which broke out during the renewal of the reinsurance agreements for 2024, affected the renewal of the agreements on a number of levels: A decline in the supply of reinsurance, a reduction in the scope of coverage, mainly with respect to war and terror risks, and a tightening of the wording of the agreements.

[21] In facultative reinsurance, there are normally no profit fees.

Furthermore, the international trend of price increases with regard to earthquake and natural disaster risks continued in 2024 too, alongside a reduction in the scope of earthquake risk in the proportional agreements.

4.5.3 Description of the policy of exposure to reinsurers

General

The Capital Market, Insurance and Savings Authority Commissioner's Circular titled Management of Exposure to Reinsurers, published in 2003 sets out, among other things, provisions and guidelines on how to manage exposure to reinsurers, including a requirement for setting policies and exposure caps for reinsurers, as well as provisions on reporting to the Commissioner.

At least once a year, an insurer's board of directors is required to discuss its policy on exposure to reinsurers, and the insurer's assessments of the management of, and controls over, the exposure; the board is also required to set exposure limits to a single reinsurer and to a group of affiliated reinsurers. The Board of Directors will hold such a discussion after assessing the quality of the insurer's existing tools for management of, and controls over, exposure to reinsurers.

The policy of exposure to reinsurers must include, among other things, a policy for exposure to reinsurers in the Life, Property and Casualty, and Health Insurance segments, as well as setting a maximum exposure framework for reinsurers, according to parameters set by the Board of Directors. Such parameters may be qualitative in nature, such as the reinsurer's international rating.

There are two types of exposures to reinsurers:

A. Exposure to outstanding balances, and exposure to the risk that the reinsurer fail to meet its existing and future obligations. This exposure is managed by ongoing monitoring of the reinsurer's position in the global market, as well as fulfillment of its financial obligations.
B. Exposure to a single sizable loss or an accumulation of losses due to a large-scale event. The accumulated losses are estimated based on the maximum probable loss ("**MPL**").

The Phoenix Insurance purchases reinsurance as part of the implementation of its risk management policy. The purchase of reinsurance is carried out in policies or subsegments in which the Company believes that it will be more efficient to cede some or all of the risk.

Internal actuarial assessments, various models and past claims experience provide The Phoenix Insurance with an indication as to the estimated level of reinsurance required.

In accordance with a policy set by the Board of Directors, The Phoenix Insurance contracts reinsurers rated A- or higher, which are rated by one of four ratings agencies – Fitch, AM Best, Standard & Poor's and Moody's (in the short-tail subsegments, the Company may contract reinsurers rated BBB+ at a rate that shall not exceed 10% of the total exposure). Pursuant to a clarification published in 2012 by the Commissioner regarding the calculation of capital requirements of insurance companies, which addresses, among other things, the manner in which the rating of a reinsurer is determined for the purpose of calculating the capital requirements regarding reinsurers, the external rating to be taken into account for the capital requirement will be that of a rating agency that shall be selected in advance by each company (hereinafter - the "**default agency**"). If the default agency has no relevant rating, then the lowest rating will be used from among the rating agencies approved by the Commissioner.

During that year, the Company's Board of Directors approved Standard & Poor's as its "default agency".

As a rule, The Phoenix Insurance aims to contract with numerous reinsurers, in order to avoid a situation where it is dependent on a specific reinsurer, and in order to diversify the risks appropriately. In many of its reinsurance contracts, The Phoenix Insurance requires that a downgrade clause be included, allowing it to terminate the contract if the reinsurer's rating is downgraded below a predetermined rating.

As part of the policy regarding the management of The Phoenix Insurance's exposure to reinsurers , the Board of Directors of The Phoenix Insurance set exposure limits for reinsurers, both in relation to the open balances and in relation to exposure to earthquake at rates of The Phoenix Insurance's capital according to the reinsurer's rating.

4.5.4 Life insurance

The Phoenix Insurance enters into quota share and surplus proportional reinsurance agreements with various reinsurers in order to protect itself against the risk in the life insurance portfolio (but not the savings component). Previously, modified financial reinsurance agreements (hereinafter - "**Mod-Re**") were also drawn up in respect of policies that included a savings component. Several large collective insurance policies have a proportional reinsurance agreement.

The Phoenix Insurance's reinsurance agreements in respect of life insurance policies are normally drawn up for unlimited periods and may be canceled by giving advance notice for future policies only. The reinsurers pay The Phoenix Insurance a fee composed of two components: a fee calculated as a function of the premium ceded to them, and a profit fee based on the insurance results for that year.

Following are reinsurers that account for more than 10% of total reinsurance premiums in the life insurance and long-term savings segment:

Reinsurer	Reinsurance premium (in NIS million)	2023 % of total reinsurance premium	S&P rating (as of December 31, 2023)
Munich Re	163	60%	AA-
Swiss Re	46	17%	AA-
Gen Re	28	10%	AA+

Reinsurer	Reinsurance premium (in NIS million)	2022 % of total reinsurance premium	S&P rating (as of December 31, 2022)
Munich Re	173	61%	AA-
Swiss Re	46	16%	AA-
Gen Re	27	10%	AA+

Following are ratings of reinsurers in the life insurance and long-term savings segment:

Rated by S&P*	No. of reinsurers in 2023	No. of reinsurers in 2022
Rated AA and above	3	2
Rated A to AA (not included)	9	9
Rated A-	0	1
Rated +BBB**	1	1

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch. For further details about the Group's investments, see also Notes 17, 18 and 41 to the Financial Statements.
** This relates to a reinsurer whose rating was downgraded below (A-) in 2021.

Catastrophe contract

In 2023 (as in previous years), the Company purchased a non-proportional reinsurance contract, to cover the risk of bodily injury, death and disability resulting from a catastrophe event. The contract purchased is an excess-of-loss-type contract that protects the accumulation of The Phoenix Insurance's self-insured retention from life insurance, personal accidents and travel insurance policies. Following the Iron Swords War, war and terrorism coverages were mostly excluded in the reinsurance contract for 2024. For further details, see Note 41 to the Company's Financial Statements.

Reinsurance agreement - mass lapse scenario in the Life and Health Insurance Segments

The Phoenix insurance has in place a mass lapse reinsurance agreement, the objective of which is to provide The Phoenix Insurance with partial protection against a mass lapse scenario in its Life and Health Insurance Segments as part of the Economic Solvency Regime.

Reinsurance agreement - proportional reinsurance for disability insurance products

The Phoenix Insurance has a proportional reinsurance agreement involving an existing portfolio of disability insurance businesses, with a reinsurer rated AA- by an international rating agency.

Reinsurance Treaty for the Supplementary Pension Fund -

As from January 2023, The Phoenix Insurance has in place reinsurance for planholders of the Supplementary Pension Fund at the rate of 90%. The agreement protects planholders covered with disability and survivors insurance. The agreement is renewed every calendar year. The Phoenix Insurance included this coverage in the catastrophe agreement in life insurance for 2024.

4.5.5 Health insurance

The Phoenix Insurance enters into quota share proportional reinsurance agreements with various reinsurers to protect itself against some of the risk components in its health insurance portfolio. A number of large collective insurance policies have a proportional reinsurance agreement in respect of some of the coverage components.

Reinsurance agreements in respect of health insurance policies are normally drawn up for unlimited periods and may be canceled by giving advance notice for future policies only. The reinsurers pay The Phoenix Insurance a fee that may be composed of two components (and varies in accordance with the

terms and conditions of the various agreements): a fee calculated as a function of the premium ceded to them, and a profit fee based on the insurance results for that year. It is noted that in the reporting year no reinsurance was purchased in the Health Insurance Segment between new businesses, as a result of shortage of supply on behalf of reinsurers.

The rating of reinsurers that account for more than 10% of total reinsurance premiums in the health insurance area of activity:

	2023		
Reinsurer	Reinsurance premium (in NIS million)	% of total reinsurance premium	S&P rating (As of December 31, 2023)
Swiss Re	114	49%	AA-
Gen Re	32	14%	AA+
CCR	30	13%	A

	2022		
Reinsurer	Reinsurance premium (in NIS million)	% of total reinsurance premium	S&P rating (As of December 31, 2022)
Swiss Re	116	52%	AA-
Gen Re	27	12%	AA+
CCR	27	12%	A-

Reinsurers in the Health Insurance Segment:

Rated by S&P*	No. of reinsurers in 2023	No. of reinsurers in 2022
Rated AA and above	2	2
Rated A to AA (not included)	8	8
Rated A-	1	2
Rated BBB+**	1	1

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch.

For further details about payments to reinsurers and further details, see also Notes 17, 18 and 41 to the Company's Financial Statements.

** This relates to a reinsurer whose rating was downgraded below (A-) in 2021.

4.5.6 Property and casualty insurance

Compulsory motor insurance

The Phoenix Insurance's liabilities in the compulsory motor insurance subsegment are backed by an "excess-of-loss" reinsurance contract. As a result of the said arrangement, the exposure per claim or per event is limited. As is normally acceptable in contracts of this type, the Company does not collect fees and commissions from reinsurers. In addition to the existing agreement, the Company entered into quota share agreements with several reinsurers. These agreements were also renewed for 2024; the quota agreement was renewed at a lower rate.

For further details about payments to reinsurers and other data, see also Notes 17, 18 and 41 to the Company's financial statements.

Motor property

Motor property insurance is characterized by a high level of risk spread, and a relatively homogeneous risk. As a result, the reinsurance rate in this subsegment is low, and only catastrophic damages such as earthquakes, fires and natural disasters are covered. For further details about payments to reinsurers and other data, see also Notes 17, 18 and 41 to the Company's financial statements.

Other property and casualty insurance

The Phoenix Insurance enters into reinsurance contracts in the Property and Casualty Insurance segment on an annual basis. The Phoenix Insurance purchases reinsurance for most of the subsegments in which it operates: fire, property, engineering (including contractors), personal accidents and liability, including directors and officers' liability, cyber and marine insurance. For an overall explanation about reinsurance, and for details about the various types of coverage generally accepted in reinsurance, see Notes 17, 18 and 41 to the Financial Statements.

Property subsegments

Industrial and commercial property insurance and home insurance: protected under a proportional combined contract - quota share and surplus. Large businesses are reinsured under facultative contracts. Proportional insurance contracts provide protection up to a maximum amount for a catastrophe event, which varies among the various reinsurers. In respect of the self-retention portion, The Phoenix Insurance purchases insurance protection covering catastrophe events at a rate of 2% of the aggregate insurance amounts. In the home insurance subsegment, in addition to the existing contract, there is also a quota share contract.

Industrial and commercial property insurance and home insurance: protected under a proportional combined contract - quota share and surplus treaty. In respect of the self-retention portion, The Phoenix Insurance purchases insurance protection covering catastrophe events at a rate of 2% of the aggregate insurance amounts. The excess of loss amount covering catastrophe events, which applies to the self-retention portion in property, commercial or industrial, home and engineering insurance, is determined as a percentage of the cumulative self-retention amounts based on generally accepted actuarial models.

Earthquake coverage

In 2023, reinsurers' estimated exposure to earthquake under proportional reinsurance on the basis of MPL of 2% amounted to approx. NIS 10.7 billion. The Phoenix Insurance's self-retention aggregate exposure, as derived from and measured according to its proportional reinsurance agreements, was approx. NIS 57.9 billion as of the end of 2023. It order to hedge this exposure, non-proportional protection of 2.0% of the accumulated retention exposure was purchased, which represents expected damage as a result of an earthquake with an incidence of more than once every 500 years. In the Company's opinion, following the purchase of protection, the maximum amount The Phoenix Insurance would have borne upon the occurrence of a catastrophe event, under 2% MPL, is approx. NIS 102 million for property insurance.

There are no reinsurers the total exposure of which to earthquake exceeds 10%. For further details about reinsurance, including reinsurers' balances, see Notes 11, 25 and 41 to the Financial Statements.

Terrorism

As a result of the Iron Swords War, an excess-of-loss reinsurance agreement was not renewed for 2024.

Liability subsegments

Liabilities: includes employers' liability, third party liability, product liability and professional liability. The protective insurance contract is an excess of loss contract in respect of amounts in excess of the self-retention amount, with caps per risk and per event. Since 2021, a quota share contract was taken out in addition to the existing contract.

Directors and officers' liability: this subsegment is protected under an excess of loss contract in respect of amounts in excess of the self-retention amount, with a cap in place per policy. In 2021, a separate quota share agreement was put in place for the finance subsegment.

Various subsegments

Personal accidents: There is protection against the risk arising from aggregate losses under the catastrophe agreement.

Marine and cargo: protected under a combined proportional insurance contract, quota share and surplus, with a cap per delivery, in combination with a non-proportional reinsurance contract for aggregate retained losses in the cargo subsegment.

Ship hull, yachts and third party: protected by a proportional quota contract with a cap per covered vessel.

Cyber: Protected under a quota contract with ceilings for single loss and annual accumulated losses.

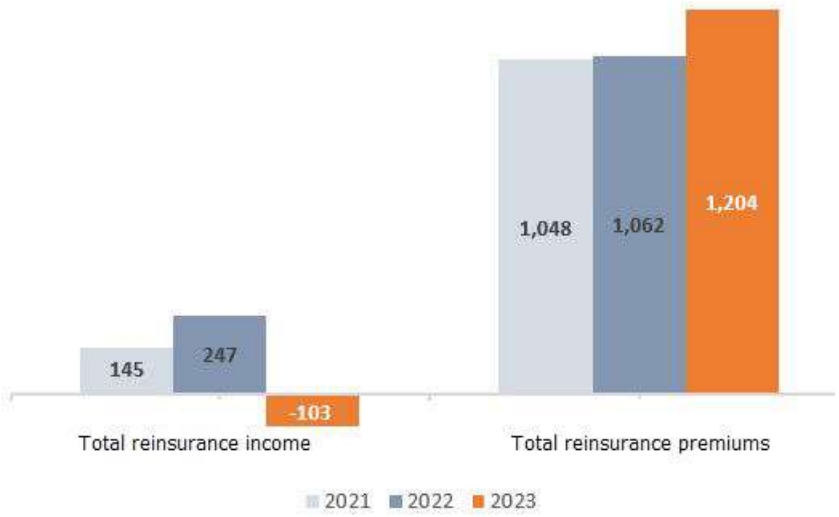
Property and casualty insurance: no reinsurer accounts for more than 10% of total reinsurance premiums in 2023 and 2022.

Rating of reinsurers in property and casualty insurance:

Rated by S&P*	No. of reinsurers in 2023	No. of reinsurers in 2022
Rated AA and above	13	12
Rated A to AA (not included)	114	100
Rated A-	30	27
Rated BBB+	3	3
Not rated	11	12
Total	**171**	**154**

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch.

Premiums and reinsurance results (in NIS million):



Following is a summary of reinsurance premiums and results by subsegment (in NIS millions):

Property and casualty insurance

	2023	2022	2021
Reinsurance premiums -			
Compulsory motor insurance	51	139	271
Motor property	-	-	2
Other property and casualty insurance -			
Other property subsegments (for details, see below*)	**763**	**602**	**507**
Other liability subsegments	381	312	263
Other subsegments	9	9	5
Total reinsurance premiums	**1,204**	**1062**	**1048**
Profit (loss) results[22] -			
Compulsory motor insurance	53	24	(122)
Motor property	-	-	-
Other property and casualty insurance -			
Other property subsegments	(246)	218	198
Other liability subsegments	84	1	66
Other subsegments	6	4	3
Total reinsurance income for the year	**(103)**	**247**	**145**

Reinsurance premiums in the property subsegments*	2023	2022	2021
Proportional	534	416	334
Non-proportional	2	2	2
Earthquake (1)	227	184	171
Total reinsurance premiums in the property subsegments	**763**	**602**	**507**

*The premium includes all reinsurance arrangement types covering catastrophe risks (proportional reinsurance, facultative reinsurance, and excess reinsurance to cover the aggregate retention).

The decrease in premiums in the compulsory motor insurance subsegment over the years stems from a change in the volume of quota share reinsurance contracts.

[22] The data relate to results of agreements with reinsurers.

The changes in reinsurance premiums in other property subsegments stem mainly from a change in the renewal dates of a large policy, in which the insurance coverage period exceeds one year in the property loss insurance subsegment and from growth in the portfolio.

The increase in reinsurance premium in other liability subsegments in 2023 and 2022, compared with 2021, stems from an increase in the portfolio and from new quota share agreements drawn up as from 2021.

In compulsory motor insurance the loss in 2021, attributed to reinsurers, is an accounting loss arising from a provision to reserves in accordance with actuarial rules applicable to gross reserves. It should be noted that the actual result of the agreement may be materially different and will depend on the future development of claims. The attributed income in compulsory motor insurance in 2022 and 2023 stems from positive revisions to the actuarial model in respect of previous years.

The loss in the property insurance subsegments in 2023 arises from an exceptionally large claim in property loss insurance, which is fully covered by facultative reinsurance (totaling approx. NIS 450 million). After the deduction of this claim, the reinsurers' profitability will amount to approx. NIS 205 million (which is similar to last year's profitability). The increase in reinsurers' income in 2022 compared to 2021 stems from an improvement in most property subsegments.

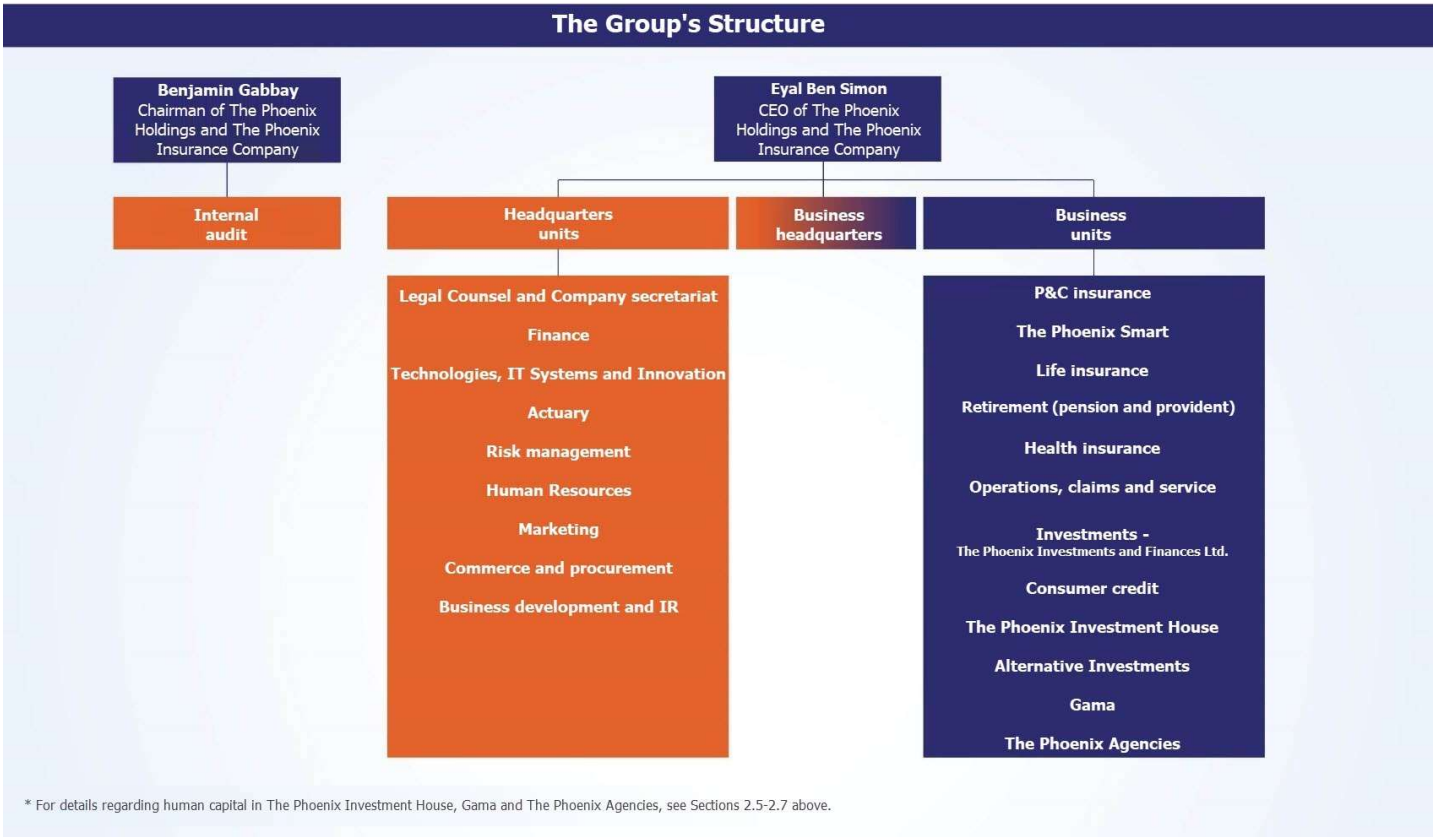
In the liability subsegments, the decline in income in 2022 compared with 2023 and 2021 stems mainly from a decline in the profitability of the third-party insurance and professional liability subsegment. It should be noted that the actual result of the agreement may be materially different and will depend on the future development of claims.

4.6 Human capital

Most Group employees are employed by The Phoenix Insurance, and some are employed by other consolidated companies.

4.6.1 The Group's Structure

Following are details of the organizational structure of Group's head office units and key business units:



The Company's Board of Directors sets the Group's policy and supervises the performance of the CEO and management.

The insurance, pension and provident fund activities are carried out by The Phoenix group, which divides them into areas of activity, each of which is headed by a Deputy CEO.

4.6.2 The Group's workforce

Set forth below is a breakdown of the Group's workforce as of December 31, 2022-2023:

	December 31, 2023	December 31, 2022
The Group's management	13	13
Property and casualty insurance	225	231
SMART	250	268
Long-term savings and life insurance*	335	524
Health subsegment	55	57
Service, operations and claims function	1,021	1,081
IT and other Head Office units	875	838
The Phoenix Investments	94	95

Total for Group, excluding The Phoenix Investment House, Gama, and The Phoenix Agencies employees	**2,868**	**3,107**
The Phoenix Investment House**	480	423
Insurance agencies controlled by the Company***	1,420	1,320
Gama	170	163
Total - Group	**4,938**	**5,013**

* The decrease in the number of employees in the Long-Term Savings and Life Insurance Segments arises from the closure of the retail unit.

** During the reporting year, the Investment House took on 25 employees as part of the acquisition of Epsilon and Psagot.

***The increase in the number of employees stems mainly from an increase in the scope of activities and acquisition of agencies.

For details about directors and officers, see Regulations 26 and 26A in Chapter Five of the Periodic Report - Additional Details about the Company.
For details about changes in the Board of Directors and senior management of the Company and The Phoenix Insurance, see Note 42 to the Company's financial statements.

4.6.3 Key events in the reporting year

4.6.3.1 As part of the implementation of the strategy and the wish to shorten and streamline work processes, in January 2023 two product units (platforms) were launched in the fields of motor insurance and claims. This involved a change to work methods, which included setting up multidisciplinary teams that cover both business and technological aspects, teams that focus on the product, who sit in a joint complex and have identical targets.

4.6.3.2 In the reporting year, the Company closed the retail marketing and distribution function, which focused on distribution and services of pension products; for further details, see Section 1.3.10 above.

4.6.4 Workers' organizations

In December 2021, a new collective agreement was signed for the period from January 1, 2022 to December 31, 2024 between The Phoenix Insurance and the New Histadrut Workers' Union – MAOF (hereinafter – the "**Histadrut**"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with The Phoenix Pension and Provident (hereinafter jointly for the purpose of this section - the "**Agreement**"; the two companies jointly - "**Phoenix**").

In accordance with the collective agreement, the provisions of the previous collective agreements in The Phoenix Insurance will continue to apply during the term of the Agreement, and in The Phoenix Pension and Provident they were applied as from January 1, 2022, except for changes defined in the new agreement, the principal points of which are:

1. Pay rises - during the period of the Agreement, The Phoenix will pay permanent employees and employees in probation period an average pay rise of 3.03% per year in accordance with the conditions set in the Agreement. The pay rises payable to hourly employees in the different call centers shall be in accordance with the tables included in the agreement.

2. Minimum wage - the gross monthly minimum wage for a full-time employee as from 2022 will be NIS 6,000, and in 2024 it will be NIS 6,500.

3. Pension insurances - increasing pension contributions for employees by 1%, of which 0.5% will be contributed by the employer and 0.5% will be contributed by the employee. In total, pension contributions (by the employer and by the employee) will not amount to less than 22.83%.

4. Annual bonus - should The Phoenix meet 100% of the profit targets set by its Board of Directors in relation to that year, The Phoenix shall allocate a budget for payment of bonus to employees; the total cost of the bonus shall be equal to 6.835% of the annual payroll cost in the year preceding the year in which the bonus will be paid. In respect of meeting the targets at the range between 70% to 130% of the profit targets, the bonus budget will increase or decrease linearly in the relevant range. If The Phoenix fails to meet 70% of the profit targets set in relation to that year - there will be no entitlement to a bonus in respect of that year.

5. Dental and health insurance - The Phoenix shall take steps to insure its employees under a collective dental insurance policy, and will work to improve the existing health insurance at an overall cost of NIS 5 million per year.

6. Final settlement of claims and industrial peace - the Agreement constitutes a full and final settlement of the parties' claims for the Agreement's term. The parties to the Agreement have undertaken to maintain mutual industrial peace regarding the matters that were settled in the Agreement.

The estimated annual cost of workforce-related expenses (excluding costs conditional upon meeting targets) in respect of the years of Phoenix's agreement is NIS 23.6 million. The estimated average annual cost of the annual bonuses expected to be awarded in respect of 2021, 2022 and 2023, assuming that 100% of the profit targets of the relevant years will be fulfilled will be NIS 28.9 million per year.

It should be noted that some of the aforesaid amounts are in lieu of workforce-related expenses that Phoenix would have incurred even if this agreement had not been signed. Furthermore, it is hereby clarified that the said data do not include estimated costs in respect of benefits whose materialization is uncertain, including The Phoenix's generating income that exceeds that profit target to be set for that year.

4.6.5 Benefits and the nature of employment agreements

The Phoenix Insurance is a member of the Association of Life Insurance Companies of Israel Ltd., which is a member of the Coordinating Bureau of Economic Organizations; therefore, all collective agreements signed by the Coordinating Bureau of Economic Organizations apply to The Phoenix Insurance.

4.6.6 Compensation policy

4.6.6.1 Under law, the Company and The Phoenix Insurance have a compensation policy in place for officers and senior employees. The compensation plan takes into account the provisions of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Exceptional Bonus for Tax Purposes), 2016, that applies to compensation paid in a financial corporation and its approval; the said law provides, among other things, that an employee of a financial corporation may not receive a compensation

which is more than 35 times higher than the lowest compensation paid to an employee of the corporation in the year prior to the engagement date (for this purpose, an "employee" shall include employees of a manpower contractor employed by the financial corporation). The law also sets out approval procedures in respect of compensation paid to an employee of a financial corporation who is paid more than NIS 2.5 million. Furthermore, the compensation policy is mainly based on multi-year results, return on capital achieved by the Group, and a series of personal parameters adapted to the various officers, which are based on the work plans to be set by the Board of Directors each year.

In January 2024, the Company's General Meeting approved a compensation policy for 2024-2026.

For additional details about the Company's Compensation Policy, see the immediate report of the Company dated December 20, 2023 (Ref. No. 2023-01-138576) and the following link:

"https://www.fnx.co.il/sites/docs/genery/for_new_site/mashkiim/%D7%9E%D7%93%D7%99%D7%A0%D7%99%D7%95%D7%AA_%D7%AA%D7%92%D7%9E%D7%95%D7%9C_%D7%94%D7%A4%D7%A0%D7%99%D7%A7%D7%A1_%D7%91%D7%99%D7%98%D7%95%D7%97_2024_v4.pdf"

fnx.co.il/sites/docs/genery/for_new_site/mashkiim/מדיניות_תגמול_הפניקס_ביטוח_2024_v4.pdf

4.6.6.2 Options plan for employees and officers:In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company awards, from time to time and without consideration, warrants (hereinafter, in this section - "**Options**") to employees and officers of the Company and companies under its control. In June 2023, the Company's Board of Directors approved an additional allotment of up to 3,211,588 additional options to employees and officers of the Company and some of its subsidiaries. For further details, 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).

It is noted that in the reporting year options were awarded - for the first time - also to officers and employees of The Phoenix Investment House, and at the beginning of 2024 - also in Gama. For further details, see Section 1.3.25 above.

4.6.6.3 Incentive plan for investment employees: pursuant to the Commissioner's circular, which ordered that a compensation policy be set for investment employees, and in accordance with the aforesaid compensation policy, the Group has a multi-year plan to compensate investment employees; this plan is designed to balance out the fixed and variable compensation compensation components, and to reflect the level of risk involved in achieving the returns in the various investment channels. The plan is based on a series of parameters and profitability targets, which are based, as a general rule, on cumulative three-year results, the results in the various investment channels compared to competitors, taking into consideration the relative risk level of the various channels with respect to several

parameters, as well as the relative risk level. For details about the compensation plan for investment employees, see:

| The Phoenix (fnx.co.il)

4.6.6.4 Insurance, indemnification and exemption for officers and senior employees: The Company purchased a liability insurance policy covering its directors and officers and provided officers with indemnification and exemption letters. For details about the indemnification and exemption letters and the insurance policy covering officers, see Regulation 22 in Part 5 of the Periodic Report and Note 42 to the Financial Statements. At the beginning of 2023, after the approval of the Compensation Committee, the Company renewed - by one further year - the directors and officers' professional liability insurance policy.

4.6.7 Training programs

In the reporting period, the Company continued to establish a culture of excellence and ongoing dialogue between executives and employees. During the year, a number of leadership development programs, which are based on the Group's leadership concept, were launched for the various management levels.

As part of the Group's strategy and its focus on its human capital, assessment and development processes were put in place for the organization's VPs, which include the use of a range of analytical tools, and which serve as the basis for personal and group development processes.

At the professional level, training programs were developed in response to the Group's business focus, through regular training and updates while maintaining the level of knowledge with regards to legislative changes. Furthermore, a range of programs were implemented that focus on concepts and skills in the service and sales spheres, and on a range of areas in which the Group is engaged.

In the reporting period, and as part of the Group's aspiration to constantly improve, and its wish to give employees the ability to impact their experience, and allow managers to lead their teams effectively, an employees survey was conducted, which will serve as a starting point for measuring - over time - the effect of the transformation that the organization is undergoing.

Based on the survey's results, training and development programs were created for the different populations.

As part of the focus on the employee's experience and the strengthening of the employees' engagement and resilience, a range of welfare activities were carried out throughout the year; in the first quarter of 2023, The Phoenix's FUN activity was completed, as part of which all employees of The Phoenix Insurance holidayed in one of a number of destinations that were offered to them.

4.6.8 The Iron Swords War

In the last quarter, upon the outbreak of the Iron Swords War, the Company took action in a number of areas, in order to contribute to the national efforts, and out of concern to the Company's employees and their families.

For information about The Phoenix group's contribution at the national level, see Section 1.3.2 above.

The Company's employees

Since the outbreak of the War, the Company took action to support the Company's different populations on an as-needed basis.

Evacuated employees - the Company supported the employees and their families in their efforts to find alternative housing solutions and provided financial support to those affected, which was aimed at allowing employees to make initial preparations under a state of emergency.

Enlisted employees and their families - the Company maintained ongoing contact with enlisted employees and their families. In addition to the specific assistance to employees and their families, during the period gift parcels were sent to employees' families.

All managers and employees - during the period, the Company maintained direct contact with its employees, while monitoring their circumstances and personal capabilities, and where needed also provided financial or mental health support.

In order to support and strengthen the entire populations' capability to conduct themselves in the complex state of emergency, the Company took action to provide managers and employees with tools that will allow them to maintain resilience and conduct themselves effectively at times of emergency. Furthermore, Company's employees were involved in a range of voluntary activities, both in connection with bereaved families and with the wounded, and in connection with supporting farmers, and more.

4.6.9 Code of Ethics

The Group's management advocates for an adequate business culture of its employees and managers (including directors) at part of their fulfillment of their duties in the Company. Accordingly, the Company adopted a Code of Ethics that was revised in the reporting year. Each new employee signs a statement to the effect that he/she read the Code of Ethics and undertakes to abide by it. Furthermore, in the reporting year the Company launched tutorials for integrating the Code of Ethics among its employees At the same time, the Company also implemented a Code of Ethics in its work with suppliers as part of the responsible procurement policy it published in the reporting period, and incorporated into its agreements with the various suppliers the requirement that they comply with the Company's Code of Ethics.

4.6.10 Diversity and inclusion

Equal pay

In the reporting year, and in accordance with the provisions of the Amendment to the Equal Pay Law, the Company conducted a thorough analysis of the levels of pay in the organization, in order to identify pay gaps between women and men, other than those arising from performance gaps. In order to analyze the data and achieve monitoring capabilities over time, a dedicated system was incorporated, which serves as the key analytical tool in connection with this topic. As part of the drive to achieve gender equality, a dedicated budget is allocated - as part of the annual compensation process - which is designed to deal with such gaps, if any are detected.

The SheLeads forum

As part of an ongoing organizational focus on the promotion of a culture of diversity and inclusion in The Phoenix group, the SheLeads forum was launched. This forum was created out of a desire

to connect women who hold senior management positions in the group with female members of the Board of Directors in the group and other women in senior leadership roles in the group. The forum opens a space that allows joint learning and the sharing of challenges and knowledge, while leveraging the participants' experience and organizational networking. The forum's activity influences all of the Group's female employees and delivers a message to those employees regarding the range of promotion opportunities available to them within the group.

4.7 Marketing and distribution

4.7.1 General

In order to enhance The Phoenix group's presence and benefit from the diversity of its product offering and its capabilities through its various Group companies, The Phoenix implements a policy of consolidating brands and creating a monolithic brand that will address the Group's capabilities and the customers' expectations in its various areas of activity, and combine the Group's strengths and resilience in its different areas of activity.

The Group's key distribution channels are as follows:

Marketing and distribution in the insurance businesses are carried out by insurance agents, insurance agencies and distribution in digital channels, including through The Phoenix Smart, to allow for swift, direct purchase of products by policyholders. Most agents have agreements in place with several insurance companies in order to meet customers' diverse needs. Key considerations for agents in selecting an insurance company to contract with: rate of fees and commissions, quality of service provided by the insurance company, product and service innovation, and suitability of the insurance company's products to the needs of the agents' customers. Key considerations for insurance companies in selecting agents: the agent's areas of activity, expertise and relative advantages, potential for business collaboration with the insurance company, agent's profitability, fees and commissions charged by the agent, quality of the agent's sales, retention of the agent's portfolio, the agent's customer base and their reliability.

The Company operates an advanced online portal through which it provides marketing, business and sales-related information to agents in connection with their entire activities, as well as professional and operational information. The information is also offered to the agent through a dedicated mobile app.

The Company operates a sales call center that provides services to The Phoenix' agents (Fnx4u); the call center supports the Company's sales activities, for and in collaboration with agents.

The Company also operates a direct digital marketing channel through which it sells property and casualty products. Digital sales of insurance products is carried out through sales interfaces on the Company's website and through a call center. This activity is marketed under The Phoenix Smart brand name.

The Company operates a customer call center, which aims to provide swift response to customers' inquiries, including inquiries in connection with the reports issued by the

Company to its customers, questions regarding insurance policies, etc. Customers can contact the Company through all widely used digital communication channels, such as WhatsApp, text messages, email and, of course, by phone. Furthermore, the Company's website is used to send customers personal information and allows customers to perform transactions using the "personal zone". The Company operates a wide range of self-service functions that can be accessed through the Company's website. In addition, the Company provides marketing information to existing and potential customers.

The Company operates in social media platforms Facebook and Instagram, where it has a community of more than 74,000 followers; it also generates dedicated content on YouTube and other digital media platforms. By maintaining direct contact with its customers through social media platforms, the Company generates a dialogue on insurance issues and other aspects relating to health, savings and property, answers questions, handles service-related complaints and provides answers to questions relating to Company's products and services.

4.7.2 Agents and insurance agencies ("Agents")

Centralized marketing and distribution activities of The Phoenix Insurance are conducted through insurance agents.

The Phoenix Insurance also acts through the arrangement agencies and other insurance agencies employing subagents. These agencies usually cooperate with a number of insurance companies.

4.7.3 The banks - pension advice

The banking corporations serve as a distribution channel in the field of long-term savings, in their capacity as pension advisors. The scope of activity in this channel is immaterial.

4.7.4 Regulation of the activity of pension agents, marketers and advisors

The agents' activity is regulated by the Commissioner as well. Agents' activities are regulated under the Insurance Contract Law, Supervision Law, and with regard to pension products and marketers of pension products - also under the Advice and Marketing Law.

4.7.5 Insurance and savings and asset management - Retirement (Pension and Provident)

As of the report date, the insurance, pension and provident funds marketing function is composed of the agents function (working in accordance with distribution agreements signed with the Company, as described above.

The agents function & fees and commissions

The Phoenix Insurance and Phoenix Pension and Provident pay agents fees and commissions at variable rates. The fees and commissions rates are determined by product type, an agent's productivity, profitability of the agent's insurance portfolio, and is also based on specific

negotiations with agents and other characteristics of each agent. The insurance agents work with sales managers who are employed by The Phoenix Insurance, who provide guidance on sales-related issues and help solve issues stemming from current activities.

The fees and commissions paid over the life of these policies are usually determined as a percentage of the premium; in "track" savings policies and in provident funds, they are usually determined as a percentage of the accrual. Fees and commissions are also paid in respect of the agent's sales activity immediately prior to the policies' purchase date. It should be noted that the Advice Law prohibits tying management fees paid by a policyholder to the fee paid to the agent for the sale of pension and financial products as of April 2017 and thereafter.

Following is the average rate of fees and commissions out of gross premiums in life insurance (by percentage):

	2023	2022	2021
Average rate of fees and commissions on premiums	9.35	8.05	7.93

Following is the average life insurance fees and commissions rate in the first year out of the new annualized premium (by percentage):[23]

	2023	2022*	2021
Average rate of fees and commissions out of the new annualized premium	57	53	44

* The change in 2022 stems from a change in sales mix in savings and life insurance policies.

Pension advisors

The Phoenix Pension and Provident has in place agreements for the distribution of its products with most commercial Israeli banks. Under the agreements, distribution of provident and pension products is carried out in exchange for a distribution fee at the maximum rate allowed under the Advice Regulations.

The agreements are for an unlimited period; they may be canceled by each party by giving the other party advance notice.

The Phoenix Insurance has not yet signed distribution agreements for the distribution of its insurance products with the banks.

4.7.6 Property and casualty insurance

Marketing in the Property and Casualty Insurance Segment is carried out by agents, and through a direct channel under the "Phoenix Smart" brand name. In 2023, there was no single

[23] Annualized premium - the annual premium as if paid for a whole year in advance in one lump sum when the insurance is taken out, rather than being paid in installments.

agent whose sales constituted more than 10% of the sales of individual policies in this subsegment.

Average rate of fees and commissions out of gross premiums, by percentage:

	2023	2022	2021
Compulsory motor insurance	5.2	4.8	4.9
Motor property	13	14.2	17.2
Other property and casualty insurance	15.5	16.2	16.4

4.7.7 Health insurance

In the Health Insurance Segment, marketing is mostly carried out by agents and supported by the Fnx4u customer call center. In the field of collective health insurance, marketing is carried out by agents, with employees responding to queries of representatives of the relevant organizations (advisors and/or agents) requesting price quotes. In travel insurance, marketing is carried out by agents and Phoenix Smart, both through digital channels and sales representatives.

Following is the average rate of fees and commissions out of gross premiums in the health insurance area of activity (by percentage):

	2023	2022	2021
Average rate of fees and commissions on premiums	12.1	12.5	12.7

The structure of fees and commissions paid to Agents in respect of selling an individual health insurance policy is basically similar to the structure of the fees and commissions paid in the Life Insurance Segment in respect of the risk products (for further details about the structure of the fees and commissions, see above in Section 4.7.5 to the Report. For collective insurance policies marketed by Agents, the Company normally pays the Agents fees and commissions calculated as a percentage of the paid premium.

4.8 Suppliers and Service Providers

4.8.1 Suppliers and service providers in the insurance areas of activity

As part of their activities, Group companies engage numerous suppliers and service providers in the various insurance areas of activity, mainly for settlement of claims. Group companies select their suppliers and service providers according with the quality and nature of the services offered by them, their availability and areas of expertise. Engagements with these suppliers and service providers include, among other things, payment based on global rates, payment by transaction, by percentage of the risk, and by hourly rate or per opinion. To the extent possible, the Group avoids being

dependent on a single supplier, as the term is defined in the Commissioner's circular on revising provisions in the periodic reports of insurance companies and works to diversify its pool of suppliers.

In the motor property subsegment, the Company provides its customers with services such as: towing, replacement car in case of an accident or theft, as well as replacing car windscreens and windows, headlights, mirrors, etc. Each agreement with a service provider sets annual or periodic rates to be paid by The Phoenix Insurance to the service provider. The suppliers of towing and replacement car services are Drachim Road Side and Towing Services Ltd. and Shagrir Group Vehicle Services Ltd.

In home insurance, as of September 2017 (following the amendment to the provisions of the Consolidated Circular with regard to water damages), the Company entered into an agreement with Natav Claims Management Ltd. for the provision of management services. Pursuant to the agreement and, in accordance with the amendment to the Consolidated Circular, the policyholder selects the plumber from a list of suppliers included in the arrangement with The Phoenix Insurance; the list is published on the website. In business insurance, Aminut Express Services Ltd. continues to provide services in connection with pipe damage.

In the field of customer services, in February 2015, the Company and Teleclal Ltd. entered into agreement for the provision of customer call center services, in addition to the Company's own call center, with the aim of improving the quality of services provided to the Company's customers.

4.8.2 Suppliers and service providers in Asset Management and Credit - Retirement (Pension and Provident)

4.8.2.1 In 2006, The Phoenix Pension and Provident and Mediton entered into an agreement for the provision of fund physician and medical committees services to pension fund planholders claiming disability; this agreement was assigned to the Management Company. In 2021, Management Company entered into an agreement with another supplier in this field - Medical Premium Touch.

4.8.2.2 In 2007, The Phoenix Pension and Provident and Bank Mizrahi Tefahot Ltd. signed an agreement for operating planholders' accounts in the provident funds under its management.

4.8.2.3 In 2012, the management company and Malam Payroll Ltd. entered into an agreement for receiving services in the field of systems for management of tax and pension calculation for pension funds planholders.

4.8.2.4 In June 2016, The Phoenix Pension and Malam Provident Fund Operation Ltd. (that was merged into Malam Provident Fund and Pension Ltd.) entered into an agreement for the provision of operating services for planholders' accounts in provident funds and in the self-directed advanced education fund. This company also provides operating services to the old pension funds the management of which was transferred to The Phoenix Pension by Halman Aldubi Provident.

4.8.3 IT suppliers and service providers

The Group has agreements with several hardware and software suppliers; the Group also has maintenance service agreements with these suppliers. In addition, the Group enters into agreements with various suppliers for the provision of development and maintenance services. The types of agreements with these suppliers include engagement at a fixed price per project, engagement on an hourly basis and engagement based on a price per unit. The Group also has agreements in place with various suppliers which provide it with services comprising, inter alia, of: development, maintenance, operation, storage and processing of information, information systems or infrastructure, from time to time or on a regular basis at the suppliers' premises.

In view of the knowhow accumulated by suppliers during the course of the service period, the Group may naturally become dependent - in the short-term - on a specific supplier of IT services, since replacing a supplier in this field involves the investment of costs and time. Such dependency may arise, for example, due to the need to execute a project within a short period of time in order to address changes in regulation or software, or in a project involving an area where the supplier has advantage over others due to specific expertise it acquired.

4.9 Property, Plant & Equipment

The Group's property, plant and equipment mainly includes office buildings, computers, software (which is presented under the "other assets" line item in the financial statements) and equipment. For further details, see Note 7 to the Financial Statements.

4.9.1 Following is a description of the key properties used in the Group's activities:

The Group's offices at Hashalom Road, Givatayim: Most of the Group's activities take place in a single site. The Phoenix Insurance has the rights to be registered as owner of 22 floors of office space at 53 Hashalom Road, Givatayim, with a total gross area of 28,000 sq. m, warehouses with a total area of 700 sq. m, and 547 parking spaces in the underground parking lot used by the Group's employee.

Offices at 7 Palyam St., Haifa: The Company manages its activities in the north of Israel in offices it leases in a building located at Palyam Street, with a total area of 1320 sq. m and 10 parking spaces.

Office floor in the Dona building, Jerusalem: The Phoenix Investments owns one floor and 16 parking spaces in the Dona building at 20 Beit Hadfus St., Jerusalem. The entire floor - approx. 800 sq. m - is used as The Phoenix Insurance's Jerusalem branch.

Givat Shmuel: The Company leases office space with an area of 4,100 sq. m and 200 parking spaces in the Amitech building at Givat Shmuel. The space is used by various units of the Group.

Rishon LeZion: the Company leases office space in a building located in Rishon Lezion with an area of 4,680 sq. m and 200 parking spaces; these offices are used to expand The Phoenix Insurance's business.

Holon: A site previously used by Halman Aldubi Investment House that was purchased by The Phoenix; the area of the site is 3,400 sq. m in 11th and 5th floors, including 85 parking spaces. Some of the area is subleased to companies that are partially/wholly-owned by The Phoenix.

"**Similarweb House", Givatayim (close to the Group's offices)**: The Company rents office space in a building close to the Group's Head Office, at the area of 700 sq.m as well as 10 parking spaces that are used by The Phoenix Insurance.

3 Mesada St. Bnei Brak: The Partnership (wholly-owned by The Phoenix group) leased to Gama (a related company) offices in the 9th and 10th floor of a building at the total area of 3,240 sq.m, warehouses at the area of 140 sq.m and up to 110 parking spaces.

Subsequent to the reporting period, the Partnership leased to The Phoenix Investment House (a related company) offices in floors 4-8 at a total area of approx. 7,000 sq.m, warehouses at a total area of approx. 220 sq.m, 300 parking spaces in the first year, and as from the second year - 180 parking spaces.

The 1000 Compound in Rishon LeZion: in December 2019, The Phoenix submitted a bid in a tender held by the Rishon LeZion municipality for the purchase of a plot of land in the 1000 Compound zoned for business and commercial use and for execution of construction work. The tender covers an area of 15 acres, with rights to approx. 355 thousand sq. m. Under the tender, the winner undertakes to self-use up to 50 thousand sq. m within 5 years of winning the tender. In 2020, the Company received confirmation from the Rishon LeZion municipality that it has won the tender. The Company is currently in advanced planning and execution stages of the project, and construction work of the above-ground building skeleton of The Phoenix Campus have been completed, as was finishing work on the car park and above-ground buildings.

For details about The Phoenix Investment House's property, plant and equipment, see above in Section 2.5.7 to the Report.

4.9.2 Information systems

In 2023, the Group invested in software and computers NIS 453 million. The Company's total current IT expenses amounted to approx. NIS 522 million - an increase of approx. NIS 45 million stemming mainly from an increase in depreciation expenses and current automation expenses, and from the addition of expenses in respect of companies consolidated for the first time in the reporting year. For further details, see Note 5, Note 7 and Note 36 to the Financial Statements.

The Group's IT Division provides all IT services to the organization through the Company's employees and, when necessary, through various subcontractors and software suppliers as well. The Group's IT function serves all The Phoenix's employees nationwide and provides the Group's pension funds with IT services and access to The Phoenix group's IT systems; the function also

supports the Agents and their employees across Israel, who use various communications infrastructures.

The IT services of The Phoenix Investment House and the insurance agencies held by the Group are generally managed independently.

The Phoenix group's core IT infrastructure provides services to 10,000 users, including the Company's employees and Agents. The Company's IT center is installed at its head office in Givatayim. The Company also operates a backup site in Netanya, which includes all the IT infrastructures and systems required for the Company's operations - including The Phoenix Investment House - at times of emergency, allowing for business continuity in the event that the main site is out of order. The storage systems in which all of the Company's data is saved in the main site are regularly synchronized with the backup site. The backup site is also used to develop and test the Company's systems. Further to regulatory requirements and in order to enhance The Phoenix group's information survivability, an additional backup site was set up (featuring a third copy of the information).

The Phoenix group's main IT systems are as follows: the core life insurance systems were internally developed by The Phoenix group. In recent years, the Group is in the process of improving its systems to support the expansion of its services and to continue to support its business processes and regulatory requirements in future years. The life insurance system manages policyholders, policies, products, coverage, underwriting, Agents' agreements, fees and commissions, collection, redemptions and loans. Life insurance claims and most of the health claims are managed using a SAP-based central claims system. The Phoenix group operates provident and advanced education policies through an operating entity.

The core property and casualty insurance systems are also mostly based on internally developed systems using the same technological infrastructure. The system operates in conjunction with systems that manage policyholders, Agents, fees and commissions, collection, payments and claims.

The core insurance systems are supported by various document and work process management systems, systems managing the activity with reinsurers, as well as risk management and actuarial systems. Most of the systems are supported by widely-known and widely-used software products, which are employed by The Phoenix in order to provide the required business response. The Company operates a DWH system, which provides information on all of Company's operational systems.

The finance and procurement activities are based on SAP software package, which is linked to all of the organization's systems, thereby serving as a single source of information. The investment system is based on software by Danel, a dedicated BI system, a contracts system and Bloomberg.

The Company manages its service centers using a CRM system; the system provides a central platform for management of inquiries received in the various service centers from customers, agents and employers.

In the reporting year, the Cyber Security Unit focused on further enhancement of corporate protection systems, including increasing employees' awareness of cyber risks, response to privacy protection requirements and handling gaps detected in the risk surveys.

4.9.3 Online and digital activity

The Group operates a marketing website used to provide to the public information about the Group, its product offerings, general information about various insurance coverages, information targeted to specific groups or population segments and regulatory information. The Phoenix policyholders can use the website to search for service providers with whom the Company has arrangements to provide services to its customers (such as: auto repair shops, physician, appraisers, etc.).

Customers can use the website to purchase compulsory and comprehensive motor insurance, travel insurance, and home and mortgage insurance. Policyholders can use the website to digitally open claims for most insurance products and download and fill out a wide range of forms; the public can contact the Company through its range of communication channels to obtain information or carry out transactions, using online chat, email, as well as text and WhatsApp messaging.

The Group also operates a personal zone for its policyholders, through which they can easily and conveniently receive a copy of their policy, the status of processes underway, applications and claims, print out various documents, update personal information and monitor their pension contributions on an ongoing basis at a time of their choosing, without waiting. The website is accessible to people with disabilities and allows access to information using various aids. The website is also mobile-optimized.

In addition, the Group operates a dedicated Facebook page, where information is available about its products and activities; the Facebook page can be used to contact the Company's various service channels in order to receive information and support in performing various transactions. The Company is also active in other digital media platforms, such as Google, YouTube, Instagram, etc. It should be noted that other Group companies have their own websites.

The Company also has a dedicated website for its agents (an agents' portal) through which they can receive information about their activity with the Company as well as information about policyholders who are insured through them; this website can also be used by agents to offer life insurance and/or pensions and/or long-term savings to policyholders.

4.9.4 Vehicles

The vehicles used by the Group are mainly operated through operating leases.

4.10 Seasonality

4.10.1 Life insurance

Generally speaking, income from life insurance premiums are not significantly affected by seasonality. Nevertheless, in view of the tax benefits available on contributions towards life insurance, a significant proportion of new sales are carried out towards the end of the year.

Following is a breakdown of gross life insurance premiums by quarter:

	2023		2022	
	%	In NIS million	%	In NIS million
Q1	26.6	1,208	26.7	1,498
Q2	25.2	1,145	25.3	1,418
Q3	24.4	1,108	25.6	1,437
Q4	23.8	1,081	22.4	1,258
Total	**100**	**4,542**	**100**	**5,611**

4.10.2 Property and casualty insurance

The seasonality of premiums is particularly noticeable in the first quarter; this is mainly due to renewal of motor insurance policies of various groups of employees and businesses' vehicle fleets, whose renewal dates normally fall in January; seasonality is also caused by renewal of business insurance policies, which are typically renewed in January or April. The effect of premiums' seasonality on income is mainly offset by the unearned premium reserve mechanism.

It should be noted that a severe winter may trigger an increase in claims, mainly in the property subsegment.

Following is a breakdown of gross property and casualty insurance premiums by quarter:

	2023		2022	
	%	In NIS million	%	In NIS million
Q1	27.6	1,232	27.3	1,016
Q2	25.2	1,127	25.3	940
Q3	24.4	1,091	25.1	932
Q4	22.8	1,019	22.3	829
Total	**100**	**4,469**	**100**	**3,717**

4.10.3 Health insurance

The breakdown of premium data by quarter shows that seasonality does not materially affect the distribution of health insurance premiums during the calendar year.

4.11 Intangible assets

4.11.1 General

The Company owns trademarks pertaining to its name's logo "The Phoenix", and a number of other names and brands.

The Phoenix uses several brand names in the insurance, investments and finance segments, such as: The Phoenix, Phoenix Smart, Phoenix Investments Insurance and Finance, The Phoenix

Advanced Investments, The Phoenix Investment House, The Phoenix Pension and Provident, and more. The brand names benefit from the public recognition and the reputation created and accumulated by The Phoenix over more than 75 years of activity, both among policyholders and among insurance professionals.

In order to enhance awareness of the Company's brand names, The Phoenix uses various mass communication channels such as: commercial TV, regional and national radio stations, websites and dedicated Internet pages, apps and digital platforms, such as Google, Instagram, YouTube, Facebook, LinkedIn and more.

Domain names

The Phoenix owns the domain names of websites of The Phoenix (such as the domain name of The Phoenix' home page), and other domain addresses, which are relevant for The Phoenix's activity.

4.11.2 Databases

The Phoenix Insurance maintains databases, which are essential for the management of its business, in accordance with the Privacy Protection Law, 1981.

4.11.3 Information systems

The Company develops - through its employees and suppliers - copyright-protected software for internal use. For further details about IT systems, see also Section 4.9.2 above.

4.11.4 Goodwill and excess of costs

As of December 31, 2023, the Company has goodwill and excess of cost - from acquisition of insurance agencies, from the life and savings activity, asset management - provident and pension activity, and the asset management - Investment House and Wealth activity - totaling approx. NIS 2,548 million (approx. NIS 2,080 million as of December 31, 2022), net of amortization. These are mainly attributed to goodwill, fees and commissions portfolios and future management fees. At the end of 2023, the Company tested the recoverability of its goodwill and did not conclude that its value was impaired. For further details, see Note 5 to the Financial Statements.

4.12 Financing

The Group finances its activity, inter alia, from external sources, including issuance of notes, bonds, as well as short-term and long-term bank and non-bank loans.

Total financial liabilities as of December 31, 2023 and 2022 is approx. NIS 15,576 thousand and approx. NIS 13,105 thousand, respectively. The increase stems mainly from debt raising carried out in the reporting year, an increase in interest rates and linkage rates, and an increase in the scope of derivatives.

Average interest rate

The average interest rates on loans from bank and non-bank sources in 2023, which are not earmarked for specific use by the Group, are listed in the following table:

	Average interest rate on loans not earmarked for specific use (by percentage)			
	Average rate	Subordinated notes	Long-term loans	Short-term loans
Banking sources - USD-linked	6.0	-	-	6.0
Bank sources - non-linked	6.3	-	6.45	5.63
Non-bank sources - CPI-linked	1.32	2.24	0.44	-
Non-bank sources - non-CPI-linked	4.2	3.76	4.26	6.75

For further details regarding the subordinated notes and bonds issued, see Note 27 to the Company's Financial Statements.

4.12.1 Capital and debt raising

In the reporting year, the Company raised debt as follows:

Extension of Bonds (Series 6)

In January 2023, the Company issued - as part of an expansion - additional Bonds (Series 6) of up to approx. NIS 172 par value; the bonds are registered bonds of NIS 1 par value each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 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.

Expansion of Bonds (Series 5 and 6)

In October 2023, the Company issued - as part of the expansion of its Bonds (Series 5 and 6) NIS 134,962 thousand p.v. in Bonds (Series 5) of NIS 1 p.v. each, and NIS 265,038 thousand p.v. in Bonds (Series 6) 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.

4.12.2 Credit limitations

Bonds (Series 4)

As part of the deed of trust of the Company's Bonds (Series 4), the Company undertook not to place a general floating charge on its assets as long as Bonds (Series 4) 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 the holders of Bonds (Series 4). Furthermore, with respect to Bonds (Series 4), the Company assumed restrictions on distribution of dividends and expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, see Sections 5.6 and 5.10 and Appendix 1 to the deed of trust attached to the shelf offering report published on May 7, 2019 (Ref. No. 2019-01-039576).

Bonds (Series 5)

As part of the deed of trust of the Company's Bonds (Series 5), the Company undertook not to place a general floating charge on its assets as long as the Bonds (Series 5) are not repaid in full, unless it obtained the bondholders' consent in advance and placed on that date a charge of the same rank in favor of the holders of Bonds (Series 5). Furthermore, with respect to Bonds (Series 5), the Company assumed upon itself restrictions on distribution of dividends and the expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, see Sections 5.7 and 5.9 and Appendix 1 to the deed of trust that was attached to the shelf offering report published on February 20, 2020 (Ref. No. 2020-01-014890).

Bonds (Series 6)

As part of the deed of trust of the Company's Bonds (Series 6), the Company undertook not to place a general floating charge on its assets as long as Bonds (Series 6) 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 the holders of Bonds (Series 6). Furthermore, with respect to Bonds (Series 6), the Company assumed restrictions on distribution of dividends and expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, see Sections 5.7, 5.9 and Appendix 1 to the deed of trust attached to the shelf offering report published on January 5, 2022 (Ref. No. 2022-01-003042).

Apart from the aforesaid undertakings, the Company is not subject to any credit restrictions.

4.12.3 Credit rating

Rating reports published by Midroog

The Company

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.

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

The Phoenix Capital Raising

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 notes that were issued by The Phoenix Capital Raising (2009) Ltd. were upgraded from stable to positive.

Rating reports published by Ma'alot

The Company

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

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.

The Phoenix Capital Raising

On October 26, 2023, S&P Maalot announced it has rated the extension by up to NIS 320 million p.v. of Subordinated Notes (Series PHONIX B12) issued by The Phoenix Capital Raising at ilAA-.

On December 22, 2023, S&P Maalot announced it has rated the issuance of up to NIS 800 million p.v. of new Subordinated Notes (Series N and Series O) at ilAA-.

Global rating for The Phoenix Insurance

Moody's

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

On November 2, 2023, 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.

4.13 Risk factors

This section deals with the key risk factors to which the Group is exposed.

For details about the risk factors, risk management policy, work processes, methods employed in risk management, existing controls and the roles of the Chief Risk Officer, see Note 41 to the Financial Statements.

4.13.1 Table of risk factors embodied in the Group's key activities

The following table lists the key risk factors to which the Company is exposed and their potential effect:

Risk factors	The effect of risk factors on the Group's activity		
	High	Moderate effect	Low
Macroeconomic risks -			
State of the economy	✓		
Unemployment rate		✓	
Breakdown of market risks:			
Interest rate risk	✓		
Credit Risk		✓	
Equity instruments risk (shares and non-financial assets)	✓		
Foreign exchange rate risk		✓	
Inflationary risk		✓	
Credit Risk	✓		
Industry-specific risks			
Insurance risks (including longer life expectancy, pension uptake, and illness)	✓		
Sustainability risks (ESG), including climate change			✓
Catastrophe risk (including earthquakes, epidemics, war, etc.)		✓	
Changes in legislation and regulation	✓		
Legal precedents		✓	
Competition	✓		
Portfolio retention rate	✓		
Reinsurance availability and stability risk		✓	
Change in the public's preferences		✓	
Risks specific to the Company			
Liquidity Risk			✓
Risk of asset-liability mismatch		✓	
Operational risks		✓	
IT risk	✓		
Privacy protection and information security risks	✓		
Pricing and underwriting risks		✓	
Claims and class actions and the Commissioner's powers	✓		
Compliance risks		✓	
Outsourcing risks			✓
Business development risks, including the setting up of alternative investments activity		✓	
Impairment of the Company's goodwill, financial strength, market cap or rating	✓		

The potential effect of the risk factors on the Group is based on the estimates of the Group's management, taking into consideration the scope and nature of its activities as of the report date. The actual effect may vary due to changes in the Group's activities or market conditions. For details about the key risk factors in relation to the asset management - Investment House and Wealth activity, see Section 2.6 above. For details about the key risk factors in relation to the credit activities, see Section 2.6.19 above.

4.14 Material agreements

4.14.1 **Reinsurance agreements** - For details about the Company's engagements with reinsurers, see Section 4.5 above.

4.14.2 **Agreements regarding holdings in investees** - For details about these agreements, see Section 4.4.5 above.

4.14.3 **Maccabi agreement -** For details regarding this agreement, see Section 2.3.5(c) above. The Agreement period ended on December 31, 2023.

4.14.4 **Cloud services -** In 2022, the Company contracted two suppliers in the field of cloud services: 1. Amazon Web Service (AWS): The supplier of the cloud services that will be used by the Group for all future technological needs of the Phoenix. The agreement is an enterprise agreement and is not limited in time; and 2. Snowflake: provider of managed cloud data warehouse services to be used by The Phoenix to realize its cloud data platform and to replace its existing data warehouses. The agreement is for a defined term and can be renewed by the Company.

4.14.5 **Implementation of IFRS 17** - In February 2020, the Company signed agreements with suppliers for the purpose of applying the standard. The purpose of the agreements is to implement and assimilate of a system aimed at enabling the Company to meet the regulatory requirements regarding the application of the Standard. In addition, the Company engaged in a consulting agreement with KPMG Canada and EY Israel in connection the expansion of audit services.

4.14.6 **Collective agreement** - for details regarding the collective agreement of The Phoenix Insurance with the workers' committee, see Section 4.6.3 above.

4.14.7 **Phoenix Retail Credit** - for details regarding the engagement with a software supplier as part of the setting up of the activity, see Section 1.3.14 above.

4.14.8 **The Phoenix Construction Financing and Guarantees Restructuring -** for details regarding the agreements as part of this restructuring, see Section 1.3.13 above.

4.14.9 **The Phoenix Investment House -** For details regarding The Phoenix Investment House's material agreements, see Section 2.5.12 above.

4.14.10 **Gama -** For details about Gama's material agreements, see Section 2.6.11 above.

4.14.11 **Agencies** - For details about material agreements in the agencies activities, see Section 2.7 above.

4.15 Business targets and strategy

For details about the Company's business targets and strategy, see Section 4 to the Report of the Board of Directors.

Part E

Corporate Governance Aspects

5.1 Details regarding the Company's External Directors

As of the report publication date, the Company's Board of Directors includes 9 directors, 2 of whom are external directors and one of which is an independent director. The external directors are Ms. Rachel Levine and Mr. Richard Kaplan; the independent director is Dr. Ehud Shapira. The Company operates in accordance with the provisions of the Companies Law and ensures that at least one third of its directors are independent directors.

The Company adopted a Board of Directors work procedure, which lists, among other things, the roles of the Board of Directors and its committees.

5.2 Information about the Company's Internal Auditor

5.2.1 Details of the internal auditor:

The Company's Chief Internal Auditor is Ms. Michal Leshem (CPA), who began her term in office on September 1, 2020.

The Chief Internal Auditor meets the criteria set in Section 3(a) of the Internal Audit Law, 1992, the provisions of Section 146(b) of the Companies Law, and the provisions of Section 8 of the Internal Audit Law.

Ms. Leshem serves as the Internal Auditor of The Phoenix Insurance and The Phoenix Investments.

The internal audit work is carried out through employees of the Company's internal audit function, and through outsourced services. The Chief Internal Auditor reports to the Chairman of the Board.

As part of the Group's internal audit function, the Chief Internal Auditor of The Phoenix Pension and Provident is Elad Cohen, CPA. The Internal Auditor of The Phoenix Investment House and its subsidiaries is Hagit Kamesh Zluf (CPA). Hila Hoisman (CPA) of accounting firm Deloitte Israel and Co. serves as Gama's internal auditor, by way of outsourcing. The internal auditor of The Phoenix IEC Central Severance Fund is Shay Luterbach (CPA) of the Vardi Luterbach & Co. CPAs firm. The internal auditor of the partnerships that were held by Phoenix Value Advanced Investments Ltd. through December 24, 2023 was Uri Ilan (CPA) of the Audit IL firm.

5.2.2 The work plan:

The internal audit function's work plan for 2023 was derived from the multi-year plan for 2020-2023, which is based on a risk survey held in order to set the audit targets in key areas; the survey was held and discussed in 2019. In 2023, a new risks survey was conducted to set the internal audit targets on the basis of which the multi-year internal audit plan for 2024-2027 was created.

The work plan also includes focal points in accordance with the changes in the Company's business activity and structure, regulation, and risk levels. Material activities are audited more frequently. Additional activities may be audited more frequently, in accordance with the Chief

Internal Auditor's assessment, based on guidance issued by one or more of the following: the Board of Directors, Audit Committee and management. The work plan allows the Chief Internal Auditor to exercise discretion in deciding to deviate therefrom. The Chairman of Board of Directors, the CEO and the Audit Committee may expand the scope of the plan or request specific changes. Material changes in the annual work plan are reported to the Audit Committee.

The scope and nature of the work of the Chief Internal Auditor and her team were determined taking into consideration the scope of the Group's activities and its various areas of activity.

The Chief Internal Auditor submits to the Audit Committee a detailed periodic report about the auditing activity in the reporting period.

Interested party transactions are discussed and approved by the competent organs as required by law. As part of the work plan, the Internal Audit Division also reviews approved interested party transactions. Other material transactions, including approval of such transactions, are reviewed from time to time as part of the work plan and in accordance with generally accepted auditing principles.

5.2.3 Hours invested and audit of investees:

	No. of hours invested	
	The Company's internal auditor	**Other internal auditors**
The Phoenix Holdings	850	-
The Phoenix Insurance	21,504	-
The Phoenix Capital Raising	50	-
The Phoenix Pension and Provident Fund*	4,519	-
Gama Management and Clearing Ltd.	-	1,480
The Phoenix IEC Central Severance Fund Ltd.	-	1,200
Phoenix Value Advanced Investments Ltd.	-	270
The Phoenix Investment House**	4,520	-
Total hours	**31,443**	**2,950**

(1) The Phoenix Pension and Provident Fund - including 1,420 hours carried out by the operating entities (Bank Mizrahi and Malam).
(2) The Phoenix Investment House Ltd. and its subsidiaries.

In 2023, the internal audit activities in all Group companies amounted to 34,393 hours, as described above. It is noted that following the October 7th events and the outbreak of the Iron Swords War, Company employees - including employees of the internal audit function - were enlisted as reservists. Due to the above, the number of internal audit hours that were invested this year decreased by approx. 5% compared to the planned audit hours and the work plan that was approved at the beginning of the year by the Company's Audit Committee.

5.2.4 Conducting the audit

The internal audit was conducted in accordance with the provisions of the Internal Audit Law, 1992, and the Companies Law, 1992, as well as in accordance with generally accepted practices while adapting the application of the guidelines and professional standards issued by the Chartered Institute of Internal Auditors (IIA).

The Board of Directors, through its Audit Committee, oversees the Internal Audit Division's work procedures, practices and results. The Board of Directors is of the opinion that the internal auditor's work practices are appropriate and in line with the composition and scope of the Group's activities.

5.2.5 Access to information

During the course of the audit work, the Chief Internal Auditor was provided with documents and information as required. The Chief Internal Auditor and her team were given full, ongoing and unrestricted access to IT systems and financial data, where such access was required to perform their work.

5.2.6 Chief Internal Auditor's report

The Chief Internal Auditor's reports are submitted in writing. Generally, upon issuance of the internal audit reports by the internal audit function, and as part of the current work process, the reports are discussed with the audited functions. Internal audit reports are submitted on an ongoing basis to the Chairman of the Board, the Company's CEO, Legal Counsel, Chief Risk Officer and the Company and/or the subsidiaries' audit committees, as applicable. In 2023, the Company's Audit Committee held 9 meetings, and the audit committees of the Group's institutional entities held 31 meetings,[24] of which approx. 33 meetings discussed the internal audit reports.

5.2.7 The Board of Directors' assessment of the Chief Internal Auditor's work

In the opinion of the Board of Directors, the scope, nature and continuity of the Chief Internal Auditor's work and her work plan are reasonable under the circumstances and are sufficient to achieve the Group's internal control objectives.

5.2.8 Compensation

The Chief Internal Auditor is a Group employee, having the status of a VP and employed on a full-time basis; she receives a monthly salary including related social benefits. The Chief Internal Auditor has an individual compensation plan that includes the right to take part in the Company's options plan, and an entitlement to an annual bonus based on Company's targets,

[24] The Phoenix Insurance 15 meetings, The Phoenix Pension and Provident 11 meetings, and IEC Gemel 5 meetings.

as part of the overall compensation policy adopted by the Company and its institutional entities.

During the reporting year, the Chief Internal Auditor was awarded approx. 65,359 illiquid option warrants exercisable into ordinary shares of NIS 1.00 par value each and 6,083 illiquid option warrants exercisable into ordinary shares of NIS 1.00 par value each in The Phoenix Investment House; the option warrants were awarded as part of the compensation plan applicable to Company and Group employees and officers. The total cost of the internal auditor's salary in 2023 amounted to approx. NIS 2.3 million.

In the opinion of the Board of Directors, the Chief Internal Auditor's terms of employment are reasonable and fair and reflect the Chief Internal Auditor's meeting her personal targets and contribution to the Company and Group. The Board of Directors has found that the compensation policy paid to the Chief Internal Auditor is in line with the compensation policy of the Company and its institutional entities and does not give rise to any concern that her professional judgment would be compromised.

5.3 Information about the independent auditor

The Company's independent auditors are Kost Forer Gabbay & Kasierer ("**Kost**" and/or "**EY**"). Kost serve as the independent auditors of most of the Group's material companies.

As from December 2022, the engagement partner dealing with the Company on behalf of Kost is Yael Assaf (CPA), who replaced Tal Hay-Zion (CPA).

The auditors' fees are determined based on the scope of the work carried out in a publicly-traded Company and institutional entity which is an insurance company, and in the other Group companies.

5.3.1 The independent auditor's fees are approved by the Company's Board of Directors.

Following is a breakdown of the independent auditors' fees in NIS thousand (excluding VAT) for services rendered by them in 2022-2023:

		2023			
		Audit services*	**Special tax services**	**Other services**	**Total**
The company and its wholly owned companies**	**EY**	2,450	438	1,130	4,018
	Other	446	11	11	468
The Phoenix Insurance and companies under its control	**EY**	4,196	56	1,006	5,258
	Other	-	-	-	-
The Phoenix Investment House and its consolidated companies	**EY**	620	-	237	857
Total		**7,712**	**512**	**2,695**	**10,919**

(*) The audit services include fees in respect of SOX audit, preliminary audit in preparation for the implementation of IFRS 17 and a solvency audit.

(**) Excluding The Phoenix Insurance, The Phoenix Investment House and companies under their control.

		2022			
		Audit services*	Special tax services	Other services	Total
The company and its wholly owned companies**	**EY**	2,251	29	390	2,670
	Other	720	54	33	807
The Phoenix Insurance and companies under its control	**EY**	3,277	63	1,317	4,656
	Other	-	-	-	-
The Phoenix Investment House and its consolidated companies	**EY**	620	184	198	1,002
Total		**6,868**	**329**	**1,938**	**9,135**

(*) The audit services include fees in respect of SOX audit, preliminary audit in preparation for the implementation of IFRS 17 and a solvency audit.
(**) Excluding The Phoenix Insurance, The Phoenix Investment House and companies under their control.

5.4 Effectiveness of Internal Control over Financial Reporting and Disclosure

5.4.1 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 (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 been working on an ongoing basis to implement the required procedure in The Phoenix group in accordance with the provisions of the ISOX amendment. In accordance with the provisions of the ISOX amendment, the Company opted to implement to the internal controls of all of its consolidated institutional entities the provisions of the Commissioner's circulars applicable thereto - the Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Control over Financial Reporting"; Institutional Entities Circular 2010-9-6, "Management's Responsibility for Internal Control over Financial Reporting - Amendment"; Circular 2010-9-7 "Internal Control over Financial Reporting - Statements, Reports and Disclosures" (hereinafter - "**Management's Responsibility Circulars**").

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

The processes relating to the institutional entities are also addressed in the Commissioner's circulars, see below in Section 5.4.2

5.4.2 The Commissioner's circulars

Alongside the process described in Section 5.4.1 above, The Phoenix group's institutional entities apply the provisions of Management's Responsibility Circulars pertaining to controls and procedures regarding disclosure and internal control 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 - 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 the Report. Based on this assessment, the CEOs and CFOs of the institutional entities in The Phoenix group concluded that, as of the end of the period, the controls and procedures as per 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 reporting period ending December 31 2023, no changes took place in the internal control over financial reporting of the Group's institutional entities that had a material effect, or is expected to have a material effect, on the institutional entities' internal control over financial reporting. Furthermore, the Group's institutional entities are conducting a process of 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.

5.4.3 Disclosure on the financial statements' approval process in a reporting entity

Pursuant to the Israel Securities Authority's directive on disclosures required in the Report of the Board of Directors as to the financial statements' approval process in a reporting entity, the corporate organs charged with governance in the corporation should be identified, and disclosure must be made of the procedures implemented by those charged with governance in the corporation, prior to the financial statements' approval. The directive does not apply to insurance companies. The Group's institutional entities are subject to the Supervisor's directives, and accordingly follow Sections 302 and 404 to the

Sarbanes-Oxley Act of 2002 (hereinafter - "**SOX**"), including review of work processes and internal controls in institutional entities. The financial statements of the said institutional entities include managers' statements as to the fairness of the financial data presented in the financial statements and the existence and effectiveness of internal controls in relation to these financial statements.

As part of the review of the financial results, meetings are held which are attended by the CEO, the CFO, division heads and other relevant officers, in which participants discuss material issues concerning financial reporting, including material transactions outside the ordinary course of business, material valuations used in the financial statements, the reasonability of the data and the accounting policies applied.

The Company's Board of Directors is the organ charged with governance and approval of the financial statements. The Company's Board of Directors has appointed a committee which submits to the Board of Directors its recommendations concerning the approval of the financial statements, prior to their approval by the Board. The Committee is not an Audit Committee.

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

Date: March 26, 2024

Phoenix

Part 2

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 December 31, 2023

The Report of the Board of Directors of The Phoenix Holdings Ltd. (hereinafter - "**The Phoenix Holdings**" or the "**Company**" or the **Corporation**") as of December 31, 2023, outlines the principal changes in the Company's operations in the period from January through December 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 of the Board of Directors is an integral part of the Periodic Report, and the Periodic Report is to be read in its entirety, as a single unit (hereinafter - the "**Financial Report"** or the "**Financial Statements**").For further explanations regarding changes between the financial results for 2022 and the financial results for 2021 – see the Report of the Board of Directors on the State of the Company's Affairs as of December 31, 2022, as published in the Company's Periodic Report for 2022.

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

1.1. Group structure

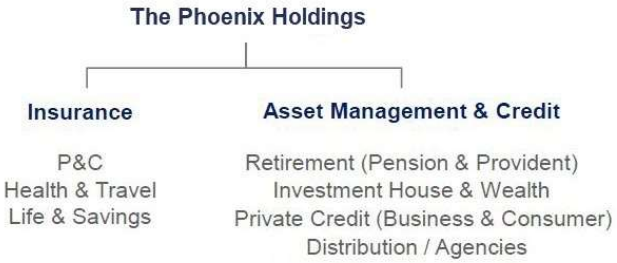
The Phoenix Holdings Ltd. was incorporated in 1949 and has been a publicly-traded company since 1978. As of the report publication date, the Company's shares are traded on a number of indices, mainly Tel Aviv 35. Bonds issued by the Company are listed in the Tel Bond Linked Yeter, Tel Bond Linked, and Tel Bond Maagar indices.

The controlling shareholder of the Company is Belenus Lux S.à.r.l. (hereinafter - "**Belenus**"), which is indirectly held through a chain of companies, by CCP III Cayman GP Ltd., Matthew Botein, Lewis (Lee) Sachs.

As of the report's publication date Belenus holds approx. 31.22% of the Company's shares. For further details regarding a transaction for the sale of approx. 2% of the Company's shares in the reporting period, see immediate report dated August 15, 2023 (Ref. No.: 2023-01-075799).

1.2. Areas of activity

1.2.1. In order to simplify the presentation of its results, the Group divided its operating results into two key activities: The first - insurance; and the second - Asset Management and Credit.

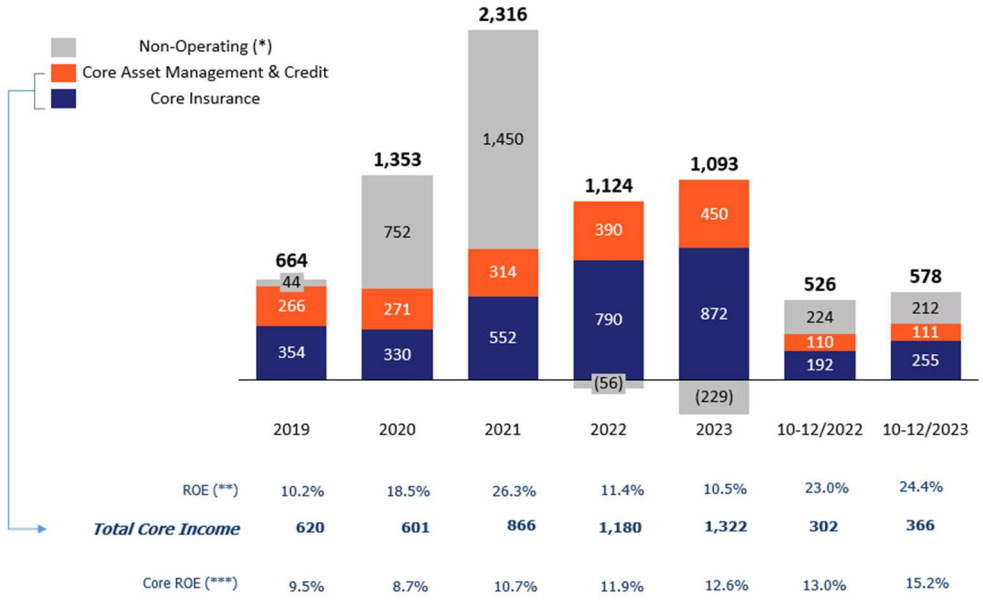


The said activity is divided in the Report into seven reporting segments. **The Insurance Activity** is divided into three segments - Property and Casualty Insurance, Health Insurance, Life and Savings. **The Asset Management and Credit activity** is divided into four further segments - Retirement (Pension and Provident), Investment House and Wealth, Distribution (Agencies) and Credit.

In the **insurance** businesses, the Company operates through The Phoenix Insurance Company Ltd.;

In the **Asset Management and Credit** activity, the Company operates through The Phoenix Pension and Provident Funds Ltd., The Phoenix Investment House Ltd., and The Phoenix Advanced Investments Ltd.; in its **distribution** activity it operates through The Phoenix Agencies 1989 Ltd. and the agencies it owns; and in its **credit** business - mainly through Gama Management and Clearing Ltd. - a reporting corporation, all of the shares of which are owned by the Company; for information about the Group's areas of activity and its holding structure, see Section 1.4 under the Description of the Corporation's Business in the 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 breakdown of the comprehensive income attributed to the shareholders in the reporting year (NIS million post-tax); for further details, see Note 3 to the Financial Statements and Section 5 below:



(*) Income other than from operating activities - income from capital market effects above or below a real return of 3%, effects of the interest rate curve changes and other special items. (For further details, see Section 5.4.1 below).
(**) Return on equity is calculated based on the comprehensive income for the period attributable to Company's shareholders, adjusted to reflect a one-year period and divided by the average equity for the period.
(***) Adjusted return on equity is calculated based on the comprehensive income for the period attributable to Company's shareholders, net of income other than from operating activities, adjusted to reflect a one-year period and divided by the average adjusted equity for the period.

1.3. Developments in the Group

General

1.3.1. Interest rates, the capital market and inflation

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

Interest rates - during the reporting period, the Bank of Israel increased its interest rate from 3.25% to 4.75%. Furthermore, in the reporting period, the NIS interest rate curve increased, which was partially offset from an approx. 0.35% decrease in the illiquidity premium. Changes in the shekel interest rate curve affect both the Company's financial results and The Phoenix Insurance's solvency ratio; in accordance with the provisions for calculating the solvency ratio, the illiquidity premium is not used.

The capital market - during the reporting period, there was volatility in financial markets in Israel and across the world. These market 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 3.3%.

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 further details regarding the Iron Swords War, see Section 1.3.2 and Section 3 below), and the Bank of Israel lowered the interest rate by 0.25% concurrently with expectations of a decrease in inflation in Israel and globally in 2024; there was also an increase in the NIS interest rate curve.

For further details regarding the changes in the interest rate and in the interest rate curve, the capital markets and inflation rates, see Section 3 below; for effects on the Company's financial results, see Section 5 below, and Note 41 to the Financial Report. As to the effect of the changes in the shekel yield curve and in capital markets on The Phoenix Insurance's solvency ratio, see Section 2.1.5 below, and Section 8 in The Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2023.

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, the Iron Swords War between the State of Israel and the Gaza-based "Hamas" terror organization broke out (hereinafter - the "War"), following a murderous attack by Hamas on localities in southern Israel. As a result of the War - based on published data, as of the report publication date - more than 1,450 Israeli citizens were murdered (including members of the defense forces), approx. 11,500 sustained various injuries, and 134 citizens and soldiers are defined as hostages. In addition to the War in Gaza, Israel is involved in an armed conflict and military operational activity of varying intensities and in a number of fronts, the main of which is the conflict in the north of Israel, which has also driven tens of thousands of Israelis from their homes. The War and all of the activities in the various fronts have an adverse effect on the Israeli economy.

Following the above, the rating agency Moody's placed the State of Israel's credit rating on the Rating Watch Negative list, and thereafter, on February 9, 2024, it downgraded the State of Israel's credit rating to A2 with a negative outlook. The rating agency Fitch announced - on October 17, 2023 - on the placement of the State of Israel's Rating Watch Negative list, and the rating agency S&P announced - on October 24, 2023 - that it revised its outlook for the State of Israel's rating to negative. The rating downgrade did not have a significant effect on The Phoenix group. For further details regarding the Company's rating, see Section 1.3.30 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, see also Note 41 to the Financial Report.

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 direct effects on life insurance claims (risk and disability insurance) and capital market volatility.

At this stage, there is uncertainty as to the development of the War, its scope and duration. Therefore, at this stage it is impossible to assess the full effect of the War on the Company and its results in the medium term; however, as of the report publication date, this effect is not expected to be material.

The potential risks associated with the War include slumps in the Israeli capital market, decline in investments in the Israeli economy, including foreign investments and investments in high-tech companies, decline in GDP, budget deficit, downgrade of Israel's credit rating, changes in yield curves and in central bank's interest rate, and more.

The Company presents in the special items line item only direct effects of Iron Swords on its results.

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 across all operating segments in an efficient manner, and even implemented a business continuity plan that ensures employees are able to work remotely, while supporting the employees' needs.

2. **Operating results of insurance underwriting**

   Set forth below are the key effects in the different subsegments as of the publication date of the financial statements.

A. Life insurance and long-term savings -

The exposure arises mainly from life insurance, disability, and disability insurance. As of the balance sheet date, claims amounting to a total of approx. NIS 40 million (retention) were established.

The Phoenix Insurance has in place a non-proportional reinsurance contract, which provides coverage in respect of death and disabilities resulting from a catastrophe event, and which mitigated the exposure to this risk in accordance with the policy's terms. Furthermore, the Company has a proportional reinsurance contract in respect of its disability insurance business, which mitigates the exposure to this subsegment. For details regarding the catastrophe event reinsurance contract, see Note 41(5) to the Financial Report.

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

In the Health Insurance Segment, the exposure due to the War is mainly in the field of travel insurance. In view of the decline in flights departing from and arriving at Israel, there has been a decline in sales compared with previous periods; the direct effect of the War on profitability is immaterial.

C. Property and casualty -

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 immaterial. Furthermore, as of balance sheet date, the War had a positive indirect effect as a result of a decrease in the prevalence of claims in the motor property insurance subsegments.

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

Financial assets under management -

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

Insurance liabilities -

The insurance liabilities are exposed to changes in the risk-free interest rate and the illiquidity premium. For details on the impact of the interest rate and the sensitivity to the interest rate on insurance liabilities, see Note 41(5) to the Financial Report.

4. **Credit activity**

   The credit granting activity is mostly managed by the subsidiary Gama Management and Clearing Ltd. Most of the exposure arising from this activity stems from a potential increase in loan losses. The direct effect of the War on the expected loan losses is immaterial.

5. **Investment house and wealth (including The Phoenix Investment House)**

   The extent of this indirect effect depends on the duration of the War and on the period of higher volatility in equity and corporate bonds markets, which might affect total assets under management. As of the outbreak of the War and through the financial statements publication date, this effect is immaterial.

6. **Distribution (agencies)**

   Since the outbreak of the War and through the financial statements' publication date, there was no material direct effect on the operating results of Distribution (Agencies).

7. **Solvency ratio**

   In accordance with the Economic Solvency Ratio Report as of June 30, 2023, which was published by The Phoenix Insurance, and in accordance with an assessment of the solvency ratio as of September 30, 2023, which was carried out by The Phoenix Insurance (and which is not audited or reviewed by the independent auditor), The Phoenix Insurance has material surplus capital compared to the targets that were set, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the transitional provisions. For further details, see Section 2.1.5 below.

8. **Liquidity, financial position and funding sources**

   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 notes, see Note 27. The Company is of the opinion that Group companies have sufficient liquidity levels. For further details, see Note 41(4).

9. **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 substantial 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. During the War, the Group expanded the support to other military units.

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 ten-million-shekel 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 if the War will continue and/or expand to other fronts, the scope of business activity in Israel may be impacted; 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 details regarding the Government's plan to promote the execution of material changes in the Israeli judiciary, 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).

In January 2024, about six months after the legislation and approval of the abolishment of the Standard of Reasonableness by the Knesset, the High Court of Justice voided the Standard of Reasonableness Law, on the grounds, among other things, that the Knesset exceeded its constituent authority.

At this stage, and particularly following the outbreak 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; as of the report publication date, it is suspended due to the Iron Swords War.

The insurance activity

1.3.4. Completion of a study regarding costs in connection with disability insurance coverage

In June 2023, the Company completed a study regarding costs in connection with disability insurance coverage (hereinafter - the "**Study**"). Following the Study, the Company recorded in its financial statements as of June 30, 2023, a pre-tax income of approx. NIS 59 million.

1.3.5. FNX Private

In June 2023, The Phoenix Pension and Provident and The Phoenix Insurance Saifa Management Services (2013) Ltd. signed an agreement for assuming control in the partnerships of the FNX Private venture (a venture which is engaged in the direct marketing (rather than through external insurance agents) of The Phoenix's self-directed policies and provident funds (IRA)). As a result of assuming control over the said venture's partnerships, in the second quarter, the Company recorded a pre-tax and post-tax one-off income of approx. NIS 129 million; on the other hand, the Company deducted the income from revaluation of excess fair value of illiquid assets, which was recognized against the LAT reserve in the first quarter of the reporting period. For further details, see Report of the Board of Directors for the 2nd quarter of 2023, published with the Financial Statements on August 24, 2023 (Ref. No. 2023-01-029147).

1.3.6. Updating the minimum capital target

In August 2023, The Phoenix Insurance's Board of Directors increased the minimum economic solvency ratio target - net of the provisions during the Transitional Period - by 4 percentage points - from the 111% rate a 115% rate as of June 30, 2023.

1.3.7. The reform in the Health Insurance Segment and the Economic Arrangements Law for 2023 and 2024

For details regarding The Phoenix Insurance's assessments as to the implementation of insurance rates as part of the reform in the Health Insurance Segment and the Economic Arrangements Law for 2023 and 2024, see Section 2.3 to the Description of the Corporation's Business Report.

1.3.8. Collective long-term care insurance agreement with Maccabi

The collective long-term care insurance agreement for members of Maccabi Healthcare Services expired on December 31, 2023 and, as of the report publication date, the portfolio was transferred to another insurance company. For further details, see Section 2.3 to the Description of the Corporation's Business Report.

Asset Management and Credit

1.3.9. The Phoenix Investment House - Acquisition of assets under management from Psagot Investment House in several transactions

During the reporting period, two separate transactions were completed for the acquisition of assets under management (mutual funds activity and portfolio management activity) by The Phoenix Investment House from Psagot Investment House at the total amount of approx. NIS 19.2 billion for a total consideration of NIS 250 million.

Furthermore, in December 2023 The Phoenix Investment House and KSM Mutual Funds engaged with companies of the Psagot Investment House group in two binding agreements for the acquisition of assets (mutual funds activity and hedge funds activity) at the total amount of approx. NIS 22.2 billion for a total consideration of NIS 150 million as part of two separate transactions (hereinafter - the "**December Transaction**"). As of the report publication date, the December Transaction has been completed.

For further details, see Section 2.5.1.4 to the Description of the Corporation's Business Report and Report of the Board of Directors for Q2 of 2023, published with the financial statements on August 24, 2023 (Ref. No. 2023-01-079147) and the immediate reports dated January 19, 2023 and July 2, 2023 and December 20, 2023 (Ref. Nos.: 2023-01-009285, and 2023-01-138141 and 2023-01-061972, respectively).

1.3.10. The Phoenix Pension and Provident

A. Closing down of the retail unit

As part of promoting the Company's strategy to reduce cost and strengthen the distribution channels, in May 2023, The Phoenix Insurance closed the activity of the retail unit, which employs 120 employees; the existing portfolio of the retail unit was sold to, and is operated by, Shekel Insurance Agency (2008) Ltd.

B. Loan and credit facility guaranteed by the Company

As part of a strategy for efficient and effective management of the capital at the Group level, in June of 2023 The Phoenix Pension and Provident approved a NIS 330 million loan and a NIS 150 million credit facility from a financial institution in order to refinance an internal debt of The Phoenix Pension and Provident to The Phoenix Insurance and to the Company; the debt arises from the rapid growth in the activity of The Phoenix

Pension and Provident. To secure the repayment of the loan and credit facility, the Company provided a guarantee to the financial institution. As of the report date, a credit facility totaling NIS 119 million was utilized.

1.3.11. The Phoenix Advanced Investments

Sale of stake in Phoenix Value Advanced Investments Ltd.

During December 2023, the Company sold - through The Phoenix Advanced Investments - all of its holdings (indirectly 50.1% of the share capital) in Value Advanced Investments Ltd. (hereinafter - "Value") to entrepreneurs and Value executives. For further details about the events that preceded the sale, see Section 2.5.2.11.2 to the Description of the Corporation's Business Report.

1.3.12. Full tender offer for Gama's activity

In August 2023, The Phoenix Investments executed a full tender offer to acquire shares of The Phoenix 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 further details, see the immediate reports dated August 10, 2023, and August 29, 2023 (Ref. Nos.: 2023-01-074644 and 2023-01-081274).

1.3.13. Restructuring in the Credit Segment

As part of the execution of the strategic plan in the Credit Segment, and the wish to concentrate the Group's credit activity under one arm in order to establish a significant credit activity arm within the Group, in the reporting year it was decided to execute a restructuring in the Credit Segment, as part of which The Phoenix Construction Financing and Guarantees Ltd., which provides financing to real estate development projects (mainly residential projects) (hereinafter - "**The Phoenix Financing and Construction**"), and was wholly owned by The Phoenix Insurance, became wholly owned by Gama.

The restructuring was executed in phases; in the first phase, on December 31, 2023, The Phoenix Insurance distributed a dividend in kind to the Company comprising of shares of The Phoenix Construction Financing and Guarantees Ltd.. The distribution of the dividend in kind was carried out according to a valuation received from an external appraiser at a value of approx. NIS 315 million. In the second phase, in January 2024, the Company transferred its entire stake in The Phoenix Financing and Construction to Gama.

For further details, see Section 2.6.1 to the Description of the Corporation's Business Report and the Company's immediate report dated December 12, 2023 (Ref. No.: 2023-01-134841).

1.3.14. The Phoenix Consumer Credit

During 2022, the Company decided that the provision of consumer credit will be carried out through The Phoenix Consumer Credit Ltd.

Further to this decision, the Company started working with various suppliers, developing a software and also filed an application for an expanded credit provision license (hereinafter - the "License") in accordance with The Financial Services Supervision Law (Regulated Financial Services), 2018; in December 2023, the Company was awarded the License.

In June 2023, the Company entered into a long-term agreement with Matrix IT ERP Solutions Ltd. for the provision of managed services and the development of a system for the operation, management and development of consumer credit services to customers, in a manner that is compliant with the provisions of the law and the regulations.

As of the report publication date, the Company has not yet started operating and providing credit.

1.3.15. Restructuring - The Phoenix Agencies

As of the report publication date, the Company holds approx. 79.4% of The Phoenix Agencies. 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, see the Company's reports dated August 30, 2023 and November 8, 2023 (Ref. Nos.: 2023-01-100341 and 2023-01-101827, respectively).

Further developments during and subsequent to the reporting period

1.3.16. Sustainability and 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. For the full report posted 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

In January 2024, the Company published the 2024 investment policy with regard to ESG considerations, which are relevant to the performance of the investment portfolios and may affect them. For further details in connection with the investment policy, see the Company's website at:

https://www.fnx.co.il/sites/docs/genery/mediniut_ashkaa_tzfuia/responsible-investments2024-he.pdf.

In addition, the Company started implementing the management of climate risks. The Risk Management Department and the ESG Department - in collaboration with an external consulting company - created a risk map describing and analyzing the key climate risks facing the Group. At a later stage, a diverse selection of risks was analyzed; the analysis assessed the potential relevance of each risk, while classifying the effect on the business activities, and assessing the relevance in different time frames. In accordance with the results, recommendations were given for each risk, which integrate a range of tools and strategies to monitor and manage the risks.

Furthermore, in the reporting year and at the beginning of 2024, the Group continued to take steps to reduce its environmental impact and carbon footprint, alongside the development of processes for mitigating climate and environmental risks in its activity. As part of this, the Group executed a process for the measurement of financed emissions in The Phoenix group's investment portfolio - Scope 3 according to the SPAF international measurement methodology. The measurement was carried out in respect of all types of assets and financial instruments used in the Group's investment activities, totaling NIS 371 billion as of the end of 2022. The measurement results show attributed emissions intensity of 30 (tons of GHG equivalent per one million shekels of investment), with the information being scored at 4.4.

As part of the approval of the Company's Compensation Policy for 2024-2026, the Company included for the first time ESG parameters;

In July 2023, Maala's ESG index for 2022 was published, which assigned to the Company an 86/100 Platinum rating, and an AA ESG rating, which is published on the Stock Exchange.

In November 2023, the Greeneye rating agency assigned the Company a 74/100 ESG rating for 2022 - the highest in the sector. In February 2024, the international rating agency S&P assigned the Company's ESG rating for 2022 at 37/100.

At the beginning of 2024, the Company's Board of Directors approved a diversity policy with targets aiming to increase the percentage of women, who serve in the Board of Directors.

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

The Company continues to prepare for applying IFRS 17 (hereinafter - the "**Standard**") and and IFRS 9 (hereinafter - "**IFRS 9**") (hereinafter, jointly - the "**Standards**"), in the Financial Statements of the Company and The Phoenix Insurance.

On June 1, 2023, the Capital Market, Insurance and Savings Authority published a third revision to the "Roadmap for the Adoption of International Accounting Standard (IFRS) 17 -

"Insurance Contracts" (hereinafter - the "Third Revision"). 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). The Third Revision included a requirement to conduct a number of quantitative impact surveys ("QIS") by the Company and the publication of pro-forma reports regarding IFRS 17 and IFRS 9 as part of the 2024 financial statements. During the reporting year, the Company completed the key milestones in the revised roadmap, including the first QIS regarding the calculation of the opening balances of selected portfolios on the transition date as of January 1, 2023.

In the reporting year, the Company focused on the process of implementation and integration of a new IT system, and on the mapping of the required controls and the manner of flow of information to the financial statements. Furthermore, the Company held reviews and training sessions to the business teams and members of the Balance Sheet Committee in connection with the implementation of IFRS 17.

The standards will impact the Company's insurance activity, with no effect on its other activities; the main activities which will be affected are the Life Insurance and Health Insurance activities. The underlying concept of IFRS 17 is looking forward upon the contract's inception, over the policy's coverage period, and spreading the unearned profit, the "contractual service margin" (hereinafter - "CSM") over the coverage period - with changes in estimates attributed to the insurance activity revising the CSM until it is reduced to zero. IFRS 9 sets categories for classification of investments in financial assets and classification of debt instruments in accordance with the Company's model for the management of its financial assets, and in accordance with the question of whether the contractual terms of the cash flows reflect solely payments of principal and interest ("SPPI").

The standards are expected to make the financial statements of the insurance companies more transparent and clearer; they simplify the insurance business by, among other things, creating a separation between the different sources of revenue of the insurance companies, while separating the income from insurance services from investment income. Furthermore, the standards will achieve a tighter alignment of the financial assets held against the insurance liabilities, and their measurement at fair value. The standards are not expected to affect the strategy, the restrictions set in the dividend distribution policy, and the Company's level of leveraging.

The Company is making preparations for the adoption of IFRS 17 in accordance with the time frames as stated above. For further details, see Note 2(ff) to the Periodic Report.

Capital raising by The Phoenix Holdings

1.3.18. Issuance of further Bonds (Series 6) by the Company by way of series expansion

In January 2023, the Company issued - as part of an expansion - additional Bonds (Series 6) of up to approx. NIS 172 par value; the bonds are registered bonds of NIS 1 par value each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 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.

1.3.19. Issuance of further series of Bonds (Series 5 and Series 6) by the Company by way of series expansion

In October 2023, the Company issued - as part of the expansion of its Bonds (Series 5 and 6) NIS 134,962 thousand p.v. in Bonds (Series 5) of NIS 1 p.v. each, and NIS 265,038 thousand p.v. in Bonds (Series 6) 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.

Capital raising by The Phoenix Insurance through The Phoenix Capital Raising

1.3.20. Listing of restricted Tier 1 capital of The Phoenix Insurance

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

In April 2023, The Phoenix Capital Raising fulfilled the conditions for listing of the notes on the main list of the TASE, and at the beginning of May 2023 trading of the notes on the main list started. In accordance with the provisions of the deed of trust, the interest in respect of the notes 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. At the beginning of 2024, those notes were traded as part of the Tel-Bond and Tel-Bond Coco index.

For further details in connection with the issuance of the subordinated notes 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).

1.3.21. Private placement of Restricted Tier 1 capital to the Company by way of expansion of Series PHONIX B12 Bonds of The Phoenix Insurance

In November 2023, The Phoenix Capital Raising completed a private placement to the Company of NIS 317,800 thousand p.v in Series PHONIX B12 Bonds, which are part of Restricted Tier 1 capital, against the injection of NIS 300,000 thousand to The Phoenix Insurance, which arose from the capital raising outlined in Section 1.3.19 above. The additional subordinated bonds were assigned an ilAA- rating by Maalot. The notes were recognized as Tier 1 capital in The Phoenix Insurance, and were listed on the Tel Aviv Stock Exchange.

1.3.22. Issuance of Bonds (Series N and O) by The Phoenix Insurance through The Phoenix Capital Raising

In December 2023, The Phoenix Capital Raising completed the issuance of two new series of Bonds (Series N) and (Series O), at a total amount of NIS 800,000 thousand p.v. The bonds were assigned an Aa3il rating by Midroog with a positive outlook, and an ilAA rating by Maalot. The notes were recognized as Tier 2 capital in The Phoenix Insurance, and were listed on the Tel Aviv Stock Exchange. For further details, see immediate reports of December 12, 2023, December 20, 2023, December 22, 2023 and December 25, 2023 (Ref. Nos.: 2023-01-112744, 2023-01-138678, 2023-01-139485 and 2023-01-116395, respectively).

Company's share capital

1.3.23. Dividend distribution policy

In 2020, the Company's Board of Directors approved a dividend distribution policy, whereby the Company shall distribute an annual dividend at a minimum rate of 30% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year. For further details, see the Company's immediate report dated October 28, 2020 (Ref. No. 2020-01-107812).

On March 28, 2022, the Company's Board of Directors approved an update to the dividend distribution policy, that will apply in connection with future dividend distributions that will be executed in connection with the Company's financial results for 2022 and thereafter. According

to the update, the rate of dividend will not change, but the Company will take steps to distribute a dividend twice a year:

- Interim dividend at the discretion of the Board of Directors on the approval date of the Financial Report 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.

Furthermore, the Company will not include in the amount of the dividend any amounts that were used to execute the share buyback plan.

It is clarified that the foregoing is not intended to derogate from the Board of Directors' powers to decide not to distribute a dividend, or to distribute a dividend at rates that vary from the above, as it deems appropriate at any given time, subject to the provisions of the law.

1.3.24. Dividend distribution and retained earnings

The Company distributed a cash dividend of NIS 337 million for its 2022 profits.

In August 2023, the Company distributed a NIS 120 million interim dividend on account of the Company's 2023 income (hereinafter - the "**Interim Dividend**").

Subsequent to the report date, on March 26, 2024, concurrently with the approval of the Company's Financial Statements as of December 31, 2023, which are included in this Periodic Report, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 265 million. Total amount in dividend that was distributed and will be distributed in cash in respect of 2023 including the interim dividend as stated above is NIS 385 million, which represents a dividend per share of approx. NIS 1.5. It shall be clarified that to the extent that options are exercised by employees between the dividend declaration date and the record date, the per-share dividend amount shall be adjusted in accordance with the actual number of outstanding shares on the record date. The Company shall publish, as required, a supplementary report in respect of said adjustment on the record date.

It is noted that, according to the Company's Financial Statements as of December 31, 2023, which are included in this Periodic Report, the Company has positive retained earnings of approx. NIS 8,234 million, taking into account the NIS 265 million dividend, as stated in this section.

1.3.25. External restrictions on dividend distribution

In the last two years, no external restrictions were placed which affected the Company's ability to distribute dividends, and the Company is unaware of any external restrictions that may affect its ability to distribute dividends in the future, except for the general statutory dividend distribution restrictions applicable by virtue of in the Companies Law, and the restrictions on dividend distribution under the deeds of trust of Bonds (Series 4 to 6). For further details, see Note 27 to the Financial Statements.

However, there are external restrictions under the Commissioner's Directives applicable to insurance companies, pertaining to the ability of The Phoenix Insurance to distribute dividends. It should also be noted that in October 2020, The Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target of 135%, taking into account the transitional provisions. In August 2023, The Phoenix Insurance's Board of Directors approved a revisions of the minimum solvency ratio target - without taking into account the Provisions in the Transitional Period - of 115%. It is noted that part of the sources of the interim dividend and the dividend distributed in accordance with Section 1.3.24 above originate in the distribution of a dividend by The Phoenix Insurance to the Company.

In August 2023, The Phoenix Insurance distributed a dividend in the total amount of NIS 350 million, which exceeds the threshold set in The Phoenix Insurance's dividend distribution policy. The distribution was carried out after compliance with solvency ratio targets and the distribution criteria in accordance with the Companies Law. Furthermore, The Phoenix Insurance carried out a distribution of The Phoenix Financing and Construction as a dividend in kind at a total amount of approx. NIS 309 million as described in Section 1.3.13 above.

1.3.26. 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 buybacks totaling approx. NIS 38.2 million.

In January 2024, 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.

It should be noted that similarly to previous plans, in the future some of the shares purchased as part of the share buyback plan may serve for the purpose of exercising the options awarded to officers and employees of the Company and subsidiaries. As of the report publication date, there are 6,451,617.5 treasury shares constituting 2.55% of the Company's issued and paid-up share capital. For further details, see the Company's immediate reports dated December 31, 2023 and January 31, 2024 (Ref Nos.: 2023-01-118477 and 2024-01-012186, respectively).

1.3.27. Option plans for 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, in this section - "**Options**") to employees, officers, and service providers 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. As part of the said meeting, the shareholders also approved the allocation of 78,771 (illiquid) options of The Phoenix Investment House to the Company's CEO and 63,321 (illiquid) options to the Chairman of the Company's Board of Directors[1] in respect of their service as directors in The Phoenix Investment House. For further details, 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).

In January 2024, the Company's Board of Directors approved the allocation of 223,322 (illiquid) options of The Phoenix Gama to the Company's CEO and 156,325 (illiquid) options to the Chairman of the Company's Board of Directors in respect of their service as directors in The Phoenix Gama. The allocation of the options to the Company's CEO and to the Chairman of the Board of Directors was approved as part of an extraordinary general meeting of the Company on March 7, 2024.

For further details, see immediate reports dated February 1, 2024 and March 7, 2024 (Ref. Nos.: 2024-01-010207 and 2024-01-020488, respectively).

1.3.28. Shareholders' 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 in the Company. For further details, see the Company's immediate reports dated May 31, 2023 and July 4, 2023 (Ref. Nos.: 2023-01-050407 and 2023-01-062863).

Extraordinary meetings

An extraordinary meeting of the Company was held in January 2023; the following items were on the agenda of the meeting: 1) Revision of the Company's compensation policy. 2) Adoption of amendments to the Company's Articles of Association. For further details, see the Company's

[1] The award of the options to the Chairman of the Company's Board of Directors as part of the Meeting was subject to the approval of an amendment to the Compensation Policy, which was also presented for the Meeting's approval.

immediate reports dated November 30, 2022 and January 8, 2023 (Ref. Nos.: 2022-01-115548 and 2023-01-003559, respectively).

An extraordinary meeting of the Company was held in March 2023, which discussed the appointment of Ms. Rachel Lavine for another term in office as an external director. For further details, see the Company's immediate reports dated February 16, 2023 and March 8, 2023 (Ref. Nos.: 2023-01-015454 and 2023-01-020875, respectively).

In August 2023, an extraordinary meeting of the Company was held, the agenda of which included the revision of the Company's Compensation Policy, the award of options to the Company's CEO and The Phoenix Investment House's CEO, and the award of options to the Chairman of the Board of Directors of The Phoenix Investment House. For further details, see Section 1.3.24 above the Company's immediate reports dated June 28, 2023 and August 2, 2023 (Ref. Nos.: 2023-01-060334 and 2023-01-088974, respectively).

Approval of Compensation Policy for 2024-2026

In January 2024, an extraordinary meeting of the Company was held, the agenda of which included the approval of a revised Compensation Policy to officers for 2024-2026. For further details, see the Company's immediate reports dated November 29, 2023 and January 9, 2024 (Ref. Nos.: 2023-01-108148 and 2024-01-003979, respectively).

In March 2024, an extraordinary meeting of the Company was held, the agenda of which included the award of options to the CEO and Chairman of the Board of Directors of The Phoenix Gama. For further details, see Section 1.3.26 above the Company's immediate reports dated February 1, 2024 and March 7, 2024 (Ref. No.: 2024-01-020488, respectively).

1.3.29. Renewal of liability insurance for officers and board members

In October 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 in addition to the said liability limit for claims in Israel.

1.3.30. Global rating for The Phoenix Insurance

Moody's

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

On November 2, 2023, 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 the Rating Watch Negative List due to the Iron Swords War.

S&P

In September 2023, the international credit rating agency S&P Global Ratings (hereinafter - "**S&P**") assigned to The Phoenix Insurance an 'A-' international rating with a stable outlook.

1.3.31. Captive insurance - cyber

In July 2023, the Company engaged in a captive insurance for the purpose of hedging the cyber-attack risk.

1.3.32. Legal proceedings

For details further regarding legal proceedings, see Note 43A to the Financial Statements.

1.3.33. Human capital

For further details regarding the Company's human capital and changes therein, see Section 4.6 to the Description of the Corporation's Business Report and Note 42 to the Financial Statements.

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 shareholders' equity 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 capital requirement.

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 of 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 further details, 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 Report 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 publishes an estimated quarterly solvency ratio as of March 31 and September 30 (see Section 2.1.5 below), 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, 2022:**

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

Economic solvency ratio:

	As of 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 equity transactions 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 Series PHONIX B12 Bonds, 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 Bonds (Series F) 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 Section 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 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)

	As of June 30, 2023 Unaudited	As of December 31, 2022 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 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.

	As of 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%**
Effect of material equity transactions 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 equity transactions 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 Series PHONIX B12 Bonds, which are part of Additional Tier 1 capital for a total consideration of approx. NIS 300 million.

Subsequent to the balance sheet date as of December 31, 2022, the Company redeemed approx. NIS 411 million in Bonds (Series F) (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. Assessment of the solvency ratio as of September 30, 2023

In accordance with the undertakings of The Phoenix Capital Raising (2009) Ltd. under the provisions of the deed of trust for Series PHONIX B12 Bonds which are part of Additional Tier 1 capital, and which it published on April 24, 2023, the Company made an estimate of its economic solvency ratio as of September 30, 2023 (hereinafter - the "**Estimate**"); the Estimate is not audited or reviewed by the independent auditor. The calculation (of the Estimate) was carried out in accordance with the guidelines of the Solvency II-based Economic Solvency Regime, and 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**"), which was published on October 14, 2020. The Company carries out the Estimate and publishes this quarterly disclosure in addition to the publication of a mandatory solvency ratio reports as required under the Provisions of the Economic Solvency Regime. It should be noted that the scope of the controls executed by the Company for the purpose of publishing the Estimate is reduced compared to those executed for the purpose of publishing the economic solvency ratio report, which is published in accordance with the Commissioner's guidance.

In accordance with the Estimate, The Phoenix Insurance's economic solvency ratio as of September 30, 2023, is 209% (with the implementation of the transitional Provisions for the Transitional Period and adjustment of a stock scenario, and after the equity transactions as outlined in Section 2.1.6 below.

The said Estimate of the solvency ratio as of September 30, 2023, does not include the changes and effects that took place since September 30, 2023, and through the publication date of this report, including the effect of the business activity of The Phoenix Insurance, changes in the mix and amounts of investments and insurance liabilities, exogenous effects, inter alia changes in the risk-free interest rate curve, and regulatory changes affecting the business environment.

Since the outbreak of the War, as outlined in Section 1.3.2 above, and through the report publication date, there were no material changes in the key risk factors, such as: Interest, share indexes, and actuarial studies, and therefore in the opinion of the Company the solvency ratio is not expected to be significantly adversely affected through the report publication date.

The assessment is based, among other things, on forecasts 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.

2.1.6. **Equity transactions 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 further details 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 Bonds (Series F); 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
5. On October 25, 2023, the Board of Directors of The Phoenix Capital Raising (2009) Ltd. approved a private placement of Bonds (Series PHONIX B12), which are part of Additional Tier 1 capital for a total consideration of approx. NIS 300 million. This distribution was taken into account in the results of the solvency ratio estimate as of September 30, 2023.
6. On December 7, 2023, The Phoenix Insurance's Board of Directors approved the distribution of a dividend in kind in the amount of approx. NIS 309 million. This distribution was taken into account in the results of the solvency ratio estimate as of September 30, 2023.
7. On December 24, 2023, the Company raised NIS 800 million par value in Subordinated Notes (Series N and O) recognized as Tier 2 capital. This issuance does not affect the solvency ratio in view of the limit concerning quantities.

2.1.7. 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	December 31, 2023	March 19, 2024
Short term	**1-3**	Between 0.68% and 0.86%	Between 1.25% and 1.13%	Between 1.36% and 1.22%
Mid-term	**4-10**	Between 0.88% and 0.86%	Between 1.15% and 1.50%	Between 1.32% and 1.67%
Mid-long term	**11-15**	Between 0.88% and 0.97%	Between 1.53% and 1.63%	Between 1.70% and 1.78%
Long term	**16-25**	Between 1.00% and 1.10%	Between 1.64% and 1.76%	Between 1.80% and 1.92%

[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.

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 decrease of approx. 18% 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

See Section 4.1.1 in the Report on the Corporation's Business.

3. 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.

Financial markets in Israel

In 2023, the Israeli economy experienced two local events with material effect - the first event started at the beginning of 2023, upon the declaration of the legal reform that led to protests against the planned reform and to uncertainty. The second event started on October 7th with the attack of terrorists on settlements in the south of Israel and the outbreak of the Iron Swords War that caused a shock to the economy and led to a significant revision of economic forecasts. According to the Bank of Israel (November 2023), economic growth in Israel is expected to amount to 2.0% in 2023, whereas before the War it was estimated at approx. 3.0%. The indicators of the level of economic activity indicated a gradual recovery at the end of 2023, after a sharp decline that occurred upon the outbreak of the War; however, there is significant variance between the different economic sectors. The broad unemployment rate (including unpaid leave) jumped to 7.5% compared to a full employment environment prior to the War. The inflation environment at the beginning of 2023 remained high and "sticky", which led the Bank of Israel to continue with interest rate hikes up to a level of 4.75%; however, later in the year, and specifically in the second half of the year, inflation became more moderate, and this supported the stopping of interest rate hikes, with the War accelerating this process and serving as a disinflationary factor during the last quarter of the year. In total for 2023, headline inflation increased by 3.0%, and reached the price stability target. The legal reform, which led - as stated above - to uncertainty concurrently with further interest rate hikes, supported an increase in yields on the bonds market throughout the year, alongside a very volatile period in equity markets which varied from the global trend. The uncertainty in the Israeli economy was reflected in Israel's different risk indicators, including the yield spread between government bonds denominated in USD and US treasuries - which increased, and the price of (5-year) CDS, which reached approx. 110 base points compared to approx. 60 base points prior to the War. The rating agencies Moody's and Fitch placed Israel's credit rating on Rating Watch Negative.

The TA 125 index increased in the fourth quarter by 0.7%, and by 3.0% in total in 2023. The yield on 10-year government bonds increased by approx. 50 base points to approx. 4.1%. The Tel Bond 60 index increased in the fourth quarter by 1.8%, reaching an annual increase of 4.9%. In the fourth quarter, the shekel strengthened by 5.4% against the dollar, reaching a level of NIS 3.60 per USD 1; but in annual terms (for 2023) it weakened by 2.4% against the dollar, after breaking the NIS 4 barrier upon the outbreak of the War, when it reached a level of NIS 4.08 per USD 1 - the highest since July 2012. The shekel has strengthened in the fourth quarter by 1.3% against the euro reaching a level of NIS 3.97 per EUR 1; in annual terms for 2023 it was devalued by 5.6%.

Subsequent to the balance sheet date and through the report publication date

At the beginning of the year, the Bank of Israel cut interest rates from 4.75% to 4.50% due to the effects of the War, the continued decline in annual inflation, and the recovery of the shekel against other currencies. In its interest decision made at the end of February, the Bank of Israel left the interest rate unchanged at 4.50%, in accordance with the messages delivered by the Governor of the Bank of Israel, who noted that the process is expected to be "very cautious and moderate". In February, inflation continued to decline, with annual rate reaching 2.5% - within the price target. GDP contracted by 19.4% (quarterly change in annual terms) in the last quarter of 2023, in accordance with preliminary assessments of the Bank of Israel and The Ministry of Finance, against the backdrop of a sharp decline in private consumption and in investments in construction of residential projects. The indicators of economic activity and the employment environment indicate a gradual recovery after the sharp decline that occurred with the outbreak of the War - the Composite State-of-the-Economy Index recorded an increase in January, total credit card spending has been increasing, the demand for workers is rising, as reflected from the number of job vacancies, and the unemployment rate declined in February to 5.6% (under the broad definition). In annual terms, the deficit in 2023 reached a level of 4.2% of GDP and even continued to rise in February, reaching 5.6% of GDP; and according to the budget bill, it is expected to reach 6.6% of GDP in 2024. In addition, according to the preliminary estimate of the Ministry of Finance, the debt-to-GDB ratio in 2023 reached 62.1%. The price of CDS stabilized at a high level, and reached approx. 115 base points.

In total for the reviewed period The TA 125 Index increased by 7.9%, the yield on 10-year government bond increased by approx. 28 base points to 4.35%, the Tel Bond 60 Index was up by 2.1%, the NIS devalued by approx. 1.0% against the dollar, reaching a level of NIS 3.64 per USD 1, and strengthened by approx. 1.1% against the euro reaching a level of NIS 3.93 per EUR 1.

Capital markets abroad

The US economy handled well the interest rate hikes that continued in 2023 up to a level of 5.25%-5.50%, and surprised with a strong growth of 2.5% in annual terms for 2023, having grown by 3.3% in the fourth quarter, with a strong labor market with average monthly additional vacancies of 225 thousand and unemployment rate of 3.7%. In annual terms, inflation increased in 2023 by 3.3% compared to 6.4% in 2022. In its latest interest decision for 2023 (December), there was a significant shift in the policy of the central bank, that stopped its interest rate hikes and prepared the ground for 3 interest rate cuts in 2024, as arises from the economic forecasts. In Europe, the economy has grown only by 0.5% in 2023, after failing to grow in the fourth quarter further to a 0.1% contraction in third quarter. In the Eurozone, the inflation rate increased by 2.9% in 2023, having increased by 9.2% in 2022, which led the European Central Bank (ECB) to stop its interest rate hikes in the second half of the year, after interest rates peaked at 4.50%. The Chinese economy has grown by 5.2% in 2023, which is low compared to the average growth rate in the past decade; this growth was possible mainly thanks to the 2022 base effect in which China achieved a growth of approx. 3.0%.

In the USA, the yield on 10-year government bonds increased by approx. 71 base points to approx. 3.87% in the fourth quarter; in total, the yield declined by 1 base point in 2023. The S&P500 index has risen sharply by 13% in the fourth quarter, and finished 2023 with an increase of 24.2%. The EURO-STOXX 50 index has risen by 8.3% in the fourth quarter, and finished 2023 with an increase of 19.2%.

The euro has strengthened by 4.4% against the dollar in the fourth quarter, reaching a rate of 1.10; in total, the euro has strengthened by 3.1% against the euro in 2023.

Subsequent to the balance sheet date and through the report publication date

In the USA, the last interest decision, which was issued in March, left the interest rate unchanged for the fifth consecutive time at a level of 5.25%-5.50%. According to economic forecasts, the Fed estimates that the interest rate will be cut 3 times by the end of the year, despite a surprising uplift in inflation in January-February. Furthermore, the growth forecast was updated upwards to a significant extent, and the unemployment rate declined slightly.

The indicators of economic activity continue to signal a relatively high growth rate, and the Fed model indicates a growth of 2.1% in the first quarter of 2024. The labor market continues to be relatively strong, with additional jobs in February reaching 275,000 and the unemployment rate reaching 3.9%. Inflation in February saw a surprising uplift for the second month in a row, and the annual inflation rate increased by 3.2%.

In Europe, the ECB left interest rates unchanged in March at a level of 4.50%. In their announcement, they noted that the ECB will monitor the current data when determining the interest rate path looking forward. Furthermore, the ECB revised downwards its growth and inflation forecast.

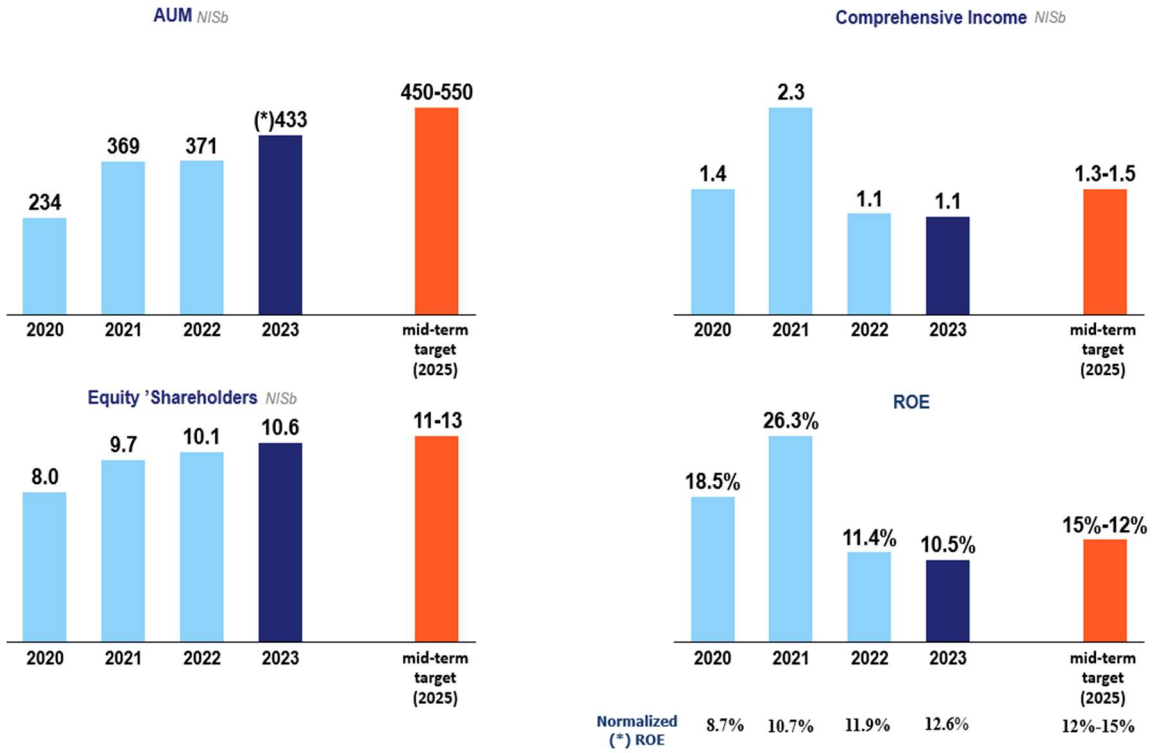
In China, the central bank continues to implement an expansionary fiscal policy, that included steps such as reducing the reserve requirement and the interest rate, in order to stimulate the economy; at the same time, the central bank noted that it intends to use a range of tools in order to secure high liquidity levels in 2024.

In the USA, as of the end of the reviewed period, the 10-year yield increased by approx. 34 base points to 4.22%, and the S&P500 increased by 9.7%. In Europe, the EURO-STOXX 600 index has risen by 6.4%, and the euro has devalued by 2.1% against the dollar, reaching a rate of 1.08.

4. Business Targets and Strategy

4.1. **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 and revised as detailed below - is based on four fundamental value generators: yield-focused growth, technological innovation and efficiency, effective management and maximization of the portfolio's value and capital management, all of which are relevant to the Group's growth drivers: insurance, financial assets management, distribution 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. As of the report publication date, the Company is in the process of assessing the strategy and targets for future years; upon completion of this assessment, it intends to publish the new strategic plan and Group targets.



(*) In March 2024, the transaction for acquisition of assets under management from Psagot Investment House, totaling approx. NIS 22 billion, was completed, such that total assets under management by the Company is approx. NIS 455 billion, based on total assets under management as of December 31, 2023.
(**) Adjusted return on equity is calculated based on the comprehensive income for the period attributable to Company's shareholders, net of income other than from operating activities, adjusted to reflect a one-year period and divided by the average adjusted equity for the period.

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% (including linkage to the CPI). 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, and other variables. For the Company's actual results taking into account a 3% return, see Sections 5.4-5.7.

Set forth below is a short summary of the Company's four value generators, on which the strategic plan is based:

4.1.1. **Yield-focused growth**

As part of the plan, The Phoenix opted to focus its resources on growth in products generating high return on equity, and products that do not require the entity to hold significant capital, such as car insurance products in the Property and Casualty Insurance Segment, critical illness insurance in the Health Insurance Segment; the financial products in the long-term savings, retirement (pension and provident); investment products of the Investment House; development of alternative investment products for qualified and unqualified customers; organic and inorganic growth in Group's agencies; increasing the market share in the SMART direct distribution channel while maintaining profitability; in the Credit Segment - in Gama, as a leading actor in the field of provision of credit to SMEs, in construction financing and in the kick-starting

of consumer credit activity. The growth in these areas can be achieved both by way of organic growth and by way of M&As.

As part of updating the strategic plan in March 2022, The Phoenix has set itself a new growth target in total assets under management of approx. 50% to approx. NIS 450-550 billion for the plan period, while maintaining the return on equity targets of 12-15%.

The Company is operating and will operate in the future to meet this target, including through -

- Growth in all product lines in the Investment House, and specifically in KSM, the mutual funds, and managed accounts. During 2023, the Investment House acquired the portfolio of assets under management. For further details, see Section 1.3.9 above. The Investment House also takes action to improve infrastructures, digitization and customer experience.
- Growth in the alternative investments activity, including, among other things, by developing an infrastructure that supports growth.
- Accelerating the growth in the agencies held by the Group and implementing IT systems to improve customer and agents' experience, and increasing profitability by relying, among other things, on economies of scale. In this context, it should be noted that during the reporting year, the Company acquired several other agencies through agencies that are under its control.
- In the Credit Segment - creating a credit arm, by turning Gama into a privately held company, and transferring The Phoenix Construction Financing and Guarantees under Gama - as a wholly owned subsidiary. For further details, see Section 1.3.13 above.

Technological innovation and efficiency

The Phoenix aims to invest in technological innovation as a strategic tool to improve the customer and agent experience, to increase profitability, and to create a competitive advantage over its competitors. This will be achieved, among other things, by:

- Implementing innovative processes - collaborations with startups, innovative intra-organizational initiatives, venture capital investments in startups.
- Data infrastructure - promoting data-based analytical models in the fields of sales, pricing, underwriting and claims, segmentation of Company's customers and creating suitable work processes, and modernizing infrastructures and developing open platforms that will accelerate technological innovation.
- Digital - accelerating the Company's digital transformation by, among other things, focusing on promoting automation and streamlining processes and using advanced digital tools in several business areas of the Company, as well as implementing an Agile-based work model to significantly improve the shortening of work processes and their efficiency;
- Using GenAI in order to improve the operational efficiency and the customer's experience.

As part of the revision of its strategic plan in March 2022, The Phoenix has set itself a revised Group profitability target reflecting an increase of 30-50% in comprehensive income to NIS 1.3-1.5 billion over the plan's period.

The Company is operating and will operate in the future to meet this target, including through -

- Increase in profitability of the motor insurance subsegment by, among other things, implementing a data and AI-based model for improved underwriting and accurate pricing.
- Increasing efficiency and savings in annual expenses, with an emphasis on the pension and provident activities, by process streamlining, digitization and automation. The Company plans to continue streamlining and utilizing synergies in these areas, as well as in other aspects of the Company's operating activities.
- Closing down of the retail unit as part of promoting the Company's strategy to cut expenses and strengthen the distribution channels. For further details, see Section 1.3.10 above.
- In its direct channel - Phoenix SMART - focusing on optimizing the digital customer experience and rendering optimal service; the Group also focuses on digital marketing and automation, creating an analytical pricing and marketing model as well as cross selling.
- Improving the service and the customer's experience - The Phoenix is committed to focusing on and constantly improving its relationship with its customers and agents. In the past year, a new strategy was launched in relation to the customer and the agent's experience, which places an emphasis on trust and transparency, innovation and simplification of service - in terms of the diversity of the channels, the personalization of services, and the nurturing of the relationship with customers, elevating them to a level of a business partnership that generates value. The aim is to create a closer link between the customer and the agent's experience and the Group's strategy and achieve operational excellence, maximum availability, using a range of channels, optimizing the customer journey, and holding an ongoing business dialogue with the customer in the touchpoints and at the moments of truth. The customer satisfaction surveys and the 2023 NPS index reflect a marked improvement in the customer experience and his/her choice to continue the partnership with the Group.

As part of the revision of its strategic plan in March 2022, The Phoenix has set itself a revised equity increase target reflecting an increase of approx. 20-40% in equity to NIS 9-11 billion over the plan's period, subsequent to the dividend distribution according to its policy.

The Company is operating and will operate in the future to meet this target, including through:

4.1.2. **Maximizing the portfolio**

The Phoenix acted during the reporting year, and will continue to generate and unlock value by managing the Group's assets in an active and yield-focused manner while focusing on the Group's core areas of activity and assets.

- Restructuring of the Investment House and appointing of a robust management that will lead and implement its strategy in the next few years. As part of its implementation of the strategy, the Investment House made a number of acquisitions as described above.
- Restructuring the organizational structure of The Phoenix Construction Financing and Guarantees Ltd. in order to maximize value and achieve growth in its activity.
- Merger of Agam Holdings into The Phoenix Agencies and restructuring The Phoenix Agencies' holdings structure. Subsequent to the completion of the merger, The Phoenix Holdings will hold 79.5% of The Phoenix Agencies, and the Oz and Sasson group will hold 20.5%. As part of the reorganization, Mr. Yitzhak Oz will be appointed Executive Chairman of The Phoenix Agencies. As part of the reorganization, The Phoenix Agencies' strategy was revised, and an ambitious work plan was formulated to enhance the Company's leadership in the insurance agency market in Israel and to possibly include an additional investor in The Phoenix Agencies. For details regarding the potential introduction of a foreign investor, see Section 1.3.15 above.
- Consumer credit - in the reporting year, the Company continued to promote the consumer credit activity through The Phoenix Consumer Credit Ltd. by continuing the creation of the mechanical and organizational infrastructures. In December 2023, The Phoenix Consumer Credit was awarded an extended credit provision license. For further details, see Section 1.3.14 above.

4.1.3. **Capital management**

As part of its strategic plan, The Phoenix works to reduce dependency on market volatility and interest rate environment on the one hand, and reach capital levels which comply with solvency capital requirements on the other hand. The Phoenix reduces fluctuations in its income by, among other things, improving the balancing out of assets and liabilities, improving the hedging of the interest rate risk and optimizing old insurance portfolios, including, among other things, through reinsurance solutions and the implementation of advanced data models. In addition, the strategic plan supports enhancing and streamlining the capital base and building the economic capital.

- The Phoenix Insurance continues to takes steps to improve its financial strength in accordance with the requirements of the Solvency II-based Economic Solvency Regime. In accordance with The Phoenix Insurance's estimate, the Company's economic solvency ratio

as of September 30, 2023, is 209%; for further details, see Section 2.1.5 above. The Phoenix Insurance also increased the minimum target for dividend distribution from 111% to 115%; for further details see Section 2.1.4 above.

- The Company is operating and shall continue to operate to achieve a dynamic and risk-adjusted management of its investments and at the same time it is taking steps aimed at strengthening the capabilities of the investments function, recruiting high-quality personnel, improving infrastructures and building investment capabilities abroad.

4.2. **ESG**

For details, see Section 1.3.16 above.

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

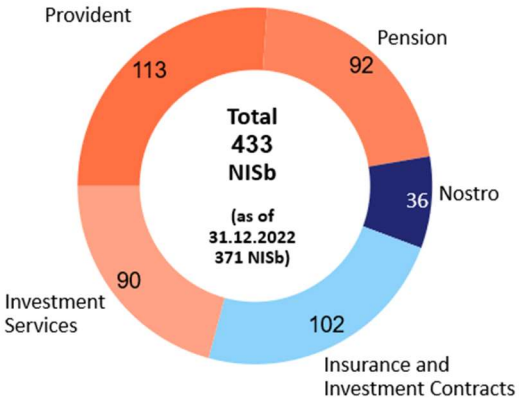
5.1. General

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

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

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

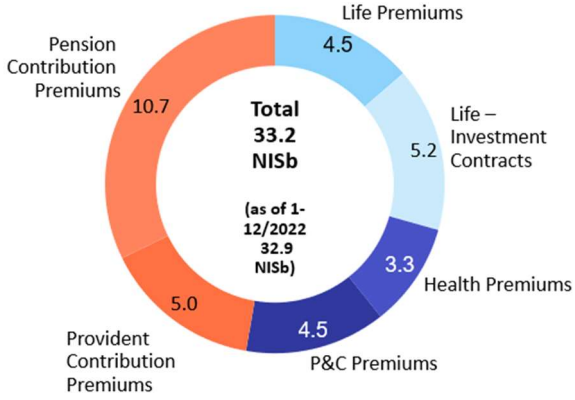
Assets under management as of December 31, 2023



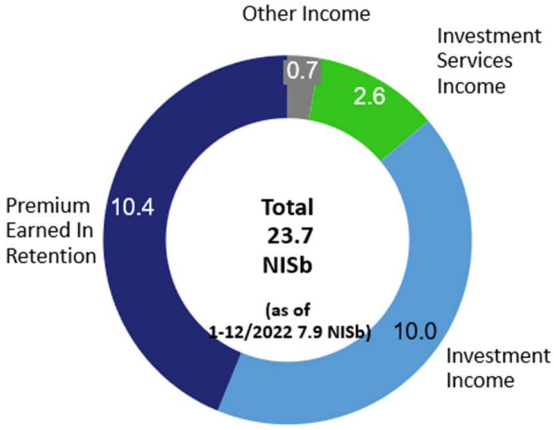
Total assets under management by provident funds, excluding guaranteed return provident fund tracks, pension funds, ETFs, mutual funds, and customers' investment portfolios are not included in the Financial Statements. Proceeds in respect of investment contracts are not included in premiums; rather,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

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

Premiums, gross, contributions towards benefits and proceeds in respect of investment contracts for 2023

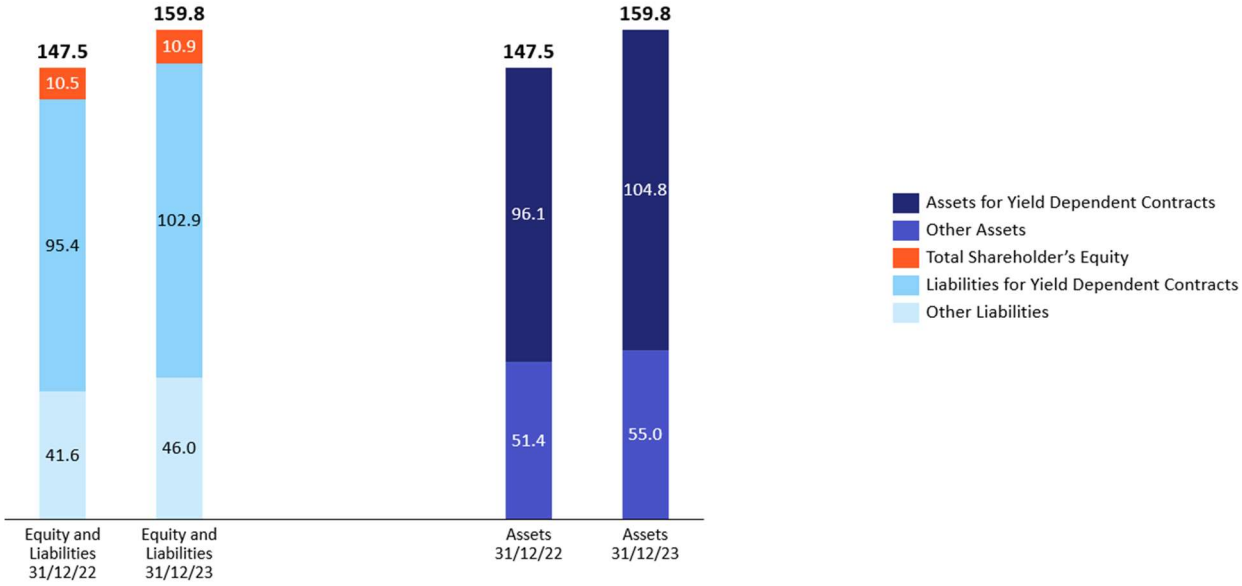


Income for 2023



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

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 December 31, 2023, amounted to approx. NIS 104.8 billion, compared to approx. NIS 96.1 billion as of December 31, 2022. The increase in assets is mainly due to the increase in Life Insurance premiums in the relevant products, and proceeds of investment contracts and from hikes in financial markets in Israel and around the world during the reporting period.

Other assets as of December 31, 2023 amounted to approx. NIS 55.0 billion, compared with 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 102.9 billion as of December 31, 2023, compared to approx. NIS 95.4 billion as of December 31, 2022. The increase arises from liabilities for insurance contracts and yield-dependent investment contracts and from hikes in financial markets in Israel and around the world during the reporting period.

Other liabilities as of December 31, 2023 amounted to approx. NIS 46.0 billion, compared with 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 assume a real return of 3% net (less bonuses to employees and managers from excess returns), and income that is not from activity subject to capital market effects above or below a real return of 3%, effects of the interest rate curve changes 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, and 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**").
The Company did not take into account secondary effects of the Iron Swords War in the special items line item.

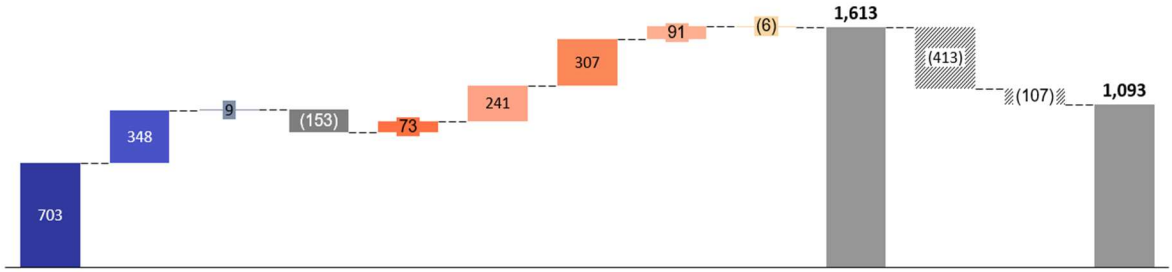
5.4.1.3. In the Health Insurance and in Property and Casualty Insurance segment, the profitability analysis is based on a breakdown to underwriting income, which assumes a real return of 3%, and income arising from capital market effects (hereinafter - the "**underwriting income**"), which include income from nostro investments above or below a real return of 3%, the effect of the change in the interest rate curve and other Special Items.

5.4.1.4. In the Life 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 attributable to insurance and income arising from Asset Management and Credit 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.

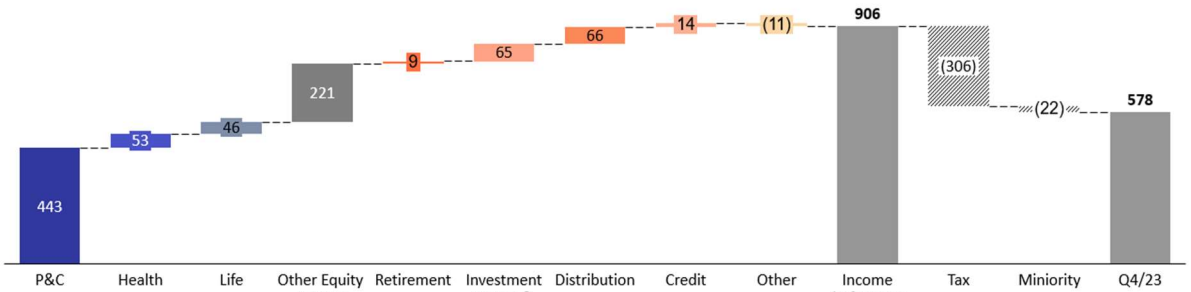
5.4.1.6. The Company allocates the assets which are not measured at fair value in accordance with the provisions of the law and Company's procedures, and specifically the allocation in accordance with the consolidated circular on testing the appropriateness of the LAT reserve (see Note 3 to the financial 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 Other Equity Segment, the financial margin arises from investment income, with a 3% real return assumption, net of actual finance expenses.

5.4.2. **Following is an analysis of the Company's financial performance by segment for the reporting year, compared to the previous year (in NIS million, before tax):**



2022	29	1,120	611	(845)	89	235	300	73	6	1,618	(401)	(93)	1,124
Difference	674	(772)	(602)	692	(16)	6	7	18	(12)	(5)	(12)	(14)	(31)

Set forth below is an analysis of the Company's financial performance by segment in the fourth quarter of 2023 compared with the corresponding quarter last year (in NIS million, before tax):



Q4/22	213	172	115	113	16	53	69	25	1	777	(221)	(30)	526
Difference	230	(119)	(69)	108	(7)	12	(3)	(11)	(12)	129	(85)	8	52

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

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

	1-12/2023	1-12/2022
	In NIS million	
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention in the income statement	17,623	1,965
Net of amounts included in the above amounts:		
Investment income (losses) in respect of yield-dependent policies(*)	8,531	(6,618)
Changes in interest	(379)	(1,645)
Special items in the insurance activity	(35)	(85)
Total investment income, changes in interest and special items	8,117	(8,348)
Total payments and change in liabilities in respect of yield-dependent policies, net of investment income, changes in interest and special items	**9,505**	**10,313**

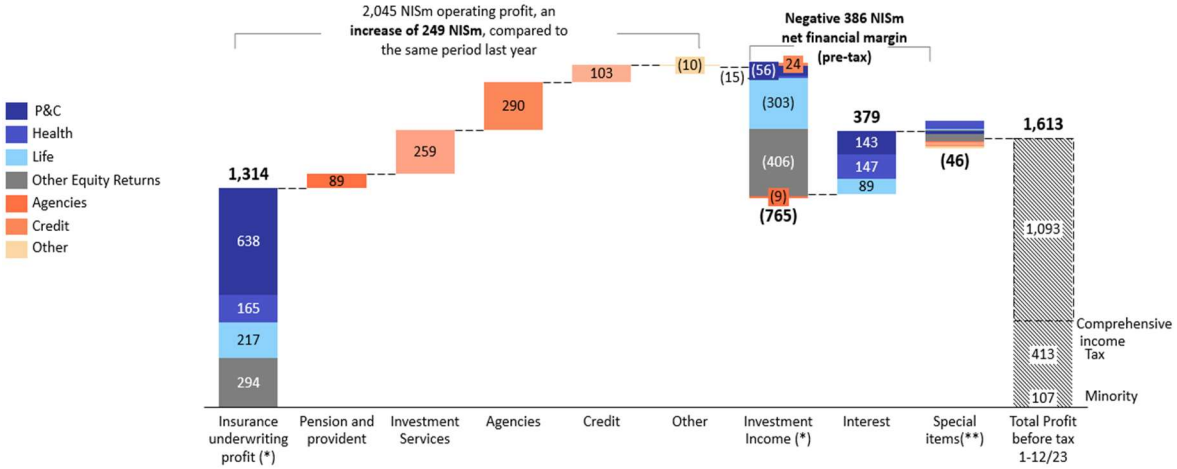
(*) Including health; for further details about the Life Insurance Segment, see Section 5.5.3.6 below.

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

	1-12/2023	1-12/2022
	In NIS million	
Items from the income statement		
Investment income	9,910	(5,555)
Equity profits	42	62
Other comprehensive income	306	(231)
Tax effect on comprehensive income	147	(133)
Total	10,407	(5,858)
Less:		
Investment income (losses) in respect of yield-dependent policies	8,531	(6,618)
Income (losses) attributable to the credit and Investment House and Wealth Segment	349	103
	8,881	(6,515)
Total investment income - nostro	1,526	657
Income from nostro investments, CPI-linked at 3%	2,291	2,661
Income from nostro investments, return of over 3% (*)	**(765)**	**(2,004)**

(*) See Section 5.4.5 below.

5.4.5. **Following is an analysis of the sources of the Company's pre-tax income by operating income and income from capital market effects and special items for the year ended December 31, 2023 (in NIS million):**



1-12/2022	***1,172***	***96***	***171***	***278***	***73***	***6***	***(2,004)***	***1,645***	***181***	***1,618***
Difference	*142*	*(7)*	*88*	*12*	*30*	*(16)*	*1,239*	*(1,266)*	*(227)*	*(5)*

(*) See Section 5.4.1.

(**) For further details about the Special Items at the segment level, see Section 5.4.6, and results at the segment level in Sections 5.5-5.6 below.

Operating income, net of investment income above a real return of 3%, interest effects and special items increased by approx. NIS 249 million in the reporting year compared to last year; for information about the effects on segment-level results, see Sections 5.6-5.7 below.

In the reporting period, the nominal return from nostro investments was 4.5%, and the real return in the reporting year was (1.2%). After transferring annual real return of 3%, and an amount in respect of variable management fees, which is calculated based on the said real return, the negative effect of the capital market after the said deduction is NIS 765 million, see Section 5.4.1 regarding the review of sources of income.

The decrease in loss in the investment income line item in excess of a real return of 3% in the reporting year compared to the corresponding period last year totaled approx. NIS 1,239 million, in view of the rallies in financial markets in Israel and across the world compared to the slumps in the corresponding period last year. As of December 31, 2023, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 449 million, before tax compared to a total of approx. NIS 643 million as of December 31, 2022 (as of the report publication date - approx. NIS 219 million before tax). For more information regarding the variable management fees collection mechanism, see Note 41(3)1 to the financial statements.

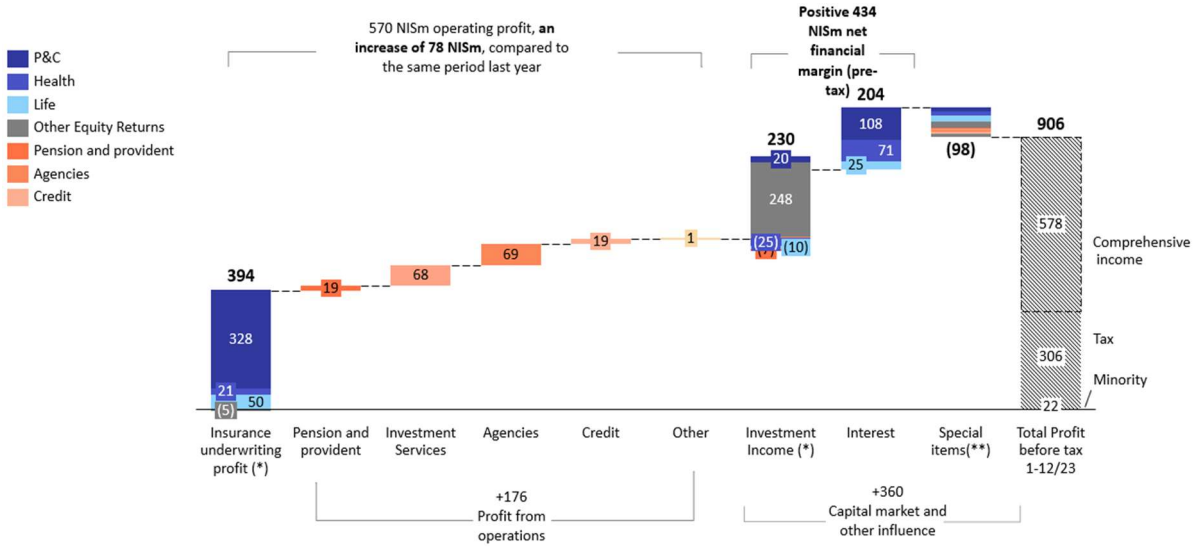
The losses in investment income were partially offset against an increase in the risk-free interest rate curve in the reporting year compared with the corresponding period last year; this increase caused a decrease of approx. NIS 379 million in insurance reserves in the reporting period.

The total net effect of the interest and capital market effects (in excess of a real return of 3%) in the reporting period amounted to a pre-tax loss of approx. NIS 386 million as reflected in the above chart.During the reporting period, the special items line item decreased by approx. NIS 227 million compared with the corresponding period last year; most of the decrease stemmed from the recognition of a one-off capital gain 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 a one-off capital gain, during the reporting period, from assuming control in FNX Private Partnerships, model revisions, which were partially offset from studies and provisions for class actions.

Adjusted EBITDA[1] increased to NIS 926 million during the reporting period compared with NIS 769 million in the corresponding period last year. Adjusted EBITDA in the reporting period, net of non-controlling interest is NIS 763 million.

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

Set forth below is an analysis of the sources of the Company's pre-tax income by operating income and gains from capital market effects, interest rate and Special Items in the fourth quarter of 2023 (in NIS million):



Q4-22	***320***	***17***	***58***	***71***	***25***	***1***	***72***	***256***	***(43)***	***777***
Difference	*74*	*2*	*10*	*(2)*	*(6)*	*0*	*158*	*(52)*	*(55)*	*129*

(*) See Section 5.4.1.

(**) For further details about the Special Items at the segment level, see Section 5.4.7, and results at the segment level in Sections 5.5-5.6 below.

[1] Adjusted EBITDA - income before finance expenses, taxes, depreciation and amortization, net of special items, the effect of IFRS 16 and segment-specific adjustments (retirement (pension and provident) - including the amortization of DAC, credit - including finance expenses and loan loss provisions).

Operating income, net of investment income above a real return of 3%, interest and special items increased by approx. NIS 78 million in the fourth quarter compared to last year; for information about the effects on segment-level results, see Sections 5.6-5.7 below.

In the fourth quarter, the increase in investment income over a real return of 3% in the fourth quarter compared with the corresponding quarter last year totaled approx. NIS 158 million due to the higher rallies in financial markets in Israel and across the world during the quarter, compared with the corresponding quarter last year. As of December 31, 2023, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 449 million, before tax compared to a total of approx. NIS 643 million as of December 31, 2022 (as of the report publication date - approx. NIS 219 million before tax).

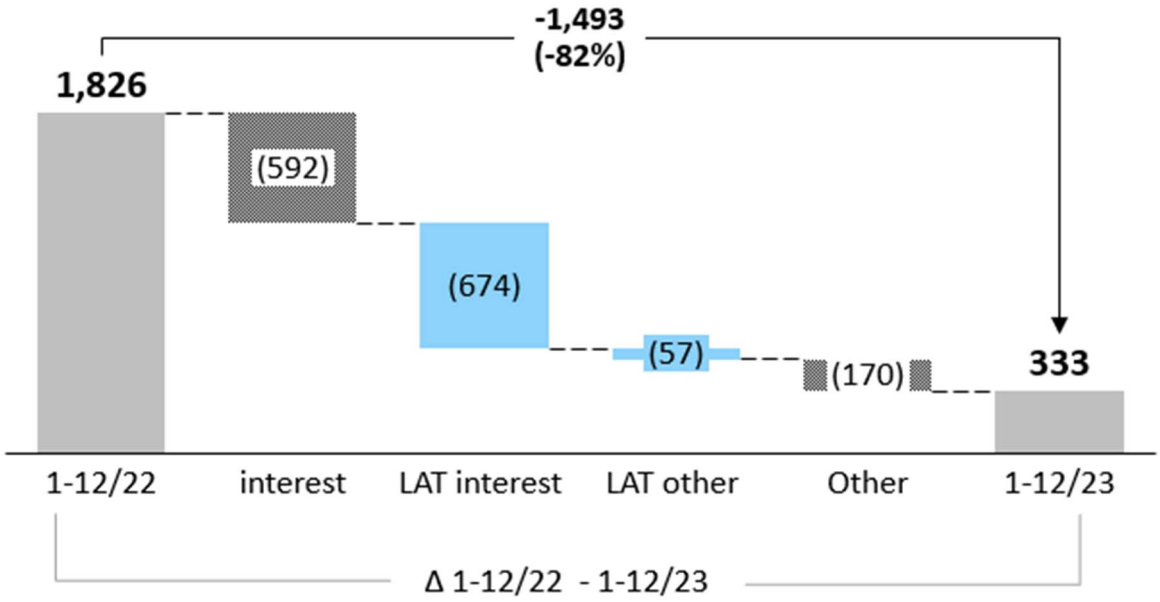
The effect of the change in the risk-free interest rate curve and the decline in the illiquidity premium in the fourth quarter of the reporting year was positive but approx. NIS 52 million lower than in the corresponding period last year.

The total net positive effect of the interest and capital market effects (in excess of a real return of 3%) in the fourth quarter of the reporting period amounted to a pre-tax income of approx. NIS 434 million as reflected in the above chart.

The special items line item in the fourth quarter of the reporting year included changes in assumptions, model revisions, and provisions for claims. The total negative effect in the fourth quarter of the reporting year compared with the corresponding quarter last year is approx. NIS 55 million.

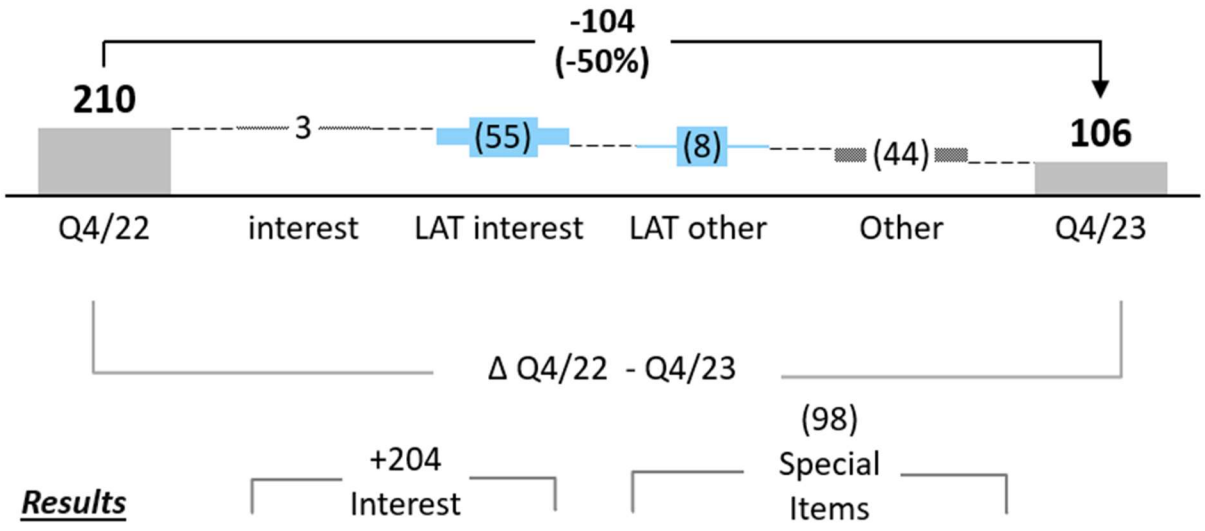
For information about the effects on the results at the segment level, see details in Sections 5.5-5.6 below.

5.4.6. **Following is an analysis of the interest rate effects and main Special Items on pre-tax insurance liabilities in the reporting year compared with last year (in NIS million):**



Results	+379 Interest				-46 Special Items			
1-12/2023	**232**	**147**	-	-	**54**	-	**(100)**	**333**
P&C	143	-	-	-	-	-	(22)	121
Health	-	147	-	-	54	-	(3)	198
Life	89	-	-	-	-	-	6	95
Other Equity Returns	-	-	-	-	-	-	(41)	(41)
Pension and provident	-	-	-	-	-	-	(7)	(7)
Financial Services	-	-	-	-	-	-	(18)	(18)
Agencies	-	-	-	-	-	-	(7)	(7)
Credit	-	-	-	-	-	-	(12)	(12)
Other	-	-	-	-	-	-	4	4
1-12/2022	**824**	**821**	-	-	**111**	-	**70**	**1,826**
P&C	264	-	-	-	-	-	-	264
Health	-	821	-	-	111	-	(40)	892
Life	560	-	-	-	-	-	14	574
Pension and provident	-	-	-	-	-	-	14	14
Financial Services	-	-	-	-	-	-	64	64
Agencies	-	-	-	-	-	-	18	18

Set forth below is an analysis of the differences between the interest effects and main Special Items on pre-tax insurance liabilities in the fourth quarter of 2023 compared with the corresponding quarter last year (in NIS million):



Results

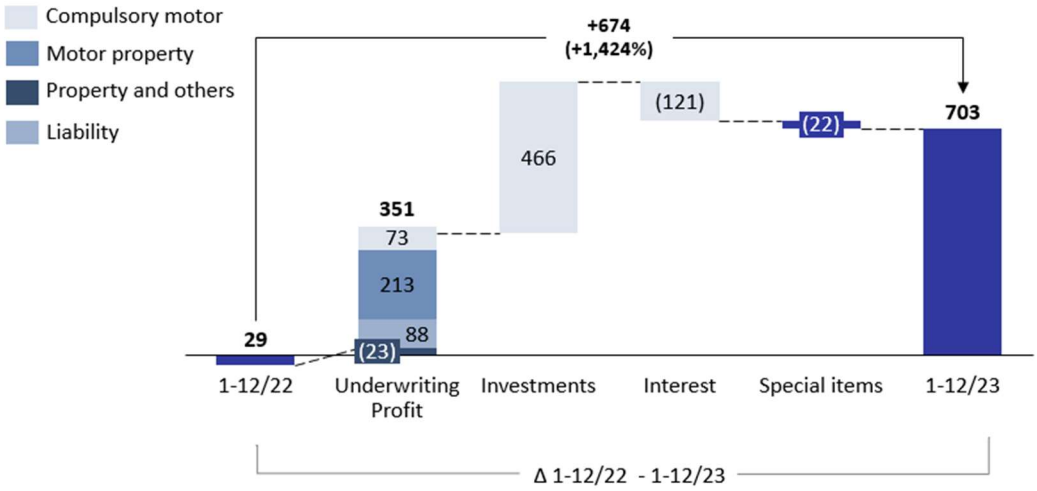
Q4-23	***133***	***71***	-	-	***(3)***	-	***(95)***	***106***
P&C	*108*	-	-	-	-	-	*(13)*	*95*
Health	-	*71*	-	-	*(3)*	-	*(11)*	*57*
Life	*25*	-	-	-	-	-	*(19)*	*6*
Other Equity Returns	-	-	-	-	-	-	*(22)*	*(22)*
Pension and provident	-	-	-	-	-	-	*(3)*	*(3)*
Financial Services	-	-	-	-	-	-	*(3)*	*(3)*
Agencies	-	-	-	-	-	-	*(7)*	*(7)*
Credit	-	-	-	-	-	-	*(5)*	*(5)*
Other	-	-	-	-	-	-	*(12)*	*(12)*
Q4-22	***130***	***126***	-	-	***5***	-	***(51)***	***210***
P&C	*60*	-	-	-	-	-	-	*60*
Health	-	*126*	-	-	*5*	-	*(14)*	*117*
Life	*70*	-	-	-	-	-	*(25)*	*45*
Financial Services	-	-	-	-	-	-	*(5)*	*(5)*
Agencies	-	-	-	-	-	-	*(4)*	*(4)*
Other	-	-	-	-	-	-	*(3)*	*(3)*

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

Following is an analysis of the main effects and changes on the results of the Property and Casualty Insurance Segment for the reporting year compared to last year (in NIS million, before tax):



Results

1-12/2023	***638***	***(56)***	***143***	***(22)***	***703***
1-12/2022	*287*	*(522)*	*264*	*-*	*29*

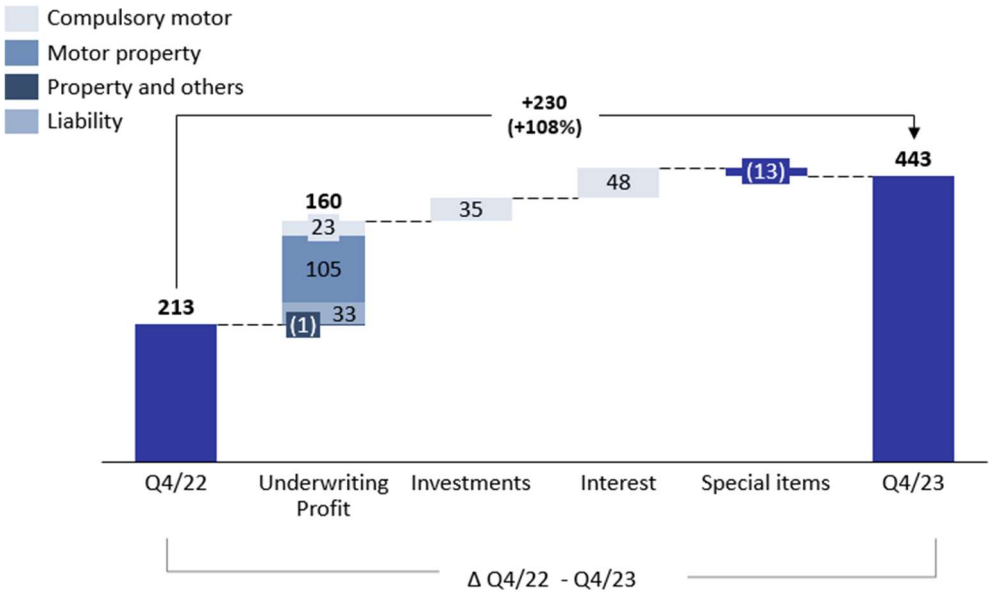
The increase in underwriting income in the reporting year compared to the corresponding period last year of approx. NIS 351 million arises mainly from an improvement in the motor property subsegment as a result of an increase in the average premium, an improvement in the LR rate, and secondary effects of the Iron Swords War as well as from the compulsory motor and third party liability insurance subsegments, mainly as a result of a positive development in claims in respect of previous years and from an approx. NIS 40 million decrease in insurance liabilities in the Sales Law guarantees subsegment in the first quarter of the reporting period. This profitability was partially offset by the decline in profitability in other property insurance subsegments, mainly the businesses and comprehensive home insurance subsegments, as a result of an increase in claims.

The approx. NIS 466 million decline in loss in the investment income line item in the reporting year compared to the corresponding period last year stems from hikes in financial markets in Israel and globally during the reporting year, compared to slumps in the corresponding period last year, in relation to the mix of the portfolio against the segment's liabilities.

The NIS 121 million decrease in interest income in the reporting year compared to the corresponding period last year stems 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 Segment in the

corresponding period last year, and from a change in insurance liabilities in the compulsory motor and liability insurance subsegments as a result of a decrease in the discount rate. The loss in the special items line item arises from an increase in provisions for class actions.

Set forth below is an analysis of the main effects and changes on the results of the P&C insurance subsegment for the fourth quarter of 2023 compared to the corresponding quarter last year (in NIS million, before tax):



Results

Q4-23	***328***	***20***	***108***	***(13)***	***443***
Q4-22	*168*	*(15)*	*60*	-	*213*

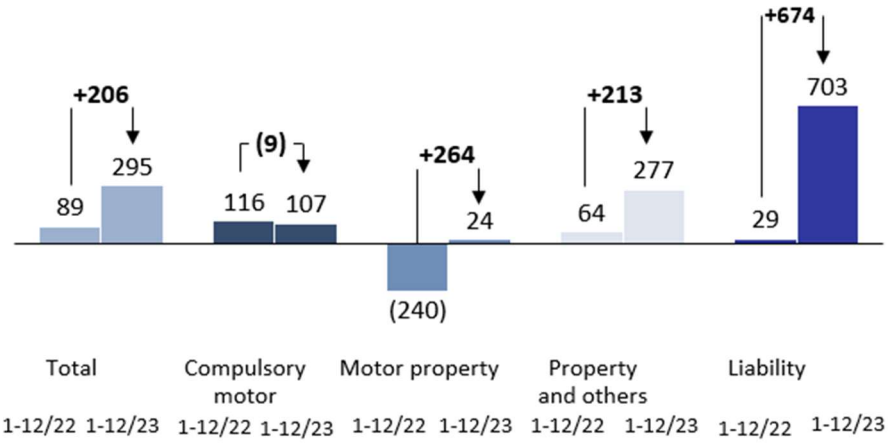
The increase of approx. NIS 160 million in underwriting income in the fourth quarter of the reporting year compared to the corresponding quarter last year arises mainly from the compulsory motor and third party liability insurance subsegments as a result of a positive development in relation to previous years and from an improvement in the motor property subsegment as a result of an increase in the average premium and an improvement in the LR rate, and secondary effects of the Iron Swords War.

The NIS 35 million increase in investment income in the fourth quarter of the reporting year compared to the corresponding quarter last year stemmed from a positive effect in financial markets in Israel and abroad during the fourth quarter of the reporting year, compared with negative effects in the corresponding quarter last year, in relation to the mix of the portfolio against the segment's liabilities.

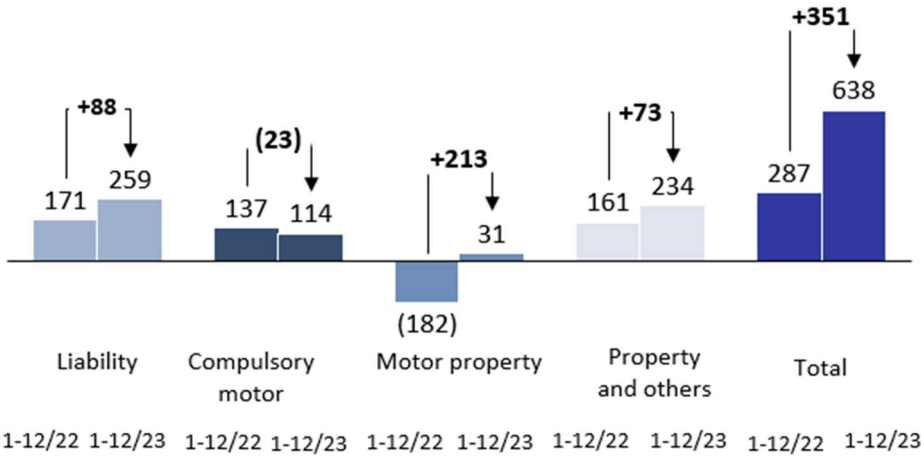
The NIS 48 million increase in income, due to the change in the discount rate, in the fourth quarter of the reporting year compared with the corresponding quarter last year. In the fourth quarter of the reporting year, the positive effect was mainly due to an approx. NIS 143 million decrease in insurance liabilities in the compulsory motor and liability insurance subsegments as a result of the allocation of illiquid assets, which was offset against an increase in insurance liabilities as a result of an approx. NIS 35 million decrease due to the decrease in discount rate. In the corresponding quarter

last year, the effect was mainly due to an approx. NIS 17 million decrease in insurance liabilities as a result of the allocation of illiquid assets, and from a decrease in the insurance liabilities as a result of an approx. NIS 43 million decrease due to the decrease in discount rate.

5.5.1.1. **Following is the pre-tax comprehensive income in the various subsegments of Property and Casualty Insurance for the reporting year compared to last year (in NIS million):**



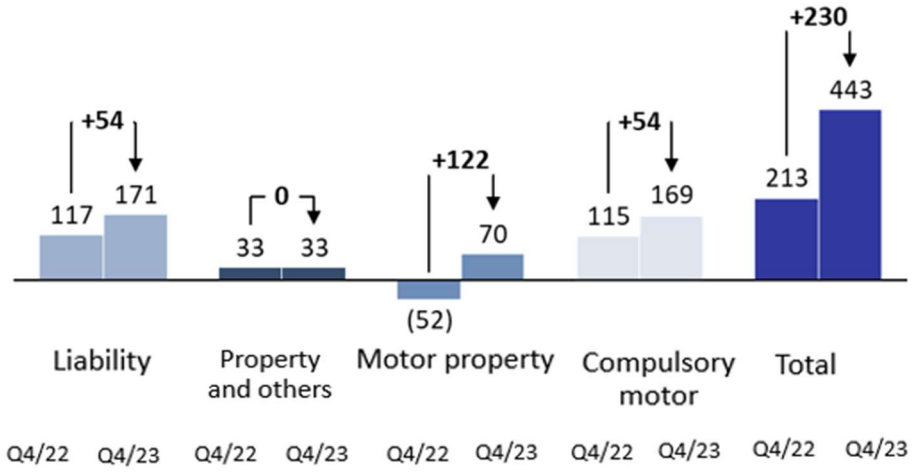
Following are the pre-tax underwriting income in the various subsegments of Property and Casualty Insurance for the reporting year compared to last year (in NIS million):



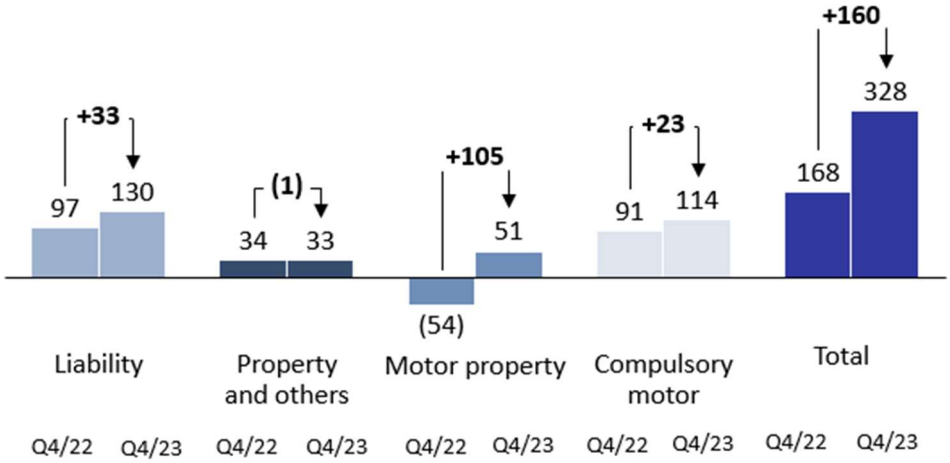
The increase in underwriting income in the reporting year compared to the corresponding period last year of approx. NIS 351 million arises mainly from an improvement in the motor property subsegment as a result of an increase in the average premium and an improvement in the LR rate, as well as secondary effects of the Iron Swords War and an increase in underwriting income in other liability subsegments in the reporting year compared to the corresponding period last year as a result of a positive development in respect of previous years in the third party liability subsegment and from an approx. 40 million decrease in insurance liabilities in the Sales Law guarantee subsegment in the first quarter of the reporting period, in addition to the increase in profitability in the compulsory motor subsegment as a result of a positive development in claims in respect of previous years.

The said increase in underwriting income was offset by the decrease in underwriting income in other property insurance subsegments in the reporting year compared to the corresponding period last year mainly from the businesses and comprehensive home insurance subsegments as a result of an increase in claims.

Set forth below is the pre-tax comprehensive income in the various subsegments of Property and Casualty Insurance for the fourth quarter of 2023 compared with the corresponding quarter last year (in NIS million, before tax):



Set forth below are the results of the (pre-tax) underwriting income in the various subsegments of Property and Casualty Insurance for the fourth quarter of 2023 compared with the corresponding quarter last year (in NIS million, before tax):



The increase of approx. NIS 160 million in underwriting income in the fourth quarter of the reporting year compared to the corresponding quarter last year arises mainly from an improvement in the LR rate in the motor property subsegment as a result of an increase in average premium, an increase in profitability in the liability subsegments due to a positive development in respect of previous years, mainly in the third party liability subsegment, and an increase in underwriting income in the compulsory motor insurance subsegment as a result of a positive development in respect of previous years.

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

	Motor property		
	In NIS million		
	1-12/2023	1-12/2022	1-12/2021
Gross loss ratio	79.2%	91.0%	80.3%
Retention loss ratio	79.2%	91.1%	80.3%
Gross combined ratio	101.6%	116.6%	108.9%
Retention combined ratio	101.6%	116.6%	108.9%

	Property and other subsegments		
	In NIS million		
	1-12/2023	1-12/2022	1-12/2021
Gross loss ratio	(*)87.1%	31.4%	33.2%
Retention loss ratio	35.6%	22.5%	23.5%
Gross combined ratio	(*)114.7%	58.9%	61.2%
Retention combined ratio	68.6%	53.3%	60.4%

(*) The increase in the Loss Ratio and the gross Combined Ratio in the property and other subsegments arises mainly from a large claim, which is fully covered by reinsurance.

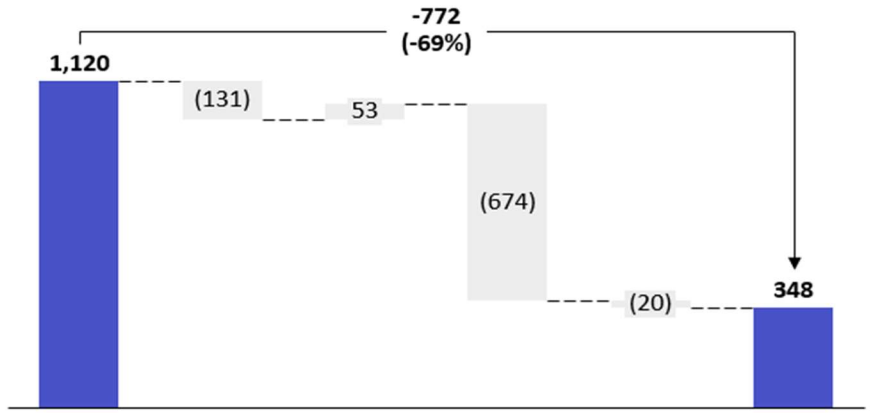
5.5.2. Health

Profitability on investments affects the profitability of this segment, some of whose products (such as long-term care insurance) are characterized by accrual of significant reserves over long periods. Investment income is 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 returns on liquid financial asset portfolios held against insurance and contingent claims reserves. It should be noted that The Phoenix Insurance no longer markets long-term care insurance policies in view of the risks involved in the subsegment in its present form, and the complexity of the related reinsurance in this subsegment.

The collective long-term care insurance agreement for members of Maccabi Healthcare Services expired on December 31, 2023. For further details, see Section 2.3 to the Description of the Corporation's Business Report.

For details regarding The Phoenix Insurance's assessments as to the implementation of insurance rates as part of the reform in the Health Insurance Segment and the Economic Arrangements Law for 2023 and 2024, see Section 2.3 to the Description of the Corporation's Business Report.

Set forth below is an analysis of the main effects and changes on the results of the Health Insurance Segment for the reporting year compared to last year (in NIS million):



Results

1-12/2023	***165***	***(15)***	***147***	***51***	***348***
1-12/2022	*296*	*(68)*	*821*	*71*	*1,120*

The decrease of approx. NIS 131 million in underwriting income in the reporting year compared to the corresponding period last year is mainly due to a decrease in underwriting income from individual and collective long-term care insurance policies; this decrease was partially offset against an improvement in underwriting income in individual health and personal accidents policies, compared to the corresponding period last year.

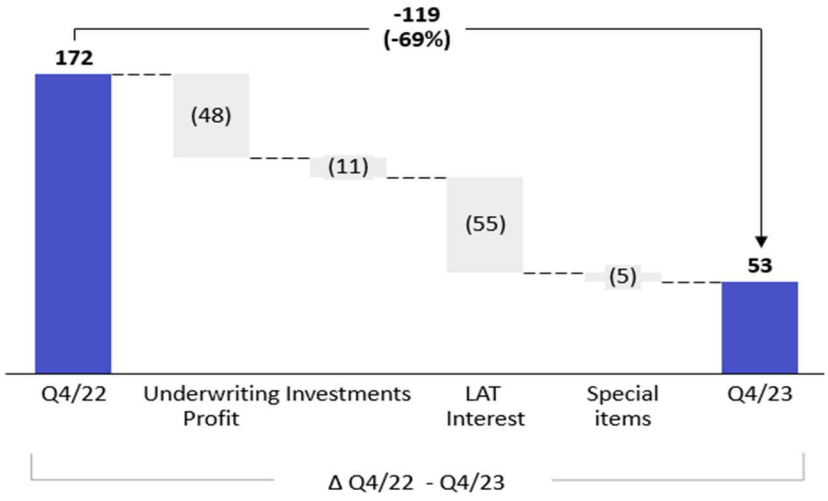
The decrease in loss in the investment income line item in the reporting year - of approx. NIS 53 million - compared to the corresponding period last year stems from rallies in financial markets in Israel and globally during the reporting year, compared to slumps in the corresponding period last year.

The decrease in income, as a result of the change in the risk-free interest rate curve, of approx. NIS 674 million in the reporting year 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.

Furthermore, the results were affected from a decrease in income in the reporting year compared to last year, in the special items line item mainly from recognizing capital gain from assuming control in the FNX Private partnership; this gain was partially offset against changes in assumptions, model revisions, and provisions to lawsuits. In the corresponding period last year, the Company recorded a one-off income 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 income was recognized in the LAT reserve as part of the excess value of illiquid assets and was partially offset from changes in assumptions and model revisions. For further details, see Note 41 to the Financial Statements.

Set forth below is an analysis of the main effects and changes on the results of the Health Insurance Segment for the fourth quarter of 2022 compared to the corresponding quarter last year (in NIS million):



Results

Q4-23	***21***	***(25)***	***71***	***(14)***	***53***
Q4-22	*69*	*(14)*	*126*	*(9)*	*172*

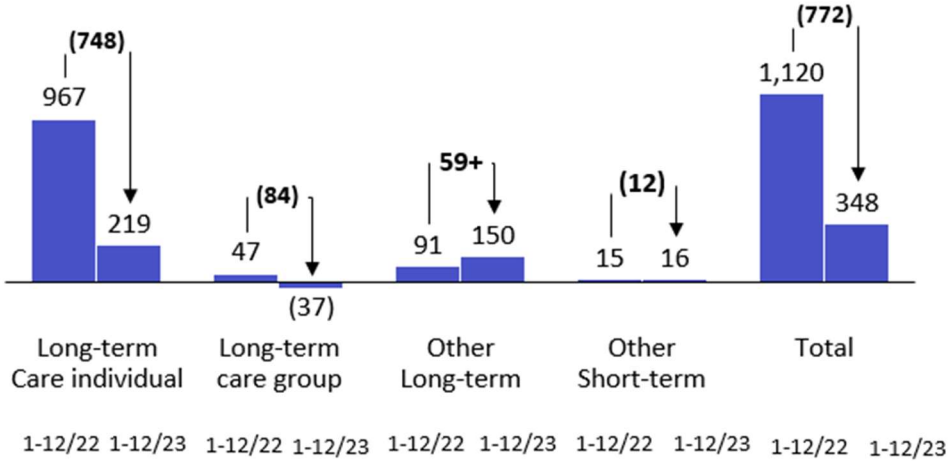
The decrease of approx. NIS 48 million in underwriting income in the fourth quarter of the reporting year compared to the corresponding period last year is mainly due to a decrease in underwriting income from individual and collective long-term care insurance policies, and a decrease in travel insurance policies as a secondary effect of the Iron Swords War; this decrease was partially offset against an improvement in underwriting income in individual health and personal accidents policies, compared to the corresponding period last year.

The effect of the decrease in investment income in the fourth quarter of the reporting year compared with the corresponding quarter last year triggered a decrease of approx. NIS 11 million in income due to even higher negative effects in financial markets in Israel and globally during the quarter compared to the corresponding quarter last year, taking into account the portfolio mix against the segment's liabilities.

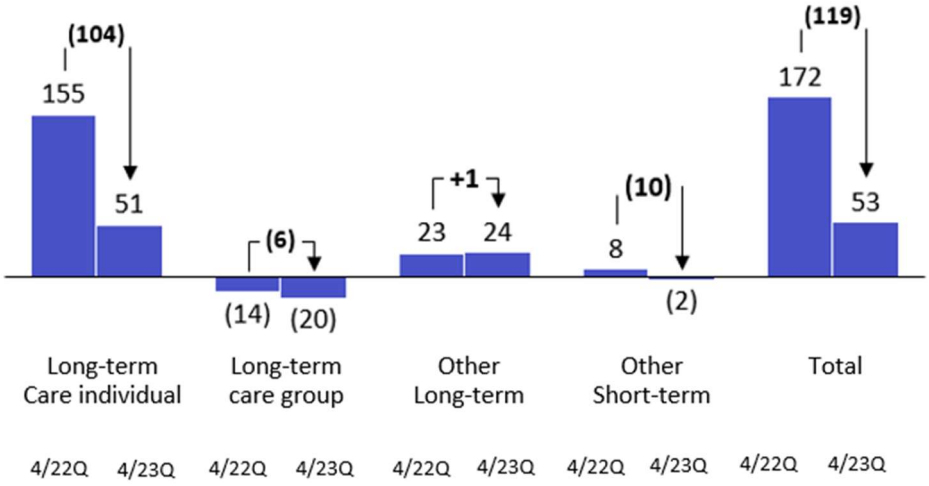
The impact of increase in the risk-free interest rate curve in the fourth quarter of the reporting year compared with the decline in the risk-free interest rate curve in the corresponding quarter last year caused a decrease in income of approx. NIS 55 million.

As of December 31, 2023, the LAT reserve balance amounts to approx. NIS 104 million.

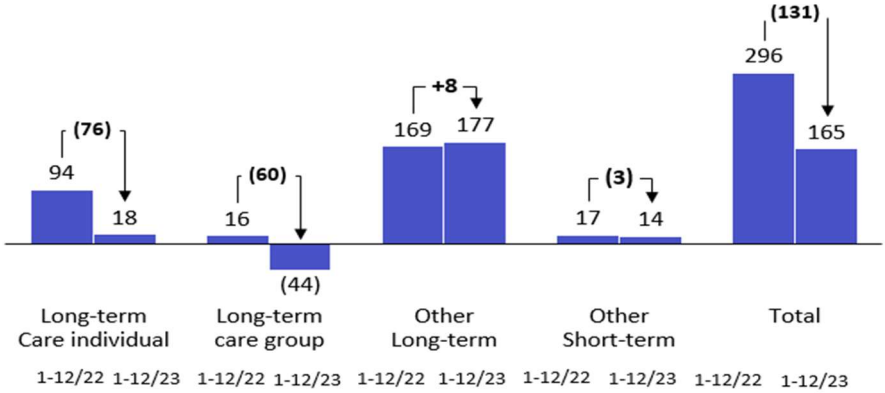
5.5.2.1. **Set forth below is the (pre-tax) comprehensive income (loss) in the various subsegments of Health Insurance for the reporting period compared with last year (in NIS million):**



Set forth below is the pre-tax comprehensive income (loss) in the various subsegments of Health Insurance in the fourth quarter of the reporting period compared with the corresponding quarter last year (in NIS million):

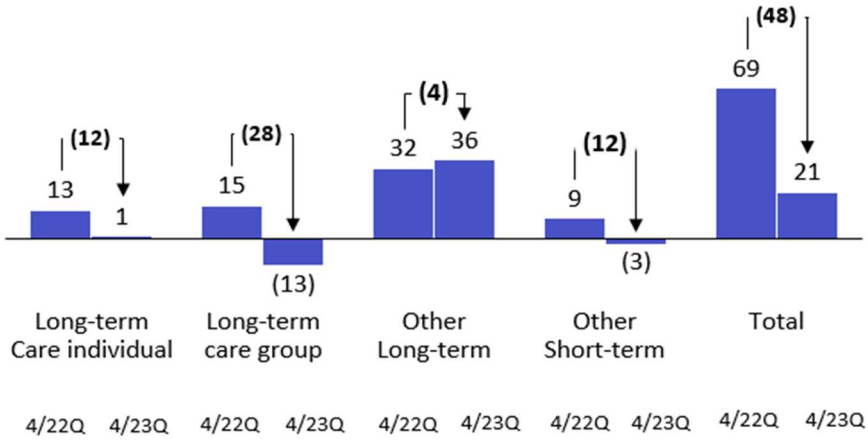


5.5.2.2. **Set forth below is the pre-tax underwriting income (loss) in the various subsegments of Health Insurance for the reporting period compared with last year (in NIS million):**



The decrease in underwriting income in the reporting year compared to the corresponding period last year in the amount of approx. NIS 131 million is mainly due to an increase in the incidence of LTC claims and a change in the LAT reserve for individual LTC policies.

Set forth below is the pre-tax underwriting income (loss) in the various subsegments of Health Insurance in the fourth quarter of the reporting period compared with the corresponding quarter last year (in NIS million):

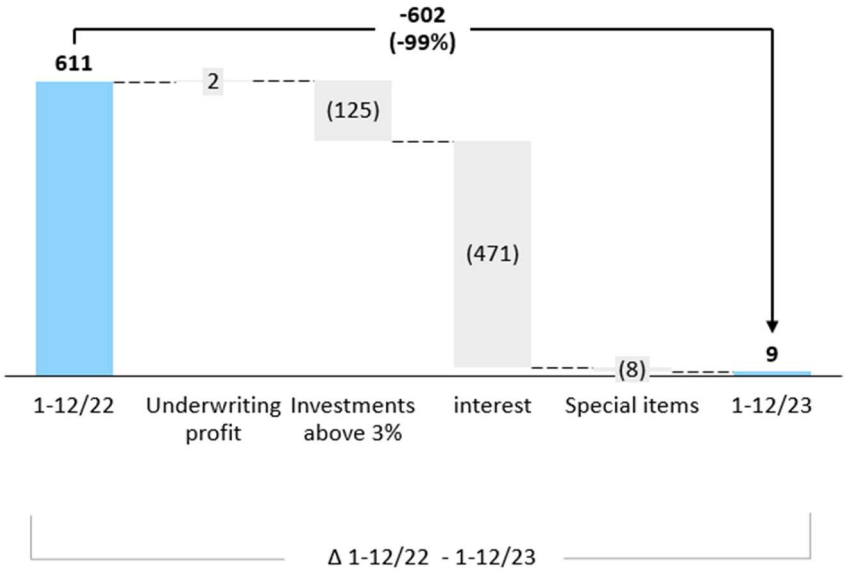


The decrease in underwriting income in the reporting year compared to the corresponding period last year in the amount of approx. NIS 48 million is mainly due to an increase in the incidence of LTC claims and a change in the LAT reserve for individual LTC policies.

5.5.3. Life and Savings

5.5.3.1. Profitability on investments have a material effect on the profitability of this segment, which is characterized by accrual of significant reserves over long periods. Investment income is 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 returns 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.

Following is an analysis of the main effects and changes on the results of the Life Insurance Segment for the reporting year compared to last year (in NIS million):



Results					
1-12/2023	***217***	***(303)***	***89***	***6***	***9***
1-12/2022	*215*	*(178)*	*560*	*14*	*611*

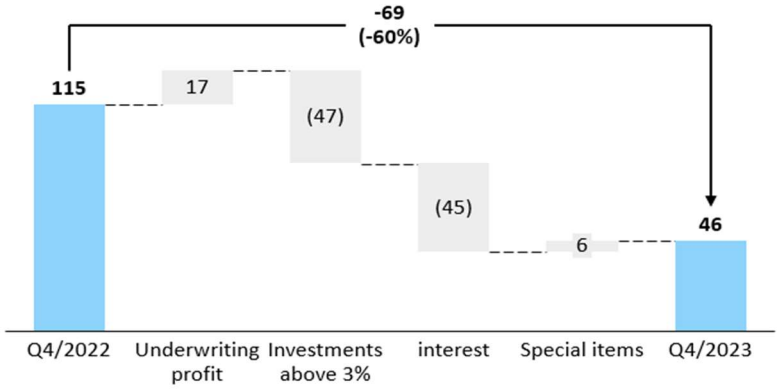
The results in the reporting year were affected mainly by a decrease of approx. NIS 471 million in income as a result of the change in the risk-free interest rate curve and illiquidity premium during the reporting year compared with the corresponding period last year. In addition, the results in the reporting year compared to the corresponding period last year were affected from an approx. NIS 2 million increase in underwriting income, which stemmed mainly from the increase in fixed management fees, which was partially offset against an increase in general and administrative expenses.

Furthermore, in the reporting period, the results were affected - compared with the corresponding period last year - by a decrease of approx. NIS 125 million in investment income in excess of a real return of 3%, which mainly arose from lower income on nostro investments. As of December 31, 2023, the effect of the cumulative results in the planholders' asset portfolio will lead to non-collection of future variable management fees of approx. NIS 449 million, before tax, compared to approx. NIS 643 million as of December 31, 2022 (as of the report publication date - approx. NIS 219 million before tax).

The approx. NIS 8 million decrease in income from special items stems from a NIS 6 million income in the reporting period, mainly as a result of the effects of the study regarding disability insurance, which was partially offset by model revisions and provisions for class actions, compared with income of approx. NIS 14 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.

Set forth below is an analysis of the main effects and changes on the results of the Life Insurance Segment for the fourth quarter of 2023 compared to the corresponding quarter last year (in NIS million):

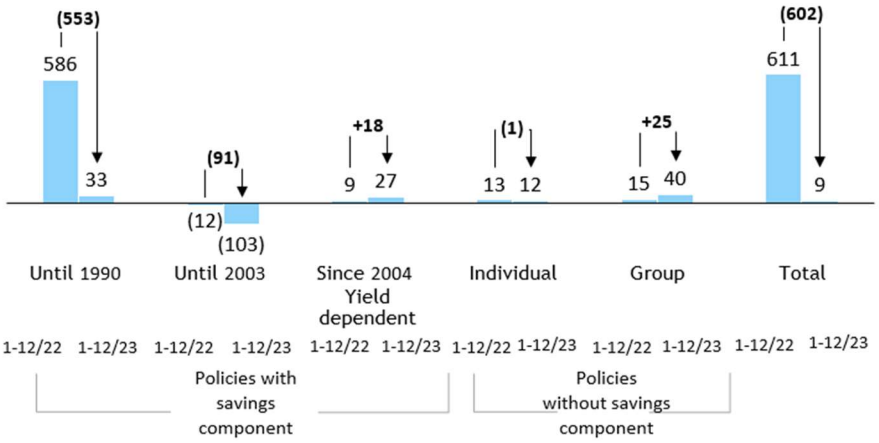


Results					
Q4-23	50	(10)	25	(19)	46
Q4-22	33	37	70	(25)	115

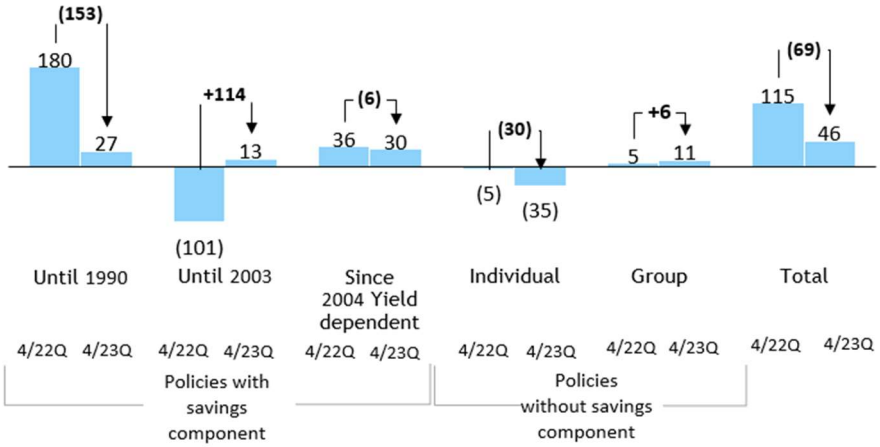
The results in the fourth quarter of the reporting year compared to the corresponding quarter last year were affected by an increase of approx. NIS 17 million in underwriting income, which stemmed mainly from an increase in the profitability of life insurance products, which was offset by direct effects of the Iron Swords War, and from an increase in general and administrative expenses.
Furthermore, in the fourth quarter of the reporting year, the results were affected - compared with the corresponding quarter last year - by av decrease of approx. NIS 47 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 December 31, 2023, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 449 million, before tax compared to approx. NIS 643 million as of December 31, 2022 (as of the report publication date - approx. NIS 219 million before tax).

The results in the fourth quarter of the reporting year compared to the corresponding period last year was also affected by an approx. NIS 45 million decrease in income due to the change in the risk-free interest rate curve and the illiquidity premium.
The increase of approx. NIS 6 million in income in the special items line item in the fourth quarter of the reporting year 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.

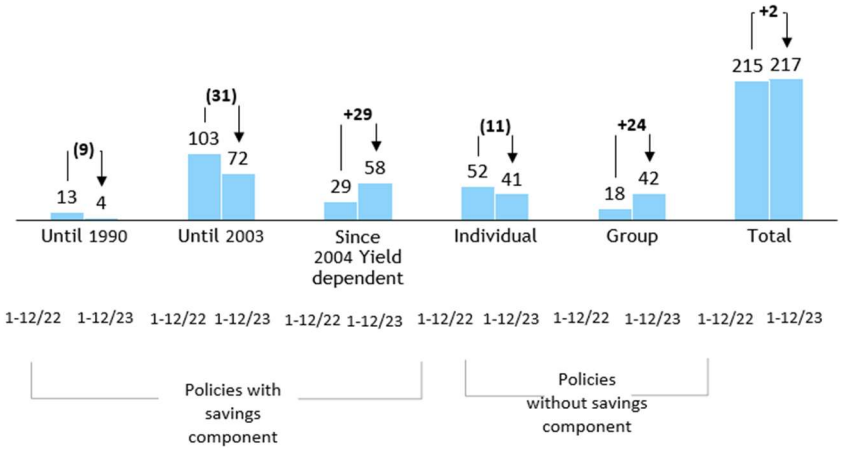
5.5.3.2. **Set forth below is the pre-tax comprehensive income (loss) in the various subsegments of life insurance for the reporting period compared last year (in NIS million):**



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

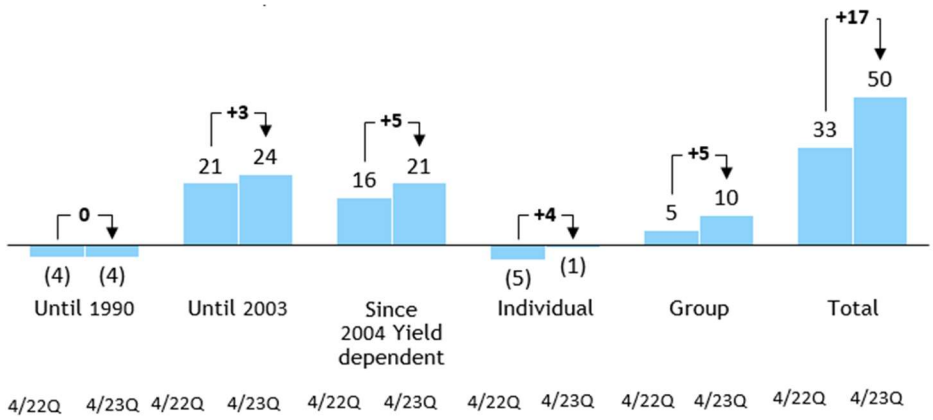


5.5.3.3. **Set forth below is the pre-tax underwriting income (loss) in the various subsegments of life insurance for the reporting period compared last year (in NIS million):**



Underwriting income was up in the reporting year compared to the corresponding period last year by approx. NIS 2 million as a result of the decrease in the underwriting income from policies issued through 1990, due to the effect of the expenses, and in policies issued through 2003 - as a result of past effects and an increase in expenses; this decrease was partially offset by an increase in income 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.

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



The approx. NIS 17 million increase in underwriting income in the fourth quarter of the reporting year, compared to 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, and an increase in underwriting income from collective life insurance policies as a result of a decline in the incidence of claims.

5.5.3.4. The rate of redemptions out of the average reserve (in annual terms) was approx. 6.55% compared with approx. 4.83% in the corresponding period last year. The increase stemmed in part from internal transfers to The Phoenix Pension and Provident's provident funds. It should be noted that the general state of the economy, transition from product to product, employment rates, employees' wages, and market competition all affect this rate.

5.5.3.5. Set forth below are details concerning estimated net investment income 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:

	1-12/2023	1-12/2022	1-12/2021	10-12/2023	10-12/2022
	In NIS million				
Investment income (losses) credited to policyholders net of management fees	7,156	(6,325)	10,222	1,942	783
Management fees	611	591	1,221	157	138

(*) Excluding investment income credited (debited) to policyholders in the Health Insurance Segment.

5.5.3.6. **Weighted returns on participating policies**

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

	Policies issued up to 2004 (Fund J)				
	1-12/2023	1-12/2022	1-12/2021	10-12/2023	10-12/2022
Nominal returns before payment of management fees	7.99%	(5.69%)	17.40%	2.22%	1.47%
Nominal returns after payment of management fees	7.39%	(6.29%)	14.44%	2.07%	1.31%
Real returns before payment of management fees	4.50%	(10.42%)	14.64%	2.12%	0.62%
Real returns after payment of management fees	3.92%	(10.99%)	11.76%	1.97%	0.46%

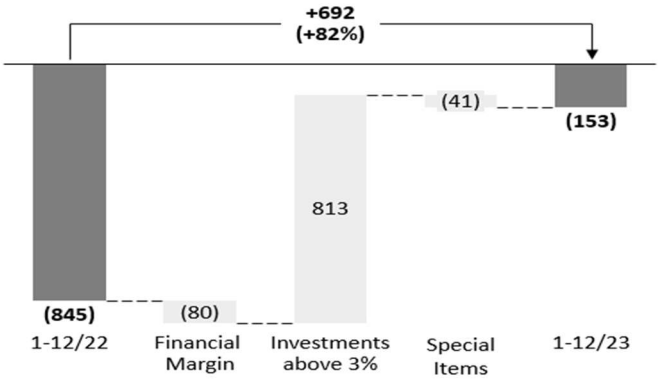
Fluctuations in these returns are a function of capital market returns in Israel and abroad, changes in the consumer price index, and changes in the exchange rate of the shekel against major currencies.

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

	Policies issued from 2004 and thereafter				
	1-12/2023	1-12/2022	1-12/2021	10-12/2023	10-12/2022
Nominal returns before payment of management fees	8.70%	(6.64%)	15.33%	2.82%	1.75%
Nominal returns after payment of management fees	7.74%	(7.49%)	14.25%	2.60%	1.54%
Real returns before payment of management fees	5.18%	(11.32%)	12.63%	2.73%	0.90%
Real returns after payment of management fees	4.26%	(12.13%)	11.57%	2.50%	0.69%

5.5.4. Other Equity Returns

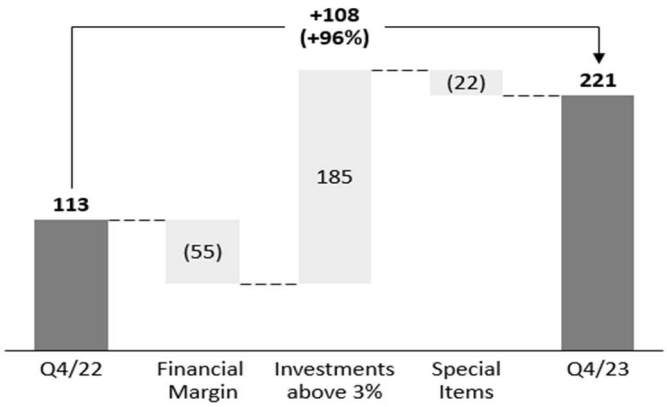
Following is an analysis of the main effects and changes of other capital gains for the reporting year compared to last year (in NIS million):



Results				
1-12/2023	294	(406)	(41)	(153)
1-12/2022	374	(1,219)	-	(845)

The decrease in loss in other capital gains in the reporting year, compared with the corresponding period last year, totaling approx. NIS 692 million, arises mainly from hikes in financial markets in Israel and globally compared with slumps corresponding period last year. The approx. NIS 41 million decrease in the special items line-item stems mainly from one-off structural changes.

Set forth below is an analysis of the main effects and changes of other capital gains for the fourth quarter of 2023 compared to the corresponding quarter last year (in NIS million):



Results				
Q4-23	(5)	248	(22)	221
Q4-22	50	63	-	113

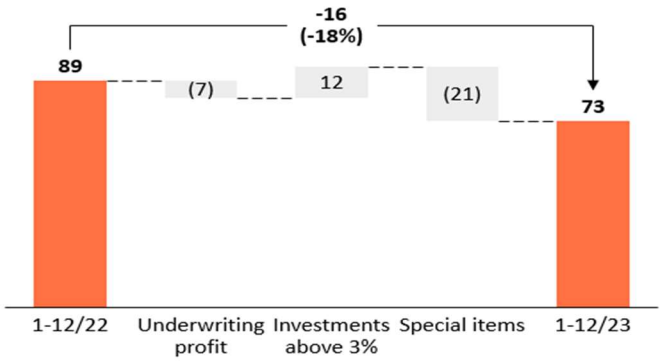
The increase in income in the fourth quarter of the reporting year, compared to the corresponding period last year, totaling approx. NIS 108 million, arises mainly from higher rallies in financial markets in Israel and globally compared to last year. The approx. NIS 22 million decrease in the special items line-item stems mainly from one-off structural changes.

5.6. Description of development in the Asset Management and Credit activity

5.6.1. Asset management - Retirement (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.

Following is an analysis of the main effects and changes on the results of the asset management activity - Retirement (Pension and Provident) for the reporting year compared to last year (in NIS million):



Results				
1-12/2023	89	(9)	(7)	73
1-12/2022	94	(19)	14	89

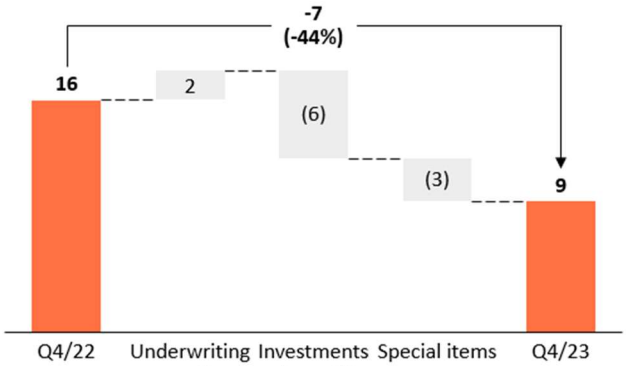
The increase in investment income in the reporting year, compared with NIS 12 million last year stems mainly from hikes in financial markets in Israel and globally during the reporting year, compared with slumps in the corresponding period last year, which impacted, inter alia, the margins of a guaranteed-return provident fund and the margins of the management company's nostro investments.

The decrease in the special items line item in the reporting year compared to last year totaling approx. NIS 21 million stems mainly from a one-off capital gain from assuming control in the Private Partnership, which was offset against recognition of a provision for class action, compared

to a one-off pre-tax earning of NIS 14 million in the reporting period as a result of the sale of the IRA portfolio, which was owned by Halman Aldubi.

In the reporting period, adjusted EBITDA decreased to NIS 122 million compared with NIS 127 million in the corresponding period last year.

Set forth below is an analysis of the main effects and changes on the results of the asset management activity - Retirement (Pension and Provident) for the fourth quarter of 2023 compared to the corresponding quarter last year (in NIS million):



Results

Q4-23	***17***	***(5)***	***(3)***	***9***
Q4-22	*18*	*(2)*	-	*16*

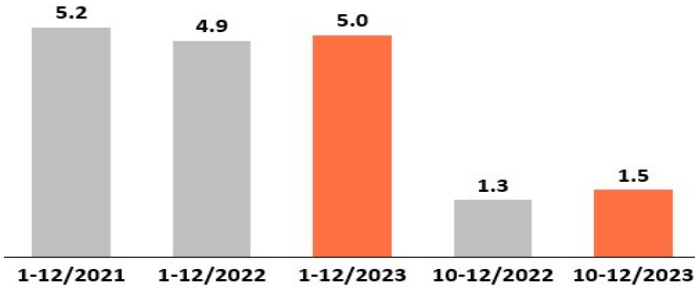
5.6.1.1. Provident funds subsegment

The Group manages provident and advanced education funds through The Phoenix Pension and Provident, a wholly owned subsidiary of the Company, which manages benefits and severance pay funds, advanced education funds, a central benefits and severance pay fund, a guaranteed-return 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.

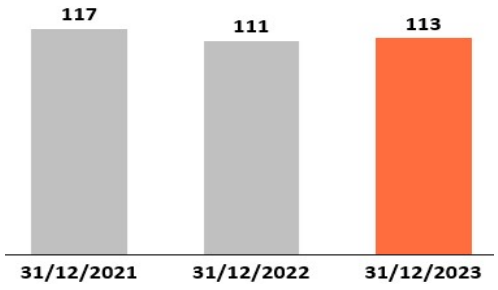
The pre-tax comprehensive income in the reporting year amounted to approx. NIS 62 million compared to approx. NIS 78 million in the corresponding period last year.

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

Contributions towards benefits (NIS billion)



Assets under management (NIS billion)



Based on Ministry of Finance data,[5] aggregate contributions towards benefits in the provident funds subsegment in the reporting year totaled approx. NIS 51.4 billion, compared to a total of approx. NIS 51.8 billion last year, reflecting an increase of approx. 0.77%.According to Ministry of Finance data, as of December 31, 2023, total assets under management in the provident funds subsegment amounted to a total of approx. NIS 720 billion, compared to approx. NIS 648 billion on December 31 2022, a increase of approx. 11.13%.

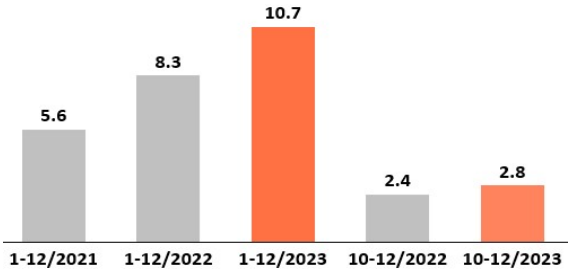
5.6.1.2. Pension funds subsegment

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

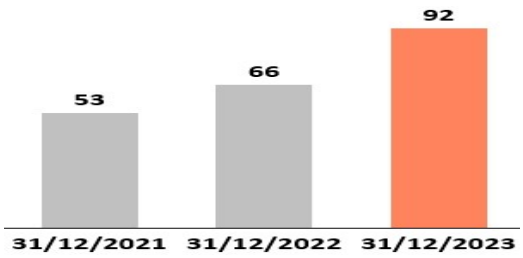
The pre-tax comprehensive income in the reporting year amounted to approx. NIS 11 million compared to approx. NIS 11 million in the corresponding period last year.

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

Contributions towards benefits (NIS billion)



Assets under management (NIS billion)



Based on Ministry of Finance data,[6] aggregate contributions towards benefits in the new comprehensive pension funds subsegment in the reporting year totaled approx. NIS 67.4 billion, compared to a total of approx. NIS 58.6 billion in the corresponding period last year, reflecting an increase of approx. 15.1%.

According to Ministry of Finance data, as of December 31, 2023, total assets under management in the new comprehensive pension funds subsegment amounted to a total of approx. NIS 728 billion, compared to approx. NIS 605 billion on December 31, 2022, an increase of approx. 20.3%.

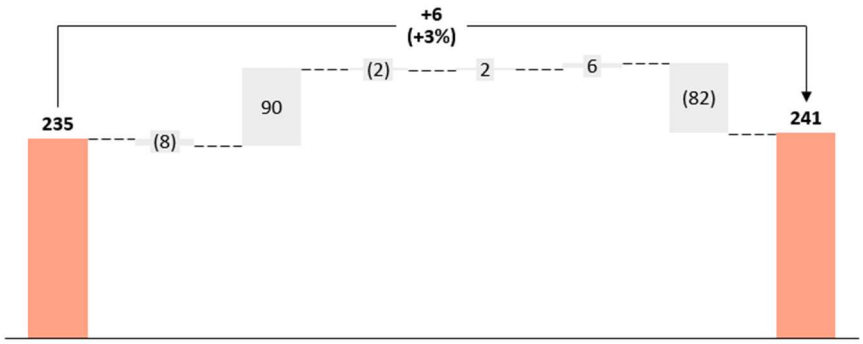
[5] Based on Gemel Net data.
[6] Based on Pension Net data.

In November 2021, an amendment was enacted, which supersedes the existing mechanism for ensuring the stability of pension fund savings in the **old and new** pension funds through designated bonds with a new mechanism that ensures stability by supplementing returns. According to the said legislative amendment, as of October 2022, in lieu of designated bonds, the state will undertake to supplement pension fund returns up to a rate of 5.15% for pension funds assets accumulated since the amendment's effective date, and the pension fund assets underlying the commitment to supplement the returns will be invested in the capital market.

5.6.2. Asset management - Investment House and Wealth

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.

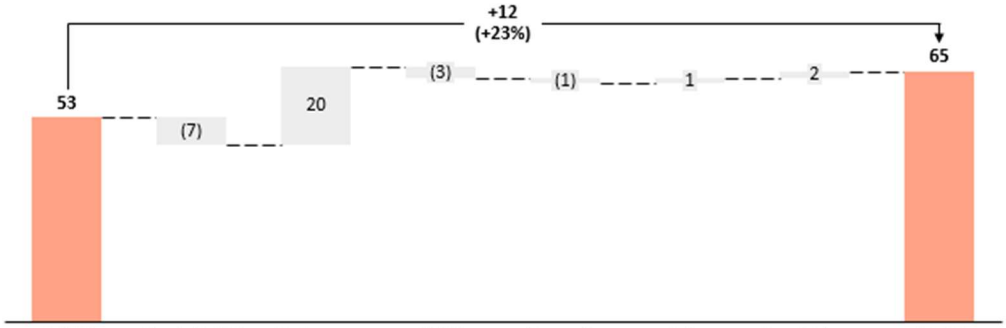
Following is an analysis of the main effects and changes on the results of Investment House and Wealth Segment for the reporting year compared to last year (in NIS million):



Results							
1-12/2023	*61*	*162*	*16*	*10*	*10*	*(18)*	*241*
1-12/2022	*69*	*72*	*18*	*8*	*4*	*64*	*235*

The increase of approx. NIS 6 million in profitability in the reporting period compared with the corresponding period last year arises mainly from an improvement of approx. NIS 90 million in the profitability of the TASE Member, which was partially offset against a decrease in income of approx. NIS 82 million, mainly as a result of the recognition of a one-off capital gain from assuming control in The Phoenix Capital last year. Adjusted EBITDA increased to NIS 347 million in the reporting period compared with NIS 230 million in the corresponding period last year. Adjusted EBITDA in the reporting period, net of non-controlling interest is NIS 289 million.

Set forth below is an analysis of the main effects and changes on the results of the Investment House and Wealth Segment for the fourth quarter of 2023 compared to the corresponding quarter last year (in NIS million):

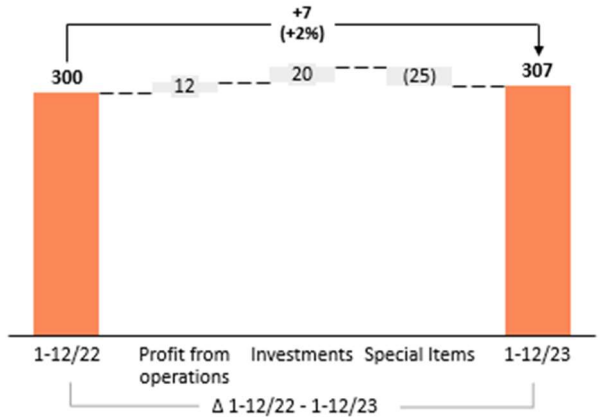


Results							
Q4-23	21	42	3	0	2	(3)	65
Q4-22	28	22	6	1	1	(5)	53

The approx. NIS 12 million increase in operating income in the reporting period compared to the corresponding period last year arises mainly from an improvement of approx. NIS 20 million improvement in the operating income of the TASE Member.

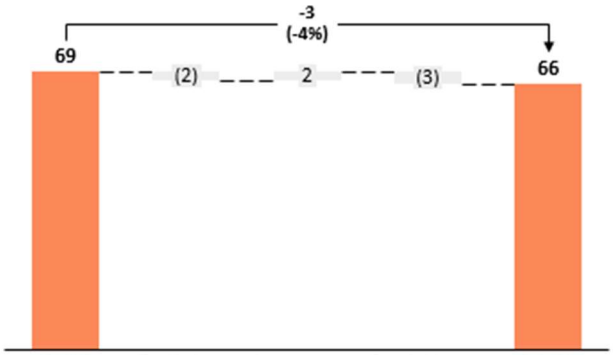
5.6.3. Distribution (agencies)

Following is an analysis of the main effects and changes on the results of the Distribution (Agencies) Segment for the reporting year compared to last year (in NIS million):



Results				
1-12/2023	290	24	(7)	307
1-12/2022	278	4	18	300

Set forth below is an analysis of the main effects and changes on the results of the Distribution (Agencies) Segment for the fourth quarter of 2023 compared to the corresponding quarter last year (in NIS million):



Results				
Q4-23	***69***	***4***	***(7)***	***66***
Q4-22	*71*	*2*	*(4)*	*69*

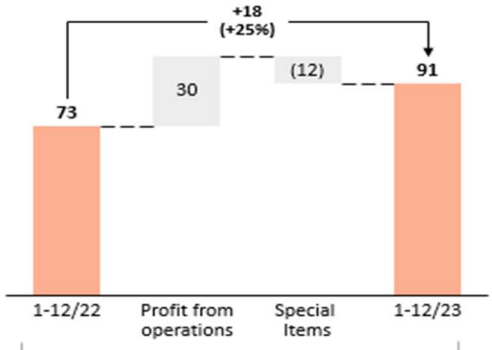
In the reporting year, hiring of new employees in Israel was down, which led to a decrease in income from fees and commissions. On the other hand, adjusted EBITDA increased to NIS 332 million compared with NIS 324 million in the corresponding period last year. Adjusted EBITDA in the reporting period, net of non-controlling interest is NIS 228 million.

As to the option of introducing an international partner to The Phoenix Agencies, see Section 1.3.15 above.

5.6.4. Credit

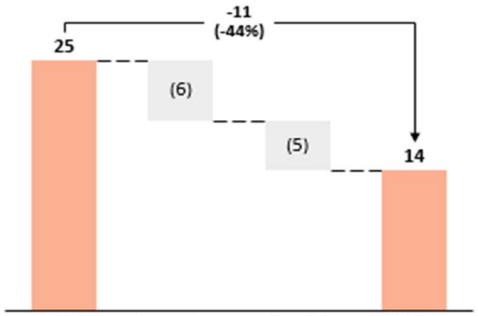
In August 2023, The Phoenix Investments executed a full tender offer in respect of Gama's shares; after the acquisition of all the offerees' shares, Gama became a privately held company (reporting corporation), which is wholly owned by The Phoenix Investments; for further details, see Section 1.3.12 above.

Following is an analysis of the main effects and changes on the results of the Credit Segment for the reporting year compared to last year (in NIS million):



Results			
1-12/2023	***103***	***(12)***	***91***
1-12/2022	*73*	*-*	*73*

Set forth below is an analysis of the main effects and changes on the results of the Credit Segment for the fourth quarter of 2023 compared to the corresponding quarter last year (in NIS million):



Results

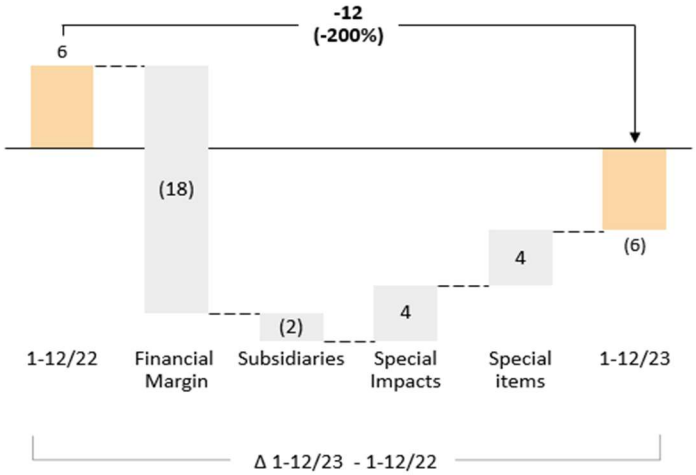
Q4-23	***19***	***(5)***	***14***
Q4-22	*25*	*-*	*25*

The increase in operating income in the reporting year compared with 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. Adjusted EBITDA increased to NIS 125 million compared with NIS 88 million in the corresponding period last year.

Gama's credit loss expenses in the reporting period amounted to approx. NIS 12.7 million, of which NIS 3.5 million is recorded in respect of a general provision for debts in the credit portfolio, which are ordinary debts.

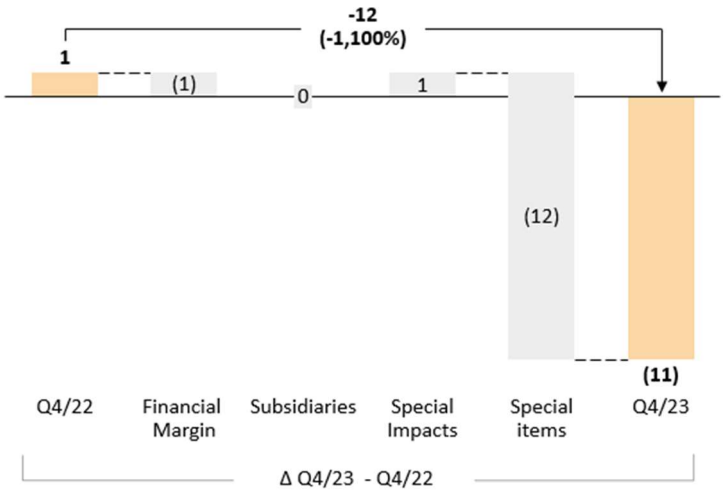
5.6.5. Other segments and operation not attributed to the operating segments

Set forth below is an analysis of the main effects and changes on the results of Other Segment and activity that is not attributed to operating segments in the reporting year compared to last year (in NIS million, before tax):



Results					
1-12/2023	13	(2)	(21)	4	(6)
1-12/2022	31	-	(25)	-	6

Set forth below is an analysis of the main effects and changes on the results of "other" operating segment that is not attributed to activity segments in the fourth quarter of 2023 compared to the corresponding quarter last year (in NIS million, before tax):



Results					
Q4-23	2	-	(1)	(12)	(11)
Q4-22	3	-	(2)	-	1

5.7. Analysis of cash flow development

5.7.1. Cash flow in 2023

The consolidated cash flows from operating activities in the reporting year amounted to approx. NIS 2,182 million. The consolidated cash flows used for investing activities in the reporting year amounted to approx. NIS 1,462 million and included mainly a total of approx. NIS 649 million used to purchase intangible assets and to capitalize costs of intangible assets, approx. NIS 389 million used to purchase property, plant, and equipment, and a total of approx. NIS 344 million used to acquire minority interests in a consolidated company.

The consolidated cash flow provided by financing activities in the reporting year amounted to approx. NIS 1,839 million; the cash flows included, among other things, a total of approx. NIS 2,440 million arising from the issuance of financial liabilities, a total of approx. NIS 1,162 million arising from undertakings for repurchase government bonds and MAKAMs (T-bills), a total of NIS 751 million used to repay financial liabilities and a total of approx. NIS 408 million used for short-term credit from banking corporations, net.

The Group's cash and cash-equivalent balances increased from a total of approx. NIS 19,798 million at the beginning of the reporting year to approx. NIS 22,357 million at the end of the reporting year.

5.7.2. Funding sources 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, which is traded on the TACT-Institutionals trading platform as a source of liquidity, and classifies this holding as a financial investment.

B. The Phoenix Pension and Provident - the dividend paid by The Phoenix Pension and Provident depend on the capital requirements set by the Banking Supervision Department, and on The Phoenix Pension and Provident's dividend distribution policy. The Company does not expect payment of dividend by The Phoenix Pension and Provident in the next two years. However, for

purposes of the future cash flow, the Company takes into account the repayment of the loan it extended to The Phoenix Pension and Provident.

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

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

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

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

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

	As of December 31 2023	As of December 31 2022
	NIS thousand	
Financial assets		
Cash and cash equivalents	525	160
Other financial investments	1,447	1,158
Total assets	1,971	1,319
Less current maturities		
Financial liabilities - current (*)	68	35
Current financial assets net of current maturities	**1,903**	**1,284**
Non-current financial liabilities		
Non-current financial liabilities	1,829	1,496
Other liabilities	-	10
Total liabilities	1,829	1,506
Excess (deficit) of assets over financial liabilities net	**74**	**(222)**
LTV (**)	**-**	**2%**

(*) The other financial investments include an investment in a Restricted Tier 1 capital instrument of The Phoenix Insurance, which is traded on the Tel Bond Index, amounting to NIS 1,336 million (fair value as of December 31, 2023 - approx. NIS 1,293 million; fair value as of December 31, 2022 - approx. NIS 906 million). For details regarding the arrangement of the listing of restricted Tier 1 capital of the Company, see Section 1.3.20 above.

(**) The Company LTV is calculated as net financial debt as described above, in relation to the Company's market value as of December 31, 2023. For the calculation of LTV in accordance with financial covenants, see Section 8.3 below.

For information about the dividend declared subsequent to the report date, see Section 1.3.24 above.

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

The Group's risk management activities are designed to support and protect the Group against unexpected losses, which might prevent it from achieving its business objectives. The existing risk management system is based on fundamental principles of risk management and controls, which include, inter alia, proper involvement and understanding of risk management by the Board of Directors, providing tools for assessing and measuring risk, and putting in place supervision and control measures in respect of those risks. The following chapter presents exposure to market risks; position data and sensitivity tests do not include the insurance company, which accounts for most of the activity in the consolidated company (for a description of the corporation's risks and risk management policies and supervision thereof, see Note 40 to the Financial Statements).

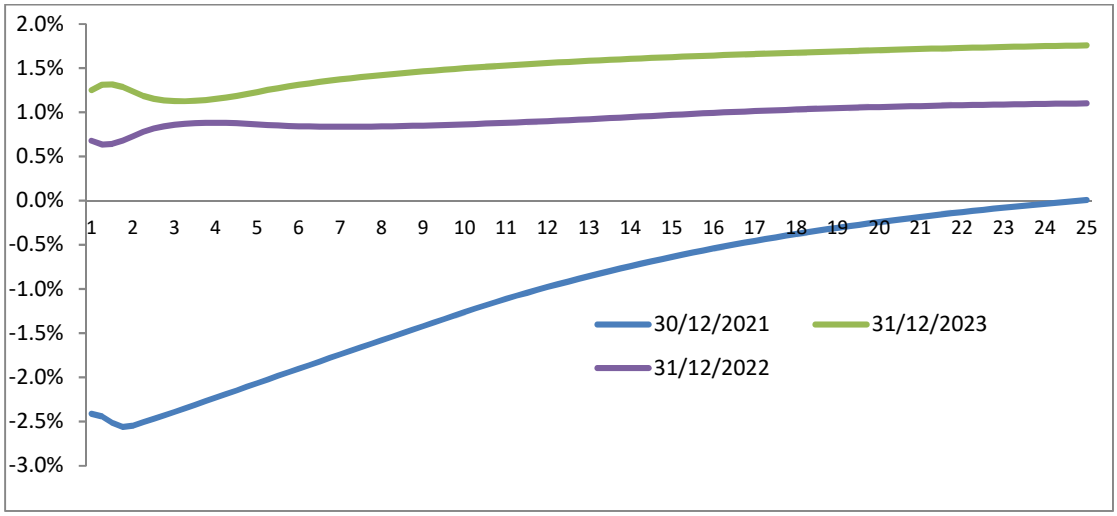
Definitions for this section:

1. The "**Group**" - The Phoenix Holdings, including its consolidated companies, with the exception of The Phoenix Insurance.
2. "**Nostro Assets**" - financial assets held by the Group.
3. "**Nostro Liabilities**" - the Group's financial liabilities.

The person in charge of market risk management in the corporation:

The person in charge of market risk management in the Group is Mr. Amit Netanel. The Chief Risk Officer received the full cooperation of the Company's management and Board of Directors in all matters required to fulfill his duties.

Following is the linked risk-free interest rate curve ("spot")



The following tables summarize the results of sensitivity tests for the nostro assets (as defined above) on comprehensive income before tax, as of December 31, 2023. The results are presented in NIS million, and do not include the insurance company:

Risk factor – CPI-linked interest rate

Type of instrument	Profit (loss) from changes in the risk factor			Fair value	Profit (loss) from changes in the risk factor		
	Absolute increase of 2%	10% increase	5% increase		5% decrease	Decrease of 10%	Absolute decrease of 2%
Government bonds	(0.9)	(0.1)	(0.0)	10.4	0.0	0.1	0.9
Corporate bonds	(7.5)	(0.5)	(0.3)	88.7	0.2	0.5	7.9
Capital note to the insurance company	(76.1)	(4.6)	(2.3)	1,448.1	2.3	4.6	82.1
Total assets	**(84.4)**	**(5.1)**	**(2.6)**	**1,547.2**	**2.6**	**5.1**	**90.8**
The Phoenix bonds*	53.2	3.5	1.7	(888.5)	(1.7)	(3.5)	(59.3)
Total liabilities	**53.2**	**3.5**	**1.7**	**(888.5)**	**(1.7)**	**(3.5)**	**(59.3)**
Total	**(31.3)**	**(1.7)**	**(0.9)**	**658.7**	**0.8**	**1.7**	**31.5**

(*) The value of The Phoenix's bonds according to the model approximates its market value. I.e., the credit spread embodied in The Phoenix's debt is identical to the average spread of a debt with a similar rating.

Risk factor - NIS interest rate

Type of instrument	Profit (loss) from changes in the risk factor			Fair value	Profit (loss) from changes in the risk factor		
	Absolute increase of 2%	10% increase	5% increase		5% decrease	Decrease of 10%	Absolute decrease of 2%
Government bonds	(1.8)	(0.4)	(0.2)	57.4	0.2	0.4	1.8
Corporate bonds	(5.7)	(1.0)	(0.5)	87.8	0.5	1.0	5.7
Total assets	**(7.5)**	**(1.4)**	**(0.7)**	**145.2**	**0.7**	**1.4**	**7.6**
Loans from banking corporations				(704.7)			
The Phoenix bonds*	42.5	8.4	4.2	(923.0)	(4.3)	(8.7)	(48.5)
Total liabilities	**42.5**	**8.4**	**4.2**	**(1,618.7)**	**(4.3)**	**(8.7)**	**(48.5)**
Total	**34.9**	**7.0**	**3.5**	**(1,473.5)**	**(3.6)**	**(7.2)**	**(40.9)**

(*) The value of The Phoenix's bonds under the model is 2.2% lower than their market value (944), the reason being that the credit spread reflected in The Phoenix's bonds is lower than the average spread for similarly rated bonds.

Risk factor - foreign interest rate

Type of instrument	Profit (loss) from changes in the risk factor			Fair value	Profit (loss) from changes in the risk factor		
	Absolute increase of 2%	10% increase	5% increase		5% decrease	Decrease of 10%	Absolute decrease of 2%
Corporate bonds	(5.6)	(1.1)	(0.5)	72.5	0.5	1.1	5.6
Forwards	0.0	0.0	0.0	(138.1)	0.0	0.0	0.0
Total assets	**(5.6)**	**(1.0)**	**(0.5)**	**(65.7)**	**0.6**	**1.1**	**5.6**
Total	**(5.6)**	**(1.0)**	**(0.5)**	**(65.7)**	**0.6**	**1.1**	**5.6**

Risk factor - foreign currency (basis risk)*

Type of instrument	Profit (loss) from changes in the risk factor		Fair value	Profit (loss) from changes in the risk factor	
	10% increase	5% increase		5% decrease	Decrease of 10%
Corporate bonds	1.1	0.5	72.5	(0.5)	(1.1)
Cash in foreign currency	1.9	1.0	19.3	(1.0)	(1.9)
Forwards	(13.8)	(6.9)	(138.0)	6.9	13.8
Foreign stocks	2.2	1.1	22.4	(1.1)	(2.2)
Total assets	**(8.6)**	**(4.3)**	**(23.7)**	**4.3**	**8.6**
Total	**(8.6)**	**(4.3)**	**(23.7)**	**4.3**	**8.6**

(*) The maximum daily increases and decreases observed were less than 10% in absolute value terms in the past 10 years across all relevant share indices.

Risk factor - Israeli shares (basis risk)*

Type of instrument	Profit (loss) from changes in the risk factor		Fair value	Profit (loss) from changes in the risk factor	
	10% increase	5% increase		5% decrease	Decrease of 10%
Israeli shares	36.7	18.4	**367.4**	(18.4)	(36.7)
Total assets	**36.7**	**18.4**	**367.4**	**(18.4)**	**(36.7)**
Total	**36.7**	**18.4**	**367.4**	**(18.4)**	**(36.7)**

(*) The maximum daily increases and decreases observed were less than 10% in absolute value terms in the past 10 years across all relevant share indices.

Risk factor - foreign shares*

Type of instrument	Profit (loss) from changes in the risk factor			Fair value	Profit (loss) from changes in the risk factor		
	Maximum increase	10% increase	5% increase		5% decrease	Decrease of 10%	Maximum decrease
Foreign stocks	2.6	2.2	1.1	22.4	(1.1)	(2.2)	(2.6)
Total assets	**2.6**	**2.2**	**1.1**	**22.4**	**(1.1)**	**(2.2)**	**(2.6)**
Total	**2.6**	**2.2**	**1.1**	**22.4**	**(1.1)**	**(2.2)**	**(2.6)**

(*) The maximum daily increases and decreases observed were less than 12% in absolute value terms in the past 10 years across all relevant share indices.

Assumptions underlying the calculations

Fair value: Fair value was calculated using the discounted cash flow model, using the suitable interest rate for the cash flow period. The discount rate was calculated based on the market interest rate for the cash flow period, plus the risk premium derived from the security's rating. Market interest rate data was taken from the database that feeds The Phoenix's risk management system, and risk premium data (credit spreads) were taken from Fair Spread.

Scenarios: Daily historical changes in the past ten years were tested for each of the relevant risk factors (such as exchange rates and shares). The maximum and minimum daily changes were calculated for each risk factor, excluding interest rate risk, for which the calculation was based on a 2% absolute increase/decrease during a single day. This scenario was selected after a study of the yield curve database found that in the past 10 years, no absolute change exceeding 2% was observed in any single day. These changes served as scenarios for potential changes in each of the risk factors. Scenario outcomes were calculated at the single asset level, so as to avoid distorting results by aggregating different instruments.

6.1. Gama Management and Clearing Ltd.

6.1.1. Officer in charge of management of credit risks in Gama

The officer in charge of management of credit risks in Gama is Mr. Haim Castro, VP Credit Risks Management in Gama. Mr. Haim Castro's key roles as the officer in charge of management of credit risks include: identifying and assessing the credit exposures; creation and management of control mechanisms; assessing credit applications and placing controls over Gama's compliance with the credit procedures approved by its Board of Directors. The Gama's Chief Risk Officer receives the full cooperation of the Company's management and Board of Directors in all matters required to fulfill his duties. It should be noted that the management of the credit risks is carried out in accordance with a policy outlined by the Company's Board of Directors (for more information, see Section 54.3(a) to Part A to Gama's annual report).

In addition, it should be noted that on January 3, 2023, Gama's Board of Directors appointed Mr. Castro as the company's Chief Risk Officer, alongside the appointment of a new officer - Ms. Livnat Nizri - as Gama's VP Credit. For more information on this issue, see Section 54 to Part A to Gama's annual report.

6.1.2. Description of the market risks to which Gama is exposed

The market risks to which Gama is exposed include, among other things, a deterioration in economic conditions in Israel, interest rate hikes, credit risks, financing sources, liquidity and collection risks. For a description of the risks to which Gama is exposed, the procedures in place in respect thereof and the monitoring of those risks, see Section 54 in Chapter A to Gama's annual report.

6.1.3. **Supervision of the market risk management policy and the implementation of this policy**

From time to time and if necessary, Gama's management and Board of Directors discuss the market risks to which Gama is exposed.

6.1.4. **Linkage bases report**

Gama's assets and liabilities are not linked to any linkage bases, except for immaterial amounts.

6.1.5. **Sensitivity tests**

For a description of the sensitivity tests conducted by Gama, see Section 54 to Part A to Gama's annual report.

7. Corporate Governance Aspects

7.1. Disclosure on directors with accounting and financial expertise

For further details about directors possessing financial accounting expertise, see the corporate governance questionnaire attached to the corporation's reports.

7.2. Compensation of senior officers

As a rule, contracts with the Company's senior officers comply with the Company's compensation policy and are based on individual agreements between each officer and the Company. These agreements specify the officer's salaries, social benefits, ancillary payments, retirement terms, and post-employment non-compete clauses. All employment terms and conditions are based on the responsibilities and complexities of the officer's position with the Company.

For details concerning compensation paid to the five highest-paid officers in the Company or companies under its control, see Regulation 21 in the Periodic Report.

7.3. Disclosure on the percentage of independent directors

For further details about the percentage of independent directors, see the corporate governance questionnaire attached to the corporation's reports.

7.4. Effectiveness of Internal Control over Financial Reporting and Disclosure

7.4.1. The Securities Regulations

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

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

The reports and statements required in accordance with the ISOX amendment are attached below to the periodic Financial Statements, see Part 6 - 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, see Section 7.4.2 below.

7.4.2. The Insurance Commissioner's Circulars

Alongside the process described in Section 7.4.1 above, The Phoenix group's institutional entities apply the provisions of Management's Responsibility Circulars pertaining to controls and procedures regarding disclosure and internal controls over financial reporting of an institutional entity, and implement the procedures required in connection therewith, as described below; this is done in accordance with the stages and dates set out in the above-mentioned circulars and in collaboration with external consultants engaged for that purpose. As part of this process, the Group's institutional entities adopted the internal control model of COSO - the Committee of Sponsoring Organization of the Treadway Commission - which is a generally accepted framework for assessment of internal controls.

- **Disclosure controls and procedures**

  Managements of the institutional entities, together with their CEOs and CFOs, assessed - as of the end of the period covered in this report - the effectiveness of the controls and procedures concerning the said institutional entities' disclosure in their Financial Reports. 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 reporting period ending December 31 2023, no changes took place in the internal control over financial reporting of the Group's institutional entities that had a material effect, or is expected to have a material effect, on the institutional entities' internal control over financial reporting. Furthermore, the Group's institutional entities are improving and streamlining processes and/or internal controls and/or customer service.

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

7.5. Disclosure on the Financial Statements' approval process in a reporting entity

Pursuant to the Israel Securities Authority's directive on disclosures required in the Report of the Board of Directors as to the Financial Statements' approval process in a reporting entity, the corporate organs charged with governance in the corporation should be identified, and disclosure must be made of the procedures implemented by those charged with governance in the corporation, prior to the Financial Statements' approval. The directive does not apply to insurance companies. The Group's institutional entities are subject to the Supervisor's directives, and accordingly follow Sections 404 and 302 to the Sarbanes-Oxley Act of 2002 (hereinafter - "**SOX**"), including review of work processes and internal controls in institutional entities. The Financial Statements of the said institutional entities include managers' statements as to the fairness of the financial data presented in the Financial Statements and the existence and effectiveness of internal controls in relation to these Financial Statements. For further details, see Section 5.4 to the Report on the Corporation's Business.

As part of the review of the financial results, meetings are held which are attended by the CEO, the CFO, division heads and other relevant officers, in which participants discuss material issues concerning financial reporting, including material transactions outside the ordinary course of business, material valuations used in the Financial Statements, the reasonability of the data and the accounting policies applied.

The Company's Board of Directors is the organ charged with governance and approval of the Financial Statements. The Company's Board of Directors has appointed a Financial Statements Review Committee (hereinafter - the "**Balance Sheet Committee**" or the "**Committee**"); the Committee submits to the Board of Directors its recommendations concerning the approval of the Financial Statements, prior to their approval by the Board. The Committee is not an Audit Committee.

7.6. Company policies regarding donations/corporate social responsibility

The Company, which regards itself ass an integral part of Israeli society, giving back to the community is at the core of the Company's values, and is something it implements, encourages its employees to practice, and works to achieve through collaborations with NGOs and social organizations, and financial donations, with the aim of giving back to the community in which it operates its businesses.

The Company supports a broad range of activities in various fields, such as supporting hospitals, social and welfare services, distribution of food parcels for disadvantaged groups, aid organizations supporting women and teenage girls, preparation for military service, education, culture and art, and more. In order to implement its policy in an optimal manner, the Company appointed a Community Relations Committee, which convenes from time to

time to assess donation applications submitted to the Company by social organizations and other charities. The Company formulated a revised community outreach strategy, which will reflect The Phoenix's leading position and innovation also in its community outreach activity, by strengthening the link to the community in general, and in particular through the Company's involvement in a number of NGOs that focus on youth education activities in the periphery, and at the same time by encouraging employees volunteering in line with the business strategy. In order to implement the strategy, the Company selected key NGOs, which is being supported and will continue to be supported by the Company over a substantial period, with a view to develop engagement and collaboration therewith, while maintaining continuous monitoring and contact with those NGOs in order to promote their goals.

At the same time, and out of global responsibility, the Company collaborates with NGOs to reduce greenhouse gas emissions.

Furthermore, upon the outbreak of the Iron Swords War, the Company decided to adopt the Barzilai Medical Center in Ashkelon, which is located in the southern front. As part of the said adoption, the Company and business partners from across the world secured a significant donation of approx. six million dollars. Set forth below are the key NGOs:

- **Technoda Hadera - The Phoenix class** - This science and technology education center provides research, science and technology activities to many children, youth and adults every year.

  The center is located at the heart of the Gi'vat Olga neighborhood, which is home to disadvantaged population groups, many of whom are new immigrants from Ethiopia and Caucasus. This educational program constitutes a unique and interactive learning environment. The Phoenix has undertaken to invest in and provide support to one class starting from year one, with the aim of helping these special children to reach academic success, while enriching their knowledge and capabilities in the field of science and technology.
- **Nitzanim** - a leading joint program in collaboration with IDF's Computer and IT Directorate, led by the "Benetivey Udi" charity, whose goal is to increase the numbers of youngsters from the social and geographic periphery of Israel who serve in computer, software and high-tech roles when they join the IDF.
- **Maglan Friends Association** - supporting the "Ir B'Maof" program, which is a project for empowerment and social outreach in Kiryat Malakhi. The program includes long-term support to youth from year ten until they join the IDF and during their service in the military; the program aims to equip youngsters with a sense of competence, and a range of life skills and tools. The program focuses on preparing youth for a meaningful service in the IDF as a platform for integration in Israeli society and business sphere.

- **The 8200 Alumni Association in collaboration with the Follow Me! NGO -** a program with extensive national and social deployment for closing gaps and promoting equal opportunity by exposing youth to the field of technology, and allowing them to gain experiences in this field, while equipping them with tools and values of social responsibility and preparing them to a significant service in the IDF.
- **Lend a Hand to a Special Child** - setting up "The Phoenix Unit" as part of the "Special in Uniform" program at the Israeli Air Force base in Palmachim. The program focuses on integrating youth with disabilities in the IDF, as a key to success in life.
- **"Darca"** - a national network of schools that supports and assists schools in the periphery. As part of this activity, the Company adopts the Lehman school in Dimona.
- **"Football on the Spectrum"** - as part of the activity of "Hapoel Jerusalem F.C.", a social sports club was set up to empower high and medium functioning children on the autistic spectrum, and to promote. coexistence through football, accepting the other and empowering the weak.
- **Assistance to the "Migdal Ohr" institutional network** – a charity with a country-wide network of schools and education programs in Migdal Haemek catering for thousands of at-risk children from all walks of life in Israeli society - from infancy to adolescence.

In addition, the Company supports many NGOs, such as:

- **"Adopt a Warrior" - Soldiers of Regiment 77**
- **"HaHevre Hatovim"**
- **"Yad Vashem"**
- **"Tal Center" - "Stop Cancer"**
- **Pre-Military Academies**
- **Michal Sela Forum**

The Company's monetary donations in the reporting year amounted to approx. NIS 10 million. The donations were donated directly to the various organizations and NGOs.

7.7. Company's policy regarding negligible transactions

For further details on the Company's policy regarding negligible transactions, see Note 42 to the Financial Statements.

7.8. Internal auditor

For further details on the internal auditor and the establishment of an internal audit function in the Company – see Part E, Section 5.2 to the Report on the Corporation's Business.

7.9. Independent Auditor

For further details on the Company's independent auditor, see Part E, Section 5.3 to Report on the Corporation's Business.

8. Disclosure Provisions Relating to the Corporation's Financial Reporting

8.1. Events subsequent to the balance sheet date

For further details regarding events subsequent to the balance sheet date, see Note 44 to the Financial Statements.

8.2. Reporting critical accounting estimates

The Company does not make use of critical accounting estimates, the use of which and/or a reasonable change in which could have a significant impact on the Group's financial position and/or financial performance. For further details, see Note 2 to the Financial Statements.

8.3. Dedicated disclosure for the Company's bondholders

Series/issuance date	Bonds (Series 4)	Bonds (Series 5)	Bonds (Series 6)
Rating agency	Midroog / Ma'alot	Midroog / Ma'alot	Midroog / Ma'alot
Rating as of the report date	Aa2.il / ilAA-	Aa2.il / ilAA-	Aa2.il / ilAA-
Par value on issuance date	NIS 487,564,542	NIS 957,578,000 (2)	NIS 737,650,000 (1)
Interest type	Non-linked	CPI-linked	Non-linked
Nominal interest	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	0.44%	1.94%
Effective interest rate on issue date	1.7%	0.55% (2)	4.6% (1)
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 December 31, 2023	NIS 398 million	NIS 892 million	NIS 613 million
CPI-linked nominal p.v. as of December 31, 2023	NIS 398 million	NIS 992 million	NIS 613 million
Carrying amount of bonds' outstanding balances as of December 31, 2023	Approx. NIS 397 million	Approx. NIS 956 million	Approx. NIS 541 million
Carrying amount of interest payable as of December 31, 2023	Approx. NIS 4 million	Approx. NIS 0.7 million	-
Market Value as of December 31, 2023 (3)	Approx. NIS 411 million	Approx. NIS 897 million	Approx. NIS 536 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

1) Bonds (Series 6) - An expansion of NIS 172 million p.v. was carried out in January 2023.In June 2023, a buyback of NIS 124 million par value of the original number of Bonds (Series 6) was carried out. An expansion of NIS 265 million p.v. was carried out in October 2023.
2) Bonds (Series 5) - An expansion of NIS 135 million p.v. was carried out in October 2023.
3) The market value includes interest accrued as of December 31, 2023.

Contractual restrictions and financial covenants

As part of the deed of trust of the Company's Bonds (Series 4), the Company undertook not to place a general floating charge on its assets as long as the Bonds (Series 4) have not been repaid in full, unless it obtains the bondholders' consent in advance and placed on that date a charge of the same rank in favor of the Series 4 bondholders. Furthermore, with respect to Bonds (Series 4), 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, see the Shelf Offering Report dated May 7, 2019.

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

Furthermore, with respect to Bonds (Series 5), 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, see the shelf offering report dated February 20, 2020.

As part of the deed of trust of the Company's Bonds (Series 6) the Company undertook not to place a general floating charge on its assets as long as Bonds (Series 6) 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 Bonds (Series 6), 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, 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 December 31, 2023 was approx. 0.9% (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 December 31, 2023, was approx. NIS 10,580 million, which is higher than the above required shareholders' equity.
For further details – see Note 27 to the Company's Financial Statements as of December 31, 2023.

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

Benjamin Gabbay **Chairman of the Board of Directors**	**Eyal Ben Simon** **Chief Executive Officer**

March 26, 2024

Phoenix

Part 3

Financial Statements – The Phoenix Holdings



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Report of Independent Auditors to the Shareholders of The Phoenix Holdings Ltd.
Regarding Audit of the Components of the Internal Control over Financial Reporting in accordance with Section 9B(c) to the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited components of internal control over financial reporting of The Phoenix Holdings Ltd. and its subsidiaries (hereinafter, jointly: the "Company") as of December 31, 2023. These components of internal control were set as explained in the following paragraph. The Company's Board of Directors and management are responsible for maintaining effective internal control over financial reporting, and for assessing the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for the said date. Our responsibility is to express an opinion on the components of internal control over financial reporting based on our audit.

Components of internal control over financial reporting were audited by us according to Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of the Components of the Internal Control over Financial Reporting" (hereinafter: Audit Standard (Israel) 911"). These components are: (1) entity-level controls, including controls on the preparation process and closing of the financial reporting and information technology general controls, (2) controls over processes which are very material for the financial reporting and disclosure of The Phoenix Insurance Company Ltd. and other material consolidated companies (hereinafter - the "audited control components").

We conducted our audits in accordance with Auditing Standard (Israel) 911. This standard requires that we plan and perform the audit to identify the audited control components and to obtain reasonable assurance whether these control components have been maintained effectively in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists in the audited control components, as well as reviewing and assessing the effectiveness of the planning and maintenance of these control components based on the assessed risk. Our audit of these control components included performing such other procedures as we considered necessary under the circumstances. Our audit focused only on the audited control components, unlike internal control of all material processes relating to financial reporting, and therefore our opinion refers only to the audited control components. In addition, our audit did not take into account the mutual effects between the audited control components and those which are not audited, and therefore our opinion does not take into account such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Due to inherent limitations, internal control over financial reporting in general, and components of internal controls in particular, may not prevent or detect a misstatement. In addition, making projections on the basis of any evaluation of effectiveness is subject to the risk that controls may become inadequate due to changes in circumstances, or that the degree of compliance with the policies or procedures may be adversely affected.

In our opinion, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2023.

We also audited, in accordance with the generally accepted auditing standards in Israel, the Company's financial statements as of December 31, 2023 and 2022 and for each of the three years ended on December 31, 2023, and our report, of March 26, 2024 included an unqualified opinion on these financial statements as well as an emphasis of matter to that which is stated in Note 43 to the consolidated financial statements regarding exposure to contingent liabilities.

Tel Aviv,
March 26, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

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Report of the Independent Auditor

to the Shareholders of The Phoenix Holdings Ltd.

We have audited the consolidated statements of financial position of The Phoenix Holdings Ltd. (hereinafter – the "Company") as of December 31, 2023 and 2022 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion of these financial statements based on our audit.

We did not audit the financial statements of certain consolidated subsidiaries, the assets of which have been consolidated and which constitute approx. 2.4% and 2.4% of total consolidated assets as of December 31, 2023 and 2022, and the income of which is consolidated and constitute approx. 1.8%, approx. 2.9% and approx. 0.6% of total consolidated income for the years ended December 31, 2023, 2022 and 2021, respectively. Furthermore, we did not audit the financial statements of equity-accounted companies, the investment in which amounted to NIS 750,356 thousand and NIS 956,575 thousand as of December 31, 2023 and 2022, respectively, and the Company's share in the profits of which amounted to NIS 34,477 thousand, NIS 42,717 thousand and 82,094 thousand for the years ended December 31, 2023, 2022 and 2021, respectively. The financial statements of the above companies were audited by other independent auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other independent auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those set forth in the Certified Public Accountants (Modus Operandi of Certified Public Accountant) Regulations, 1973. These standards require that we plan and perform the audit in order to obtain a reasonable degree of assurance that the financial statements do not contain material misstatement. An audit involves examining, on a sample basis, evidence supporting the amounts and information included in the financial statements. An audit also involves assessing the accounting principles used, and significant estimates made, by the Board of Directors and management of the Company, as well as evaluating the overall presentation of the financial statements. We believe that our audits and the reports of other independent auditors provide an adequate basis for our opinion.

In our opinion, based on our audit and the reports of the other independent auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2023 and 2022 and their operating results, changes in equity and cash flows for each of the three years in the period ended December 31, 2023, in accordance with Securities Regulations (Annual Financial Statements), 2010, which pertain to holding companies of insurers, as described in Note 2A.

Without qualifying our opinion, we would like to draw attention to that which is stated in Note 43 to the Financial Statements regarding exposure to contingent liabilities.

Key audit matters:

The key audit matters listed below are those matters that were communicated or should have been communicated to the Company's Board of Directors, and which in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters include, among other things, any matter that: (1) Relates, or may relate to material items or disclosures on the financial statements; and (2) our judgment in connection therewith was particularly challenging, subjective or complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. Communicating these matters, as set forth below, does not alter our opinion on the consolidated financial statements as a whole, and we do not use their communication to provide a separate opinion on these matters, nor on the items or disclosures to which they relate.

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1. Measurement of Liabilities in respect of life and health insurance contracts:

The financial statements as of December 31, 2023 include material liabilities in respect of non-yield-dependent life and health insurance contracts, at the total amount of NIS 16,683,524 thousand, and material liabilities in respect of yield-dependent life and health insurance contracts at the total amount of NIS 79,185,512 thousand, as described in Notes 17 and 18 to the consolidated financial statements.

As described in Notes 2J and 41(5.1) to the consolidated financial statements, the liabilities in respect of yield-dependent and non-yield-dependent life and health insurance contracts are measured in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (regulations and circulars), in accordance with the requirements of IFRS 4, Insurance contracts, and generally accepted actuarial methods. The liabilities in respect of life and health insurance contracts are measured, among other things, based on an actuarial valuation, executed by the supervisor actuary in a consolidated insurance company according to the relevant coverage data, such as: the age and gender of the policyholder, number of years of coverage and type and amount of insurance, etc.

A significant part of the reserves in respect of life and health insurance contracts is based on actuarial assessments and various assumptions, and therefore involve inherent uncertainty. These reserves mainly include:

- Supplementary reserve for pension.
- Liability Adequacy Testing (LAT) reserve.
- Reserve in respect of paid pension and ongoing claims being paid in long-term care insurance and disability insurance.

The key assumptions used in the measurement of the above liabilities include, rebates, cancellations, operating expenses, return, interest rates, illiquidity premium, mortality, disability, pension uptake rates, and morbidity rates. The assumptions are assessed by the Company's supervisor actuary each year on the basis tests, past experience and other relevant studies.

Due to the inherent uncertainty of the estimates used to measure the liability in respect of life and health insurance contracts, we reached the conclusion that the measurement of the liability in respect of life and health insurance contracts is a key audit matter.

Key audit procedures implemented to address the key audit matter

The audit procedures we implemented to the measurement of the liabilities in respect of life and health insurance contracts included the following procedures:

- We assessed the planning and implementation of internal controls relating to the measurement of liabilities in respect of life and health insurance contracts, and conducted procedures to test the effectiveness of those internal controls, including the key controls applied to the IT systems used for data processing and the flow of information for financial reporting purposes.
- We checked that the methodology used to measure the liabilities in respect of life and health insurance contracts is implemented in accordance with the requirements of IFRS 4 regarding "Insurance Contracts", and the requirements set by the Commissioner of the Capital Market, Insurance and Savings.
- We checked, with the assistance of actuarial experts on our behalf and based on a sample and our risk assessment, the reasonableness of the significant assumptions and data used as the basis for the models implemented to measure the liabilities in respect of life and health insurance contracts.
- We implemented analytical procedures in order to identify and analyze extraordinary material changes.
- We checked, with the assistance of actuarial experts on our behalf and based on a sample and our risk assessment, material studies conducted by the consolidated insurance company during the reporting period, and their implementation in the calculation of the reserves.

Furthermore, we assessed the appropriateness of the key disclosures regarding liabilities in respect of life and health insurance contracts in the consolidated financial statements.

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2. Measurement of liabilities in respect of insurance contracts in property and casualty insurance:

The financial statements as of December 31, 2023 include material liabilities in respect of property and casualty insurance contracts at the total amount of NIS 7,850,579 thousand, as described in Note 19 to the consolidated financial statements.

As described in Note 2J and 41(5.2) to the consolidated financial statements, these liabilities are measured in accordance with the estimated cost of settling the insurance claims, and include the expected cost of the incurred but not yet reported claims (IBNR) and the incurred but not enough reported reserves (IBNER), provision for unearned premium, provision for premium deficiency and direct and indirect expenses incurred in the settlement of claims.

The measurement of the liabilities in respect of insurance contracts in property and casualty insurance is mainly based on actuarial assessments. The actuarial assessment is based on statistical estimates that include a component of uncertainty. The statistical estimates are based on various assumptions, which will not necessarily materialize. The assumptions used in the actuarial forecast affect the measurement of the reserve. The actual cost of claims may be higher or lower than the statistical estimates.

In some of the insurance subsegments the inherent uncertainty is higher, especially in claims in the compulsory motor and liability subsegments that are characterized by a "long tail", which means that often a long-time elapses from the date of the incident until the claim's final settlement date. Note 19 to the consolidated financial statements presents the development of the liability in the compulsory motor and liability subsegments.

Due to the inherent uncertainty of the estimates used to measure the liability in respect of property and casualty insurance contracts, we reached the conclusion that the measurement of the liability in respect of property and casualty insurance contracts is a key audit matter.

Key audit procedures implemented to address the key audit matter

The audit procedures we implemented to the measurement of the liabilities in respect of property and casualty insurance contracts included the following procedures:

- We assessed the planning and implementation of internal controls relating to the measurement of liabilities in respect of property and casualty insurance contracts, and conducted procedures to test the effectiveness of those internal controls, including the controls applied to the IT systems used for data processing and the flow of information for financial reporting purposes.
- We checked that the methodology used to measure the liabilities in respect of property and casualty insurance contracts is implemented in accordance with the requirements of IFRS 4 regarding "Insurance Contracts", and the requirements set by the Commissioner of the Capital Market, Insurance and Savings.
- We checked, with the assistance of actuarial experts on our behalf and based on a sample and our risk assessment, the reasonableness of the significant assumptions and data used as the basis for the models implemented to measure the liabilities in respect of property and casualty insurance contracts.
- We implemented analytical procedures in order to identify and analyze extraordinary material changes.

Furthermore, we assessed the appropriateness of the key disclosures regarding liabilities in respect of property and casualty insurance contracts in the consolidated financial statements.

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3. Measurement of the fair value of illiquid investments:

As described in Notes 9, 13 and 14 to the consolidated financial statements, the balance of illiquid investments and the balance of the investment property as of December 31, 2023 amount to approx. NIS 53,981 million and approx. NIS 3,522 million, respectively.

The fair value of illiquid debt assets, which are measured at fair value, and the fair value of illiquid financial debt assets, for which fair value information is provided solely for disclosure purposes, is determined by discounting the estimated future cash flows from those assets. The interest rates used to discount the cash flows are set by Fair Spread.

The fair value of investments in illiquid shares is based mainly on external appraisals, and in investment and hedge funds it is mainly based on the fair value of the underlying assets or appraisals, and is set in accordance with the fund's reports. Valuation techniques are subjective in nature, rely on various assumptions, and use estimates that have a significant effect on the fair value.

The fair value of investment property is based on appraisals conducted by external appraisers, and include estimates and assumptions such as estimated rent and discount rates.

In some of the illiquid investments, especially those classified to level 3 in the fair value hierarchy in accordance with IFRS 13, such as illiquid shares, investment funds and investment property, the inherent uncertainty in the fair value measurement is high, since this measurement includes data, which are not based on observable market inputs.

Changes in estimates, assumptions or valuations that were used as part of the appraisals may have a significant influence on the measurement of the fair value of the illiquid assets.

Furthermore, fair value measurement affects the allocation of the difference between the carrying amount and the fair value of the assets that are not measured at fair value in the statement of financial position ("UGL"), for the purpose of calculating the LAT.
Due to the inherent uncertainty of estimates, assumptions and assessments as stated above, we concluded that the measurement of the fair value of the illiquid investments is a key audit matter.

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Key audit procedures implemented to address the key audit matter

The audit procedures we conducted regarding the assessment of the measurement of the fair value of illiquid investments included the following procedures:

- We assessed the planning and implementation of internal controls relating to the process of determining the fair value of illiquid investments, and conducted procedures to test the effectiveness of those internal controls, including the controls regarding the appropriateness of the data and the assumptions used in appraisals and the reasonableness of the appraisals.
- Assessing the methodology employed by Group companies to measure the fair value of illiquid investments.
- Making inquiries with finance department personnel and employees of the Group's investments department in order to obtain an understanding in connection with transactions, developments and material revaluations for the reporting period, and regarding material changes, if any, in data, assumptions and models compared to those used in the previous year.
- For certain appraisals, we were assisted by experts acting on our behalf to assess the reasonableness of the estimates and the key underlying assumptions of the appraisals.
- We conducted a sample testing of the fair value of illiquid investments in the consolidated financial statements compared with the appraisals received by Group companies from external experts, against the rates of Fair Spread Ltd., and against the consolidated financial statements and the reports by investment fund managers, as the case may be.
- We conducted a sample testing of the database used to receive a quotation from Fair Spread Ltd. against loan agreements.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of the Components of the Internal Control over Financial Reporting", components of internal control over financial reporting of the Company as of December 31, 2023, and our report of March 26, 2024 included an unqualified opinion on the effectiveness of these components.

Tel Aviv,
March 26, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Assets	Note	As of December 31 2023	2022
		NIS thousand	
Intangible assets	5	3,597,868	2,991,526
Deferred tax assets	23	109,330	72,649
Deferred acquisition costs	6	2,686,270	2,453,383
Property, plant & equipment	7	1,460,392	1,151,443
Investments in associates	8	1,651,832	1,593,737
Investment property in respect of yield-dependent contracts	9	2,283,063	2,142,074
Investment property - other	9	1,238,524	1,147,899
Reinsurance assets	17,18	4,028,261	3,172,249
Credit for purchase of securities	10	717,000	765,000
Current tax assets		157,662	157,835
Receivables and debit balances	11	1,047,092	730,293
Held-for-sale asset	8D3	-	18,387
Premiums collectible	12	998,295	757,329
Financial investments in respect of yield-dependent contracts	13	82,817,937	77,394,271
Financial investments for holders of deposit certificates and structured bonds	13A, 26	173,000	201,000
Credit assets in respect of factoring, clearing and financing	14	3,700,349	3,443,337
Other financial investments:			
Liquid debt assets	14	5,773,437	5,659,895
Illiquid debt assets	14	16,593,921	16,461,500
Shares	14	2,287,592	2,402,272
Other	14	6,116,334	5,002,823
Total other financial investments		30,771,284	29,526,490
Cash and cash equivalents in respect of yield-dependent contracts	15A	19,303,547	16,358,509
Other cash and cash equivalents	15B	3,053,023	3,439,766
Total assets		159,794,729	147,517,177
Total assets for yield-dependent contracts	13	104,769,512	96,055,588

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

	Note	As of December 31 2023	2022
		NIS thousand	
Equity	**16**		
Share capital		**313,340**	**311,640**
Premium and capital reserves in respect of shares		**860,345**	**851,918**
Treasury shares		**(193,866)**	**(155,628)**
Capital reserves		**1,101,414**	**1,123,705**
Retained earnings		**8,499,062**	**8,013,123**
Total equity attributable to the Company's shareholders		**10,580,295**	**10,144,758**
Non-controlling interests		**314,737**	**388,640**
Total equity		**10,895,032**	**10,533,398**
Liabilities			
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	**17**	**25,597,196**	**24,147,641 (*)**
Liabilities in respect of insurance contracts and yield-dependent investment contracts	**18**	**102,973,291**	**95,352,948 (*)**
Liabilities in respect of deferred taxes	**23**	**764,322**	**589,897**
Liability for employee benefits, net	**24**	**74,406**	**66,667**
Liability in respect of current taxes		**74,408**	**64,793**
Payables and credit balances	**25**	**3,669,165**	**3,455,571**
Liabilities in respect of structured products	**26**	**171,000**	**200,698**
Financial liabilities	**27**	**15,575,909**	**13,105,564**
Total liabilities		**148,899,697**	**136,983,779**
Total equity and liabilities		**159,794,729**	**147,517,177**

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

Benjamin Gabbay **Chairman of the Board of Directors**	**Eyal Ben Simon** **CEO**	**Eli Schwartz** **Executive Vice President, CFO**

Approval date of the financial statements - March 26, 2024

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

	Note	For the year ended December 31		
		2023	2022	2021
		NIS thousand		
Premiums earned, gross	28	11,988,386	12,137,231	11,161,431
Premiums earned by reinsurers	28	1,632,527	1,570,094	1,345,459
Premiums earned - retention	28	10,355,859	10,567,137	9,815,972
Investment income (losses), net and finance income	29	9,910,316	(5,554,831)	14,626,925
Income from management fees	30	1,721,616	1,547,728	2,049,366
Income from fees and commissions	31	887,730	835,912	691,414
Income from other financial services	32	329,000	223,000	154,000
Income from factoring and clearing	33A	178,784	142,754	52,871
Other income	33B	156,137	144,780	708,186
Total income		23,539,442	7,906,480	28,098,734
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross		19,296,717	2,988,830	22,658,016
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts		1,673,990	1,023,801	802,092
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	34	17,622,727	1,965,029	21,855,924
Fees and commissions, marketing expenses and other purchase expenses	35	2,175,699	1,933,805	1,696,075
General and administrative expenses	36	2,105,868	1,805,284	1,675,317
Other expenses	38	136,160	91,096	67,454
Finance expenses	39	393,717	318,534	218,002
Total expenses		22,434,171	6,113,748	25,512,772
Share in profits of equity-accounted investees	8	42,413	61,548	111,504
Net income before income tax		1,147,684	1,854,280	2,697,466
Taxes on income	23	262,747	504,336	673,554
Net income for the year		884,937	1,349,944	2,023,912
Attributable to:				
Company's shareholders		777,403	1,257,124	1,964,696
Non-controlling interests		107,534	92,820	59,216
Net income for the year		884,937	1,349,944	2,023,912
Earnings per share attributable to the Company's shareholders (in NIS):	40			
Basic earnings per share				
Earnings per ordinary share of NIS 1 par value (in NIS)		3.07	5.00	7.76
Diluted earnings per share				
Earnings per ordinary share of NIS 1 par value (in NIS)		3.04	4.91	7.64

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

	Note	For the year ended December 31		
		2023	2022	2021
		NIS thousand		
Net income for the year		**884,937**	**1,349,944**	**2,023,912**
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		**245,739**	**(685,971)**	**1,176,873**
Net change in fair value of financial assets classified as available for sale, carried to the income statement		**(290,390)**	**(318,278)**	**(811,111)**
Gain on impairment of financial assets classified as available for sale, carried to the income statement		**476,005**	**612,492**	**159,522**
Company's share in other comprehensive income (loss), net of equity-accounted companies		**22,476**	**27,511**	**(18,608)**
Tax effect	23	**(147,481)**	**133,322**	**(179,619)**
Total components of net other comprehensive income (loss) subsequently reclassified to profit or loss		**306,349**	**(230,924)**	**327,057**
Amounts that shall not be subsequently reclassified to profit or loss				
Revaluation of property, plant, and equipment	7	**11,558**	**124,168**	**29,342**
Actuarial gain (loss) in respect of defined benefit plans	24	**291**	**3,684**	**(2,882)**
Company's share in other comprehensive income (loss), net of equity-accounted companies		**-**	**-**	**3,479**
Tax effect		**(2,754)**	**(29,602)**	**(5,886)**
Total components of other comprehensive income that shall not be subsequently reclassified to profit or loss		**9,095**	**98,250**	**24,053**
Total other comprehensive income (loss), net		**315,444**	**(132,674)**	**351,110**
Total comprehensive income for the year		**1,200,381**	**1,217,270**	**2,375,022**
Attributable to:				
Company's shareholders		**1,092,824**	**1,123,907**	**2,316,035**
Non-controlling interests		**107,557**	**93,363**	**58,987**
Comprehensive income for the year		**1,200,381**	**1,217,270**	**2,375,022**

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

	Attributable 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	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total	Non-controlling interests	Total equity
	NIS thousand												
Balance as of January 1, 2023	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	-	-	-	777,403	-	-	-	-	-	-	777,403	107,534	884,937
Other comprehensive income (loss)	-	-	-	172	-	-	-	8,900	22,476	283,873	315,421	23	315,444
Total comprehensive income	-	-	-	777,575	-	-	-	8,900	22,476	283,873	1,092,824	107,557	1,200,381
Share-based payment	-	493	-	-	-		16,221	-	-	-	16,714	-	16,714
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(214,488)	(214,488)
Purchase of treasury shares (see Note 16D)	-	-	(38,238)	-	-	-	-	-	-	-	(38,238)	-	(38,238)
Commencement of consolidation (Note 4)	-	-	-	-	-	-	-	-	-	-	-	38,687	38,687
Sale of previously-consolidated company	-	-	-	-	-	-	-	-	-	-	-	5,228	5,228
Exercise of employee options (see Note 16)	1,700	7,934	-	-	-	-	(9,634)	-	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	4,013	-	-	-	(4,013)	-	-	-	-	-
Dividend (Note 16)	-	-	-	(297,171)	-	-	-	-	-	-	(297,171)	-	(297,171)
Transaction with minority interest (Note 8E(2) and (5))	-	-	-	-	(199,605)	-	-	-	-	-	(199,605)	196,512	(3,093)
Allocation of shares of a consolidated company to minority interests (Note 8E(8))	-	-	-	-	(2,184)	-	-	-	-	-	(2,184)	6,781	4,597
Acquisition of non-controlling interests (Note 8E(8))	-	-	-	-	(136,803)	-	-	-	-	-	(136,803)	(214,180)	(350,983)
Balance as of December 31, 2023	313,340	860,345	(193,866)	8,499,062	(395,095)	11,000	69,507	228,941	8,041	1,179,020	10,580,295	314,737	10,895,032

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

	Attributable 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	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total	Non-controlling interests	Total equity
	NIS thousand												
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	269,725	9,923,089
Net income	-	-	-	1,257,124	-	-	-	-	-	-	1,257,124	92,820	1,349,944
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
Acquisition of treasury shares	-	-	(55,859)	-	-	-	-	-	-	-	(55,859)	-	(55,859)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(74,665)	(74,665)
Commencement of consolidation	-	-	-	-	-	-	-	-	-	-	-	53,886	53,886
Exercise of employee options	1,317	4,971	-	-	-	-	(6,288)	-	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	2,910	-	-	-	(2,910)	-	-	-	-	-
Dividend	-	-	-	(581,000)	-	-	-	-	-	-	(581,000)	-	(581,000)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	3,587						3,587	49,713	53,300
Acquisition of non-controlling interests	-	-	-	-	(14,435)	-	-	-	-	-	(14,435)	(3,382)	(17,817)
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	388,640	10,533,398

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

	Attributable 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	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total	Non-controlling interests	Total equity
	NIS thousand												
Balance as of January 1, 2021	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922	111,908	8,081,830
Net income	-	-	-	1,964,696	-	-	-	-	-	-	1,964,696	59,216	2,023,912
Other comprehensive income (loss)	-	-	-	(1,787)	-	-	-	26,069	(18,608)	345,665	351,339	(229)	351,110
Total comprehensive income (loss)	-	-	-	1,962,909	-	-	-	26,069	(18,608)	345,665	2,316,035	58,987	2,375,022
Share-based payment	-	13,083	-	-	-		9,715	-	-	-	22,798	-	22,798
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(34,481)	(34,481)
Acquisition of treasury shares	-	-	(73,358)	-	-	-	-	-	-	-	(73,358)	-	(73,358)
Commencement of consolidation	-	-	-	-	-	-	-	-	-	-	-	123,564	123,564
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	9,329	-	-	-	(9,329)	-	-	-	-	-
Exercise of employee options	372	2,634	-	-	-	-	(3,006)	-	-	-	-	-	-
Dividend	-	-	-	(580,000)	-	-	-	-	-	-	(580,000)	-	(580,000)
Transaction with minority interest	-	-	-	-	1,223	-	-	-	-	-	1,223	5,632	6,855
Allocation of shares of a consolidated company to minority interests	-	-	-	-	(3,256)	-	-	-	-	-	(3,256)	4,115	859
Balance as of December 31, 2021	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

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

	Appendix	For the year ended December 31 2023	2022	2021
		NIS thousand		
Cash flows from operating activities				
Net income for the year		884,937	1,349,944	2,023,912
Adjustments required to present cash flows from operating activities	(a)	1,296,692	1,379,463	2,523,387
Net cash provided by operating activities		2,181,629	2,729,407	4,547,299
Cash flows used for investing activities				
Purchase of property, plant and equipment		(389,181)	(190,135)	(78,390)
Proceeds from disposal of property, plant and equipment		1,032	342	201
Investment in associates		(115,865)	(160,281)	(61,767)
Dividend from associates		23,497	41,580	19,405
Change in loans granted to associates		(290)	(3,688)	90
Acquisition of consolidated companies consolidated for the first time	(b)	(90,340)	(9,775)	(475,521)
Proceeds from the sale of pension funds, provident funds, and fees and commissions portfolios		1,723	30,372	43,934
Acquisition of minority interest in a consolidated company		(344,202)	(17,817)	-
Proceeds from disposal of investment in associate		101,258	108,158	24,288
Acquisition and capitalization of intangible assets costs (*)		(648,882)	(334,726)	(283,387)
Sale of previously-consolidated company	(c)	(828)	-	596,166
Net cash used for investing activities		(1,462,078)	(535,970)	(214,981)
Cash flows from financing activities				
Issuance of shares to non-controlling interests in a consolidated company		-	49,713	-
Acquisition of Company shares		(38,238)	(55,859)	(73,358)
Short term credit from banks, net		(408,000)	420,000	90,000
Repayment of financial liabilities		(751,162)	(651,637)	(207,270)
Dividend to shareholders		(297,171)	(581,000)	(580,000)
Repayment of lease liability principal		(54,467)	(50,082)	(37,347)
Issuance of financial liabilities		2,440,322	1,910,320	829,080
Change in liability for REPO, net		1,161,948	708,302	(389,315)
Dividend paid to non-controlling interests		(214,488)	(74,665)	(34,481)
Repayment of contingent liability in respect of a put option to non-controlling interests		-	(10,000)	-
Net cash provided by (used in) financing activities		1,838,744	1,665,092	(402,691)
Increase in cash and cash equivalents		2,558,295	3,858,529	3,929,627
Balance of cash and cash equivalents at beginning of year	(d)	19,798,275	15,939,746	12,010,119
Cash and cash equivalents balance at end of the year	(d)	22,356,570	19,798,275	15,939,746

(*) 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 year ended December 31		
		2023	2022	2021
		NIS thousand		
a.	Adjustments required to present cash flows from operating activities (1)(2):			
	Items not involving cash flows			
	Investment losses (income), net on financial investments in respect of insurance contracts and yield-dependent investment contract	(7,714,268)	7,404,308	(12,117,791)
	Change in fair value of investment property in respect of yield-dependent contracts	(20,609)	(199,182)	(228,229)
	Net (gains) losses on other financial investments			
	Liquid debt assets	(29,270)	137,976	(284,661)
	Illiquid debt assets	(1,510,938)	(1,449,128)	(852,872)
	Shares	26,296	(155,913)	(376,472)
	Other	143,072	691,349	(444,387)
	Depreciation and amortization	499,147	408,658	354,191
	Loss from disposal of property, plant and equipment	3	-	-
	Profit from sale of provident funds	-	(14,185)	-
	Change in fair value of investment property	(14,513)	(96,200)	(160,567)
	Gain on notional disposal as a result of assuming control of an investee	(128,989)	(109,586)	(645,930)
	Change in financial liabilities	(29,749)	1,899,625	30,749
	Expenses for income tax (tax benefit)	262,747	504,336	673,554
	Company's share in the profits of associates, net	(42,413)	(61,548)	(111,504)
	Payroll expenses in respect of share-based payment	16,221	17,556	9,715
	Change in impairment of property, plant and equipment	-	-	1,982
	Changes in other balance sheet line items, net:			
	Change in liabilities in respect of non-yield-dependent insurance contracts	1,449,555	64,082 (*)	1,201,327 (*)
	Change in liabilities in respect of yield-dependent contracts	7,620,343	(1,305,063) (*)	19,213,443 (*)
	Change in liabilities for notes, ETFs	(29,698)	(4,302)	(33,000)
	Change in financial investments for holders of ETFs, certificates of deposit	28,000	5,000	33,000
	Change in credit assets in respect of factoring, clearing and financing	(257,012)	(892,945)	(266,861)
	Change in deferred acquisition costs	(232,887)	(442,735)	(278,971)
	Change in reinsurance assets	(856,012)	(365,703)	(274,887)
	Change in liabilities for employee benefits, net	7,014	(2,469)	2,635
	Change in receivables and debit balances and collectible premiums	(565,939)	(123,460)	(219,222)
	Change in payables and credit balances	251,832	506,544	393,714
	Change in credit for purchase of securities	48,000	(268,000)	(94,000)
	Change in loans granted to associates	(1,148)	(1,100)	(3,816)
	Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts:			
	Acquisition of real estate properties	(120,380)	(99,874)	(138,251)
	Proceeds on sale of real estate properties	-	219,844	143,194
	Sales (acquisitions), net of financial investments	2,290,602	(3,699,920)	(3,410,421)
	Financial investments and other investment property:			
	Sales (acquisitions), net of financial investments	573,770	(540,903)	1,232,033
	Proceeds on sale of real estate properties	-	119,054	71,810
	Acquisition of real estate properties	(76,112)	(58,419)	(99,526)
	Cash paid and received during the year for:			
	Taxes paid	(357,754)	(765,600)	(985,771)
	Taxes received	67,781	57,366	189,179
	Total cash flows provided by operating activities	1,296,692	1,379,463	2,523,387

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

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

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

		For the year ended December 31		
		2023	2022	2021
		NIS thousand		
b.	Acquisition of consolidated companies consolidated for			

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

		For the year ended December 31		
		2023	2022	2021
		NIS thousand		
	the first time			
	Assets and liabilities of the consolidated companies as of acquisition date:			
	Working capital (excluding cash and cash equivalents)	(5,078)	27,944	44,955
	Property, plant and equipment, net	(685)	(877)	(46,291)
	Goodwill arising from acquisition	(156,520)	(79,216)	(430,593)
	Intangible assets	(161,439)	(111,217)	(336,031)
	Deferred taxes	53,943	23,020	43,559
	Minority interests	38,687	53,886	123,564
	Investments in investees	-	(72,109)	271
	Disposal of investment in an associate	129,030	115,627	342,728
	Financial liabilities	-	8,614	2,055,394
	Liability for payment in respect of acquisition of an investee	10,706	24,134	13,788
	Liabilities for employee benefits	1,016	419	10,628
	Financial assets	-	-	(44,915)
	Deferred acquisition costs	-	-	(19,047)
	Credit in respect of factoring, clearing and financing	-	-	(2,283,531)
	Loan from parent company	-	-	50,000
		(90,340)	(9,775)	(475,521)
c.	Sale of previously-consolidated company			
	Working capital (excluding cash and cash equivalents)	(6,056)	-	(14,656)
	Property, plant & equipment	-	-	81,553
	Investment property	-	-	1,753,667
	Intangible assets	-	-	23,848
	Financial liabilities	-	-	(629,015)
	Liabilities for employee benefits	-	-	(3,106)
	Deferred taxes	-	-	(246,153)
	Minority interests	5,228	-	-
	Investment in an associate	-	-	(710,767)
	Capital gain from the disposal of a consolidated company	-	-	340,795
		(828)	-	596,166
d.	Cash and cash equivalents			
	Balance of cash and cash equivalents at beginning of year:			
	Cash and cash equivalents	3,439,766	2,154,153	1,545,903
	Cash and cash equivalents in respect of yield-dependent contracts	16,358,509	13,785,593	10,464,216
		19,798,275	15,939,746	12,010,119
	Balance of cash and cash equivalents at end of year:			
	Cash and cash equivalents	3,053,023	3,439,766	2,154,153
	Cash and cash equivalents in respect of yield-dependent contracts	19,303,547	16,358,509	13,785,593
		22,356,570	19,798,275	15,939,746
e.	Significant non-cash activities			
	Recognition of right-of-use asset against a lease liability	(90,780)	(52,319)	(31,241)
	Purchase of intangible assets	(8,161)	-	-
f.	Breakdown of amounts included in operating activities			
	Interest paid	280,810	178,990	125,850(*)
	Interest received	1,224,477	957,447	758,536
	Dividend received	49,193	47,571	57,702

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

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

NOTE 1 - GENERAL

A. Activity of the Reporting Entity

The Phoenix Holdings Ltd. (hereinafter - the "Company" or "The Phoenix") is an Israeli resident company incorporated in Israel, whose official address is 53 Derech Hashalom St., Givatayim, Israel. The Company's consolidated financial statements as of December 31, 2023 include the financial statements of the Company and its subsidiaries and investments in associates (hereinafter, jointly – the "Group"). The Group mainly engages in the areas of insurance, retirement (pension and provident), distribution (agencies), credit provision, and investment house and wealth. The securities of the Company are listed for trading on the Tel Aviv Stock Exchange.

B. Control of The Phoenix Holdings

The controlling shareholder of the Company is Belenus Lux S.à.r.l. (hereinafter - "Belenus"), which is indirectly held through a chain of companies, by CCP III Cayman GP Ltd., Matthew Botein, Lewis (Lee) Sachs.

As of the report's publication date Belenus holds approx. 31.22% of the Company's shares. For further details regarding a transaction for the sale of approx. 2% of the Company's shares in the reporting period, see immediate report dated August 15, 2023 (Ref. No.: 2023-01-075799).

C. The Iron Swords War

On October 7, 2023, the Iron Swords War between the State of Israel and the Gaza-based "Hamas" terror organization broke out (hereinafter - the "War"), following a murderous attack by Hamas on localities in southern Israel. As a result of the War, based on published data, as of the report publication date, more than 1,450 Israeli citizens were murdered (including members of the defense forces), approx. 11,500 sustained various injuries, and 134 citizens and soldiers are defined as hostages. In addition to the War in Gaza, Israel is involved in an armed conflict and military operational activity of varying intensities and in a number of fronts, the main of which is the conflict in the north of Israel, which has also driven tens of thousands of Israelis from their homes. The War and all of the activities in the various fronts have an adverse effect on the Israeli economy.

Following the above, the rating agency Moody's placed the State of Israel's credit rating on the Rating Watch Negative list, and thereafter, on February 9, 2024, it downgraded the State of Israel's credit rating to A2 with a negative outlook. The rating agency Fitch announced - on October 17, 2023 - on the placement of the State of Israel's Rating Watch Negative list, and the rating agency S&P announced - on October 24, 2023 - that it revised its outlook for the State of Israel's rating to negative. The rating downgrade did not have a significant effect on The Phoenix group. For details regarding the Company's rating, see Note 25.

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, see also Note 41.

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 direct effects on life insurance claims (risk and disability insurance) and capital market volatility.

At this stage, there is uncertainty as to the development of the War, its scope and duration. Therefore, at this stage it is impossible to assess the full effect of the War on the Company and its results in the medium term; however, as of the report publication date, this effect is not expected to be material.

NOTE 1 - GENERAL (cont.)

C. The Iron Swords War (cont.)

The potential risks associated with the War include slumps in the Israeli capital market, decline in investments in the Israeli economy, including foreign investments and investments in high-tech companies, decline in GDP, budget deficit, downgrade of Israel's credit rating, changes in yield curves and in central bank's interest rate, and more.

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 across all operating segments in an efficient manner, and even implemented, at the beginning of the War, a business continuity plan that ensures employees are able to 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.

A. Life insurance and long-term savings -
The exposure arises mainly from life insurance, disability, and disability insurance. The Phoenix Insurance has in place a non-proportional reinsurance contract, which provides coverage in respect of death and disabilities resulting from a catastrophe event, and which mitigated the exposure to this risk in accordance with the policy's terms. Furthermore, The Phoenix Insurance has a proportional reinsurance contract in respect of its disability insurance business, which mitigates the exposure to this sub-segment. For details regarding the catastrophe event reinsurance contract, see Note 41 Section 5. As a result, as of the balance sheet date, claims amounting to a total of approx. NIS 40 million (retention) were established.

B. Health insurance (including long-term care) -
In the health insurance segment, the exposure due to the War is mainly in the field of travel insurance. In view of the decline in flights departing from and arriving to Israel, there has been a decline in sales compared with previous periods, which has no material effect on the Group's results.

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 immaterial. Furthermore, as of balance sheet date, the War had a positive indirect effect as a result of a decrease in the prevalence of claims in the motor property insurance subsegments.

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

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

NOTE 1 - GENERAL (cont.)

C. The Iron Swords War (cont.)

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

Insurance liabilities - The insurance liabilities are exposed to changes in the risk-free interest rate and the illiquidity premium. For details on the impact of the interest rate and the sensitivity to the interest rate on insurance liabilities, see Note 41(5).

4. Credit activity

The credit granting activity is mostly managed by the subsidiary Gama Management and Clearing Ltd. Most of the exposure arising from this activity stems from a potential increase in loan losses. The direct effect of the War on the expected loan losses is immaterial.

5. Investment house and wealth (including The Phoenix Investment House)

The extent of this indirect effect depends on the duration of the War and on the period of higher volatility in equity and corporate bonds markets, which might affect total assets under management. As of the outbreak of the War and through the financial statements publication date, this effect is immaterial.

6. Distribution (agencies)

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

7. Solvency ratio

In accordance with the Economic Solvency Ratio Report as of June 30, 2023, which was published by The Phoenix Insurance, and in accordance with an assessment of the solvency ratio as of September 30, 2023, which was carried out by The Phoenix Insurance (and which is not audited or reviewed by the independent auditor), The Phoenix Insurance has surplus capital compared to the targets that were set, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the transitional provisions.
Since the outbreak of the War and through the report publication date, there were no material changes in the key risk factors, such as: Interest, share indexes, and actuarial studies, and therefore in the opinion of the Company the solvency ratio is not expected to be significantly adversely affected through the report publication date.
For further details, 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.

8. Liquidity, financial position and funding sources

The War has had no material effect on the Company's liquidity, its financial strength and sources of financing 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 details about the financial covenants of the bonds and suspending circumstances of the notes, see Note 26. The Company is of the opinion that Group companies have sufficient liquidity levels. For further details, see Note 41(4).

The above is based on information available to the Company as of the report publication date. It should be noted that if the War will continue and/or expand to other fronts, the scope of business activity in Israel may be impacted; therefore, the Group's results may be further impacted in the future.

NOTE 1 - GENERAL (cont.)

D. 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 1C 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.

E. 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 the Rating Watch Negative List 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. On December 27, 2023, S&P announced it is reiterating the rating of The Phoenix Insurance at a global 'A-' with a stable outlook.

NOTE 1 - GENERAL (cont.)

F. Definitions

In these financial statements –

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 Capital Raising	The Phoenix Capital Raising (2009) Ltd., a wholly-owned subsidiary of The Phoenix Insurance.
The Phoenix Pension and Provident Fund	The Phoenix Pension and Provident Fund Ltd. (formerly The Phoenix Excellence Pension and Provident Funds Ltd.), a wholly-owned subsidiary of the Company.
The Phoenix Advanced Investments	The Phoenix Advanced Investments Ltd. (formerly Halman Aldubi Investment House Ltd.) is a wholly-owned subsidiary of The Phoenix Investments.
The Phoenix Agencies	The Phoenix Insurance Agencies 1989 Ltd. - a subsidiary under the Company's control.
Oren Mizrach	Oren Mizrach Insurance Agency Ltd., a subsidiary in which The Phoenix Agencies is a controlling shareholder.
NIS	Shekel Insurance Agency Ltd., a subsidiary wholly-owned by The Phoenix Agencies.
Agam Leaderim	Agam Leaderim Insurance Agency (2003) Ltd., a subsidiary wholly-owned by The Phoenix Agencies.
Gama	Gama Management and Clearing Ltd., a subsidiary wholly-owned by The Phoenix Investments.
Phoeniclass	Phoeniclass Ltd., an investee of The Phoenix Investments and The Phoenix Insurance.
The Phoenix Construction Financing	The Phoenix Construction Financing and Guarantees Ltd. is a wholly-owned subsidiary of the Company. For further details, see Note 8E(8).

NOTE 1 - GENERAL (cont.)

F. Definitions (cont.)

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.
Consolidated companies/ subsidiaries	Companies or partnerships whose financial statements are consolidated, directly or indirectly, with the financial statements of the Company.
Associates	Companies over the financial and operating policies of which the Company has significant influence, but not control, and the Company's investment in which is presented in the Company's consolidated financial statements based on the equity method.
Investees	Consolidated companies, and companies or partnerships, the Company's investments in which are included in the financial statements based on the equity method.
Related parties	As defined by IAS 24, Related Parties.
Interested parties and controlling shareholder	As defined in the Securities Regulations (Annual Financial Statements), 2010.
The Supervisor or Commissioner	The Commissioner of the Capital Market, Insurance and Savings.
The Supervision Law	Financial Services Supervision Law (Insurance), 1981.
The Capital Regulations	Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required of an Insurer), 1998, including amendments thereto.
Investment Rules	Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012, and the circular entitled Investment Rules Applicable to Institutional Entities.
Reporting Information Regulations	Supervision of Insurance Business Regulations (Reporting), 1998, and amendments thereto.
Insurance contracts	A contract under which one party (the insurer) assumes a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Investment contracts	Policies that do not constitute insurance contracts.
Yield-dependent contracts	Insurance contracts and investment contracts in the life and health insurance segments in which the liabilities for the savings or risk components are linked to the returns on the investment portfolio (participating policies), or are derived from such contracts.
Assets for yield-dependent contracts	Total assets against liabilities arising from yield-dependent contracts.
Reinsurance assets	Reinsurers' share in insurance reserves and contingent claims.
Liabilities in respect of insurance contracts	Insurance reserves and contingent claims in the life insurance, property and casualty insurance and health insurance segments.
Premiums	Premiums including fees.
Premiums earned	Premiums relating to the reporting period.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The financial statements of the Company have been prepared on a cost basis, except for investment property, a class of land and buildings included in property, plant and equipment, available-for-sale financial assets, financial assets and liabilities (including derivative instruments), presented at fair value through profit and loss, provisions, assets and liabilities for employee benefits, investments in associates, and insurance liabilities.

Statement of compliance with International Financial Reporting Standards

Through December 31, 2022, the Group's consolidated financial statements were drawn up in accordance with IFRS, including in connection with the data relating to insurer consolidated subsidiaries, which meet the definition of insurer, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010.

As from January 1, 2023, the consolidated financial statements of the Company have been drawn up in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 2010. In accordance with these provisions, those financial statements data that relate to a consolidated subsidiary, which falls within the scope of the definition of insurer, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, are drawn up in accordance with the requirements set by the Commissioner in accordance with the Financial Services Supervision Law (Insurance), 1981.

In accordance with requirements set by the Commissioner, the first-time application date of IFRS 17 regarding Insurance Contracts and IFRS 9 regarding Financial Instruments was postponed to January 1, 2025 (instead of the first-time application date that was set in the standard itself - January 1, 2023). Consequently, during the periods through the date of first-time application in Israel, those data in the financial statements that relate to the subsidiary, as stated above, continue to be drawn up in accordance with IFRS 4 regarding Insurance Contracts, and IAS 39, Financial Instruments (of 2017).

In addition, with regard to the other issues, including in relation to financial statements data, which do not relate to the said subsidiary, the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS").

B. Significant considerations, estimates and assumptions used in the preparation of the financial statements

The considerations

In applying the Group's significant accounting policies, management took into account the following issues, which have the most material effect on the amounts recognized in the financial statements:

1. Classification of insurance contracts and investment contracts

   Insurance contracts are contracts in which the insurer assumes a significant insurance risk from another party. For each contract, or class of similar contracts, management considers whether they embody a significant insurance risk and should therefore be classified as either insurance contracts or investment contracts.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)

2. Classification and designation of financial investments

The Group's management exercised judgment in classifying and designating the financial investments into the following classes:

- Financial assets measured at fair value through profit and loss.
- Held-to-maturity investments.
- Loans and receivables.
- Available-for-sale financial assets.

See Note 2H below.

3. Measurement of a letter of undertaking in respect of Additional Tier 1 capital

The financial liability is measured at amortized cost if it contains an embedded derivative. Where there is an embedded derivative, the entire liability will be measured at fair value, or alternatively, bifurcated into a derivative that will be measured at fair value and the remaining liability will be measured at amortized cost. The Company checked whether an embedded derivative exists, but in view of the fact that the triggers for writing-off the reserve are triggers which are not defined as financial triggers in accordance with the Company's accounting policies (since they are impacted by the solvency ratio and the existence of a going concern emphasis of matter), the Company reached the conclusion that there is no embedded derivative, and therefore the letter of undertaking will be measured at amortized cost. For further details, see Note 27.

Estimates and assumptions

Preparation of the financial statements requires management to use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.
The estimates and assumptions underlying the ongoing review of changes in the accounting estimates are charged in the period in which the change of estimate is made.

When formulating accounting and actuarial assessments used in the preparation of the Group's financial statements, the Group's management is required to make assumptions regarding circumstances and events involving considerable uncertainty. When exercising its judgment to determine the estimates, the Group's management relies on past experience, various facts, external circumstances, and reasonable assumptions, including expectations as to the future, where it is possible to formulate such expectations, according to the relevant circumstances of each estimate.
It is clarified that actual results may differ from these estimates, inter alia due to regulatory changes published or expected to be published in the areas of insurance and retirement (pension and provident), and there is uncertainty as to the manner of their materialization and implications.
Following are the main assumptions used in the financial statements concerning uncertainties as of the balance sheet date, and key estimates calculated by the Group. Significant changes in those estimates and assumptions may change the value of assets and liabilities in the financial statements in the subsequent year:

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)

4. Liabilities in respect of insurance contracts

These liabilities are based on actuarial valuation methods and on estimates as to demographic and economic variables. The various actuarial valuations and the assumptions are mainly derived from past experience and are based on the fact that past behavior patterns and claims represent what will happen in the future. Changes in risk factors, prevalence or severity of events, as well as changes in the legal situation could have a material effect on the amounts of liabilities in respect of insurance contracts. For further details, see Note 41 (5).

For information about changes in principal assumptions used to calculate insurance liabilities in life insurance, see Note 41.

5. Contingent liabilities

Several lawsuits and motions to certify lawsuits as class actions are pending against the Group. When assessing the chances lawsuits filed against the Company and its investees, the companies relied on the opinions of their legal counsel. These opinions are issued based on the best of the legal counsels' professional judgment, and take into account the current stage of the proceedings as well as legal experience gained on various matters. Since the outcomes of the lawsuits will ultimately be determined in the courts, these outcomes may differ from those assessments; the potential consequences are changes to the amount of the provision in respect of the lawsuit, or making no provision for the lawsuit. For further details, see Note 43.

In addition to the aforesaid claims, the Company is exposed claims/lawsuits that have not yet been claimed/filed, where, among other things, there is doubt as to the interpretation of an agreement and/or the provisions of the law and/or the manner of their implementation. This exposure is brought to the attention of the Company and its investees in several ways, including through customers' contacting the Group's functions, in particular the Group's ombudsman, through customers' complaints to the Public Enquiries Unit in the Commissioner's office, and through lawsuits (other than class action lawsuits) filed with the courts. These issues are brought to the attention of the Group's management to the extent the relevant functions identify that the claims might have wide-ranging implications. When assessing the risk arising from claims/lawsuits that have not yet been filed, Group companies rely on internal assessments of the relevant parties and management, which assess the chances that a lawsuit will be filed and the prospects of its success if filed. The assessment is based on experience gained with respect to the filing of lawsuits and an analysis of each claim on its on merit. In view of the preliminary stage of the legal proceedings, the actual outcome could differ from the assessment made before the lawsuit was filed; the potential consequences are changes to the amount of the provision in respect of the lawsuit, or making no provision for the lawsuit.

6. Determining the fair value of illiquid debt assets

The fair value of illiquid bonds, loans and deposits 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. Impairment of financial investments

When there is objective evidence of impairment loss of loans and receivables presented at amortized cost, or where the value of available-for-sale financial assets is impaired, the amount of the loss is recognized in the income statement; see Note 14. At each balance sheet date, the Group reviews whether there is objective evidence as described above.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)

8. Investment property

Investment property that can be measured reliably is presented at fair value at the reporting date with fair value changes carried to profit or loss in the period in which they were created. The fair value is usually determined by external and independent appraisers based on economic valuations, which include the use of valuation techniques and assumptions as to estimates of projected future cash flows from the property and an estimated discount rate adequate for these cash flows. Where possible, fair value is determined in relation to recent real estate transactions involving properties with characteristics and locations similar to those of the assessed property. When measuring the fair value of investment property, the Company's appraisers and management use certain assumptions as to rates of return required in respect of the Group's properties, future rental prices, occupancy rates, contract rates, probability of leasing vacant spaces, operating expenses for the properties, the tenants' financial strength and the consequences arising from investments requiring future development, in order to assess the future cash flows from the properties. Changes in assumptions used to measure investment properties may result in a change in fair value. see Note 9.

9. Reliable measurement of investment property under construction

To assess whether the fair value of an investment property under construction may be reliably measured, the Group takes into account, inter alia, the following relevant criteria:

1. Whether the real estate property under construction is located in an area where the market is developed and liquid.
2. Price quote from recent transactions or previous assessments, for acquisition or sale purposes, of properties in a similar condition and location.
3. Signing a construction agreement with a construction contractor.
4. Obtaining building permits.
5. Percentage of land designated for rent which has been leased in advance to tenants.
6. A reliable estimate of construction costs.
7. A reliable estimate of the value of the finished property.
8. When an assessment of the above criteria shows that the fair value of an investment property under construction can be reliably measured, the property is measured at its fair value in accordance with the Group's policy regarding investment property. When reliable measurement is impossible, investment property under construction is measured at cost less impairment loss, if any.

10. Impairment of goodwill

The Group tests goodwill for impairment at least once a year. This requires management to estimate the expected future cash flows from continued use of the cash-generating unit to which goodwill has been allocated. Management is also required to estimate the appropriate discount rate for these cash flows. The potential consequence is the recognition of impairment losses in profit or loss in the period in which they were incurred. For further details, see Note 5.

11. Determining recoverability of deferred acquisition costs

The recoverability of deferred acquisition costs is reviewed once a year using assumptions as to cancellation, mortality and morbidity rates and other variables. If there is no recoverability under these assumptions, the Group may need to accelerate the amortization or even write-off the deferred acquisition costs. For further details, see Note 6.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)

12. Pension benefits and other post-employment benefits

Liability in respect of post-employment defined benefit plans is set using actuarial valuation techniques. The calculation of the liability involves making assumptions regarding, among other things, discount rates, expected rates of return on assets, pay rise rates, and the rates of employee turnover. The balance of the liability may be significantly affected by changes in those estimates.

13. Revaluation of property, plant and equipment

The Group measures buildings and land constituting property, plant and equipment at revalued amounts, and fair value changes are recognized in other comprehensive income. The Group contracted an independent external appraiser to estimate fair value as of December 31, 2023. Buildings and land are valued based on evidence available in the market, using comparable prices adapted to specific market factors such as the type, location and condition of the assets. For further details, see Note 7.

14. Deferred tax assets

Deferred tax assets are recognized in respect of carryforward losses for tax purposes and temporary differences which have not yet been utilized, provided that a future taxable income is expected against which they can be utilized. An estimate by management is required in order to determine the recognizable deferred tax asset amount, that is based on the timing and taxable income amount expected and on the tax planning strategy. In accordance with the changes in these assumptions, the Company will recognize a deferred tax asset or reverse such recognition.

15. Determining the fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition, using an accepted option pricing model. The model is based on share price and exercise price inputs and on assumptions regarding expected volatility, expected life and expected dividend. For further details, see Note 37.

C. Financial statements structure and operating cycle period

The Group's ordinary operating cycle generally exceeds one year, in particular for life insurance and long-term savings, long-term care, illnesses and hospitalization insurance, and property and casualty insurance in the liability and compulsory motor insurance sectors. The consolidated statements of financial position, which include mainly the assets and liabilities of the consolidated insurance company, were presented according to liquidity, with no distinction made between current and non-current assets. This presentation, which provides more relevant information, is consistent with IAS 1, Presentation of Financial Statements.

D. Functional currency and foreign currency

These financial statements are presented in NIS, which is the Company's functional currency, rounded to the nearest thousand. This currency best reflects the economic environment in which the Company operates.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Measurement of non-controlling interests on the business combination date

Non-controlling interests in subsidiaries represent that portion of the subsidiaries' equity that cannot be attributed to the parent company, whether directly or indirectly. Non-controlling interests are presented separately under the Company's equity and are measured at fair value on the business combination date, or according to their proportionate share in the identified assets and liabilities of the acquiree, on a transaction-by-transaction basis.
Implementing this accounting policies is not allowed for other instruments that meet the definition of non-controlling interests (such as options for ordinary shares).
These instruments are measured at fair value.

F. Investment in associates

Associates are companies over which the Group - including investments in the investment portfolios of participating policies - has significant influence, but not control, over the monetary and operating policies.
An investment in an associate, with the exception of an investment included in the investment portfolios of participating policies - see Note 2H(5) - presented on the basis of the equity method.

G. Insurance contracts and asset management contracts

IFRS 4, Insurance Contracts, allows an insurer to continue applying the accounting policies it applied prior to the transition date to IFRS reporting in respect of insurance contracts that it issues (including related acquisition costs and related intangible assets) and reinsurance contracts that it acquires.
Following is a summary of the accounting policies applied to insurance contracts:

1. Life insurance and long-term savings

   a) Revenue recognition - see Section Q below.

   b) Liabilities for life insurance contracts:

      Liabilities for life insurance contracts are calculated according to the Commissioner's directives (regulations and circulars), generally accepted accounting principles and generally accepted actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage and type and amount of insurance, etc.
      Liabilities for life insurance contracts are determined on the basis of actuarial valuations performed by the supervisor actuary at The Phoenix Insurance Ltd., Mr. Mark Rabaev, who is an employee of The Phoenix Insurance. The reinsurers' share in liabilities for life insurance contracts is based on the terms and conditions of the relevant contracts. Liabilities for CPI-linked life insurance contracts and CPI-linked investments used to cover these liabilities were included in the financial statements according to the last CPI published prior to the balance sheet date, including liabilities for life insurance contracts for policies with semi-annual linkage.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Insurance contracts and asset management contracts (cont.)

1. Life insurance and long-term savings (cont.)

c) Commissioner's directives regarding liabilities for annuities:

Circulars issued by the Commissioner, regarding the calculation of the liabilities for annuities in life insurance policies, set instructions on how to calculate the provisions as a result of the improvement rate in life expectancy requiring monitoring the adequacy of the liabilities for life insurance contracts to ensure that annuities are received and properly supplemented. For further details, see Note 41.

d) Deferred acquisition costs:

(1) Deferred acquisition costs ("DAC") for life insurance policies include fees and commissions to agents and purchasing supervisors and general and administrative expenses relating to the purchase of new policies. DAC is amortized at equal annual rates over the term of the policy but no longer than 15 years. DAC for canceled or settled policies are derecognized at the cancellation or settlement date.

(2) The Phoenix Insurance's actuary assesses the recoverability of the DAC every year. This assessment verifies that the liabilities for insurance contracts and investment contracts, net of the DAC, is sufficient, and that the policies are expected to generate future income to cover the DAC deduction and the insurance liabilities, operating expenses and fees and commissions for these policies.

The assumptions used in this assessment, which include assumptions regarding cancellations, operating expenses, return on assets, mortality and morbidity rates, are determined by the Company's actuary each year on the basis of past experience and relevant current studies.
In addition, each year, the Company's actuary validates the estimated period for receiving management fee income in respect of investment contracts, retirement (pension and provident) in order to determine the DAC amortization period created in respect thereof.

(3) Fees and commissions paid to agents and purchasing supervisors in respect of purchase of asset management contracts (savings policies of the type of investment contracts) pension and provident funds) are recognized as deferred acquisition costs (DAC) if they are separately identifiable and reliably measurable, and if their recoverability through management fees is expected. The DAC is amortized over the estimated period for receiving income from management fees, taking into account cancellations. Savings policies and pension funds are amortized over 10 years, and provident funds are amortized over 5.5 years.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Insurance contracts and asset management contracts (cont.)

1. Life insurance and long-term savings (cont.)

e) Liability adequacy testing for life insurance contracts:

The Group tests the adequacy of the reserves. If the test indicates that the premiums received are insufficient to cover the expected claims, less insurance reserves at the calculation date, a special provision is recorded for the shortfall. Homogeneous groups of policies defined by the Commissioner are tested separately. For further details, see Note 41, Section 5.1.

The assumptions used in these tests include assumptions for cancellations, operating expenses, return on assets, interest rates, illiquidity premiums, mortality, pension uptake rates and morbidity rates, taking into account the amount by which the fair value of liquid assets exceeds their carrying amount. These assumptions are determined by the actuary every year on the basis of past experience and other relevant studies.

As to changes in insurance liabilities, see Note 41 Section 5.1.

f) Contingent claims:

Contingent claims, net of the reinsurers' share therein, are calculated on a base-by-case basis, according to the valuation of The Phoenix Insurance's experts, based on the notifications regarding the insured events and the insurance amounts. The provisions for pension payments, ongoing payment claims for income protection insurance, the direct and indirect expenses arising there from, as well as the provisions for incurred but not yet reported claims (IBNR) are included under the liabilities for insurance contracts and investment contracts.

g) Investment contracts:

Proceeds in respect of investment contracts are not included in the premiums earned line item but rather carried directly to liabilities in respect of insurance contracts and investment contracts. Redemptions and maturities of these contracts are not included in the income statement but rather deducted directly from liabilities in respect of insurance contracts and investment contracts.
Investment income, management fees collected from policyholders, change in liabilities and payments for insurance contracts for policyholders' share in investment income, fees and commissions to agents, and general and administrative expenses are charged to the income statement in respect of these contracts.

h) Provision for policyholders' participating policies in collective insurance:
The provision is included under the payables and credit balances line item. In addition, the change in the provision is offset against income from premium.

2. Property and casualty insurance

a) Revenue recognition - see Section Q below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Insurance contracts and asset management contracts (cont.)

2. Property and casualty insurance (cont.)

b) Payments and changes in liabilities for insurance contracts, gross and in retention, include, among other things, settlement and direct handling costs in respect of claims paid, indirect costs of settling claims, outstanding claims in the reporting year, as well as adjustment of the provision for contingent claims (including a provision for direct and indirect costs for handling claims) recorded in previous years.

c) Liabilities for insurance contracts and deferred acquisition costs:
The insurance reserves and outstanding claims included in the liabilities in respect of insurance contracts line item, and the reinsurers' share in the reserve and in the contingent claims included under the reinsurance assets line item, are calculated in accordance with the Supervision of Financial Services Regulations (Insurance) (Calculation of Property and Casualty Insurance Reserves), 2013 (hereinafter - the "Calculation of Reserves Regulations"), the Commissioner's directives, and generally accepted actuarial methods for calculating contingent claims, applied at the discretion of the supervisor actuaries.

d) Liabilities for insurance contracts are composed of insurance reserves and contingent claims, as follows:

1) The provision for unearned premium reserve reflects the insurance premium for the insurance period subsequent to balance sheet date and is calculated on a daily basis.
2) Provision for premium deficiency. This provision is recognized if the unearned premium (less deferred acquisition costs) does not cover the expected cost in respect of insurance contracts. In the motor property insurance, comprehensive home, and business insurance subsegments, the provision is based, inter alia, on a model set in the Calculation of Reserves Regulations.
3) Insurance reserves and contingent claims are calculated according to the methods detailed below:

3.1 Contingent claims and the reinsurers' share therein are included on the basis of an actuarial valuation, except for the subsegments listed in Section 3.2 below. Indirect expenses to settle claims are included on the basis of an actuarial valuation. The actuarial calculation for The Phoenix Insurance, for property and casualty insurance, was carried out by the supervisor actuary of The Phoenix Insurance, Ms. Anna Nahum, who is employed by The Phoenix Insurance.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Insurance contracts and asset management contracts (cont.)

2. Property and casualty insurance (cont.)

d) Liabilities for insurance contracts are composed of insurance reserves and contingent claims, as follows: (cont.)

3) Insurance reserves and contingent claims are calculated according to the methods detailed below: (cont.)

3.2 For marine, aircraft including third-party liability insurance, ceded business and other risks, for which the actuary determined that an actuarial model cannot be applied, due to lack of statistically significant data, the contingent claims were included based on an case-by-case valuation according to an opinion received from counsel and experts of The Phoenix Insurance that handle claims according to the reports of ceding companies for ceded business, with the addition of IBNR where necessary. The valuations include an adequate provision for handling expenses unpaid as of the date of the financial statements.

3.3 Subrogation and salvage recoveries are taken into consideration in the underlying data by which the actuarial valuations of the contingent claims are calculated.

3.4 The Phoenix Insurance believes that the contingent claims are adequate, given that the contingent claims are calculated mainly on an actuarial basis and their balance includes appropriate provisions where required for IBNR.

e) Liability adequacy testing in property and casualty insurance
The Company reviews the adequacy of Property and Casualty insurance (P&C) liabilities in accordance with the best practice principles.

f) Deferred acquisition costs in property and casualty insurance include fees and commissions to agents and general and administrative expenses in connection with the purchase of polices, relating to unearned premiums. The acquisition expenses are calculated separately for each subsegment, on the basis of the actual rates of expenses or according to standard rates as determined in the Supervision Regulations, as a percentage of the unearned premium, whichever is lower.

g) Business received from the Israeli compulsory motor insurance Pool of the Israeli Insurance Companies Association Ltd. (hereinafter - the "Pool"), from other insurance companies (including co-insurance and foreign ceded business) and from underwriting agencies, is reported according to the reports received up to the balance sheet date with the addition of the relevant provisions, based on the rate of The Phoenix Insurance's participation therein.

3. Health insurance

a) Revenue recognition - see Section Q below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Insurance contracts and asset management contracts (cont.)

3. Health insurance (cont.)

b) Liabilities for health insurance contracts:

Liabilities for health insurance contracts are calculated according to the Commissioner's directives (regulations and circulars), generally accepted accounting principles and generally accepted actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage and type and amount of insurance, etc. Liabilities in respect of health insurance contracts and reinsurers' share therein are determined on the basis of an actuarial valuation. This is performed by the supervisor actuary of The Phoenix Insurance, Ms. Luba Sharapov, who is an employee of The Phoenix Insurance.

c) Liability adequacy testing for health insurance contracts:

The Company performs loss recognition testing for health insurance contracts. If the test indicates that the premiums received are insufficient to cover the expected claims, a special provision is recorded for the shortfall. Groups of policies defined by the Commissioner are tested separately. The assumptions used in these tests include assumptions for cancellations, operating expenses, morbidity and mortality, interest rates and illiquidity premium, taking into account the amount by which the fair value of liquid assets exceeds their carrying amount. These assumptions are determined by the actuary each year on the basis of past experience and other relevant studies. For collective policies, the testing is performed according to the claims history of the individual collective and subject to the statistical reliability of that experience. For further details, including updating the illiquidity premium, see Note 41, Section 5.1.

d) Contingent claims:

The provisions for ongoing payment claims in long term care (LTC) insurance, the direct and indirect expenses arising therefrom, as well as provisions for incurred but not yet reported claims (IBNR), are included under liabilities in respect of insurance contracts. In the travel insurance subsegment, the actuary determined that an actuarial model is inapplicable - due to lack of statistically significant data - the contingent claims were included based on an case-by-case evaluation according to assessments by external experts and company employees handling claims, reports by ceding companies for ceded business, with the addition of IBNR and reserves where necessary.

e) Provision for policyholders' participating policies in collective insurance:

The provision for policyholders' participating policies in collective insurance is included under "payables and credit balances". In addition, the change in the provision is offset against premiums earned.

f) The unexpired risk reserve, included in the liabilities for insurance contracts line item, includes, if necessary, a provision for an expected retention loss (premium deficiency) that is calculated based on an actuarial valuation based on a cash flow estimate for the contract.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Insurance contracts and asset management contracts (cont.)

3. Health insurance (cont.)

g) Deferred acquisition costs:

1. Deferred acquisition costs ("DAC") include fees and commissions to agents and acquisition supervisors and general and administrative expenses related to the purchase of new policies. In the illnesses and hospitalization subsegments, policies are amortized at equal rates over the period of the policy, but no longer than six years, and in long-term health insurance subsegments (such as long-term care and critical illnesses) the policies are amortized over no more than 15 years. Deferred acquisition costs relating to canceled policies are written off on the cancellation date.

2. The Company's actuary assesses the recoverability of the DAC each year. The assessment verifies that the liabilities for insurance contracts, net of DAC for policies sold, are sufficient, and that the policies are expected to generate future income to cover the DAC's amortization and the insurance liabilities, operating expenses as well as fees and commissions for those policies.

   The assumptions used in this assessment, which include assumptions regarding cancellations, operating expenses, return on assets, mortality and morbidity rates, are determined by the actuaries every year on the basis of past experience and relevant current studies.

H. Financial instruments

The accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer is in accordance with IAS 39. The accounting policies applied by the Company in respect of the remaining financial instruments is in accordance with IFRS 9.

Set forth below are the accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer:

1. Non-derivative financial instruments

Non-derivative financial instruments include both financial assets and financial liabilities. Financial assets include financial investments (liquid debt assets, illiquid debt assets, shares and others) and other financial assets such as other accounts receivable and cash and cash equivalents. In addition, financial instruments include financial liabilities, such as loans and borrowings received, and supplier credit and other payables.

Initial recognition of financial assets

Initial recognition of non-derivative financial instruments is made at fair value, plus, for instruments not presented at fair value through profit and loss, any direct attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognized as an asset or liability when the Company accepts the contractual terms and conditions (the transaction date).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. Financial instruments (cont.)

1. Non-derivative financial instruments (cont.)

Financial assets are classified into the following classes:

Cash and cash equivalents

Cash comprises cash balances available for immediate use and call deposits. Cash equivalents include highly liquid short-term investments, which can be easily converted into known amounts of cash and are exposed to an insignificant risk of changes in value and are not restricted by pledges.

Held-to-maturity investments

If the Company has expressed intent and ability to hold debt instruments to maturity, then such debt securities are classified as held-to-maturity. Held-to-maturity investments are recognized initially at fair value, plus any attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method (taking into consideration transaction costs), less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale or which are not classified into one of the following classes: financial assets measured at fair value through profit and loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses arising from fair value adjustments, except for interest, exchange rate differentials, and dividend from an equity instrument, are recognized in other comprehensive income. When the investment is disposed of or in case of impairment, the other comprehensive income (loss) is transferred to the income statement.

Financial assets at fair value through profit and loss

A financial instrument is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition.

Loans and receivables

Loans and receivables are investments with fixed or determinable payments that are not traded in an active market. Subsequent to initial recognition, loans are presented at cost, plus direct transaction costs, using the effective interest method, less provision for impairment. Short-term receivables are recognized according to their terms and conditions, usually at their nominal value.

2. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group currently has a legally enforceable right to offset the amounts recognized and intends either to settle the asset or liability on a net basis or to dispose of the asset and settle the liability simultaneously.

The right to offset must be legally enforceable not only in the ordinary course of business of the parties to the contract, but also in the 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. Financial instruments (cont.)

3. Derivative financial instruments

Financial derivatives are initially recognized at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are carried to the income statement under investment income, net and finance income.

4. CPI-linked assets and liabilities not measured at fair value

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, are revalued each period in accordance with the actual change in the CPI.

5. The Group decided to designate assets as follows:

A. Financial assets in investment portfolios of participating policies

These assets, which include liquid and illiquid financial instruments, were designated at fair value through profit and loss, for the following reasons: These are discretionary portfolios, separate and identifiable, whose presentation at fair value significantly reduces an accounting mismatch of reporting financial assets and financial liabilities at different bases of measurement. Furthermore, their management is based on fair value, and the portfolio's performance is measured at fair value, in accordance with a documented risk management strategy. The information about the financial instruments is reported to management (the relevant investments committee) internally, at fair value.

B. Illiquid financial assets that are not included in investment portfolios against participating policies (nostro)

Assets meeting the criteria of the loans and receivables class, including Hetz bonds, were classified to this class and measured at amortized cost, using the effective interest method.
Illiquid equity instruments are classified as available-for-sale financial assets.

C. Liquid financial assets which are not included in investment portfolios against participating policies (nostro), which do not include embedded derivatives or do not constitute derivatives (including investment funds).

These assets are classified as available-for-sale financial assets.

D. Financial instruments that include embedded derivatives requiring bifurcation

These assets are designated to the class of fair value through profit and loss.

6. Financial liabilities

The liabilities are recognized initially at fair value. Loans and other liabilities measured at amortized cost are presented net of direct transaction costs.
Subsequent to initial recognition, the accounting treatment of financial liabilities is based on their classification as detailed below:

A. Financial liabilities at amortized cost

Subsequent to initial recognition, loans and other liabilities are recognized at cost, less direct transaction costs, using the effective interest method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. Financial instruments (cont.)

6. Financial liabilities (cont.)

B. Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities classified as held-for-trading and financial liabilities designated, upon initial recognition, to be presented at fair value through profit or loss.
Financial liabilities are classified as held for trading if they were acquired principally for the purpose of selling them in the short term. Profits or losses for liabilities held for trading is carried to profit or loss.

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments.
The Group assesses whether embedded derivatives are required to be bifurcated when the Group first becomes a party to the contract. 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.
A liability may be designated at the initial recognition date to fair value through profit or loss, subject to the terms and conditions set out in IAS 39.

7. Put option granted to non-controlling shareholders

The Group granted non-controlling shareholders (hereinafter - the "Non-Controlling Interests") a put option to sell part or all of their ownership interests in consolidated companies. The non-controlling interests were classified as financial liabilities on the day of grant. At each balance sheet date, the Group recognizes financial liabilities at the present value of the estimated expected payment to the non-controlling interests. At the same time, the non-controlling interests are accounted for as if they were held by the Group. For business combinations that occurred up to December 31, 2009, changes in the liability in subsequent periods, other than the time value recognized in profit and loss, caused by a change in the estimate of expected payments, are recognized in goodwill until exercise of the option.
As of January 1, 2010, the entire change in the liability amount is carried to profit and loss. If the options are exercised in subsequent periods, the consideration paid is accounted for as settlement of the liability. If the option expires, the expiry is accounted for as sale of an investment in the consolidated company while retaining control. If the Company has the right to choose to make the expected payment in cash or by way of the Company's shares, the liability is not recognized in the financial statements at the award date.

8. Derecognition of financial instruments

A. Financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full to a third party, without material delay. In addition, it has transferred substantially all the risks and rewards associated with the asset or has not transferred and has not retained substantially all the risks and rewards associated with the asset but has transferred control of the asset.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. Financial instruments (cont.)

8. Derecognition of financial instruments (cont.)

A. Financial assets (cont.)

If the Company transfers its rights to receive cash flows from an asset and neither transfers nor retains substantially all the risks and rewards of the asset or transfers control thereof, a new asset is recognized in accordance with the Company's continuing involvement therein. Continuing involvement by way of providing a guarantee for the transferred asset is measured at the lower of the original balance of the asset in the financial statements and the maximum amount of consideration that the Company may be required to repay.

A financial liability is derecognized when it is extinguished, that is to say, when the liability is discharged, canceled or expires. A financial liability is extinguished when the debtor (the Group) repays the liability by a cash payment, other financial assets, goods or services, or is legally released from the liability.

Where an existing financial liability is exchanged for another financial liability from the same lender on substantially different terms and conditions, or where the terms and conditions of an existing liability are substantially modified, such an exchange or modification is accounted for as a derecognition of the original liability and the recognition of a new liability at fair value as of that date. The difference between the balances of the above two liabilities in the financial statements is carried to the income statement. If the exchange or modification is immaterial, it is accounted for as a change in the terms of the original liability and no profit or loss is recognized from the exchange. 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.

I. Property, plant and equipment

Buildings and land are measured at revalued amounts, and fair value changes are carried to other comprehensive income. Buildings and land are valued based on evidence available in the market, using comparable prices adapted to specific market factors such as the type, location and condition of the assets.

The Group believes that fair value measurement is a more relevant basis for the value of the Group's assets and equity.

Other property, plant and equipment items are presented at cost plus direct acquisition costs, less accumulated depreciation and accumulated impairment losses, and less investment grants received in respect thereof, but do not include current maintenance expenses. Cost includes spare parts and auxiliary equipment used for the property, plant and equipment items.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

I. Property, plant and equipment (cont.)

Depreciation is calculated at equal annual rates on a straight-line basis over the asset's useful life, as follows:

	2021-2023
Buildings	20-50
Computers	3-7
Vehicles	7
Equipment and furniture	7-17
Leasehold improvements	See below
Works of art	Without depreciation

1. Revaluation of land and buildings is charged to the revaluation reserve presented in shareholders' equity, less the tax effect. The revaluation reserve is recognized in retained earnings during the use of the asset, according to its depreciation rate or when the asset is derecognized.

2. Revaluation is carried out routinely to ensure that the balance in the financial statements is not materially different from the value that would have been calculated at fair value at the reporting date.

3. Impairment of a revalued asset is carried directly to other comprehensive income, up to the amount of the credit balance in the revaluation reserve for that asset. Any further impairment is carried to profit or loss. Any increase in the asset's value as a result of revaluation is recognized in profit or loss up to the amount where it reverses the impairment that was previously recognized in profit or loss. Any subsequent increase is carried to the revaluation reserve.

4. Leasehold improvements are depreciated on a straight-line basis over the rental period (including the option period to extend the term of the contract, which the Group intends to exercise), or according to the estimated useful life of the improvement, whichever the shorter.

5. The useful life, depreciation method and residual value are reviewed at least at each year-end, and changes are accounted for prospectively as a change in accounting estimate. Depreciation of assets ceases at the earlier of the date on which the asset is classified as held for sale and the date on which the asset is derecognized.

J. Investment property

Investment property is initially measured at cost, including direct acquisition costs. After initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment property are recognized in profit or loss as incurred. Investment property is not systematically depreciated.

Investment property under development for future use as investment property is also measured at fair value as set out above, when fair value can be reliably measured. The cost basis of investment property under development includes the cost of land plus the credit costs used to finance the construction, direct incremental planning and development costs and brokerage fees for rental agreements thereof.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Investment property (cont.)

The Group determines the fair value of investment property on the basis of a valuation by external independent appraisers who are experts in the valuation of real estate properties and have the appropriate expertise and experience, and on the basis of the extensive professional expertise of the Group's management, as well on the valuation of internal expert appraisers.

K. Intangible assets

Separately acquired intangible assets are measured on initial recognition at cost plus direct acquisition costs. Intangible assets acquired in business combinations are measured at fair value at acquisition date. Costs relating to internally generated intangible assets, excluding capitalized development costs, are carried to profit or loss as incurred.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that an impairment has taken place. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If events and circumstances do not continue to support such assessment, the change in the useful life assessment from indefinite to definite is accounted for as a change in accounting estimate, and the asset is also tested for impairment on that date. As of that date the asset is amortized systematically over its useful economic life.

Intangible assets with a definite useful life are amortized over their useful life and tested for impairment when there are indications thereof. The amortization period and method applied to an intangible asset with a definite useful life are reviewed at each year end at the very least.

Amortization

The estimated useful lives for the current and comparative periods are as follows:

	Years	Amortization method
Computer software	3-10	Straight line
Brand	5-10	Straight line
Non-compete agreements	5-13	Straight line
Future management fees/ customer relations	9-15	Straight line
Fees and commissions portfolios	2-10	Straight line

Estimates as to the depreciation method and useful life are reviewed at least at the end of each reporting year.

L. Impairment

The Group assesses at each reporting date whether there is objective evidence of impairment for the following assets:

1. Financial assets

   A. Financial assets measured at amortized cost

   The Group considers evidence of impairment for debt assets classified to loans and receivables at both the specific asset level and at the collective level of an asset class with similar credit risk characteristics (collective assessment). All individually significant loans and receivables are tested for specific impairment. Loans and receivables for which no specific impairment was identified are collectively tested for any collective impairment that was incurred but not yet identified.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

L. Impairment (cont.)

1. Financial assets (cont.)

   B. Available-for-sale financial assets

   The evidence for impairment of equity instruments classified as available-for-sale financial assets includes a significant or prolonged decline in the fair value of the asset below its cost and assessment of changes in the technological, economic or legal environment in which the issuer of the instrument operates. The testing for significant or prolonged impairment depends on the circumstances at each balance sheet date. The testing takes into account historical fluctuations in fair value and the existence of a prolonged decline in fair value at a total rate of 20% or more, or a prolonged decline in fair value of 12 months or more.

   Evidence of impairment of debt instruments classified as available-for-sale financial assets includes one or more events that had an adverse effect on the estimated future cash flows from the asset subsequent to the investment date. Where there is evidence of impairment, the aggregate loss, which was carried to other comprehensive income, is recognized as an impairment loss in profit or loss. In subsequent periods, the amount of the impairment loss is reversed if the increase in fair value can be objectively attributable to an event occurring after the impairment loss was recognized. The amount of the reversal is carried to profit and loss up to the amount of any previously recognized impairment loss.

2. Reinsurance

   A. The liabilities of reinsurers towards The Phoenix Insurance do not exempt it from its liabilities to policyholders according to the insurance policies. If a reinsurer fails to meet its liabilities under the reinsurance contracts, The Phoenix Insurance may incur losses.

   B. The Phoenix Insurance includes a provision for doubtful debts for reinsurers' debts whose collection is doubtful on the basis of specific risk estimates and on the basis of the extent of the debt.
   In addition, when determining the reinsurers' share in insurance liabilities, The Phoenix Insurance also considers the likelihood of collection from the reinsurers. When the reinsurers' share as aforesaid is calculated on an actuarial basis, the share of those reinsurers who are in financial difficulties is calculated in accordance with the actuary's recommendation, which takes all risk factors into account. In addition, when preparing the provisions, The Phoenix Insurance takes into account, among other things, the willingness of the parties to reach cut off agreements (termination of agreements by final repayment of debts) to reduce exposure.

3. Collectible premium

   The provision for collectible premiums in the property and casualty insurance business is calculated according to estimates based, among other things, on debts in arrears and existing collateral.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

L. Impairment (cont.)

4. Customer credit for purchase of securities

Customer credit is initially recognized at fair value, and subsequently measured at amortized cost based on the effective interest method, less a provision for doubtful debts.
The provision for doubtful debts is determined specifically for debts which Company's management believes are unlikely to be collected. Impaired trade receivables are derecognized when they are assessed as uncollectible.

5. Non-financial assets

The Group tests for impairment of non-financial assets other than deferred acquisition costs, investment property, assets arising from employee benefits, and deferred tax assets whenever events or changes in circumstances indicate that the balance in the financial statements is irrecoverable. When the balance of the non-financial assets exceeds their recoverable amount, the assets are amortized to their recoverable value. The recoverable value is the higher of fair value less costs of goods sold and value in use.
In assessing value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to each asset and the time value of money. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. All impairment losses are charged to the income statement under the other expenses line item.
Any impairment loss from an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since an impairment loss was last recognized. Reversal of the loss is limited to the lower of the amount of previously recognized impairment in respect of the asset (net of depreciation or amortization) or its recoverable amount. As to assets measured at cost, reversal of the loss is carried to profit or loss.
Reversal of an impairment loss of a cash-generating unit shall be allocated to the unit's assets, other than goodwill, proportionately to the carrying amount of each of the assets that falls within the measurement scope of IAS 36, only to the extent that the carrying amount of the asset, subsequent to the reversal of the impairment loss, does not exceed the asset's amortized cost that would have been set had the impairment loss not been recognized.

A. Testing for impairment of goodwill in respect of consolidated companies

The Group assesses goodwill impairment annually, as of December 31, or more frequently if events or changes in circumstances indicate impairment.
Goodwill impairment is determined by testing the recoverable amount of a cash generating unit (or a group of cash generating units) to which the relates belongs. Each cash-generating unit to which goodwill was allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and in no case be larger than an operating segment.
An impairment loss is recognized if the recoverable amount of the cash generating unit (or group of cash generating units) to which goodwill has been allocated is less than the financial statements balance of the cash generating unit (or group of cash generating units). Impairment losses from goodwill cannot be reversed in subsequent periods.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

L. Impairment (cont.)

5. Non-financial assets (cont.)

B. Investment in an associate

After implementing the equity method, the Group assesses whether it is necessary to recognize a further impairment loss in respect of impairment of the investment in associates. At each balance sheet date, the Company assesses whether there is objective evidence of impairment of an investment in an associate. Impairment is tested for the entire investment, including goodwill attributable to the associate.

C. Art works and intangible assets with indefinite useful life

The Group assesses goodwill for impairment annually, on December 31, or more frequently if events or changes in circumstances indicate impairment.

M. Fair value measurement

The fair value of financial instruments traded in an active market is determined by market prices on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using transactions that were recently made at market terms, reference to the current market value of another instrument which is substantially the same, discounting of cash flows, or other valuation methods. The value of illiquid bonds, loans and deposits is based on the cash flow discount method; see Note 14G.

All assets and liabilities measured at fair value, or the fair value of which was disclosed, are categorized within the fair value hierarchy, based on the lowest level of the data, which is significant to fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: Inputs that are not based on observable market data (appraisal techniques not using observable market input).

N. Employee benefits

Share-based payment transactions

Other employees/service providers of the Company are entitled to benefits by way of share-based payment settled in equity instruments and some employees/other service providers are entitled to benefits by way of cash-settled share-based payment measured on the basis of the increase in the Company's share price.

Cash-settled transactions in equity instruments

The cost of transactions with employees settled in equity instruments is measured according to the fair value of the equity instruments at the award date. The fair value is determined using an accepted option pricing model.

O. Liability for short sale of securities

Liabilities in respect of short sale of securities are initially recognized at fair value when the relating transaction expenses are charged to the income statement. Subsequent to initial recognition, these liabilities are measured at fair value against profit or loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

P. Provisions

In accordance with IAS 37, a provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is likely that financial resources will be required to settle the obligation and the obligation can be reliably estimated.

When the Group expects that some or all of the expense will be reimbursed to the Company, such as in an insurance contract, the repayment will be recognized as a separate asset, only when it is highly likely that the asset will be received. The expense is recognized in the income statement less the reimbursement of the expense.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the provision.

Legal claims

A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation and it is more likely than not that the Group will require its economic resources to settle the obligation. and it is reliably estimable.

Q. Revenue recognition

1. **Premiums**

a) Premiums in the life insurance segment and certain subsegments of health insurance, including savings premiums and excluding proceeds in respect of investment contracts, are recorded as income on collection date.
Cancellations are recorded when a notification is received from the policyholder or when initiated by the Group due to arrears in payments, subject to the provisions of the law. Policyholders' profit participation is deducted from the premiums.

b) Property and casualty insurance premiums are recorded as income based on monthly output reports. The premiums usually relate to an insurance period of one year. Gross income from premiums and changes in unearned premium are recorded under premiums earned, gross.
Premiums on compulsory motor subsegment are recorded when the premium is paid, since insurance coverage is contingent upon payment of the premium.
Premiums on policies that take effect subsequent to the balance sheet date or premiums on policies for a period exceeding one year are recorded as a prepaid income under the payables and credit balances line item.
The income included in the financial statements is after cancellations requested by policyholders and net of cancellations and provisions due to non-payment of premiums, subject to the provisions of the law, and net of the policyholder's profit participation, based on valid agreements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

Q. Revenue recognition (cont.)

2. **Management fees**

a) Management fees for yield-dependent insurance contracts:

The management fees are calculated in accordance with the Commissioner's directives on the basis of the yield and the aggregate savings of the policyholders in the participating portfolio.

Management fees include the following components:

For policies sold as from January 1, 2004 - fixed management fees only.
For policies sold through December 31, 2003 - fixed and variable management fees.
The fixed management fees are calculated at fixed percentages out of the aggregate savings and recorded on an accrual basis.

The variable management fees are calculated as a percentage of the annual real income (as from January 1 through December 31) attributable to the policy, less the fixed management fees collected on that policy. Only positive variable management fees can be collected, net of negative amounts accumulated in previous years.

During the year, the variable management fees are recorded on an accrual basis in accordance with the real monthly yield to the extent that such yield is positive. In months when the real return is negative, the variable management fees are reduced to the amount of the aggregate variable management fees collected since the beginning of the year. Negative return for which a reduction of the management fees was not made during a current year, will be deducted for the purpose of calculating the management fees from positive return in subsequent periods.

b) Management fees from pension funds and provident funds:
Income from the management of pension funds and provident funds is recognized on the basis of the balances of the assets under management and on the basis of the proceeds from planholders, in accordance with the Commissioner's directives.

c) Management fees from mutual funds and customer portfolio management:
Income from the management of mutual funds and income from the management of customers' portfolios are recognized on the basis of the balances of assets under management.

3. **Fees and commissions**

In distribution (agencies)
Income from property and casualty insurance fees and commissions is recognized as incurred.

Income from life insurance fees and commissions is recognized on the basis of the date of entitlement for payment of the fees and commissions according to agreements with the insurance companies, net of provisions for refunds of fees and commissions due to expected cancellations of insurance policies.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

Q. Revenue recognition (cont.)

3. **Fees and commissions (cont.)**

In the insurance company

Income from reinsurance fees and commissions in property and casualty, life and health insurance is recognized as incurred.

4. **Revenue recognition from the disposal of art works**

Income from sale of works of art is included at the date of delivery when the income can be reliably estimated, there is a binding contractual agreement with the buyer and it is highly likely that the consideration will be received.

5. **Income from investment house and wealth**

A. Income from underwriting and distribution

Income from underwriting and distribution fees and commissions is recorded when the issuance and distribution is carried out, after fulfillment of the terms of the agreement with the company and/or issuer.

B. Income from consulting services

Income from consulting services (distribution (agencies), management of employee options) is charged to profit or loss over the service period.

C. Income from financial transactions

Net income (loss) from financial transactions include gains on ETFs activity, market making, interest income (expenses) on amounts invested (taken), income from dividends, changes in fair value of financial assets measured by fair value through profit or loss, losses from impairment of financial assets, profits (losses) from exchange rate differentials and profits (losses) from derivative instruments recognized in profit or loss. Interest income and expenses are recognized upon accrual, using the effective interest method. Income from dividend is recognized when the Company is entitled to receive payment. If the dividend is paid in respect of liquid shares, the Company recognizes the income on the ex-dividend date.

6. **Income from factoring and clearing**

A. Fees in respect of checks discounting constitute an integral part of the effective interest rate of loans in the Group, and are therefore accounted for as an adjustment of the effective interest rate.
Income from fees and commissions in respect of other services is recognized when the service is rendered to the customer.

B. Income from financial guarantee

Income from provision of financial guarantee services is recognized on a straight-line basis over the term of the financial guarantee contract.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

R. Income (losses) on investments, net, finance income and finance expenses

Gains (losses) on investments, net and finance income include interest income and linkage differences for debt assets, dividend income, gains (losses) from sale of available-for-sale financial assets, changes in the fair value of financial assets presented at fair value through profit and loss, foreign currency gains (losses) for debt assets, changes in the fair value of investment property and rental income from investment property. Gains (losses) on the realization of investments are calculated as the difference between the net realization consideration and the original cost or the amortized cost and are recognized on the sale date.

Interest income is recognized as it accrues using the effective interest method. Income from dividend is recognized when the Company is entitled to receive payment. If the dividend is in respect of liquid shares, the Company recognizes the income on the ex-dividend date.
Foreign currency gains and losses and changes in the fair value of investments are reported on a net basis.
Finance expenses comprise interest expenses on loans received, interest and exchange rate differentials on reinsurers' deposits and balances, and changes in the time value of provisions. All uncapitalized borrowing costs are charged to the income statement using the effective interest method.

S. General and administrative expenses

General and administrative expenses are classified as indirect expenses to settle claims (included under payments and changes in liabilities for insurance contracts and investment contracts), acquisition-related costs (included under fees and commissions, marketing expenses and other acquisition expenses) and the balance of general and administrative expenses included in this section. Classification is in accordance with the Group's internal models, validated periodically in accordance with the Company's activity, based on direct expenses charged and indirect expenses attributed.

T. 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.

The Notes to the Financial Statements include reclassifications. The reclassifications did not have an effect on the equity, profit and loss and comprehensive income.

U. accounting policies change - first-time application of new financial reporting standards and amendments to existing accounting standards

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

   In July 2014, the IASB published the full and final version of IFRS 9 - Financial Instruments, which replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 (hereinafter - the "New Standard") 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.)

U. Change in accounting policies - first-time application of new financial reporting standards and amendments 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 financial statements of the Company.

3. Amendment to IAS 12, Income Taxes

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 financial statements of the Company.

4. Amendment to IAS 1, Disclosure of Accounting Policies

In February 2021, the IASB issued an amendment to IAS 1: Presentation of Financial Statements (hereinafter - the "Amendment"). In accordance with the Amendment, companies are required to disclose their material accounting policies; this will replace the requirement to disclose companies' significant accounting policies. One of the main reasons for this amendment stems from the fact that the term "significant" is not defined in IFRS, whereas the term "material" is defined in various standards, and specifically in IAS 1. The Amendment was applied as from annual periods beginning on January 1, 2023. The above Amendment affected the disclosure of the Company's accounting policies, but did not have an effect on the measurement, recognition or presentation of any items in the consolidated financial statements of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

U. Change in accounting policies - first-time application of new financial reporting standards and amendments to existing accounting standards (cont.)

5. Amendment to IAS 12, Income Taxes

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").

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.

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.

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

1. IFRS 17 - Insurance Contracts and IFRS 9, Financial Instruments

In May 2017, the International Accounting Standards Board (IASB) published IFRS 17 - Insurance Contracts (hereinafter - the "New Standard"). An amendment to the New Standard was published in June 2020. The New Standard sets rules for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes the current guidance on this issue. The New Standard is expected to cause significant changes in the financial reporting of insurance companies.

According to the New Standard, the insurance liability should be measured as the present value of the expected cash flows from insurance contracts, taking into account the uncertainty inherent in these forecasts (the risk margin). In addition, the income expected from the insurance contracts arising from the said calculations will be recognized over the coverage period, and the effect of changes in the assumptions (excluding interest) will also be spread over the coverage period. A loss will be recognized as incurred if a group of insurance contracts is not expected to be profitable or incurs losses.

For certain insurance contracts (usually property and casualty insurance contracts with insurance coverage of up to one year), a simpler measurement model that is not very different from the current measurement may be applied.

The New Standard will be applied retrospectively. If retrospective application is impracticable, one of the following approaches may be selected:

1. The modified retrospective approach.
2. The fair value approach.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

1. IFRS 17 - Insurance Contracts and IFRS 9 Financial Instruments (cont.)

On June 1, 2023, the Capital Market, Insurance and Savings Authority published a third revision to the "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts" (hereinafter - the "Third Revision"), which includes several revisions regarding the "Roadmap - Second Revision", which 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 policies, 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.)

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

2. Amendment to IFRS 16 - Leases

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

The Amendment shall be applied as from annual periods beginning on January 1, 2024 or thereafter; earlier application is permitted. The Amendment shall be applied retrospectively. The Company is studying the effects of the amendment on the financial statements.

3. 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 financing 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 financing 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.

4. Amendment to IAS 21 - The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB issued an amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates (hereinafter - the "Amendment") in order to clarify how an entity assesses whether a currency is exchangeable into another currency, and the accounting requirements (measurement and disclosure), that an entity is required to comply with in instances where a currency is not exchangeable into another currency.

The Amendment sets the manner by which a spot exchange rate will be set when a currency is not exchangeable. The disclosure requirements as per the Amendment are designed to assist and enable users of the financial statements to understand how the currency, which is not exchangeable into the other currency, affects, or is expected to affect, the entity's financial performance, financial position, and cash flows.

The Amendment was applied for annual reporting periods beginning on January 1, 2025 or thereafter. Early application is permitted but will need to be disclosed. In applying the Amendment, an entity shall not restate comparative information. Alternatively, if the currency is not exchangeable at the beginning of the annual reporting period in which the Amendment is implemented for the first time (the first-time application date), an entity shall translate assets, liabilities and equity in accordance with the provisions of the Amendment, and the differences on the first-time application date shall be recognized as an adjustment to the opening balance of the retained earnings and/or the reserve from translation differences, in accordance with the provisions of the Amendment.

The Company believes that the above amendment is not expected to have a material effect on the Company' consolidated financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

W. The following table presents information on the change in the CPI and USD exchange rate:

	CPI		USD representative exchange rate
	In lieu CPI	Known CPI	
	%	%	%
For the year ended December 31, 2023	3.0	3.3	3.1
For the year ended December 31, 2022	5.3	5.3	13.2
For the year ended December 31, 2021	2.8	2.4	(3.3)

NOTE 3 - OPERATING SEGMENTS

The Company operates in the following operating segments:

1. Life and savings segment

The life 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, disability insurance, and more. Furthermore, as from July 1, 2023, the results of FNX Private Policy Profits - 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 insurance, surgery and transplants, dental, travel and foreign workers insurance and more.

3. Property and casualty insurance

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

- Compulsory motor insurance subsegment
  The compulsory motor subsegment focuses on coverage, the purchase of which by the vehicle owner or driver is mandatory, in respect of bodily injury caused as a result of the use of a motor vehicle (to the driver, passengers, or pedestrians).

- Motor property subsegment
  The motor property subsegment focuses on coverage against property damage to the policyholder's vehicle and third-party property damage caused by the insured vehicle.

- Other liability subsegments
  The liability subsegments provide coverage in respect of the policyholder's liability for any third-party damage he/she may cause. These subsegments include: third-party liability, employer 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.

NOTE 3 - OPERATING SEGMENTS (cont.)

4. **Retirement (pension and provident)**

The retirement (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 Profits - are included in the results of this segment. (For further details, see Note 4B).
In accordance with the Commissioner's directives, segment activity is described separately for the pension activity and the provident activity.

5. **Investment house and wealth**

The investment house and wealth 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. **Distribution (agencies)**

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

7. **Credit**

The credit segment mostly 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. On December 31, 2023, Construction Financing was transferred from The Phoenix Insurance to the Company, such that as of January 1, 2024, the segment will include the operating results of Construction Financing. In addition, as of 2023, a consumer credit activity was established under an investee; the company will operate in the retail all-purpose loan domain; for further details, see Note 8E(8)).

8. **Activity 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 further details, see Note 41, Sections 5.1 and 5.2 to the Annual Financial Statements). This allocation may have an effect on investment income attributable to the various segments.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment

	For the year ended December 31, 2023									
	Life and savings	Health	Property and casualty	Retirement (pension and provident)	Investment house and wealth	Distribution (agencies)	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousand									
Premiums earned, gross	4,542,139	3,308,850	4,137,397	-	-	-	-	-	-	11,988,386
Premiums earned by reinsurers	273,029	234,511	1,124,987	-	-	-	-	-	-	1,632,527
Premiums earned - retention	4,269,110	3,074,339	3,012,410	-	-	-	-	-	-	10,355,859
Investment income, net and finance income	8,510,675	913,918	192,026	100,985	27,750	18,361	160,590	6,407	(20,396)	9,910,316
Income from management fees	607,839	-	-	750,982	399,068	4,624	824	3,110	(44,831)	1,721,616
Income from fees and commissions (1)	38,166	42,817	248,594	-	-	777,872	-	-	(219,719)	887,730
Income from investment house and wealth	-	-	-	-	329,000	-	-	-	-	329,000
Income from factoring and clearing	-	-	-	-	-	-	178,784	-	-	178,784
Other income	854	113,454	-	18,386	6,754	17,996	-	98	(1,405)	156,137
Total income	13,426,644	4,144,528	3,453,030	870,353	762,572	818,853	340,198	9,615	(286,351)	23,539,442
Increase in insurance liabilities and payments in respect of insurance contracts	12,782,987	3,576,357	2,848,452	88,921	-	-	-	-	-	19,296,717
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	274,686	419,814	979,490	-	-	-	-	-	-	1,673,990
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	12,508,301	3,156,543	1,868,962	88,921	-	-	-	-	-	17,622,727
Fees and commissions and other purchase expenses	597,982	517,803	805,041	376,687	67,375	-	5,776	-	(194,965)	2,175,699
General and administrative expenses	398,244	169,824	143,210	274,776	412,520	481,680	126,933	150,590	(51,909)	2,105,868
Other expenses	3,252	-	-	36,620	42,072	25,773	8,118	20,779	(454)	136,160
Finance expenses	28,687	-	12,679	20,639	12,747	5,473	108,045	223,185	(17,738)	393,717
Total expenses	13,536,466	3,844,170	2,829,892	797,643	534,714	512,926	248,872	394,554	(265,066)	22,434,171
Company's share in the net results of investees	9,150	25,970	(3,601)	306	12,688	1,055	-	(3,155)	-	42,413
Profit (loss) before income tax	(100,672)	326,328	619,537	73,016	240,546	306,982	91,326	(388,094)	(21,285)	1,147,684
Other comprehensive income before income tax	109,507	21,293	83,888	-	792	30	-	250,169	-	465,679
Comprehensive income (loss) before income tax	8,835	347,621	703,425	73,016	241,338	307,012	91,326	(137,925)	(21,285)	1,613,363

(1) Arises from fees and commissions income received from agencies owned by the Group, mainly from activities in the life and savings segment.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

	For the year ended December 31, 2022									
	Life and savings	Health	Property and casualty	Retirement (pension and provident)	Investment house and wealth	Distribution (agencies)	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	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 (1)	68,306	48,549	247,245	-	-	723,577	-	-	(251,765)	835,912
Income from investment house and wealth and other 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 (decrease) 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
Company's share in the net results of investees	26,648	26,017	4,213	-	2,494	2,735	(57)	(502)	-	61,548
Profit (loss) before income tax	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 income tax	18,923	(860)	(222,399)	-	(333)	70	1,593	(33,388)	-	(236,394)
Comprehensive income (loss) before income tax	610,762	1,119,901	28,676	88,983	235,023	300,148	72,781	(813,533)	(24,855)	1,617,886

(1) Arises from fees and commissions income received from agencies owned by the Group, mainly from activities in the life and savings segment.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

	For the year ended December 31, 2021									
	Life and savings	Health	Property and casualty	Retirement (pension and provident)	Investment house and wealth	Distribution (agencies)	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousand									
Premiums earned, gross	5,422,835	2,735,295	3,003,301	-	-	-	-	-	-	11,161,431
Premiums earned by reinsurers	117,372	212,807	1,015,280	-	-	-	-	-	-	1,345,459
Premiums earned - retention	5,305,463	2,522,488	1,988,021	-	-	-	-	-	-	9,815,972
Investment income, net and finance income	12,538,375	1,134,567	357,247	87,687	3,342	21,453	25,033	482,791	(23,570)	14,626,925
Income from management fees	1,217,741	-	-	542,942	335,707	380	-	4,112	(51,516)	2,049,366
Income from fees and commissions (1)	37,401	51,859	233,640	-	-	569,036	-	-	(200,522)	691,414
Income from investment house and wealth and other financial services	-	-	-	-	154,000	-	-	-	-	154,000
Income from factoring and clearing	-	-	-	-	-	-	52,871	-	-	52,871
Other income	224,543	188,680	-	2,712	8,526	44,485	240,292	123	(1,175)	708,186
Total income	19,323,523	3,897,594	2,578,908	633,341	501,575	635,354	318,196	487,026	(276,783)	28,098,734
Increase in insurance liabilities and payments in respect of insurance contracts	17,087,723	3,442,141	2,060,741	67,411	-	-	-	-	-	22,658,016
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	50,414	115,238	636,440	-	-	-	-	-	-	802,092
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	17,037,309	3,326,903	1,424,301	67,411	-	-	-	-	-	21,855,924
Fees and commissions and other purchase expenses	531,826	424,718	629,755	219,693	62,862	8,905	1,754	196	(183,634)	1,696,075
General and administrative expenses	399,875	150,508	132,198	274,197	313,769	337,422	43,347	81,170	(57,169)	1,675,317
Other expenses	15,127	-	-	16,185	12,000	18,691	4,059	1,845	(453)	67,454
Finance expenses (income)	28,877	2,607	(1,507)	7,406	6,706	2,049	10,610	182,784	(21,530)	218,002
Total expenses	18,013,014	3,904,736	2,184,747	584,892	395,337	367,067	59,770	265,995	(262,786)	25,512,772
Company's share in the net results of investees	93,614	8,624	497	-	4,860	4,539	(630)	-	-	111,504
Profit before income tax	1,404,123	1,482	394,658	48,449	111,098	272,826	257,796	221,031	(13,997)	2,697,466
Other comprehensive income (loss) before income tax	130,548	6,756	90,708	-	2,060	(645)	(425)	307,613	-	536,615
Comprehensive income (loss) before income tax	1,534,671	8,238	485,366	48,449	113,158	272,181	257,371	528,644	(13,997)	3,234,081

(1) Arises from fees and commissions income received from agencies owned by the Group, mainly from activities in the life and savings segment.

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data regarding the retirement (pension and provident) segment

	For the year ended December 31, 2023		
	Provident funds	Pension	Total
	NIS thousand		
Investment income, net and finance income	91,840	9,145	100,985
Income from management fees	438,935	312,047	750,982
Other income	15,904	2,482	18,386
Total income	546,679	323,674	870,353
Change in liabilities for investment contracts	88,921	-	88,921
Fees and commissions, marketing expenses and other purchase expenses	195,455	181,232	376,687
General and administrative expenses	170,409	104,367	274,776
Other expenses	20,934	15,686	36,620
Finance expenses	9,501	11,138	20,639
Total expenses	485,220	312,423	797,643
Company's share in the net results of investees	306	-	306
Comprehensive income before income tax for the year	61,765	11,251	73,016

	For the year ended December 31, 2022		
	Provident funds	Pension	Total
	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
Comprehensive income before income tax for the year	77,717	11,266	88,983

	For the year ended December 31, 2021		
	Provident funds	Pension	Total
	NIS thousand		
Investment income, net and finance income	77,103	10,584	87,687
Income from management fees	338,699	204,243	542,942
Other income	-	2,712	2,712
Total income	415,802	217,539	633,341
Change in liabilities for investment contracts	67,411	-	67,411
Fees and commissions, marketing expenses and other purchase expenses	123,118	96,575	219,693
General and administrative expenses	177,343	96,854	274,197
Other expenses	15,383	802	16,185
Finance expenses	2,848	4,558	7,406
Total expenses	386,103	198,789	584,892
Comprehensive income before income tax for the year	29,699	18,750	48,449

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the property and casualty insurance segment

	For the year ended December 31, 2023				
	Compulsory motor	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
			NIS thousand		
Gross premiums	726,648	1,840,326	1,102,867	799,166	4,469,007
Reinsurance premiums	50,617	-	771,906	380,906	1,203,429
Premiums - retention	676,031	1,840,326	330,961	418,260	3,265,578
Change in unearned premium balance, retention	39,064	158,245	27,501	28,358	253,168
Premiums earned - retention	636,967	1,682,081	303,460	389,902	3,012,410
Investment income, net and finance income	80,939	35,226	8,951	66,910	192,026
Income from fees and commissions	25,971	5	172,429	50,189	248,594
Total income	743,877	1,717,312	484,840	507,001	3,453,030
Payments and change in liabilities in respect of insurance contracts, gross	383,635	1,332,795	861,869	270,153	2,848,452
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	7,584	(60)	753,983	217,983	979,490
Payments and change in liabilities for insurance contracts - retention	376,051	1,332,855	107,886	52,170	1,868,962
Fees and commissions, marketing expenses and other purchase expenses	86,058	324,285	242,397	152,301	805,041
General and administrative expenses	31,227	52,220	30,424	29,339	143,210
Finance expenses	6,545	-	724	5,410	12,679
Total expenses	499,881	1,709,360	381,431	239,220	2,829,892
Company's share in the net results of investees	(1,494)	(707)	(165)	(1,235)	(3,601)
Net income before income tax	242,502	7,245	103,244	266,546	619,537
Other comprehensive income before income tax	34,797	16,477	3,848	28,766	83,888
Comprehensive income before income tax for the year	277,299	23,722	107,092	295,312	703,425
Liabilities in respect of insurance contracts, gross, as of December 31, 2023	2,985,505	1,176,543	1,213,941	2,474,590	7,850,579
Liabilities in respect of insurance contracts - retention – as of December 31, 2023	2,043,714	1,176,505	241,380	1,571,803	5,033,402

(*) 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.)

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

	For the year ended December 31, 2022				
	Compulsory motor	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
	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
Company's share in the net results of investees	1,743	672	198	1,600	4,213
Profit (loss) before income tax	156,074	(204,556)	126,183	173,374	251,075
Other comprehensive loss before income tax	(91,992)	(35,462)	(10,477)	(84,468)	(222,399)
Comprehensive income (loss) for the year before income tax	64,082	(240,018)	115,706	88,906	28,676
Liabilities in respect of insurance contracts, gross, as of December 31, 2022	3,025,588	1,061,880	670,253	2,382,762	7,140,483
Liabilities in respect of insurance contracts - retention - as of December 31, 2022	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.)

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

	For the year ended December 31, 2021				
	Compulsory motor	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
	NIS thousand				
Gross premiums	653,843	1,155,436	759,375	586,698	3,155,352
Reinsurance premiums	270,705	1,759	512,033	263,550	1,048,047
Premiums - retention	383,138	1,153,677	247,342	323,148	2,107,305
Change in unearned premium balance, retention	44,160	66,392	3,322	5,410	119,284
Premiums earned - retention	338,978	1,087,285	244,020	317,738	1,988,021
Investment income, net and finance income	146,709	52,820	17,077	140,641	357,247
Income from fees and commissions	80,703	101	124,803	28,033	233,640
Total income	566,390	1,140,206	385,900	486,412	2,578,908
Payments and change in liabilities in respect of insurance contracts, gross	611,086	874,384	254,462	320,809	2,060,741
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	314,908	1,035	197,238	123,259	636,440
Payments and change in liabilities for insurance contracts - retention	296,178	873,349	57,224	197,550	1,424,301
Fees and commissions, marketing expenses and other purchase expenses	69,940	262,071	188,009	109,735	629,755
General and administrative expenses	29,325	48,447	27,020	27,406	132,198
Finance income	(726)	-	(85)	(696)	(1,507)
Total expenses	394,717	1,183,867	272,168	333,995	2,184,747
Company's share in the net results of investees	204	73	24	196	497
Profit (loss) before income tax	171,877	(43,588)	113,756	152,613	394,658
Other comprehensive income before income tax	37,278	13,354	4,339	35,737	90,708
Comprehensive income (loss) for the year before income tax	209,155	(30,234)	118,095	188,350	485,366
Liabilities in respect of insurance contracts, gross, as of December 31, 2021	2,974,669	875,937	654,312	2,203,670	6,708,588
Liabilities in respect of insurance contracts - retention - as of December 31, 2021	1,772,342	874,770	184,621	1,724,198	4,555,931

(*) 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 83% of total premiums in these subsegments.

NOTE 3 - OPERATING SEGMENTS (cont.)

D. Details regarding segment assets and liabilities

	For the year ended December 31, 2023									
	Life and long-term savings	Health	Property and casualty	Retirement (pension and provident)	Investment house and wealth	Distribution (agencies)	Credit	Not attributed to operating segments	Adjustments and offsets	Total
					NIS thousand					
Assets										
Intangible assets	191,894	-	-	495,623	1,194,384	718,354	12,916	984,697	-	3,597,868
Deferred acquisition costs	830,460	449,984	346,024	1,149,412	-	-	-	-	(89,610)	2,686,270
Investments in associates	205,409	645,207	553,213	-	167,269	17,426	-	63,308	-	1,651,832
Investment property in respect of yield-dependent contracts	2,283,063	-	-	-	-	-	-	-	-	2,283,063
Investment property - other	783,249	227,825	227,450	-	-	-	-	-	-	1,238,524
Financial investments in respect of yield-dependent contracts	76,090,471	6,727,466	-	-	-	-	-	-	-	82,817,937
Financial investments for holders of deposit certificates and structured bonds	-	-	-	-	173,000	-	-	-	-	173,000
Credit in respect of factoring, clearing and financing	-	-	-	-	-	-	3,700,349	-	-	3,700,349
Other financial investments										
Liquid debt assets	1,362,698	396,370	1,231,609	192,694	36,000	42	-	2,554,024	-	5,773,437
Illiquid debt assets	10,707,204	969,425	1,540,204	938,313	665,645	42,072	592,005	1,444,893	(305,840)	16,593,921
Shares	195,089	56,746	394,427	14,887	80,981	-	-	1,545,462	-	2,287,592
Other	1,994,619	580,178	406,551	35,407	3,000	28,307	-	3,068,272	-	6,116,334
Total other financial investments	14,259,610	2,002,719	3,572,791	1,181,301	785,626	70,421	592,005	8,612,651	(305,840)	30,771,284
Cash and cash equivalents in respect of yield-dependent contracts	17,751,445	1,552,102	-	-	-	-	-	-	-	19,303,547
Other cash and cash equivalents	148,160	35,533	680,859	65,328	263,107	216,429	19,908	1,623,699	-	3,053,023
Reinsurance assets	484,910	726,174	2,817,177	-	-	-	-	-	-	4,028,261
Collectible premiums	22,001	134,365	841,929	-	-	-	-	-	-	998,295
Other assets	343,366	82,612	514,040	71,184	977,715	164,404	78,886	2,152,185	(892,916)	3,491,476
Total assets	**113,394,038**	**12,583,987**	**9,553,483**	**2,962,848**	**3,561,101**	**1,187,034**	**4,404,064**	**13,436,540**	**(1,288,366)**	**159,794,729**
Total assets for of yield-dependent contracts	96,310,349	8,459,163	-	-	-	-	-	-	-	104,769,512
Liabilities:										
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,871,690	3,811,834	7,850,579	1,063,093	-	-	-	-	-	25,597,196
Liabilities in respect of insurance contracts and yield-dependent investment contracts	94,693,723	8,279,568	-	-	-	-	-	-	-	102,973,291
Liabilities in respect of structured products	-	-	-	-	171,000	-	-	-	-	171,000
Financial liabilities	2,562,212	327,411	134,107	449,757	1,136,987	486,353	3,499,010	7,285,912	(305,840)	15,575,909
Other liabilities	1,688,755	480,137	1,291,496	244,956	341,705	150,626	86,078	1,191,464	(892,916)	4,582,301
Total liabilities	**111,816,380**	**12,898,950**	**9,276,182**	**1,757,806**	**1,649,692**	**636,979**	**3,585,088**	**8,477,376**	**(1,198,756)**	**148,899,697**

NOTE 3 - OPERATING SEGMENTS (cont.)

D. Information about segment's assets and liabilities (cont.)

	As of December 31, 2022									
	Life and savings	Health	Property and casualty	Retirement (pension and provident)	Investment house and wealth	Distribution (agencies)	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousand									
Assets:										
Intangible assets	1,854	-	-	459,185	904,315	683,576	8,362	934,234	-	2,991,526
Deferred acquisition costs	863,003	443,236	321,075	901,421	-	-	-	-	(75,352)	2,453,383
Investments in associates	526,953	505,418	327,926	-	143,383	14,128	-	75,929	-	1,593,737
Investment property in respect of yield-dependent contracts	2,142,074	-	-	-	-	-	-	-	-	2,142,074
Investment property - other	667,261	251,745	228,893	-	-	-	-	-	-	1,147,899
Financial investments in respect of yield-dependent contracts	72,656,963	4,737,308	-	-	-	-	-	-	-	77,394,271
Financial investments for holders of deposit certificates and structured bonds	-	-	-	-	201,000	-	-	-	-	201,000
Credit in respect of factoring, clearing and financing	-	-	-	-	-	-	3,443,337	-	-	3,443,337
Other financial investments										
Liquid debt assets	1,323,789	499,442	1,136,394	110,862	15,825	6,701	-	2,566,882	-	5,659,895
Illiquid debt assets	9,899,829	1,947,110	1,674,309	894,368	823,029	133,347	10,711	1,180,797	(102,000)	16,461,500
Shares	218,087	82,280	401,134	19,221	502,021	6,340	-	1,173,189	-	2,402,272
Other	1,625,620	613,318	416,804	48,511	27,552	36,346	-	2,234,672	-	5,002,823
Total other financial investments	13,067,325	3,142,150	3,628,641	1,072,962	1,368,427	182,734	10,711	7,155,540	(102,000)	29,526,490
Cash and cash equivalents in respect of yield-dependent contracts	15,361,660	996,849	-	-	-	-	-	-	-	16,358,509
Other cash and cash equivalents	225,596	85,113	736,632	194,063	237,702	217,963	20,269	1,722,428	-	3,439,766
Reinsurance assets	298,632	558,155	2,315,462	-	-	-	-	-	-	3,172,249
Collectible premiums	39,211	116,148	601,970	-	-	-	-	-	-	757,329
Other assets	135,072	39,714	542,217	48,672	1,112,358	122,706	29,571	2,377,011	(1,511,714)	2,895,607
Total assets	**105,985,604**	**10,875,836**	**8,702,816**	**2,676,303**	**3,967,185**	**1,221,107**	**3,512,250**	**12,265,142**	**(1,689,066)**	**147,517,177**
Total assets for of yield-dependent contracts	90,234,735	5,820,853	-	-	-	-	-	-	-	96,055,588
Liabilities:										
Liabilities 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
Liabilities in respect of insurance contracts and yield-dependent investment contracts	88,307,936	7,045,012(*)	-	-	-	-	-	-	-	95,352,948
Liabilities in respect of structured products	-	-	-	-	200,698	-	-	-	-	200,698
Financial liabilities	1,651,997	205,917	38,636	1,512	1,737,636	85,075	2,986,569	6,500,222	(102,000)	13,105,564
Other liabilities	1,715,439	647,196	1,250,088	561,663	240,477	169,867	59,824	1,044,088	(1,511,714)	4,176,928
Total liabilities	**104,192,677**	**11,371,977**	**8,429,207**	**1,579,176**	**2,178,811**	**254,942**	**3,046,393**	**7,544,310**	**(1,613,714)**	**136,983,779**

(*) Reclassified.

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 Portfolios Management Ltd. (hereinafter - "Epsilon Portfolios") in consideration for approx. 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 approx. NIS 89 million.

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

The fair value of the identifiable assets acquired and the identifiable liabilities assumed as of the acquisition date is based on a final appraisal by an external appraiser obtained in May 2023.

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 investment house and wealth 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 Funds (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 approx. 10% in the joint Venture's partnerships in consideration for approx. NIS 25 million, such that subsequent to the acquisition the Group holds (directly and indirectly) approx. 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 approx. NIS 129 million, which is included in the other income line item (in the health insurance segment - approx. NIS 114 million, and in the retirement (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 acquisition date. At the final measurement date, the adjustments are made by way of a restating the comparative figures 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	134,713
Liabilities in respect of deferred taxes	(46,072)
Total identifiable assets net of identifiable liabilities	**88,641**
Non-controlling interests	(35,616)
Income from assuming control	(128,980)
Goodwill arising from the acquisition	101,310
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 the financial results of the FNX Private Partnerships for the 6 months ended December 31, 2023 are included in the life and savings segment and in the retirement (pension and provident) segment.

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 - approx. 71% of The Phoenix Capital's shares. The total consideration for the acquisition is approx. 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 whereunder The Phoenix Investment House will acquire from Psagot Funds part of its mutual funds activity (excluding the active funds), as part of an assets' transaction comprising assets under management of approx. 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 approx. NIS 11.1 billion, in consideration for an estimated total of approx. 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 for approx. NIS 204 million.
The fair value of the identifiable assets acquired and the identifiable liabilities assumed as of the acquisition date is based on a final appraisal by an external appraiser obtained in May 2024. As a result of this purchase, The Phoenix Investment House recorded intangible assets, which include customer relations and non-compete agreement in the amount of approx. NIS 53 million, and goodwill in the amount of approx. NIS 151 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 34 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.
The fair value of the identifiable assets acquired and the identifiable liabilities assumed as of the acquisition date is based on a final appraisal by an external appraiser obtained in May 2024.
As a result of this purchase, The Phoenix Investment House recorded intangible assets, which include customer relations and non-compete agreement in the amount of approx. NIS 11 million, and goodwill in the amount of approx. NIS 23 million.

   As of December 31, 2023, The Phoenix Investment House paid the entire consideration amount of approx. NIS 238 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 loan of approx. NIS 149 million 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 details, regarding the above, 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.

3. A further transaction with Psagot for the acquisition of active mutual funds and a hedge fund
   On December 19, 2023, The Phoenix Investment House engaged with companies of the Psagot Investment House group in two binding agreements as detailed below (hereinafter jointly: the "Agreements") for a total consideration of NIS 150 million (hereinafter - the "Consideration Amount"), as detailed below:

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.)

3. A further transaction with Psagot for the acquisition of active mutual funds and a hedge fund (cont.)

A. The agreement between The Phoenix Investment House and KSM Mutual Funds, Psagot Finance and Investment Group Ltd., and Psagot Mutual Funds Ltd. (hereinafter - "Psagot Funds"), whereunder Psagot Funds will sell all the active funds, that are currently under the management of Psagot Funds with assets under management of approx. NIS 22.2 billion (hereinafter - the "Active Funds"); the agreement includes an undertaking on behalf of Psagot Group and Psagot Investment House not to compete with the activities of the Active Funds (hereinafter jointly - the "Funds Sale Agreement"). The Funds Sale Agreement includes a mechanism that is designed to ensure that no activity will be transferred from Psagot Funds to KSM Mutual Funds, in the event that - as a result of such a transfer - the 20% threshold pertaining to the funds market as set in the law shall be exceeded. The consideration is subject to an adjustment mechanism.

B. An agreement between The Phoenix Investment House, Psagot Group and Psagot Investment House, whereunder Psagot Investment House shall sell 100% of the shares of Compass Investments Ltd., which operates in the field of hedge fund management (hereinafter - "Psagot Compass"), which includes an undertaking of The Phoenix Investment House and Psagot Investment House not to compete in the field of hedge fund management (hereinafter - the "Compass Agreement").

In March 2023, after all conditions precedent have been satisfied, the said transaction was finalized.

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 approx. NIS 15 million, goodwill totaling approx. NIS 19 million and other net assets whose amount is immaterial.

NOTE 5 - INTANGIBLE ASSETS

A. Composition and movement

	Goodwill	Original differences attributed to fees and commissions portfolios and future management fees	Non-compete	Brand	Computer software	Total
			NIS thousand			
Cost						
Balance as of January 1, 2022	1,775,708	746,783	60,664	55,014	3,055,866	5,694,035
Additions	6,377	15,943	165	88	312,153(*)	334,726
Company consolidated for the first time	79,216	110,850	688	-	-	190,754
Derecognitions	(4,369)	(9,304)	-	-	(7,528)	(21,201)
Balance as of December 31, 2022	1,856,932	864,272	61,517	55,102	3,360,491	6,198,314
Additions (see Section C below)	192,860	72,039	295	25	391,824(*)	657,043
First-time consolidation (see Section D below)	156,520	161,244	195	-	-	317,959
Derecognitions (see E below)	(20,700)	(489)	-	-	-	(21,189)
Balance as of December 31, 2023	2,185,612	1,097,066	62,007	55,127	3,752,315	7,152,127
Accumulated amortization and accumulated impairment losses						
Balance as of January 1, 2022	257,694	332,683	52,517	46,097	2,229,984	2,918,975
Amortization recognized during the year (**)	-	66,730	3,260	364	222,153	292,507
First-time consolidation	-	320	-	-	-	320
Derecognitions	-	(1,729)	-	-	(3,285)	(5,014)
Balance as of December 31, 2022	257,694	398,004	55,777	46,461	2,448,852	3,206,788
Amortization recognized during the year (**)	2,356	90,491	965	425	253,234	347,471
Balance as of December 31, 2023	260,050	488,495	56,742	46,886	2,702,086	3,554,259
Net carrying amount						
As of December 31, 2023	1,925,562	608,571	5,265	8,241	1,050,229	3,597,868
As of December 31, 2022	1,599,238	466,268	5,740	8,641	911,639	2,991,526

(*) Additions in respect of computer software include additions in respect of internal-use software in 2023 and 2022 amounting to NIS 256 million and NIS 220 million , respectively.

(**) The amortization recognized during the year (except for computer software) was carried to the other expenses line item.

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill)

In order to test the recoverability of goodwill, it was allocated to the following cash-generating units:

- Retirement (pension and provident) - management of provident funds for retirement benefits, advanced education funds, central benefits and severance pay provident fund and management of pension funds, as well as development, adaptation, marketing and direct marketing (rather than through external insurance agents) of The Phoenix's self-directed provident funds (IRA). These are customized services and products with unique characteristics, which are mainly suitable to wealthy customers (hereinafter - the "Venture"). For details regarding assuming control over FNX Private, see Note 4B).

NOTE 5 - INTANGIBLE ASSETS (cont.)

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)

- Life and savings - development, adaptation, marketing and direct marketing (rather than through external insurance agents) of The Phoenix's self-directed insurance funds (IRA). These are customized services and products with unique characteristics, which are mainly suitable to wealthy customers (hereinafter - the "Venture"). For details regarding assuming control over FNX Private, see Note 4B).
- Investment house and wealth - management of mutual funds, ETFs, stock exchange services, portfolio management, operation and management of employee options, and alternative investments management.
- Insurance agencies and retirement consulting.
- Credit - clearing and factor of credit vouchers, factoring post-dated checks, financing against real estate properties, loans and credit, equipment financing and supplier financing.

Set forth below is the carrying amount of the goodwill allocated to each of following cash-generating units:

	See below	As of December 31 2023	2022
		NIS thousand	
Retirement (pension and provident)	1, D	434,246	423,772
Life and savings	D	90,836	-
Investment house and wealth	2, E	619,351	431,173
Insurance agencies	3	511,684	474,848
Credit	4	269,445	269,445
Total		1,925,562	1,599,238

1. Retirement (pension and provident)

In order to test the recoverability of goodwill, the recoverable amount of the cash-generating unit to which the goodwill was allocated was compared to its carrying amount. To the extent that the recoverable amount of the cash-generating unit exceeds its carrying amount, value of the unit and the assets allocated to it shall not be considered to have been impaired.

The recoverable amount of the retirement (pension and provident) units is determined based on an appraisal conducted by Mr. Uri Cohen of Cognum Financial Consulting Ltd.

The appraisal of the retirement (pension and provident) unit based on value in use. The value in use was calculated using the representative projected EV/EBITDA multiple method, which is an approximation of the discounted cash flow method; the value in use of the pension funds management activity was not calculated using this method; rather, it was calculated using the discounted cash flow method over a forecast period of the next 15 years, and estimating the exit value and discounting them by a discount rate that reflects the risk inherent in the Company's activity.

For the purpose of estimating the value in use of the provident funds management activity, a post-tax EV/EBITDA multiple of 9-10 was assumed, which reflects discount rates of 12%-13% after tax and a growth rate of 2%; the assumed rate of management fees is 0.57%-0.59%.

Set forth below is an sensitivity analysis of the average enterprise value to changes in total assets under management in the provident funds activity and to the average multiple:

NOTE 5 - INTANGIBLE ASSETS (cont.)

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)

1. Retirement (pension and provident) (cont.)

	Assets under management by provident funds NIS million				
Multiplier	**71,271**	**71,771**	**72,271**	**72,771**	**73,271**
8.5	770	786	802	818	835
9.0	815	832	850	867	884
9.5	861	**879**	**897**	**915**	933
10.0	906	925	944	963	982
10.5	951	971	991	1,012	1,032

For the purpose of estimating the value in use of the pension funds management activity a post-tax cost of capital of approx. 11.5%-12.5% was assumed. The long-term growth rate of approx. 1.5%-2.5%. The long-term rate of management fees assumed out of total contributions into the comprehensive fund is approx. 1.4%; and the long-term weighted rate of management fees assumed out of the total amount of accrual is 0.15% of total assets.

Set forth below is a sensitivity analysis of the enterprise value of the new pension funds, including the old fund, to changes in the long-term discount rate and growth rate:

	The discount rate NIS million			
Growth rate	**11%**	**11.5%**	**12%**	**12.5%**
1.0%	1,052	959	876	802
1.5%	1,089	990	903	825
2.0%	1,129	**1,025**	**932**	**850**
2.5%	1,174	1,062	964	877
3.0%	1,225	1,105	1,000	907

In 2023 and 2022, the recoverable amount of the retirement (pension and provident) unit is higher than its carrying amount.

2. Investment house and wealth

The appraisal in the investment house and wealth unit includes the results of The Phoenix Investment House (formerly The Phoenix Advanced Investments). Set forth below is the appraisal that was conducted:

A. The Phoenix Investment House - The appraisal in the investment house and wealth unit includes the results of The Phoenix Investment House. For the purpose of estimating the fair value of the investment house and wealth activity, each activity included in this investment house and wealth unit was assessed separately, mainly by using the multiple method. The EV/EBITDA multiple is in the range of 7.5 to 8.5 depending on the type of the activity, which reflects a post-tax discount rate of 13.8%-14.8%, and a growth rate of 1.5%-2%. The average rate of management fees assumed for the activity of the active funds is 0.69%-0.76%; the average rate of management fees assumed for the activity of the passive funds is 0.39%-0.43%.

The recoverable amount of the investment house and wealth units relating to The Phoenix Investment House was determined based on an appraisal conducted by Mr. Uri Cohen of Cognum Financial Consulting Ltd.

NOTE 5 - INTANGIBLE ASSETS (cont.)

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)

2. Investment house and wealth (cont.)

A. (cont.)

Set forth below is an sensitivity analysis of the enterprise value of the funds (including the value of the tax shield in respect of carryforward losses) to the average total assets under management in both scenarios:

	Sensitivity analysis of average total assets under management				
	NIS million				
Multiplier	**69,460**	**69,260**	**69,060**	**69,860**	**68,660**
7.5	759	755	750	746	741
7.5	806	802	797	972	787
8.0	854	**849**	**844**	**838**	833
8.5	901	896	890	885	879
9.0	948	943	937	931	925

B. The Phoenix Advanced Investments - in order to assess the goodwill of The Phoenix Capital, an appraisal was conducted in the alternative investments unit includes regarding the fair value of The Phoenix Capital. The recoverable amount for the purpose of the appraisal of The Phoenix Capital was set using the discounted cash flow method (DCF). The recoverability testing showed that the recoverable amount of the goodwill exceeds its carrying amount. The key appraisals were conducted by Ziv Haft Consulting and Management Ltd.
In 2023 and 2022, the recoverable amount of the investment house and wealth unit is higher than its carrying amount.

3. Insurance agencies and pension advice

The recoverable amount of the goodwill in respect of insurance agencies and pension advice unit is determined based on individual appraisals of the various agencies and in accordance with the projected cash flow method. The recoverability of goodwill is tested at individual agency level. The recoverability testing showed that the recoverable amount of the goodwill of each of the agencies exceeds its carrying amount. The key appraisals were conducted by Fair Value Ltd.

4. Credit

The credit activity mostly 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. For details regarding the transfer of the financing of real estate development project activity to a separate company wholly owned by Gama, see Note 8.
The appraisal of the value in use of the credit activity was conducted using the Discounted Cash Flow method (DCF), based on assumptions regarding the development of the volume of the activity and the margins in the different areas of activity. For the purpose of the appraisal, a post-tax discount rate of 14% and a growth rate of 1.5% were assumed. The rates of financial margins assumed in respect of the key areas of activity are 6%-0.19%.
The recoverable amount of Gama's activity is determined based on an appraisal conducted by Mr. Uri Cohen of Cognum Financial Consulting Ltd.
Set forth below is a sensitivity analysis of Gama's enterprise value according to the average total assets under management in the two scenarios:

NOTE 5 - INTANGIBLE ASSETS (cont.)

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)

4. Credit (cont.)

	Long-term growth rate NIS million				
Post-tax discount rate	**2.5%**	**2.0%**	**1.5%**	**1.0%**	**0.5%**
13.0%	1,025,751	1,003,064	982,255	963,088	945,367
13.5%	979,862	959,860	941,434	924,397	908,587
14.0%	937,987	**920,284**	**903,913**	**888,720**	874,574
14.5%	899,625	883,902	869,310	855,721	843,029
15.0%	864,353	850,345	837,299	825,112	813,696

In 2022 and 2023, the recoverable amount of the credit unit is higher than its carrying amount.

C. Additions of intangible assets in the reporting period - during 2023, consolidated companies acquired activities of agencies providing pension insurance services, for a total consideration of approx. NIS 26 million, and investment house and wealth activities for a total consideration of approx. NIS 238 million; for further details, see Note 4 - Business Combinations.

D. Companies consolidated for the first time

For details regarding companies consolidated for the first time. see Note 4 regarding business combinations.

E. Merger of KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings") with The Phoenix Investment House.

In May 2022, an application for a statutory merger of KSM ETN Holdings Ltd. with The Phoenix Investment House was filed. In January 2023, all of the required approvals were obtained and the merger was completed. As a result of the above, the Company reduced the goodwill attributable to the investment house and wealth activity by approx. NIS 19 million. As a result of the merger, the equity attributable to the Company's shareholders decreased by approx. NIS 79 million. For further details, see Note 8(4).

NOTE 6 - DEFERRED ACQUISITION COSTS

A. Composition:

	December 31	
	2023	2022
	NIS thousand	
Life and savings	740,852	787,652
Retirement (pension and provident)	1,149,411	901,421
Health insurance	449,983	443,237
P&C insurance (see Note 19A(1))	346,024	321,073
	2,686,270	2,453,383

B. Movement in deferred acquisition costs in life insurance, retirement (pension and provident), and health insurance:

	Life and savings (*)			Retirement (pension and provident)	Health	Total
	Insurance contracts	Investment contracts	Total life and savings			
	NIS thousand					
Balance as of January 1, 2022	728,156	57,646	785,802	541,050	409,979	1,736,831
Additions:						
Purchase fees	57,631	54,282	111,913	466,806	98,823	677,542
Other purchase expenses	117,888	16,209	134,097	18,634	131,228	283,959
Total additions	175,519	70,491	246,010	485,440	230,051	961,501
Current amortization	(83,258)	(11,140)	(94,398)	(125,069)	(127,019)	(346,486)
Deduction for cancellations	(130,614)	(19,148)	(149,762)	-	(69,774)	(219,536)
Balance as of December 31, 2022	689,803	97,849	787,652	901,421	443,237	2,132,310
Additions:						
Purchase fees	53,061	35,932	88,993	410,061	101,594	600,648
Other purchase expenses	104,492	24,981	129,473	12,884	123,800	266,157
Total additions	157,553	60,913	218,466	422,945	225,394	866,805
Current amortization	(78,028)	(16,491)	(94,519)	(174,955)	(139,068)	(408,541)
Deduction for cancellations	(160,361)	(10,386)	(170,747)	-	(79,580)	(250,327)
Balance as of December 31, 2023	608,967	131,885	740,852	1,149,411	449,983	2,340,247

(*) The balance as of December 31, 2023 and December 31, 2022 includes an adjustment for intra-group deferred acquisition costs in the amount of NIS 127,247 thousand and NIS 105,582 thousand, respectively.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

A. Composition and movement:

2023

	Land and buildings (b)	Computers	Vehicles	Office furniture	Leasehold improvements	Works of art	Right of use assets for buildings	Right of use assets for vehicles	Total
					NIS thousand				
Cost									
Balance as of January 1, 2023	815,129	524,912	2,017	183,026	73,417	74,525	204,114	50,851	1,927,991
First-time consolidation	-	213	-	1,454	554	-	-	-	2,221
Additions during the year	309,093	60,991	68	12,487	5,843	699	70,865	19,915	479,961
Revaluation recognized in other comprehensive income (see B.2 below)	(1,220)	-	-	-	-	-	-	-	(1,220)
Derecognitions during the year	-	(98)	(641)	(1,731)	(2,028)	-	(84,531)	(16,707)	(105,736)
Balance as of December 31, 2023	1,123,002	586,018	1,444	195,236	77,786	75,224	190,448	54,059	2,303,217
Accumulated depreciation									
Balance as of January 1, 2023	-	407,778	1,144	148,929	52,579	-	117,278	32,720	760,428
First-time consolidation	-	98	-	1,194	244	-	-	-	1,536
Additions during the year	12,778	78,830	197	8,689	4,043	-	31,360	15,779	151,676
Revaluation recognized in other comprehensive income (see B.2 below)	(12,778)	-	-	-	-	-	-	-	(12,778)
Derecognitions during the year	-	(93)	(493)	(1,511)	(1,366)	-	(54,982)	(15,712)	(74,157)
Balance as of December 31, 2023	-	486,613	848	157,301	55,500	-	93,656	32,787	826,705
Balance of amortized cost	1,123,002	99,405	596	37,935	22,286	75,224	96,792	21,272	1,476,512
Provision for impairment	-	-	-	-	-	(16,120)	-	-	(16,120)
Balance as of December 31, 2023	1,123,002	99,405	596	37,935	22,286	59,104	96,792	21,272	1,460,392

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (cont.)

A. Composition and movement: (cont.)

2022

	Land and buildings (b)	Computers	Vehicles	Office furniture	Leasehold improvements	Works of art	Right of use assets for buildings	Right of use assets for vehicles	Total
					NIS thousand				
Cost									
Balance as of January 1, 2022	584,562	447,436	1,856	178,522	68,861	74,525	193,126	31,321	1,580,209
Additions during the year	105,365	76,858	639	4,443	2,830	-	22,402	29,917	242,454
Revaluation recognized in other comprehensive income (see B.2 below)	112,702	-	-	-	-	-	-	-	112,702
First-time consolidation (deconsolidation)	-	2,902	297	3,314	5,107	-	367	112	12,099
Transfer from investment property	12,500		-				-		12,500
Derecognitions during the year	-	(2,284)	(775)	(3,253)	(3,381)	-	(11,781)	(10,499)	(31,973)
Balance as of December 31, 2022	815,129	524,912	2,017	183,026	73,417	74,525	204,114	50,851	1,927,991
Accumulated depreciation									
Balance as of January 1, 2022	-	364,617	1,225	144,229	44,517	-	84,871	22,391	661,850
Additions during the year	11,466	42,878	169	4,792	6,609	-	30,005	20,230	116,149
First-time consolidation (deconsolidation)	-	2,535	232	3,159	4,817	-	367	112	11,222
Revaluation recognized in other comprehensive income (see B.2 below)	(11,466)	-	-	-	-	-	-	-	(11,466)
Derecognitions during the year	-	(2,252)	(482)	(3,251)	(3,364)	-	(2,035)	(10,013)	(17,327)
Balance as of December 31, 2022	-	407,778	1,144	148,929	52,579	-	117,278	32,720	760,428
Balance of amortized cost	815,129	117,134	873	34,097	20,838	74,525	86,836	18,131	1,167,563
Provision for impairment	-	-	-	-	-	(16,120)	-	-	(16,120)
Balance as of December 31, 2022	815,129	117,134	873	34,097	20,838	58,405	86,836	18,131	1,151,443

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (cont.)

B. Land and buildings:

1. The Company and Hadar Green Company Properties and Investments Ltd. - A company wholly owned by the Company (hereinafter - "Hadar Green") are the owners and hold the rights to be registered as owners of 22 floors of offices, warehouses, parking lots and ancillary areas in an office and commercial high-rise building located in plot 923, block 6154 in Givatayim (hereinafter - "Beit Havered"). The sellers, in whose name the plot is registered with the Real Estate Registration Bureau in Tel Aviv-Yafo, undertook to register the plot in the name of the Company within 36 months of handing over the property to the Company. The completion of the registration was delayed for reasons involving the sellers. The parties are collaborating to complete the registration.

   On December 17, 2019, The Phoenix Insurance Company Ltd. won a tender that relates to an area measuring approx. 6 hectares located in the HaElef compound in Rishon LeZion, where the construction rights in the tender pursuant to the present urban building plan amount to a total of approx. 355 thousand square meters. In accordance with the terms of the tender, the winner undertook to construct about half of the building area within a period of about eight years from the signing date of the agreement with the City of Rishon LeZion, where an obligation for self-use exists for an area measuring about 50 thousand square meters within 5 years. In 2023, approx. NIS 310 million were invested in the building of the complex; for further details, see Note 43(C)(4).

2. Revaluation of land and buildings:

   (a) As of December 31, 2015, the Company measures land and buildings using a revaluation model.

   (b) The revaluation of the land and buildings in respect of Beit Havered (which constitutes the bulk of the land and buildings), was carried out by the firm of Adi Naor - Real Estate Appraisal & Management, who is an independent certified appraiser. The fair value was determined using market-based evidence, in December 2023.

   (c) The revaluation of the land in respect of the HaElef compound was conducted by the firm Haushner Malul, which is a qualified and independent appraiser. The fair value was determined using market-based evidence, in December 2023.

   (d) Due to the use of the revaluation model, a revaluation reserve has been created with a balance as of December 31, 2023 of approx. NIS 229 million, net of tax (December 31, 2022 - NIS 224 million).

   (e) The fair value of the land and buildings was determined using the income capitalization approach (in relation to rental income data) and the comparison approach for similar properties. The valuation performed by the appraiser is based on active market prices, adjusted for differences in the nature, location or conditions of the specific asset.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (cont.)

B. Land and buildings (cont.)

2. Revaluation of land and buildings: (cont.)

(f) The fair value of the land in respect of the HaElef compound was determined in accordance with the comparison method, which is based on a survey of prices of assets with similar characteristics, including the transaction involving the plot, which is the subject matter of the valuation.

(g) A 0.5% decrease in the discount rate will result in an increase of approx. NIS 20 million. A 0.5% increase in the discount rate will result in a decrease of approx. NIS 20 million. The sensitivity analysis refers only to Beit Havered, since in the HaElef compound the appraisal was carried out using the comparison approach, and therefore the discount rate is irrelevant.

(h) Land and buildings are measured at fair value and are classified to Level 3 of the fair value hierarchy.

(i) Had the land and buildings been measured using the cost model, their value in the financial statements would have been as follows:

	As of December 31	
	2023	2022
	NIS thousand	
Cost	920,566	611,473
Accumulated depreciation	(148,598)	(135,820)
Total	771,968	475,653

NOTE 8 - INVESTMENTS IN INVESTEES

A. Equity-accounted investees

1. Details regarding equity-accounted investees:

	See Section D below	Loans and capital notes	Total investment	Total
			NIS thousand	
December 31, 2023				
Ad 120 Residence Centers for Senior Citizens Ltd.	2	-	759,300	759,300
El Al Frequent Flyer Ltd.	1	-	171,451	171,451
Investment property	3	-	327,806	327,806
Other		35,861	357,414	393,275
		35,861	1,615,971	1,651,832
December 31, 2022				
Ad 120 Residence Centers for Senior Citizens Ltd.	2	-	722,027	722,027
El Al Frequent Flyer Ltd.	1	-	160,477	160,477
Investment property	3	-	417,377	417,377
Other		34,422	259,434	293,856
		34,422	1,559,315	1,593,737

For details regarding the ownership stake, see Section C below.

2. Composition of investments:

	As of December 31	
	2023	2022
	NIS thousand	
Shares	1,615,971	1,569,177
Loans	35,861	34,422
	1,651,832	1,603,599
Less provision for impairment	-	(9,862)
	1,651,832	1,593,737
Goodwill from investment	235,663	203,577(*)

(*) Reclassified.

3. The Group's share in the results of operations of the equity-accounted investees according to the holding stake therein during the period:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Income	448,980	334,812	282,223
Profit for the year	42,413	61,548	111,504
Other comprehensive income (loss) for the year	22,476	27,511	(15,129)

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

B. Consolidated companies held directly by the Company

Composition of investment:

	See Section H below	Loans and capital notes provided by the Company to consolidated companies	Total investment in investees
		NIS thousand	
2023			
The Phoenix Insurance		-	6,495,823
The Phoenix Investments	1	596,686(*)	1,452,746
The Phoenix Pension and Provident Funds	2	298,807	957,199
The Phoenix Agencies	3	22,543	263,340
The Phoenix Construction Financing	8	-	303,340
Other		5,100	16,920
		923,136	9,489,368
2022			
The Phoenix Insurance		-	6,700,445
The Phoenix Investments	1	440,676	1,464,242
The Phoenix Pension and Provident Funds	2	312,703	904,390
The Phoenix Agencies	3	-	759,528
Other		5,629	13,855
		759,008	9,842,460

(*) In addition, the Company advanced loans at the total amount of NIS 262 million to The Phoenix Investment House.

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

C. Breakdown of holdings in main investees

	See Section below	Country of incorporation	As of December 31 2023 Shares conferring voting rights and rights to profits	As of December 31 2022 Shares conferring voting rights and rights to profits
			Rate of ownership in %	
The Company's investees				
The Phoenix Insurance Company		Israel	100	100
The Phoenix Investments and Finances	E1	Israel	100	100
The Phoenix Agencies (*)	E3	Israel	79	100
The Phoenix Pension and Provident Funds	E2	Israel	100	100
The Phoenix Construction Financing and Guarantees Ltd.	E8	Israel	100	-
The Phoenix Insurance's investees				
The Phoenix Capital Raising	E5	Israel	100	100
Ad 120 Residence Centers for Senior Citizens Ltd.	D2	Israel	47	47
The Phoenix Mortgages (Gold)	E9	Israel	51	51
Phoeniclass Ltd. (**)	D5	Israel	49	49
FNX Private Policy Profits, General Partnership	4B	Israel	51	-
Investees of The Phoenix Advanced Investments				
The Phoenix Capital (***)		Israel	65	65
Investees of The Phoenix Pension and Provident Funds				
FNX Private Funds Profits, General Partnership	4B	Israel	51	-
Investees of The Phoenix Investments and Finances				
The Phoenix Investment House	E6-8	Israel	88	100
Gama Management and Clearing	E7	Israel	100	60
Phoeniclass Ltd. (**)		Israel	18	18
The Phoenix Advanced Investments		Israel	100	100
FNX Private Policy Profits, General Partnership	4B	Israel	9	-
FNX Private Funds Profits, General Partnership	4B	Israel	9	-
The Phoenix Capital	4B3	Israel	6	-
Major investees of The Phoenix Agencies				
NIS		Israel	100	100
Agam Holdings (*)	E3	Israel	-	60
Agam Leaderim (*)	E3	Israel	100	25
Oren Mizrach		Israel	70	70

(*) Agam Holdings was merged into The Phoenix Agencies; Agam Leaderim is held (100%) by The Phoenix Agencies.

(**) The Phoenix Insurance and The Phoenix Investments and Finance hold jointly shares conferring rights to profits in Phoeniclass at the rate of 75%.

(***) The Phoenix Advanced Investments has a right to profits in accordance with a mechanism that is dependent on the profits achieved in that year within a range of 60% to 65%.

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

D. Further information regarding equity-accounted investees

1. El Al Frequent Flyer Ltd.

On June 23, 2022, The Phoenix Insurance granted a USD 130 million loan using its nostro funds, to El Al Frequent Flyer Ltd. (hereinafter - the "Borrower"). The loan was advanced for a period ending June 30, 2028 (hereinafter - the "Loan Term").

Under the loan agreement, The Phoenix Insurance has the option to purchase up to 25% of the Borrower's shares; the option may be exercised at any time until the end of the term of the Loan, subject to additional terms and conditions for an additional year. On September 13, 2022, The Phoenix Insurance exercised the option and purchased shares at a rate of 19.9% in consideration for an exercise premium of approx. USD 14 million. The remaining balance of the loan, including the un-exercised option, are presented under the financial investments line item.

2. Sale of control in Ad 120

In October 2021, the transaction to sell control of Ad 120 - which was wholly-owned (directly and indirectly) by The Phoenix Insurance - to Shapir Engineering and Industry Ltd. (hereinafter - "Shapir") was completed, such that subsequent to the completion of the transaction, Shapir holds 53% (directly and indirectly) of the issued and paid-up share capital of Ad 120, and The Phoenix Insurance holds 47% (directly and indirectly) share capital of Ad 120. As a result of the above, the Company recognized a profit of approx. NIS 340 million pre-tax in 2021.

3. Real estate investments

The Company's investments in real estate properties are usually made through investees that invest directly in the properties. The Company holds several such investees that invest in real estate properties in Israel, the United States and Europe. The real estate properties are diverse and include office buildings, commercial centers, residential areas and land for construction.

During 2023, the Company exercised some of the investments in investees holding mostly real estate properties. The total consideration is approx. NIS 100 million. The gain from the disposal of investments in investees was recognized under revaluation of the real estate properties in the books of accounts of the investees, and therefore no gain was recognized in the Company upon disposal of the investments.

4. Held-for-sale asset - Ramon Granit

An agreement for the sale all of The Phoenix Agencies' shares in Ramon Granit in consideration for approx. NIS 18 million was signed in November 2022; consequently, the Company recognized a capital loss of approx. NIS 5 million. The transaction was completed in February 2023.

E. Further information regarding consolidated companies

1. Loans and capital notes - The Phoenix Investments

During the reporting period, The Phoenix Investments issued to the Company capital notes at the total amount of approx. NIS 164 million and repaid capital notes at the total amount of approx. NIS 58 million. The capital notes are not linked to the CPI and do not bear interest, with no early repayment, and in any event they will not be repaid before five years have elapsed from the issuance date.

On July 3, 2023, the Company advanced to The Phoenix Investments an approx. NIS 50 million loan, which is repayable at the end of four years at an interest calculated according to Section 3(J) to the Income Tax Ordinance.

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

E. Further information regarding consolidated companies (cont.)

1. Loans and capital notes - The Phoenix Investments (cont.)
During 2023, the Company advanced to The Phoenix Investment House loans at the total amount of approx. NIS 200 million. The terms of the loan are in accordance with the issuance of Bonds (Series 6). For details regarding the terms of the issuance of Bonds (Series 6), see Note 27.

2. Loans - The Phoenix Pension and Provident Funds
   A. In February 2021, The Phoenix Pension and Provident Funds took a NIS 100 million loan from the Company. The loan principal is linked to the CPI and carries an annual interest rate of 0.44%; all other terms of the loan are identical to the terms of the Bonds (Series 5). For details, see Note 27.

   B. In March 2021, The Phoenix Pension and Provident Funds took an approx. NIS 89 million loan from the Company. The loan principal is linked to the CPI and carries an annual interest rate of 0.45%; all other terms of the loan are identical to the terms of the Bonds (Series 5). For details, see Note 27.

   C. In September 2021, The Phoenix Pension and Provident Funds took a NIS 105 million loan from the Company. The loan principal shall bear fixed annual interest of 1.94%; all other terms of the loan are identical to the terms of the Bonds (Series 6). For details regarding the terms of the bonds - see Note 27.

3. Restructuring - The Phoenix Agencies
   A. Merger of Agam Holdings - 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 held 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 the allotment of ordinary shares of The Phoenix Agencies, which will be issued to the other shareholders of Agam Holdings, such that post-merger, the Company will hold approx. 79.41% of the shares of The Phoenix Agencies, and Hagoz (2015) Ltd. (hereinafter - "Hagoz"), which is owned by Mr. Yitzhak Oz, will hold 17.5% of The Phoenix Agencies' shares, and Y.H.G Sasson Ltd. (hereinafter - "Y.H.G Sasson"), which is owned by Mr. Moshe Sasson, will hold 3.088% of The Phoenix Agencies' shares. In addition, upon completion of the merger, The Phoenix Agencies will hold 100% of the shares of Agam Leaderim, which runs the agency's retirement (pension and provident). As a result of the merger, the equity attributable to the Company's shareholders decreased by approx. NIS 120 million.

   B. Agreement in principle- Concurrently, and in connection with the merger, an agreement in principle was signed between the Company and the shareholders of The Phoenix Agencies, which regulated, among other things, the following issues:

      1. Mr. Yitzhak Oz was appointed Executive Chairman of the Board of The Phoenix Agencies, Agam Leaderim and Shekel - through a company under his control - and an agreement for the provision of management services to The Phoenix Agencies and other companies in The Phoenix Agencies group will be signed with him, under compensation terms in line with the management agreement with Agam Leaderim which was in effect of as that date.

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

E. Further information regarding consolidated companies (cont.)

3. Restructuring - The Phoenix Agencies (cont.)

B. (cont.):

2. The options agreement of March 28, 2019, and the additions thereto of December 31, 2019, between Yitzhak Oz, Hagoz, the Company and Agam Holdings (hereinafter - the "Options Agreement") under which a put option and a call option were awarded in respect of the shares of Agam Holdings, will be replaced with a new Options Agreement, where under the parties will have options in relation to The Phoenix Agencies' shares that will be held by Hagoz and Y.H.G Sasson following the merger (instead of in relation to their shares in Agam Holdings). The consideration in respect of the exercise of the options will be calculated based on an appraisal of The Phoenix Agencies, and in accordance with various understandings in connection with the appraisal. The period during which the put option may be exercised is January 1, 2027 through January 3, 2028.The period during which the call option may be exercised is January 4, 2028 through January 4, 2029. The Company may pay for the exercise of the options in cash or by allocating Company shares, subject to its discretion. If the call option is exercised by allocating Company shares, the number of Company shares that will be allocated to the seller will be increased by 1% compared with the number of shares the seller would have received had it not been for this provision; this is compared with a 5% increase if the put option is exercised by share allocation as stated above. The value of The Phoenix Agencies that will serve as a minimum price for the shares that will be held by Hagoz on the option exercise date shall be calculated based on a multiple of 5 in respect of the average annual EBITDA (earnings before interest, depreciation and amortization) for the past 24 months, net of minority interest in accordance with the financial statements of The Phoenix Agencies, and without taking into account various income and expenses agreed between the parties. In the event of a public offering of shares in The Phoenix Agencies, the call and put options will expire (Hagoz will be allowed to exercise the put option for all or some of its holdings, prior to the offering, and the price that will be paid for the shares will be in accordance with the value of the shares in the offering). Furthermore, if an investor will be introduced into The Phoenix Agencies, changes will take place in the terms of the put and call option in relation to the shares of Y.H.G Sasson.

3. The agreement in principle includes other provisions, including, among other things: Reference to various events in The Phoenix Agencies, such as the introduction of another investor to The Phoenix Agencies; allocation of options by The Phoenix Agencies to officers in The Phoenix group, including the Chairman of The Phoenix Agencies, and the manner of managing The Phoenix Agencies.

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

E. Further information regarding consolidated companies (cont.)

3. Restructuring - The Phoenix Agencies (cont.)

   C. Dividend distribution - Furthermore, the shareholders of The Phoenix Agencies 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 approx. NIS 670 million. During June 2023, the merger was completed after fulfillment of all conditions precedent (aggregate); accordingly, The Phoenix Agencies declared a NIS 675 million cash dividend, which was fully paid as of December 31, 2023.

4. Merger between KSM and The Phoenix Investment House

   In May 2022, an application for a statutory merger of KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings") with The Phoenix Investment House was filed. In January 2023, all of the required approvals were obtained and the merger was completed. Subsequent to the merger and the execution of other actions, the Company holds, through The Phoenix Investments, approx. 88% of the shares of The Phoenix Investment House. Furthermore, options arrangements were established to execute transactions, from 2016 to 2029, between The Phoenix Investments and the Managers in connection with their holdings in The Phoenix Investment House at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion. As a result of the merger, the equity attributable to the Company's shareholders decreased by approx. NIS 79 million.

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

   In January 2023, The Phoenix Investment House entered into two separate and (non-contingent) agreements with companies of the Psagot Investment House group, as follows:

   1. Acquisition of the entire portfolio management activity of the Psagot Investment House with assets under management of approx. NIS 8.1 billion (hereinafter - the "Portfolios Acquisition Agreement"), in consideration for approx. NIS 50 million.
   2. Acquisition of mutual funds under the management of Psagot Mutual Funds Ltd., with assets under management totaling approx. NIS 11.1 billion, and in consideration for NIS 200 million.

   For details about business combinations in which the said activities were acquired, see Note 4.

6. Acquisition of Epsilon Investment House Ltd.

   In November 2022, The Phoenix Investment House entered into an agreement for the acquisition of the entire issued share capital of Epsilon Investment House Ltd. (hereinafter - "Epsilon Investment House"), which holds, among other things, Epsilon Mutual Funds Management (1991) Ltd. (hereinafter - "Epsilon Funds") and Epsilon Investment Portfolios Management Ltd. (hereinafter - "Epsilon Portfolios") in consideration for approx. 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.

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

E. Further information regarding consolidated companies (cont.)

6. Acquisition of Epsilon Investment House Ltd. (cont.)

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. For the purpose of the acquisition, the Company advanced a loan of approx. NIS 60 million to The Phoenix Investment House by way of expansion of the lender's Bonds (Series 4); for details regarding the terms of the bonds - see Note 27. For details about business combinations in which Epsilon was acquired, as stated above, see Note 4.

7. Gama Management and Clearing

Gama is engaged in financing, factoring, clearing and management of credit card vouchers, providing various types of credit, factoring receivables and check clearing services, financing against real estate properties, loans to businesses, financial guarantees and factoring. Gama's main activity is the provision of credit card factoring services. The factoring services involve bringing forward the payment to businesses against the businesses' assigning the credit card transactions to the factoring company. Among other things, this service allows businesses - Gama customers - to enter into sale transactions with their own customers allowing those customers to pay the transaction proceeds in installments using credit card vouchers; Gama brings forward the payment of the entire transaction consideration for its customers.

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

In August 2023, The Phoenix Investments completed the acquisition of the remaining Gama shares through a tender offer in consideration for approx. 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 28, 2023 Gama issued approx. 980 thousand shares to The Phoenix Investments against a capital injection amounting to approx. NIS 14 million.

In January 2024, the Company transferred all of its holdings in The Phoenix Construction Financing to Gama. For details regarding the restructuring in the credit segment, see Note 8E(9).

8. Restructuring - Transfer of the construction projects' financing activity to a separate company wholly-owned by Gama

As part of the execution of the strategic plan in the credit segment, and the wish to concentrate the Group's credit activity under a single arm it was decided to execute a restructuring in the credit segment, according to the following stages:

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

E. Further information regarding consolidated companies (cont.)

8. Restructuring - Transfer of the construction projects' financing activity to a separate company wholly-owned by Gama (cont.)

   A. As from January 1, 2023, the construction projects' financing activity, which is funded solely by nostro funds, was separated from the activity of The Phoenix Insurance and transferred to a separate company wholly-owned by The Phoenix Insurance - The Phoenix Construction Financing Ltd. (hereinafter - the "Phoenix Construction Financing"). In this framework, in the reporting period, the approx. NIS 2.31 billion credit portfolio was transferred from The Phoenix Insurance to The Phoenix Construction Financing. The transfer of the credit portfolio was partially made against an investment in the share capital of The Phoenix Construction Financing (approx. 10%), and the balance - against a shareholder loan. It should be noted that all exposure limits and regulatory provisions applicable to the Company shall continue to apply in relation to The Phoenix Construction Financing, and that the Company's policy and procedures, as approved by the organs of the Company shall continue to apply to The Phoenix Construction Financing, mutatis mutandis.

   B. In December 2023, loans amounting to approx. NIS 1.8 billion out of the credit portfolio of The Phoenix Construction Financing were sold to The Phoenix Insurance. The transfer of the loans shall be carried out against the closing of some of the shareholder loan. The remaining credit portfolio of The Phoenix Construction Financing amounted to approx. NIS 600 million.

   C. On December 31, 2023, The Phoenix Insurance distributed a dividend in kind to the Company comprising of shares of The Phoenix Construction Financing and Guarantees Ltd.. The distribution of the dividend in kind was carried out according to the balance of the investment in the books of accounts - approx. NIS 309 million.

   D. In January 2024, the Company transferred all of its holdings in The Phoenix Construction Financing to Gama by way of capital allocation. For further details, see the Company's immediate report of December 12 2023 (Ref. No. 2023-01-134841).

9. The Phoenix Mortgages (Gold) Ltd.

   The Phoenix Insurance has a 51% stake in The Phoenix Mortgages (Gold) Ltd. (hereinafter - "The Phoenix Mortgages"), whose activity focuses on granting loans to people over 60 against a first-degree pledge on their apartment. Furthermore, The Capital Market, Insurance and Savings Authority awarded The Phoenix Mortgages a permit to provide any type of mortgage.

10. The Phoenix Capital Raising

    During 2009, The Phoenix Insurance established The Phoenix Capital Raising. The only area of activity of The Phoenix Capital Raising is raising funds in Israel for The Phoenix Insurance, through (public and private) offerings of promissory notes and/or bonds and/or capital notes, the proceeds of which are deposited with The Phoenix Insurance, for its use, at its discretion and at its responsibility.

    Capital raising is affected by The Phoenix Insurance's capital needs. The terms and conditions of the issued bonds are affected by the state of the capital market and the level of demand and supply of liquid bonds in Israel. The Phoenix Capital Raising deposits the proceeds of the offerings in deferred deposits with The Phoenix Insurance on the same terms and conditions as those of the bonds issued to the public.

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

F. Capital requirements from institutional entities in the Group

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.

1. Principles of the Solvency II-based Economic Solvency Regime

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

Economic solvency ratio

The economic solvency ratio is calculated as the ratio between the insurance company's recognized economic equity and the capital required for solvency purposes.
The recognized economic equity is determined as the sum of the core tier 1 capital derived from the economic balance sheet and debt instruments that include loss absorption mechanisms (Additional Tier 1 capital and Tier 2 capital instrument).
Economic balance sheet items are calculated based on economic value, with insurance liabilities calculated on the basis of a best estimate of all expected future cash flows from existing businesses, without conservatism margins, and plus a risk margin.
The solvency capital requirement (SCR) is designed to estimate the economic equity's exposure to a series of scenarios set out in the Provisions of the Economic Solvency Regime, and which reflect insurance risks, market 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 Regime 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 27F3, 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 8 - INVESTMENTS IN INVESTEES (cont.)

F. Capital requirements from institutional entities in the Group (cont.)

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

According to the above, the Company made an estimate of its economic solvency ratio - which is not audited or reviewed by the independent auditor - as of September 30, 2023 (hereinafter - the "Estimate"). The calculation (of the Estimate) was carried out in accordance with the guidelines of the Solvency II-based Economic Solvency Regime, and 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"), which was published on October 14, 2020. The Company carries out the Estimate and publishes the quarterly disclosure in addition to the publication of a mandatory solvency ratio reports as required under the Provisions of the Economic Solvency Regime.

In accordance with the Solvency Ratio Report as of June 30, 2023, and the estimated quarterly solvency ratio as of September 30, 2023 as stated above, The Phoenix Insurance has surplus capital, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the 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.

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

F. Capital requirements from institutional entities in the Group (cont.)

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

In their special report, the independent auditors noted that they did not review the appropriateness of the Deduction Amount 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, 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.

2. 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.

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:

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

F. Capital requirements from institutional entities in the Group (cont.)

2. Dividend (cont.)

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 and/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.
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.
On December 7, 2023, The Phoenix Insurance's Board of Directors approved the distribution of The Phoenix Construction Financing as a dividend in kind at a total amount of approx. NIS 309 million. This distribution was taken into account in the results of the solvency ratio estimate as of September 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.

NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

F. Capital requirements from institutional entities in the Group (cont.)

2. Dividend (cont.)

   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 1C above.

3. 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.
   In January 2024, the Company filed with the Commissioner its Own Risk and Solvency Assessment (ORSA) for an Insurance Company.

4. The Company undertook to supplement, at any time, the equity capital of The Phoenix Pension and Provident Funds 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 Funds' 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.

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

6. For additional information regarding the effects of the Iron Swords War, see Note 1C.

7. For details about The Phoenix Insurance's international rating, see Note 1E.

NOTE 9 - INVESTMENT PROPERTY

A. Composition and movement:

	Investment property for yield-dependent contracts					
	Leased as commercial space		Leased as offices and other (1)		Total	
	2023	2022	2023	2022	2023	2022
	NIS thousand					
Balance as of January 1	1,130,458	1,200,093	1,011,616	862,769	2,142,074	2,062,862
Acquisitions and additions to existing properties	5,012	4,427	115,368	95,447	120,380	99,874
Derecognitions	-	(123,045)	-	(96,799)	-	(219,844)
Fair value adjustment	8,499	48,983	12,110	150,199	20,609	199,182
Balance as of December 31	1,143,969	1,130,458	1,139,094	1,011,616	2,283,063	2,142,074
Discount rate ranges	6.50%-8.00%	6.25%-6.75%	6.50%-8.00%	6.00%-7.00%	6.50%-8.00%	6.00%-7.00%

(1) In 2023, including real estate properties under construction in the amount of NIS 528,562 thousand (in 2022, NIS 675,146 thousand).

	Investment property - other					
	Leased as commercial space		Leased as offices and other (2)		Total	
	2023	2022	2023	2022	2023	2022
	NIS thousand					
Balance as of January 1	555,965	595,658	591,934	529,176	1,147,899	1,124,834
Acquisitions and additions to existing properties	2,586	2,979	73,526	55,440	76,112	58,419
Derecognitions	-	(66,255)	-	(52,799)	-	(119,054)
Carried to a property, plant and equipment	-	-	-	(12,500)	-	(12,500)
Fair value adjustment	2,141	23,583	12,372	72,617	14,513	96,200
Balance as of December 31	560,692	555,965	677,832	591,934	1,238,524	1,147,899
Discount rate ranges	6.50%-8.00%	6.25%-6.75%	6.50%-8.00%	6.00%-7.00%	6.50%-8.00%	6.00%-7.00%

(1) In 2023, including real estate properties under construction in the amount of NIS 281,181 thousand (in 2022, NIS 357,848 thousand).

NOTE 9 - INVESTMENT PROPERTY (cont.)

B. Fair value measurement of investment property

Investment property is measured at fair value as determined by appraisals performed by external independent appraisers, whose skills and ample experience regarding the location and type of property appraised is widely acknowledged. The fair value is determined based on recent market transactions involving similar real estate properties in a location similar to that of the Group's real estate properties, and based on the estimated inflow of future cash flows from the property. When estimating cash flows, their inherent risk was taken into account.
When evaluating an investment property under construction, the discounted cash flow method is used, as the appraiser deems fit. Fair value is determined based on the estimated future income from the completed project, using returns adjusted to reflect the significant risks relevant to the construction process, including construction and rental risks, which are higher than present returns on similar completed investment properties. Expected costs to complete plus developer's profits are deducted from the estimated future income as aforesaid. Furthermore, the sales comparison approach of similar assets is used. In this method, the appraiser relies on active market prices, adjusted for differences in the nature, location or conditions of the specific asset.
Investment properties are measured at fair value and are classified to Level 3 of the fair value hierarchy.

C. Sensitivity analysis

The discount rate constitutes a critical estimate in determining the fair value, since a change in the discount rate will have a material effect on the investment property's fair value. Change in fair value of investment property in respect of yield-dependent contracts does not fully affect the Company's profit and loss.

The following sensitivity analysis reflects the effect of a change in the discount rate by the rates listed below:

	Increase (decrease) in the fair value as of December 31		Increase (decrease) in profit and loss before tax	
	2023	2022	2023	2022
	In NIS thousand			
0.5% increase	(128,670)	(109,190)	(59,041)	(49,500)
Decrease of 0.5%	144,516	125,645	63,620	55,566

(*) The effect is on the value investment properties for yield-dependent contracts and other real estate properties. The effect on the income from investments for yield-dependent contracts is an indirect effect in respect of management fees.

NOTE 9 - INVESTMENT PROPERTY (cont.)

D. **Details regarding interests in real estate properties used by the Group as yield-dependent investment property and other**

	As of December 31	
	2023	2022
	NIS thousand	
Owned	1,880,074	1,680,762
Capitalized lease	1,641,513	1,609,211
Total	3,521,587	3,289,973

Capitalized leased assets in the amount of NIS 1,425,278 thousand (in 2022 - NIS 1,404,121 thousand) are leased for a period of 22-46 years.
Capitalized leased assets in the amount of NIS 104,238 thousand (in 2022 - NIS 91,090 thousand) are leased for a period of 65-72 years.
Capitalized leased assets in the amount of NIS 111,997 thousand (in 2022 - NIS 114,000 thousand) are leased for a period of 976 years.
Some of the ownership and lease rights in Israel have not yet been registered in the name of Group companies with the Land Registry, mostly due to technical registration arrangements.

E. For further details about commitments to acquire investment property, see Note 43C(1).

F. For further details regarding income from investment property, see Note 29.

NOTE 10 - CREDIT FOR PURCHASE OF SECURITIES

	As of December 31	
	2023	2022
	NIS thousand	
Open accounts (1)	717,000	772,000
Less provision for doubtful debts (2)	-	(7,000)
Outstanding receivables - net	717,000	765,000

(1) The credit extended to customers of a consolidated company was granted in respect of purchase of securities by the customers. The credit is non-linked and bears Prime interest plus a spread (as of December 31, 2023, the Prime interest rate was 6.25%). The credit is mainly secured by a pledge placed on the customers' securities portfolios; a significant decrease in the market value of the securities may expose the Company to collection difficulties. Impairment of trade receivables is addressed by recognizing a provision for doubtful accounts.
The consolidated company has approx. 10 customers, the total amount of the credit extended thereto constitutes approx. 72% of the total balance of customers credit as of December 31, 2023.

(2) Following is the movement in provision for doubtful debts:

	2023	2022
	NIS thousand	
Balance as of January 1	7,000	6,000
Change in provision for one year	(7,000)	1,000
Balance as of December 31	-	7,000

NOTE 11 - RECEIVABLES AND DEBIT BALANCES

A. Composition

	As of December 31	
	2023	2022
	NIS thousand	
Government institutions and authorities	20,085	66,241
Accrued income	158,713	131,433
Prepaid expenses	97,718	77,528
Employees	6,561	4,399
Related parties - see Note 42	76,540	59,613
Advances on account of fees and commissions to agents	46,540	33,341
Insurance companies and insurance brokers - other accounts	256,051	182,884
Debts - agents	4,277	3,082
Insurance fees and commissions receivable	69,729	40,710
Receivables for securities and TASE Clearing House	-	9,000
Receivables for financial investments	216,364	15,947
Other	94,547	106,146
	1,047,125	730,324
Less provision for doubtful debts	(33)	(31)
Total receivables and debit balances	1,047,092	730,293

B. Set forth below are the movements in the provision for doubtful debts which mainly relates to agents' debts

	2023	2022
	NIS thousand	
Balance as of January 1	31	140
Change in provision for one year	2	(109)
Balance as of December 31	33	31

NOTE 12 - PREMIUMS COLLECTIBLE

A. Composition:

	As of December 31	
	2023	2022
	NIS thousand	
Collectible premiums (*)	999,735	759,084
Less provision for doubtful debts	(1,440)	(1,755)
Total collectible premiums (**)	998,295	757,329
Including checks collectible and direct debits	656,291	537,766

(*) Regarding the collectible premium from related parties and interested parties, see Note 42.

(**) The Group's exposure to currency risks in connection with collectible premiums is described in Note 41, Risk Management. For the linkage terms of premiums collectible, see Note 41.

NOTE 12 - PREMIUMS COLLECTIBLE (cont.)

B. Aging:

	As of December 31	
	2023	2022
	NIS thousand	
Unimpaired collectible premium not in arrears	802,388	566,592
In arrears (*):		
Under 90 days	148,671	153,138
Between 90 and 180 days	21,051	16,487
Over 180 days	18,386	19,284
Total unimpaired collectible premium in arrears	188,108	188,909
Impaired collectible premium in arrears	9,239	3,583
Provision for doubtful accounts in respect of collectible premium	(1,440)	(1,755)
Total impaired collectible premium in arrears	7,799	1,828
Total premium	998,295	757,329

(*) Includes debts in arrears in the life insurance segment of approx. NIS 22 million (as of December 31, 2022 - approx. NIS 39 million); these debts are mostly backed by the policies' cash surrender value.

C. Following is the movement in provision for doubtful debts in respect of premiums collectible:

	2023	2022
	NIS thousand	
Balance as of January 1	1,755	1,360
Change in provision for one year - stated in profit and loss	(315)	395
Balance as of December 31	1,440	1,755

NOTE 13 - ASSETS FOR YIELD-DEPENDENT CONTRACTS

A. Breakdown of assets presented at fair value through profit and loss:

	As of December 31	
	2023	2022
	NIS thousand	
Investment property	2,283,063	2,142,074
Financial investments		
Liquid debt assets	22,136,113	21,252,417
Illiquid debt assets	7,849,659	8,306,926
Shares	19,844,102	19,610,785
Other financial investments	32,988,063	28,224,143
Total financial investments	82,817,937	77,394,271
Cash and cash equivalents	19,303,547	16,358,509
Other	364,965	160,734
Total assets for yield-dependent contracts	104,769,512	96,055,588

For additional information regarding investment property, see Note 9 - Investment Property.
For further details on financial investments for yield-dependent contracts, see Note 41, Risk Management.

B. 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.

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Liquid debt assets	16,876,330	5,259,783	-	22,136,113
Illiquid debt assets	-	5,154,886	2,694,773	7,849,659
Shares	17,550,366	189,265	2,104,471	19,844,102
Other financial investments	11,902,152	1,855,238	19,230,673	32,988,063
Total	46,328,848	12,459,172	24,029,917	82,817,937

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
	NIS thousand			
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.

During the reporting periods there were no material transfers between Level 1 and Level 2.
As to the methods and assumptions used to determine the fair value of financial assets, see Note 14G.

NOTE 13 - ASSETS FOR YIELD-DEPENDENT CONTRACTS (cont.)

C. Movement in financial assets measured at fair value and classified to 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 as of January 1, 2023	-	1,916,398	1,876,296	17,268,806	21,061,500
Total income recognized in profit and loss (*)	-	283,440	94,851	1,442,721	1,821,012
Purchases	-	1,505,591	288,034	3,671,319	5,464,944
Proceeds from interest and dividend	-	(122,986)	(27,331)	(1,011,022)	(1,161,339)
Redemptions and sales	-	(1,233,422)	(127,379)	(2,082,158)	(3,442,959)
Transfers into Level 3 (**)	-	665,478	-	-	665,478
Transfers from Level 3 (**)	-	(319,726)	-	(58,993)	(378,719)
Balance as of December 31, 2023	-	2,694,773	2,104,471	19,230,673	24,029,917
(*) Of which:					
Total income for the period included in profit and loss in respect of assets held as of December 31 2023	-	71,551	88,863	510,766	671,180

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

	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 as of January 1, 2022	-	1,722,489	1,622,980	13,931,585	17,277,054
Total income recognized in profit and 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 and 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 income (losses) for the period included in profit and loss in respect of assets held as of December 31, 2022	-	(11,021)	228,762	1,332,466	1,550,207

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

NOTE 13A - FINANCIAL INVESTMENTS FOR HOLDERS OF DEPOSIT CERTIFICATES AND STRUCTURED BONDS

	December 31	
	2023	2022
	NIS thousand	
Held-for-trading securities in series accounts:		
Illiquid bonds	147,000	177,000
Amounts receivable in respect of securities	26,000	24,000
Total	173,000	201,000

NOTE 14 - OTHER FINANCIAL INVESTMENTS

A. Composition:

	As of December 31, 2023			
	Presented at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	NIS thousand			
Financial investments:				
Liquid debt assets	378,850	5,394,587	-	5,773,437
Illiquid debt assets	21,060	-	16,572,861	16,593,921
Shares	111,761	2,175,831	-	2,287,592
Other	836,564	5,279,770	-	6,116,334
Total	1,348,235	12,850,188	16,572,861	30,771,284

	As of December 31, 2022			
	Presented at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	NIS thousand			
Financial investments:				
Liquid debt assets	527,844	5,132,051	-	5,659,895
Illiquid debt assets	-	-	16,461,500	16,461,500
Shares	517,703	1,884,569	-	2,402,272
Other	424,314	4,578,509	-	5,002,823
Total	1,469,861	11,595,129	16,461,500	29,526,490

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

B. Liquid debt assets

Composition:

	As of December 31	
	2023	2022
	NIS thousand	
Government bonds		
Presented at fair value through profit and loss	72,973	45,923
Available for sale	2,569,068	1,814,653
Total government bonds	2,642,041	1,860,576
Other debt assets:		
Non-convertible		
Presented at fair value through profit and loss	156,844	85,919
Available-for-sale	2,825,519	3,317,398
Total other non-convertible debt assets	2,982,363	3,403,317
Convertible		
Presented at fair value through profit or loss	149,033	396,002
Total other convertible debt assets	149,033	396,002
Total liquid debt assets	5,773,437	5,659,895
Regular impairments carried to profit and loss (aggregate)	382,196	357,288

C. Illiquid debt assets

Composition:

	As of December 31			
	Carrying amount		Fair value	
	2023	2022	2023	2022
	NIS thousand			
Government bonds				
Presented as loans and receivables:				
Designated bonds and treasury deposits (*)	8,300,538	8,562,862	10,586,670	11,336,672
Total government bonds	8,300,538	8,562,862	10,586,670	11,336,672
Other non-convertible debt assets:				
Fair value through profit and loss	21,060	-	21,060	-
Presented as loans and receivables				
Excluding deposits with banks	7,494,386	6,783,963	7,473,444	6,640,304
Deposits with banks	777,937	1,114,675	784,524	1,128,407
Total other non-convertible debt assets	8,293,383	7,898,638	8,279,028	7,768,711
Total illiquid debt assets	16,593,921	16,461,500	18,865,698	19,105,383
Regular impairments carried to profit and loss (aggregate)	103,271	50,454		

(*) The fair value of designated bonds and treasury deposits was calculated in accordance with the (expected) contractual repayment date.

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

D. Details on paid interest and linkage in respect of debt assets

	Effective interest rate as of as of December 31	
	2023	2022
	%	
Liquid debt assets		
Linkage basis		
CPI-linked	2.95%	2.37%
NIS	4.82%	4.56%
Linked to foreign currency	9.25%	8.40%

	Effective interest rate as of as of December 31	
	2023	2022
	%	
Illiquid debt assets		
Linkage basis		
CPI-linked	4.68%	4.44%
NIS	7.43%	5.37%
Linked to foreign currency	8.03%	5.99%

E. Shares

	As of December 31	
	2023	2022
	NIS thousand	
Liquid		
Presented at fair value through profit and loss	83,625	496,132
Available for sale	1,678,362	1,419,347
Total liquid shares	1,761,987	1,915,479
Illiquid		
Presented at fair value through profit and loss	28,136	21,571
Available for sale	497,469	465,222
Total illiquid shares	525,605	486,793
Total shares	2,287,592	2,402,272
Regular impairments carried to profit and loss (aggregate)	299,754	346,640

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

F.(1) Other financial investments

	As of December 31	
	2023	2022
	NIS thousand	
Liquid		
Presented at fair value through profit and loss	34,630	49,350
Available for sale	273,358	439,350
Derivative instruments F(2)	231,363	70,990
Total liquid financial investments	539,351	559,690
Illiquid		
Presented at fair value through profit and loss	47,203	61,596
Available for sale	5,006,412	4,139,159
Derivative instruments F(2)	523,368	242,378
Total illiquid financial investments	5,576,983	4,443,133
Total other financial investments	6,116,334	5,002,823
Regular impairments carried to profit and loss (aggregate)	256,780	245,426

Other financial investments mainly include investments in ETFs, participation certificates in mutual funds, investment funds, financial derivatives, futures, options and structured products.

As to engagement in connection with an undertaking to invest in funds, see Note 43C.

F.(2) Derivative instruments

Set forth below is the amount of net exposure to the underlying asset, presented in delta terms of financial transactions carried out as of the financial report date: (*)

	As of December 31	
	2023	2022
	NIS thousand	
Foreign currency	(6,300,449)	(7,682,741)
Shares	1,258,541	1,326,506
Interest (**)	1,669,186	2,037,718
CPI	1,715,006	1,638,073

The Company has other derivative instruments which are not included in the above table.

(*) The underlying assets are affected by intra-group exposures. The balances do not include shorts on securities. Regarding sensitivities to foreign currencies, shares, interest and index, see Section 3.2 to Note 41 below.

(**) Includes mainly contracts and options for bonds.

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

G. The methods and assumptions used to determine fair value

The fair value of investments traded actively in regulated financial markets is determined based on market prices as of the reporting date. The value of investments that are not traded in an active market is determined as follows:

1. 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 TASE. 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.

Set forth below are the weighted average interest rates for illiquid debt assets included in other financial investments, by rating:

	As of December 31	
	2023	2022
	%	
AA and above	1.68%	1.08%
A	4.78%	3.06%
BBB	10.40%	4.21%
Unrated	20.43%	17.04%

(*) The sources for the ratings in Israel are Maalot, Midroog rating agencies and internal rating. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: A rating includes A- up to A+. Regarding internal rating, see Note 41, Section 6.3.

2. Illiquid shares

The fair value of the investment in illiquid shares was estimated mostly 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.

3. Derivatives

The Company enters into transactions involving derivative financial instruments with 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 14 - OTHER FINANCIAL INVESTMENTS (cont.)

H. Fair value of financial assets by level

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Liquid debt assets	4,913,289	860,148	-	5,773,437
Illiquid debt assets	-	-	21,060	21,060
Shares	1,696,440	65,547	525,605	2,287,592
Other	550,136	532,275	5,033,923	6,116,334
Total	7,159,865	1,457,970	5,580,588	14,198,423
Illiquid debt assets disclosed at fair value (see Section C above)	-	14,208,157	4,657,541	18,865,698

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
	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
Illiquid debt assets disclosed at fair value (13C above)	-	15,566,007	3,539,376	19,105,383

(*) Reclassified.

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

I. Movement in 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 as of January 1, 2023	-	-	486,793	4,111,483	4,598,276
Income (losses) recognized:					
In profit and loss (*)	-	2,974	(16,455)	310,049	296,568
In other comprehensive income	-	-	44,079	159,098	203,177
Purchases	-	18,086	18,576	1,079,251	1,115,913
Proceeds from interest and dividend	-	-	(6,978)	(277,485)	(284,463)
Redemptions and sales	-	-	(410)	(321,957)	(322,367)
Transfers from Level 3 (**)	-	-	-	(26,516)	(26,516)
Balance as of December 31, 2023	-	21,060	525,605	5,033,923	5,580,588
(*) Of which:					
Total income (losses) for the period included in profit and loss in respect of assets held as of December 31, 2023	-	2,974	(26,269)	(45,060)	(68,355)

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

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

I. Movement in 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
	NIS thousand				
Balance as of January 1, 2022	-	-	498,033	2,863,064	3,361,097
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 and 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 losses for the period included in profit and loss in respect of assets held as of December 31, 2022	-	-	(8,321)	(75,807)	(84,128)

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

J. Aging of investments in illiquid financial debt assets

	As of December 31	
	2023	2022
	NIS thousand	
Unimpaired debt assets		
No arrears	16,368,333	16,436,061
In arrears (*):		
Under 90 days	19	5
Total unimpaired debt assets	16,368,352	16,436,066
Impaired debt assets:		
Impaired assets, gross (**)	328,840	75,888
Provision for loss	(103,271)	(50,454)
Impaired debt assets, net	225,569	25,434
Total illiquid debt assets	16,593,921	16,461,500

It should be noted that the above amounts do not constitute the actual amount in arrears, but rather the portion of the entire outstanding debt in arrears.

(*) Mainly loans to agents secured by a mortgage on real estate properties.

(**) Most of the increase in debt assets, whose value was impaired, stems from a debt to a real estate project of K.M Madaf 5 Ltd. of the Hanan Mor group.

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

K. Credit assets in respect of factoring, clearing and financing

	As of December 31	
	2023	2022
	NIS thousand	
Trade receivables and checks for collection	858,113	1,105,547
Credit vouchers	10,539	17,064
Loans and checks for collection	1,016,231	1,010,058
Credit vouchers for sale	1,851,336	1,335,486
Provision for doubtful debts	-	(24,818)
Loan loss provision (*)	(35,870)	-
Total	**3,700,349**	**3,443,337**

(*) For details on the first-time application of IFRS 9 (Financial Instruments) regarding financial instruments that are unrelated to The Phoenix Insurance - which falls within the scope of the definition of insurer - see Note 2A. According to the transition method that was selected, the comparative figures were not restated.

L. Disclosure required in connection with the temporary exemption due to application of IFRS 9

The following table presents the fair value of the financial assets divided into two classes:

- Assets that are subject to the principal and interest test only (excluding assets that are held-for-trading or managed on a fair value basis through profit and loss (hereinafter - "Class A")).

- All other financial assets (hereinafter - "Class B").

	Class A		Class B	
	As of December 31		As of December 31	
	2023	2022	2023	2022
	NIS thousand			
Financial investments for yield-dependent contracts				
Total financial investments	-	-	82,817,937	77,394,271
Cash and cash equivalents	-	-	19,303,547	16,358,509
Financial investments for non-yield-dependent contracts				
Liquid debt assets	4,901,176	4,553,139	834,907	1,106,756
Illiquid debt assets in terms of fair value	17,600,140	18,792,389	266,155	312,994
Shares	-	-	2,190,718	2,402,272
Other financial investments	-	-	6,064,969	5,002,823
Total financial investments	22,501,316	23,345,528	9,356,749	8,824,845
Cash and cash equivalents	2,142,595	3,439,766	-	-

NOTE 15 - CASH AND CASH EQUIVALENTS

A. Cash and cash equivalents in respect of yield-dependent contracts

	As of December 31	
	2023	2022
	NIS thousand	
Cash and deposits with banks available for immediate withdrawal	5,636,914	5,871,327
Short term deposits	13,666,633	10,487,182
Cash and cash equivalents	19,303,547	16,358,509

As of balance sheet date, the cash with banks bear current interest of 4.37%-4.41% based on nominal interest rates applicable to daily deposits with banks (December 31, 2022 - 2.91%-3.48%).

Short-term deposits deposited with banking corporations are for periods ranging between one week and three months. The deposits bear a nominal interest rate of 4.4%-4.45% (December 31, 2022 - 3.50%-3.90%).

For the terms and conditions of linkage of cash and short-term deposits, see Note 41.

B. Other cash and cash equivalents

	As of December 31	
	2023	2022
	NIS thousand	
Cash and deposits with banks available for immediate withdrawal	2,537,571	553,427
Short term deposits	515,452	2,886,339
Cash and cash equivalents	3,053,023	3,439,766

As of balance sheet date, the cash with banks bear current interest of 4.37%-4.41% based on nominal interest rates applicable to daily deposits with banks (December 31, 2022 - 2.91%-3.48%).

Short-term deposits deposited with banking corporations are for periods ranging between one week and three months. The deposits bear a nominal interest rate of 4.4%-4.45% (December 31, 2022 - 3.50%-3.90%).

For the terms and conditions of linkage of cash and short-term deposits, see Note 41.

NOTE 16 - EQUITY AND CAPITAL RESERVES

A. Composition of share capital

	December 31, 2023		December 31, 2022	
	Authorized	Issued and paid up	Authorized	Issued and paid up
	NIS thousand			
Ordinary shares of NIS 1 p.v. each	300,000	259,543(*)	300,000	257,843(*)

On August 23, 2022, the Company published a shelf prospectus, which is dated August 24, 2022 and is valid through August 23, 2024. Under the Prospectus, the Company may issue various securities such as: ordinary Company shares of NIS 1 p.v. each (hereinafter in this section - "Company shares"), preferred shares, non-controvertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may be from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, option warrants exercisable into bonds convertible into Company shares, commercial securities and any other security that may be lawfully issued by virtue of the shelf prospectus on the relevant date.

(*) Excluding amortization in respect of treasury shares. For details regarding treasury shares, see Section D below.

B. Movement in share capital

	Number of shares In thousands	Total par value In NIS thousand
Balance as of January 1, 2022	256,526	256,526
Issuance of shares (*)	1,317	1,317
Balance as of December 31, 2022	257,843	257,843
Issuance of shares (*)	1,700	1,700
Balance as of December 31, 2023	259,543(**)	259,543(**)

(*) Arises from exercise of share options - share-based payment; for details, see Note 37.
(**) Excluding treasury shares. For details regarding treasury shares, see Section D below.

C. Rights attached to shares

1. Voting rights in the general meeting, rights to receive dividends, rights upon liquidation of the Company and rights to appoint directors in the Company.

2. The Company's shares are listed on the TASE.

D. Treasury shares - Company shares held by the Company

	As of December 31	
	2023	2022
Shares		
Rate of issued capital (in %)	2.49%	2.09%
Cost (in NIS thousand)	193,866	155,628

NOTE 16 - EQUITY AND CAPITAL RESERVES (cont.)

D. Treasury shares - Company shares held by the Company (cont.)

On January 31, 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 one year. (First plan approved on October 1, 2020, and renewed every year). The plan shall be executed from time to time by Company's management, which was authorized by the Company's Board of Directors to purchase the securities at its discretion during the period set for the execution of the plan. During 2023, the Company acquired 1,056 thousand shares at the total value of approx. NIS 38 million. The plan's aggregate execution rate is 38.2%. Subsequent to the acquisition, the Company holds approx. 6,452 thousand Company shares.

On January 31, 2024, 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. Subsequent to the balance sheet date and through the report publication date, the Company has not yet purchased shares.

Furthermore, in the future some of the shares purchased as part of the share buyback plan may serve for the purpose of exercising the options awarded to officers and employees of the Company and subsidiaries.

E. Adjustments arising from translation of financial statements

Capital reserve from translation differences stems from changes in exchange rates of foreign currency arising from translation of the financial statements of investees which constitute foreign operations, and from changes in the exchange rates of foreign currency stemming from translation of financial statements from the functional currency to the presentation currency.

F. Capital management

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 of the Group.
This capital is also designed to support the risks inherent in the Group's business, such as market and credit risks, operational risks, catastrophe risks and more.
The Phoenix Insurance, Gama and other institutional entities consolidated in the financial statements are subject to external capital requirements set by the Commissioner; for further details, see Note 8E to the financial statements.

G. Reserve in respect of transaction with controlling shareholder

Assets and liabilities, which are the subject matter of a transaction between the Company and its controlling shareholder or between companies under common control, are recognized at fair value on the transaction date. The difference between the fair value and the transaction's consideration is carried to equity. A negative difference is essentially a dividend and therefore reduces the balance of retained earnings. A positive difference is essentially a shareholders' investment and is therefore presented as a separate line item, under equity: "Reserve in respect of a transaction with controlling shareholder".

NOTE 16 - EQUITY AND CAPITAL RESERVES (cont.)

H. Dividend

1. Dividend distribution policy

   In October 2020, the Company's Board of Directors approved a dividend distribution policy, whereby the Company shall distribute an annual dividend at a minimum rate of 30% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year. The policy was approved after the approval of the dividend distribution policy in The Phoenix Insurance; for further details, see Note 8F2.

   As part of the policy it is stipulated that amounts used to implement the share buyback plan as described in Section D above shall be included in the amount of dividend calculated in accordance with the policy.

   On March 28, 2022, simultaneously with the approval of the Financial Statements, the Company's Board of Directors approved an update to the dividend distribution policy, that will apply in connection with future dividend distributions that will be executed in connection with the Company's financial results for 2022 and thereafter. According to the update, the rate of dividend will not change, but the Company will take steps to distribute a dividend twice a year:

   - Interim 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.

   Furthermore, the Company will not include in the amount of the dividend any amounts that were used for the execution of the share buyback plan.

   It is hereby clarified that this policy should not be viewed as an undertaking by the Company to distribute dividends, and that any actual distribution shall be individually subject to the Board of Directors' approval, at its sole discretion; the Board of Directors may decide on actual distribution at different (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 Company has undertaken and/or will undertake to comply with, to the Company's having sufficient distributable profits on the relevant dates, to the condition that the distribution shall not adversely affect the terms of the Company's bonds and/or its cash flows, and to the extent to which the Company 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 Director may review the dividend distribution policy from time to time and decide, at any given time, taking into account business considerations and the legal and regulatory provisions applicable to the Company, to change the dividend distribution policy, including the rate of dividend to be distributed.

2. On March 22, 2023, the Company's Board of Directors approved a dividend distribution in the amount of approx. NIS 177 million. The dividend per share of NIS 1 p.v. is NIS 0.7. The record date for the distribution is March 30, 2023; the dividend was paid on April 10, 2023.
3. On August 23, 2023, the company's Board of Directors approved a dividend distribution in the amount of approx. 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 p.v. is NIS 0.47. The record date is August 31, 2023, and the dividend paid on September 7, 2023.
4. On March 26, 2024, the Company's Board of Directors approved a dividend distribution in respect of profits for the period, in the amount of NIS 265 million. The dividend per share of NIS 1 p.v. is NIS 1.04. The record date for the distribution is April 3, 2024; the dividend will be paid on April 11, 2024.

NOTE 16 - EQUITY AND CAPITAL RESERVES (cont.)

I. Revaluation reserve

Revaluation reserve is used to record fair value adjustments (net of the tax effect) of property, plant and equipment and impairment up to the amount of appreciation recorded in respect of that asset in capital reserves.

J. Capital reserve from transactions with non-controlling interests

The movement in capital reserve from transactions with non-controlling interests arises from transactions carried out with minority shareholders in the Company, The Phoenix Agencies, Gama Management and Clearing and The Phoenix Investment House. For further details, see Note 8E6, 3 and 9.

NOTE 17 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND NON-YIELD-DEPENDENT INVESTMENT CONTRACTS

	As of December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
	NIS thousand					
Life and savings						
Insurance contracts (see Note 20)	12,876,574	12,522,079	318,115	200,888	12,558,459	12,321,191
Less amounts deposited to the Company as part of a defined benefit plan for the Group's employees	4,884	4,774	-	-	4,884	4,774
Total life and savings	12,871,690	12,517,305	318,115	200,888	12,553,575	12,316,417
Investment contracts included in the retirement (pension and provident) segment	1,063,093	1,016,001	-	-	1,063,093	1,016,001
Total	13,934,783	13,533,306	318,115	200,888	13,616,668	13,332,418
Insurance contracts included in the health insurance segment (see Note 21)	3,811,834	3,473,852(*)	685,915	528,964	3,125,919	2,944,888
Insurance contracts included in the property and casualty insurance segment (see Note 19)	7,850,579	7,140,483	2,817,177	2,315,462	5,033,402	4,825,021
Total liabilities for insurance contracts and non-yield-dependent investment contracts	25,597,196	24,147,641	3,821,207	3,045,314	21,775,989	21,102,327

(*) Reclassified. For further details, see Note 2T.

NOTE 18 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND YIELD-DEPENDENT INVESTMENT CONTRACTS

	As of December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
	NIS thousand					
Life and savings						
Insurance contracts	70,920,728	67,506,858	166,795	97,744	70,753,933	67,409,114
Investment contracts	23,787,779	20,815,236	-	-	23,787,779	20,815,236
Total life insurance (see Note 20)	94,708,507	88,322,094	166,795	97,744	94,541,712	88,224,350
Less amounts deposited to the Company as part of a defined benefit plan for the Group's employees	14,784	14,158	-	-	14,784	14,158
Total life and savings	94,693,723	88,307,936	166,795	97,744	94,526,928	88,210,192
Insurance contracts included in the health insurance segment (see Note 21)	8,279,568	7,045,012(*)	40,259	29,191	8,239,309	7,015,821
Total liabilities for insurance contracts and yield-dependent investment contracts	102,973,291	95,352,948	207,054	126,935	102,766,237	95,226,013

(*) Reclassified. For further details, see Note 2T.

In yield-dependent insurance contracts, the insurance benefits payable to the beneficiary are dependent on or linked to the yield on certain investments of the Company, net of management fees. These contracts include, among other things, bonus-malus insurance plans in which the policyholder is credited/debited in accordance with the investment results of the Company's participating policies portfolio. In non-yield-dependent insurance contracts, the insurance benefits to which the policyholder is entitled are not dependent on the profit or loss from investments made by the Company.

The distinction between yield-dependent contracts and non-yield-dependent contracts is made at the individual coverage level, such that there are insurance policies with several coverages, some of which are yield-dependent contracts and some are non-yield-dependent contracts.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT

A.(1) Liabilities in respect of insurance contracts included in the property and casualty insurance segment by type:

	As of December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
	NIS thousand					
Compulsory motor and liability subsegments:						
Provision for unearned premium	645,265	585,251	174,527	181,935	470,738	403,316
Contingent claims and provision for premium deficiency	4,814,830	4,823,099	1,670,051	1,659,774	3,144,779	3,163,325
Total compulsory motor and liability subsegments	5,460,095	5,408,350	1,844,578	1,841,709	3,615,517	3,566,641
Of which - total liability in respect of the compulsory motor subsegment	2,985,505	3,025,588	941,791	1,122,921	2,043,714	1,902,667
Property and other subsegments:						
Provision for unearned premium	1,278,747	1,007,150	328,157	242,307	950,590	764,843
Contingent claims	1,111,737	672,692	644,442	231,446	467,295	441,246
Provision for premium deficiency	-	52,291	-	-	-	52,291
Total property and other subsegments	2,390,484	1,732,133	972,599	473,753	1,417,885	1,258,380
Total liabilities in respect of insurance contracts included in the property and casualty insurance segment	7,850,579	7,140,483	2,817,177	2,315,462	5,033,402	4,825,021
Deferred acquisition costs:						
Compulsory motor and liability subsegments	105,208	90,037	28,823	36,227	76,385	53,810
Property and other subsegments	240,816	231,036	55,201	47,636	185,615	183,400
Total deferred acquisition costs	346,024	321,073	84,024	83,863	262,000	237,210
Liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs:						
Compulsory motor and liability subsegments	5,354,887	5,318,313	1,815,755	1,805,482	3,539,132	3,512,831
Property and other subsegments	2,149,668	1,501,097	917,397	426,117	1,232,271	1,074,980
Total liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs	7,504,555	6,819,410	2,733,152	2,231,599	4,771,403	4,587,811

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

A.(2) Liabilities in respect of insurance contracts included in the property and casualty insurance segment by calculation methods:

	As of December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
	NIS thousand					
Actuarial assessments:						
Total actuarial assessments by Ms. Anna Nahum, Property and Casualty Insurance Actuary	5,869,323	5,451,726	2,291,622	1,855,032	3,577,701	3,596,694
Total actuarial assessments by Ms. Luba Sharapov, Health Insurance Actuary	6,245	8,234	135	197	6,110	8,037
Total actuarial assessments	5,875,568	5,459,960	2,291,757	1,855,229	3,583,811	3,604,731
Provisions based on other estimates:						
Claims Department's estimates in respect of known contingent claims	26,942	24,449	19,220	19,448	7,722	5,001
Addition for contingent claims in respect of claims incurred but not yet reported (IBNR)	24,057	63,673	3,516	16,543	20,541	47,130
Provision for unearned premium	1,924,012	1,592,401	502,684	424,242	1,421,328	1,168,159
Total liabilities in respect of insurance contracts included in the property and casualty insurance segment	7,850,579	7,140,483	2,817,177	2,315,462	5,033,402	4,825,021

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

B. Change in liabilities in respect of insurance contracts included in the property and casualty subsegment, net of deferred acquisition costs:

1. Compulsory motor and liability subsegments

	For the year ended December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
	NIS thousand					
Balance at beginning of year	5,318,313	5,100,141	1,805,482	1,635,783	3,512,831	3,464,358
Ultimate cost of claims in respect of current underwriting year	1,110,717	1,120,007	283,035	325,974	827,682	794,033
Change in balances at beginning of year as a result of linkage to the CPI and investment income in accordance with the discount assumption implicit in the liabilities	188,349	269,236	63,729	86,349	124,620	182,887
Change in ultimate cost of claims in respect of previous underwriting years (5)	(600,435)	(566,747)	(121,203)	(74,739)	(479,232)	(492,008)
Total change in ultimate cost of claims	698,631	822,496	225,561	337,584	473,070	484,912
Payments to settle claims during the year:						
In respect of current underwriting year	(13,761)	(7,997)	(3,082)	(1,611)	(10,679)	(6,386)
In respect of previous underwriting years (6)	(648,296)	(596,327)	(212,206)	(166,274)	(436,090)	(430,053)
Total payments for the period	(662,057)	(604,324)	(215,288)	(167,885)	(446,769)	(436,439)
Balance at end of year	5,354,887	5,318,313	1,815,755	1,805,482	3,539,132	3,512,831

1. The opening and closing balances include: contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims is: the balance of contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs plus total payments in respect of claims including direct and indirect expenses associated with the settlement of claims.
3. The payments include indirect costs associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the relevant underwriting year.
4. The ultimate cost of claims is revised based on the model in accordance with the actual development of claims.
5. The change in the cumulative cost of claims for previous years in 2023 and 2022 - gross and retention, including the effect of the change in excess value of illiquid assets, in accordance with the revised circular regarding the valuation of property and casualty insurance claims. During the reporting period, there was a positive development in the third-party liability subsegment compared to 2022, and the estimated cost of claims in the Sale Law guarantees subsegment was revised, such that it will reflect the policyholders' adjusted credit risks. In 2022, there was a positive development in the compulsory motor insurance, professional liability insurance and employers' liability insurance subsegments. For further details, see Note 41, 5.2.2.5.
6. The increase in gross and retention payments in respect of previous underwriting years stems mainly from the third-party professional liability insurance subsegment.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

B. Change in liabilities in respect of insurance contracts included in the property and casualty subsegment, net of deferred acquisition costs: (cont.)

2. Property and other subsegments

	For the year ended December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
	NIS thousand					
Balance at beginning of year	1,501,097	1,334,630	426,117	429,712	1,074,980	904,918
Ultimate cost of claims in respect of events in the reporting year (5)	2,201,010	1,520,999	737,310	229,947	1,463,700	1,291,052
Change in the ultimate cost of claims in respect of events prior to the reporting year (6)	45,946	(58,691)	16,612	(25,108)	29,334	(33,583)
Payments to settle claims during the year:						
In respect of events in the reporting year (7)	(1,371,824)	(1,082,916)	(243,962)	(130,041)	(1,127,862)	(952,875)
In respect of events prior to the reporting year	(436,088)	(360,521)	(96,966)	(106,288)	(339,122)	(254,233)
Total payments	(1,807,912)	(1,443,437)	(340,928)	(236,329)	(1,466,984)	(1,207,108)
Change in provision for unearned premium, net of deferred acquisition costs	261,817	149,905	78,286	27,895	183,531	122,010
Change in provision for premium deficiency (8)	(52,290)	(2,309)	-	-	(52,290)	(2,309)
Balance at end of year	2,149,668	1,501,097	917,397	426,117	1,232,271	1,074,980

1. The opening and closing balances include: contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims in respect of events in the reporting year includes the balance of contingent claims as of the end of the reporting year plus total payments in respect of claims in the reporting period, including direct and indirect expenses associated with the settlement of claims.
3. Payments to settle claims during the year include payments in respect of events prior to the reporting year.
4. Payments to settle claims include direct and indirect expenses associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the damage years.
5. The increase in the ultimate cost of claims in respect of events - gross - in 2023 compared to 2022 stems mainly from the property loss insurance subsegment in respect of an extraordinary claim which is covered (100%) by reinsurance, and an increase in the motor property subsegment. The increase in retention arises from an increase in the activity in the motor property subsegment.
6. The change in the gross ultimate cost of claims in respect of events prior to the reporting year in 2023 compared to 2022 is mainly attributed to the motor property and property loss subsegments. The change in reinsurance stems from the engineering insurance subsegment.
7. The increase in payments to settle claims during the year - gross - in 2023 compared to 2022 stems mainly from the property loss insurance subsegment in respect of an extraordinary claim which is covered (100%) by reinsurance, and an increase in the motor property subsegment. The increase in retention arises from an increase in the activity in the motor property subsegment.
8. The change in provision of premium deficiency stems from the motor property subsegment.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(1) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor and liability insurance subsegments:

	December 31, 2023										
	Underwriting year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	In NIS thousand, adjusted to the November 2023 CPI (1)										
Claims paid (cumulative) as of the end of the year											
After the first year	8,079	8,302	11,494	13,788	20,019	9,906	8,564	11,565	8,436	13,880	
After two years	37,952	45,785	49,798	71,637	62,382	52,298	53,708	53,442	51,676		
After three years	93,301	110,121	125,776	167,240	156,049	151,906	140,478	154,180			
After four years	178,495	192,950	209,313	290,805	259,940	240,899	233,751				
After five years	270,162	279,006	288,031	384,301	344,296	330,998					
After six years	346,907	357,254	356,612	438,225	409,378						
After seven years	401,679	421,605	418,977	506,281							
After eight years	497,657	486,119	491,090								
After nine years	539,410	529,068									
After ten years	570,370										
Estimated cumulative claims (including payments) as of the end of the year:											
After the first year (2)	796,825	789,495	888,383	928,876	1,024,302	991,094	1,025,069	1,192,732	1,157,627	1,110,836	
After two years	735,288	805,154	884,933	933,851	965,351	937,967	1,015,314	1,103,423	1,038,507		
After three years	763,110	812,076	885,489	917,196	938,916	960,903	912,748	1,017,305			
After four years	756,312	793,082	844,282	904,014	933,396	889,908	813,161				
After five years	757,224	777,262	820,798	889,574	868,438	828,901					
After six years	742,988	742,337	754,114	824,549	798,606						
After seven years	730,359	730,936	713,599	795,988							
After eight years	711,962	689,681	681,491								
After nine years	679,353	662,703									
After ten years	664,513										
Surplus relating to the first year that does not involve accrual (3)	70,775	126,792	206,892	132,888	225,696	162,193	211,908	175,427	119,120		1,431,691
Deviation rate in respect of the first year that does not involve accrual, in % (4)	9.6%	16.1%	23.3%	14.3%	22.0%	16.4%	20.7%	14.7%	10.3%		16.4%
The cumulative cost of claims as of December 31, 2023	664,513	662,703	681,491	795,988	798,606	828,901	813,161	1,017,305	1,038,507	1,110,836	8,412,011
Cumulative payments through December 31, 2023	570,370	529,068	491,090	506,281	409,378	330,998	233,751	154,180	51,676	13,880	3,290,672
Contingent claims as of end of the period	94,143	133,635	190,401	289,707	389,228	497,903	579,410	863,125	986,831	1,096,956	5,121,339
For years up to and including the underwriting year 2013											233,548
Total gross liability in respect of insurance contracts in compulsory motor and liability insurance subsegments less deferred acquisition costs as of December 31, 2023											5,354,887

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.
(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.
(3) Surplus for to the first year, which does not involve accrual (2014), is mainly affected by offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the assessment of property and casualty insurance claims, as well as from changes in the discount rate and development of the actuarial model. See Note 41, Section 5.2.2.5.
(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(2) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, retention, in the compulsory motor and liability insurance subsegments:

	December 31, 2023										
	Underwriting year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	In NIS thousand, adjusted to the November 2023 CPI (1)										
Claims paid (cumulative) as of the end of the year											
After the first year	7,452	8,124	9,796	11,161	10,086	8,628	7,377	10,025	6,736	10,770	
After two years	35,921	39,837	42,828	42,586	36,448	33,837	39,603	35,801	38,963		
After three years	87,821	101,515	114,379	101,774	86,005	84,131	88,167	93,229			
After four years	169,261	183,314	194,931	171,380	141,594	131,402	140,143				
After five years	260,538	266,908	272,570	226,539	186,742	172,409					
After six years	336,415	339,278	339,617	261,954	223,061						
After seven years	390,278	396,950	402,439	300,378							
After eight years	484,486	461,121	473,294								
After nine years	525,002	503,798									
After ten years	555,682										
Estimated cumulative claims (including payments) as of the end of the year:											
After the first year (2)	697,359	745,150	849,353	620,285	612,977	570,202	620,388	701,771	820,720	827,773	
After two years	703,636	774,621	853,084	613,566	572,599	525,921	619,807	645,613	725,105		
After three years	729,200	785,325	842,869	607,062	549,192	532,283	535,900	579,780			
After four years	727,713	765,392	805,344	590,283	542,539	475,448	469,810				
After five years	722,601	748,333	783,615	575,240	494,848	431,084					
After six years	712,964	708,279	722,260	519,418	454,777						
After seven years	701,885	692,796	684,663	490,336							
After eight years	688,498	649,649	652,315								
After nine years	648,190	625,716									
After ten years	632,908										
Surplus relating to the first year that does not involve accrual (3)	70,728	119,434	197,038	129,949	158,200	139,118	150,578	121,991	95,615		1,182,651
Deviation rate in respect of the first year that does not involve accrual, in % (4)	10.1%	16.0%	23.2%	20.9%	25.8%	24.4%	24.3%	17.4%	11.7%		18.9%
The cumulative cost of claims as of December 31, 2023	632,908	625,716	652,315	490,336	454,777	431,084	469,810	579,780	725,105	827,773	5,889,604
Cumulative payments through December 31, 2023	555,682	503,798	473,294	300,378	223,061	172,409	140,143	93,229	38,963	10,770	2,511,727
Contingent claims as of end of the period	77,226	121,918	179,021	189,958	231,716	258,675	329,667	486,551	686,142	817,003	3,377,877
For years up to and including the underwriting year 2013											161,255
Total liabilities (retention) in respect of insurance contracts in the compulsory motor and liability subsegments, net of deferred acquisition costs as of December 31, 2023											3,539,132

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

(3) Surplus for to the first year, which does not involve accrual (2014), is mainly affected by offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the assessment of property and casualty insurance claims, as well as from changes in the discount rate and development of the actuarial model. See Note 41, Section 5.2.2.5.

(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(3) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor insurance subsegment:

	December 31, 2023										
	Underwriting year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	In NIS thousand, adjusted to the November 2023 CPI (1)										
Claims paid (cumulative) as of the end of the year											
After the first year	4,733	5,200	6,389	9,039	7,483	6,418	4,676	4,822	4,625	4,668	
After two years	21,248	22,384	26,611	39,691	34,969	33,912	30,574	34,909	32,617		
After three years	59,560	68,080	79,616	108,820	107,702	111,445	97,859	116,178			
After four years	119,600	127,778	139,153	187,541	183,968	177,361	167,135				
After five years	188,331	185,584	197,092	244,325	246,287	233,386					
After six years	245,299	231,812	234,928	284,131	287,494						
After seven years	279,511	269,618	274,960	331,194							
After eight years	350,463	318,958	328,824								
After nine years	373,223	344,819									
After ten years	385,824										
Estimated cumulative claims (including payments) as of the end of the year:											
After the first year (2)	458,398	490,129	568,075	606,739	655,157	649,875	652,573	744,170	697,929	618,091	
After two years	454,700	501,094	547,529	589,802	609,100	618,171	651,860	701,842	652,776		
After three years	471,176	498,391	536,159	556,775	590,288	626,364	557,383	656,990			
After four years	465,991	475,639	502,503	539,556	588,387	559,169	490,823				
After five years	456,303	460,689	486,487	533,718	545,529	493,587					
After six years	451,473	424,848	432,163	500,707	496,427						
After seven years	451,953	421,939	418,766	486,413							
After eight years	448,539	403,158	411,643								
After nine years	425,346	392,354									
After ten years	415,322										
Surplus relating to the first year that does not involve accrual (3)	39,378	97,775	156,432	120,326	158,730	156,288	161,750	87,180	45,153		1,023,012
Deviation rate in respect of the first year that does not involve accrual, in % (4)	8.7%	19.9%	27.5%	19.8%	24.2%	24.0%	24.8%	11.7%	6.5%		18.5%
The cumulative cost of claims as of December 31, 2023	415,322	392,354	411,643	486,413	496,427	493,587	490,823	656,990	652,776	618,091	5,114,426
Cumulative payments through December 31, 2023	385,824	344,819	328,824	331,194	287,494	233,386	167,135	116,178	32,617	4,668	2,232,139
Contingent claims as of end of the period	29,498	47,535	82,819	155,219	208,933	260,201	323,688	540,812	620,159	613,423	2,882,287
For years up to and including the underwriting year 2013											64,762
Total gross liability in respect of insurance contracts in compulsory motor insurance less deferred acquisition costs as of December 31, 2023											2,947,049

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

(3) Surplus for to the first year, which does not involve accrual (2014), is mainly affected by offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the assessment of property and casualty insurance claims, as well as from changes in the discount rate and development of the actuarial model. See Note 41, Section 5.2.2.5.

(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(4) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, retention, in the compulsory motor insurance subsegment:

	December 31, 2023										
	Underwriting year										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	In NIS thousand, adjusted to the November 2023 CPI (1)										
Claims paid (cumulative) as of the end of the year											
After the first year	4,733	5,200	6,389	8,157	6,472	5,251	3,875	3,974	4,299	4,558	
After two years	21,248	22,384	26,611	26,781	20,055	18,907	19,038	22,239	27,253		
After three years	59,560	68,080	79,616	64,262	51,043	52,224	51,153	68,867			
After four years	119,600	127,778	139,153	106,453	83,122	80,019	85,017				
After five years	188,331	185,584	197,092	136,305	109,447	103,541					
After six years	245,299	231,812	234,928	156,754	126,703						
After seven years	279,511	269,617	274,960	180,951							
After eight years	350,465	318,957	328,824								
After nine years	373,224	344,818									
After ten years	385,825										
Estimated cumulative claims (including payments) as of the end of the year:											
After the first year (2)	451,062	488,884	567,343	345,612	312,467	297,054	337,900	434,841	574,518	567,222	
After two years	454,166	500,555	546,988	323,980	272,996	269,677	339,794	404,572	521,068		
After three years	471,103	498,320	536,066	307,814	263,067	271,582	274,642	373,137			
After four years	465,991	475,639	502,503	296,855	258,680	237,905	238,946				
After five years	456,303	460,689	486,487	292,823	236,566	208,467					
After six years	451,473	424,848	432,163	271,995	213,668						
After seven years	451,953	421,938	418,766	262,575							
After eight years	448,540	403,157	411,643								
After nine years	425,347	392,353									
After ten years	415,323										
Surplus relating to the first year that does not involve accrual (3)	38,843	96,531	155,700	83,037	98,799	88,587	98,954	61,704	53,450		775,605
Deviation rate in respect of the first year that does not involve accrual, in % (4)	8.6%	19.7%	27.4%	24.0%	31.6%	29.8%	29.3%	14.2%	9.3%		20.3%
The cumulative cost of claims as of December 31, 2023	415,323	392,353	411,643	262,575	213,668	208,467	238,946	373,137	521,068	567,222	3,604,402
Cumulative payments through December 31, 2023	385,825	344,818	328,824	180,951	126,703	103,541	85,017	68,867	27,253	4,558	1,656,357
Contingent claims as of end of the period	29,498	47,535	82,819	81,624	86,965	104,926	153,929	304,270	493,815	562,664	1,948,045
For years up to and including the underwriting year 2013											63,641
Total gross liability in respect of insurance contracts in compulsory motor insurance less deferred acquisition costs as of December 31, 2023 - retention											2,011,686

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

(3) Surplus for to the first year, which does not involve accrual (2014), is mainly affected by offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the assessment of property and casualty insurance claims, as well as from changes in the discount rate and development of the actuarial model. See Note 41, Section 5.2.2.5.

(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

D.(1) Accumulated data regarding underwriting years in the compulsory motor insurance subsegment:

	Underwriting year						
	2023	2022	2021	2020	2019	2018	2017
	NIS thousand						
For the year ended December 31, 2023:							
Gross premiums (1)	733,288	709,831	665,130	583,397	570,653	566,991	527,566
Comprehensive income - retention - in respect of the underwriting year (2)	24,921	7,815	11,073	86,849	94,429	103,588	84,486
Accumulated effect of investment income over accumulated comprehensive income - retention - in respect of underwriting year (3)	15,160	20,774	25,504	40,365	47,914	55,386	59,684

1. The increase in premiums during the periods stems mainly from increase in scope of Company's sales.
2. The changes in retention comprehensive income are partially affected by a "quota share" reinsurance treaty and from the allocation of illiquid assets.
3. The decrease in investment income over the underwriting years stems mainly from the fact that investment income have not yet accumulated in the reporting year and in adjacent years.

D.(2) Accumulated data regarding underwriting years in the other liability insurance subsegment:

	Underwriting year						
	2023	2022	2021	2020	2019	2018	2017
	NIS thousand						
For the year ended December 31, 2023:							
Gross premiums (1)	722,142	654,788	586,550	482,210	439,683	437,502	402,518
Comprehensive income - retention - in respect of the underwriting year (2)	18,977	32,458	20,165	21,094	38,633	53,217	65,122
Accumulated effect of investment income over accumulated comprehensive income - retention - in respect of underwriting year (3)	7,051	8,922	14,836	36,005	48,332	64,129	63,791

1. The increase in premium over the periods stems mainly from the professional liability and third-party insurance subsegments.
2. The profitability is affected by the allocation of illiquid assets.
3. The decrease in investment income over the underwriting years stems mainly from the fact that investment income have not yet accumulated in the reporting year and in adjacent years.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

E.(1) Composition of comprehensive income (loss) in the compulsory motor insurance subsegment:

	Comprehensive income (loss) in respect of current underwriting year (1)	Comprehensive income in respect of previous underwriting years (2)	Total comprehensive income, gross	Comprehensive income (loss) in respect of current underwriting year (1)	Comprehensive income in respect of previous underwriting years (2)	Total comprehensive income for the year - retention
	Gross			Retention		
	NIS thousand					
For the year ended December 31:						
2023	9,866	320,334	330,200	24,921	252,378	277,299
2022	(75,346)	163,306	87,960	(48,741)	112,823	64,082
2021	(107,124)	194,091	86,967	(20,720)	229,875	209,155

1. The gross and retention comprehensive loss in respect of the current underwriting year in 2022 and 2021 stems mainly from the revision of costs in the actuarial model.

2. The comprehensive income in respect of previous underwriting years in 2022 includes investment losses compared with investment income in 2023 and 2021.

E.(2) Composition of comprehensive income (loss) in other liability insurance subsegments:

	Comprehensive income in respect of current underwriting year (1)	Comprehensive income in respect of previous underwriting years (2)	Total comprehensive income, gross	Comprehensive income (loss) in respect of current underwriting year (1)	Comprehensive income in respect of previous underwriting years (2)	Comprehensive income - retention
	Gross			Retention		
	NIS thousand					
For the year ended December 31:						
2023	67,899	311,716	379,615	18,977	276,335	295,312
2022	12,619	77,585	90,204	(15,324)	104,230	88,906
2021	7,563	246,744	254,307	(28,907)	217,257	188,350

1. The increase in comprehensive income - gross and retention - in respect of the current underwriting year in 2023 compared with 2022 and 2021 stems mainly from a revision to the cost of claims in the Sale Law guarantees subsegment, such that it will reflect the policyholders' adjusted credit risks, and from an improvement in the profitability in the third-party professional liability insurance subsegment, and decrease in losses in respect of the third-party liability subsegment.

2. The increase in comprehensive income - gross and retention - in respect of previous underwriting years in 2023 compared with 2022 stems mainly from an increase in investment income, revision to the cost of claims in the Sale Law guarantees subsegment, such that it will reflect the policyholders' adjusted credit risks, and from an improvement in the profitability in the employers' liability insurance and third-party insurance subsegments. The comprehensive income in respect of previous underwriting years in 2022 includes investment losses compared with investment income in 2023 and 2021.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

F.(1) Assessment of development in estimated contingent claims - gross- in the property and other insurance subsegments:

	As of December 31, 2023										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	In NIS thousand, adjusted to the November 2023 CPI (*)										
Claims paid (cumulative) as of the end of the year:											
After the first year	647,021	779,194	724,218	744,694	785,843	789,727	811,496	886,007	1,142,461	1,383,672	
After two years	837,125	1,063,371	956,467	962,308	1,039,539	1,041,939	1,020,349	1,191,058	1,513,575		
After three years	875,361	1,090,439	988,845	989,211	1,081,023	1,072,093	1,050,516	1,229,241			
After four years	893,661	1,101,512	1,002,732	1,010,325	1,094,797	1,088,583	1,066,045				
After five years	899,571	1,107,731	1,005,833	1,014,369	1,101,839	1,093,222					
After six years	901,595	1,109,898	1,007,584	1,018,217	1,105,416						
After seven years	905,434	1,107,718	1,013,174	1,020,987							
After eight years	913,917	1,108,978	1,014,092								
After nine years	917,366	1,102,170									
After ten years	921,730										
Cumulative claims (including payments):											
After the first year	938,263	1,139,669	1,081,684	1,110,035	1,216,599	1,183,654	1,210,904	1,325,149	1,595,190	2,212,859	
After two years	937,904	1,147,941	1,061,689	1,065,356	1,153,542	1,140,959	1,124,950	1,281,114	1,627,080		
After three years	931,865	1,135,941	1,052,790	1,032,552	1,132,199	1,119,910	1,093,289	1,285,948			
After four years	932,022	1,126,838	1,019,715	1,033,020	1,112,682	1,114,360	1,087,039				
After five years	934,177	1,127,377	1,024,169	1,050,099	1,137,002	1,159,743					
After six years	934,474	1,121,485	1,015,737	1,024,858	1,107,322						
After seven years	920,926	1,116,021	1,016,473	1,024,417							
After eight years	922,093	1,115,744	1,016,643								
After nine years	923,375	1,104,223									
After ten years	924,116										
Estimated cumulative costs, as of December 31, 2023	924,116	1,104,223	1,016,643	1,024,417	1,107,322	1,159,743	1,087,039	1,285,948	1,627,080	2,212,859	12,549,390
Cumulative payments through December 31, 2023	921,730	1,102,170	1,014,092	1,020,987	1,105,416	1,093,222	1,066,045	1,229,241	1,513,575	1,383,672	11,450,150
Outstanding contingent claims	2,386	2,053	2,551	3,430	1,906	66,521	20,994	56,707	113,505	829,187	1,099,240
Contingent claims for the years up to and including damage year 2013											12,497
Total gross contingent claims in the subsegment as of December 31, 2023											1,111,737

(*) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

F.(2) Assessment of development in estimated contingent claims - retention - in the property and other insurance subsegments:

	As of December 31, 2023										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	In NIS thousand, adjusted to the November 2023 CPI (*)										
Claims paid (cumulative) as of the end of the year:											
After the first year	562,921	654,738	652,338	636,732	641,026	660,211	659,251	765,103	1,005,270	1,137,604	
After two years	705,876	846,139	836,118	802,245	796,490	841,044	794,224	1,002,033	1,316,107		
After three years	724,274	865,440	860,057	826,776	817,903	860,537	811,227	1,028,659			
After four years	732,089	873,316	870,384	836,804	827,237	866,365	819,240				
After five years	734,370	876,498	873,775	840,133	830,624	870,539					
After six years	736,409	877,827	875,254	842,518	832,629						
After seven years	738,727	874,495	875,799	842,531							
After eight years	741,285	874,158	875,921								
After nine years	743,710	861,974									
After ten years	746,326										
Cumulative claims (including payments):											
After the first year	770,977	889,439	908,182	905,830	901,370	927,846	918,134	1,075,489	1,354,751	1,473,441	
After two years	749,049	895,969	891,494	855,767	849,685	900,420	849,393	1,053,905	1,378,824		
After three years	746,206	889,223	885,811	845,506	844,150	881,831	829,174	1,049,267			
After four years	742,996	885,374	879,674	848,334	838,200	874,750	825,528				
After five years	741,730	884,368	882,811	857,612	851,354	905,454					
After six years	741,751	880,343	876,829	844,500	835,164						
After seven years	740,724	875,513	876,310	843,721							
After eight years	742,712	874,788	876,458								
After nine years	745,301	862,712									
After ten years	746,612										
Estimated cumulative costs, as of December 31, 2023	746,612	862,712	876,458	843,721	835,164	905,454	825,528	1,049,267	1,378,824	1,473,441	9,797,181
Cumulative payments through December 31, 2023	746,326	861,974	875,921	842,531	832,629	870,539	819,240	1,028,659	1,316,107	1,137,604	9,331,530
Outstanding contingent claims	286	738	537	1,190	2,535	34,915	6,288	20,608	62,717	335,837	465,651
Contingent claims for the years up to and including damage year 2013											1,644
Total contingent claims in the subsegment as of December 31, 2023 - retention											467,295

(*) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE AND SAVINGS SEGMENT

A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposures

Data as at December 31, 2023:

	Policies including a saving component (including appendices) by policy issuance date				Policies without a savings component		
			Since 2004		Risk insurance sold as a single policy		
	Until 1990 (*)	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
				NIS thousand			
1. By insurance exposure:							
Liabilities in respect of insurance contracts							
Annuity without guaranteed coefficients	432,306	17,144	-	457,086	-	-	906,536
Annuity with guaranteed coefficients:							
Until May 2001	3,031,337	23,524,228	-	-	-	-	26,555,565
From June 2001	-	3,778,087	-	29,183,516	-	-	32,961,603
Annuity paid	2,615,307	3,812,646	-	1,162,654	17,138	-	7,607,745
Equity (without an option for annuity)	4,850,126	4,472,462	-	2,251,764	-	-	11,574,352
Supplementary reserve for pension (**)	603,829	1,349,360	-	42,357	-	-	1,995,546
Other risk-weighted components	46,077	511,153	-	482,230	1,012,744	143,751	2,195,955
Total in respect of insurance contracts	11,578,982	37,465,080	-	33,579,607	1,029,882	143,751	83,797,302
Liabilities in respect of investment contracts	-	-	-	23,787,779	-	-	23,787,779
Total	11,578,982	37,465,080	-	57,367,386	1,029,882	143,751	107,585,081
2. By financial exposure:							
Yield-dependent	111,991	37,187,826	-	57,064,130	339,124	5,436	94,708,507
Non-yield-dependent	11,466,991	277,254	-	303,256	690,758	138,315	12,876,574
Total	11,578,982	37,465,080	-	57,367,386	1,029,882	143,751	107,585,081

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

(**) In addition to supplementary reserve for pension, which is included in the liabilities in respect of insurance contracts, there is a NIS 1,901 million provision that will be carried to profit and loss over the remaining life of the policy until policyholders reach retirement age. For details, see Note 41, Section 5.1.2(4).

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE AND SAVINGS SEGMENTT (cont.)

A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposures (cont.)

Data as at December 31, 2022:

	Policies including a saving component (including appendices) by policy issuance date				Policies without a savings component		
			Since 2004		Risk insurance sold as a single policy		
	Until 1990 (*)	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
				NIS thousand			
1. By insurance exposure:							
Liabilities in respect of insurance contracts							
Annuity without guaranteed coefficients	410,360	17,531	-	470,455	-	-	898,346
Annuity with guaranteed coefficients:							
Until May 2001	3,001,747	22,157,317	-	-	-	-	25,159,064
From June 2001	-	3,693,943	-	28,008,454	-	-	31,702,397
Annuity paid	2,448,165	3,226,418	-	1,032,505	17,248	-	6,724,336
Equity (without an option for annuity)	4,707,964	4,586,330	-	2,309,207	-	-	11,603,501
Supplementary reserve for pension (**)	654,466	1,180,966	-	34,090	-	-	1,869,522
Other risk-weighted components	50,212	521,317	-	449,339	915,061	135,842	2,071,771
Total in respect of insurance contracts	11,272,914	35,383,822	-	32,304,050	932,309	135,842	80,028,937
Liabilities in respect of investment contracts	-	-	-	20,815,236	-	-	20,815,236
Total	11,272,914	35,383,822	-	53,119,286	932,309	135,842	100,844,173
2. By financial exposure:							
Yield-dependent	111,021	35,087,169	-	52,837,013	281,118	5,773	88,322,094
Non-yield-dependent	11,161,893	296,653	-	282,273	651,191	130,069	12,522,079
Total	11,272,914	35,383,822	-	53,119,286	932,309	135,842	100,844,173

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

(**) In addition to supplementary reserve for pension, which is included in the liabilities in respect of insurance contracts, there is a NIS 1,762 million provision that will be carried to profit and loss over the remaining life of the policy until policyholders reach retirement age. For details, see Note 41, Section 5.1.2(4).

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE AND SAVINGS SEGMENTT (cont.)

B. Breakdown of results by type of policy

Data for the year ended December 31, 2023:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component as a single policy		
			Since 2004				
	Until 1990 (1)	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
	NIS thousand						
Gross premiums:							
Traditional/ mixed	15,318	10,059	-	-	-	-	25,377
Savings component	31,935	1,010,457	-	2,343,422	-	-	3,385,814
Other	4,657	144,443	-	157,040	694,165	130,643	1,130,948
Total	51,910	1,164,959	-	2,500,462	694,165	130,643	4,542,139
Financial margin including management fees (2)	(22,071)	205,548 (3)	-	400,947	-	-	584,424
Payments and change in liabilities in respect of insurance contracts, gross	793,692	3,993,585	-	5,415,055	407,795	89,489	10,699,616
Payments and change in liabilities for investment contracts	-	-	-	2,083,371	-	-	2,083,371
Total liabilities							12,782,987
Income (loss) from life insurance business	(61,275)	(102,908)	-	21,915	7,135	34,461	(100,672)
Other comprehensive income (loss) from life insurance business	94,089	376	-	5,329	4,902	4,811	109,507
Total comprehensive income (loss) from life and savings business	32,814 (4)	(102,532)(4)	-	27,244	12,037	39,272	8,835
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	5,241,397	-	-	5,241,397
Annualized premium for insurance contracts - new business	-	274	-	12,482	56,639	-	69,395
One-off premium for insurance contracts	-	3,381	-	847,464	-	-	850,845
Annualized premium for investment contracts - new business	-	-	-	29,271	-	-	29,271
One-off premium for investment contracts	-	-	-	5,029,344	-	-	5,029,344
Transfers to the Company in respect of insurance contracts and investment contracts	-	-	-	737,872	-	-	737,872
Transfers from the Company in respect of insurance contracts and investment contracts	24,516	840,487	-	3,282,979	-	-	4,147,982

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, 2023, the estimated management fees which were not collected due to negative return in respect of participating policies amounted to approx. NIS 449 million. As of the report publication date, the estimated management fees which will not be collected amounted to approx. NIS 219 million.
4. Includes 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 approx. NIS 153 million, before tax. For details, see Note 41, Section 5.1.8.

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE AND SAVINGS SEGMENTT (cont.)

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

Data for the year ended December 31, 2022:

	Policies including a saving component (including appendices) by policy issuance date				Policies without a savings component		
			Since 2004		Risk insurance sold as a single policy		
	Until 1990 (1)	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
	NIS thousand						
Gross premiums:							
Traditional/ mixed	18,310	11,225	-	-	-	-	29,535
Savings component	34,744	1,022,111	-	3,460,607	-	-	4,517,462
Other	5,817	148,804	-	169,999	617,400	122,179	1,064,199
Total	58,871	1,182,140	-	3,630,606	617,400	122,179	5,611,196
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)	-	1,178,225	337,718	104,553	1,169,878
Payments and change in liabilities for investment contracts	-	-	-	(1,243,690)	-	-	(1,243,690)
Total liabilities							(73,812)
Income (loss) from life and savings business	568,976	(11,941)	-	8,568	12,932	13,304	591,839
Other comprehensive income (loss) from life and savings business	16,634	(38)	-	490	409	1,428	18,923
Total comprehensive income (loss) from life and savings business	585,610 (5)	(11,979) (4)	-	9,058	13,341	14,732	610,762
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	7,335,455	-	-	7,335,455
Annualized premium for insurance contracts – new business	-	462	-	36,261(*)	68,947(*)	-	105,670
One-off premium for insurance contracts	-	3,754	-	1,694,895	-	-	1,698,649
Annualized premium for investment contracts – new business	-	-	-	30,464	-	-	30,464
One-off premium for investment contracts	-	-	-	7,090,856	-	-	7,090,856
Transfers to the Company in respect of insurance contracts and investment contracts	-	-	-	1,554,756	-	-	1,554,756
Transfers from the Company in respect of insurance contracts and investment contracts	21,588	600,326	-	2,223,138	-	-	2,845,052

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 return in respect of participating policies amounted to approx. NIS 643 million.
4. Includes profit in respect of the effect of the changes in assumptions, mortality rates, discount rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approx. NIS 671 million. For details, see Note 41, Section 5.1.8.

(*) Reclassified.

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE AND SAVINGS SEGMENTT (cont.)

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

Data for the year ended December 31, 2021:

	Policies including a saving component (including appendices) by policy issuance date				Policies without a savings component		
			Since 2004		Risk insurance sold as a single policy		
	Until 1990 (1)	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
	NIS thousand						
Gross premiums:							
Traditional/ mixed	21,138	12,397	-	-	-	-	33,535
Savings component	36,874	971,729	-	3,336,554	-	-	4,345,157
Other	6,353	153,437	-	178,150	579,192	127,011	1,044,143
Total	64,365	1,137,563	-	3,514,704	579,192	127,011	5,422,835
Financial margin including management fees (2)	824,875	869,244 (3)	-	347,578	-	-	2,041,697
Payments and change in liabilities in respect of insurance contracts, gross	767,923	6,617,590	-	7,778,546	209,818	118,551	15,492,428
Payments and change in liabilities for investment contracts	-	-	-	1,595,295	-	-	1,595,295
Total liabilities							17,087,723
Income from life and savings business	543,953	662,379	-	563	175,649	21,579	1,404,123
Other comprehensive income (loss) from life and savings business	108,930	1,734	-	8,759	7,710	3,415	130,548
Total comprehensive income (loss) from life and savings business	652,883(4)	664,113(4)	-	9,322	183,359	24,994	1,534,671
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	7,757,707	-	-	7,757,707
Annualized premium for insurance contracts - new business	-	485	-	72,143	71,686	-	144,314
One-off premium for insurance contracts	-	3,375	-	1,483,084	-	-	1,486,459
Annualized premium for investment contracts - new business	-	-	-	51,552	-	-	51,552
One-off premium for investment contracts	-	-	-	7,511,084	-	-	7,511,084
Transfers to the Company in respect of insurance contracts and investment contracts	-	-	-	1,145,399	-	-	1,145,399
Transfers from the Company in respect of insurance contracts and investment contracts	26,274	506,769	-	1,733,009	-	-	2,266,052

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. In 2021, variable management fees in respect of participating policies in the amount of approx. NIS 681 million were charged.
4. The profit 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 approx. NIS 100 million. For details, see Note 41, Section 5.1.8.

NOTE 21 - BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT

A. Breakdown of insurance liabilities by financial exposure

	Data as at December 31, 2023				
	Long-term care		Other (3)		
	Individual	Collective	Long-term	Short-term	Total
	NIS thousand				
Yield-dependent	569,897	7,709,671	-	-	8,279,568
Other	1,691,594	653,329	1,435,267	31,643	3,811,833
Total	2,261,491	8,363,000	1,435,267	31,643	12,091,401

	Data as at December 31, 2022				
	Long-term care		Other (3)		
	Individual	Collective (*)	Long-term	Short-term	Total
	NIS thousand				
Yield-dependent	508,283	6,536,729	-	-	7,045,012
Other	1,582,983	519,381	1,336,676	34,812	3,473,852
Total	2,091,266	7,056,110	1,336,676	34,812	10,518,864

(*) Reclassified. For further details, see Note 2T.

B. Breakdown of liabilities in respect of insurance contracts by insurance exposure

	Data as at December 31, 2023				
	Long-term care		Other (3)		
	Individual	Collective	Long-term	Short-term	Total
	NIS thousand				
Annuity paid	385,792	1,999,865	-	-	2,385,657
Other risk-weighted components	1,875,699	6,363,135	1,435,267	31,643	9,705,744
Total	2,261,491	8,363,000	1,435,267	31,643	12,091,401

	Data as at December 31, 2022				
	Long-term care		Other (3)		
	Individual	Collective	Long-term	Short-term	Total
	NIS thousand				
Annuity paid	320,406	1,514,370	-	-	1,834,776
Other risk-weighted components	1,770,860	5,541,740	1,336,676	34,812	8,684,088
Total	2,091,266	7,056,110	1,336,676	34,812	10,518,864

NOTE 21 - BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT (cont.)

C. Breakdown of results by type of policy

	Data for the year ended December 31, 2023				
	Long-term care		Other (3)		
	Individual	Collective (5)	Long-term	Short-term	Total
	NIS thousand				
Gross premiums	280,228	1,245,009	1,674,467(1)	112,245(1)	3,311,949
Payments and change in liabilities in respect of insurance contracts, gross	306,712	2,184,549	1,035,069	50,026	3,576,356
Income from health insurance businesses	218,675	(36,973)	129,195	15,431	326,328
Other comprehensive income (loss) from health insurance business	-	-	20,705	589	21,294
Comprehensive income (loss) from health insurance business	218,675(2)	(36,973)(2)	149,900	16,020	347,622
Annualized individual premium - new business	24(4)	-	99,234	-	99,258

(1) Of this, individual premiums in the amount of NIS 1,160,951 thousand and collective premiums in the amount of NIS 625,761 thousand.

	Data for the year ended December 31, 2022				
	Long-term care		Other (3)		
	Individual	Collective (5)	Long-term	Short-term	Total
	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
Income from health insurance businesses	966,680	46,978	90,269	16,834	1,120,761
Other comprehensive income (loss) from health insurance business	-	-	552	(1,412)	(860)
Comprehensive income from health insurance businesses	966,680(2)	46,978(2)	90,821	15,422	1,119,901
Annualized individual premium - new business	67(4)	-	114,290	-	114,357

(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.

NOTE 21 - BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT (cont.)

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

	Data for the year ended December 31, 2021				
	Long-term care		Other (3)		
	Individual	Collective (5)	Long-term	Short-term	Total
	NIS thousand				
Gross premiums	260,543	982,052	1,433,829	61,440	2,737,864
Payments and change in liabilities in respect of insurance contracts, gross	760,897	1,967,249	677,734	36,261	3,442,141
Income (loss) from health insurance business	(226,341)	(13,965)	242,733	(945)	1,482
Other comprehensive income (loss) from health insurance business	-	-	6,501	255	6,756
Comprehensive income (loss) from health insurance business	(226,341)(2)	(13,965)(2)	249,234	(690)	8,238
Annualized individual premium - new business	56(4)	-	109,164	-	109,220

(1) Of this, individual premiums in the amount of NIS 924,266 thousand and collective premiums in the amount of NIS 571,003 thousand.

(2) The income in 2023 and 2022 includes a NIS 151 million decrease in the LAT reserves, and a total of NIS 985 million, respectively; in 2021 - it includes an increase of approx. NIS 487 million in the reserve, respectively. For further details, see Note 41, Section 5.1.8.

(3) The most material coverage included in other long-term health insurance in each of the years is medical expenses; in short-term health insurance - travel insurance.

(4) During 2019 and at the beginning of 2020, The Phoenix Insurance announced the discontinuation of sale in the individual long-term care insurance portfolio. Since that date, the Company had a run-off long-term care insurance portfolio (signing on to the new policies is only available to children who exercise their coverage continuity right when they become adults, and to those insured under collective long-term care insurance policies, who leave the country).

(5) Until December 31, 2023, The Phoenix Insurance provided collective long-term care insurance services to the members of Maccabi Healthcare Services (hereinafter - "Maccabi"), including operational services for long-term care policyholders of Maccabi Magen - Mutual Medical Insurance Association Ltd.
In accordance with the agreement with Maccabi, The Phoenix Insurance will continue paying insurance benefits in the existing claims, and will deal with new claims that will be filed so long as the insured event took place through December 31, 2023.
For that purpose, The Phoenix Insurance will retain under its management a claims reserve, that will include the reserves amount, plus a margin of conservatism of 20%, in accordance with the provisions of the agreement.

NOTE 22 - CHANGE IN GROSS LIABILITIES IN RESPECT OF YIELD-DEPENDENT AND NON-YIELD-DEPENDENT LIFE INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND HEALTH INSURANCE CONTRACTS

	Life and savings				Reinsurance assets in health insurance
	Insurance contracts	Investment contracts	Total	Health insurance	
	NIS thousand				
Balance as of January 1, 2022	84,267,403	17,367,786	101,635,189	11,468,613	462,561
Interest, linkage differences and investment income (1)	(3,326,450)	(1,243,690)	(4,570,140)	(617,417)	-
Increase in premiums charged to liabilities (2)	4,840,139	7,005,144	11,845,283	1,153,515	-
Decrease in respect of management fees on accruals	(450,995)	(139,858)	(590,853)	-	-
Decrease in respect of claims, redemptions and end of term	(4,305,334)	(2,174,146)	(6,479,480)	(2,648)	-
Changes due to change in assumptions (3)	(111,358)	-	(111,358)	(48,429)	(11,050)
Other changes (4)	(884,468)	-	(884,468)	(1,434,770)	106,644
Balance as of December 31, 2022	80,028,937	20,815,236	100,844,173	10,518,864	558,155
Interest, linkage differences and investment income (1)	6,100,092	2,083,371	8,183,463	941,936	-
Increase in premiums charged to liabilities (2)	3,686,901	4,930,408	8,617,309	1,288,579	-
Decrease in respect of management fees on accruals	(442,772)	(168,076)	(610,848)	-	-
Decrease in respect of claims, redemptions and end of term	(5,779,974)	(3,873,160)	(9,653,134)	(2,562)	-
Changes due to change in assumptions (3)	(38,777)	-	(38,777)	3,031	2,859
Other changes (4)	242,895	-	242,895	(658,446)	165,160
Balance as of December 31, 2023	83,797,302	23,787,779	107,585,081	12,091,402	726,174

(1) Interest, linkage differences and investment income- this line item includes interest, linkage differences and investment income in respect of the balance as of the beginning of the year, plus interest, linkage differences and investment gains in respect of premiums paid solely for savings, which were recorded in the reporting period.

(2) Increase in respect of premiums recorded under liabilities - this premium does not include all premiums recognized as income by the Company. The premium includes the premiums in respect of savings with some of the premiums being fixed-premium products, net of management fees collected as a percentage of the premium.

(3) Changes in assumptions
Life insurance - in 2023, the change in assumptions arises mainly from a revision to assumptions regarding the cost of claims in disability insurance products. In 2022, the change in assumptions stems from revising the assumptions as to the annuity uptake rate and mortality rates.
Health insurance - in 2023, the changes in assumptions stem from revising of assumptions as to cancellations, in accordance with the Company's experience and from revising the assumption as to the Company's expenses. In 2022, the changes in assumptions stem from revising of assumptions as to cancellations, morbidity in accordance with the Company's experience and from revising the assumption as to the Company's expenses.
For further details regarding the change in liabilities (retention), see Note 41, Section 5.1.10.

(4) Other changes - the line item includes changes in the contingent claims reserve, reserve for periodic claims, IBNR, paid annuities etc. (in accordance with the assumptions used at the end of the previous year). The line item also includes the effect of interest, linkage differences and investment income not included under the "interest, linkage differences and investment income" item, such as: interest, linkage differences and investment income on claim payments and non-saving premiums.

NOTE 23 - INCOME TAXES

A. Tax laws applicable to the Group companies

1. General

A. The income of the Company and all Group companies is subject to corporate income tax in accordance with the Income Tax Ordinance (hereinafter - the "Ordinance"). Furthermore, the income of Group companies classified as "Financial Institutions" as defined in the Value Added Tax Law, 1975 is subject to profit tax and payroll tax. It should be noted that the operations of companies classified as financial institutions in the insurance, retirement (pension and provident) and finance subsegments constitute most of the Group's operations.

B. As of 2008, results for tax purposes are measured in nominal values,excluding certain adjustments for changes in the CPI in the period up to December 31, 2007. Adjustments relating to capital gains continue to apply until profit realization date.

2. Tax arrangements unique to the insurance industry

A. Agreement with the tax authorities

1. Israel Insurance Association and the tax authorities have in place sectoral agreements which address tax issues unique to the industry (hereinafter - the "Tax Agreement"). The latest sectoral agreement signed between the tax authorities and the Life Insurance Association is in respect of tax years 2020-2022. The accounting treatment applied to the tax line items in the financial statements is based on the said agreements.
The sectoral agreements address, among other things, the following issues:

A. Deferred Acquisition Costs (DAC) - direct expenses incurred by insurance companies to purchase life insurance contracts in respect of underwriting years through 2014 shall be deductible for tax purposes in equal shares over four years, and in respect of underwriting years 2015 through 2020 - over ten years. Such expenses relating to canceled life insurance contracts shall be deductible for tax purposes in the cancellation year.
Purchase expenses in respect of retirement (pension and provident) contracts (as defined in the agreement) in respect of underwriting years 2015 through 2020 shall be deductible for tax purposes in equal shares over 10 years or in accordance with the period over which they are expensed in the books of accounts, as decided by the insurance company. The expense in respect of retirement (pension and provident) contracts cannot be brought forward.
Deferred acquisition costs relating to critical illnesses and hospitalization insurance are amortized over a six-year period, in accordance with their amortization period as per the books of accounts.

B. Attribution of expenses to preferred income - expenses will be attributed to income subject to reduced tax rates and to tax-exempt income earned by insurance companies (hereinafter - "Preferred Income"), which will result with some of the Preferred Income becoming taxable at the full tax rate in accordance with the attribution rate. The attribution rate set in the agreement depends on the source of funds generating the Preferred Income.

NOTE 23 - TAXES ON INCOME (cont.)

A. Tax laws applicable to the Group companies (cont.)

2. Tax arrangements unique to the insurance industry (cont.)

A. Agreement with the tax authorities (cont.)

1. (cont.)

C. The method employed to tax income from assets held as investments matches yield-dependent liabilities.

D. Provision for indirect expenses for settling claims - from 2013 to 2020, some of the increase in the provision shall be adjusted, and the adjustment amount shall be recognized for tax purposes over the next three tax years.

E. The last agreement signed in December 2023 extends the validity of the last agreement relating to the tax years 2017-2019 by three additional years such that it will also apply to tax years 2020-2022 with the exception of the tax applicable to the cancellation of the reserve to extraordinary risks in life insurance - see Section 2 below.

2. The Economic Arrangements Law (Legislative Amendments for the Implementation of the Budgetary Targets and Economic Policy for the 2007 Fiscal Year), 2007 of January 11, 2007 sets out rules regarding the tax that applies to the cancellation of the reserve for extraordinary risks in life insurance, which was included in the financial statements through December 31, 2006. According to the rules, a portion of the reserve, which is calculated at 0.17% of the amount of the insurance at risk (own retention) in life insurance, and respect of which the capital requirement was defined, shall be tax-exempt. The sectoral taxation agreement indicates that the basis for the exemption is the capital requirement, which is reflected as stated above; it is further indicated that if the capital requirement will be canceled or reduced, the parties shall discuss the tax consequences of such a change, if any.
In accordance with the sectoral taxation agreement for tax years 2020-2022 as stated above, it was agreed that:
A. In respect of 2020 income for corporate income tax purposes will be attributed and profit tax at a rate of 0.01% of the insured amount at risk - retention - as calculated as of December 31, 2006. As a result of the said arrangement, The Phoenix Insurance recorded in 2023 a tax expense of approx. NIS 4 million.
B. It was agreed that the remaining amount of the untaxed reserve (0.16%) will only be taxed in situations where the capital requirement will be completely cancelled under the new Capital Regulations (without setting another capital requirement in its stead), or if the capital requirement will not apply (discontinuation of life insurance activity, sale of some or all of the life insurance portfolio, winding up of a company, including the sale of a portfolio that results in such winding up).

NOTE 23 - TAXES ON INCOME (cont.)

A. Tax laws applicable to the Group companies (cont.)

3. The OECD's International Tax Reform (hereinafter - "Pillar 2")

The Company's entities operating in Israel - the Company has not yet started implementing the temporary exemption for the year ended December 31, 2023, since the Pillar 2 rules have not yet been enacted or substantively enacted.

The Company's entities operating outside Israel - it is unclear whether the Pillar 2 rules create further temporary differences in respect of which deferred taxes should be created, and which tax rate should be used in the measurement of the deferred taxes. In response to this uncertainty, in May 2023 the IASB published an amendment to IAS 12 - Income Tax - which grants a mandatory temporary exemption from the implementation of the provisions of the standard in respect of accounting for and disclosing deferred tax assets and liabilities arising from the adoption of the Pillar 2 rules. The Company applied the temporary exemption in its financial statements as of December 31, 2023.

As of the report publication date, the Group does not expect material tax consequences from the implementation of the Pillar 2 rules in tax year 2024.

B. Tax rates applicable to the Group companies

1. The statutory tax applicable to financial institutions, including The Phoenix Insurance Company, which constitutes most of the Group's activities, is composed of corporate income tax and profit tax.

2. Set forth below is the statutory tax rates applicable to the Group companies:

	Corporate income tax rate	Profit tax rate	Total tax rate in financial institutions
		%	
Year			
2021 onwards (see Section 3 below)	23	17.00	34.19

3. Subsequent to the balance sheet date, in March 2024 an amendment was published to the Value Added Tax Order (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "Order"), which prescribes that as from January 1, 2025 the rate of payroll tax applicable to financial institutions will stand at 18% of the wage paid for work, and the profit tax shall stand at 18% of the profit generated.
The deferred tax balances included in the financial statements as of December 31, 2023 are calculated according to the tax rates in effect as of balance sheet date, and do not take into account the effects that might arise due to the increase in tax rates as described above. The said effects will be included in the financial statements that will be published as from the date on which the Order was effectively completed, that is to say - in the first quarter of 2024.
The Company estimates that the effect of the change in tax rates will lead to an immaterial increase in the balances of deferred tax liability.

NOTE 23 - TAXES ON INCOME (cont.)

C. Tax assessments

The Company and most of the consolidated companies has tax assessments, which are considered to be final through tax year 2018, in accordance with Section 145 of the Income Tax Ordinance.

The Phoenix Insurance has tax assessments that are considered final up to and including the 2019 tax year.

D. Carryforward losses for tax purposes

The Company has carry forward business losses totaling approx. NIS 113,683 thousand and NIS 138,970 thousand as of December 31, 2023 and December 31, 2022, respectively. As of December 31, 2023, the tax asset balance amounts to approx. NIS 25 million.

The consolidated companies, except KSM Mutual Funds, as outlined below, have carry forward business losses totaling approx. NIS 283,383 thousand and approx. NIS 276,312 thousand as of December 31, 2023 and December 31, 2022, respectively. As of December 31, 2023, the tax asset balance amounts to approx. NIS 35 million.

KSM Mutual Funds has carryforward business losses totaling approx. NIS 386 million and approx. NIS 432 million as of December 31, 2023 and December 31, 2022, respectively. As of December 31, 2023, the tax asset balance amounts to approx. NIS 58 million.

The tax assets amount is equal to the balances of losses that can be offset in the foreseeable future.

Furthermore, the consolidated companies have carry forward capital losses totaling approx. NIS 92,241 thousand and approx. NIS 78,202 thousand as of December 31, 2023 and December 31, 2022, respectively.

E. Taxes on income included in the income statements

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Current taxes	321,279	721,553	677,911
Deferred taxes in respect of the creation and reversal of temporary differences	(65,616)	(210,066)	(6,876)
Taxes for previous years	7,084	(7,151)	2,519
Taxes on income	262,747	504,336	673,554

F. Taxes on income relating to other comprehensive income line items

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
In respect of available-for-sale financial assets	147,481	(133,322)	179,619
Actuarial gain (loss) in respect of defined benefit plans	96	1,044	(866)
Revaluation of property, plant, and equipment	2,658	28,558	6,752
	150,235	(103,720)	185,505

NOTE 23 - TAXES ON INCOME (cont.)

G. Taxes on income relating to equity line items

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Share-based payment	(818)	2,362	(13,083)

H. Deferred taxes

Composition:

	Deferred acquisition costs	Available-for-sale financial assets	Property, plant and equipment and investment property	Losses for tax purposes (1)	Intangible assets (2)	Other (3)	Total
	NIS thousand						
Balance of deferred tax asset (liability) as of January 1, 2022	(75,766)	(473,373)	(232,614)	96,014	(126,091)	6,178	(805,652)
Changes carried to profit and loss	21,237	177,907	(2,460)	2,082	15,383	(4,083)	210,066
Changes carried to other comprehensive income	-	133,322	(28,558)	-	-	(1,044)	103,720
Changes carried to equity	-	-	-	-	-	(2,362)	(2,362)
Additions in respect of a company consolidated for the first time	-	-	-	-	(23,020)	-	(23,020)
Balance of deferred tax asset (liability) as of December 31, 2022	(54,529)	(162,144)	(263,632)	98,096	(133,728)	(1,311)	(517,248)
Changes carried to profit and loss	21,217	7,461	(8,832)	19,521	15,989	10,260	65,616
Changes carried to other comprehensive income	-	(147,481)	(2,658)	-	-	(96)	(150,235)
Changes carried to equity	-	-	-	-	-	818	818
Additions in respect of companies consolidated for the first time	-	-	-	-	(53,943)	-	(53,943)
Balance of deferred tax asset (liability) as of December 31, 2023	(33,312)	(302,164)	(275,122)	117,617	(171,682)	9,671	(654,992)

(1) See Section D above.

(2) The balance includes amounts in respect of tax reserve for intangible assets in respect of companies consolidated for the first time; for further details, see Note 4 and Note 5C.

(3) The remaining amounts stem mainly from tax reserves in respect of investees accounted for by the equity method, and employee benefits.

Deferred taxes are presented in the balance sheet as follows:

	As of December 31	
	2023	2022
	NIS thousand	
Deferred tax assets	109,330	72,649
Liability in respect of deferred taxes	(764,322)	(589,897)
	(654,992)	(517,248)

NOTE 23 - TAXES ON INCOME (cont.)

I. Theoretical tax

Set forth below is a reconciliation between the tax amount that would have applied had all income and expenses, profits and losses in the income statement been taxed at the statutory tax rate, and the taxes on income amount recognized in the income statement:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Income before taxes on income	1,147,684	1,854,280	2,697,466
Statutory tax rate applicable to financial institutions (see Section B(2) above)	34.19%	34.19%	34.19%
Tax calculated according to total statutory tax rate	392,393	633,978	922,264
Deduction due to non-application of profit tax to companies which are not financial institutions (1)	(44,494)	(57,723)	(71,553)
Increase (decrease) in taxes on income resulting from the following factors:			
Non-deductible expenses and tax-exempt income	1,545	8,180	(1,812)
Group's share in associates' profits	(13,293)	(20,463)	(36,653)
Measurement basis differences	1,998	1,056	(400)
Other losses and differences for which deferred taxes were not created (2)	(37,508)	(29,667)	(54,347)
Differences in respect of investees (3)	(43,186)	(24,326)	(85,967)
Taxes for previous years	7,084	(7,151)	2,519
Other	(1,792)	452	(497)
Taxes on income	262,747	504,336	673,554
Average effective tax rate	22.9%	27.2%	25%

(1) Stems mainly from Company's income in its separate financial statements and subsidiaries, whose tax rate is lower than approx. 34.19%.

(2) 2023 - mainly in respect of creation of a tax asset in the Company's separate financial statements at the total amount of NIS 16 million, and the utilization of carryforward losses totaling approx. NIS 6 million. Furthermore, the creation a tax asset in The Phoenix Investment House in respect of carryforward losses totaling approx. NIS 12 million.
2022 - mainly in respect of first-time creation of a tax asset in the Company's separate financial statements at the total amount of NIS 9 million, and the utilization of carryforward losses totaling approx. NIS 7 million. Furthermore, the creation a tax asset in Excellence Investment Management and Securities Ltd. in respect of carryforward losses totaling approx. NIS 8 million. And from revaluation of investment property at a tax rate of 23%.
2021 - mainly in creating a tax asset in KSM in respect of carryforward losses totaling approx. NIS 24 million, and utilization of carryforward losses in the Company's separate financial statements at the total amount of approx. NIS 14 million. And from revaluation of investment property at a tax rate of 23%.

(3) 2023 - mainly in respect of profit arising from assuming control in The Phoenix Private, which is exempted from corporate income tax. For further details, see Note 4(b).
2022 - mainly in respect of profits from assuming control in The Phoenix Capital and Dorbit, which are not subject to corporate income tax.
2021 - mainly in respect of profit arising from assuming control in Gama, which is exempted from corporate income tax, and in respect of utilization of tax reserve in respect of the sale of Ad 120; for further details, see Note 8E above.

NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS

Employee benefits include short-term benefits, post-employment benefits, other long-term benefits and termination benefits.
The Note does not include share-based employee benefits; for information about share-based payment, see Note 37 regarding share-based payments.
For further information about benefits to key management personnel, see Note 42 regarding related and interested parties.

Post-employment benefits

Under labor laws in Israel and the Israeli Severance Pay Law, the Company is required to pay severance pay to employees upon dismissal or retirement, or to make regular contributions to defined contribution plans in accordance with Section 14 of the Severance Pay Law, as described below. The Company's liability in respect of the above is accounted for as a post-employment benefit. The Company's liability in respect of employee benefits is calculated based on employment agreements in force and the employee's salary and employment period that give rise to the right to receive severance pay.
Post-employment employee benefits are normally funded by contributions classified as a defined benefit plan or as a defined contribution plan as described below.

1. Defined contribution plans

The provisions of Section 14 to the Severance Pay Law, 1963 apply to some of the severance pay payments; pursuant to that section, the Group's regular contributions to pension funds and/or insurance companies' policies exempt it from any further obligation to the employees in respect of whom the amounts were deposited as described above. These contributions and contributions in respect of pension constitute defined contribution plans.

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Expenses in respect of defined contribution plans	120,769	112,169	99,634

2. Defined benefit plan

The portion of the severance pay payments which is not covered by contributions to defined contribution plans as described above is accounted for by the Group as a defined benefit plan under which a liability in recognized in respect of employee benefits, and the Group deposits amounts with central severance pay funds and qualifying insurance policies in respect of that liability.

	December 31	
	2023	2022
	NIS thousand	
Liabilities in respect of unfunded defined benefit plan	806	833
Liability in respect of funded defined benefit plan (see Section A)	56,019	50,006
Total liabilities in respect of defined benefit plan	56,825	50,839
Less fair value of plan assets (see Section B2 below)	27,606	22,184
Total liability for defined benefit plans, net	29,219	28,655
Short-term benefits	45,187	38,012
Total liability for employee benefits, net	74,406	66,667

NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

A. Changes in the present value of a liability in respect of a defined benefit plan

	As of December 31	
	2023	2022
	NIS thousand	
Balance as of January 1	50,006	53,885
Expenses charged to profit and loss:		
Cost of interest	2,371	1,324
Cost of current service	1,323	1,486
Cost of past service	-	-
Actuarial gain recognized in other comprehensive income, net:		
Actuarial losses (gains) arising from changes in the demographic assumptions	-	16
Actuarial losses (gains) arising from changes in the financial assumptions	(408)	(1,825)
Other actuarial losses (gains)	300	(1,973)
Additional changes:		
Benefits paid	(3,334)	(5,646)
Commencement of consolidation	5,761	2,739
Balance as of December 31	56,019	50,006

B. Changes in the present value of a assets in respect of a defined benefit plan

1. Plan assets

Plan assets include assets held by the long-term employee benefits fund and by qualifying insurance policies.

2. Change in fair value of plan assets:

	As of December 31	
	2023	2022
	NIS thousand	
Balance as of January 1	22,184	24,344
Expenses charged to profit and loss		
Interest income	956	583
Actuarial gain (loss), recognized in other comprehensive income, net:		
Actual return, less interest income	183	(99)
Additional changes:		
Plan contributions by employers	539	785
Benefits paid	(1,797)	(3,582)
Commencement of consolidation	5,541	153
Balance as of December 31	27,606	22,184

C. Main actuarial assumptions in determining the liability for the defined benefit plan

	2023	2022
	%	
Discount rate on December 31 (*)	2.80	2.50
Rate of expected real wage increase	1.50	1.50
Expected inflation rate	2.50	2.60

(*) The discount rate is based on high-quality CPI-linked corporate bonds.

NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

D. Amounts, timing and uncertainties of future cash flows

Set forth below are potential changes that are considered to be reasonable as of the end of the reporting period for each actuarial assumption, assuming that all other actuarial assumptions

remain unchanged:

	2023	2022(*)
	NIS thousand	
Sensitivity test to the change in the rate of expected real wage increase		
The change is the result of:		
1% increase in salaries	1,578	1,465
Sensitivity test to changes in the liability discount rate:		
The change is the result of:		
1% increase in the discount rate	(1,234)	(1,568)
1% decrease in the discount rate	1,695	1,586

(*) Reclassified.

E. Expenses charged to profit and loss

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Cost of current service	1,323	1,486	2,341
Cost of interest	2,371	1,324	986
Cost of past service	-	-	123
Interest income in respect of plan assets	(956)	(583)	(472)
	2,738	2,227	2,978

F. Collective agreement

In December 2021, a new collective agreement was signed for the period from January 1, 2022 to December 31, 2024 between The Phoenix Insurance and the New Histradrut Workers' Union – MAOF (hereinafter – the "Histadrut"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with The Phoenix Pension and Provident (hereinafter jointly for the purpose of this section: the "Agreement"); the two companies jointly: "Phoenix").
In accordance with the new collective agreement, the provisions of the previous collective agreements in The Phoenix Insurance will continue to apply during the term of the Agreement, and in The Phoenix Pension and Provident they were applied as from January 1, 2022, except for changes defined in the new agreement, the principal points of which are:

Pay rises - during the term of the Agreement, The Phoenix will pay permanent employees and employees in probation period an average pay rise of 3.03% per year in accordance with the conditions set in the Agreement. The pay rises payable to hourly employees in the different call centers shall be in accordance with the tables included in the agreement.

Minimum wage - the gross monthly minimum wage for a full-time employee as from 2022 will be NIS 6,000, and in 2024 it will be NIS 6,500.

NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

F. Collective agreement (cont.)

Pension insurances - increasing pension contributions for employees by 1%, of which 0.5% will be contributed by the employer and 0.5% will be contributed by the employee. In total, pension contributions (by the employer and by the employee) will not amount to less than 22.83%.

Annual bonus - should The Phoenix meet 100% of the profit targets set by its Board of Directors in relation to that year, The Phoenix shall allocate a budget for payment of bonus to employees; the total cost of the bonus shall be equal to 6.835% of the annual payroll cost in the year preceding the year in which the bonus will be paid. In respect of meeting the targets at the range between 70% to 130% of the profit targets, the bonus budget will increase or decrease linearly in the relevant range. If The Phoenix fails to meet 70% of the profit targets set in relation to that year - there will be no entitlement to bonus in respect of that year.
Dental and health insurance - The Phoenix shall take steps to insure its employees under a collective dental insurance policy, and will work to improve the existing health insurance at an overall cost of approx. NIS 5 million per year.

Final settlement of claims and industrial peace - the Agreement constitutes a full and final settlement of the parties' claims for the Agreement's term. The parties to the Agreement have undertaken to maintain mutual industrial peace regarding the matters that were settled in the Agreement.

The estimated annual cost of workforce-related expenses (excluding costs conditional upon meeting targets) in respect of the years of Phoenix's agreement is approx. NIS 23.6 million. The annual cost of the annual bonuses awarded in respect of 2021, 2022 and 2023 are NIS 29.5 million, NIS 21.6 million and NIS 27 million, respectively.

G. Closing down of the retail unit's activity

In May 2023, The Phoenix Insurance closed the activity of the retail unit, which employs approx. 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 approx. NIS 13 million in the other expenses line item.

NOTE 25 - PAYABLES AND CREDIT BALANCES

	As of December 31	
	2023	2022
	NIS thousand	
Employees and other liabilities in respect of compensation and salaries	161,259	133,752
Accrued expenses	325,621	287,976
Trade payables	194,042	198,049
Government institutions and authorities	116,363	150,863
Liabilities to investees and interested parties	25,476	22,815
Deferred acquisition costs in respect of reinsurance	84,024	83,863
Insurance companies and insurance brokers:		
Deposits by reinsurers (*)	1,660,450	1,357,560
Other accounts	114,378	158,818
Total companies and insurance agents	1,774,828	1,516,378
Insurance agents	304,747	299,498
Prepaid premium	81,711	64,254
Profit participation in collective insurance	28,235	36,122
Policyholders and planholders	77,685	245,542
Interest payable	42,292	47,451
Payables for financial investments	259,435	228,024
Other liabilities	193,447	140,984
Total payables and credit balances	3,669,165	3,455,571

(*) For a breakdown of assets and liabilities by linkage bases, see Note 41.
For payables and credit balances that constitute related parties, see Note 42.

NOTE 26 - LIABILITIES IN RESPECT OF STRUCTURED PRODUCTS

A. Set forth below is the composition of liabilities in respect of structured products and liabilities of special purpose consolidated companies:

	See below	December 31	
		2023	2022
		NIS thousand	
Structured bonds	B	147,000	176,000
Liabilities of special purpose consolidated companies	E	24,000	24,000
Total		171,000	200,000

B. As of December 31, 2023, the Group has one Series of structured bonds, which was issued in a private offering.

C. Additional details on the composition of assets and liabilities of the special purpose companies

	December 31	
	2023	2022
	NIS thousand	
Backing assets, net	173,000	202,000
Certificates	147,000	176,000
Liabilities	24,000	24,000
	2,000	2,000

D. Details about the designated companies

The Company	December 31, 2023	December 31, 2022
	Holding rate (%)	
Netivim Debentures Ltd. *)	100	100

(*) Illiquid structured bonds.

E. Liability of special purpose consolidated companies:

	December 31	
	2023	2022
	NIS thousand	
Short sale of held-for-trading securities in series accounts:		
Amounts payable in respect of securities	24,000	24,000

NOTE 27 - FINANCIAL LIABILITIES

This note provides information regarding the contractual terms of financial liabilities. Further information regarding the Group's exposure to interest rate, foreign currency and liquidity risks is provided in Note 41 regarding risk management.

A. Breakdown of financial liabilities

	See below	Carrying amount as of December 31		fair value as of December 31	
		2023	2022	2023	2022
		NIS thousand			
Financial liabilities presented at amortized cost:					
Credit and loans from banking corporations (1)	H	1,011,800	577,658	1,011,800	577,658
Loans from non-bank entities	H	886,621	827,333	886,621	827,333
Bonds (2)	D-G	2,495,765	2,128,984	2,439,861	2,004,364
Subordinated notes (3)	D-G	4,480,493	4,074,461	4,388,401	3,946,156
Notes - additional Tier 1 capital (3)	D-G	217,644	210,536	190,492	174,768
Trade receivables for credit cards	J	1,754,711	1,571,513	1,754,711	1,571,513
REPO in respect of non-yield-dependent contracts (4)	M	833,501	477,606	833,501	477,606
Other (5)		54,069	35,477	54,069	35,477
Total financial liabilities presented at amortized cost		11,734,604	9,903,568	11,608,841	9,614,875
Financial liabilities presented at fair value through profit and loss:					
Derivatives held for yield-dependent contracts		1,052,783	1,177,929	1,052,783	1,177,929
Derivatives held for non-yield-dependent contracts		439,993	479,909	439,993	479,909
REPO in respect of yield-dependent contracts (4)		1,180,841	244,764	1,180,841	244,764
Liability for short sale of liquid securities		1,038,609	1,189,653	1,038,609	1,189,653
Other		6,000	-	6,000	-
Total financial liabilities presented at fair value through profit and loss		3,718,226	3,092,255	3,718,226	3,092,255
Lease liabilities		123,079	109,741		
Total financial liabilities		15,575,909	13,105,564		

(1) In December 2023, The Phoenix Agencies received a NIS 300 million loan from a banking corporation. In addition, in 2023 The Phoenix Pension and Provident took loans at the total amount of approx. NIS 450 million. For further details, see Sections H and I below.

(2) In October 2023, the Company completed the issuance of Bonds (Series 5 and Series 6) by way of expansion at the total amount of NIS 400 million p.v.

(3) In January 2023, the Company repaid - through The Phoenix Insurance - principal of Bonds (Series F) at the total amount of approx. NIS 400 million, and in December 2023, The Phoenix Insurance completed new issuances of Bonds (Series N and Series O) at the total amount of approx. NIS 800 million p.v. For further details, see Section E below.

(4) In 2023, The Phoenix Insurance entered into repo and reversed repo agreements with foreign banks.

The term of those transactions was up to one year, against liquid debt assets of the Government of Israel; they include a mechanism for the adjustment of the value of the collaterals that will be provided against the consideration that was received in the transaction. As of balance sheet date, The Phoenix Insurance's exposure to these transactions amounts to approx. NIS 2,014 million (of which approx. NIS 1,181 million is in respect of yield-dependent contracts).

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

NOTE 27 - FINANCIAL LIABILITIES (cont.)

B. Details on paid interest and linkage:

	Linkage basis	As of December 31, 2023	
		Carrying amount	Interest rate
		NIS thousand	%
Financial liabilities presented at amortized cost:			
	Linked to foreign currency	934,502	5.3%-5.8%
	NIS	9,175,469	-1.94%6.97%
	CPI-linked	1,624,633	0.44%-2.31%
		11,734,604	

	Linkage basis	As of December 31, 2023	
		Carrying amount	Interest rate
		NIS thousand	%
Financial liabilities presented at amortized cost:			
	Linked to foreign currency	585,606	1.15%-2%
	NIS	7,839,814	1.38%-3.85%
	CPI-linked	1,478,148	0.44%-2.25%
		9,903,568	

C. Financial liabilities presented at fair value:

Fair value of financial liabilities by level:

The following table presents an analysis of financial liabilities presented at fair value. The different levels were defined in accordance with what is stated in Note 2.Q.

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Liability for short sale of liquid securities	1,044,609			1,044,609
REPO in respect of yield-dependent contracts	-	1,180,841	-	1,180,841
Derivatives	160,897	1,321,446	10,433	1,492,776
Financial liabilities presented at amortized cost	1,205,506	2,502,287	10,433	3,718,226
Financial liabilities presented at amortized cost, the fair value of which is disclosed	7,661,763	3,893,009	54,069	11,608,841

	As of December 31, 2022 (*)			
	Level 1	Level 2	Level 3	Total
	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 amortized cost	1,502,857	1,578,742	10,656	3,092,255
Financial liabilities presented at amortized cost, the fair value of which is disclosed	6,428,126	3,151,272	35,477	9,614,875

(*) Reclassified.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

D. Repayment in years subsequent to the reporting date:

1. Subordinated notes (assuming early redemption):

	As of December 31	
	2023	2022
	NIS thousand	
First year	398,831	410,672
Second year	1,060,849	398,831
Third year	770,095	1,060,849
Fourth year	-	755,156
Fifth year and onwards	2,293,361	1,493,361
	4,523,136	4,118,870
Less - discount and deferred acquisition costs	(42,643)	(44,408)
	4,480,493	4,074,461

2. Bonds

	As of December 31	
	2023	2022
	NIS thousand	
First year	248,093	35,403
Second year	592,154	226,826
Third year	173,160	554,202
Fourth year	173,160	135,548
Fifth year and onwards	1,416,051	1,193,963
	2,602,617	2,145,942
Less - discount and deferred acquisition costs	(106,853)	(16,958)
	2,495,765	2,128,984

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details

As of December 31, 2023										
Series	Issuance date	Par value on issuance date, in NIS million.	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million(*)	Payment dates of principal	Interest payment dates	Type of capital (see F below)
D (***)	09.2014	398.8	Midroog / Maalot Aa2/ilAA-	NIS	3.85%	399	398	One installment on January 31, 2024	Semi-annual interest on January 31 and July 31 of each of the years 2015 through 2024 (inclusive)	Hybrid Tier 3
E	4.2015	409.12 (Including expansion of May 5, 2016)	Midroog / Maalot Aa3/ ilAA	Linked	2.25%	449	464	One installment on October 31, 2026	Semi-annual interest on April 31 and October 31 of each of the years 2015 through 2026 (inclusive)	Hybrid Tier 2
F (****)	11.2015	410.7 (Including expansion of June 7, 2016)	Midroog / Maalot Aa3/ ilAA-	NIS	3.05%	-	-	One installment on January 31, 2023	Semi-annual interest on January 31 and July 31 of each of the years 2016 through 2023 (inclusive)	Hybrid Tier 2
H	01.2017	767.5 (Including expansion of July 3, 2017)	Midroog / Maalot Aa3/ ilAA	NIS	3.61%	769	759	One installment on July 31, 2025	Semi-annual interest on January 31 and July 31 of each of the years 2017 through 2025 (inclusive)	Hybrid Tier 2
H	11.2018	308.3	Midroog / Maalot Aa3/ ilAA	NIS	3.3%	307	301	One installment on August 31, 2026	Semi-annual interest on February 28 and August 31 of each of the years 2019 through 2026 (inclusive)	Tier 2 Capital
J	11.2018	293.3 (Including expansion of April 10, 2019)	Midroog / Maalot Aa3/ ilAA	NIS	Bank of Israel's variable quarterly interest rate plus a 1.34% margin	293	296	One installment on January 31, 2025	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2025 and on January 31, 2025 (the last interest payment date)	Tier 2 Capital
K	7.2019	1,293.36 (Including expansions in 2019 and 2022)	Midroog / Maalot Aa3/ ilAA	NIS	2.62%	1,271	1,170	One installment on April 30, 2029	Semi-annual interest on April 30 and October 31 of each of the years 2019 through 2029; (the first installment will be paid on October 31, 2019 and the last interest installment will be paid on April 30, 2029)	Tier 2 Capital

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31, 2023										
Series	Issuance date	Par value on issuance date, in NIS million.	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million(*)	Payment dates of principal	Interest payment dates	Type of capital (see F below)
L (*****)	8.2021	1,574 (Including expansion of November 5, 2023)	Maalot ilAA-	CPI-linked	2.09%	218	190	Single installment on February 5, 2032	Semi-annual interest on February 5 and August 5 of each of the years 2022 through 2032; (the first installment will be paid on February 6, 2022 and the last interest installment will be paid on February 5, 2032)	Additional Tier 1 capital
M	7.2022	200	Midroog / Maalot Aa3/ ilAA	NIS	The Bank of Israel's variable quarterly interest rate plus a 1.75% spread	199	210	One installment on October 31, 2028	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2022 through 2028 and on October 31, 2028 (the last interest payment date)	Tier 2 Capital
N (*****)	12.2023	300	Midroog / Maalot Aa3/ ilA	Linked	2.31%	297	297	Single installment on February 28, 2030	Quarterly interest on February 28, May 31, August 31 and November 30 of each of the years 2024 through 2030 and on February 28, 2030 - the last interest payment date (inclusive)	Tier 2 Capital
O (*****)	12.2023	500	Midroog / Maalot Aa3/ ilAA	NIS	4.69%	496	494	One installment on June 30, 2030	Quarterly interest on March 31, June 30, September 30 and December 30 of each of the years 2024 through 2030 and on June 30, 2030 - the last interest payment date (inclusive)	Tier 2 Capital

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

	As of December 31, 2023								
Series	Issuance date	Par value on issuance date, in NIS million	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million (*)	Payment dates of principal	Interest payment dates
Bonds (Series 4)	05.2019	338 Including expansions as from February 3, 2021	Midroog Aa3 Ma'alot ILAA-	NIS	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	396	407	2 equal installments of 12% in each of the years 2020 through 2021 and 4 installments of 19% each in 2025 through 2028.	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2028 (with the first payment paid on July 31, 2019 and the last interest payment paid on July 31, 2028).
Bonds (Series 5)	02.2020	823 Including expansions as from September 7, 2020, February 3, 2021 and October 24, 2023.	Midroog Aa3 Ma'alot ILAA-	Linked	0.44%	958	897	6 variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1, 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, the fourth payment being repaying 28% of the fund and the fifth and sixth payments repaying 30% of the principal	Semi-annual interest rates on November 1 and May 1.
Bonds (Series 6)	01.2022	613 Including expansions as from January 26, 2023 and October 24, 2023	Midroog Aa2 Ma'alot ILAA-	NIS	1.94%	541	534	First installment of 4% of the principal on December 31, 2024, 3 equal installments of 12% each in each of the years 2025-2027, 3 equal installments of 10% each in each of the years 2028-2030, and 2 equal installments of 15% each in each of the years 2031 and 2032.	Semi-annual interest on June 30 and December 31.

(*) Net of interest accrued since the date of the last installment.
(**) The carrying amount of bonds' balances, net of discount and deferred issuance expenses.
(***) See Section N - Events subsequent to the balance sheet date - regarding full early redemption of Bonds (Series D).
(****) On January 31, 2023, The Phoenix Capital Raising executed a full early redemption of the principal of the Bonds (Series F) totaling approx. NIS 410 million.
(*****) See Section E below.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31, 2023									
Series	Issuance date	Par value on issuance date, in NIS million	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million (*)	Payment dates of principal	Interest payment dates
Bonds (Series B) (Gama)	4.2022	216	Midroog Aa3	NIS	3%	215	213	The principal is repayable in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025.	The interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025.
Bonds (Series C) (Gama)	4.2022	283	Midroog Aa3	NIS	Bank of Israel's variable semi-annual interest rate plus a 1.35% margin	383	391	The principal is repayable in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025.	The interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31, 2022										
Series	Issuance date	Par value on issuance date, in NIS million.	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million(*)	Payment dates of principal	Interest payment dates	Type of capital (see F below)
D	09.2014	398.8	Midroog / Maalot Aa2/ilAA-	NIS	3.85%	398	397	One installment on January 31, 2026	Semi-annual interest on January 31 and July 31 of each of the years 2015 through 2026 (inclusive)	Hybrid Tier 3
E	4.2015	409.12 (Including expansion of May 5, 2016)	Midroog / Maalot Aa3/ ilAA-	Linked	2.25%	430	454	One installment on October 31, 2029	Semi-annual interest on April 31 and October 31 of each of the years 2015 through 2029 (inclusive)	Hybrid Tier 2
F	11.2015	410.7 (Including expansion of June 7, 2016)	Midroog / Maalot Aa3/ ilAA-	NIS	3.05%	410	410	One installment on January 31, 2026	Semi-annual interest on January 31 and July 31 of each of the years 2016 through 2025 (inclusive)	Hybrid Tier 2
H	01.2017	767.5 (Including expansion of July 3, 2017)	Midroog / Maalot Aa3/ ilAA-	NIS	3.61%	769	756	One installment on July 31, 2028	Semi-annual interest on January 31 and July 31 of each of the years 2017 through 2028 (inclusive)	Hybrid Tier 2
H	11.2018	308.3	Midroog / Maalot Aa3/ ilAA-	NIS	3.3%	307	299	One installment on August 31, 2029	Semi-annual interest on February 28 and August 31 of each of the years 2019 through 2029 (inclusive)	Tier 2 Capital
J	11.2018	293.3 (Including expansion of April 10, 2019)	Midroog / Maalot Aa3/ ilAA-	NIS	Bank of Israel's variable quarterly interest rate plus a 1.34% margin	293	294	One installment on January 31, 2028	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2027 and on January 31, 2028 (the last interest payment date)	Tier 2 Capital
K	7.2019	1,293.36 (Including expansions in 2019 and 2022)	Midroog / Maalot Aa3/ ilAA-	NIS	2.62%	1,268	1,136	One installment on April 30, 2032	Semi-annual interest on April 30 and October 31 of each of the years 2019 through 2032; (the first installment will be paid on October 31, 2019 and the last interest installment will be paid on April 30, 2032)	Tier 2 Capital
L	8.2021	199	Maalot ilA+	CPI-linked	2.29%	211	175	Single installment on February 5, 2032	Semi-annual interest on February 5 and August 5 of each of the years 2022 through 2032; (the first installment will be paid on February 6, 2022 and the last interest installment will be paid on February 5, 2032)	Additional Tier 1 capital
M	7.2022	200	Midroog / Maalot Aa3/ ilAA-	NIS	The Bank of Israel's variable quarterly interest rate plus a 1.75% spread	199	200	One installment on October 31, 2028	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2022 through 2028 and on October 31, 2028 (the last interest payment date)	Tier 2 Capital

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31, 2022									
Series	Issuance date	Par value on issuance date, in NIS million	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million (*)	Payment dates of principal	Interest payment dates
Bonds (Series 4)	05.2019	338 Including expansions as from February 3, 2021	Midroog Aa3 Ma'alot ilAA-	NIS	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	396	395	2 equal installments of 12% in each of the years 2020 through 2021 and 4 installments of 19% each in 2025 through 2028.	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2028 (with the first payment paid on July 31, 2019 and the last interest payment paid on July 31, 2028).
Bonds (Series 5)	02.2020	823 Including expansions as from September 7, 2020 and February 3, 2021	Midroog Aa3 Ma'alot ilAA-	Linked	0.44%	838	762	6 variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1, 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, the fourth payment being repaying 28% of the fund and the fifth and sixth payments repaying 30% of the principal	Semi-annual interest rates on November 1 and May 1.
Bonds (Series 6)	01.2022	300	Midroog Aa2 Ma'alot ilAA-	NIS	1.94%	297	250	First installment of 4% of the principal on December 31, 2024, 3 equal installments of 12% each in each of the years 2025-2027, 3 equal installments of 10% each in each of the years 2028-2030, and 2 equal installments of 15% each in each of the years 2031 and 2032.	Semi-annual interest on June 30 and December 31.

(*) Net of interest accrued since the date of the last installment.
(**) The carrying amount of bonds' balances, net of discount and deferred issuance expenses.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

	As of December 31, 2022								
Series	Issuance date	Par value on issuance date, in NIS million	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million (*)	Payment dates of principal	Interest payment dates
Bonds (Series B) (Gama)	4.2022	216	Midroog Aa3	NIS	3%	215	210	The principal is repayable in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025.	The interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025.
Bonds (Series C) (Gama)	4.2022	283	Midroog Aa3	NIS	Bank of Israel's variable semi-annual interest rate plus a 1.35% margin	383	387	The principal is repayable in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025.	The interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

Comments:

1. The Notes (Series D-O) were issued by The Phoenix Capital Raising - which is wholly-owned by The Phoenix Insurance, which is wholly-owned by the Company.
   Bonds (Series 4-6) issued by the Company.
2. All series are traded on the TASE.
3. The series are classified to level 1 for the purpose of determining fair value.
4. Issuances and expansion of series

   Issuance of further Bonds (Series 6) by the Company by way of series expansion

   In January 2023, the Company issued - as part of an expansion - additional Bonds (Series 6) of up to approx. NIS 172 million p.v.; the bonds are registered bonds of NIS 1 p.v. each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 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.

   Listing of restricted Tier 1 capital of The Phoenix Insurance

   In April 2023, The Phoenix Insurance fulfilled the conditions for listing of the Notes (Series L) on the main list of the TASE, and at the beginning of May 2023 trading of the notes on the main list started. In accordance with the provisions of the deed of trust, the interest in respect of the notes 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 notes and their listing on the main list, see the Company's immediate reports dated April 24, 2023 and May 3, 2023 (Ref. Nos.: 2023-01-038554 and 2023-01-040573, respectively).

   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 reflects a bargain purchase.

   Following this buyback, the Company recorded in the books of accounts an approx. NIS 16 million gain from early redemption. For further details, see the immediate report dated July 2, 2023 (Ref. No.: 2023-01-061600).

   Private placement of Restricted Tier 1 capital to the Company by way of expansion of Bonds (Series PHONIX B12)

   In November 2023, The Phoenix Insurance completed a private placement for the Company of NIS 317,800 thousand p.v. in Subordinated Notes (Series L), which form part of Restricted Tier 1 capital, against the injection of NIS 300,000 thousand from the Company to The Phoenix Insurance, which arose from the Bonds (Series 5 and Series 6) (see below). The additional subordinated notes were assigned an ilAA- rating by Maalot. The notes were recognized as Tier 1 Capital in The Phoenix Insurance, and were listed on the Tel Aviv Stock Exchange.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

Comments: (cont.)

4. (cont.):

Issuance of further series of Bonds (Series 5 and Series 6) by the Company by way of series expansion

In October 2023, the Company issued - as part of the expansion of its Bonds (Series 5 and 6) NIS 134,962 thousand p.v. in Bonds (Series 5) of NIS 1 p.v. each, and NIS 265,038 thousand p.v. in Bonds (Series 6) 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.

Issuance of Bonds (Series N and O)

In December 2023, the Company completed the issuance of two new series of Bonds (Series N) and (Series O), at a total amount of NIS 800,000 thousand p.v. for a total of NIS 793,961 thousand in proceeds. The bonds were assigned an Aa3il rating by Midroog with a positive outlook, and an ilAA rating by Maalot. The notes were recognized as Tier 2 Capital in of the Company, and were listed on the Tel Aviv Stock Exchange. For further details, see immediate reports of December 12, 2023, December 20, 2023, December 22, 2023 and December 25, 2023 (Ref. Nos.: 2023-01-112744, 2023-01-138678, 2023-01-139485 and 2023-01-116395, respectively).

Events subsequent to the balance sheet date:

Series D

On January 31, 2024, The Phoenix Capital Raising executed a full early redemption of the principal of the Bonds (Series F) and the interest accrued thereon (hereinafter - the "Early Redemption Date") at the total amount of approx. NIS 399 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 Bonds (Series D) were delisted from trade on the TASE. (Ref. No. 2024-01-000765).

F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital

1. **Hybrid Tier 2 and Tier 3 capital**

In accordance with the prospectuses of the Series D, E, F and H, the principal payments and/or interest payments shall be deferred upon the occurrence of suspending circumstances as defined below:

"Suspending circumstances in respect of hybrid Tier 2 and Tier 3 capital" - in accordance with the Insurance Commissioner's directives mean the existence of one or more of the following circumstances:

A. Lack of distributable profits of the Company as defined in the Companies Law, as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)

1. **Hybrid Tier 2 and Tier 3 capital (cont.)**

B. The amount of the Company's eligible shareholders' equity dropped below the equity it is required to maintain (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's directives), as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.

C. The Company's Board of Directors ordered the postponement of the interest payment or the postponement of the principal payment if it reached the conclusion that there is a real concern as to the Company' ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's directives), provided that it first obtained the Insurance Commissioner's approval.

D. The Company's Board of Directors ordered the deferral of interest and/or principal payments, to the extent that it decided that there is a real concern as to Company's ability to repay on time liabilities which are ranked higher than the notes in terms of the repayment priority, provided that it obtained the Insurance Commissioner's advance approval to do so.

E. The Insurance Commissioner ordered the deferral of interest and/or principal payments due to a significant decrease in the Company's eligible shareholders' equity, or if it realized that there is real concern as to the Company' ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's directives). For that purpose, "eligible shareholders' equity" means the eligible shareholders' equity of an Israeli insurer as defined in the legal provisions applicable to insurers and/or in the Insurance Commissioner's directives.

F. Principal or interest payments that were delayed as described above, shall be delayed until the suspending circumstances no longer exist, and under no circumstances for more than three years from the original repayment date of the principal of bonds.

Furthermore, in March 2018 the Commissioner published its position - Definition of Recognized Capital and Required Capital in Hybrid Capital Instruments. This position clarifies the appropriate interpretation of the terms "required capital" and "recognized capital" in the terms of hybrid capital instruments with regard to suspending circumstances while distinguishing between insurers that obtained the Commissioner's approval as to the performance of an initial audit of the solvency ratio report by an auditor, and insurers that have not yet obtained such approval. With regard to insurers that received such approval from the Commissioner, the term "required capital" shall be interpreted in accordance with the definition of the term "minimum capital requirement" (MCR), and the term "equity" shall be interpreted in accordance with the definition of the term "equity" in the Solvency Circular. As to insurers that have not yet obtained the Commissioner's approval, the terms "equity" and "equity required for solvency purposes" shall be interpreted in accordance with their definition in the Insurer's Solvency Equity Requirement circular.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)

2. Tier 2 capital

In accordance with the prospectuses of the Series I-K and M-O, the principal payments and/or interest payments shall be deferred upon the occurrence of suspending circumstances as defined below:

"Suspending circumstances in respect of Tier 2 capital" - in accordance with the Insurance Commissioner's directives mean the existence of one or more of the following circumstances:

With regard to deferral of interest payments:

In accordance with the latest financial statements published by the Company prior to payment date, The Company does not have distributable profits as defined in the Companies Law.

With regard to deferral of principal and/or interest payments:

A. In accordance the latest financial statements published by the Company prior to payment date, the Company's equity is lower than the equity required to establish suspending circumstances, and as of the report publication date, the Company did not supplement its equity.

B. The Company's Board of Directors ordered the deferral of interest or principal payments, to the extent that it reached the conclusion that there is a real concern as to the Company's ability to maintain the required capital for suspending circumstances or repay on time liabilities which are ranked higher than the bonds in terms of the repayment priority, provided that it obtained the Commissioner's advance approval to do so.

C. The Commissioner ordered the deferral of interest or principal payments, to the extent that it realized that there is a decrease in The Phoenix Insurance's solvency ratio, or that there is a real concern as to the Company's ability to meet the solvency capital requirement.

3. Additional Tier 1 capital

The terms of the additional Tier 1 capital instrument (Series L) include loss absorption mechanisms as described below:

1. In accordance with the prospectuses of the Additional Tier 1 capital (Series L), the principal payments and/or interest payments shall be deferred upon the occurrence of suspending circumstances as defined below:

   "Suspending circumstances in respect of Additional Tier 1 capital" - in accordance with the Insurance Commissioner's directives mean the existence of one or more of the following circumstances:

   A. Lack of distributable profits of the Company as defined in the Companies Law, as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.

   B. The amount of The Phoenix Insurance's eligible shareholders' equity dropped below the equity it is required to maintain (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's directives), as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)

3. Additional Tier 1 Capital (cont.)

1. (cont.)

   C. The Company's Board of Directors ordered the postponement of the interest payment or the postponement of the principal payment if it reached the conclusion that there is a real concern as to The Phoenix Insurance's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable to The Phoenix Insurance and/or in accordance with the Insurance Commissioner's directives), provided that it first obtained the Insurance Commissioner's approval.

   D. The Insurance Commissioner ordered the deferral of interest and/or principal payments due to a significant decrease in The Phoenix Insurance's eligible shareholders' equity, or if it realized that there is real concern as to The Phoenix Insurance's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable to The Phoenix Insurance and/or in accordance with the Insurance Commissioner's directives).

   E. For that purpose, "eligible shareholders' equity" means the eligible shareholders' equity of an Israeli insurer as defined in the legal provisions applicable to insurers and/or in the Insurance Commissioner's directives.

2. The instrument's principal which was not repaid on time due to suspending circumstances as stated above:

   A. Shall not accrue interest on arrears of any type whatsoever.

   B. Will be paid when the delaying circumstanced cease, in accordance with the resolution of the insurance company's Board of Directors, and after obtaining the Commissioner's advance approval.

3. The instrument's principal shall be derecognized or converted into ordinary shares when any of the following applies:

   A. In accordance with the financial statements preceding the published financial statements, an insurance company's equity is lower than the capital required, and the insurance company did not supplement its equity as of the publication date of the latest financial statements.

   B. In accordance with the latest published financial statements, an insurance company's solvency ratio is lower than 75%, and the insurance company did not supplement its equity as of the publication date of the financial statements.

   C. In the auditor's report or review report attached to the latest published financial statements prior to the payment date, the independent auditor of an insurance company has drawn attention to notes describing significant doubts as to the insurance company's ability to continue as a going concern.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

G. Early redemption

1. Series D

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the bonds when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. The first date on which The Phoenix Capital Raising may execute full or partial early redemption shall be January 31, 2024 (hereinafter - the "First Early Redemption Date"). Subsequent to the First Early Redemption Date, The Phoenix Capital Raising will be allowed to execute full or partial early redemption of the bonds on each interest payment date. To the extent that The Phoenix Capital Raising does not exercise its right to execute early redemption on the First Early Redemption Date, the relevant bondholders will be paid additional interest in addition to the interest which the bonds bear at that time in respect of the remaining period (from the First Early Repayment Date on which the early redemption right was not exercised through the actual repayment date); the additional interest rate will be equal to 50% of the original risk margin set in relation to the bonds as defined in the shelf prospectus.

2. Series E, F and H

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series E, F and H) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series E, F and H) will not be executed on October 31, 2026, January 31, 2023 and July 31, 2025, respectively (hereinafter - the "Effective Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through the repayment date of Bonds (Series E, F and H).
It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series E, F and H bonds shall be May 1, 2020, January 1, 2021 and July 31, 2022, respectively, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby The Phoenix Capital Raising shall pay Series E, F and H bondholders the higher of the following amounts: (1) The market value of the outstanding balance of Series E, F and H bonds in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The outstanding par value of the Bonds (Series E, F and H) in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Bonds (Series E, F and H) which will be repaid early (principal amount plus interest (and in the case of Series E bonds also linkage), discounted by a discount rate and at the terms listed in the deed of trust.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

G. Early redemption (cont.)

3. Series I and J

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series I and J) bonds when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series E, F and H) will not be executed on August 31, 2026 and January 31, 2025, respectively (hereinafter - the "Effective Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through the repayment date of Bonds (Series I and J).

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Bonds (Series I and J) shall be October 31, 2023, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby the Company shall pay Series I and J bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Bonds (Series I and J) in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The outstanding par value of the Bonds (Series I and J) in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of Bonds (Series I and J) in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust.

4. Series K

The Company shall have the right to execute full or partial early redemption of the Bonds (Series K) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series K) will not be executed on April 30, 2029 (hereinafter - the "Effective Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through the repayment date of Bonds (Series K).

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Bonds (Series K) shall be July 30, 2024, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby the Company shall pay Series K bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Bonds (Series K) in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The outstanding par value of the Bonds (Series K) in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Bonds (Series K) in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

G. Early redemption (cont.)

5. Series L

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series L) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. The first date on which The Phoenix Capital Raising may execute early redemption shall be ten (10) years after the issuance date, i.e., February 5, 2031 (hereinafter - the "First Early Redemption Date"). After the First Early Redemption Date and subject to obtaining the Commissioner's approval, the Company will be allowed to execute partial or full early repayment of the subordinated notes on the first interest payment date that will take place 5 years after the First Early Redemption Date, and subsequently, once every 5 years on the next interest payment date.
Notwithstanding the above, insofar as changes are made to the regulations applicable to The Phoenix, as a result of which the classification of the subordinated notes as additional Tier 1 capital is adversely affected, the Company will be allowed to execute full or partial early redemption of the subordinated notes . In such a case, the early redemption will be executed in accordance with the par value of the subordinated notes, plus interest accrued in respect thereof through that date; the early redemption will be executed immediately prior to the interest payment date closest to the date of such a change.

6. Series M

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series M) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series M) will not be executed on October 31, 2028 (hereinafter - the "Effective Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through the repayment date of Bonds (Series M).
It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series M bonds shall be October 30, 2028, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby the Company shall pay Series M bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Bonds (Series K) in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The outstanding par value of the Bonds (Series K) in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Bonds (Series K) in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

G. Early redemption (cont.)

7. Series N

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series N) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series N) will not be executed on February 28, 2030 (hereinafter - the "Effective Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through Bonds (Series N) repayment date.
It should be clarified that the First Early Redemption Date, whether full or partial, of Bonds (Series N) shall be February 28, 2030, in accordance the terms set out in the deed of trust, and if early redemption shall take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions set out in the deed of trust shall apply, including whereby the Company shall pay the holders of Bonds (Series N) the outstanding par value of the bonds in circulation up for early redemption, i.e., the principal (the par value repayable by way of early redemption) with added interest and linkage differences accrued thereto as of the payment date. In case of full early redemption, the said payment shall be made against the provision of the bonds to the Company no later than 5 business days prior to the payment date.

8. Series O

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series O) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series O) will not be executed on June 30, 2030 (hereinafter - the "Effective Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through the Bonds (Series O) repayment date.
It should be clarified that the First Early Redemption Date, whether full or partial, of Bonds (Series O) shall be June 30, 2030, in accordance the terms set out in the deed of trust, and if early redemption shall take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions set out in the deed of trust shall apply, including whereby the Company shall pay the holders of Bonds (Series O) the outstanding par value of the bonds in circulation up for early redemption, i.e., the principal (the par value repayable by way of early redemption) with added interest and linkage differences accrued thereto as of the payment date. In case of full early redemption, the said payment shall be made against the provision of the bonds to the Company no later than 5 business days prior to the payment date.

9. Gama Bonds (Series B and C)

Gama will be allowed to redeem the bonds by way of full or partial early redemption only after sixty (60) days have elapsed from the listing date of the Bonds, provided that the amount of each such early repayment will not be lower than NIS 1 million.
Early redemption will not take place more than once quarter.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

G. Early redemption (cont.)

9. Gama Bonds (Series B and C) (cont.)

The amount that will be paid to the bondholders in the event of early redemption shall be the higher of: (1) the market value of the outstanding bonds that are due for early redemption, which will be determined in accordance with the average closing price of the bonds in the thirty (30) trading days that preceded the date on which the Board of Directors passed the resolution to execute the early redemption. (2) The outstanding par value of the bonds that are due for early repayment, that is to say - principal plus interest (including interest on arrears if it becomes payable prior to the announcement regarding the execution of the early redemption by the Company, and which accrued and not yet paid prior to the redemption date), calculated until the early redemption date. (3) The balance of cash flows of the bonds that are due for early redemption (principal plus interest), discounted by a discount rate and at the terms listed in the deed of trust.

H. Short-term credit from banking corporations

As of the report date, Company's subsidiaries have short-term credit totaling approx. NIS 1,012 million. For the purpose of dividend distribution, on December 31, 2023, The Phoenix Agencies took a NIS 300 million bank loan for a period of 6 years (bearing interest of Prime + 0.72%. The loan shall be repaid in 24 quarterly installments of principal and interest. The Phoenix Agencies provided the bank with undertakings, among other things, to meet a minimum equity to asset ratio and other financial ratios in relation to its EBITDA and net cash flow. As of the financial statements date, The Phoenix Agencies meets the financial covenants. In September 2023, The Phoenix Pension and Provident took out a NIS 330 million loan from a bank. The loan bears an interest of Prime-0.51% for a period of two years. The interest on the loan shall be paid once a quarter, and the loan principal shall be repaid at the end of the loan term. The loan include financial covenants. As of the financial statements date, The Phoenix Pension and Provident complies with the financial statements. Furthermore, the Board of Directors of The Phoenix Pension and Provident Funds approved the provision of a bank credit facility for a period of one year at the total amount of NIS 150 million, bearing interest of Prime-0.75%. As of the report date, The Phoenix Pension and Provident Funds utilized approx. NIS 119 million out of the credit facility. The NIS-denominated credit bears variable interest ranging from Prime-1% to Prime+1%. The foreign currency-denominated credit bears variable interest of SOFR + 1%.

I. Loans from non-bank entities

As of the report date, Company's subsidiaries have loans from institutional entities totaling approx. NIS 887 million. In December 2023, The Phoenix Agencies received a NIS 100 million loan from interested parties. The loan bears annual interest at a rate of Prime + 3%, which is payable at the beginning of each quarter. The loan principal will be repaid in one lump sum on December 31, 2029. The loans bear interest ranging from Prime-1% to Prime+1%.

J. Trade receivables for credit cards

The balance represents a liability for trade receivables in respect of credit vouchers that have been transferred to Gama by credit card companies as part of its factoring and clearing agreements as an aggregator and have yet to be paid to Gama's customers. The balance is short-term and will be repaid several days after the reporting period, according to the payment date agreed upon with each customer.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

K. The Company's rating

Midroog

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

On January 19, 2023, Midroog assigned to the Company an issuer rating of Aa2.il with a stable outlook. Furthermore, Midroog increased the rating of the Bonds (Series 4, 5 and 6) issued by the Company from Aa3.il to Aa2.il, and changed the rating outlook from positive to stable (Ref. No.: 2023-01-008212).

On August 23, 2023, Midroog announced it is reiterating The Phoenix Insurance's financial strength rating at Aa1.il. In addition, Midroog is reiterating Aa2.il rating (hybrid Tier 3 capital) and Aa3.il rating to the Subordinated Notes (hybrid Tier 2 capital and Tier 2 instruments). (Ref. No. 2023-01-097602).

On October 23, 2023, Midroog assigned an Aa2.il rating to Bonds (Series 5 and 6), that the Company will issue by way of series expansion by up to NIS 400 million par value, in exchange for NIS 350 million (Ref. No.: 2023-01-097123).

On January 28, 2024, Midroog announced that it is reiterating the Aa2.il rating of the bonds issued by the Company. The rating outlook is stable.

Maalot S&P

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

On July 11, 2023, S&P Maalot announced the upgrading of The Phoenix Insurance's rating to ilAAA with a stable outlook, and the upgrading of the Company's rating to ilAA with a stable outlook (Ref. No.: 2023-15-065311).

On October 23, Ma'alot S&P announced the assignment of an ilAA rating to the bonds that the Company will issue by way of expanding Series 5 and Series 6, effective for a total p.v. of up to NIS 400 million (Ref. No.: 2023-01-097150).

S&P Global Ratings

In December 27, 2023, the international credit rating agency S&P Global Ratings reiterated the A- international rating with a stable outlook, which it assigned to The Phoenix Insurance.

Moody's

On April 23, 2023, the international credit rating agency Moody's assigned an A2 international rating with a stable outlook to The Phoenix Insurance (Ref. No.: 2023-01-046912).

L. Shelf prospectuses

On August 23, 2022, The Phoenix Capital Raising Ltd. published a shelf prospectus dated August 24, 2022, pursuant to which it will be able to issue various types of securities in accordance with the provisions of law – non-convertible bonds (including by expanding existing series of bonds of The Phoenix Capital Raising as they will be from time to time) and option warrants exercisable into bonds of The Phoenix Capital Raising. The issuance proceeds in respect of the above securities will be deposited with The Phoenix Insurance for its use at its own discretion and responsibility. For further details, see immediate report dated August 23, 2022 (Ref. No.: 2022-01-107443).

On May 31, 2021, Gama published a prospectus that also constitutes a shelf prospectus by virtue of which it may issue various types of securities in accordance with the provisions of the law - ordinary shares of the Company, non-controvertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may be from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, and option warrants exercisable into bonds convertible into Company shares, liquid securities and any other security that may be lawfully issued through the shelf offering report to be published by virtue of this shelf prospectus.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

M. Changes in liabilities stemming provided by financing activity

	Loans from non-bank entities	Credit from banks	Trade receivables for credit cards	Bonds	Subordinated notes	Notes - additional Tier 1 capital	Liability for REPO	Other (*)	Total liabilities stemming from financing activity
					NIS thousand				
Balance as of January 1, 2022	587,500	159,195	1,433,827	1,705,853	3,390,114	199,810	-	146,657	7,622,956
Commencement of consolidation	6,389	-	-	-				26,359	32,748
Cash flow	223,864	422,742	-	379,593	-	-	722,370	(60,082)	1,688,487
Effect of changes in the Consumer Price CPI	-	-	-	43,538	652,485	10,726	-	-	706,749
Other changes	-	5,292	137,686	-	31,862	-	-	(20,026)	154,814
Deconsolidation		-	-	-	-	-	-	-	-
Recognition of lease liabilities	-	-	-	-	-	-	-	52,319	52,319
Balance as of December 31, 2021	827,333	577,658	1,571,513	2,128,984	4,074,461	210,536	722,370	145,218	10,258,073
Commencement of consolidation	-	-	-	-				10,706	10,706
Cash flow	(6,637)	499,905	-	405,376	382,516	-	1,161,948	(54,467)	2,388,641
Effect of changes in the Consumer Price CPI	-	162	-	(39,959)	23,519	7,108	130,024	-	120,854
Other changes		-	183,198	1,363	-	-	-	(9,091)	175,470
Recognition of lease liability	-	-	-	-	-	-	-	90,780	90,780
Balance as of December 31, 2023	886,621	1,011,800	1,754,711	2,495,765	4,480,493	217,644	2,014,342	183,148	13,044,524

(*) Mainly in respect of a lease liability and put option to non-controlling interests.

NOTE 28 - PREMIUMS EARNED

	For the year ended December 31, 2023		
	Gross	Reinsurance	Retention
	NIS thousand		
Life insurance premiums	4,542,139	273,029	4,269,110
Health insurance premiums	3,311,950	234,510	3,077,440
Property and casualty insurance premiums	4,469,007	1,203,429	3,265,578
Total premiums	12,323,096	1,710,968	10,612,128
Less change in unearned premium balance (*)	334,710	78,441	256,269
Total premiums earned	11,988,386	1,632,527	10,355,859

	For the year ended December 31, 2022		
	Gross	Reinsurance	Retention
	NIS thousand		
Life insurance premiums	5,611,196	282,181	5,329,015
Health insurance premiums	3,060,536	222,362	2,838,174
Property and casualty insurance premiums	3,716,921	1,061,884	2,655,037
Total premiums	12,388,653	1,566,427	10,822,226
Change in unearned premium balance (*)	251,422	(3,667)	255,089
Total premiums earned	12,137,231	1,570,094	10,567,137

	For the year ended December 31, 2021		
	Gross	Reinsurance	Retention
	NIS thousand		
Life insurance premiums	5,422,835	117,372	5,305,463
Health insurance premiums	2,737,864	212,669	2,525,195
Property and casualty insurance premiums	3,155,352	1,048,047	2,107,305
Total premiums	11,316,051	1,378,088	9,937,963
Change in unearned premium balance (*)	154,620	32,629	121,991
Total premiums earned	11,161,431	1,345,459	9,815,972

(*) In principle, in property and casualty insurance; see Note 19.

NOTE 29 - INVESTMENT INCOME, NET, FINANCE AND OTHER INCOME

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Gains (losses) on assets held against yield-dependent liabilities			
Investment property	86,522	348,868	309,221
Financial investments:			
Liquid debt assets	1,381,084	(1,413,194)	890,380
Illiquid debt assets	727,396	(43,747)	403,168
Shares	1,687,101	(2,983,121)	5,896,319
Other investments	3,863,875	(2,964,246)	4,927,924
Cash and cash equivalents	785,283	437,873	(9,775)
Total gains (losses) on assets held against yield-dependent liabilities, net	8,531,261	(6,617,567)	12,417,237
Gains on assets held against non-yield-dependent liabilities, capital and other			
Income from investment property:			
Revaluation of investment property	14,513	96,200	160,567
Current income in respect of investment property	36,879	38,265	80,679
Total income from investment property	51,392	134,465	241,246
Gains (losses) on financial investments, excluding interest, linkage differences, exchange rate differences and dividend in respect of:			
Available-for-sale assets (a)	(328,976)	(552,023)	584,861
Assets presented at fair value through profit or loss (B)	(387,138)	(378,543)	178,083
Assets presented as loans and receivables (C)	(42,318)	37,471	50,192
	(758,432)	(893,095)	813,136
Interest income (*) and linkage differences on financial assets not accounted for at fair value through profit and loss	1,584,421	1,430,956	841,111
Interest income (*) and linkage differences on financial assets accounted for at fair value through profit and loss and on other assets (**)	175,782	166,395	195,676
Gain (loss) on exchange rate differences on investments not accounted for at fair value through profit and loss and on other assets (**)	7,383	142,865	(31,233)
Dividend income	318,509	81,150	149,752
Total investment income, net and finance income	9,910,316	(5,554,831)	14,626,925
(*) The above income includes interest in respect of impaired financial assets which are not presented at fair value through profit and loss	18,840	-	398

(**) Regarding exchange rate differences in respect of financial liabilities, see Note 39.

A. Gains (losses), net on investments for available-for-sale assets

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Net gains on realized securities	290,390	318,278(*)	811,111
Net impairments carried to profit and loss	(619,366)	(870,301)	(225,808)
Total gains on investments for assets presented as available-for-sale assets	(328,976)	(552,023)	585,303

(*) Reclassified.

NOTE 29 - INVESTMENT INCOME, NET, FINANCE AND OTHER INCOME (cont.)

B. Gains (losses) on investments in respect of assets presented at fair value through profit or loss

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Changes in net fair value, including realization gains:			
In respect of held-for-trading assets	(508,846)	(353,576)(*)	159,397
In respect of assets designated on initial recognition	121,708	(24,967)	18,686
Total gains (losses) on investments for assets presented at fair value through profit or loss	(387,138)	(378,543)	178,083

(*) Reclassified.

C. Gains (losses) on investments for assets presented as loans and receivables:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Net gains on realization of assets presented as loans and receivables	10,500	27,995	37,919
Net appreciations (impairments) carried to profit and loss	(52,818)	9,476	12,273
Total gains on investments for assets presented as loans and receivables	(42,318)	37,471	50,192

NOTE 30 - INCOME FROM MANAGEMENT FEES

Composition

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Management fees in the retirement (pension and provident) segments	750,982	670,387	542,942
Management fees from investment house and wealth	357,257	288,318	287,911
Variable management fees for life insurance contracts (*)	-	-	680,715
Fixed management fees for life insurance contracts	439,763	447,850	448,941
Management fees for investment contracts	168,076	139,858	88,085
Total management fees from planholders and policyholders	1,716,078	1,546,413	2,048,594
Other management fees	5,538	1,315	772
Total income from management fees	1,721,616	1,547,728	2,049,366

(*) As of December 31, 2023, the estimated management fees which will not be collected due to negative return in respect of participating policies amounted to approx. NIS 449 million. As of the report publication date, the estimated management fees which will not be collected amounted to approx. NIS 219 million.

NOTE 31 - INCOME FROM FEES AND COMMISSIONS

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Fees and commissions from distribution (agencies)	558,153	471,812	368,514
Reinsurance fees and commissions, net of change in deferred acquisition costs in respect of reinsurance	329,577	364,100	322,900
Total income from fees and commissions	887,730	835,912	691,414

NOTE 32 - INCOME FROM INVESTMENT HOUSE AND WEALTH AND OTHER

FINANCIAL SERVICES

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Income from stock exchange and trading services, net	277,000	174,000	120,000
Income from investment banking and underwriting	52,000	49,000	34,000
Total income from investment house and wealth and other financial services	329,000	223,000	154,000

NOTE 33 - INCOME FROM FACTORING AND CLEARING AND OTHER INCOME

A. Income from factoring and clearing:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Income under the effective interest method	40,213	55,350	18,062
Income from aggregator fees and commissions and other	29,848	18,577	6,559
Income from sale of vouchers	111,357	75,255	30,699
Change in provision for doubtful accounts	(2,634)	(6,428)	(2,449)
Total income from factoring and clearing	178,784	142,754	52,871

B. Other income:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Providing consulting services	9,527	8,857	13,002
Rent	-	-	2,618
Capital gain on disposal of property, plant & equipment	98	2	-
Provision of services	4,858	-	15,243
Gain on reversal of provision for impairment of property, plant and equipment	-	-	-
Assuming control over Gama	-	-	240,292
Disposal of investment in Ad 120 (see Note 8D)	-	-	340,795
Gain as a result of a change in holding rates in other investees (see Note 4)	128,980	108,490	79,257
Gain on sale of provident funds (see Note 5E)	-	14,215	-
Income from distribution fees	3,567	4,204	-
Other income	9,107	9,012	16,979
Total other income	156,137	144,780	708,186

NOTE 34 - PAYMENTS AND CHANGE IN LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND INVESTMENT CONTRACTS - RETENTION

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
For life insurance contracts:			
Paid and contingent claims - death, disability and other	679,315	677,447	693,576
Less - reinsurance	88,815	73,944	40,696
	590,500	603,503	652,880
Redeemed policies	5,365,948	3,966,370	2,948,796
Expired policies	215,747	172,311	200,043
Pension	561,772	507,309	442,677
Total claims	6,733,967	5,249,493	4,244,396
Increase in liabilities in respect of life insurance contracts (except for a change in contingencies) - retention	3,690,963	(4,260,569)	11,197,618
Increase in liabilities in respect of investment contracts due to the yield component	2,083,371	(1,243,690)	1,595,295
Total payments and change in liabilities in respect of life insurance contracts and investment contracts - retention	12,508,301	(254,766)	17,037,309
Total payments and change in liabilities in respect of property and casualty insurance contracts:			
Gross	2,848,452	2,234,066	2,060,741
Reinsurance	979,490	570,707	636,440
Retention	1,868,962	1,663,359	1,424,301
Total payments and change in liability in respect of health insurance contracts:			
Gross	3,576,357	730,355	3,442,141
Reinsurance	419,814	272,140	115,238
Retention	3,156,543	458,215	3,326,903
Increase in reserves of provident fund management companies	88,921	98,221	67,411
Total payments and change in liabilities in respect of insurance contracts and investment contracts - retention	17,622,727	1,965,029	21,855,924

NOTE 35 - FEES AND COMMISSIONS, MARKETING EXPENSES AND OTHER PURCHASE EXPENSES

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Purchase costs:			
Purchase fees	1,115,147	1,117,571	894,980
Other purchase expenses	528,053	543,192	468,528
Change in deferred acquisition costs	(233,040)	(442,736)	(276,514)
Total purchase expenses	1,410,160	1,218,027	1,086,994
Other fees and commissions	692,889	626,945	523,175
Other marketing expenses	72,650	88,833	85,906
Total fees and commissions, marketing expenses and other purchase expenses	2,175,699	1,933,805	1,696,075

NOTE 36 - GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Salaries and related expenses	1,558,129	1,418,510	1,323,151
Depreciation and amortization	359,146	329,504	303,751
Office maintenance and communications	93,196	85,309	77,089
IT services	177,872	155,171	131,633
Marketing and advertising	123,246	126,007	96,526
Legal and professional advice (1)	172,605	119,347	115,507
Other	319,376	283,326	258,575
Total (*)	2,803,570	2,517,174	2,306,232
Less:			
Amounts classified under change in liabilities and payments in respect of insurance contracts	(125,138)	(116,414)	(114,930)
Amounts classified under fees and commissions, marketing expenses and other purchase expenses	(572,564)	(595,476)	(515,985)
Total general and administrative expenses	2,105,868	1,805,284	1,675,317
(*) General and administrative expenses include automation expenses totaling	522,353	476,535	412,795

(1) The change arises mainly from provisions in respect of class actions and legal fees; for further details, see Note 43.

NOTE 37 - SHARE-BASED PAYMENT

A. Expense recognized in books of accounts

The expense recognized in the financial statements for services received from employees is presented in the following table:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
In respect of equity-settled bonuses			
Total expense recognized with respect to the Company's share-based payment transactions.	16,221	17,555	9,715
Total expense recognized from share-based payment transactions of investees (see Section C and D to the note)	15,259	5,918(*)	874(*)
Total expenses for share-based payment	31,480	23,473	10,589

(*) Reclassified.

B. Share-based payment of the Company

2018 plan

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, in this section - "Options") to employees and officers of the Company and companies under its control. The plan was approved under the work income track pursuant to Section 102 of the Income Tax Ordinance.

Performance terms - 2018 plan

The options shall vest subject to the offeree's meeting the following performance conditions, on a cumulative basis:

(1) At least 90% of the return on equity target - return on equity shall be calculated as the annual average of the return of comprehensive income on the Company's weighted equity.
The yield target shall be set as part of the annual work plan set by the Company's Board of Directors by March 31 of each calendar year.
The fulfillment of the performance conditions described above shall be calculated as of publication date of the annual consolidated financial statements for each of the vesting years. That is to say, for the first tranche, the performance conditions shall be measured in respect of the 2020 results; for the second tranche, the performance conditions will be measured in respect of the 2021 results; and for the third tranche, the performance conditions will be measured in respect of the 2022 results.
If the performance conditions were not fulfilled in a specific year, fulfillment will be measured for each subsequent year after the relevant year until the option's expiry date.

(2) The economic solvency ratio metric - meeting the capital requirements taking into account the transitional period in accordance with the Commissioner's circular of June 2017 regarding provisions for the implementation of Solvency II-based economic solvency regime of insurance companies (hereinafter: the "Solvency Circular"). Compliance with the capital requirements to be published in the financial statements will be assessed on vesting date in respect of the three calendar years preceding the vesting date.

NOTE 37 - SHARE BASED PAYMENT (cont.)

B. Share-based payment of the Company (cont.)

(2) (cont.)
An offeree's eligibility for all options vested on a specific vesting date shall be conditional upon cumulatively meeting requirements of the above two metrics. Failure to meet the requirements will result with the offeree's not being eligible for options. If the Company's Board of Directors will change the definitions of the metrics described above as part of the annual compensation plan, these changes shall also apply to the terms of the options.

Set forth below are the assumptions used in the fair value measurement of the share options settled with Company's equity instruments in accordance with the 2018 plan:

A. Expected volatility of share price
The expected volatility (standard deviation) was based on the historical volatility of the parent company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility.

B. Risk-free interest rate
The interest rate used to calculate the value of the options to offerees was calculated based on a risk-free nominal yield to maturity curve, which is based on the yield of non-linked "Shahar" government bonds.

C. Churn rate (after the vesting period)
A certain attrition rate of approx. 10% was assumed by the model between the vesting date and the expiry of the option. No attrition rate was assumed by the model for the vesting period.

D. Dividend
The exercise price of the options allotted under this plan is adjusted to reflect dividends. Therefore, the calculation of the value of the options does not take into account future distribution of dividends.

Allocations for 2019-2023:

1. Allocations in 2019

A. On February 3 2019, 3,876,000 options were allotted to 79 employees of the Company and its subsidiaries. The shares that will be issued as a result of the exercise of the said options, are ordinary shares of the Company of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed below) and the employee's continued employment by the Company. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 21.35 in respect of the first tranche, NIS 21.99 in respect of the second tranche, and NIS 22.63 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 57.51).
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 per one option was estimated at approx. NIS 3.92 and the total value of options allotted was estimated at approx. NIS 15.2 million as of that date.

NOTE 37 - SHARE BASED PAYMENT (cont.)

B. Share-based payment of the Company (cont.)

1. Allocations in 2019 (cont.)

A. (cont.)

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	24.51%	1.03%	March 31, 2021	March 31, 2023
2	23.86%	1.29%	March 31, 2022	March 31, 2024
3	24.56%	1.53%	March 31, 2023	March 31, 2025

B. On April 30 2019 (hereinafter: the "Award Date"), the Company's Board of Directors approved the allotment of 556,000 options. The options were allotted to 12 Company employees (hereinafter: "Group B"). The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 22.49 in respect of the first tranche, NIS 23.11 in respect of the second tranche, and NIS 23.72 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.
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 per one option was estimated at approx. NIS 3.82 and the total value of options allotted was estimated at approx. NIS 2.1 million as of that date. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 62.49). Except for the exercise price and the benefit limit, the other terms of the option are identical to the terms of the 2018 plan.

C. On October 30 2019 (hereinafter: the "Award Date"), the Company's Board of Directors approved the allotment of 200,000 options. The options were allotted to two Company officers (hereinafter: "Group C"). The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 23.68 in respect of the first tranche, NIS 24.33 in respect of the second tranche, and NIS 24.99 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.
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 per one option was estimated at approx. NIS 3.31 and the total value of options allotted was estimated at approx. NIS 0.66 million as of that date. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 63.84). Except for the exercise price and the benefit limit, the other terms of the option are identical to the terms of the 2018 plan.

NOTE 37 - SHARE BASED PAYMENT (cont.)

B. Share-based payment of the Company (cont.)

2. Allocations in 2020

A. On September 15, 2020, the Company's Board of Directors approved the allotment of 5,228,000 options to 76 of the Group's employees, officers, and service providers of the Company and Group Companies. The shares that will be issued as a result of the exercise of the said options, are ordinary shares of the Company of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed below) and the employee's continued employment by the Company. The exercise price of each option (adjusted to reflect dividends) is NIS 17 in respect of the first tranche, NIS 18 in respect of the second tranche, and NIS 19 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed the price of Company's share on the day before the allotment (NIS 15.17). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 32.17 for the first tranche, NIS 33.17 for the second tranche, and NIS 34.17 for the third tranche.

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 approx. NIS 2.12, and the total value of the options allotted was estimated at that date at approx. NIS 11 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price (*)	Risk-free interest rate	Vesting date	Expiry date
1	30.31%	0.13%	April 7, 2022	April 7, 2023
2	28.82%	0.21%	April 7, 2023	April 7, 2024
3	27.78%	0.32%	April 7, 2024	April 7, 2025

(*) Expected volatility of share price

The expected volatility (standard deviation) was based on the historical volatility of the Company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility. However, due to the coronavirus crisis, the standard deviation of the yield in March 2020 was approx. 80% and in April - approx. 59%; as a result, the appraiser estimated that the aforesaid measurement includes one-off components relating to the coronavirus crisis, in respect of which the calculation of standard deviation should be adjusted. The adjustment of the yield's standard deviation was carried out by giving low weight to the observations (daily change rates) from March 2020 and April 2020. Observations from March were given a weight of 33.3% and observations from April were given weight of 66.7%, while all other observations in the entire relevant period were given a weight of 100%.
The resulting standard deviation rates are lower by approx. 1.49%-2.35% than the standard deviation rates prior to the adjustments.
Except for the aforesaid, the other terms of the options are identical to the terms of the 2018 plan.

NOTE 37 - SHARE BASED PAYMENT (cont.)

B. Share-based payment of the Company (cont.)

2. Allocations in 2020 (cont.)

B. Options awarded to the Company's CEO - on September 15 2020, the Company's Board of Directors approved the allotment of 350,000 options to the Company's CEO. On October 22 2020, the Company's general meeting approved the said allotment of options. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 17 in respect of the first tranche, NIS 18 in respect of the second tranche, and NIS 19 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The options include a benefit limit, whereby the maximum benefit arising to offeree from the exercise of each option shall not exceed the price of Company's share on the day before the allotment (NIS 17.69). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 34.69 for the first tranche, NIS 35.69 for the second tranche, and NIS 36.69 for the third tranche. 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 per one option was estimated at approx. NIS 3.37 and the total value of options allotted was estimated at approx. NIS 1.2 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	30.74%	0.11%	April 7, 2022	April 7, 2023
2	28.73%	0.20%	April 7, 2023	April 7, 2024
3	28.19%	0.29%	April 7, 2024	April 7, 2025

The assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A above.

C. Forced exercise - in accordance with the options plan, in which it is determined that the maximum benefit that will arise to the offerees from the exercise of each option will not exceed a maximum share price of NIS 32.17 in respect of the first tranche and 33.17 for the second tranche. Therefore, in October 2022, a forced exercise was carried out for a total of 1,747,671 options in respect of the first tranche, and in April 2023 a forced exercise was carried out for a total of 1,689,338 options in respect of the second tranche.

3. Allocations in 2021

A. On May 26 2021, the Company's Board of Directors approved the allotment of 3,849,000 options to 126 of the Group's employees, officers and service providers in the Company and Group Companies. The shares that will be issued as a result of the exercise of the said options, are ordinary shares of the Company of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed below) and the employee's continued employment by the Company.

NOTE 37 - SHARE BASED PAYMENT (cont.)

B. Share-based payment of the Company (cont.)

3. Allocations in 2021 (cont.)

A. (cont.)

The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 33.5 in respect of the first tranche, NIS 35 in respect of the second tranche, and NIS 36.5 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 50% of the price of Company's share on the day before the allotment (NIS 31.89). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 49.45 for the first tranche, NIS 50.95 for the second tranche, and NIS 52.45 for the third tranche.

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 approx. NIS 4.3, and the total value of the options allotted was estimated at that date at approx. NIS 17 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price (*)	Risk-free interest rate	Vesting date	Expiry date
1	30.56%	0.28%	April 7, 2023	April 7, 2024
2	28.80%	0.43%	April 7, 2024	April 7, 2025
3	28.24%	0.64%	April 7, 2025	April 7, 2026

(*) Expected volatility of share price

The expected volatility (standard deviation) was based on the historical volatility of the Company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility. However, due to the coronavirus crisis, the standard deviation of the yield in March 2020 was approx. 80% and in April - approx. 59%; as a result, the appraiser estimated that the aforesaid measurement includes one-off components relating to the coronavirus crisis, in respect of which the calculation of standard deviation should be adjusted. The adjustment of the yield's standard deviation was carried out by giving low weight to the observations (daily change rates) from March 2020 and April 2020. Observations from March were given a weight of 33.3% and observations from April were given weight of 66.7%, while all other observations in the entire relevant period were given a weight of 100%. The resulting standard deviation rates are lower by approx. 1.37%-2.07% than the standard deviation rates prior to the adjustments. Except for the aforesaid, the other terms of the option are identical to the terms of the 2018 plan.

NOTE 37 - SHARE BASED PAYMENT (cont.)

B. Share-based payment of the Company (cont.)

3. Allocations in 2021 (cont.)

B. Options awarded to the Company's CEO - on May 26 2021, the Company's Board of Directors approved the allotment of 88,000 options to the Company's CEO. On July 5 2021, the Company's general meeting approved the said allotment of options. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 33.5 in respect of the first tranche, NIS 35 in respect of the second tranche, and NIS 36.5 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 50% of the price of Company's share on the eve of the Board of Directors' approval (NIS 32.49). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 49.45 for the first tranche, NIS 50.95 for the second tranche, and NIS 52.45 for the third tranche. 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 per one option was estimated at approx. NIS 4.47 and the total value of options allotted was estimated at approx. NIS 0.4 million.

Set forth below are the assumptions used in the fair value measurement of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	31.37%	0.18%	April 7, 2023	April 7, 2024
2	29.49%	0.32%	April 7, 2024	April 7, 2025
3	28.75%	0.47%	April 7, 2025	April 7, 2026

All other assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A above.

4. Allocations in 2022

A. On January 31 2022, the Company's Board of Directors approved the allotment of 4,793,593 options to 178 of the Group's employees, officers and service providers of the Company and Group Companies. The shares that will be issued as a result of the exercise of the said options, are ordinary shares of the Company of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed below) and the employee's continued employment by the Company.

NOTE 37 - SHARE BASED PAYMENT (cont.)

B. Share-based payment of the Company (cont.)

4. Allocations in 2022 (cont.)

A. (cont.)

The exercise price of each option is NIS 40.5 in respect of the first tranche, NIS 41.5 in respect of the second tranche, and NIS 43.5 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 37.55). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 52.5 for the first tranche, NIS 54.5 for the second tranche, and NIS 56.5 for the third tranche.

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 approx. NIS 4.18, and the total value of the options allotted was estimated at that date at approx. NIS 20 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	33.64%	0.42%	April 1, 2023	June 1, 2024
2	32.16%	0.60%	April 1, 2024	April 1, 2025
3	30.31%	0.79%	April 1, 2025	April 1, 2026

Except for the aforesaid, the other terms of the option are identical to the terms of the 2018 plan.

B. Options awarded to the Company's CEO - on March 8 2022, the Company's General Meeting approved the allotment of 90,000 options to the Company's CEO. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 40.5 in respect of the first tranche, NIS 41.5 in respect of the second tranche, and NIS 43.5 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 37.55). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 52.5 for the first tranche, NIS 54.5 for the second tranche, and NIS 56.5 for the third tranche.

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 per one option was estimated at approx. NIS 4.05 and the total value of options allotted was estimated at approx. NIS 0.4 million.

NOTE 37 - SHARE BASED PAYMENT (cont.)

B. Share-based payment of the Company (cont.)

4. Allocations in 2022 (cont.)

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	34.41%	0.96%	April 7, 2022	April 7, 2023
2	32.63%	1.17%	April 7, 2023	April 7, 2024
3	30.77%	1.27%	April 7, 2024	April 7, 2025

All other assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A.

5. Allocations in 2023

A. On January 27 2023, the Company's Board of Directors approved the allotment of 3,154,398 options to 142 of the Group's employees, officers and service providers in the Company and Group Companies. The shares that will be issued as a result of the exercise of the said options, are ordinary shares of the Company of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed below) and the employee's continued employment by the Company.
The exercise price of each option is NIS 41.5 in respect of the first tranche, NIS 42.5 in respect of the second tranche, and NIS 43.5 in respect of the third tranche.
On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 38.09). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 57 for the first tranche, NIS 60 for the second tranche, and NIS 63 for the third tranche.
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 approx. NIS 6.12, and the total value of the options allotted was estimated at that date at approx. NIS 19 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	29.29%	4.13%	September 1, 2024	October 1, 2025
2	30.68%	3.93%	September 1, 2025	June 27, 2026
3	32.61%	3.78%	September 1, 2026	June 27, 2027

Except for the aforesaid, the other terms of the option are identical to the terms of the 2018 plan.

NOTE 37 - SHARE BASED PAYMENT (cont.)

B. Share-based payment of the Company (cont.)

5 Allocations in 2023 (cont.)

(a) Options awarded to the Company's CEO - on August 2, 2023, the Company's General Meeting approved the allotment of 57,190 options to the Company's CEO. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 41.5 in respect of the first tranche, NIS 42.5 in respect of the second tranche, and NIS 43.5 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 37.80). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 57 for the first tranche, NIS 60 for the second tranche, and NIS 63 for the third tranche.
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 per one option was estimated at approx. NIS 5.87 and the total value of options allotted was estimated at approx. NIS 0.3 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	29.87%	4.16%	September 1, 2024	October 1, 2025
2	29.55%	4.01%	September 1, 2025	June 27, 2026
3	32.85%	3.89%	September 1, 2026	June 27, 2027

All other assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A.

NOTE 37 - SHARE BASED PAYMENT (cont.)

B. Share-based payment of the Company (cont.)

Change during the year

Set forth below is a table presenting the number of share options, the weighted average of their exercise price, and the changes made in the employee option plans during the current year:

	2023		2022		2021	
	Number of Options	Weighted Average of Adjusted Exercise Price	Number of Options	Weighted Average of Adjusted Exercise Price	Number of Options	Weighted Average of Adjusted Exercise Price
Share options as of beginning of year	13,563,318	27.65	11,954,026	22.21	9,278,500	19.07
Share options granted during the year	3,211,588	42.50	4,883,593	41.83	3,937,000	35.00
Share options exercised during the year	(3,115,812)	15.75	(2,404,802)	13.60	(841,142)	18.43
Share options forfeited during the year	(594,333)	30.02	(869,499)	27.77	(420,332)	20.39
Share options as of end of year	13,064,760	43.40	13,563,318	27.65	11,954,026	22.21
Exercisable share options as of end of the year	3,306,787	28.73	909,080	15.45	353,056	17.28

1. The weighted average of the remaining contractual life of the share options as of December 31, 2023 is 2.10 years (2022 - 2.08 years, 2021 - 2.65 years).

2. For details regarding dividend distributions - see Note 16H.

C. Share-based payment in an investee - Gama

1. Allocation of shares without consideration - in June 2021 Gama allocated shares without consideration to officers, managers, and Company employees, reflecting approx. 0.676% of Gama's shares. The shares will be under lockup for a period of 36 months from the issuance date.

2. Allocation of options - in February 2022, the Board of Directors of Gama approved an option plan for employees, officers, directors and service providers of the Company and related companies. During 2022, the Board of Directors of Gama approved the allocation of 3,563,591 options to employees and officers of the Company. Furthermore, in May 2022, the General Meeting approved a decision whereby the Board of Directors of Gama will have the power to award to the Chairman of the Board of Directors - every year - options totaling NIS 800 thousand in connection with the annual bonus approved thereto, in accordance with the eligibility criteria. In addition, in March 2023 the Board of Directors of Gama approved the allocation - to the Chairman of the Board of Directors of Gama - of 280,970 options, which are exercisable into ordinary shares. The vesting period of the options in connection with the annual bonus will be three years, and a third of the options will vest at the end of each year after the award date.

3. Acceleration of the shares and cancellation of the option plan - In September 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, as outlined in Sections 1 and 2 above. The acceleration of the lockup period of the shares under lockup, and the cancellation of the option plan was accounted for as an immediate acceleration, and therefore an expenses of approx. NIS 6,608 thousand was recognized.

NOTE 37 - SHARE BASED PAYMENT (cont.)

C. Share-based payment in an investee - Gama (cont.)

3. (cont.)

Gama's Board of Directors also approved 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 consideration paid is approx. NIS 12,970 thousand, which is based on the fair value of the awarded equity instruments - as measured on the date on which they were awarded to employees. The payment was accounted for as a buyback of a capital right, that is to say - as a capital reduction. The difference between the value of the options as of the payment date and the value of the options as of the award date was recognized as capital reduction.

The total amount of the expense recognized in 2023 against payroll expenses (including acceleration and cancellation) is approx. NIS 11,381 thousand.

4. Allocation of options subsequent to the balance sheet date - in January and March 2024, Gama's Board of Directors approved an award of 5,033,585 options to Gama's shares to employees and officers of Gama. In addition, Gama's Board of Directors approved the allocation of 1,049,613 options to officers, who are not employees of the Company, and to employees of related companies of the Company. Furthermore, the Company's Board of Directors approved the allocation of up to 1,207,146 options for future award; as of the report date those options have not yet been awarded to any offerees. Total value of options allocated to employees and officers of Gama was estimated at approx. NIS 23.222 thousand. The options will vest over a period of 4 years. A quarter of the options will vest at the end of two years, half of the options will vest at the end of three years, and the remaining quarter will vest at the end of four years. The fair value of the offered options was calculated by an external appraiser by using the binomial model, and estimated at NIS 4.142 per option.
5. Out of the total number of options allocated as described above, 156,325 options were allocated to the Chairman of the Company's Board of Directors, and 223,322 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 March 2, 2024. For further details, see the immediate report dated March 7, 2024 (Ref. No. 2024-01-020488).

D. Share-based payment in an investee - The Phoenix Investment House

In June 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 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 approx. 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, see the immediate reports dated June 28, 2023 and August 2, 2023 (Ref. Nos.: 2023-01-060334 and 2023-01-088974, respectively).

NOTE 38 - OTHER EXPENSES

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Amortization of intangible assets	94,237	70,354	50,441
Results of Modified-Re reinsurance	(1,741)(*)	1,187	15,127
Restructuring expenses	11,839	-	-
Loss on impairment of property, plant & equipment and other losses	31,825	19,555	1,886
Total other expenses	136,160	91,096	67,454

(*) The decrease in modified-Re type reinsurance results mainly from a decrease in variable management fees.

NOTE 39 - FINANCE EXPENSES

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Interest and linkage difference costs in respect of:			
Subordinated bonds	163,905	163,465	119,654
Bonds and loans	179,097	121,209	48,981
Loss (profit) from early redemption (*)	(16,106)	-	9,844
Deposits by tenants (**)	-	-	14,104
Interest expenses (including linkage differences) for reinsurers	30,297	14,700	20,015
Exchange rate differences, net, in respect of reinsurers' deposits	6,188	18,650	(4,235)
Finance expenses (income) for banking corporations	23,678	(3,004)	6,000
Fees and commissions and other finance expenses	6,658	3,514	3,640
Total finance expenses	393,717	318,534	218,003

(*) For further details, see Note 27.

(**) For details about deconsolidation of Ad 120, see Note 8D(2).

NOTE 40 - EARNINGS PER SHARE

Calculation of the basic diluted earnings per share was based on the net income attributable to the shareholders divided by the weighted average of the number of the outstanding ordinary shares, as follows:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Profit attributable to Company's shareholders	777,403	1,257,124	1,964,696

	For the year ended December 31		
	2023	2022	2021
Weighted average of the number of ordinary shares	No. of shares (in thousands)		
	NIS 1 p.v.		
Balance as of January 1	252,446	252,541	254,657
Effect of Company's shares held by the Group	(447)	(1,314)	(1,502)
Effect of shares issued in the year	1,190	369	139
Weighted average number of ordinary shares used in calculation of basic earnings per share as of December 31	253,189	251,596	253,294
Effect of potential dilutive shares	2,405	4,262	3,719
Weighted average number of ordinary shares used in calculation of diluted earnings per share as of December 31	255,594	255,858	257,013

(*) For details regarding the acquisition of the company's shares, see Note 16.

NOTE 41 - RISK MANAGEMENT

The Group operates in the following main operating segments: life insurance and long-term savings, health insurance, property and casualty insurance, retirement (pension and provident), credit, insurance agencies, financial services, including alternative investment funds, ETFs, mutual funds, portfolio management and TASE member.

The Group's activities in the above areas expose it to the following main risks:

- Macroeconomic risks, including the state of the economy and employment levels.
- Market risks, including interest rate risk and ALM.
- Liquidity risks.
- Credit risks including credit risks of reinsurers.
- Cyber risks.
- Operational risks including IT systems, outsourcing, and embezzlement and fraud risks.
- Insurance risks including pricing and underwriting risks and catastrophe risk (including earthquake, war, terror and pandemic).
- Sustainability risks (ESG), including climate change risks.
- Legal risks, including legal precedents, class actions and lawsuits.
- Regulatory and compliance risks.
- Reputational risk.
- Business risks, including competitive, change in public preferences and portfolio retention level risks.

NOTE 41 - RISK MANAGEMENT (cont.)

Macroeconomic risks - risks arising from the state of the economy and employment levels. A recession and a decline in the level of employment may lead to a decrease in amounts deposited into the various long-term savings channels, as well as to withdrawal of pension and mid-term savings (advanced education funds) for the purpose of consumption in the present, increase in bad debts, reduction in insurance coverage purchased through insurance policies and increase in the number of insured events and claims (due to increased prevalence of theft and fraud), filing claims at an earlier date and fiercer competition in the various areas of activity. In October 2023, the Iron Swords War broke out in Israe; the prolongation of the War led to a slowdown in the business activities in the Israeli economy, including, among other things, due to the closure of factories in the south and north of Israel, damage to infrastructures, drafting of reservists for an unknown period, and disruption of the economic activity in Israel. The continuation of the War and its spreading to other fronts might have extensive adverse effects on many sectors and various geographic regions in the country.

Market risks - the risk that the fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among other things, risks arising from changes in interest rates, share prices, the Consumer Price Index and foreign currency, as well as asset liability management risk (ALM). The War, which was initially followed by sharp declines in the capital market and an increase in levels of uncertainty and volatility in the market, were among the factors that led to the decision of the rating agency Moody's to downgrade Israel's credit rating. As the fighting progressed, the market stabilized and reached pre-War price levels; however, the continuation of the War and its intensification might increase uncertainty, volatility and the economic risk environment in the domestic market.

Liquidity risks - the risk of loss as a result of a possible need to dispose of assets at below-market prices, and raising resources unexpectedly and within a short time, or difficulty in meeting commitments, which may result from uncertainty regarding the date on which the Group will meet its commitments.

Credit risks - risk of loss as a result of non-compliance of a borrower/reinsurer with its commitments or as a result of changes in credit spreads in the capital market.

Operational risks - the risk of loss or harm to the Group's reputation due to inadequacy or failure of internal processes, people and systems or as a result of external events.

Cyber risks - risk of loss, reputational damage to the Group, damage to the privacy of policyholders and planholders, and additional risks which may arise from a cyber event, including unauthorized use of identity, disruption of activity by impairing network activity or shutdown of services, damage to systems, theft of digital assets, infecting systems with malicious codes or malware, penetrating systems or disclosure of information.

Insurance risks - life and health insurance risks and actuarial risk in a pension fund (the actuarial risks in the pension fund apply to the planholders when their impact on the management company concerns management fees) arising from the uncertainty as to the payment of expected future claims with respect to assumptions concerning mortality rates/longevity, morbidity/disability rates, expenses, policyholders' behavior, cancellations or redemptions. Property and casualty insurance risks stem primarily from uncertainty as to pricing, models and assessment of reserves and catastrophe.

ESG risks, including climate change risks - these risks are becoming more significant, both in the area of financial investments (due to their impact on investment portfolios), and in the insurance activity, due to their possible impact on the Company's insurance liabilities. Emerging climate risks may be affected by:

NOTE 41 - RISK MANAGEMENT (cont.)

ESG risks, including climate change risks (cont.)

- Physical risks arising from the materialization of damage to property, land and infrastructures due to an increase in the severity of extreme climate events, and due to the gradual change in various climate phenomena, such as heat waves and rising sea levels.
- The risks associated with the transition of countries and companies to low-carbon business and operational models as a result of, among other things, legislation and regulatory changes.

Legal risks - the Group is exposed to judicial decisions that may constitute a binding legal precedent with respect to its insurance activity, change the scope of its liabilities, and incur costs that were not anticipated when entering into the insurance policies or in prior assessments of insurance liabilities. In addition, the Group is exposed to lawsuits that have the potential to become class actions, with exposure to high amounts.

Regulatory and compliance risks - risks arising from the effect of regulatory changes on financial reporting, business operations and profitability. In addition, non-compliance with regulatory requirements may result in the imposition of sanctions and fines on the Group.

Reputational risk - the reputation of the Group, its financial strength and its good name constitute an important factor in the scope of its operations and profitability, in engaging new customers and in retaining existing customers. This risk may be a consequential risk of the materialization of other risks. Including the downgrading of the credit rating of group entities or securities issued by the group.

Business risks - risk of harm to the Group's profitability as a result of changes in the business environment, including an increase in the intensity of competition in the Group's areas of activity. Competition may be intensified by, among other things, fiercer competition between existing competitors, new competitors, and introduction of new distribution channels. Activity in the life insurance, retirement (pension and provident) subsegments is exposed to policy cancellations and redemptions during the contract period. The Group's ability to maintain its existing portfolio depends, among other things, on its ability to achieve attractive yields relative to its competitors. The public's tendency to choose alternative products within the various areas or the public's tendency not to take out insurance may affect the demand for the Group's products and profitability in the various areas of activity.

Processes regarding risk measurement and management. Further quantitative disclosure is included throughout the consolidated financial statements.

1. Description of risk management procedures and methods

In The Phoenix Holdings, risk management is carried out at the Group level, by the Chief Risk Officer, who is charged with risk management for The Phoenix Insurance and The Phoenix Pension and Provident and receives reports about the risks embodied in the financial activity of The Phoenix Investment House from The Phoenix Investment House's Chief Risk Officer. In addition, the risk management of Gama Management and Clearing Ltd. is performed by Gama's Risk Manager; for further details on the subject, see Section 1.3 below. The Phoenix Investment House's activities include the areas of ETFs, mutual funds, portfolio management, TASE member, management and marketing of alternative products. These areas of activity have different risk characteristics than insurance operations and therefore risk management procedures and methods therein are different, as specified in Section 1.2. In some of The Phoenix Investment House's areas of activity, dedicated functions responsible for risk management and control have been appointed, in accordance with the specific regulatory guidance applicable to each company.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, retirement (pension and provident) activity

Risk Management at The Phoenix Insurance Company and The Phoenix Pension and Provident (hereinafter, jointly - "The Phoenix Insurance, Pension and Provident") aims to support and protect the companies against unexpected losses that may prevent them from achieving their business objectives, while complying with regulatory requirements.

The Phoenix Insurance, Pension and Provident's risk management policy is based on a firm-wide risk management concept. According to this concept, the risk management processes (identification, measurement and evaluation, monitoring and mitigation, monitoring and reporting) for each material type of risk, are carried out across the Company's activities. The key elements of this approach are overall, forward-looking, measurable, monitored and dynamic risk management. As part of this policy, the Risk Management Department works to identify, assess and mitigate emerging ESG risks, and in particular physical climate risks and transition risks that stem, among other things, from legislative and regulatory changes in the field of environmental protection in Israel and across the world.

The risk management unit works to implement a risk management culture in The Phoenix Insurance, Pension and Provident that reflects an understanding of the business activities and the risks involved, while constantly challenging the various business lines by the control and risk management functions.

The risk management process is carried out in collaboration with supporting units that include the actuarial, investment, reinsurance and comptroller functions.

At least once a year, the Board of Directors and the investment committees are presented with a risk exposure report than includes identification and mapping out of the risks that are material to the financial strength of the corporation, a description of the level of exposure to identified risks, a description of the control measures for these risks and recommendations for improvement of controls, as needed. Furthermore, the extent of the exposure to risk and changes in the risk profile are assessed and updated on a regular basis in accordance with the changes in the business environment and regulatory changes in Israel and abroad. Accordingly, the changes that were identified in the risk profile and the change in the assessment of the exposure are presented to the Board of Directors' committees and the investment committees.

The Group attaches great importance to the involvement of the Board of Directors and the investment committees in the risk management process. The Board of Directors appointed risk management committees on its behalf for The Phoenix Insurance and The Phoenix Pension and Provident Funds, which convened 12 and 4 times, respectively, during 2023. The Phoenix Insurance's Risk Management Committee is composed of 5 directors: Hila Conforti (Independent Director) - Chairperson of the Committee, Benjamin Gabbay, (Chairman of the Board of Directors), Stella Cohen, Itzhak Shukrie Cohen, and Giorgia Rodigari.
In February 2024, the Board of Directors decided to set up a Risk Management Committee for the Company, which will assess the risks at the level of the Group. This committee will be composed of 4 directors: Dr. Ehud Shapira (Independent Director) (Chairman of the Committee), Benjamin Gabbay, Chairman of the Board of Directors), Itzhak Shukrie Cohen, and Stella Cohen.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, retirement (pension and provident) activity (cont.)

The risk management committees discuss issues pertaining to risk management, and even provide recommendations to the companies' Boards of Directors regarding, among other things, the following issues: Economic Solvency Regime, the capital plan, the ORSA report, risk management policies, and risk appetite framework. In addition, the board of directors' committees of The Phoenix Insurance and The Phoenix Pension and Provident set risk limits relevant to the area of activity, such as a stress limit, ALM limit, CPI linkage limit, interest rate sensitivity limit and liquidity limit, for exposure to market risks as well as limits for aggregate exposures for investment activity.

The Board of Directors and Investment Committees approve the investment policy and the credit granting policies and procedures in both planholders and nostro portfolios.

The board of directors of the Company and the board of directors of The Phoenix Insurance established strategy committees, which advise the boards on strategies and corporate development.

The following are the processes and methods for managing the various risks:

The board of directors of The Phoenix Insurance and the board of directors of The Phoenix Pension and Provident set a risk management policy, including with regard to the risk appetite of The Phoenix Insurance and The Phoenix Pension and Provident as to the various risk categories; The Phoenix Insurance and The Phoenix Pension and Provident operate in accordance with this policy.

1.1.1. Market and liquidity risks

The Group carries out its investments in accordance with the policy set by the Board of Directors and implemented by the various investment committees, subject to the Investment Regulations. The Group has implemented various systems for monitoring the market risks it faces. The controls are based on VaR (Value at Risk) calculations and various stress scenarios defined by the Company, using accepted methods to perform them. Risk measurement is performed on both assets and liabilities (ALM) using conventional methodologies based on VaR calculations and stress scenarios, which are performed according to a scenario defined as the result of extreme simultaneous changes in major market risks including interest rates, exchange rates and inflation rates, while taking into consideration the correlations between the various risk factors. Furthermore, sensitivity tests and calculations are carried out to measure the effect of changes in economic parameters, both on the Group's balance sheet and on The Phoenix Insurance's economic solvency ratio. The boards of directors set limits to values at risk under the risk management policy as described above, and receive a report on compliance therewith. Ongoing reports that carry out such analyses are submitted to the investment committees, which meet regularly.

As part of the ALM policy, the board of directors of The Phoenix Insurance has set sensitivity scenarios for the various risk factors, the maximum percentage of non-linked assets and a minimum percentage of liquid assets. In addition, the Investment Department holds regular discussions on results of the various investment portfolios and developments and changes in the markets. There are also ongoing controls in the back-office unit as to data integrity and reliability. In addition, there are controls over compliance with the limits set by the Board of Directors, investment committees and Investment Regulations, which are regularly reviewed by the Investment Control Unit.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, retirement (pension and provident) activity (cont.)

1.1.1. Market and liquidity risks (cont.)

The boards of directors has set overall exposure limits (including: bonds, loans, shares, etc.), with the limits referring to a single issuer, Group, industry, geographical distribution and rating. Reports regarding the exposures and compliance with the limits are presented to the investment committees and the boards of directors.

Liquidity risks are managed as part of a model developed by the Risk Management Department. The calculations are based on accepted methodologies in the field and examine the effect of a stress scenario on the Company's ability to liquidate the assets. During the reporting year, regular reports were produced, which concentrated the analyses as stated. The results of the model are also reported to the Board of Directors and Investment Committee.

The investment committees review the liquidity needs of The Phoenix Insurance (with separation between nostro and planholders' funds), Pension and Provident, taking into account the Company's total liquidity needs and the planholders' portfolios in times of crisis.

For further details on exposure to market risks and liquidity risks, see Section 3 and 4 below.

1.1.2. Credit risks in exposure to investment assets and reinsurers

Credit risks in exposure to investment assets

The Group has a credit policy, under which procedures for approving and granting loans are established, ranging from approval powers through the borrower's rating and analysis, to senior level approval or the relevant investment or credit committee, as required, all subject to the type of loan, rating and amount. The credit policy is based, inter alia, on the borrower's debt service capabilities, the quality of the collateral, financial strength, diversification of the credit portfolio among a large number of borrowers, etc.

Detailed reports regarding the overall exposure in the nostro and the participating portfolios are generated frequently, using various cross-sections, such as: exposure to an issuer, Group, industry, geographical exposure, exposure to credit ratings, etc. The boards of directors set limits for the maximum exposure rate for each of the cross-sections mentioned above and any "irregularities" are reported to the investment committees and to the boards of directors based on the reports generated. For further information regarding exposures to credit risks, see Section 6.

The Phoenix has developed, validated and implemented a business credit rating model, in accordance with the Commissioner's directives. In addition, the VaR and stress calculations combine the spread risk to quantify the credit risk.

The Risk Management Department assesses and challenges the rating of new illiquid borrowings by the finance function.

A "debt forum" has been appointed; it includes investment, finance and risk management personnel, which aims to carry out a process of controlling and classifying troubled debts and reporting to the boards of directors about such debts.

For further information regarding exposures to credit risks, see Section 6.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, retirement (pension and provident) activity (cont.)

1.1.2 Credit risks in exposure to investment assets and reinsurers (cont.)

Credit risks in exposure to reinsurers

The Phoenix Insurance purchases reinsurance policies in international markets. The Phoenix Insurance's ability to purchase reinsurance under good conditions is influenced by the Group's performance in particular and the global reinsurance capacity in general (which depends, inter alia, on the reinsurers' stability, the occurrence of catastrophe events in the world, and more). Changes in the prices and scope of reinsurance offered in these markets have an impact on the Group's profitability and ability to increase the volume of insurance and to undertake certain insurance liabilities. In addition, reinsurance does not exempt the Group from its obligations towards its policyholders according to the insurance policies and therefore the financial stability and credit rating of reinsurers may affect the business results of the insurance companies. Therefore, failure of a reinsurer to meet its obligations to the Group may have a material impact on The Phoenix Insurance's ability to meet its obligations to customers (e.g., upon the occurrence of a catastrophe event).

At least once a year, the Board of Directors of The Phoenix Insurance and the risk management committee discuss the policy of exposure to reinsurers and the insurer's assessments as to the management of the exposure and the controls. The exposure policy for reinsurers includes, among other things, the exposure management policy with reinsurers in the life, P&C and health segments, as well as defining a maximum exposure framework for reinsurers, according to parameters set by the Board of Directors.

The Board of Directors of The Phoenix Insurance approved a set of limits designed to ensure proper diversification among reinsurers as a function of their rating and exposure to them, both upon the occurrence of a catastrophe event and in the ordinary course of business.

For further details regarding exposure to credit risks of investment assets and reinsurers, see Section 6.6 above.

1.1.3. Operational risk, including cyber and information security risk

As part of its business operations, the Group is exposed to numerous operational risks such as: internal system failure, IT systems failure, including information security and cyber events, human errors (employees, agents and suppliers), embezzlement, fraud, cyber-crimes and external damage to the Company such as due to an earthquake. The materialization of one or more of these risks can cause significant damage.

Operational risks

Operational risk management includes a variety of controls at various levels. These include controls embedded in the business process itself, controls in apps and IT systems, audit discussions in management forum and the Audit Committee's activity. The control array is based both on procedures and work practices defined by the managers responsible for the relevant activity and based on regulatory requirements such as the circular on embezzlement and fraud, information security, cyber, SOX 302 and SOX 404. There are also additional control entities in the business units.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, retirement (pension and provident) activity (cont.)

1.1.3. Operational risk, including cyber and information security risk (cont.)

Operational risks (cont.)

The Group's internal audit function performs additional controls on a variety of areas of activity and, among other things, examines the existence and effectiveness of controls against operational risks while making recommendations for enhancing and improving controls.

Cyber risks

The Group makes preparations and invests significant resources in addressing the cyber risk, including cyber-attacks; this is done by setting information security policies, whose aim is to prevent or mitigate the exposure to cyber risks, and by setting a cyber crisis preparedness plan for the Company for the event that such risks materialize; this plan reflects, among other things, the Group and the management's commitment to this issue.

In addition, the policy defines the principles for secure development, which serve as the basis for the development and implementation of the Group's websites, and for the implementation and maintenance of controls, procedures and information security mechanisms in the Group's IT systems. Principles are in place that address detecting, alerting, preventing and documenting exposures and materialization of events that impair availability, reliability, accuracy and confidentiality of the Group's IT systems. Guidelines, areas of responsibility and applicability have been established in the process of incorporating and integrating information security guidelines into business aspects and ongoing operations. Appropriate administrative infrastructure has been put in place in order to define and implement the full range of required information security activities.

The officer in charge of the management of the Group's cyber risks is the deputy dead of the technologies and cyber function, who reports directly to the Group's Chief Technology, Information Systems and Innovation Officer. Company's management regularly performs control processes to ensure that the Company is protected against the various cyber threats, and holds regular meetings of steering committees and face to face meetings of committees which monitor the progress of the cyber department's work plan. Based on those reports and other aspects, reports are issued on a regular basis to the Board of Directors, with Company's management implementing the risk management policy, and the board outlining guidance regarding cyber risks; therefore communication, coordination and collaboration between the Board of Directors and senior management in connection with identifying and assessing cyber risks are assigned great importance.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, retirement (pension and provident) activity (cont.)

1.1.3. Operational risk, including cyber and information security risk (cont.)

Cyber risks (cont.)

The Board of Directors uses the services of an expert cyber advisor, who challenges the steps taken by the head of cyber security and the Company's preparations for dealing with the risk, conducts regular controls in connection with the issues presented in the Board of Directors' IT Committee and in the Board of Directors' plenum, and explains the risks and solutions, which are technological in nature, and require in depth understanding; in addition, the Company's Chief Internal Auditor also conducts audits on issues related to IT and cyber protections, with the support of external experts; the Chief Internal Auditor's reports, which are presented to the Audit Committee, are also used, among other things, as an effective foundation for the implementation of controls on behalf of the Board of Directors; the reports' findings are presented to the committee, and an orderly process is conducted to implement controls on the measures employed to address them.

The Phoenix has in place a regular process of assessing information security risks in IT systems and interfaces. The risk assessment defines the level of sensitivity of the systems and refers to the range of potential information security risks arising from the IT systems and current business conduct. Management directs appropriate resources to mitigate the risk based on the results of the risk assessment.

The Company operates dynamically to enhance and improve its cyber protection in accordance with the development of this risk. With a view to ensuring compliance with the IT systems' external and internal compliance requirements and internationally accepted standards, and to examine the risk management's effectiveness and safeguards applied relative to the risk assessment, information security risk audits and controlled penetration tests into the Company's IT systems are conducted periodically, and before any significant changes are made to the system or before introducing these systems to operational use. The Company has in place formal procedures, some of which are aimed to implement statutory requirements, and others address specific needs arising from the Company's activity; the Company conducts extensive resilience tests through external parties in order to assess the effectiveness of the mitigating controls implemented by the Company, and works to address the findings on a regular basis in accordance with the findings' severity; the Company also conducts IT surveys through a specialist external auditor; those surveys assess, among other things, aspects that pertain directly or indirectly to information security and cyber security. Alongside all of the above tests and assessments, the Company has a range of advanced technological capabilities, which it constantly uses to challenge the effectiveness of its protection functions by simulating an attack on the Company in a range of scenarios; by doing so, the Company ensures that its protective measures are effective.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, retirement (pension and provident) activity (cont.)

1.1.3. Operational risk, including cyber and information security risk (cont.)

Business continuity plan (BCP)

In 2023, cyber security actions focused on further reinforcing the organization's defenses by increasing technological and operational capabilities to mitigate cyber and information security risks, through, among other things, implementing advanced defense technologies, improving authentication and alert capabilities, and improving the organization's operational and technological cyber crisis management capabilities at the Group level. As part of the actions that were implemented, the information security department focused on increasing awareness among employees that serves as the most significant line of defense against cyber events, in order to identify such events and even prevent them. Furthermore, the information security department continued developing authentication controls as well as controls aimed to prevent information leakage, with the understanding that one of the Company's most significant assets is sensitive and private information of its customers. The Company believes that the implementation of the policy and tools for the management of the cyber risk is effective in addressing and mitigating that risk. Furthermore, in 2023, the Company purchased a third-party captive insurance in respect of cyber incidents. The insurance is a self-insurance under the management of a third party, that provides services for the management of an incident by a crisis-management expert.

As part of the Group's preparations for stress events, the Group has a business continuity plan (BCP) in place, which includes the Emergency Response Procedure, strategy papers and business continuity policies. The emergency response file defines the resources and time-lines needed to recover critical processes in the various units under reference scenarios the established. The Phoenix Insurance prepared BCP sites, designated an emergency management team for the Group, dedicated teams to address the emergency situation, as well as business emergency teams.

1.1.4 Insurance risks

Risk management processes in this area are carried out on several levels: at the Board of Directors, risk management committee, senior management, Risk Management Department, actuarial department, reinsurance department and control department. These processes include generating reports and holding discussions, as well as current reports on, among other things, exposure, adequacy of reserves, actuarial pricing, launch of insurance plans and/or new products.

To the extent possible, significant life, health, and property and casualty insurance risks are estimated by applying a set of stress scenarios to the various portfolios in accordance with the Economic Solvency Regime.

New products launched by the Company are approved by the Chief Risk Officer, the Supervisor Actuary, the IT systems manager and the legal counsel. The above assess the risks and exposures associated with the product, including with regard to the impact on the Economic Solvency Regime.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, retirement (pension and provident) activity (cont.)

1.1.4 Insurance risks (cont.)

The risks embodied in insurance products are mitigated by the high diversification of insurance contracts. Risks are mitigated through the selection and implementation of underwriting strategies and diversification by industries, geographies, risk types, coverage level, etc. And through informed use of reinsurance to mitigate the risks.

The assessment of the Company's exposure to an earthquake risk in Israel, which is the major catastrophe event to which it is exposed, is conducted using international models, and the Company acquires protection for this risk based on this assessment.

For further details on exposure to insurance risks, see Section 5 below.

1.2. Financial services activity

The financial services segment mainly includes The Phoenix Investment House, and the activity of The Phoenix group's alternative investments funds under The Phoenix Advanced Investments.

1.2.1 The Phoenix Investment House

The activity of The Phoenix Investment House expose it to various risks, such as market risk (including foreign currency risk and fair value risk with respect to interest rate and index risk), credit risk and liquidity risk, operational risk and regulatory risk. The following are details of risk factors embodied in The Phoenix Investment House's activities and risk management procedures and methods:

a) **Exposure to the capital market**

The Phoenix Investment House manages tracker funds with variable management fees, which meant that fund managers would benefit from profits if the fund achieved excess return compared to the relevant index, and on the other hand - pay holders if the fund underperforms compared to the said index, up to 0.1%, 0.2% or 0.3% (depending on the type of the tracking fund's tracked asset).
As a result, The Phoenix Investment House is exposed to losses in a number of ETFs with variable management fees. Accordingly, the ETF manager operates in accordance with the market risk management policies (including interest rate risk), credit risks, liquidity risks and operational risks, which aim to ensure maximum correlation between the ETF's liability and the backing assets, including investment restrictions set in the funds' prospectuses and the provisions of the law, and the establishment of an investment policy approved by the Board of Directors of fund manager, which is reported to the public. In addition, as part of this amendment, a subsidiary of The Phoenix Investment House began providing market making services for the ETFs. The company provides market-making quotes for ETFs on the TASE and originates and redeems the units at the end trading for the fund manager. The market making company has exposures to the coverage required to originate and redeem the ETFs for the fund manager. The market making company has in place exposure limits for the purpose of restricting the exposure that will apply in respect of its activities as determined by the Company's board of directors.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.2. Financial services activity (cont.)

1.2.1 The Phoenix Investment House (cont.)

b) **Market risks**

The Phoenix Investment House group companies operate directly and indirectly in the areas of investment management, portfolio management, financial products, ETF and mutual fund management as well as management and marketing of alternative products. The capital market is characterized by volatility, due to, among other things, the effect of political, security and economic factors in Israel and globally, which the Group companies have no control over. Such volatility has an effect on the extent of the public's activity in the capital market and on securities' prices. A change in the total amount and value of the investment portfolios, fund assets and ETFs managed by the Group, as well as the number of Group customers, affects the income of the Group's companies. Therefore, adverse trends in securities' prices and volume of capital market activity may adversely affect the Group's results. The Group has implemented various systems for monitoring the market risks it faces. The controls are based, among other things, on various stress scenarios defined by The Phoenix Investment House or on calculations of exposures to sectors, borrower groups, and the like, using generally accepted methods. In addition, the various boards of directors and committees of subsidiaries have set limits on the values at risk that are reviewed on a regular basis. Regular reports which summarize the analyses as aforesaid are accordingly submitted for review by the various committees.

c) **Exchange rate risks**

The Phoenix Investment House is exposed to foreign currency changes, mainly in the activities of the ETFs, for which variable management fees have been set, which include, among other things, issuing foreign currency linked bonds and/or issuing ETFs that are linked to a foreign index and, as a result may, may also be affected by foreign currency fluctuations, all up to 0.1%, 0.2% or 0.3%, depending on the type of the tracking fund's tracked asset. However, since The Phoenix Investment House invests the issuance proceeds of the above products in backing assets that track the index, including in the foreign currency and/or with linkage similar to that of the issued products, any net foreign exchange exposure has no material effect on the operating results of The Phoenix Investment House. Some of the income of The Phoenix Investment House group companies, mainly that of the TASE member, is denominated in foreign currency, mainly due to customers' transactions involving foreign securities. This income is subject to exchange rate changes.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.2. Financial services activity (cont.)

1.2.1 The Phoenix Investment House (cont.)

d) **Interest rate risk**

As part of the ETF activity, The Phoenix Investment House invests in short-term deposits against the derivatives activity. Changes in the interest rate curves can cause a loss of income in funds with variable management fees, up to 0.1%, 0.2% or 0.3%, depending on the tracking fund's type of tracked asset. In addition, as part of the management of the customer deposits of the TASE member of The Phoenix Investment House, customer funds are deposited for different periods (up to one year) and changes in short-term interest rate curves may cause a loss.

e) **Credit Risk**

The credit risks, handled at the group level of The Phoenix Investment House, stem mainly from cash and cash equivalents, deposits (including customer deposits held in trust), deposited with banks and other financial institutions in Israel and abroad. Termination of contracts with the aforementioned parties for reasons of lack of financial strength and/or financial stability and/or default events by these third parties and/or for any other reason, could result in significant losses to The Phoenix Investment House and impair the scope of its activities.

In addition, as part of its business activities, The Phoenix Investment House's TASE Member provides credit and guarantees to activities involving its customers' securities. The credit is backed in accordance with the TASE Regulations by the collateral of liquid securities, the prices of which may fall to such an extent that the collateral will not be sufficient to cover the credit. In the event of high volatility in the prices of the assets included in the said collateral, customers' collateral may be eroded such that the credit risk will increase. In addition, the TASE Member provided guarantees for the lending of securities.

As part of The Phoenix Investment House's membership with the Tel Aviv Stock Exchange, a total of approx. NIS 55.3 million (after the weights applied by the TASE) was deposited as of December 31, 2023 in favor of the TASE's risk reserve, in accordance with Excellence's proportionate relative share in trading on the TASE. The Phoenix Investment House's investments in non-recourse back-to-back bonds is the sole source of financing for payments to structured bonds holders issued by subsidiaries, and therefore The Phoenix Investment House is not exposed to credit risk in respect of them. As a rule, each company's board of directors defined its credit risk appetite using designated limits that are regularly audited and reported to the relevant committees.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.2. Financial services activity (cont.)

1.2.1 The Phoenix Investment House (cont.)

f) **Liquidity Risk**

The mutual funds and the TASE member deposit balances from funds and securities under their management with banks and TASE members. Significant withdrawals by the customers could impair the financial assets. Additional liquidity risks in The Phoenix Investment House may arise from a situation in which the TASE member may find it difficult to meet its financial obligations in market situations such as: unexpected customer withdrawals, unexpected demand for credit, and uncertainty about the availability of sources. To reduce exposure, procedures and/or policies were put in place to manage this risk; the procedures and policies are monitored regularly and reported to relevant forums. During the past few years, The Phoenix Insurance issued insurance for The Phoenix Investment House a guarantee in respect of liquidity risks.

g) **Settlement risk**

The Phoenix Investment House carries out brokerage activities for customers, including the acquisition of Israeli and foreign securities, characterized by a time gap of up to t+3 between the purchase of the securities and receipt of the proceeds for the said purchase. Until the purchase proceeds are received, they are guaranteed by the securities purchased. As a result of the aforementioned time gap, in the event of non-payment of the consideration by the customers, The Phoenix Investment House is exposed to volatility in relation to the securities purchased and used as collateral for the purchase proceeds. Exposure controls have been set to mitigate this risk; controls are monitored regularly and reported to the relevant forums.

h) **Risk of lending (short sale)**

The Phoenix Investment House's exposure to securities with low marketability increases when short sales are carried out (lending), when trading is suspended or when there are trading difficulties, and may lead to a situation where The Phoenix Investment House group companies are unable to close the lending transaction in the quantities and dates required to carry out the covering activity in accordance with the terms and conditions of the lending transactions. However, in this context, it should be emphasized that the companies are careful to carry out the lending and selling activities in securities which have sufficient marketability. It should be noted that among other things the Company conducts locked box transactions with local banks to mitigate market risks; as part of these transactions, the Company conducts lending or short selling of securities against swap or futures transactions. The amount of the transactions is capped, and they are monitored on a regular basis.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.2 The financial services activity (cont.)

1.2.1 The Phoenix Investment House (cont.)

i) **Operational risk**

In the course of its business operations, The Phoenix Investment House is exposed to numerous operational risks, including IT and cyber risks, such as: internal systems failure, information and IT and computer systems failure, including information security, human errors (employees, agents and suppliers), fraud, cyber-crimes and external damages such as earthquake. The materialization of one or more of these risks can cause significant damage.

KSM Mutual Funds has developed an internal system for revaluing all ETFs independently of the operating bank. Damage to and/or shutdown of the system can adversely affect both the funds' management and their reputation.

Accordingly, The Phoenix Investment House has drafted a business continuity plan designed to ensure the continued functioning of its business.

Operational risk management includes a variety of controls at various levels as well as enforcement mechanisms. These include controls such as: audit committees' activity as well as controls embedded in the business process itself and controls in apps and IT systems. The control array is based both on the procedures and work practices defined by the managers responsible for each activity, and on various regulatory requirements. In addition, the companies periodically carry out operational risk surveys, including improvement of mitigation programs, to minimize the risks. Moreover, each company has defined business continuity plans that are reviewed at least once a year across all investment house companies.

j) **Risk regarding regulatory changes**

The Group's many areas of activity expose it to various regulators, who maintain a tight regulatory environment that is constantly evolving. Changes in legislation and regulations in the securities field in general, and in the field of financial products in particular, may adversely affect the ability of Group's companies to operate in their respective areas of activity and the Group's profitability in this area, reduce income and require them to have additional equity capital.

1.2.2 The Phoenix Advanced Investments

The activities of The Phoenix group's alternative investment funds exposes the Group to a range of risks, including the effects of macroeconomic factors in Israel and other countries, exchange rate differences, investment risks, credit risks, operational risks, risks arising from regulatory changes in Israel and in other countries, legal risks and reputational risks to the Company. Since this is a business activity under development, the key risks arising to The Phoenix group as a result of this activity are reputational risks as a result of a business failure, or reputational risks in one of the funds, which may lead to adverse effects on the Company's reputation and to legal risks arising therefrom.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.2 The financial services activity (cont.)

1.2.2 The Phoenix Advanced Investments (cont.)

The Phoenix Advanced Investments has in place an internal control function, which is in charge of the implementation and integration of control processes alongside the assessment of the effectiveness and quality of the existing control functions of each partnership. Among other things, the control function conducts regular tests and samples in connection with the partnerships' activity, and in-depth controls regarding material issues that were identified. In addition, the function assists in the writing and enhancement of work procedures at the headquarter level and at the funds level, in accordance with regulatory requirements or as a derivative of the expansion of the activity.

Furthermore, the Risk Management Department is involved in the development of new products and conducts other controls regarding a range of areas of activity, mainly in the field of investments. Among other things, the department's employees serve as observers in the funds' investment committees, and challenge the risk assessment models.

1.3 The Credit Segment

As of the date of the report, most of the Group's credit activity is concentrated in Gama, and reported as a reportable segment (the credit segment). For further details, see Note 3.

Gama is engaged in the provision of credit to licensed businesses and corporation through a range of products; credit to private customers' accounts for a marginal portion of this activity. As part of its activities, Gama is exposed to a range of risks, including credit default and insolvency of borrowers.

1.3.1 Risk management framework - Gama

The overall responsibility to establish and monitor Gama's risk management policy lies with its Board of Directors and management.

Gama's risk management policy was established in order to identify and analyze the risks it is exposed to, set adequate restrictions in respect of the risks, and controls to monitor them and to ensure compliance with the restrictions. The risk management policy and methods are reviewed continuously in order to reflect changes in market conditions and in Gama's activity. Gama works to achieve an effective control environment in which all employees understand their roles and responsibilities; this is achieved through training, standards and procedures.

The officer in charge of risk management in Gama is the Chief Risk Officer; among his main roles are: Identifying and assessing credit exposures; creation and management of control mechanisms; assessing credit applications and placing controls over the company's compliance with the credit procedures approved by its Board of Directors. A VP Credit serves alongside him.

1.3.2 Credit risk

Gama's credit risk stems mainly from customers' debts to Gama. Set forth below is a disclosure on credit risks and ways for dealing with them:

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.3 The Credit Segment (cont.)

1.3.2 Credit risk (cont.)

- Trade and other receivables: Gama's exposure to credit risks is mainly affected by the specific characteristics of each customer. Gama's ability to collect the entire debt in respect of transactions it executes may potentially have a significant effect on its operating results. Bad debts might have an adverse effect on Gama's profitability. In order to ensure the highest possible level of debt collection, and in order to instigate collection procedures against customers, Gama invests many resources in the mitigation of risks arising from its engagements with customers, including background and solvency checks, diversification of customers and avoiding inter-dependence or mutuality, etc. Furthermore, Gama demands various types of collateral as a condition for providing loans. Notwithstanding the foregoing, there is no certainty that the steps taken by Gama will ensure the repayment of the loans it provides; therefore, there is a constant exposure to this risk.
- Financial guarantees: Gama offers its customers the provision of guarantees of various types, including rental guarantees, suppliers guarantees, tender guarantees, and more. Gama's maximum exposure as of December 31, 2023 is approx. NIS 167 million (as of December 31, 2022 - approx. NIS 99 million). The maximum exposure to credit risk in respect of financial guarantees constitutes the maximum amount that Gama is required to pay in the event that the guarantee is exercised.
- Credit cards: An exposure arising from failure to deliver in credit card transactions and ongoing service. The exposure arises from bringing forward payment to merchants before they deliver the product or service paid for.

Collateral

Gama mitigates the credit risk through collateral, both at the level of the customer (where relevant) and at the level of the drawer.

Set forth below is information regarding the collateral available to Gama at the segment level; it should be noted that there are cases where only some of the collateral are required, in accordance with the sector, ownership, product, asset and equipment type, nature of the business and its classification, all subject to Gama's discretion:

- **Credit cards, factoring and clearing credit vouchers** - right of set-off in respect of balance of funds that have not yet been repaid to the business; right of recourse and promissory note of the business with respect of vouchers that were not repaid in contrast to the business's representations, personal guarantees and promissory note of the owners of the business for the debiting of the business; right of offset against other rights of the business towards Gama arising from other activities. This activity serves as the basis for most of the loans and guarantees provided to businesses.
- **Checks factoring** - right of recourse and promissory note of the merchant that delivered the check; personal guarantees and promissory note of the owners of the merchant; right of offset against other rights of the merchant towards Gama arising from other activities; right of claim against any party who is signed on the check, including the drawer of the check, with Gama being entitled to hold the check.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.3 The Credit Segment (cont.)

1.3.2 Credit risk (cont.)

- **Financing of importation and suppliers credit** - right of recourse and promissory note of the merchant and its owner against the entity/person that are to repay the debt; right of offset against other rights of the merchant towards Gama arising from other activities; the credit will mostly be secured by external insurance.
- **Financing activity against real estate assets** - placing charges on real estate assets, including first ranking charge, with the maximum LTV ratio approved by Gama to customer being 70% of the asset's value, in accordance with the nature of the borrower, and its business with the Company. Occasionally the real estate asset constitutes a component in a range of collateral required when credit is provided to the customer, such as indebtness and promissory notes of the borrower and personal guarantors for the loan. The real estate assets mainly include residential properties (usually not a property in which the borrower resides), commercial properties, offices and land. The LTV of 53% of the loans is lower than 60%.
- **Loans -** guarantee by the legal entity, owners' guarantee and a promissory note.
- **Factoring** - partial payment to the merchant out of the invoice amount; right of recourse and promissory note of the merchant with respect of invoices that were not repaid due to commercial disputes, personal guarantees and promissory note of the owners of the merchant for the debiting of the merchant; right of offset against other rights of the merchant arising to Gama from other activities; right of claim against the debtor who issued the invoice.
- **Financial guarantees -** personal guarantees and promissory note of the owners of the merchant for the debiting of the merchant; right of offset against other rights of the merchant towards Gama arising from other activities.

1.3.3 Liquidity risk

Gama's financing sources and amounts have a direct effect on its turnover and profitability, as well as its stability. Gama's ability to provide loans and its operating capabilities are higher than its abilities to provide loans from own resources. Consequently, Gama is continuously engaged in developing and maintaining diverse funding sources - including credit from banks and institutional entities, bonds, and agreements for the sale of vouchers of transactions conducted using debit cards. Reducing Gama's capabilities to raise funding sources shall have an adverse effect on the level of services it provides. However, Gama believes that in view of the diversification of its sources of financing, and the access it has to multiple sources of financing, it is able to successfully mitigate that risk.

1.3.4 Market risk

- **Prime interest rate risk in respect of cash flows** - the credit Gama raises bears non-linked interest. Gama believes that an increase in the prevailing interest rates in Israel might give rise to a certain exposure in respect of post-dated checks that have not yet been repaid. In Gama's opinion, in view of the short average duration of its credit portfolio and the financing structure of its transactions, this exposure is immaterial.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.3 The Credit Segment (cont.)

1.3.4 Market risk (cont.)

- **Index risk and foreign currency risk** - the credit raised by Gama and the credit it extends to its customers is not linked to any index or foreign currency; therefore, its exposure to index risk and foreign currency risk is negligible.

1.4 Insurance agencies

The Company holds a number of insurance agencies through The Phoenix Agencies. The agencies provide brokerage and marketing services in connection with pension, insurance and financial products of several insurance companies, including The Phoenix Insurance, as well as products of investment houses and other institutional entities. During the past year, the Company strengthened its organizational control infrastructures, by, among other things, appointing a Chairperson of the Board of Directors and a dedicated CFO, who work on a full-time basis. Set forth below are the key risks to which the distribution (agencies) segment is exposed:

1.4.1 Competition and business risks:

The distribution (agencies) segment is intensely competitive. intensified competition, introduction of new competitors, including through digital distribution and service functions, as well as changes in customers' preferences might have an adverse effect on the financial results of the insurance agencies owned by the Group.

1.4.2 Compliance risks, regulatory changes risks and legislation risks:

The insurance agencies' area of activity is supervised by the Commissioner and is subject to many legal provisions, including the Supervision Law, the Provident Funds Law, the Pension Advice Law and regulations promulgated thereunder, as well as the Commissioner's Directives, which aim to protect policyholders and planholders. These directives relate both to regulatory requirements applicable to insurance agencies and to requirements stemming from their relationships with their customers. Violation of the provisions of the law, including the Commissioner's Directives, may constitute an administrative violation, in respect of which a monetary sanction is imposed; in some instances, an administrative violation may even constitute a criminal offense.

Furthermore, regulatory and legislation changes may adversely affect insurance agencies' potential income and growth, whether directly in connection with payment of fees and commissions, or indirectly as a result of the effect of regulatory or legislation changes on insurance products sold, and on customers' preferences in connection with those products.

1.4.3 operational risk including cyber and IT systems:

As part of its business operations, the insurance agencies are exposed to numerous operational risks such as: internal system failure, IT systems failure, including information security, human errors (employees, agents and suppliers), embezzlement, fraud and computer crimes. The management of the cyber risks and IT systems risks in the distribution (agencies) segment is conducted by the Group's risk management function. For further details, see Section 1.1.3 above.

NOTE 41 - RISK MANAGEMENT (cont.)

2. Legal requirements

The Group operates within the existing regulatory requirements and is in compliance with the various implementation schedules. Various regulatory requirements regarding risk management have been published in recent years; the main ones are as follows:

2.1 The provisions of the consolidated circular dealing with the risk management function and setting the powers, roles and work methods of a Chief Risk Officer and the risk management department.

2.2 The provisions of the institutional entities circular regarding the board of directors of an institutional entity, which includes a requirement for setting a risk exposure policy, exposure caps, procedures and tools to measure risks and place controls thereon.

2.3. Provisions regarding credit risk management, their assessment and controls, in Chapter 4 of the consolidated circular.

2.4. Provisions of the consolidated circular regarding management of the credit risk against the exposure to reinsurers.

2.5. Provisions on handling specific categories of operational risks: embezzlement and fraud, management of information security risks, management of IT technologies and the risks arising therefrom, and financial reporting controls (SOX) (for further details, see Section 1.1.3 above).

2.6 Supervisor's provisions regarding capital requirements - the Group is subject to the Supervisor's directives regarding capital requirements. On June 30, 2017, a risk-based economic solvency regime implemented by The Phoenix Insurance came into effect. For further details, see Note 8E.

2.7 The investment regulations - the Company manages assets in accordance with the Investment Regulations.

2.8 Circular regarding risk management by regulated financial services providers - aims to guide entities that provide financial services on the adoption of risk management processes.

3. Market risks

Market risk is, as stated, the risk that the fair value and/or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among other things, risks arising from changes in interest rates, share prices, the consumer price index and foreign currency.

Changes in inflation and interest rates affect the financial results of the Group and in particular those of The Phoenix Insurance. For further details on the Group's sensitivity to interest and inflation, including changes in those sensitivities, see Sections 3.2. 3.3 and 3.4 below.

The key market risks that the Group faces are:

Interest rate risk - the risk that the value of a financial asset and/or liability will change as a result of changes in market interest rates. In most of the Company's areas of activity, the average duration of assets does not match the average duration of liabilities, especially life insurance liabilities, the average duration of which is significantly longer than that of the assets. As a result, the Company is exposed to a decline in interest rates that reduces future returns when refinancing the assets against liabilities and reduces the embedded value of the insurance portfolio.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

Equity and non-financial assets risk - a risk arising from changes in stock prices or the fair value of non-financial assets.

Credit spread risk - the loss that may be caused by changes in the credit spread risk between corporate bonds and (risk-free) government bonds. Changes in credit spreads should reflect the changes in the borrower's probability of default (PD) and the changes derived from the "market" fluctuations. The Company invests in shekel-denominated corporate debt, CPI-linked and forex-linked bonds and is exposed to increase in credit spreads.

Risks related to the CPI - a real loss due to the erosion of the value of shekel-denominated assets as a result of rising inflation beyond the inflation expectations implicit in the capital market, against the insurance liabilities, most of which are CPI-linked. In life insurance (in respect of that portion of the life insurance portfolio that is not backed by designated bonds), in property and casualty insurance in the equity portfolio, the linkage of assets does not fully correspond to the linkage of the liabilities. This risk is material, especially in nostro portfolios, where almost all liabilities are linked to the CPI, while not all assets are CPI-linked.

Currency risk - the risk that the fair value or future cash flows arising from an asset or liability will change as a result of changes in foreign exchange rates.

The value of the Group's assets and liabilities is exposed to the risks outlined above. Therefore, the income from the investments against the insurance and equity reserves has a material effect on the income. A significant portion of the Group's asset portfolio is invested in liquid securities and financial derivatives, which are characterized by volatility as a result of political and economic events in Israel and around the world. Liquid securities are recorded in accordance with their prices on the TASE as of the reporting date. As a result, the volatility of these investments may have a material effect on the Group's profitability and equity capital.
The extent of the effect on income depends on the characteristics of the insurance liabilities (*nostro*, yield-dependent) and the terms and conditions of the management fees for the products against which the relevant reserve is held.

3.1 Yield-dependent contracts

Yield-dependent liabilities are liabilities in respect of contracts in which the beneficiary's insurance benefits depend on the yield generated by investments that are recorded against the liabilities in respect of these policies, net of management fees as detailed below:

- In participating policies issued from 2004 onwards - the return on investments is credited to the policyholders while the insurer is entitled to fixed management fees. In accordance with the Knesset Finance Committee's decision, as of January 2014, the maximum annual management fees were limited to 1.05% of the accumulated balance and up to 4% of current contributions, with the recipients of old-age and dependents allowances paying up to 0.6% (0.3% in policies sold as of February 2022) of the assets against the fund's obligations towards them. It should be noted that for insurance policies, the management fees cap will not apply to insurance policies issued before January 1, 2013. In these products, the effect of the returns on the insurance company's income is reduced to the exposure derived from the total amount of the reserve from which the insurer's management fees are derived.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.1 Yield-dependent contracts (cont.)

- In participating policies issued until December 31, 2003, the return on investments is credited to the policyholders, while the insurer is entitled to a fixed management fees of 0.6% of the accrual, and to variable management fees of 15% of the real profit obtained after deduction of the fixed management fees. In these policies, when the return is negative, the Company may not charge variable management fees as long as a positive return has not been achieved that will cover the accumulated negative return.
  In the case of these products, in addition to the accrual-derived exposure, the Company's income are affected by the variable management fees derived in accordance with the real return credited to the policyholders.
- In the retirement (pension and provident) business, excluding Gmula (guaranteed-return provident funds) the return on investments (net of fixed management fees) is credited to the planholders and therefore, the effect of the investment results on the income of the pension fund's management company or the provident funds is derived from the management fees paid to the management company, based on total assets under management.

With regard to the assets and liabilities in respect of these products, the insurance company does not have direct exposure to changes in the interest rates, fair value of the investments or CPI, except for the potential effect on the K factor, paid pensions reserve and the reserve to deferred annuity in participating policies. The effect of the financial results on the insurance company's income is reduced to exposure derived from the management fees, which vary according to the volatility of the return credited to the policyholders, only for policies issued until 2004 and from the total liabilities from which the insurer's fixed management fees are derived for all yield-dependent products.
In view of the above, the sensitivity tests and the repayment dates of the liabilities as listed in the tables below do not include yield-dependent contracts, except through the effect of the interest rate on the K factor, paid pension liabilities and the liability for deferred annuity in respect of these contracts.

<u>The following is a sensitivity test for yield-dependent contracts and the manner by which income (loss) is affected by any change in yields:</u>
Any 1% change in the real return on investments under yield-dependent contracts in respect of policies issued until 2004, the liability amount of which as of December 31, 2023 is approx. NIS 38 billion (December 31, 2022 - approx. NIS 35 billion) affects the variable management fees by approx. NIS 56 million (in 2022 - a total of approx. NIS 53 million) and the fixed management fees by approx. NIS 2 million (with no significant change over last year). The effect of such a change on policies issued from 2004 onwards is immaterial. For further information on variable management fees, see Note 30.
This sensitivity test does not take into account a scenario where management fees are not collected due to negative real return until accumulated positive return is achieved. For details regarding the estimated amount of management fees that will not be collected due to this negative return, see also Notes 30 and 44.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.2 Sensitivity tests regarding market risks for non-yield dependent contracts

In non-participating life insurance policies - most of the life insurance portfolio is for guaranteed-return policies, which are mainly backed by designated bonds (linked life insurance bonds, hereinafter - "Hetz") issued by the Bank of Israel throughout the policy period. Therefore, the Company has overlapping financial coverage in respect of most of its interest and linkage liabilities for the entire life of the policies. As of December 31, 2023, the designated bonds covered approx. 64.39% (as of December, 31, 2022 - approx. 68.95%) of total life insurance liabilities in these plans. Thus, changes in the capital markets may have a material effect on the Group's results of operations. Changes in the Consumer Price Index and exchange rates may also have a material effect on the Group's results of operations.

For the Company's other investments in the life insurance business, there is exposure to interest rates that will prevail upon recycling the investments whose duration may be less than the average duration of insurance liabilities. For these products, as well as for ongoing payment claims, long-term care insurance and income protection insurance, the calculation of the insurance liability is based on the policy's calculative interest rate.

The following are sensitivity tests that show the change in the income (loss) for the period and total comprehensive income (loss) for financial assets, financial liabilities and liabilities in respect of insurance contracts and investment contracts, for the relevant risk variable at each reporting date and assuming that all other variables remain constant. For example, the change in interest rate is taken into account assuming that all other parameters remain constant. The changes in variables are in relation to the carrying amount of the assets and liabilities. It has also been assumed that the aforementioned changes do not reflect a permanent impairment of assets presented at amortized cost or of available-for-sale assets and, therefore, in the above sensitivity tests, no impairment losses were included for these assets. Sensitivity tests reflect only direct effects; they do not reflect secondary effects. It should also be noted that the sensitivities are not linear, such that greater or more minor changes relative to the changes described below are not necessarily a straightforward extrapolation of the effect of these changes.

As of December 31, 2023:

	Interest rates (1) (2)		Investments in equity instruments (3)		% of change in the Consumer Price Index (5)		% of change in foreign currency exchange rates	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS thousand							
Income (loss)	446,657	(501,154)	46,384	(46,384)	(51,287)	51,287	(172,367)	172,367
Comprehensive income (loss) (shareholders' equity) (4)	130,364	(126,204)	450,272	(450,272)	(51,287)	51,287	166,380	(166,380)

As of December 31, 2022:

	Interest rates (1) (2)		Investments in equity instruments (3)		% of change in the Consumer Price Index (5)		% of change in foreign currency exchange rates	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS thousand							
Income (loss)	185,166	(463,971)	59,631	(59,631)	(40,766)(*)	40,766(*)	(242,490)	242,490
Comprehensive income (loss) (shareholders' equity) (4)	14,987	(271,907)	403,757(*)	(403,757)(*)	(40,766)(*)	40,766(*)	55,222	(55,222)

(*) Reclassified.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.2 Sensitivity tests regarding market risks for non-yield dependent contracts (cont.)

(1) The interest rate change sensitivity analysis applies to both fixed interest rate instruments and variable interest rate instruments. The exposure related to fixed interest rates instruments is calculated in relation to the instruments' carrying amount, and the exposure in relation to variable interest rate instruments is calculated in relation to the interest income. Out of assets with direct interest rate risk, the sensitivity tests did not take into account illiquid debt assets classified as loans and receivables, which are not taken into account in liability adequacy testing, and in testing cash and cash equivalents, reinsurance assets, customer loans and collectible checks, assets against participating policies, financial liabilities and reinsurers' deposits and balances. The assets to which the sensitivity analysis was applied constitute approx. 10.5% of total assets for non-yield dependent contracts (December 31, 2022 - 11%).

(2) The sensitivity analysis includes the effect on the insurance liabilities, including the effect of the liability adequacy testing for life insurance and long-term care reserves, as well as income protection and long-term care insurance policies against the value of the portfolio as described in Note 2J. The effect of a 1% decrease in the interest rate on the profit and comprehensive income in respect of insurance liabilities included in the sensitivity analysis is estimated at an approx. NIS 629 million loss after tax (approx. NIS 631 million as of December 31, 2022). The effect of a 1% increase in the interest rate on the profit and comprehensive income in respect of insurance liabilities included in the sensitivity analysis is estimated at an approx. NIS 588 million profit after tax (approx. NIS 351 million as of December 31, 2022). The results 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 reserves balance is exhausted.

(3) Investments in instruments with no fixed cash flows, or alternatively, where the Company has no information about this cash flow (in accordance with the definitions in IFRS 7 - do not include investments in associates). Sensitivity analyses are based on carrying amount. As to derivatives, the effect on exposure was calculated in delta terms.

(4) The sensitivity analyses in relation to the comprehensive income (loss) also reflect the effect on the income (loss) for the period. The calculation takes into account the relevant tax rate for each period.

(5) Non-monetary items were also included in the sensitivity tests for the CPI and currencies.

3.3 Direct interest rate risk

Direct interest rate risk is the risk that a change in the market interest rate will cause a change in the fair value or cash flow resulting from the asset or liability. This risk relates to assets that are cleared in cash. The addition of the word "direct" highlights the fact that the change in interest rates can also affect other types of assets, but not directly, such as the effect of the change in interest rates on stock prices.

The following is a breakdown of assets and liabilities according to exposure to interest rate risks:

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.3 Direct interest rate risk (cont.)

	As of December 31, 2023		
	Non-yield-dependent	Yield-dependent	Total
	NIS thousand		
Assets with direct interest rate risk			
Liquid debt assets	5,773,437	22,136,113	27,909,550
Illiquid debt assets:			
Hetz bonds and treasury deposits	8,300,538	329,901	8,630,439
Other	8,293,383	7,519,758	15,813,141
Other financial investments	1,805,874	4,490,957	6,296,831
Cash and cash equivalents	3,053,023	19,303,547	22,356,570
Reinsurance assets	3,821,206	207,055	4,028,261
Customer loans and collectible checks	1,838,908	-	1,838,908
Total assets with direct interest rate risk	32,886,369	53,987,331	86,873,700
Assets without direct interest rate risk (*)	22,138,848	50,782,181	72,921,029
Total assets	55,025,217	104,769,512	159,794,729
Liabilities with direct interest rate risk			
Financial liabilities	13,342,285	2,233,624	15,575,909
Liabilities in respect to insurance contracts and investment contracts	25,597,196	102,973,291	128,570,487
Deposits by reinsurers and others	1,774,828	59,443	1,834,271
Total liabilities with direct interest rate risk	40,714,309	105,266,358	145,980,667
Liabilities without direct interest rate risk (**)	2,896,536	22,494	2,919,030
Equity capital	10,895,032	-	10,895,032
Total capital and liabilities	54,505,877	105,288,852	159,794,729
Total assets less liabilities	11,414,372	(519,340)	10,895,032
Off-balance sheet risk (commitments to provide credit)	4,722,425	1,679,524	6,401,949

(*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and rental property, deferred acquisition costs and other assets, as well as balance sheet classes of financial assets (collectible premiums current account balances of insurance companies and receivables and debit balances), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

(**) Liabilities that do not have a direct interest rate risk include: tax reserves, various types of debt balances, etc.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.3 Direct interest rate risk (cont.)

	As of December 31, 2022		
	Non-yield-dependent	Yield-dependent	Total
	NIS thousand		
Assets with direct interest rate risk			
Liquid debt assets	5,659,895	21,252,417	26,912,312
Illiquid debt assets:			
Hetz bonds and treasury deposits	8,562,862	312,585	8,875,447
Other	7,898,638	7,994,341	15,892,979
Other financial investments	134,935	474,531	609,466
Cash and cash equivalents	3,439,766	16,358,509	19,798,275
Reinsurance assets	3,045,314	126,935	3,172,249
Customer loans and collectible checks	2,091,271	-	2,091,271
Total assets with direct interest rate risk	30,832,681	46,519,318	77,351,999
Assets without direct interest rate risk (*)	20,628,908	49,536,270	70,165,178
Total assets	51,461,589	96,055,588	147,517,177
Liabilities with direct interest rate risk			
Financial liabilities	11,682,869	1,422,695	13,105,564
Liabilities in respect to insurance contracts and investment contracts	24,147,641(***)	95,352,948(***)	119,500,589
Deposits by reinsurers and others	1,516,378	66,728	1,583,106
Total liabilities with direct interest rate risk	37,346,888	96,842,371	134,189,259
Liabilities without direct interest rate risk (**)	2,767,791	26,729	2,794,520
Equity capital	10,533,398	-	10,533,398
Total capital and liabilities	50,648,077	96,869,100	147,517,177
Total assets less liabilities	11,346,910	(813,512)	10,533,398
Off-balance sheet risk (commitments to provide credit)	3,515,477	1,538,206	5,053,683

(*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and rental property, deferred acquisition costs and other assets, as well as balance sheet classes of financial assets (collectible premiums current account balances of insurance companies and receivables and debit balances), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

(**) Liabilities that do not have a direct interest rate risk include: tax reserves, various types of debt balances, etc.

(***) Reclassified.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.4 Breakdown of assets and liabilities by linkage bases (*)

	As of December 31, 2023							
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR-linked	In foreign currency or linked thereto	Non-financial and other items	Liabilities for yield-dependent contracts	Total
	NIS thousand							
Intangible assets	-	-	-	-	-	3,597,868	-	3,597,868
Deferred tax assets	-	-	-	-	-	109,330	-	109,330
Deferred acquisition costs	-	-	-	-	-	2,685,336	934	2,686,270
Property, plant & equipment	-	-	-	-	-	1,460,392	-	1,460,392
Investments in associates	16,453	19,408	-	-	-	1,615,971	-	1,651,832
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	2,283,063	2,283,063
Investment property - other	-	-	-	-	-	1,238,524	-	1,238,524
Reinsurance assets	1,317,911	2,462,044	41,251	-	-	-	207,055	4,028,261
Receivables and debit balances	643,782	-	160,411	86,320	14,138	-	142,441	1,047,092
Credit for purchase of securities	637,000	-	47,000	33,000	-	-	-	717,000
Current tax assets	-	157,662	-	-	-	-	-	157,662
Premiums collectible	157,102	627,919	198,739	-	-	-	14,535	998,295
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, and deposit certificates	-	-	173,000	-	-	-	-	173,000
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	82,817,937	82,817,937
Credit in respect of factoring, clearing and financing	3,700,349	-	-	-	-	-	-	3,700,349
Other financial investments:								
Liquid debt assets	2,310,084	2,501,021	653,279	258,239	50,814	-	-	5,773,437
Illiquid debt assets	3,968,916	10,648,772	902,447	777,582	296,204	-	-	16,593,921
Shares	-	-	-	-	-	2,287,592	-	2,287,592
Other	385,345	31,476	84,099	19,693	1,238	5,594,483	-	6,116,334
Total other financial investments	6,664,345	13,181,269	1,639,825	1,055,514	348,256	7,882,075	-	30,771,284
Cash and cash equivalents for yield-dependent contracts	-	-	-	-	-	-	19,303,547	19,303,547
Other cash and cash equivalents	2,238,835	-	712,508	77,971	23,709	-	-	3,053,023
Total assets	15,375,777	16,448,302	2,972,734	1,252,805	386,103	18,589,496	104,769,512	159,794,729

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, see the sensitivity table in Section 3.2 to this note.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.4 Breakdown of assets and liabilities by linkage bases (*) (cont.)

	As of December 31, 2023							
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR-linked	In foreign currency or linked thereto	Non-financial and other items	Liabilities for yield-dependent contracts	Total
	NIS thousand							
Total equity	-	-	-	-	-	10,895,032	-	10,895,032
Liabilities								
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	1,219,676	24,324,208	53,312	-	-	-	-	25,597,196
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	102,973,291	102,973,291
Liability for current taxes	-	74,408	-	-	-	-	-	74,408
Deferred tax liabilities	-	-	-	-	-	764,322	-	764,322
Liability for employee benefits, net	74,406	-	-	-	-	-	-	74,406
Payables and credit balances	3,240,046	113	339,546	2,536	4,987	-	81,937	3,669,165
Liabilities for bonds, ETFs, short ETNs and composite ETNs	-	-	171,000	-	-	-	-	171,000
Financial liabilities	10,338,293	1,705,160	1,071,772	91,389	67,155	68,516	2,233,624	15,575,909
Total liabilities	14,872,421	26,103,889	1,635,630	93,925	72,142	832,838	105,288,852	148,899,697
Total equity and liabilities	14,872,421	26,103,889	1,635,630	93,925	72,142	11,727,870	105,288,852	159,794,729
Total balance sheet exposure	503,356	(9,655,587)	1,337,104	1,158,880	313,961	6,861,626	(519,340)	-
Exposure to underlying assets through derivatives in delta terms	4,155,489	1,862,696	(3,148,256)	(2,013,719)	(856,210)	-	-	-
Total exposure	4,658,845	(7,792,891)	(1,811,152)	(854,839)	(542,249)	6,861,626	(519,340)	-

Most of the insurances provided by the Company are denominated in NIS and their exposure to changes in foreign exchange rates is immaterial. Where there is exposure to exchange rates it is mainly due to exposure to the USD and EUR.

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, see the sensitivity table in Section 3.2 to this note.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.4 Breakdown of assets and liabilities by linkage bases (*) (cont.)

	As of December 31, 2022							
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR-linked	In foreign currency or linked thereto	Non-financial and other items	Liabilities for yield-dependent contracts	Total
	NIS thousand							
Intangible assets	-	-	-	-	-	2,991,526	-	2,991,526
Deferred tax assets	-	-	-	-	-	72,649	-	72,649
Deferred acquisition costs	-	-	-	-	-	2,452,273	1,110	2,453,383
Property, plant & equipment	-	-	-	-	-	1,151,443	-	1,151,443
Investments in associates	15,014	19,408	-	-	-	1,559,315	-	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	958,370	2,046,059	40,885	-	-	-	126,935	3,172,249
Receivables and debit balances	618,092	-	108,514	-	-	-	3,687	730,293
Held-for-sale asset	-	-	-	-	-	18,387	-	18,387
Credit for purchase of securities	673,790	-	91,210	-	-	-	-	765,000
Current tax assets	-	157,835	-	-	-	-	-	157,835
Premiums collectible	389,053	303,111	36,163	-	-	-	29,002	757,329
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, and deposit certificates	-	-	201,000	-	-	-	-	201,000
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	77,394,271	77,394,271
Credit in respect of factoring, clearing and financing	3,443,337	-	-	-	-	-	-	3,443,337
Other financial investments:								
Liquid debt assets	1,348,209	2,564,822	1,225,418	367,266	154,180	-	-	5,659,895
Illiquid debt assets	3,600,373	11,315,460	776,345	555,405	213,917	-	-	16,461,500
Shares	-	-	-	-	-	2,402,272	-	2,402,272
Other	106,425	-	93,845	24,017	3,487	4,775,049	-	5,002,823
Total other financial investments	5,055,007	13,880,282	2,095,608	946,688	371,584	7,177,321	-	29,526,490
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	16,358,509	16,358,509
Other cash and cash equivalents	2,494,588	-	658,268	129,606	157,304	-	-	3,439,766
Total assets	13,647,251	16,406,695	3,231,648	1,076,294	528,888	16,570,813	96,055,588	147,517,177

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, see the sensitivity table in Section 3.2 to this note.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.4 Breakdown of assets and liabilities by linkage bases (*) (cont.)

	As of December 31, 2022							
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR-linked	In foreign currency or linked thereto	Non-financial and other items	Liabilities for yield-dependent contracts	Total
	NIS thousand							
Total equity	-	-	-	-	-	10,533,398	-	10,533,398
Liabilities								
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	940,526	23,154,143(**)	52,972	-	-	-	-	24,147,641
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	95,352,948(**)	95,352,948
Liability for current taxes	-	64,793	-	-	-	-	-	64,793
Deferred tax liabilities	-	-	-	-	-	589,897	-	589,897
Liability for employee benefits, net	66,667	-	-	-	-	-	-	66,667
Payables and credit balances	2,850,601	64,661	418,400	-	28,452	-	93,457	3,455,571
Liabilities for bonds, ETNs, short ETNs and composite ETNs	-	-	200,698	-	-	-	-	200,698
Financial liabilities	8,783,861	1,850,188	834,480	103,604	9,742	100,994	1,422,695	13,105,564
Total liabilities	12,641,655	25,133,785	1,506,550	103,604	38,194	690,891	96,869,100	136,983,779
Total equity and liabilities	12,641,655	25,133,785	1,506,550	103,604	38,194	11,224,289	96,869,100	147,517,177
Total balance sheet exposure	1,005,596	(8,727,090)	1,725,098	972,690	490,694	5,346,524	(813,512)	-
Exposure to underlying assets through derivatives in delta terms	4,960,260	2,532,720	(5,034,146)	(1,704,694)	(756,174)	2,034	-	-
Total exposure	5,965,856	(6,194,370)	(3,309,048)	(732,004)	(265,480)	5,348,558	(813,512)	-

(**) Reclassified.

Most of the insurances provided by the Company are denominated in NIS and their exposure to changes in foreign exchange rates is immaterial. Where there is exchange rate exposure, it is mainly due to exposure to the USD and EUR

(*) The data in the table are presented according to accounting classification rules and do not reflect actual foreign exchange exposure. For details on foreign exchange exposure, see the sensitivity table in Section 3.2 to this note.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.5 Details of exposure to economic sectors for investments in shares:

	As of December 31, 2023					
	Traded on the TA 125 Index	Included in the Yeter - Rest of Shares Index	Illiquid - in Israel	Overseas	Total	% of total
	NIS thousand					
Economic sector						
Manufacturing	139,416	46,257	51,354	415,409	652,436	28.60%
Construction & real estate (*)	259,539	103,475	-	86,113	449,127	19.60%
Electricity and water	219,420	35,259	13,351	4,214	272,244	11.90%
Commerce	1,243	20,004	-	-	21,247	0.90%
Communications and IT services	91,053	11,243	-	164,096	266,392	11.60%
Banks	241,007	-	1,848	-	242,855	10.60%
Financial services	55,338	7,590	22,332	30,317	115,577	5.10%
Other business services	69,827	55,911	85,487	56,489	267,714	11.70%
Total	1,076,843	279,739	174,372	756,638	2,287,592	100.00%

(*) There is another exposure to the real estate subsegment due to the investment in investees. For further details, see Note 8 above.

	As of December 31, 2022					
	Traded on the TA 125 Index	Included in the Yeter - Rest of Shares Index	Illiquid - in Israel	Overseas	Total	% of total
	NIS thousand					
Economic sector						
Manufacturing	126,534	54,976	48,886	321,078	551,474	22.80%
Construction & real estate (*)	266,307	72,617	-	90,564	429,488	17.90%
Electricity and water	115,681	42,179	12,435	37,614	207,909	8.70%
Commerce	16,535	1,756	-	-	18,291	0.80%
Communications and IT services	92,296	21,351	-	163,948	277,595	11.60%
Banks	450,156	-	1,695	-	451,851	18.80%
Financial services	79,513	8,040	22,478	23,842	133,873	5.60%
Other business services	143,319	68,180	71,126	49,166	331,791	13.80%
Total	1,290,341	269,099	156,620	686,212	2,402,272	100.00%

(*) There is another exposure to the real estate subsegment due to the investment in investees. For further details, see Note 8 above.

4. Liquidity risks

A possible need to dispose of assets at below-market prices, and raising resources unexpectedly and within a short time may lead to losses. The Group owns, among other things, illiquid assets as well as assets with low marketability. These holdings include corporate bonds, loans, illiquid stocks, stocks with low marketability and alternative investments. The marketability issue is aggravated in times of crisis when the deterioration in the markets adversely affects the ability to liquidate assets.

NOTE 41 - RISK MANAGEMENT (cont.)

4. Liquidity risks (cont.)

The Phoenix Insurance is exposed to risks arising from uncertainty as to when the Company will be required to pay claims and other benefits to policyholders or other liabilities, in relation to the amount of funds available for that purpose at that date. The need for unexpected and short-term borrowing may require the disposal of assets within very short notice at prices that will not necessarily reflect their market value. However, much of its insurance liabilities in the life insurance sector are not exposed to liquidity risk due to the nature of the insurance contracts as described below:

1. Yield-dependent contracts in life insurance - under the terms and conditions of the contracts, policyholders are entitled to receive only the value of the said investments, beyond which The Phoenix Insurance has no obligations. Therefore, if investments are impaired for any reason, there would be a corresponding decline in the Company's liabilities.
2. Approx. 11.97% (12.42% in 2022) of the life insurance portfolio is in respect of contracts that are not yield-dependent but guarantee an agreed return. These contracts are mainly backed by designated bonds (Hetz) issued by the Bank of Israel. The Company is entitled to sell these bonds when the said policies are redeemed.

The liquidity risk of the Group stems therefore mainly from the balance of assets other than designated bonds and not against yield-dependent contracts. These assets constitute approx. 29% (approx. NIS 47 billion) of the Group's total assets (in 2022 - approx. 29%, which amounted to approx. NIS 43 billion). Of the balance of the said assets, a total of approx. NIS 8.1 billion (in 2022 - approx. NIS 7.7 billion) are liquid assets.

Under the Investment Regulations, The Phoenix Insurance must hold liquid assets, as defined in the Investment Rules, against equity and liabilities not arising from its insurance business. The Phoenix meets the liquidity requirements.

Asset and Liability Management (ALM)

The Company manages its assets and liabilities in accordance with the requirements of the Supervision Law and the regulations promulgated thereunder, and in accordance with the Board of Directors' guidelines. The tables below summarize the estimated repayment dates of the Company's uncapitalized insurance and financial liabilities. Since these amounts are not capitalized, there is no adjustment between them and the balance of insurance and financial liabilities as per the balance sheet.

1) The estimated repayment dates for life and health insurance liabilities are included in the tables as follows:
   Saving funds - contractual repayment dates, i.e. retirement age, excluding cancellation assumptions, assuming that all savings will be withdrawn as capital rather than as annuity.
   Paid pensions, disability and paid long-term care - based on an actuarial estimate.
   Other - reported under the column "no defined repayment date".

2) The estimated repayment dates of the gross property and casualty insurance liabilities are calculated on the basis of an actuarial estimate that allocates and estimated date to total non-capitalized liabilities, based on past experience regarding claims payment.
   Total liabilities also include a provision for unexpected deviations and a provision for unearned premium less deferred acquisition costs and premium deficiency.
   Liabilities are subject to reserve risk. The actuarial models are based on the fact that behavior pattern of claims history represents that which will happen in the future, and the estimated cash flow is exposed to model risk and parameter risk, including the risk that the amount paid for the settlement of the Company's insurance liabilities or the date of settlement of the insurance liabilities will be other than expected.

NOTE 41 - RISK MANAGEMENT (cont.)

4. Liquidity risks (cont.)

Asset and Liability Management (ALM) (cont.)

3) The repayment dates of financial liabilities and liabilities in respect of investment contracts were included based on the contractual repayment dates. In contracts where the counter-party may select the timing of payment, the liability is presented on the earliest date on which the Company may be required to pay the liabilities.

4) The table of financial liabilities and liabilities for investment contracts presents an analysis of its financial liabilities, classified according to their remaining term to contractual maturity. Derivative financial liabilities are included in the analysis with their contractual repayment dates that are essential for understanding the timing of cash flows. The amounts shown in the table are non-discounted contractual cash flows. The Group has various sources for repayment of the liabilities shown in the table.

Liabilities in respect of life and health insurance contracts (*)

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Over 15 years	No defined repayment date	Total
	NIS thousand						
As of December 31, 2023	3,883,184	7,235,656	1,829,253	996,452	1,083,865	2,892,876	17,921,286
As of December 31, 2022	3,520,474	6,676,526	1,946,837	999,650	1,071,175	2,899,251	17,113,913

(*) Excludes liabilities in respect of yield-dependent contracts and liabilities of provident fund management companies.

Liabilities in respect of property and casualty insurance contracts

	Over one year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	No defined repayment date	Total
	NIS thousand				
As of December 31, 2023	4,652,309	1,399,576	1,742,848	-	7,794,733
As of December 31, 2022	3,983,771	1,318,531	1,653,378	-	6,955,680

NOTE 41 - RISK MANAGEMENT (cont.)

4. Liquidity risks (cont.)

Financial liabilities and liabilities in respect of investment contracts

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Over 15 years	Total
	NIS thousand					
As of December 31, 2023:						
Liquid bonds	327,552	1,506,992	972,281	-	-	2,806,825
Credit from banking corporations	389,958	639,053	197,036	-	-	1,226,047
Loans from non-bank entities	656,524	208,428	-	-	-	864,952
Short sales	1,038,609	-	-	-	-	1,038,609
Liability for REPO	2,014,342	-	-	-	-	2,014,342
Subordinated notes	553,884	2,230,824	2,602,387	-	-	5,387,095
Derivatives	1,552,845	-	-	-	-	1,552,845
Trade receivables for credit cards	1,754,711	-	-	-	-	1,754,711
Lease liability	40,322	55,698	27,979	-	-	123,999
Total financial liabilities	8,328,747	4,640,995	3,799,683	-	-	16,769,425
Liabilities in respect of yield-dependent investment contracts (*)	23,787,779	-	-	-	-	23,787,779

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Over 15 years	Total
	NIS thousand					
As of December 31, 2022:						
Liquid bonds	100,108	1,180,567	1,074,433	-	-	2,355,108
Short-term credit from banking corporations	577,658	-	-	-	-	577,658
Loans from non-bank entities	483,354	393,047	-	-	-	876,401
Short sales	1,189,653	-	-	-	-	1,189,653
Liability for REPO	722,370	-	-	-	-	722,370
Subordinated notes	546,018	2,562,201	1,802,335	-	-	4,910,554
Derivatives	1,693,315	-	-	-	-	1,693,315
Trade receivables for credit cards	1,571,513	-	-	-	-	1,571,513
Lease liabilities	35,155	63,448	11,138	-	-	109,741
Total financial liabilities	6,919,144	4,199,263	2,887,906	-	-	14,006,313
Liabilities in respect of yield-dependent investment contracts (*)	20,815,236	-	-	-	-	20,815,236

(*) These liabilities were classified as repayable within up to one year, although actual repayment dates may be in later years.

5. Insurance risks

The Group is exposed to risks associated with insurance policy pricing and insurance liabilities assessment. The insurance policies sold by The Phoenix Insurance cover various risks such as life expectancy, morbidity, natural disasters and theft. Pricing of policies and assessment of insurance liabilities is based on past experience, assessment of the current legal situation and evaluation of the change in other risk factors. Insurance risk includes, inter alia:

Underwriting risks: The risk of using incorrect prices due to deficiencies in the underwriting process and the gap between the risk when pricing and setting the premium, and the actual realization, such that the premiums collected are insufficient to cover future claims and expenses. The discrepancies may be due to accidental changes in business results and changes in average claim costs and/or the incidence of claims as a result of various factors.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

Reserve risks: The risk of inadequate assessment of insurance liabilities which may result in actuarial reserves being insufficient to cover all liabilities and claims. The actuarial models according to which, among other things, the Company assesses its insurance liabilities, are based on the fact that the pattern of behavior and claims in the past represents that which is to happen in the future. The Company's exposure is composed of the following risks:

1) Model risk - the risk of selecting the wrong model for pricing and/or assessing the insurance liabilities.
2) Parameter risk - the risk of using incorrect parameters, including the risk that the amount to be paid for the settlement of the Company's insurance liabilities or the date of settlement will be different than expected.

Catastrophe risk: Exposure to the risk that a single event of major impact (catastrophe) such as natural disaster, epidemic, war, terror, or earthquake will result in significant damage.

As of December 31, 2023, total estimated loss in the property and casualty insurance business (other property subsegments) as a result of exposure to a single unusual substantial damage or an accumulation of damages in respect of a particularly large event in terms of the expected maximum possible loss (MPL) constitutes 2.0% of the exposure - approx. NIS 11,748 million (gross) and approx. NIS 102 million in retention as of December 31, 2023.

The Phoenix Insurance acquires a non-proportional reinsurance contract that protects against death and disability from a catastrophe event. The contract purchased is an excess loss-type contract that protects the accumulation of The Phoenix Insurance's self-insured retention from life insurance, personal accidents and travel insurance policies. The coverage purchased in 2023 was NIS 500 million after deductibles of NIS 20 million, and the coverage purchased for 2024 stands at NIS 550 million after deductibles of NIS 20 million. As part of the contract for 2024, war and terrorism coverage were mostly excluded therefrom due to the events of the Iron Swords War.

For further information regarding the various insurance subsegments in respect of which the insurer is exposed to insurance risk, see the breakdown of the insurance liabilities by insurance risk in Note 3.

5.1. Insurance risk in life and health insurance contracts

5.1.1. General

The following is a description of the various insurance products, methods and assumptions used to calculate the liabilities in respect thereof according to the product type.

In general, according to the Commissioner's directives, the insurance liabilities are calculated by an actuary according to generally accepted actuarial methods and consistently with the previous year. The liabilities are calculated according to the relevant coverage data, such as: age and gender of the policyholder, the insurance term, the policy commencement date, type of insurance, periodic premium and insurance amount.

5.1.2. The actuarial methods for calculating insurance liabilities

1) "Adif" and "Investment Tracks" type of insurance plans:

There is an identified savings component in "Adif" and "Investment Tracks" type insurance plans. The basic and principal reserve is the amount of savings accrued plus the return according to the policy's terms and conditions as follows:

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.2. The actuarial methods for calculating insurance liabilities (cont.)

1) "Adif" and "Investment Tracks" type of insurance plans: (cont.)

- Principal linked to investment portfolio's yield (for yield-dependent contracts).
- Principal linked to the CPI plus a guaranteed fixed interest rate or guaranteed return against adjusted assets (for guaranteed return contracts).

For insurance components attached to these policies (income protection, life, long-term care, etc.), an insurance liability is calculated separately, as stated below.

2) "Mixed" and similar ("Traditional") insurance plans:

"Mixed" insurance plans and the like combine a component of a savings amount in the event that the policyholder is alive at the end of the term of the plan with a mortality risk component during the term of the plan. For these products, an insurance liability is calculated for each cover as discount of the cash flow in respect of the expected claims, including payment at the end of the period, less expected future premiums. This calculation is based on the assumptions on which the products are priced and/or the assumptions derived from claims history, including interest rates (hereinafter - "calculative interest rate"), mortality or morbidity table. The calculation is done using a method known as net premium reserve, which does not include in the expected inflows the component included in the premium rate to cover fees and expenses, but on the other hand - does not deduct the expected expenses and fees.
For traditional yield-dependent products, the reserve is calculated in accordance with the actual yield minus management fees.

3) Liabilities for paid allowances are calculated in accordance with the expected life expectancy on the basis of the most recent mortality tables published by the Actuary of the Capital Market, Insurance and Savings Authority.

4) Liabilities for lifetime annuities in respect of policies that have not yet reached the stage of actual retirement benefit payment or have not reached retirement age are calculated in accordance with the probability of withdrawal of the retirement benefit and the expected life expectancy as well as the cancellation rates expected in the benefit portfolio until retirement date.
Provision for a supplementary retirement pension reserve is made gradually, for policies the saving component of which depends solely on yield (hereinafter - "yield-dependent policies"), in accordance with the Commissioner's directives, given the expected income from the policies until the policyholders' retirement date.
The gradual provision is made by using the K value in which the K is limited to the expected future income from management fees arising from the investments held against the insurance reserves or from premium payments less claims and expenses relating to said policies. The K is set to result in a proper gradual accumulation of the reserve until the expected retirement age.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.2. The actuarial methods for calculating insurance liabilities (cont.)

4) (cont.)

K factor values used by the Company

	As of December 31, 2023	As of December 31, 2022
	%	
In respect of guaranteed return policies	-	-
In respect of yield-dependent insurance policies	0.85	0.85

The supplementary retirement pension reserve included in The Phoenix Insurance's books totaled as of December 31, 2023 and 2022, approx. NIS 1,996 million and approx. NIS 1,870 million, respectively. The balance of reserves to be carried to profit and loss in accordance with the current measurement provisions (regarding future application of IFRS 17, see Note 2V), by using the discounting factors K as mentioned above, on a gradual basis until the policyholders reach retirement age, amounted to approx. NIS 1,901 million and approx. NIS 1,762 million as of December 31, 2023 and 2022, respectively.

During 2023, changes were made to several estimates and assumptions used to calculate the reserves. For further details, see Section 5.1.10.

5) Other life insurance plans include pure risk products (PHI, life, disability, etc.) that are sold as standalone policies or are attached to policies with a base plan such as "Adif", "Investment Tracks" or "Traditional" policy. For some of these plans, an actuarial liability is calculated. For some of these plans the "Net Premium Reserve" method was employed, which is described above, and for some of the calculation plans the "Gross Premium Reserve" method was employed, which includes in the expected inflows all premium components and deducts the expected expenses, fees and commissions; negative provisions were not offset against positive provisions.

6) In health insurance plans, including critical illness, an actuarial liability is calculated using the gross premium reserve method, which includes in the expected inflows all premium components and deducts the expected expenses, fees and commissions; negative provisions were not offset against positive provisions.

7) For fixed-premium policies in the individual LTC portfolio, the premium reserve is calculated using the net premium reserve method, which does not include in the expected inflows the component included in the premium rate to cover fees and expenses, but on the other hand - does not deduct the expected expenses and fees. This is since the New Premium Reserve method is not based on demographic assumptions and updated economic assumptions, but rather on the underlying assumptions of the products' pricing.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.2. The actuarial methods for calculating insurance liabilities (cont.)

7) (cont.)

In accordance with the guidance of the Consolidated Circular (Section 5, Part 4, Chapter 1 "Measurement of Liabilities"), the Company conducts liability adequacy testing in respect of its individual long-term care portfolio. For the purpose of conducting the LAT, the Company calculates a reserve for long-term care policies, using the Gross Premium Reserve method, which is based on best estimate of actuarial assumptions, and also takes into consideration an insurance risk that cannot be spread; if the reserves according to the Gross Premium Reserve method are higher than those calculated according to the Net Premium Reserve method, the Company makes an additional provision at the amount of the two types of reserves. This provision is known as the LAT reserve.

8) Liability in respect of ongoing claims, long-term care insurance and disability is calculated in accordance with the expected payment period.

9) Liability in respect of contingent life and health insurance claims are calculated based on the Company's experience.

10) Liability for claims incurred but not reported (IBNR) in life and health insurance is calculated based on the Company's experience.

11) The insurance liability for collective insurance consists of a reserve for paid claims, a reserve for contingent claims, a reserve for IBNR (claims incurred but not reported) and a provision for future losses, as required.

12) In collective life and health insurance, including dental and sick leave insurance, an actuarial liability is calculated on the basis of the specific collective experience.

5.1.3. The discount rate

1. For "Mixed" and the like ("Traditional") insurance plans (see 5.1.2 (2) above), the interest rate used for discount purposes is as follows:
In insurance plans which are backed mostly by designated bonds, calculative interest is set at rates ranging between approx. 3% and approx. 5% (linked); in respect of yield-dependent products that were issued from 1991 and thereafter, cumulative interest is set at the rate of 2.5% (linked). According to the policy terms and conditions, changes in interest rates will be credited to policyholders.

2. For liabilities in respect of payment of future paid pension annuities in insurance plans which are backed mainly by designated bonds (guaranteed return portfolio), and in liabilities in respect of some of the long-term care products, the Company uses risk-free interest plus illiquidity premium weighted by the nominal interest rates of the designated bonds where relevant, in accordance with the liabilities' average duration. In addition, a decrease in the long-term interest rate may cause an increase in the insurance reserves. For further details regarding the illiquidity premium, see Section 5.1.10.

3. In insurance plans that are not backed by designated bonds, the calculative interest rate, or expected return, is used in relation to the mix of portfolio of assets backing these liabilities.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.4. Mortality and morbidity rates

1. The mortality rates used to calculate insurance liabilities in respect of policyholders who die before reaching retirement age (i.e., excluding the death of policyholders receiving pension annuities and of recipients of monthly income protection or long-term care compensation) are calculated based on the Company's experience. In 2022, a study was conducted regarding mortality rates among active policyholders holding a life insurance policy. The study reached the conclusion that the mortality tables used by the Company match the Company's past experience, and no changes are required to the existing assumptions.

2. The liability for lifetime annuities is calculated in accordance with up-to-date mortality tables published by the Capital Market, Insurance and Savings Authority. A fall in the mortality rate will increase insurance liabilities for lifetime annuities. It should be noted that in recent decades, life expectancy has increased and mortality rates have declined. The mortality assumption used to calculate the pension annuity also takes into account an expected future increase in life expectancy. During 2022, the Company updated its mortality rates as from the date of commencement of the annuity payment, including future mortality improvements, following the publication - on June 30, 2022 - of Insurance Circular 2022-9-18 regarding "Amendment of the Consolidated Circular on Measurement of Liabilities - Update of the Life Insurance Demographic Assumptions and for Pension Funds". For further details, see Section 5.1.10C below.

3. Morbidity rates refer to the prevalence of claims for morbidity from critical illnesses, disability, long-term care, surgery and hospitalization, accident disability, etc. These rates are determined based on the Company's experience or studies by reinsurers. In addition, in the long-term care and PHI subsegments, an assumption is made as to duration of annuity payments based on Company's experience or studies of reinsurers.
The higher the discount rate assumption and the longer the duration of the annuity payment, the higher the insurance liability for critical illness, PHI, long-term care, surgery and hospitalization and accidental disability.

5.1.5. Annuity uptake rates

In respect of funds deposited through 2008, life insurance contracts, which include a savings component, were managed under two tracks: equity or annuity. In some of the contracts, the policyholder may select the track at the retirement date. Since the insurance liability amount differs in each of these two tracks, the Company must determine the rate of policies in which the policyholders will select the annuity track. This rate was determined based on Company's experience. As from 2008, all plans are for annuities. During 2022, the Company updated the annuity and pension uptake rates, following the implementation of a study estimating the retirement age distribution and uptake rates across multiple age groups.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.6. Cancellation rates

The cancellation rate affects insurance liabilities. Cancellation of insurance contracts can also stem from the cancellation of policies initiated by the Company due to termination of premium payments or policy redemptions at the request of the policyholders. The cancellation rates assumptions are based on the Company's experience and on the product type, product life and sales trends. During 2023, the cancellation rates were updated, in accordance with a study. For further details, see Section 5.1.10 below.

5.1.7. Continuity rates

The Phoenix Insurance has collective insurance where the policyholder is entitled to continue to be insured under the same terms and conditions under individual policies without undergoing again the medical underwriting process, even if the collective contract is not renewed. In respect of this option available to the policyholder, The Phoenix Insurance has a liability based on assumptions regarding the continuity rates of the collective insurance, and the continuity rates of the contracts with the policyholders after the termination of the collective contract. The greater the probability that the collective contract will not be renewed, the greater the insurance liability due to continued insurance under previous terms and conditions, without adjusting the underwriting to the change in the policyholder's health.

5.1.8 Liability adequacy testing (LAT)

a) Life insurance

The Phoenix Insurance performs LAT testing in life insurance as detailed in Note 2J(1)(e). As of December 31, 2023 and December 31, 2022, the LAT results do not indicate a deficiency in existing reserves.

b) Health insurance (long-term care)

The Phoenix Insurance periodically tests the liability adequacy in health and LTC insurance as detailed in Note 2J(1)(b). The insurance liabilities in health insurance (LTC) in respect of the LAT reserves amounted to approx. NIS 74 million and approx. NIS 216 million, respectively, on December 31, 2023 and December 31, 2022, respectively. This test is calculated by discounting cash flows based on risk-free interest, plus the illiquidity premium calculated by an independent external consultant in accordance with the Supervision circular (for further details, see Section 5.1.10C). The change in the liability balance includes the effect of changes in the interest rate curves, data and model improvement and effects in respect of actuarial studies. For details on the changes in the interest rate curve and actuarial assumptions, see Section 5.1.10 below.

c) Offsetting excess value of illiquid assets against LAT reserves

Excess value is defined as the positive difference between assets' fair value and their carrying amounts.

Set forth below is a table describing the excess value of assets used to offset the LAT reserves by segment.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.8 Liability adequacy testing (LAT) (cont.)

c) (cont.)

The Phoenix Insurance is not subject to any external or internal restrictions on asset allocation to implement the optimal allocation procedure as aforesaid.

	As of December 31, 2023		As of December 31, 2022	
	Health	Property and casualty insurance	Health	Property and casualty insurance
	In NIS million			
Total fair value	169	300	169	209
Amount offset from the LAT reserves and best practice	169	300	169	209
Balance of excess value that has not yet been offset	-	-	-	-

The Phoenix Insurance has formulated an asset allocation procedure with excess value against the LAT reserves; set forth below are the key points of the procedure:

a) The investment with the highest excess fair value shall be used to offset LAT reserves.

b) All other investments shall be allocated pro rata in accordance with the reserve amounts.

c) The excess value shall in no event exceed the LAT reserves.

d) Assets for which the difference between the fair value and the carrying amount is negative shall not be offset against the LAT reserves.

e) The balance of the reserve after deducting the UGL is not lower than the liability's best estimate.

5.1.9. Life and health insurance sensitivity analyses (*)

	Rate of cancellations (redemptions, settlements, and reductions)		Morbidity rate		Mortality rate		Annuity uptake rate	
	+10%	-10%	+10%	-10%	+10%	-10%	+5%	-5%
As of December 31, 2023	NIS thousand							
Comprehensive income (loss)	47,914	(55,226)	(355,219)	217,628	441,580	(507,128)	(90,986)	89,818

	Rate of cancellations (redemptions, settlements, and reductions)		Morbidity rate		Mortality rate		Annuity uptake rate	
	+10%	-10%	+10%	-10%	+10%	-10%	+5%	-5%
As of December 31, 2022	NIS thousand							
Comprehensive income (loss)	46,508	(53,220)	(347,665)	277,627	418,874	(467,342)	(83,748)	83,406

(*) For the purpose of calculating the sensitivity analyses, the assumptions used to calculate the liabilities were multiplied by the rates stated in the cancellation, morbidity and mortality scenarios. For the purpose of calculating a sensitivity analysis for the rate of pensioners opting for annuity, the Company added and deducted the rate of pensioners opting for annuity used to calculate the liabilities at a stated rate of 5%. The results of the sensitivity analyses are after tax.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.10 Changes to the main assumptions used in the calculation of insurance liabilities for life and health insurance contracts:

A. The Phoenix Insurance performs LAT testing, including of the supplementary retirement pension reserve. The assumptions used for the above tests include assumptions for cancellations, operating expenses, mortality, pension uptake and morbidity rates and are determined by the actuary based on tests, past experience and other relevant studies. During the reporting year, some of the assumptions were updated, in accordance with the experience gained by The Phoenix Insurance. For details regarding the changes in assumptions, see Section 5.1.10(c) below.

B. **Completion of studies regarding costs in connection with disability insurance coverage**
During the course of the reporting year, the Company completed studies regarding costs in connection with disability insurance coverage. As a result of the implementation of the studies, the (retention) reserves decreased by approx. NIS 59 million, as follows:

- The claims expenses study: An approx. NIS 65 million increase in reserve (retention).

- The morbidity study (study about the incidence and duration of claim payments): An approx. NIS 124 million decrease in reserves (retention).

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.10 Changes to the main assumptions used in the calculation of insurance liabilities for life and health insurance contracts: (cont.)

C. **Following is the effect of the main changes described above on retention insurance liabilities in the life and health segments:**

	For the year ended December 31		
	2023	2022	2021
	In NIS million		
Life insurance segment:			
Effect of updating assumptions regarding rates of annuity uptake (see Section 5.1.5)	-	(462)	(55)
Effect of updating other assumptions on the supplementary pension reserve and paid pensions	(5)	(12)	(12)
Effect of updating assumptions on the expense rates	-	(1)	(13)
Effect of updating assumptions on the mortality and morbidity rates (see Section 5.1.4)	-	364	-
Change in the discount rate used in the calculation of the supplementary retirement pension reserve and paid pensions	(89)	(560)	46
Change in the supplementary retirement pension and paid pension reserve following the application of the illiquidity premium circular(*)	-	-	(66)
ect of the revised assumptions regarding the cost of claims in disability insurance (see Section B)	(59)	-	-
Total increase (decrease) in liabilities on retention in the life insurance segment	**(153)**	**(671)**	**(100)**
Health insurance segment:			
Effect of updating of assumptions on the cancellation rates:			
LAT	(8)	(16)	159
Other	-	25	(21)
Effect of updating assumptions on the expense rates:			
LAT	-	(21)	(204)
Other	8	(63)	(23)
Effect of updating assumptions on the mortality and morbidity rates:			
LAT	-	-	293
Other	-	38	(42)
Change in LAT reserve following a change in the discount rate	(147)(**)	(919)(**)	429
Change in the LAT reserve following application of the illiquidity premium circular (*)	-	-	(298)
Total increase (decrease) in liabilities on retention in health insurance segment	**(147)**	**(956)**	**293**
Total increase (decrease) in liabilities on retention before tax in life insurance and health segments	**(300)**	**(1,627)**	**193**
Total increase (decrease) in liabilities on retention after tax in life insurance and health segments	**(197)**	**(1,071)**	**127**

(*) For further details, see the financial Statements as of December 31, 2021.
(*) 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, see Section 5.2.2.5A.

5.2 Insurance risk in property and casualty insurance contracts

5.2.1. Summary description of the main insurance subsegments in which The Phoenix Insurance operates

The Phoenix Insurance underwrites insurance contracts in the property and casualty insurance segments, mainly in compulsory motor, liability, motor property and other property subsegments.

A compulsory motor insurance policy covers the policyholder and driver for any liability they may incur under the Road Accident Victims Compensation Law, 1975 for bodily harm caused by the use of a motor vehicle to the driver, passengers or pedestrians injured by the vehicle. Compulsory motor claims are characterized by a "long tail", which means that often a long-time elapses from the date of the incident until the claim's final settlement date.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.1. Summary description of the main insurance subsegments in which The Phoenix Insurance operates (cont.)

Liability insurance is intended to cover a policyholder's liability for damage that he/she may cause to a third party. The main types of insurance are: third party liability insurance, employers' liability insurance, other liability insurance such as professional liability, product liability and directors' and officers' liability. The timing of claims' filing and settlement is influenced by a number of factors, such as the type of coverage, policy terms and conditions, as well as legislation and legal precedents. Liability claims are typically characterized by a "long tail", that is, sometimes a long-time elapses from the date of the incident to the final settlement date of the claim.

Motor damage insurance policies and motor property damage third-party policies provide policyholders with coverage for property damage. Coverage is usually limited to the value of the damaged vehicle. The motor property insurance rate and the policy as a whole require approval by the Insurance Commissioner and is a differential actuarial rate (non-uniform for all policyholders and risk-adjusted). The said rate is based on a number of parameters, both those related to the vehicle insured under the policy (such as vehicle type, year of manufacture, etc.) and those related to characteristics of the policyholder (driver's age, claim history, etc.). The underwriting process is carried out partly through the rate itself and partly through a system of procedures designed to review the policyholder's claims history, including presenting a no claims certificate for the past three years from the previous insurer, presenting evidence of up-to-date protection, etc. In addition, they are automatically integrated into the policy production process. In most cases, motor property insurance policies are issued for a one-year period. In addition, in most cases, claims in respect of these policies are investigated close to the date of the insured event (short tail).

Property insurance is intended to provide policyholders with coverage against physical damage to his/her property and loss of income due to damage to the property.
The main risks covered by property policies are fire, explosion, burglary, pipes, earthquake and natural disasters. Property insurance often includes loss-of-income damage due to the physical damage caused to the property. Property insurance is an important part of home insurance, business insurance, engineering insurance, cargo in transit (marine, land and air), etc. In most cases, claims for these policies are investigated as of the date of the insured event.
The Phoenix Insurance is also engaged in the issuance policies covering guarantees under the Sale Law.

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance

5.2.2.1. General

A. Liabilities in respect of property and casualty insurance contracts include the following main components:
   - Provision for unearned premium.
   - Provision for the difference between the reserve for unexpired risks and the unearned premium.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.1. General (cont.)

A. (cont.)

- Contingent claims including indirect expenses for their settlement.

The provision for unearned premiums and deferred acquisition costs is calculated in a way that does not depend on any assumptions and is therefore not exposed to reserve risk. As to how these provisions are calculated, see Note 2 above on accounting policies.

B. In accordance with the Commissioner's Directives, contingent claims are calculated by an actuary, using generally acceptable actuarial methods that are consistent with the previous year. The choice of the appropriate actuarial method for each insurance subsegment and for each event or underwriting year is determined by exercising judgment on the degree of the method's suitability to the subsegment, and sometimes the various methods are combined. The assessments are mainly based on past experience in the development of claim payments and/or development of the amount of specific payments and estimates. The assessments include assumptions about the average claim cost, claims handling costs, and prevalence of claims. Additional assumptions may take into account changes in interest rates, exchange rates and timing of payments. Claim payments include direct and indirect expenses to settle claims, less subrogation and deductibles.

C. The use of actuarial methods based on the development of claims is particularly appropriate when there is concrete and satisfactory information on claims payments and/or individual assessments to estimate the total expected cost of claims. When the information available in the actual claims history is insufficient, the actuary sometimes uses a calculation that weights a known estimate (in the Company and/or industry) such as LR and the actual claims development. Greater weight can be estimated based on experience as time goes on and further information about the claims accumulates.

D. In addition, qualitative assessments and judgment are included regarding the extent to which past trends will not continue in the future. For example, due to a one-off event, internal changes such as a change in the portfolio mix, underwriting policies and claims handling procedures, as well as the effect of external factors such as court rulings, legislation, etc. When such changes were not fully reflected in past experience, the actuary updates the models and/or makes specific provisions based on statistical and/or legal assessments, as applicable.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.1. General (cont.)

E. Actuarial valuation is based on statistical estimates that include a component of uncertainty. The statistical estimate is based on various assumptions, which will not necessarily materialize, such that the actual cost of claims may be higher or lower than the statistical estimate.

F. In large claims of a non-statistical nature, the reserve is determined (gross and retention) based on the opinion of the Company's experts and in accordance with the recommendations of their legal counsel.

G. The share of reinsurers in the contingent claims is estimated taking into account the type of agreement (proportional or non-proportional) and the actual claims history.

H. The assessment of the contingent claims for The Phoenix Insurance's share in the Pool, ceded business and joint insurance received from other insurance companies (leading insurers) was based on a calculation made by the Pool or by the leading insurers or the Company.

I. Liability adequacy testing in respect of property and casualty insurance - the reserves are tested while applying the Commissioner's position regarding best practice for actuaries in calculating property and casualty insurance reserves for the purpose of inclusion in the financial statements such that they adequately reflect the insurance liabilities. The Commissioner's position includes, among others, the following:

- An "adequate reserve to cover the insurer's liabilities" means that it is fairly likely that the insurance liability set will be sufficient to cover the insurer's liabilities. In the case of contingent claims in the compulsory motor and liability subsegments, the estimate of "fairly likely" shall mean a probability at least 75%. However, to the extent that there are limitations to the statistical analysis, the actuary will exercise discretion and may use acceptable actuarial methods. The following are examples of possible treatment of such limitations:
  - For random risk - examining several actuarial methods and using discretion in determining the estimate in relation to the results of the various methods.
  - For systemic risk - identifying significant systemic (internal and external) effects, and using discretion in how to combine them.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.1. General (cont.)

I. (cont.)

- The discount rate appropriate for the prudence test is based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities. In addition, this test must take into account the revaluation of the assets in the financial statements against the liabilities.
- Aggregation - for the purpose of calculating spreads for uncertainty in statistical subsegments (as defined in the circular), each subsegment must be treated separately, but the risks from all underwriting years (or damage) may be aggregated. In non-statistical subsegments, all subsegments may be treated as a single one. In addition, the lack of full correlation between various subsegments may be taken into account in order to reduce the overall spread.
- Determining the total insurance liabilities for policies sold close to the reporting date and risks subsequent to the reporting date.

5.2.2.2. Details of actuarial methods in the major insurance subsegments

A. Motor property subsegment

In the motor property subsegment, most liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio or chain ladder), taking into account the types of cover such as comprehensive or third party, types of vehicles - such as vehicles up to 3.5 tons and above 3.5 tons, and the types of damages such as accident, theft and natural disaster.
For the last months of damage in respect of which there are insufficient data, the average method is also used to determine the cost per claim in respect of the policy.
The Claims Department's specific assessments are taken into account in cases of long-tail claims and claims stemming from car theft and natural disaster.

In specific assessments, the deductible amount that will be collected from the policyholder is taken into account.
Subrogations are taken into account, as the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate provision was calculated for indirect expenses for settling claims.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.2. Details of actuarial methods in the major insurance subsegments (cont.)

B. Compulsory motor and liability subsegments

In the compulsory motor and liability subsegments, liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio/chain ladder). For periods in respect of which there are insufficient data, the cost of claims based on the use of *a priori* LR rate is combined with the payment development model and/or the development of payments and contingent claims (Bornhuetter-Ferguson). Sometimes the cost per claim per policy. The "tail" development was calculated using the Sherman model.

The Claims Department's specific assessments are taken into account in cases of long tail contingent claims and large claims.

The contingent claims were estimated on a gross basis and separately at the reinsurance level. The assessment of the reinsurer's share in excess of loss contract claims for the last three underwriting years was calculated on the basis of a distribution adjustment model for the major claims, taking into account the known claims for these years. In previous underwriting years, the assessment is in accordance with the actual claims.

Assessments for facultative reinsurance were made using a separate model from the other claims (gross and retention). Individual assessments include the portion of the deductible that will be collected from the policyholder.

Subrogations are taken into account; in addition, the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate provision was calculated for indirect expenses in respect of settling claims.

C. Property and other subsegments

In property and other subsegments, liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio or chain ladder). For periods in respect of which there is in respect of which there are insufficient data, the averaging method is also used to determine the cost per claim.

The Claims Department's specific assessments are taken into account in cases of long-tail claims and claims that derive from natural disaster. The assessment of contingent claims was made at a gross level, and the reinsurance for quota and surplus contracts is calculated in accordance with actual claims and in accordance with the terms and conditions of the contract.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.2. Details of actuarial methods in the major insurance subsegments (cont.)

C. Property and other subsegments (cont.)
Assessments for facultative reinsurance were made using a separate model from the other claims in subsegments in which the reinsurer's share constitutes a material proportion. The individual assessments include the deductible amount to be collected from the customer.
Subrogations are taken into account, as the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate provision was calculated for indirect expenses for settling claims.

D. Subsegments in which no actuarial valuation has been performed
Within the framework of vessel and aircraft insurance, other risks and ceded business, the contingent claims were included based on specific assessment of each claim at the discretion of the lawyers and The Phoenix Insurance's experts who handle claims, and according to reporting by companies providing ceded business as well as IBNR, as far as required. During 2023, a risk assessment was conducted in respect of the Sale Law guarantees activity, through an external expert in field of risk management.

5.2.2.3. The main models for determining insurance liabilities in property and casualty insurance

Chain ladder / Link ratio

These methods are based on the development of historical claims (the development of payments and/or the development of total claims as well as the development of the number of claims), in order to assess the development that is expected of existing and future claims. The use of this method is best suited after a sufficient period has elapsed since an event has occurred or the policy underwritten, where sufficient information is available from claims history in order to estimate the total expected claims. The difference between the two methods stems from the way average development is calculated (simple or weighted average). In subsegments where claims are high, in addition to the average development coefficient, the standard deviation of the development coefficients is calculated.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.3. The main models for determining insurance liabilities in property and casualty insurance (cont.)

BF (Bornhuetter-Ferguson)

This method combines an early (*a priori*) estimate commonly used in the Company or subsegment with an additional estimate based on the claims themselves. The preliminary estimate uses the premiums and the rate of damages to estimate total claims. The second estimate uses actual claim history, based on other methods (such as chain ladder). The combined claims assessment weighs both estimates, giving greater weight to an assessment based on claims history experience based on longer periods of time in which further information about the claims accumulates. The use of this method is adequate when there is insufficient information.

The averages

Sometimes, such as in the case of the Bornhuetter-Ferguson method, where claims history in recent periods are insufficient, historical averaging is used. This method determines the expected claim amount based on average claims in early periods multiplied by the number of claims forecast (another way of calculating is by multiplying the historical cost of the claim by the number of policies in the relevant period).

The Sherman model

A mathematical model that addresses the adjustment of nonlinear distribution to the development coefficients calculated using the chain ladder or link ratio methods. Through the distribution, the development coefficients can be calculated for periods for which the Company has no information (the "tail of development").

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.4 Government decision on changing the settlement mechanism between the National Insurance Institute and the insurance companies regarding road accidents

The National Insurance Law (Combined Version) 1995 (hereinafter - the "National Insurance Law") authorized the National Insurance Institute (the "NII") as a corporation operating as an insurance entity by virtue of that law. Pursuant to Section 328 of the National Insurance Law, where the NII has a liability to pay an annuity to a victim, and at the same time a liability arises to a third-party to pay compensation to that victim in respect of the same event, the NII may receive indemnification from the said third party in respect of annuities it has paid or is required to pay. Following negotiations held between the Israeli Insurance Association and NII, pursuant to the approval of the Competition Commissioner, the parties reached a new subrogation agreement, which regulates the NII's indemnification right and lists, among other things, the circumstances in which the Company may reject the subrogation demand and indemnification rates. Following the above, in July 2015, the Company signed a subrogation agreement with the National Insurance Institute.

Further to the said agreement, in March 2018, the Economic Efficiency Law (Legislative Amendments for the Achievement of Budgetary Targets 2019), 2018 was published, whereby the individual subrogation right available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law in respect of road accidents occurring as from January 1, 2014, will be revoked, and - as a result - the agreements signed to regulate this right will be terminated. In lieu of this right of subrogation, a netting arrangement was established, under which a fixed amount will be transferred from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. The said agreement shall apply to all accidents occurring as from January 1, 2019 and thereafter; insurance companies' liability with regard to road accidents that occurred between January 1, 2014 to December 31, 2018 shall also be regulated. Following the amendment, after negotiations between the insurance companies and the National Insurance Institute, in July 2021 a revised agreement was signed with the National Insurance Institute, which replaces the overall netting mechanism set in the Economic Efficiency Law, 2019. In accordance with the arrangement reached between the parties, the insurers transferred to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022; the previous subrogation agreement of 2015 continues to apply in respect of those years.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.4 Government decision on changing the settlement mechanism between the National Insurance Institute and the insurance companies regarding road accidents (cont.)

It was agreed that in respect of road accidents as from January 2023, the subrogation agreement shall not apply; on the other hand, in 2023-2024, 10% of the insurance premiums collected each year will be transferred to the National Insurance Institute; in respect of road accidents occurring as from 2025, the percentage will increase to 10.95% in lieu of the National Insurance Institute's right to bring a restitutionary claim against an insurer liable to payment in respect of damage as from 2023.

5.2.2.5 Main assumptions used to calculate insurance liabilities for property and casualty insurance contracts:

A. Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT (2022)

A revision of the provision of the consolidated circular was published on February 9, 2023, which included a clarification regarding the allocation of assets not measured at fair value, when appraising insurance reserves in property and casualty insurance. The clarification discusses the question of whether one may take into account UGL (the excess value, i.e., the positive difference between the fair value of assets and their carrying amounts) when calculating a property and casualty insurance reserve employing methods other than best practice.

In accordance with the clarification, the Company may take UGL into account even when it calculates the reserve employing methods other than best practice, provided that the balance of the reserve after deducting the UGL does not fall below the best estimate of the liability.

As of December 31, 2023, the Company offset from the balance of the property and casualty insurance reserve excess value of illiquid assets amounting to approx. NIS 300 million, compared with approx. NIS 209 million as of December 31, 2022. This change arises mainly from the revision of the provisions of the consolidated circular as described above. The said excess value of assets as of December 31, 2023 includes approx. NIS 135 million that were classified from the health insurance segment and from equity (approx. NIS 100 million out of the effect of the said classification is offset against the operating results in the health insurance segment).

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.5. Main assumptions used to calculate insurance liabilities for property and casualty insurance contracts: (cont.)

B. Reserves due to best practice

The Phoenix Insurance performs LAT testing in property and casualty in accordance with the best practice principles outlined above. In this review, The Phoenix Insurance found that it was not necessary to supplement reserves in accordance with the principles of best practice and after offsetting fair value from illiquid assets. As part of the best practice assessment, The Phoenix Insurance discounts future claims payments in these subsegments according to the risk-free interest rate curve, while adjusting to the illiquid nature of the insurance liabilities and taking into account the manner in which the assets against these liabilities are revalued.

C. The discount rate applied to National Insurance allowances

In October 2017, an amendment to the National Insurance (Capitalization) Regulations, 1978, came into force, which provides for the calculation of allowances paid by the National Insurance Institute for those injured in workplace accidents, and the manner in which those allowances are discounted.
Under the regulations, the discount rate will be updated every four years, and the manner of its calculation is determined provided that the rate of change is not higher than 1% (and the interest rate shall not be less than 0%). The current interest rate according to the regulations is 2% (instead of the previous 3% rate).

The regulations gave rise to a discrepancy in court rulings in connection with the discount rate of claims for bodily injury compensation paid by insurance companies to injured policyholders, and an appeal was filed with the Supreme Court in the matter (Civil Appeal 3751/17, Israel Motor Insurance Database (the Pool) vs. John Doe), in order to decide this issue. On August 8, 2019, the Supreme Court issued a judgment in the said appeal to the effect that the discount rate shall be 3% (hereinafter - the "Judgment"). In addition, the Judgment states that until a legislative amendment has been made, the discount rate may be changed in accordance with a two-year test mechanism as set out in the Judgment.

On September 17, 2020, the Supreme Court issued a judgment on an appeal filed by National Insurance Institute against Megilot Dead Sea Regional Council; the said judgment stipulates that the court's Judgment whereby the restitutionary claims will be discounted at a rate of 3% rather than 2% supersedes the Discounting Regulations and bind National Insurance Institute.

In connection with the assessment mechanism that will be activated every couple of years, it should be noted that as of the report date the interest was not revised.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.5. Main assumptions used to calculate insurance liabilities for property and casualty insurance contracts: (cont.)

C. The discount rate applied to National Insurance allowances (cont.)

The Phoenix Insurance examined a scenario of a 1% decrease in the discount rate applied to damages in the insurance liabilities portfolio, in the compulsory motor and liability subsegments as of the financial statements date, based on claim payments, and estimated it at approx. NIS 144 million in retention (pre-tax). It should be clarified that there is no certainty as to the behavior of the interest rate curve, as to estimates of the claims flows and as to the Accountant General's discretion and how the mechanism will be implemented.

The Phoenix Insurance continues to monitor developments in connection with the issue, and will update its reserves accordingly.

D. Contingent claims in the compulsory motor and liability insurance subsegments are discounted using the risk-free interest rate with a negative interest rate reset. The effect of the change in the curve in 2023 led to an approx. NIS 52 million decrease in insurance liabilities, compared to 2022 in which the effect led to an approx. NIS 85 million decrease in insurance liabilities.
It is clarified that the discount rate in terms of reserve adequacy according to best practice is a risk-free interest rate adjusted to the illiquid nature of the liabilities.

E. An increase in risk margin (standard deviation) was included in the reserve base in the compulsory motor and liability insurance subsegments.

F. In analyzing the development of payments, the Company calculates a claim tail according to the Sherman model if needed.

G. The basic premise in all calculation methods is that claims historical behavior reflects their future behavior.

5.2.2.6 Sensitivity of provisions to changes in assumptions and risk-free interest

Actuarial assessment is subject to significant uncertainty. The actuarial assessments for predicting contingent claims relate to the claims' expected value. Due to the stochastic nature of claims payments, there may be deviations around the calculated expected value. In addition, the statistical estimate is based on various assumptions, which will not necessarily materialize. If there is a change in the manner in which the claims are settled or, alternatively, the total claim amount reported, a difference may arise between the actuarial assessment and actual outcome. In addition, a change in the yield may cause discrepancies between the estimates and the actual outcome.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.6 Sensitivity of provisions to changes in assumptions and risk-free interest (cont.)

Since the actuarial model is based on past experience, an unexpected change in the model's assumptions or the claims' behavior will result in a change in the reserve. It should be noted that these risks were taken into account, to the extent possible, under the requirements of the Commissioner's position in the systemic risk estimates.

6. Credit risk information

6.1. Distribution of debt assets by location

	As of December 31, 2023		
	Liquid (*)	Illiquid	Total
	NIS thousand		
In Israel	4,858,967	15,362,573	20,221,540
Overseas	914,470	1,231,348	2,145,818
Total debt assets	5,773,437	16,593,921	22,367,358

(*) Liquid debt assets are mainly classified into the available-for-sale category and presented at fair value.

	As of December 31, 2022		
	Liquid (*)	Illiquid	Total
	NIS thousand		
In Israel	3,979,020	15,527,498	19,506,518
Overseas	1,680,875	934,002	2,614,877
Total debt assets	5,659,895	16,461,500	22,121,395

(*) Liquid debt assets are mainly classified into the available-for-sale category and presented at fair value.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2 Breakdown of assets by rating

6.2.1 Debt assets

	Local rating (*)				
	As of December 31, 2023				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Debt assets in Israel					
Liquid debt assets					
Government bonds	2,642,041	-	-	-	2,642,041
Corporate bonds	1,298,194	706,621	33,055	179,056	2,216,926
Total liquid debt assets in Israel	3,940,235	706,621	33,055	179,056	4,858,967
Illiquid debt assets					
Government bonds and treasury deposits	8,300,538	-	-	-	8,300,538
Corporate bonds	145,955	101,470	-	6,162	253,587
Deposits with banks and financial institutions	777,937	-	-	-	777,937
Other debt assets by collateral:					
Mortgages (**)	-	-	-	623,573	623,573
Loans against policies	-	-	-	46,287	46,287
Loans secured by real estate properties	205,381	2,473,596	-	379,467	3,058,444
Loans secured by shares attributable to controlling shareholders	-	53,381	-	19,116	72,497
Other collateral	639,318	1,026,789	-	384,098	2,050,205
Unsecured	-	73,360	-	106,145	179,505
Total illiquid debt assets in Israel	10,069,129	3,728,596	-	1,564,848	15,362,573
Total debt assets in Israel	14,009,364	4,435,217	33,055	1,743,904	20,221,540
Of which - internally rated debt assets	289,676	2,983,810	-	-	3,273,486

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Mostly reverse mortgage to private individuals and mortgages to private individuals purchased from banks.

	International ratings (*)				
	As of December 31, 2023				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Debt assets abroad					
Liquid debt assets					
Corporate bonds	5,560	299,610	603,722	5,578	914,470
Total liquid debt assets abroad	5,560	299,610	603,722	5,578	914,470
Illiquid debt assets					
Loans secured by real estate properties	89,263	-	-	210,647	299,910
Loans secured by other collateral	240,244	55,857	-	635,337	931,438
Total illiquid debt assets abroad	329,507	55,857	-	845,984	1,231,348
Total debt assets abroad	335,067	355,467	603,722	851,562	2,145,818
Of which - internally rated debt assets	280,356	31,396	-	-	311,752

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2 Breakdown of assets by rating (cont.)

6.2.1 Debt Assets (cont.)

	Local rating (*)				
	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Debt assets in Israel					
Liquid debt assets					
Government bonds	1,753,475	-	-	-	1,753,475
Corporate bonds	1,453,952	515,139	17,176	239,278	2,225,545
Total liquid debt assets in Israel	3,207,427	515,139	17,176	239,278	3,979,020
Illiquid debt assets					
Government bonds and treasury deposits	8,562,862	-	-	-	8,562,862
Corporate bonds	262,445	159,531	15,488	14,931	452,395
Deposits with banks and financial institutions	1,114,675	-	-	-	1,114,675
Other debt assets by collateral:					
Mortgages (**)	-	-	-	460,565	460,565
Loans against policies	-	-	-	54,876	54,876
Loans secured by real estate properties	138,624	2,191,163	-	247,974	2,577,761
Loans secured by shares attributable to controlling shareholders	-	92,642	-	-	92,642
Other collateral	545,304	1,133,322	-	320,844	1,999,470
Unsecured	-	155,436	-	56,816	212,252
Total illiquid debt assets in Israel	10,623,910	3,732,094	15,488	1,156,006	15,527,498
Total debt assets in Israel	13,831,337	4,247,233	32,664	1,395,284	19,506,518
Of which - internally rated debt assets	301,468	2,587,848	15,488	-	2,904,804

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Mostly reverse mortgage to private individuals and mortgages to private individuals purchased from banks.

	International ratings (*)				
	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Debt assets abroad					
Liquid debt assets					
Government bonds	2,184	54,137	36,046	14,734	107,101
Corporate bonds	10,821	429,401	865,014	268,538	1,573,774
Total liquid debt assets abroad	13,005	483,538	901,060	283,272	1,680,875
Illiquid debt assets					
Loans secured by real estate properties	83,991	-	-	216,996	300,987
Loans secured by other collateral	229,335	-	-	403,680	633,015
Total illiquid debt assets abroad	313,326	-	-	620,676	934,002
Total debt assets abroad	326,331	483,538	901,060	903,948	2,614,877
Of which - internally rated debt assets	312,748	-	-	-	312,748

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2 Breakdown of assets by rating (cont.)

6.2.2 Credit risks in respect of other assets (in Israel)

	Local rating (*)				
	As of December 31, 2023				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Loans granted to associates (**)	-	-	-	35,861	35,861
Receivables and debit balances, excluding balances for reinsurers	-	-	-	791,041	791,041
Deferred tax assets	-	-	-	109,330	109,330
Other financial investments	420,235	-	81,975	240,688	742,898
Cash and cash equivalents	3,053,023	-	-	-	3,053,023

	Local rating (*)				
	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Loans granted to associates (**)	-	-	-	34,422	34,422
Receivables and debit balances, excluding balances for reinsurers	-	-	-	565,796	565,796
Deferred tax assets	-	-	-	72,649	72,649
Other financial investments	151,171	-	100,352	145,952	397,475
Cash and cash equivalents	3,439,766	-	-	-	3,439,766

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Included in the investment in associates line item.

The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

6.2.3. Credit risks for off-balance-sheet instruments (in Israel) (***)

	Local rating (*)				
	As of December 31, 2023				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Financial guarantees provided that are not accounted for as insurance contracts (**)	-	454,700	-	1,311,470	1,766,170
Unutilized credit facilities	30,151	2,183,125	-	742,979	2,956,255
Total credit exposure in respect of financial guarantees and unutilized credit facilities	30,151	2,637,825	-	2,054,449	4,722,425

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2 Breakdown of assets by rating (cont.)

6.2.3. Credit risks for off-balance-sheet instruments (in Israel) (***) (cont.)

	Local rating (*)				
	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Financial guarantees provided that are not accounted for as insurance contracts (**)	-	303,000	-	431,520	734,520
Unutilized credit facilities	-	1,428,274	-	1,352,683	2,780,957
Total credit exposure in respect of financial guarantees and unutilized credit facilities	-	1,731,274	-	1,784,203	3,515,477

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Excludes Sales Law guarantees.

(***) For further information on off-balance sheet liabilities to affiliated companies, see Note 43.

6.2.4 Credit risks in respect of other assets (abroad)

	International ratings (*)				
	As of December 31, 2023				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Other financial investments	12,040	-	21,614	1,111,175	1,144,829

	International ratings (*)				
	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Other financial investments	18,287	-	111,296	795,233	924,816

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

6.3 Further information about credit risks

1) Internal rating model

The Phoenix has developed and implemented a corporate credit rating model based on quantitative and qualitative tiers:

Quantitative tier - a quantitative score based on the financial statements of the rated company and in accordance with the financial ratios.

Qualitative tier - is based on a subjective questionnaire containing questions regarding parameters such as the nature of the policyholder's competitive position in the industry, etc.

In addition, within the model, distinctions were made between various types of companies such as: income-generating properties, infrastructures, power plants, and ordinary companies. The model was approved in accordance with the Insurance Commissioner's directives.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.3 Further information about credit risks (cont.)

2) Credit risk information in this note does not include the assets for yield-dependent contracts, which are presented in a separate note.
3) Regarding reinsurance assets of NIS 3,172,249 thousand, see Notes 17 and 18 and Section 6.6 below.
4) For collectible premium balances, see Note 12.

6.4 Information required in connection with the temporary exemption from the application of IFRS 9 - Credit Risk Disclosure.

Further to Note 2 regarding the future application of IFRS 9, the table below shows the carrying amount of the financial assets that are subject to the principal and interest test only, excluding assets held for trading or managed on a fair value basis (hereinafter - "Class A"), by credit risk levels. The carrying amount is measured in accordance with IAS 39 but before provision for impairment.

Disclosure on credit risks:

	Local rating (*)				
	As of December 31, 2023				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Disclosure on credit risks - in Israel					
Cash and cash equivalents	2,142,595	-	-	-	2,142,595
Liquid debt assets	3,541,648	619,677	32,071	151,484	4,344,880
Illiquid debt assets	9,421,614	3,190,114	-	1,692,432	14,304,160
	International ratings (*)				
	As of December 31, 2023				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Disclosure on credit risks - overseas					
Liquid debt assets	-	169,170	381,645	5,481	556,296
Illiquid debt assets	329,507	55,857	-	636,973	1,022,337

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.4 Information required in connection with the temporary exemption from the application of IFRS 9 - Credit Risk Disclosure. (cont.)

	Local rating (*)				
	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Disclosure on credit risks - in Israel					
Cash and cash equivalents	3,439,766	-	-	-	3,439,766
Liquid debt assets	2,886,056	476,650	15,879	229,230	3,607,815
Illiquid debt assets	10,568,436	3,714,042	3,331	1,107,615	15,393,424

	International ratings (*)				
	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Disclosure on credit risks - overseas					
Liquid debt assets	12,766	304,812	607,725	20,021	945,324
Illiquid debt assets	313,326	-	-	439,394	752,720

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

	Carrying amount		Fair value	
	2023	2022	2023	2022
	NIS thousand			
Fair value of assets in Class A with high credit risk (*)				
Liquid debt assets	570,681	872,855	570,681	872,855
Illiquid debt assets	2,329,405	1,550,340	2,321,687	1,500,873

(*) Assets with high credit risk are rated lower than BBB or unrated.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.5 Details of exposure to economic sectors in respect of investments in liquid and illiquid financial debt assets

	As of December 31, 2023		
	On-balance-sheet credit risk		Off-balance-sheet credit risk
	NIS thousand	% of total	NIS thousand
Economic sector			
Manufacturing	803,735	3.60%	-
Construction & real estate	4,156,825	18.60%	2,933,535
Electricity and water	1,806,637	8.10%	723,032
Commerce	309,145	1.40%	-
Transportation and storage	80,968	0.40%	-
Communications and IT services	237,654	1.10%	21,627
Banks	1,660,044	7.40%	-
Financial services	988,160	4.40%	1,000,675
Holding company	229,994	1.00%	-
Other	1,151,617	5.10%	43,556
	11,424,779	51.10%	4,722,425
Government bonds and treasury deposits	10,942,579	48.90%	-
Total	22,367,358	100.00%	4,722,425

	As of December 31, 2022		
	On-balance-sheet credit risk		Off-balance-sheet credit risk
	NIS thousand	% of total	NIS thousand
Economic sector			
Manufacturing	997,294	4.50%	-
Construction & real estate	3,603,011	16.30%	2,477,291
Electricity and water	1,698,647	7.70%	349,307
Commerce	333,710	1.50%	-
Transportation and storage	59,507	0.30%	-
Communications and IT services	369,629	1.70%	-
Banks	2,354,137	10.60%	-
Financial services	879,937	4.00%	591,510
Holding company	285,164	1.30%	-
Other	1,116,921	5.00%	97,369
	11,697,957	52.90%	3,515,477
Government bonds and treasury deposits	10,423,438	47.10%	-
Total	22,121,395	100.00%	3,515,477

6.6 Reinsurance

The Phoenix Insurance reinsures part of its business - all through foreign reinsurers. However, reinsurance does not release the direct insurers from their obligation to their policyholders under the insurance policies.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.6. Reinsurance (cont.)

The Phoenix Insurance is exposed to risks arising from uncertainty about the ability of reinsurers to pay their share of liabilities in respect of insurance contracts (reinsurance assets) and their debts in respect of claims paid. This exposure is managed by ongoing monitoring of the reinsurer's position in the global market as well as the fulfillment of its financial commitments. The Phoenix Insurance is exposed to concentration of credit risk in respect of a single reinsurer due to the structure of the reinsurance market and the limited number of reinsurers with satisfactory rating.

In accordance with the Commissioner's directives, The Phoenix Insurance's Board of Directors determines, once a year, maximum exposure limits for reinsurers, which The Phoenix Insurance has contracted, based on their international rating. These exposures are managed by the Company by individually assessing each of the reinsurers. In addition, The Phoenix Insurance's exposures are diversified among various reinsurers; the main exposures are in respect of reinsurers who have high international ratings.

The Iron Swords War, that broke out during the renewal of the reinsurance agreements for 2024, affected the renewal of the agreements on a number of levels: A decline in the supply of reinsurance, a reduction in the scope of coverage, mainly with respect to war and terror risks, and a tightening of the wording of the agreements.
Furthermore, the international trend of price increases with regard to earthquake and natural disaster risks continued in 2024 too, alongside a reduction in the risk appetite of reinsurers with regard to those risks.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.6. Reinsurance (cont.)

6.6.1 Information on exposure to credit risks of reinsurers

As of December 31, 2023 (in NIS thousands):

Reinsurer	Total premiums to reinsurers for 2023	Net receivable (payable) balances	Reinsurance assets: Total in life insurance	Reinsurance assets: In health insurance	Reinsurance assets: In property insurance	Reinsurance assets: In liability insurance	Reinsurance assets: Deposits by reinsurers	Reinsurance assets: Total exposure	Delinquent debt: Between six months and one year	Delinquent debt: Over one year
Rating group										
AA and above										
Swiss Re	245,510	47,300	108,846	282,696	48,133	130,144	265,846	351,273	-	-
Munich Re	242,131	37,536	287,199	52,692	39,213	96,560	364,779	148,421	-	-
General Reinsurance	85,632	7,579	38,801	97,180	16,156	160,962	114,941	205,737	-	-
Other	319,160	(28,232)	5,537	29,460	302,659	466,644	110,747	665,321	2,245	
Total AA and above	892,433	64,183	440,383	462,028	406,161	854,310	856,313	1,370,752	2,245	-
A										
Lloyd's	100,326	(10,569)	3,740	-	101,891	153,317	-	248,379	-	-
Other	671,345	60,938	33,002	212,915	437,268	807,121	704,842	846,402	352	
Total A	771,671	50,369	36,742	212,915	539,159	960,438	704,842	1,094,781	352	-
Total BBB +	44,830	15,243	6,532	51,230	26,474	29,684	99,295	29,868	1,108	81
Less than BBB - or unrated	2,034	275	1,253	1	805	146	-	2,480		
Total	1,710,968	130,070	484,910	726,174	972,599	1,844,578	1,660,450	2,497,881	3,705	81

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.6. Reinsurance (cont.)

6.6.1 Information regarding exposure to credit risks of reinsurers (cont.)

As of December 31, 2022 (in NIS thousands):

Reinsurer	Total premiums to reinsurers for 2022	Net receivable (payable) balances	Reinsurance assets				Deposits by reinsurers	Total exposure	Delinquent debt	
			Total in life insurance	In health insurance	In property insurance	In liability insurance			Between six months and one year	Over one year
Rating group										
AA and above										
Swiss Re	247,860	(11,274)	93,238	225,041	37,583	79,467	214,446	209,609	-	-
Munich Reinsurance C	238,501	(90,632)	140,101	41,769	23,122	133,522	192,171	55,711	-	-
General Reinsurance	82,148	15,785	33,401	90,612	17,079	210,665	132,340	235,202	-	-
Other	186,159	3,749	1,858	21,428	56,644	295,279	124,997	253,961	-	-
Total AA and above	754,668	(82,372)	268,598	378,850	134,428	718,933	663,954	754,483	-	-
A										
Lloyd's	83,211	11,430	-	-	26,988	145,856	-	184,274	-	-
Other	696,725	72,945	24,373	145,058	293,012	935,606	612,148	858,846	23	9
Total A	779,936	84,375	24,373	145,058	320,000	1,081,462	612,148	1,043,120	23	9
Total BBB +	31,496	9,052	4,381	34,247	19,117	41,136	81,458	26,475	-	-
Less than BBB - or unrated	327	(122)	1,280	-	208	178	-	1,544	24	-
Total	1,566,427	10,933	298,632	558,155	473,753	1,841,709	1,357,560	1,825,622	47	9

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.6. Reinsurance (cont.)

6.6.2 Comments:

(a) Total exposure to reinsurers is: net receivable (payable) balances, reinsurance assets, net of deposits and net of the amount of letters of credit received from the reinsurers as guarantee for their liabilities plus (less) the net receivable (payable) balances.

(b) No provision was recorded for doubtful accounts in 2023 and 2022.

(c) The rating is mainly determined by the S&P rating agency; in cases where S&P does not issue a rating, it is determined by the lowest rating among other rating agencies and converted according to a formula set in the Investment Methods Regulations. Each rating includes all ranges, for example: A includes from A- to A+.

(d) Total exposure of the reinsurers to an earthquake event with maximum potential loss (MPL) of 2.0% as of December 31, 2023 and December 31, 2022 is NIS 11,748 million and NIS 9,681 million, respectively, of which the share of the most significant reinsurer as of December 31, 2023 and December 31, 2022 is approx. NIS 1,078 million and approx. NIS 812 million, respectively.

(e) There are no additional reinsurers in addition to those listed above the exposure to which exceeds 10% of total reinsurance exposure or the premium in respect of which exceeds 10% of total reinsurance premiums for 2023.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.7 Geographical risks

	As of December 31, 2023									
	Government bonds and treasury deposits	Corporate bonds	Shares	Mutual funds and ETFs	Mutual funds	Investment property	Other investments (*)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS thousand									
Israel	10,942,579	2,499,340	1,53,933	150,375	917	1,238,524	11,934,715	28,304,383	514,186	28,818,569
USA	-	330,037	592,801	2,573	42,238	-	3,257,114	4,224,763	1,011,845	5,236,608
UK	-	158,446	36,113	-	74	-	1,669,294	1,863,927	-	1,863,927
Germany	-	42,243	26,606	241	-	-	1,182,676	1,251,766	496	1,252,262
Switzerland	-	11,783	2,805	-	-	-	881,100	895,688	-	895,688
Other	-	343,134	91,334	9,694	101,091	-	2,159,096	2,704,349	(72,204)	2,632,145
Total Assets	10,942,579	3,384,983	2,287,592	162,883	144,320	1,238,524	21,083,995	39,244,876	1,454,323	40,699,199

	As of December 31, 2022									
	Government bonds and treasury deposits	Corporate bonds	Shares	Mutual funds and ETFs	Mutual funds	Investment property	Other investments (*)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS thousand									
Israel	10,316,337	2,718,291	1,679,507	107,905	19,879	1,147,899	11,862,813	27,852,631	1,492,371	29,345,002
USA	-	769,544	570,703	16,877	41,737	-	1,851,016	3,249,877	229,195	3,479,072
UK	-	167,909	52,774	-	2,099	-	1,253,838	1,476,620	-	1,476,620
Germany	-	97,926	36,190	152	-	-	1,042,519	1,176,787	10,699	1,187,486
Switzerland	-	30,526	-	-	-	-	717,448	747,974	-	747,974
Other	107,101	467,518	63,098	68,913	229,609	-	1,712,111	2,648,350	79,436	2,727,786
Total Assets	10,423,438	4,251,714	2,402,272	193,847	293,324	1,147,899	18,439,745	37,152,239	1,811,701	38,963,940

(*) Other investments include reinsurance assets, investments in associates, cash and other financial investments that were not included in the other columns.

NOTE 41 - RISK MANAGEMENT (cont.)

7. Regulatory risk information

The Group's activities are subject to extensive regulatory requirements, including supervision of the management fees collected. There is a continuing trend of tightening and boosting regulatory requirements, as well as increasing their enforcement. Failure to comply with regulatory requirements may result in various sanctions and damage to reputation. Changes in regulatory provisions affect the financial reporting, business operations and profitability of the Company.

Some of the Group companies operate in accordance with the permits and licenses granted to them by the Insurance Commissioner. Failure to comply with permits and licenses may result in sanctions and even in licenses and permits being revoked.

In addition, regulation in the insurance sector has a significant impact on the structure of the products sold and the prices charged in respect of the various products. The legal provisions, guidelines and agreements pertaining to the structure of the savings market in Israel, and especially regarding pension savings, including its tax implications, impacts changes in the scope of operations of the industry and the degree to which products can serve as alternatives to one another, including the option of transitioning from one product to another. As a result, these provisions affect both the life insurance portfolio and the long-term savings of the companies. The Group's insurance agencies are subject to regulatory provisions; changes in these provisions may affect their business operations and profitability.

In addition to regulation in the insurance and long-term savings activities, the Group is subject to regulatory requirements under securities and companies laws, failure to comply with the provisions of which may result in various sanctions and damage to reputation.

The Phoenix Insurance is subject to capital adequacy requirements derived from Economic Solvency Regime. Low equity capital (although meeting the capital adequacy requirements) may impair the activity of the insurance company and its ability to insure new businesses. For further details, see Note 8F above.

During 2023, an extensive reform in the health insurance segment came into effect, and the Economic Arrangements Law came into force that stipulates the transfer of policyholders from a first shekel surgical procedures policy to a Supplementary SHABAN policy; these changes in the health insurance subsegment lead to uncertainty as to the way the product will be managed in the future, and make it difficult to make an informed pricing.

NOTE 41 - RISK MANAGEMENT (cont.)

8. Information on financial investments for yield-dependent contracts

8.1. Breakdown of investments by linkage bases (*)

	As of December 31, 2023						
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR-linked	In foreign currency or linked thereto	Non-financial and other items	Total
	NIS thousand						
Cash and cash equivalents	16,715,272	-	2,335,963	138,877	113,435	-	19,303,547
Liquid assets	7,360,353	9,131,098	4,210,922	1,151,424	483,010	29,412,316	51,749,123
Illiquid assets	3,408,315	2,771,178	1,718,846	1,185,934	724,475	23,908,094	33,716,842
Total Assets	27,483,940	11,902,276	8,265,731	2,476,235	1,320,920	53,320,410	104,769,512
Exposure to underlying assets through derivatives in delta terms	11,633,366	232,333	(2,716,341)	(6,502,656)	(2,646,702)	-	-

	As of December 31, 2022						
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR-linked	In foreign currency or linked thereto	Non-financial and other items	Total
	NIS thousand						
Cash and cash equivalents	13,699,925	-	2,460,864	96,222	101,498	-	16,358,509
Liquid assets	7,749,520	8,089,450	3,915,861	1,206,967	292,803	27,661,307	48,915,908
Illiquid assets	3,656,128	3,102,032	1,227,842	793,749	503,313	21,498,107	30,781,171
Total Assets	25,105,573	11,191,482	7,604,567	2,096,938	897,614	49,159,414	96,055,588
Exposure to underlying assets through derivatives in delta terms	18,471,116	307,742	(10,907,050)	(5,483,159)	(2,406,222)	17,573	-

(*) The data in the table are presented according to accounting classification rules and do not reflect actual foreign exchange exposure.

NOTE 41 - RISK MANAGEMENT (cont.)

8. Information on financial investments for yield-dependent contracts (cont.)

8.2. Credit risk for assets in Israel

	Local rating (*)				
	As of December 31, 2023				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Debt assets in Israel:					
Government bonds	7,322,547	-	-	-	7,322,547
Other debt assets - liquid	6,280,062	2,892,335	49,466	666,489	9,888,352
Other debt assets - illiquid	1,184,416	1,913,358	-	2,147,441	5,245,215
Total debt assets in Israel	14,787,025	4,805,693	49,466	2,813,930	22,456,114
Of which - internally rated debt assets	335,864	782,308	-	-	1,118,172

	Local rating (*)				
	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Debt assets in Israel:					
Government bonds	7,001,197	-	-	-	7,001,197
Other debt assets - liquid	6,004,197	2,788,818	54,540	690,612	9,538,167
Other debt assets - illiquid	1,685,567	2,208,181	27,545	2,480,248	6,401,541
Total debt assets in Israel	14,690,961	4,996,999	82,085	3,170,860	22,940,905
Of which – internally rated debt assets	482,392	1,100,903	27,545	-	1,610,840

(*) The sources for the ratings in Israel are rating agencies Maalot and Midroog. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes the entire range, such as from A- to A+.

The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

8.3. Credit risk for assets abroad

	International ratings (*)				
	As of December 31, 2023				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Total debt assets abroad	1,163,628	1,837,135	2,554,411	1,974,484	7,529,658
Of which - internally rated assets	543,938	79,539	119,033	-	742,510

	International ratings (*)				
	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Total debt assets abroad	833,320	1,479,453	2,495,229	1,810,436	6,618,438
Of which - internally rated assets	577,144	-	101,761	-	678,905

(*) The sources for the ratings abroad are the rating agencies approved by the Commissioner:

S&P, Moody's and Fitch. Each rating includes the entire range, such as from A- to A+.

NOTE 41 - RISK MANAGEMENT (cont.)

8. Information on financial investments for yield-dependent contracts (cont.)

8.3. Credit risk for assets abroad (cont.)

The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

9. For information on the composition of the assets and liabilities of the special-purpose companies, see Note 26.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

A. The Company's main interested parties are as follows

Belenus is the Group's controlling shareholder. Belenus is a privately-held company incorporated in Luxembourg, held indirectly by Mathew Lewis (Lee) Sachs, Botein and CCP III Cayman GP Ltd. In addition, the Harel Insurance Group has been an interested party in the Company.

B. Benefits for key management personnel (including directors)

In addition to their salaries, the Group's CEO and senior executives are entitled to non-cash benefits (such as cars, medical insurance, etc.). Furthermore, the Group makes contributions on behalf of those officers into a post-employment defined benefit plan and a defined contribution plan.
Senior executives also participate in the share option plan of the Company and of subsidiaries of the Group (see Note 37, Share-Based Payment).
Under law, the Company and several subsidiaries have a compensation policy in place for officers and senior employees. The compensation policy is mainly based on multi-year results, return on equity achieved by the Group, and a series of personal parameters adapted to the various officers, which are based on the work plans to be set by the Board of Directors each year.

In January 2024, an extraordinary meeting of the Company was held, the agenda of which included the approval of a revised Compensation Policy to officers for 2024-2026. For further details, see the Company's immediate reports dated November 29, 2023 and January 9, 2024 (Ref. Nos.: 2023-01-108148 and 2024-01-003979, respectively) (hereinafter - the "Compensation Policy").
As to the liability for exemption, indemnification and insurance to directors, officers and other key officers - see Section 7 below.

1. Benefits in respect of employment of key management personnel include:

	For the year ended December 31					
	2023		2022		2021	
	No. of people	Amount In NIS thousand	No. of people	Amount In NIS thousand	No. of people	Amount In NIS thousand
Short-term benefits	30	77,936	26	66,131	19	38,785
Post-employment benefits	24	3,858	20	3,123	19	2,517
Share-based payment (see Note 37)	23	8,518	21	7,895	19	5,395

	For the year ended December 31					
	2023		2022		2021	
	No. of people	Amount In NIS thousand	No. of people	Amount In NIS thousand	No. of people	Amount In NIS thousand
		90,312		77,149		46,697

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

2. Benefits in respect of employment of key management personnel who are directors not employed by the Company:

	For the year ended December 31					
	2023		2022 (*)		2021 (*)	
	No. of people	Amount In NIS thousand	No. of people	Amount In NIS thousand	No. of people	Amount In NIS thousand
Fees of directors not employed by the Company	9	3,804	9	3,099	9	2,824

(*) Restated.

3. The Company participates (on its own behalf and on behalf of Group companies) in directors' and officers' insurance

	For the year ended December 31 In NIS thousand		
	2023	2022	2021
Insurance for board members and officers	3,135	2,878	2,740

For information on revision of the insurance coverage of directors and officers, see Section 7 below.

4. Employment agreement of the Chairman of the Board of Directors

Mr. Benjamin Gabbay has been serving as Chairman of the Board of Directors of The Phoenix Insurance since November 2019, and as the Chairman of the Company's Board of Directors since April 2020. The Company and The Phoenix Insurance's Compensation Committees and Boards of Directors approved Mr. Gabbay's terms of employment in meetings held in December 2019 (hereinafter - "**Mr. Gabbay**" and/or "**Company Chairman**" and/or "**The Phoenix Insurance's Chairman**").

In respect of his service as Company Chairman, Mr. Gabbay is entitled to an annual compensation and to compensation for participating in meetings (which are not joint meetings of the Company and The Phoenix Insurance) in his capacity as an expert director (in accordance with his classification as such by the Compensation Committee), in accordance with the Fourth Addendum to the Companies Regulations (Rules Regarding Compensation and Expenses for External Director), 2000, in accordance with the Company's rank as it shall be determined from time to time. For his service as the Chairman of the Company's Board of Directors, Mr. Benjamin Gabbay was paid in the reporting year a compensation of NIS 206,580.

As of the reporting year, Mr. Benjamin Gabbay's gross monthly salary for his service as The Phoenix Insurance's Chairman at an appointment percentage of 70% is NIS 156,856 (hereinafter - the "**Salary**"). The Salary is linked to the Consumer Price Index (hereinafter - the "**CPI**"), and the revision due to changes in the CPI is carried out once a year in the January salary, in accordance with the CPI published on January 15 of that year.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

4. Employment agreement of the Chairman of the Board of Directors (cont.)

The Salary, as revised from time to time, will serve as the wages on which contributions towards severance pay and pension are based.

Related benefits: The Phoenix Insurance's Chairman is entitled to reimbursement of expenses he will incur in respect of fulfilling his role, including entertainment expenses and travel expenses (including travel abroad), all in accordance with the Company's Compensation Policy.
Furthermore, The Phoenix Insurance's Chairman is entitled to twenty-one (21) annual leave days per year; any unutilized annual leave shall be deleted once a year. The accrued vacation leave days may not be redeemed except upon termination of employee-employer relations. In addition, The Phoenix Insurance's Chairman is entitled to sick leave in accordance with the law and his employment on a part-time basis; he will have a right to accumulate up to ninety (90) calendar days (66 working days), that cannot be redeemed, neither during the course of employment or after termination.

The Phoenix Insurance's Chairman is entitled to be included in the officers' insurance arrangement purchased by the Company, and to receive indemnification and exemption letters in accordance with the terms and conditions normally applied to senior Company officers.

Compensation - variable component: as from the reporting year, in accordance with the Company's revised Compensation Policy, and subject to the provisions of the applicable law, the Chairman of the Company's Board of Directors may be eligible to variable compensation in respect of his service as a director in Group subsidiaries, which are not related to the insurance businesses. For further details, see Note 37C(4) and Note 37D.

Advance notice and non-competition: The Phoenix Insurance and The Phoenix Insurance's Chairman have the right to terminate the employment agreement at any time and for any reason whatsoever by giving written advance notice in accordance with the law (hereinafter - the "**Advance Notice Period**"). Upon termination of the employment of The Phoenix Insurance's Chairman for any reason whatsoever, The Phoenix Insurance's Chairman shall be subject to a non-competition period of six (6) consecutive months starting at the end of the Advance Notice Period (hereinafter - the "**Non-Competition Period**"). During the Non-Competition Period, The Phoenix Insurance's Chairman shall not serve in an active managerial position in the insurance sector, without obtaining The Phoenix Insurance's written consent in advance.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

5. CEO's employment agreement

Mr. Eyal Ben Simon has been serving as the Company's CEO since June 2019, and as the CEO of The Phoenix Insurance Company Ltd. since May 2019 (hereinafter - "**Mr. Ben Simon**" and/or the "**Company's CEO**"). The Company's Compensation Committee and Board of Directors approved Mr. Ben Simon's terms of employment in meetings held in June 2019. In August 2019, the General Meeting approved the employment terms and conditions of the Company's CEO, and in October 2020 the General Meeting (hereinafter - the "**General Meeting**") approved the revision of his terms of service, as described below:

As of the reporting year, the gross monthly salary paid to Mr. Ben Simon for his service as the Company's CEO is approx. NIS 135 thousand, calculated on an annual basis (hereinafter - the "**Total Salary**"). The Total Salary shall be updated in accordance with the increase in the Consumer Price Index (hereinafter - the "**CPI**") on a monthly basis, and the base index will be the known CPI as of the end of May 2019.

The Total Salary, as updated from time to time, will serve as the wage on which contributions for social benefit contributions (severance pay and pension), including advanced education fund are based.

In accordance with the Law of Officer Compensation in Financial Corporations (Special approval and Non-Deductibility for Tax Purposes of Expense in respect of Irregular Compensation) Law, 2016 (hereinafter - the "Law"), the Company's Compensation Committee, Board of Directors and General Meeting approved - as part of their approval of the employment agreement - that Mr. Ben Simon's employment terms and conditions are in accordance with Section 2(a) to the Law, such that the projected expense in respect of the offered compensation is expected to exceed NIS 2.5 million per year, but shall not exceed the limit of 35 times the annual expense in respect of the year relevant to the adjustment, based on the cost of a full-time position, paid by the Company to its lowest paid employee, whether directly or indirectly (including an employee of a manpower contractor employed directly by the Company or contract worker employed to provide services at the Company's premises, as defined by law).

It should be clarified that the Company shall bear the tax cost arising from the "excessive expense" in respect of Mr. Ben Simon's cost of employment (i.e., the non-deductibility for tax purposes of the "excessive expense" for the Company, as defined in the Law of Officer Compensation in Financial Corporations).

Related benefits: the CEO is entitled to social benefits, related benefits and reimbursement of expenses, including in respect of meals, entertainment and subsistence as generally accepted in the Company, travel expenses (including travel abroad), car expenses, telephone, internet devices, and other communication expenses. The Company shall provide the CEO a company car (corresponding to Grade 7) for his personal use, and all expenses arising from the car's usage and maintenance shall be incurred by the Company and shall be paid by it, including grossing-up in full of the car's value and use.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

5. CEO's employment agreement (cont.)

Furthermore, the CEO is entitled to twenty-four (24) annual leave days per year, with an option to accumulate up to two annual leave quotas; any unutilized annual leave in excess of the said two annual quotas shall be deleted once a year. The accrued vacation leave days may not be redeemed except upon termination of employee-employer relations. Furthermore, the CEO is entitled to convalescence pay, calculated based on fifteen (15) recreation days per year; he will also be entitled to twenty-two (22) sick leave days, which may be accumulated throughout his service as CEO, up to ninety (90) calendar days (66 working days), that cannot be redeemed, neither during the course of employment nor post-employment.
The CEO is entitled to be included in the D&O insurance policy purchased by the Company, as well as letters of indemnification and exemption from liability under standard terms for senior officers in the Company.

Compensation - variable component: The CEO may be entitled to an annual bonus in accordance with the Compensation Policy and at the discretion of the Compensation Committee and Board of Directors. The assessment of the CEO's entitlement to an annual bonus is conditional upon the Company's meeting the threshold targets as set in the Compensation Policy. For further details regarding the award of options to the Company's CEO, see Note 37. For additional details, see Section 1.3 to the meeting summons report dated September 21, 2020 (Ref. No. 2020-01-102009).
The cost of the annual variable component shall not exceed 100% of the cost of the fixed annual component. To the extent required, the annual bonus paid to the CEO shall be cut such that it does not exceed the compensation limit set in law, including in the Compensation of Officers in Financial Corporations Law, linked to the CPI (to the extent that this is permitted by law). After the amount of the variable compensation is set, including the annual bonus in respect of a certain year, it shall be paid in accordance with the deferral arrangements set in law and in the Compensation Policy. The annual bonus shall be subject to the recovery arrangements that were set in relation to variable compensation in the Company's Compensation Policy.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

5. CEO's employment agreement (cont.)

Advance notice and non-competition: The Company and Company's CEO have the right to terminate the employment agreement at any time and for any reason whatsoever by giving a six-month (6-month) written advance notice (hereinafter - the "**Advance Notice Period**"). Upon termination of the CEO's employment by the Company for any reason whatsoever, other than under circumstances of immediate termination, the Company may decide on the termination date and inform the CEO no later than 7 days after the Advance Notice Period has begun, that the CEO shall be subject to a non-competition period of six (6) consecutive months from the end of the Advance Notice Period and the period of actual utilization of the accumulated annual leave balances, during which the CEO shall not be required to carry out any work for the Company (hereinafter - the "Non-Competition Period"). During the Non-Competition Period, the CEO shall receive from the Company his full salary and all payments, contributions, benefits and rights to which he is entitled under his employment agreement, provided that, during the Non-Competition Period, he will not serve as an employee, advisor, partner, contractor, distributor or shareholder in the insurance and finance sectors (including investment houses) (except holding less than 5% of the issued share capital or voting rights in a publicly-traded company). Payment in respect of the Non-Competition Period is conditional upon the CEO's complying with the non-competition terms as set in the agreement. For further details, see the Company's immediate report dated July 1, 2019 (Ref. No. 2019-01-056148).

6. Changes in the status of officers

A. In June 2023, Mr. Daniel Cohen stopped serving as the Head of the Long-Term Savings Division of The Phoenix Insurance, and Mr. Orr Harush was appointed in his place.

B. In June 2023, Mr. Ron Shvili stopped serving as the CIO of The Phoenix Insurance, and Mr. Gil Tamir was appointed in his place.

7. Indemnification agreements and officers' insurance

Insurance, indemnification and exemption

In March 2020, the general meeting of the Company's shareholders (hereinafter in this section - the "General Meeting"), approved, among other things:

1. Award of exemption letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the exemption letters.

2. Award of indemnification letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the indemnification letters.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

7. Indemnification agreements and officers' insurance (cont.)

Insurance, indemnification and exemption (cont.)

3. The Meeting also approved the payment of expenses arising from participation in meetings of the Board of Directors and its committees by directors residing outside Israel, including directors on behalf of the controlling shareholder, who serve or will serve from time to time in the Company's Board of Directors. Such directors will be entitled to full reimbursement of expenses for the total amount of expense per day to be paid by the Company of no more than NIS 2,000 plus VAT per director. The directors shall also be entitled to reimbursement of travel expenses in Israel which are directly related to their participation in such meetings.

4. In October 2020, the Company's general meeting approved the Company's revised compensation policy, and the limit for insurance coverage of directors, officers, and other key executives was increased to USD 220 million (instead of USD 150 million) and the Company was granted the option to purchase, at its discretion and in accordance with the approvals required by law, a runoff insurance policy for officers for up to seven years, in the scope of the coverage. For further details, see the Company's immediate report of September 18, 2020 (Ref. No. 2020-01-025789).

5. In October 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 total per annual insurance period, together with reimbursement of reasonable legal expenses, in addition to the said liability limit for claims in Israel.

C. Balances of related parties and interested parties

Some of the Company's financial and insurance activities are carried out with related parties and interested parties in the ordinary course of business and under market terms, subject to the approvals required as per the Company's procedures.

According to the Securities (Periodic and Immediate Reports) Regulations, 1970 (hereinafter - the "Securities Regulations"). Some of the reporting requirements applicable to public companies in connection with transactions with a controlling shareholder or transactions with another person in which the controlling shareholder has vested interest (hereinafter - "Controlling Shareholder Transactions"), also apply to transactions which are not extraordinary transactions, as this term is defined in the Companies Law, except for transactions that were designated in the latest financial statements as negligible. In November 2008, the Company's Board of Directors decided to adopt a negligibility threshold as set out in the Securities Regulations in connection with Controlling Shareholder Transactions.

The Company's Board of Directors has determined that a Controlling Shareholder Transaction shall be considered as a negligible transaction if all of the following terms and conditions are met in respect thereof:

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Balances of related parties and interested parties (cont.)

- It is not an extraordinary transaction (as the term is defined in the Companies Law).
- In the absence of special qualitative considerations arising from the circumstance of the matter (as described in Section 3 below) its effect on the relevant parameter (as described below) amounts to less than one percent (1%).
- For each transaction or engagement assessed in relation to the negligibility threshold, the relevant parameters shall be assessed based on the latest consolidated financial statements issued by the Company prior to the event, as described below:

  A. Ratio of assets - the total transaction-related assets (acquired or sold assets) divided by total assets.
  B. Ratio of liabilities - the total transaction-related liabilities divided by total liabilities.
  C. Equity ratio - the increase or decrease in equity divided by the equity.
  D. Premium ratio - the total transaction-related premiums divided by the average annual premiums in the relevant segment (life insurance and long-term savings, health insurance, property and casualty insurance) calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
  E. Ratio of revenues from various services - the total transaction-related revenues divided by the average annual non-premium revenues in the last three years, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
  F. Ratio of expenses in respect of various services - the total transaction-related expenses divided by the average annual general and administrative expenses, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
  G. Profit ratio - the total transaction-related profit attributed to the event divided by the average annual comprehensive income for the period (including changes in capital reserves) in the last three years, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.

- Without prejudice to the need to assess for each event assessed for negligibility which of the above parameters are relevant, the following parameters shall be considered as relevant for the transactions listed below:

  A. Asset purchase - assets ratio.
  B. Asset sale - profit ratio, asset ratio.
  C. Purchase or sale of insurance of reinsurance - premium ratio.
  D. Receiving services - ratio of expenses in respect of various services.
  E. Provision of services (excluding insurance services and including brokerage services in insurance, underwriting, financing transactions, various financial services) - ratio of revenues from various services.

- The transaction is also negligible in qualitative terms.

As part of a qualitative assessment of an event, the following aspects will also be assessed:

1. The event involves significant risks or rewards. The Company will examine whether, and to what extent, the risks that the event involves reflect risk factors to which the Company is exposed.
2. The event may impact the Company's compliance with significant regulatory or contractual requirements.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Balances of related parties and interested parties (cont.)

When assessing the negligibility of a future event, the Company should assess, among other things, the probability that the event will indeed materialize, and the risks embodied therein; the Company should also ensure that these risks do not exceed the risks that it normally undertakes in the ordinary course of its business.

On March 7, 2024, the Board of Directors approved, following approval by the Audit Committee, that transactions approved as negligible for purposes of Regulation 41(a)(6)(a) of the Securities Regulations (Annual Financial Statements), 2010 are also considered negligible transactions in relation to the Company for purposes of Section 117(2a) to the Companies Law, 1999.

As part of this decision, the Audit Committee approved - pursuant to Section 117(1a) to the Companies Law - transactions listed in the appendices to the procedure, which are not extraordinary transactions, under ordinary commercial terms (such as: insurance, management of provident funds and/or pension funds), the execution of which was approved so long as they comply with all cumulative terms and conditions set out in the procedure.

As of December 31, 2023:

	Controlling shareholder (1)	Associates	Interested party and other related parties
	In NIS thousand		
Financial investments in respect of yield-dependent contracts	36,712	120,985	842,353
Other financial investments:			
Debt assets	-	103,576	41,587
Shares	-	-	12,878
Other	8,790	-	62,664
Other receivables and debit balances	-	14,939	61,601
Premiums collectible	-	1,089	463
Loans from a related party (*)	-	-	(81,711)
Payables and credit balances	-	-	(50,340)
Highest outstanding debt balance during the year			
Financial investments in respect of yield-dependent contracts	-	-	77,982
Debt assets	-	260,577	56,618

(*) For details regarding the restructuring of The Phoenix Agencies, see Note 8E(3); for details regarding the receipt of a loan from a related party, see Note 27

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Balances of related parties and interested parties (cont.)

As of December 31, 2022:

	Controlling shareholder (1)	Associates	Interested party and other related parties
	In NIS thousand		
Financial investments in respect of yield-dependent contracts	41,781	115,651 (2)	870,026
Other financial investments:			
Debt assets	-	77,554 (2)	22,669
Shares	-	-	22,695
Other	10,042	-	43,194
Other receivables and debit balances	-	19,538	40,075
Premiums collectible	-	4,485	348
Payables and credit balances	-	-	(44,446)
Highest outstanding debt balance during the year			
Financial investments in respect of yield-dependent contracts	-	-	90,175
Debt assets	-	152,016	30,659

(1) Investments in funds in which the general partner is the controlling shareholder in the Company. The engagement was made prior to the acquisition of control in the Company.

(2) A balance of approx. NIS 183 million in respect of yield-dependent contracts, and a balance of approx. NIS 113 million in respect of non-yield-dependent contracts were reclassified in respect of a loan advanced to the Company and presented under the illiquid shares line item.

(3) For details regarding related parties and interested parties balances, see also Note 8 - Investments in Investees.

Guarantees and pledges provided:

Guarantees provided between related parties in the Group are provided in accordance with market prices/conditions

1) The Phoenix Merkazit LePitzuim

The Phoenix Pension and Provident and The Phoenix Insurance provide a guarantee for planholders of "The Phoenix Merkazit LePitzuim", as per the rules and regulations of The Phoenix Merkazit LePitzuim, such that the amount repaid to them will in no case fall below the amounts they deposited with the fund. As of the financial statements date, the value of the funds deposited with the fund exceeded the amounts guaranteed by the Company and The Phoenix Insurance.

2) The Phoenix Pension and Provident Fund

The Company provided a guarantee to The Phoenix Pension and Provident Funds in respect of bank credit totaling up to approx. NIS 475 million, subject to the restrictions set out in the agreement. For further information regarding the Company's undertaking to complete the shareholders' equity of The Phoenix Pension and Provident Funds, see Note 8.F.4 above.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Balances of related parties and interested parties (cont.)

3) Netivim Debentures Ltd.

To secure the repayment of the principal, interest and linkage differences, which special purpose companies operating in the field of issuance of The Phoenix Investment House's structured instruments have undertaken to pay bondholders, and to secure full and accurate fulfillment of all of their other obligations under the terms of the bonds and deed of trust, the said companies placed a first ranking fixed charge on all their rights in illiquid bonds issued to them, and a first ranking floating charge on their rights in bank accounts, with which the consideration of the issuance and the proceeds received on the illiquid bonds were deposited.

4) Ad 120

On January 24, 2020, an amendment to the Assisted Living Law, 2012 came into effect. According to the amendment, an operator of a senior housing facility may only receive from tenants amounts on account of the deposit in excess of seven percent of the deposit or NIS 70,000 (the lower of the two) if the operator provided to the tenant one of the collateral listed in the law to secure the repayment of the balance of the deposit which the tenant is entitled to recover under the agreement. Accordingly, The Phoenix Insurance provided guarantees to tenants of Ad 120. As of December 31, 2023, the guarantees total approx. NIS 490 million (as of December 31, 2022 - approx. NIS 620 million).

Furthermore, in addition to the above The Phoenix Insurance provided a guarantee to Ad 120 in respect of bank credit totaling up to approx. NIS 500 million, subject to the restrictions set out in the agreement.

5) Anchor Fund

The Anchor fund started operating in February 2018; the general partner of this fund is The Phoenix Capital Ltd., 65% of which is held by The Phoenix Investments. The Anchor fund invests in financial debt instruments outside Israel. As part of the agreement for the establishment of the fund, as of December 31, 2023, The Phoenix Insurance provided a guarantee in respect of a credit line - which the fund received from a banking corporation - of up to approx. USD 40 million (as of December 31, 2022 - approx. USD 40 million).

6) The Phoenix Invest - storage and liquidity services

In June 2019, Phoenix Invest Varied Debt Strategies Limited Partnership (hereinafter - "Invest") - an investment fund open only to institutional entities - commenced operations; Invest's general partner is The Phoenix Capital Ltd. As part of the establishment of the fund, the Company's Audit Committee and Board of Directors approved the engagement with Invest in a liquidity and holding agreement in connection with the nostro funds for the activity of debt funds. The scope of the holding services agreement is up to approx. NIS 200 million (in 2022 - approx. NIS 200 million). The agreement is designed to enable Invest to purchase assets at times when it does not have sufficient liquidity, and money is called for by funds in which it has invested. Invest, on the other hand, has an undertaking to purchase the assets acquired using nostro funds immediately after it raises additional funding sources in accordance with the account settling mechanism set out in the agreement.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Balances of related parties and interested parties (cont.)

6) The Phoenix Invest - storage and liquidity services (cont.)

Furthermore, an agreement is in place to secure up to NIS 300 million (in 2022 - approx. NIS 300 million) in liquidity, to be used in the event of redemptions from Invest against an undertaking by Invest to repay the funds immediately after raising funding sources. The storage and liquidity facilities have a facility that depends on the overall amount invested in the fund, such that as of the end of 2023, the total exposure for storage and liquidity services cannot exceed NIS 175 million, all subject to limitations set out in the agreement.

7) Phoenix Real estate Debt Fund

In January 2020, The Phoenix Capital became a 50% partner in The Phoenix Financial Technologies Funds Ltd. - the managing partner of the Phoenix Real Estate Debt partnership. The Phoenix Financial Technologies Funds Ltd. invests in financial debt instruments in the US in the field of real estate. As of December 31, 2023, the amount of the guarantee given by The Phoenix Insurance in respect of a credit facility amounted to approx. USD 60 million (as of December 31, 2022 - approx. USD 60 million).

8) Pollen Street feeder fund

The "Phoenix Debt Strategies Limited Partnership" Fund commenced operations in November 2021. The fund invests in financial instruments outside Israel, mainly Europe, focusing on the UK. The general partner of the fund is The Phoenix Capital Ltd. As of December 31, 2023, the amount of the guarantee given by The Phoenix Insurance in respect of a credit facility for bridging timing differences of capital calls amounted to approx. USD 5 million (as of December 2022 - no liability).

9) Co-Invest Fund - 2

The "Phoenix Co Invest Private Equity 2 Limited Partnership" Fund commenced operations in the last quarter of 2023. The fund takes part - alongside The Phoenix - in direct equity investments in Israel and across the world. The general partner of the fund is The Phoenix Capital Ltd. As of December 31, 2023, the storage facility provided to the fund by The Phoenix Insurance amounted to approx. NIS 20 million (2022 - no liability).

10) King Store

The Phoenix Insurance provided a guarantee to Al-Mashhadawi King Store - a food retailer focusing on the Arab population - in respect of a bank credit totaling up to approx. NIS 7.5 million (in 2022 - approx. NIS 7.5 million).

11) Gama

Subsequent to the balance sheet date, as part of the transfer of The Phoenix Construction Financing to Gama, the Company provided to Gama and/or its subsidiaries, a guarantee in respect of a credit facility at the total amount of approx. NIS 200 million, in accordance with Gama's needs. For further details regarding restructuring and the transfer of the construction projects' financing activity, see Note 8E(8).

12) The Phoenix Capital

Subsequent to the balance sheet date, The Phoenix Insurance engaged in the provision of a guarantee in respect of a credit facility taken from the bank by The Phoenix Capital Ltd. at the total amount of approx. USD 100 million. The credit facility shall be used to set up a fund that will invest in an objective fund of the international investment house KKR.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

D. Transactions with interested parties and related parties

For the year ended December 31 2023:

	Controlling shareholder	Associates	Interested party and other related parties
	In NIS thousand		
Gross premiums (*)	-	2,302	2,807
Income from management fees from pension and provident funds	-	-	750,982
Gains (losses) from debt assets and finance income	-	11,853	4,136
Payments in respect of insurance contracts	-	108	5,174
Expenses in respect of fees and commissions	-	12,695	-
General and administrative expenses	-	-	100,749

For the year ended December 31, 2022:

	Controlling shareholder	Associates	Interested party and other related parties
	In NIS thousand		
Gross premiums (*)	-	5,806	19,135
Income from management fees from pension and provident funds	-	-	670,387
Gains (losses) from debt assets and finance income	-	7,322	2,533
Payments in respect of insurance contracts	-	71	1,239
Expenses in respect of fees and commissions	-	15,367	-
General and administrative expenses	-	-	90,034

For the year ended December 31, 2021

	Controlling shareholder	Associates	Interested party and other related parties
	In NIS thousand		
Gross premiums (*)	-	3,333	10,485
Income from management fees from pension and provident funds	-	-	542,942
Gains (losses) from debt assets and finance income	-	7,368	4,691
Payments in respect of insurance contracts	-	362	3,464
Expenses in respect of fees and commissions	-	20,543	-
General and administrative expenses	-	-	51,590

(*) Including non-recurring premiums.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent liabilities

1. Class actions - motions to certify lawsuits as class actions certified as class actions

In recent years, there has been a significant increase in the number of petitions 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 lawsuits as 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 lawsuits as class actions are filed through the hearing procedure mechanism set forth in the Class Actions Law. The hearings procedure for motions to certify the claim as a class action is divided into two main stages: The first stage is the motion to certify (hereinafter - the "motion to certify" or the "certification 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 certification stage and in the class action stage, as well as arrangements with regard to the plaintiff's withdrawal of the motion to certify or the class action.

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 1-8, 10-19, 21-26, 28, 30-36, 38-41, 43, 44, 50, 56 to the following table; for such lawsuits, which, in management's opinion - that is based, inter alia, on legal opinions whereby the Group's defense claims are more likely than not to be accepted and the motions to certify lawsuits as class actions will be rejected - no provision was included in the financial statements, except for motions to certify lawsuits as 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 certification 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 claims as class actions have been filed against the Group on various matters related to insurance contracts and the Group's ordinary course of business, for which the Group has allocated insurance reserves.

In motions to certify lawsuits as class actions as set out in Sections 9, 20, 27, 29, 37, 42, 45-49, 51-55, 57-59 in the table below, at this preliminary stage, the chances of the motions to certify lawsuits as class actions cannot be assessed and therefore no provision is included in respect thereof in the Financial Statements.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Following a breakdown of the motions to certify claims as 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 Approx. 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 class action was originally filed.
[2] The court with which the motion to certify the class action 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 specified in the motion to certify the claim as a class action were different and higher and also referred to the claim of collecting sub-annuals at a higher rate than permitted under law, which, as stated, has been rejected.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions 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) Approx. NIS 1.47 billion of all defendants (including the defendants in the corresponding case), of which approx. 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 the "policy factor" 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 granted the motions to certify 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 further details, 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 class action was originally filed.
[2] The court with which the motion to certify the class action was originally filed.
[3] The claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The amounts are the amounts assessed by the plaintiffs in the consolidated class action statement of claim filed in March 2019 against the defendant insurance companies sued in the corresponding case and against The Phoenix. It should be noted that the amounts in the motion to certify the claim as a class action were different and higher.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions 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 Approx. 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 certification process it was determined that the class 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 April 10, 2024.At the same time, the parties agreed to conduct a mediation proceeding.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 to certify the claim as a class action were different and higher and also related to the linkage claim, which was rejected.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions 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 Approx. 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 granted the motion to certify the claim as a class action. 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. Approx. 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 class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
7.	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 class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
The motions to certify the claims as class actions that appear in Sections 8-10 below were submitted on the grounds of unlawful collection of investment management expenses which are not sanctioned by the policies or by laws.			
8.	November 2016 Jerusalem Regional Labor Court Excellence Nessuah Gemel Ltd. (currently: The Phoenix Pension and Provident Fund Ltd.) Approx. 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 granted 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 2 below in the concluded claims table). According to the Court's decision, The Phoenix announced its position, whereby the motion to certify should be disallowed in view of the Judgment. On March 17, 2024, a consensual motion for the plaintiff's withdrawal from the motion to certify the class action was filed. As of the report publication date, the court's decision as to the withdrawal motion has not yet been granted.
9.	June 2019 Tel Aviv Regional Labor Court The Phoenix Insurance Approx. 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 2 below, in the concluded claims table. 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 granted this request. An amended motion as stated above has not yet been filed. In February 2024, the plaintiff announced that it intends to file a motion to withdraw from the case. As of the report publication date, the motion has yet to be filed.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
10.	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 bylaws.	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 2 below, in the concluded claims table. In June 2023, a judgment was rendered. In view of the above, the applicant has not yet informed the Court whether he wishes to continue the proceeding.
11.	January 2017 Central District Court The Phoenix Insurance and other insurance companies At least approx. 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 to grant the motion to certify the 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). On March 10, 2024, the judgment of the Supreme Court was rendered, according to which the appeal filed as mentioned was dismissed. A hearing in said case is scheduled for April 18, 2024.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
12.	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 granting 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.
13.	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 parties are awaiting the court's decision on the motion to certify the claim as a class action.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
14.	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 certification decision with 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.
15.	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 granting the motion to certify the claim as a class action. As part of the above resolution, the Court granted 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. On January 28, 2024, judgment was rendered by the regional court in the class action, which dismissed the main relief sought in the proceeding, and it was held that The Phoenix Pension and Provident releases benefits from the compensation of as required. At the same time, the judgment provided several remedies concerning the configuration of the disclosure to the members in connection with the execution of the release from payment. On February 25, 2024, the plaintiffs filed an appeal to the National Labor Court against this judgment.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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, 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
16.	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 granting 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 what are the remedies to which class members are entitled due to that. In January 2023, a motion to appeal submitted to the Supreme Court by The Phoenix Insurance regarding the certification decision was dismissed. 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 May 8, 2024.
17.	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.	In November 2023, the District Court issued a ruling granting the motion to certify the claim as a class action. As part of the certification ruling, it was decided that the class 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 questions common to the class members are: whether the defendant insurance companies insured the class members under overlapping insurance; whether they created among class members a reasonable expectation that they conduct themselves in a reasonable manner, including, among other things, that they not insure the same structure under overlapping insurance during the same period without adding any insurance coverage; whether they were negligent by breaching an expected standard of conduct; whether they breached a fair disclosure duty; whether their charging insurance premiums in respect of two insurance policies that do not add upon each other amounts to unlawful enrichment; whether the class members are entitled to a refund and what is the amount of the refund. The class action is being litigated before the District Court.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
18.	March 2019 Central District Court The Phoenix Insurance Approx. 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.	On February 18, 2024, a consensual motion for the plaintiff's withdrawal with compensation from the motion to certify the class action was filed. As of the report publication date, the court's decision as to the withdrawal motion has not yet been granted.
19.	May 2019 Tel Aviv District Court The Phoenix Insurance Approx. NIS 766.8 million.	According to the plaintiff, the claim deals with The Phoenix Insurance's not paying policyholders in participating life insurance policies which include an Rm formula their full share of the profits and full payments to which they are entitled under the insurance contracts; the plaintiff also claims that The Phoenix Insurance does not fulfill its reporting and disclosure obligations towards policyholders regarding their policies and rights.	The motion to certify the claim as a class action lawsuit continues to be heard in court. 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 granted.
20.	July 2019 Tel Aviv District Court The Phoenix Insurance and other insurance companies Approx. NIS 264.5 million from all the defendants, of which approx. 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 certification 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 class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
21.	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 rider is canceled and the risk it covers no longer exists.	On December 5, 2023, a decision was issued by the District Court, granting the motion to certify the claim as a class action. Under the certification decision, the class on whose behalf the class action will be litigated is anyone who purchased from the defendants, in addition to comprehensive insurance, services under a rider - as defined in Section 40 to the Financial Services Supervision Law (Insurance), 1981; the vehicle for which the rider was issued had been stolen or suffered total loss (including constructive total loss) as a result of the accident (or for another reason) and who did not receive a refund of the relative portion of the premium they had paid for the riders in respect of the remaining term of the engagement under the rider after the event, in relation to the service period which spanned, in whole or in part, as from seven years before the motion to certify was filed until the class action was filed, once it is certified. It was also found that the main questions common to the class members are whether, in the applicable legal and factual situation, the defendants are obligated to refund a relative portion of the payment they had collected in respect of the riders in cases of total loss; and whether a change to the clause stipulated on this matter in the riders issued by some of the defendants - denying refund for the remaining period - should be mandated in such cases. On February 1, 2024, The Phoenix Insurance filed a motion for leave to appeal to the Supreme Court against the decision granting the class action lawsuit. At the same time, the class action continues to be heard on its merits before the district court and a pre-trial hearing is scheduled for April 7, 2024.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
22.	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.
23.	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 parties are awaiting the court's decision on motion to certify the claim as a class action.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
24.	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 certification 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.
25.	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 of the claim as a class action continues to be heard in court. The position of the Capital Market Authority, which supports the Company's position, was submitted.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
26.	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. Approx. NIS 1.2 billion of all the defendants, of which NIS 145 million is attributed to The Phoenix Insurance or, alternatively, approx. NIS 719 million of all the defendants, of which approx. 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 June 2 and 19, 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.
27.	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 parties are in a mediation procedure.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
28.	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 Approx. 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 CPI, 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 of the claim as a class action continues to be heard in court. At the same time, the parties conduct a mediation process.
29.	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 motion to certify the claim as a class action lawsuit continues to be heard in court.
30.	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 approx. 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 class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
31.	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 policies 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 certify the claim as a class action. As part of the certification ruling, the Court dismissed the motion to certify in connection with the claim that The Phoenix Insurance does not indemnify policyholders under their long-term care policies for certain medical treatments, and granted the motion to certify 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 are in a mediation procedure.
32.	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 permanent health insurance).	According to the claim, the defendants acted in violation of the provisions of critical illness insurance policies when they continued to charge policyholders the full amount of the monthly premium even after the first 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 was set for April 11, 2024.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
33.	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.
34.	March 2021 Tel Aviv District Court The Phoenix Insurance and other insurance companies Approx. 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.
35.	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.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
36.	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.
37.	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. A hearing is scheduled for April 19, 2024.
38.	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 a mediation procedure.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
39.	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 collective 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 hearing is scheduled for April 14, 2024.
40.	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 house insurance policy automatically while increasing the premium, allegedly without obtaining policyholders' consent.	The parties are in a mediation procedure.
41.	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 certify a lawsuit against The Phoenix Insurance and another insurance company as a class action (see Section 16 in the table above).	The motion certify the claim as a class action is not discussed at this stage in view of the proceeding in the class action against The Phoenix Insurance and against another insurance company (see section 16 above in the table).

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

a. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
42.	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 28 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. A hearing is scheduled for December 2, 2024.
43.	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 of the claim as a class action continues to be heard in court.
44.	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.
45.	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 against male policyholders by the defendants, 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 motion to certify the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for April 10, 2024.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
46.	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 are in a mediation procedure.
47.	March 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.
48.	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.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
49.	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 filed their response to the motion to certify the claim as a class action as well as a motion for leave to file a third-party notice against the State - the Israel Tax Authority. As of the report publication date, a resolution has not yet been made in connection with the motion. The motion to certify the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for November 14, 2024.
50.	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.
51.	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 submitted their response to the motion to certify the claim as a class action. A pre-trial hearing is scheduled for May 12, 2024.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
52.	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 July 17 2024.
53.	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 May 19, 2024.
54.	September 2023 Tel Aviv 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.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
55.	November 2023 Tel Aviv 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 approx. 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. A pre-trial hearing is scheduled for May 21, 2024.
56.	November 2023 Haifa District Court Excellence Nessuah Brokerage Services Ltd. (Currently: Excellence Investment Management and Securities Ltd.) NIS 3.95 million.	The lawsuit concerns the claim that Excellence allegedly charges interest unlawfully on credit balances in its clients' accounts that Excellence refers to a foreign broker, without having the contractual right to do so, and without even notifying the clients that the foreign broker has been paying it interest on their accounts' credit balances.	Excellence's response to the motion to certify the claim as a class action has not yet been filed. A pre-trial hearing is scheduled for June 18, 2024.
57.	February 2024 Tel Aviv-Jaffa Regional Labor Court The Phoenix Pension and Provident Fund NIS 182 million.	The action involves the claim that The Phoenix Pension and Provident acted in breach of the law and in breach of the agreement when it transferred the members of the study fund who joined the general track to a short-term investment track without obtaining their express written consent to said change.	The Phoenix Pension and Provident has yet to submit their response to the motion to certify the claim as a class action. A pre-trial hearing is scheduled for December 2 2024.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
58.	February 2024 Tel Aviv District Court The Phoenix Insurance NIS 10 million.	The action involves the claim that The Phoenix Insurance sends advertisements to the plaintiff and the class members through advertisements sent to their email addresses and/or in any other media, without receiving the express prior written consent of the recipients and without the class members being its customers. It is further claimed that The Phoenix Insurance does not allow its recipients, whether or not they have given their explicit consent to the mailing of advertisements in advance, to remove themselves from the mailing list in the same manner in which the advertisements were sent, but rather through a link, and this is contrary to section 30A to the Communications Law (Bezeq and broadcasts), 1982.	The Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed. A hearing date has not yet been scheduled.
59.	March 2024 Central District Court The Phoenix Insurance NIS 80 million.	The action involves the claim that insured persons who were insured under the "Personal Accidents" appendix either privately and/or collectively (which entitles them to weekly compensation for loss of ability to work in their profession as a result of an accident), and were recognized as having lost their ability to work, were paid damages that were limited to a fixed period of one year or two years only, even though they lost their ability to work in their profession permanently or for longer than one or two years, and even though the Personal Accidents Appendix and the insurance details page did not include any time limit for the payment of damages except for the retirement age.	The Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed. A hearing date has not yet been scheduled.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. 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 granting the plaintiffs' withdrawal from the motion to certify the claim as a class action.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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, 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. 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 to certify the claim as a class action. 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 class actions regarding investment management expenses are also pending against Excellence Gemel (see Section 8 in the table above), The Phoenix Insurance (see Section 9 in the table above) and Halman Aldubi Provident and Pension Funds Ltd. (see Section 10 in the table above).

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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, 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. 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. Approx. 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.
4.	January 2018 Central District Court The Phoenix Insurance and other insurance companies Approx. NIS 82.2 million per year from all the defendants, of which approx. 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.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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, 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims* (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
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.
6.	June 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 certify the claim as a class action.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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, 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims* (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
7.	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 granting 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. In December 2023, judgment was rendered by the District Court confirming the settlement agreement submitted in respect of the Passportcard policies.
8.	March 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 premiums 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.	In January 2024, the Court handed down a judgment granting the plaintiffs' withdrawal from the motion to certify the claim as a class action.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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, 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims* (cont.)

No.	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
9.	December 2023 Tel Aviv-Jaffa Regional Labor Court The Phoenix Insurance and Maccabi Healthcare Services (HMO) (Ottoman Association) The claim amount was not estimated but it was stated that it is estimated at more than NIS 3 million.	The action involves the claim that the defendants are misleading the members of Maccabi Healthcare members in regard to the statute of limitations in the collective nursing insurance policy for Maccabi Healthcare members. It was claimed that the defendants publish in every relevant document on their website that "the statute of limitations for the claim for payment of insurance benefits is three years from the date of the occurrence of the insured event," even though the Insurance Contract Law, 1981 (hereinafter: the "Insurance Contract Law"), stipulates a statute of limitations of 5 years from the date of the occurrence of an insurance case, as of November 25, 2020 after amendment No. 11 of 2020 to the Insurance Contract Law	In February 2024, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify the claim as a class action.
10.	December 2015 Tel Aviv District Court The Phoenix Insurance and another insurance company Approx. 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. In February 2024, the Supreme Court dismissed the appeal filed by the plaintiff.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action 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, 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

3. 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.

A. On November 11, 2020, an insurance agency filed a lawsuit in the amount of approx. 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.

B. 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 approx. 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 - approx. 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 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.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

3. Legal and other proceedings (cont.)

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

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

D. 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.

E. 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 approx. NIS 31.3 million. The causes of action against the Group in these proceedings are different.

4. 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.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

4. Complaints (cont.)

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

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

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

The Wage Protection Law, 1958 imposes a liability on the Group's institutional entities, in accordance with the circumstances specified in the law, in respect of employers' debts to the institutional entities, where such debts have not been repaid on time. The Group is in the process of improving the data on employers' debts and policyholders' rights, during the course of which lawsuits were filed against employers and the debts of other employers were rescheduled. The Company continues with the ongoing treatment and improvement of employers' debts in accordance with the provisions of the law.

5. Summary table

The following table summarizes the amounts claimed in pending motions to certify claims as class actions, certified 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 amounts claimed do not necessarily reflect the amounts of exposure 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.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

5. Summary table (cont.)

Type	No. of claims	The amount claimed in NIS thousand
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	5	-
Pending motions to certify claims as class actions:		
A specific amount was attributed to the Company	20	2,762,045
The claim pertains to several companies and no specific amount was attributed to the Company	6	2,867,895
The amount of the claim was not specified	20	-
Other material claims:		
A specific amount was attributed to the Company	-	-
The claim pertains to several companies and no specific amount was attributed to the Company	1	35,900
The amount of the claim was not specified	-	-
Claims and other requirements	18	31,255

The total provision amount in respect of class actions, legal proceedings and others, filed against the Group as specified above as of December 31, 2023 and December 31, 2022, amounted to approx. NIS 449,468 thousand (of which a total of approx. NIS 13,530 thousand is for concluded class actions) and approx. NIS 354,703 thousand, respectively.

B. Guarantees and pledges provided

1) In 2002, the TASE's Board of Directors decided to establish a risk reserve for its clearing house to secure members' undertakings to the clearing house. The share of each TASE member in the fund shall be determined in accordance with its share in the volume of trade taking place on the TASE based on its general daily average clearing volume. Accordingly, Excellence deposited its share with the TASE risk reserve - amounting to approx. NIS 55 million as of December 31, 2023 (as of December 31, 2022 - NIS 41 million).

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

B. Guarantees and pledges provided (cont.)

2) As of the date on which Amendment No. 28 came into effect, fund managers who opt to do so will be allowed, in accordance with the provisions and conditions set out in the tracker funds regulations, to set variable management fees, which under certain circumstances will allow fund managers to cancel or reduce the difference between the fund's yield and the change in the price of the underlying asset during the calculation period, by increasing the management fees if the fund's yield exceeded the yield on the underlying asset (positive management fees), and by refunding management fees when the difference between the fund's yield and the yield on the underlying asset is negative (negative management fees), by a rate of 0.1%, 0.2% or 0.3%, as a function of the fund's exposure to the indexes listed on the tracker funds regulations. To secure the payment of the variable management fees, fund managers are required to provide a deposit, whose amount will be determined in accordance to a mechanism set in the tracker funds regulations; alternatively, fund managers can provide a bank guarantee. The deposit will be deposited with an account, which is free from any charge, foreclosure, lien or any other third-party right; the trustee shall have exclusive signatory rights in such an account. KSM Mutual Funds decided that some of the tracker funds under its management shall have variable management fees; therefore, KSM Funds provided a bank guarantee in favor of the trustees of the ETFs; the guarantee was issued by Bank Hapoalim Ltd. as collateral for payment of the variable management fees. The amount of the guarantee is calculated by multiplying the rate of variable management fees by total assets under management in the ETF in respect of which variable management fees were determined in accordance with the Joint Investment Trust Regulations (Tracker Funds), 2018. This, with the exception of a dedicated deposit at the total amount of NIS 0.6 million (in lieu of a bank guarantee as aforesaid) in favor of the trustee of U-Bank.

3) Excellence Investment Management and Securities Ltd. placed charges - unlimited in amount - on its securities account in favor of Mizrahi Tefahot Bank Ltd. and in favor of the TASE Clearing House. The charge in favor of Mizrahi Tefahot Bank Ltd. is designed to secure liabilities in respect of writing MAOF options of Excellence Investment Management and Securities Ltd. and its customers. The charge in favor of the TASE Clearing House is required under the directives of the TASE. As of December 31, 2023, the liability amount is NIS 24 million (December 31, 2022 - approx. NIS 24 million). Furthermore, a guarantee was provided by Mizrahi Tefahot Bank Ltd. in respect of the bank's obligation to the TASE Clearing House for daily monetary clearing purposes. The maximum guarantee amount is NIS 50 million (as of December 31, 2022 - approx. NIS 50 million), and it varies in accordance with the TASE Clearing House's directives regarding a minimum debit ceiling.

C. Commitments

1) As of December 31 2023, The Phoenix Insurance has commitments to acquire investment property and property, plant and equipment at the total amount of approx. NIS 1,321 million, of which approx. NIS 456 million is in respect of yield-dependent contracts; most of the amount is in respect of the 1000 Complex, see also Section 4 below (as of December 31, 2022, The Phoenix Insurance had such commitments totaling approx. NIS 1,600 million, of which NIS 574 million is in respect of yield-dependent contracts).

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Commitments (cont.)

2) The Group has commitments to pay rent and maintenance in respect of offices in future years (excluding VAT), as follows:

Year	December 31, 2023	December 31, 2022
	NIS thousands (*)	
Up to one year	23,941	22,963
One to two years	19,915	23,758
Two to three years	6,029	22,229
Three years and up	12,058	10,066
	61,943	**79,016**

(*) The rent is linked in part to the exchange rate of the US dollar and in part to the CPI. The above amounts do not reflect the effect of future changes in the CPI and/or the exchange rate of foreign currency on the amounts of commitments, and they are presented in nominal values.

3) The Phoenix Insurance has undertakings for future investments in investment and venture capital funds totaling approx. NIS 11,713 million as of December 31, 2023, of which approx. NIS 8,434 million is in respect of yield-dependent contracts (as of December 31, 2022, approx. NIS 11,505 million, of which approx. NIS 8,278 million is in respect of yield-dependent contracts.) The Phoenix Insurance has undertakings for the provision of credit totaling approx. NIS 4,623 million as of December 31, 2023, of which approx. NIS 1,667 million is in respect of yield-dependent contracts (as of December 31, 2022 - approx. NIS 4,319 million, of which approx. NIS 1,538 million is in respect of yield-dependent contracts.)

4) On December 17, 2019, The Phoenix Insurance won a tender that relates to an area measuring approx. 15 acres located in the "Elef Complex" in Rishon Lezion, where the construction rights in the tender pursuant to the present urban building plan amount to a total of approx. 355,000 m^2. In accordance with the terms of the tender, the winner undertook to construct about half of the building area within a period of about eight years from the signing date of the agreement with the City of Rishon Lezion, where an obligation for self-use exists for an area measuring about 50 thousand square meters within 5 years. With respect to the remaining land, a joint bid submitted by The Phoenix Insurance Company Ltd. and Acro Landscape Limited Partnership (held by Arabov Investments Ltd.) won the tender (hereinafter: "Acro", "Arabov" and the "Joint Land", respectively). Acro - through its subsidiaries - is engaged in the development of real estate; The Phoenix Insurance holds approx. 17.46% in Arabov. On September 5, 2021 a transaction was signed with Ashtrom, for the sale of 26.07% of the Joint Land held with Acro (without the portion designed for own use). As of December 31, 2022, Acro's share in the Joint Land was 6.43%, and The Phoenix Insurance has an option to purchase Acro's share at a cost of NIS 1,600 per meter (linked to the July 2021 base index plus the refund of their share in the investments). on March 13, 2023, The Phoenix Insurance Company informed Acro of the intention to exercise the option and on April 3, 2023, a sale agreement was executed under which an amount of NIS 44.32 million was transferred to Acro. The consideration paid to the City of Rishon Lezion in respect of the purchased land was NIS 338 million. The estimated cost of construction work with respect of half of the building rights, which the Company undertook to construct within 8 years, is approx. NIS 2.15 billion, of which approx. NIS 900 million is attributed to the construction of the building designated for own use.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Commitments (cont.)

5) The Phoenix Pension and Provident Fund Ltd. has an agreement with Malam Provident and Pension Funds Operation Ltd., whereby Malam renders The Phoenix Pension and Provident Fund Ltd. operating services for planholders' accounts with the provident fund and the personally managed advanced education fund under its management, in consideration for tiered monthly operating fees derived from the planholders' total assets. The agreement is for an unlimited period; it includes a termination mechanism whereby the parties may terminate it by giving advance notice in accordance with the terms of the agreement. Malam and Pension and Provident also provides operational services to the members' accounts in the veteran pension funds "Magen" and the "Lawyers' Pension Fund."

6) The Phoenix Pension and Provident Fund Ltd. and Mizrahi Tefahot Bank Ltd. entered into an agreement for the operating of planholders' accounts with provident funds under its management. In 2021, the term of the agreement was extended until the end of 2026; the agreement has in place a termination mechanism and an automatic extension mechanism.

7) As of the report date, The Phoenix Pension and Provident Fund Ltd. entered into distribution agreements with most Israeli banking corporations for the distribution of the provident and pension funds under its management.

8) As part of the operation of the insurance tracks in the supplementary pension fund managed by The Phoenix Pension and Provident, as of 2023, the Company has a reinsurance agreement with The Phoenix Insurance Company Ltd. which replaced the reinsurance agreement with the SWISS RE company. The new agreement covers all claims whose insured event date was on January 1, 2023 and thereafter. The agreement with Swiss Re will become a run off cover as soon as the agreement with The Phoenix Insurance Company Ltd. will come into effect. The said reinsurance agreement includes a mechanism whereby the pension fund bears 10% of the exposure amount, and the remaining balance (approx. 90%) is ceded to the reinsurer - The Phoenix Insurance Company Ltd. The agreement remains unchanged in 2024. The reinsurance premium is based on the risk premium set under the provisions of the legislative arrangement. The Company and The Phoenix Investments and Finances (a related party) entered into an agreement for receipt of investment management services in respect of the provident funds and pension funds under the Company's management.

9) On December 14, 2021, The Phoenix Insurance Ltd. and The Phoenix Pension and Provident Fund Ltd signed a new collective agreement with the New General Workers' Federation and the National Workers' Committee of Phoenix Workers, which extended the term of the collective agreement that was in place in the Company until that date, except for some changes that were made in the new collective agreement. The term of the agreement is three years starting on January 1, 2022 through December 31, 2024; the agreement applies to all The Phoenix group employees in the said companies, except for managers at a rank defined in the agreement and employees working in specific positions who were excluded from the agreement. For further details, see the immediate report of the Company dated December 15, 2021 (Ref. No. 2021-01-109825). For further details, see Section 4.6.3 to the Report on the Company's Business.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Commitments (cont.)

10) The Phoenix Investment House Ltd. has taken out professional liability insurance and fidelity insurance with The Phoenix Insurance; the insurance covers the employees of Excellence Investments and its subsidiaries for a 12-month period beginning in June 2023. Furthermore, Excellence has taken out crime insurance, which covers it directly, and is also insured - as of October 2018 - under the officers and directors liability insurance of The Phoenix group.

11) Excellence Investment Management and Securities Ltd. has an agreement with FMR Computers and Software Ltd. ("FMR"), according to which the consolidated company receives software development services, computer-assisted data processing, including generation of reports, and computer processing based on information received directly from the TASE. The agreement is extended from time to time. In June 2021 the Company signed an agreement to extend the term of the services agreement with FMR through June 2025; as part of the extension, information security and cyber services were added.

12) The Phoenix Insurance and Excellence Nessuah Services Ltd. have an agreement with Danel Financial Solutions Ltd., whereby the company has a license to use the Danel FC software for management of financial assets and for provision of software maintenance services. On May 11, 2021, the term of the existing agreement was extended by 5 years through December 31, 2025.

13) Gama has a acquiring aggregator agreement with CAL, whereunder the Company will operate as an acquiring aggregator. By virtue of the agreement, Gama shall provide clearing aggregator services to merchants through CAL, which delivers to Gama the transactions' proceeds less a variable fee, which is derived from the overall turnover of all merchants that worked with CAL using Gama's clearing aggregator services during that month.

14) In order to provide the vouchers factoring services outside its activity as a clearing aggregator, Gama has agreements with all leading entities providing acquiring services in Israel: Isracard, Max and CAL; the agreements allow Gama to provide debit card vouchers factoring services to merchants that have in place clearing agreements with those companies, with the latter undertaking to pay Gama the acquiring proceeds assigned to Gama by the merchants.

15) On November 28, 2022, Gama signed an acquiring aggregator agreement with Premium Express Ltd. (hereinafter - "Premium"), a subsidiary of Isracard Ltd., in connection with the American Express brand (hereinafter - the "Aggregator Agreement"). Alongside the aggregator agreement, Gama has with Israel Credit Cards Ltd. of July 6, 2017, the said engagement with Premium allows Gama to render clearing aggregator services to all clearing brands available in Israel. The term of the Aggregator Agreement is 5 years from the date on which it was signed; the agreement may be terminated before the end of its term subject to conditions set out therein.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Commitments (cont.)

16) Gama has agreements for assignment, by way of sale to banks, of credit card transaction vouchers. In 2015-2016 Gama entered into separate agreements with Bank Leumi le-Israel B.M., Bank Hapoalim Ltd., Israel Discount Bank Ltd., and Bank Mizrahi Tefahot Ltd., for the execution of assignment transactions by way of sale of Gama's rights to receive funds in respect of the factoring of payment card transaction vouchers, which were assigned to Gama by merchants. As part of the agreements with the banks, it was agreed that Gama shall irrevocably assign to each of the banks, by way of sale, its rights to receive funds in respect of vouchers cleared for certain merchants by a certain clearing services entity, in connection with management and factoring agreements signed between Gama and the merchants, whereby the merchants assigned to Gama their rights to receive funds from the clearing services entities in respect of payment card transaction vouchers executed with cardholders. Pursuant to the provisions of the agreements with the banks, Gama gave the clearing entities an irrevocable order to deposit the proceeds in respect of the vouchers directly with the bank. Gama makes a representation to each bank regarding the nature of the vouchers, and insofar as the representations are found to be incorrect in respect of any of the vouchers, Gama will refund the voucher's proceeds to the bank that purchased it. Based on past experience, Gama believes that its exposure in respect of those representations is very negligible.

17) Several companies and investment funds engaged in the Group's alternative investments activity have in place an administration services agreement with Tzur Capital Management Ltd. for the provision of services in connection with the partnerships' operating activities, and for the purpose of managing the tax arrangement as the partnership's tax trustee. As part of the agreements, the administrator undertook to provide some of the investment funds trust services in connection with the execution of the tax arrangement, including, among other things, assisting the general partner to calculate operating results for tax purposes for each investor on the tax payment date of each tax year, and calculating the tax to be deducted in respect thereof; and, providing any other data in its possession, which is required to the investors in connection with their compliance with the reporting requirements to the tax authorities in respect of their investment in the partnership, upon request by the investors.

Furthermore, the administrator undertook to provide some of the investment funds trust services in connection with the partnership's accounts (the "Transition Account" and the "Activity Accounts"), which include, among other things, the joint signatory right in the partnership's accounts together with the general partner under certain circumstances, and the administrator's function as a trustee in those accounts in accordance with the partnership agreement. Furthermore, the administrator will provide the partnerships administration services, which include, among other things, management of the investors register, providing various reports to investors and revelation of the fund's assets, FACTA and prevention of money laundering.

18) As to agreements for investment in investees, and agreements of investees with others, see Note 8.

NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

D. Leases

A. Leases in which the Group is a lessee under an operating lease

The Group is a party to operating lease agreements in respect of vehicles. The average duration of the leases is 3 years, and the leases do not have an extension option. Set forth below is a breakdown of the minimum future lease fees receivable in respect of non-cancelable operating lease contracts as of December 31:

	For the year ended December 31	
	2023	2022
	NIS thousand	
Up to one year	15,676	17,383
From one year to five years	11,870	17,289
	27,546	34,672

B. Leases in which the Group is the lessor

The Phoenix Insurance Company leases several commercial buildings (investment property) to external entities. The lease agreements are for variable periods that cannot be canceled; the rent is linked to the CPI. Renewal of the lease contracts at the end of their term is subject to the consent of the Company and the lessees.

Set forth below is a breakdown of the minimum future lease fees receivable in respect of non-cancelable lease contracts (without options):

	For the year ended December 31	
	2023	2022
	NIS thousand	
Up to one year	117,877	115,401
From one year to five years	360,950	300,062
Over five years	407,908	326,684
	886,735	742,147

NOTE 44 - SUBSEQUENT EVENTS

A. For details regarding the redemption of Bonds (Series D) of The Phoenix Capital Raising subsequent to the balance sheet date, see Note 27E(4).

B. For details regarding the rating update of the Company's bonds subsequent to balance sheet date, see Note 27K.

C. In connection with class actions filed and developments in lawsuits after the balance sheet date, see Note 43.

D. For details regarding approval by the Company's Board of Directors for the dividend distribution subsequent to balance sheet date, see Note 16H.

E. For information regarding the acquisition of active mutual funds and a hedge fund from Psagot, see Note 4C(3)

F. For details regarding the transfer of all of the Company's holdings in The Phoenix Construction Financing in January 2024, see Note 8E(8).

NOTE 44 - SUBSEQUENT EVENTS (cont.)

G. In January 2024, an extraordinary meeting of the Company was held, the agenda of which included the approval of a revised Compensation Policy to officers for 2024-2026. For further details, see the Company's immediate reports dated November 29, 2023 and January 9, 2024 (Ref. Nos.: 2023-01-108148 and 2024-01-003979, respectively).

H. On March 26, 2024, the Company's Board of Directors approved a dividend distribution in the amount of NIS 265 million. For further details, see Note 15H(4).

I. During the period as from reporting date through immediately prior to the publication date of the financial statements, the participating life insurance policies marketed through 2004 achieved positive real returns. Therefore, the estimated management fees which were not collected due to negative real yield since the beginning of 2022 through immediately prior to the publication date of the financial statements, amounted to approx. NIS 219 million (pre-tax). See also Note 30.

J. For details regarding the allocation of options in Gama to employees and officers of the Company, see Note 37C4.

K. For details regarding the Iron Swords War, see Note 1C.

Further information on other financial investments

A. Liquid debt assets

Composition:

	As of December 31, 2023		As of December 31, 2022	
	Carrying amount	Amortized cost	Carrying amount	Amortized cost
	NIS thousand			
Government bonds				
Available for sale	2,569,068	2,754,618	1,814,653	1,628,926
Total government bonds	2,569,068	2,754,618	1,814,653	1,628,926
Other debt assets:				
Non-convertible				
Available-for-sale	2,825,519	2,977,081	3,317,398	3,367,254
Total other non-convertible debt assets	2,825,519	2,977,081	3,317,398	3,367,254
Convertible				
Presented at fair value through profit and loss	148,802	154,611	394,299	441,759
Total other convertible debt assets	148,802	154,611	394,299	441,759
Total liquid debt assets	5,543,389	5,886,310	5,526,350	5,437,939
Regular impairments carried to profit and loss (cumulative)	382,196		357,288	

B. Shares

Composition:

	As of December 31, 2023		As of December 31, 2022	
	Carrying amount	Cost	Carrying amount	Cost
	NIS thousand			
Liquid				
Available for sale	1,678,362	1,604,213	1,407,424	1,173,073
Total liquid shares	1,678,362	1,604,213	1,407,424	1,173,073
Illiquid				
Available for sale	497,469	326,809	462,184	289,471
Total illiquid shares				
Total shares	2,175,831	1,931,022	1,869,608	1,462,544
Regular impairments carried to profit and loss (cumulative)	299,754		345,963	

C. Other financial investments

Composition:

	As of December 31, 2023		As of December 31, 2022	
	Carrying amount	Cost	Carrying amount	Cost
	NIS thousand			
Liquid				
Presented at fair value through profit and loss, designated upon initial recognition	785	711	1,528	807
Available for sale	273,358	238,090	439,117	371,782
Derivative instruments	231,363	172,370	70,590	71,287
Total other liquid financial investments	505,506	411,171	511,235	443,876
Illiquid				
Presented at fair value through profit and loss	8,554	17,995	28,437	40,131
Available for sale	5,006,412	3,998,612	4,139,159	3,054,137
Derivative instruments	509,090	22,508	211,351	78,377
Total other illiquid financial investments	5,524,056	4,039,115	4,378,947	3,172,645
Total other financial investments	6,029,562	4,450,286	4,890,182	3,616,521
Regular impairments carried to profit and loss (cumulative)	256,780		245,426	

Phoenix

Part 4

Special Report according to Regulation 9C separate Financial Information





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To

the Shareholders of The Phoenix Holdings Ltd.

Dear Sir/Madam,

Re: Special report to the audit of the separate financial information in accordance with Regulation 9(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information disclosed in accordance with Regulation 9(c) to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Holdings Ltd. ("the Company") as of December 31, 2023 and 2022, and for each of the three years the last of which ended December 31, 2023, and which is included in the Company's periodic report. The Company's board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion the separate financial information based on our audits.

We did not audit the separate financial information taken from the separate financial information of investees, which the total investment in them, amounted to approximately NIS 1,223,500 thousand and NIS 1,189,414 thousand as of December 31, 2023 and 2022, respectively, and the Company's share in of their earnings amounted to approximately NIS 105,197 thousand, NIS 73,738 thousand and NIS 118,097 thousand for the years ended December 31, 2023, 2022 and 2021, respectively. The separate financial information of those companies was audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the financial information in respect of those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing Standard in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

Based on our audits and the reports of other auditors the accompanying separate financial information is prepared, in all material respects, in accordance with Regulation 9(c) to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
March 26, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

	Note	As of December 31	
		2023	2022
		In NIS thousand	
Assets			
Investments in investees		9,489,368	9,842,459
Loans and capital notes to investees	9	1,166,632	803,529 (*)
Total non-current assets		10,656,000	10,645,988
Loans and capital notes to investees	9	1,355,018	1,011,345 (*)
Deferred tax assets	8C	24,700	-
Other financial investments	4	35,559	10,603 (*)
Receivables and debit balances	5	14,776	10,791
Current tax assets		44	31
Cash and cash equivalents	3	403,736	16,959
Total current assets		1,833,833	1,049,729
Total assets		12,489,833	11,695,717
Equity attributable to Company's shareholders			
Share capital		313,340	311,640
Premium on shares and capital reserves		860,345	851,918
Treasury shares		(193,866)	(155,628)
Capital reserves		1,101,414	1,123,705
Surplus		8,499,062	8,013,123
Total equity		10,580,295	10,144,758
Liabilities			
Non-current liabilities			
Bonds	7	1,828,678	1,495,505
Current liabilities			
Bonds	7	67,648	35,403
Payables and credit balances	6	13,212	10,362
Liability in respect of deferred taxes	8	-	9,689
Total current liabilities		80,860	55,454
Total liabilities		1,909,538	1,550,959
Total equity and liabilities		12,489,833	11,695,717

(*) Reclassified.

Benjamin Gabbay	Eyal Ben Simon	Eli Schwartz
Chairman of the Board of Directors	**Chief Executive Officer**	**Executive Vice President, CFO**

Date of approval of the financial statements - March 26, 2024

	Note	For the year ended December 31		
		2023	2022	2021
		In NIS thousand		
Company's share in the profits of investees, net of tax		736,279	1,216,360	1,900,306
Investment income, net and finance income		94,762	101,271	117,198
Income from management fees of investees	9	3,000	3,000	3,000
Total revenue		834,041	1,320,631	2,020,504
General and administrative expenses		18,847	9,897	8,703
Finance expenses		53,661	62,710	47,105
Total expenses		72,508	72,607	55,808
Profit before income tax		761,533	1,248,024	1,964,696
Income tax expenses	8	(15,870)	(9,100)	-
Profit for the year, attributable to the Company's owners		777,403	1,257,124	1,964,696

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

	For the year ended December 31		
	2023	2022	2021
	In NIS thousand		
Profit for the year, attributable to the Company's owners	777,403	1,257,124	1,964,696
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	-	(754)	4,460
Net change in fair value of financial assets classified as available for sale, carried to the income statement	-	(111)	(4,495)
Gain on impairment of financial assets classified as available for sale, carried to the income statement	-	208	-
Group's share in other comprehensive income of investees	306,349	(230,419)	327,092
Taxes on income relating to components of other comprehensive income	-	152	-
Total components of income (loss) items, subsequently reclassified to profit or loss	306,349	(230,924)	327,057
Amounts that shall not be subsequently reclassified to profit or loss			
The Group's share in other comprehensive income of equity-accounted investees	9,072	97,707	24,282
Other comprehensive income (loss) for the year, net	315,421	(133,217)	351,339
Total comprehensive income for the year	1,092,824	1,123,907	2,316,035

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

	Attributable to Company's shareholders										
	Share capital	Premium on shares and capital reserves	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
	In NIS thousand										
Balance as of January 1, 2023	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 for the year	-	-	-	777,403	-	-	-		-	-	777,403
Other comprehensive income	-	-	-	172	-	-	-	8,900	22,476	283,873	315,421
Total comprehensive income	-	-	-	777,575	-	-	-	8,900	22,476	283,873	1,092,824
Share-based payment	-	493	-	-	-	-	16,221	-	-	-	16,714
Acquisition of treasury shares	-	-	(38,238)	-	-	-	-	-	-	-	(38,238)
Exercise of employee options	1,700	7,934	-	-	-	-	(9,634)	-	-	-	-
Dividend (see Note 16H1 to the Consolidated Financial Statements)	-	-	-	(297,171)	-	-	-	-	-	-	(297,171)
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	4,013	-	-	-	(4,013)	-	-	-
Transaction with minority interest	-	-	-	-	(199,605)	-	-	-	-	-	(199,605)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	(2,184)	-	-	-	-	-	(2,184)
Acquisition of non-controlling interests	-	-	-	-	(136,803)	-	-	-	-	-	(136,803)
Balance as of December 31, 2023	313,340	860,345	(193,866)	8,499,062	(395,095)	11,000	69,507	228,941	8,041	1,179,020	10,580,295

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

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

	Attributable to Company's shareholders										
	Share capital	Premium on shares and capital reserves	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
	In NIS thousand										
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 year	-	-	-	1,257,124	-	-	-		-	-	1,257,124
Other comprehensive income (loss)	-	-	-	2,097	-	-	-	95,610	27,511	(258,435)	(133,217)
Total comprehensive income (loss) for the year	-	-	-	1,259,221	-	-	-	95,610	27,511	(258,435)	1,123,907
Acquisition of treasury shares	-	-	(55,859)	-	-	-	-		-	-	(55,859)
Share-based payment	-	(2,362)	-	-	-	-	17,556	-	-	-	15,194
Exercise of employee options	1,317	4,971	-	-	-	-	(6,288)	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	2,910	-	-	-	(2,910)	-	-	-
Dividend	-	-	-	(581,000)	-	-	-	-	-	-	(581,000)
Acquisition of non-controlling interests	-	-	-	-	(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 financial information.

	Attributable to Company's shareholders										
	Share capital	Premium on shares and capital reserves	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	Re-valuation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total equity
	In NIS thousand										
Balance as of January 1, 2021	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922
Net income for the year	-	-	-	1,964,696	-	-	-	-	-	-	1,964,696
Other comprehensive income (loss)	-	-	-	(1,787)	-	-	-	26,069	(18,608)	345,665	351,339
Total comprehensive income (loss) for the year	-	-	-	1,962,909	-	-	-	26,069	(18,608)	345,665	2,316,035
Share-based payment	-	13,083	-	-	-	-	9,715	-	-	-	22,798
Exercise of employee options	372	2,634	-	-	-	-	(3,006)	-	-	-	-
Acquisition of treasury shares	-	-	(73,358)	-	-	-	-	-	-	-	(73,358)
Dividend	-	-	-	(580,000)	-	-	-	-	-	-	(580,000)
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	9,329	-	-	-	(9,329)	-	-	-
Transaction with minority interest	-	-	-	-	1,223	-	-	-	-	-	1,223
Allocation of shares of a consolidated company	-	-	-	-	(3,256)	-	-	-	-	-	(3,256)
Balance as of December 31, 2021	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

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

	Appendix	For the year ended December 31		
		2023	2022	2021
		In NIS thousand		
Cash flows for operating activities				
Net income for the year		777,403	1,257,124	1,964,696
Adjustments required to present cash flows from operating activities	(a)	(779,214)	(1,271,235)	(1,986,532)
Net cash used for operating activities of the Company		(1,811)	(14,111)	(21,836)
Cash flows from investing activities				
Repayment of capital notes and loans from investees		70,420	5,125	70,505
Dividend from investees		1,091,031	615,000	1,063,000
Acquisition of an investee		(10,608)	(16,675)	(275,000)
Loans and capital notes provided to investees		(435,557)	(109,500)	(428,633)
Investment in restricted Tier 1 capital - Insurance		(298,084)	-	-
Sales (acquisitions) of financial investments by the Company, net		(24,026)	22,652	19,888
Net cash from investing activities		393,177	516,602	449,760
Cash flows used for financing activities				
Dividend paid to shareholders		(297,171)	(581,000)	(580,000)
Share buyback by the Company		(38,238)	(55,859)	(73,358)
Repayment of bonds		(159,121)	(315,159) (*)	(53,371)
Issuance of bonds		489,942	356,564 (*)	348,457
Net cash provided by (used for) financing activities		(4,589)	(595,454)	(358,272)
Increase (decrease) in cash and cash equivalents		386,777	(92,963)	69,652
Balance of cash and cash equivalents at beginning of period		16,959	109,922	40,270
Balance of cash and cash equivalents at end of period		403,736	16,959	109,922

(*) Reclassified.

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

	For the year ended December 31		
	2023	2022	2021
	In NIS thousand		
Adjustments required to present cash flows for operating activities (a):			
Items not involving cash flows:			
Net (gains) losses on financial investments	1,472	367 (*)	(62,354)
Income and expenses not involving cash flows:			
Accrued interest and appreciation of bonds	34,598	43,992	31,887
Taxes on income	(15,870)	(9,100)	-
Company's share in investees' profits, net	(736,280)	(1,216,361)	(1,900,306)
Changes in other balance sheet line items, net:			
Change in receivables and debit balances	(3,984)	7,948	(10,456)
Change in payables and credit balances	2,939	(1,086)	(13,490)
Changes in loans to investees	(43,557)	(96,995) (*)	(13,565)
Cash paid and received during the period for:			
Taxes paid, net	(18,532)	-	(18,248)
Total cash flows for operating activities	(779,214)	(1,271,235)	(1,986,532)

(*) Reclassified.

NOTE 1 - GENERAL

Set forth below are financial data taken from the Group's consolidated financial statements as of December 31, 2023 (hereinafter - "Consolidated Financial Statements") attributable to the Company itself and published as part of the periodic report (hereinafter - "Separate Financial Information").

The separate financial information should be read in conjunction with the Consolidated Financial Statements.

A. Definitions

(1) **The Company -** The Phoenix Holdings Ltd.

(2) **Investees -** consolidated companies and companies, the Company's investment therein is included in the financial statements using the equity method, whether directly or indirectly.

(3) **Report date** - the date of the Statement of Financial Position.

(4) "**The Phoenix Insurance**" - The Phoenix Insurance Company Ltd.

(5) **Platinum -** Platinum Finance and Factoring Ltd.

(6) "**The Phoenix Investments**" - The Phoenix Investments and Finances Ltd.

(7) **The Phoenix Agencies** - The Phoenix Insurance Agencies (1989) Ltd.

(8) "**The Phoenix Pension and Provident**" - The Phoenix Pension and Provident Fund Ltd.

(9) **The Phoenix Investment House** - The Phoenix Investment House Ltd.

(10) **Regulation 9(c)** - Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

NOTE 2 - PREPARATION OF THE FINANCIAL DATA USED IN THE SEPARATE FINANCIAL INFORMATION

A. The separate financial information has been prepared in conformity with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - "Regulation 9C") including all the particulars specified in the Tenth Addendum to the said regulations (hereinafter - the "Addendum"), and subject to the clarifications specified in "Clarification Regarding the Corporation's Separate Financial Statements", which was published on the website of the Israel Securities Authority on January 24, 2010, and which addresses the manner of application of the said Regulation and Addendum (hereinafter - the "ISA Staff Clarification").

The separate financial information does not constitute financial statements, including separate financial statements, which are prepared and presented in conformity with International Financial Reporting Standards (hereinafter - "IFRS") in general, and the provisions of IAS 27 - "Consolidated and Separate Financial Statements" in particular. Nevertheless, the accounting policy specified in Note 2 to the Consolidated Financial Statements regarding the significant accounting policies and the method by which the financial data were classified in the Consolidated Financial Statements, were applied for the purpose of presenting the separate financial information, with the necessary changes as stated below.

The additional information presented below also includes disclosures regarding additional material information, in conformity with the disclosure requirements specified in Regulation 9C and as specified in the Addendum and subject to the ISA Staff Clarification, to the extent that such information was not included in the Consolidated Financial Statements in a way expressly referring to the Company itself.

1. **Assets and liabilities included in the consolidated statements of financial position attributable to the Company:**

The separate financial information includes the amounts of the assets and liabilities included in the consolidated financial statements which are attributable to the Company itself - classified according to types of assets and liabilities. The classification of these data is consistent with their classification in the consolidated statements of financial position. In addition, a net amount is presented, based on the Consolidated Financial Statements, which is attributable to the shareholders of the Company itself, of total assets less total liabilities, with respect to investees, including goodwill.

Such presentation results with the equity attributable to shareholders of the Company on the basis of the Consolidated Financial Statements being identical to the Company's equity as derived from the separate financial information.

NOTE 2 - PREPARATION OF THE FINANCIAL DATA USED IN THE SEPARATE FINANCIAL INFORMATION (cont.)

A. (cont.)

2. **Income and expenses included in the consolidated statements of other comprehensive income and loss attributable to the Company itself:**

   The financial data includes amounts of income and expenses, which are included in the Consolidated Financial Statements, categorized in the separate financial information to profit or loss or to other comprehensive income, which are attributable to the Company itself; those income and expenses are categorized according to the type of income or expense. The classification of these data is consistent with their classification in the consolidated statement of income and the statement of comprehensive income.

   The separate financial information also includes – based on the Consolidated Financial Statements - the net amount attributable to shareholders of the Company itself, of total income net of total expenses which reflect the operating results of investees in the Consolidated Financial Statements, including impairment of goodwill, impairment of investment in associate or reversal thereof, and impairment of investment in a jointly controlled company accounted for by the equity method, or reversal thereof.

   Such presentation results with the total income for the year attributable to Company's owners and the total comprehensive income for the year attributable to Company's owners, on the basis of the Consolidated Financial Statements, being identical to total income for the year attributable to Company's owners and total comprehensive income for the year attributable to the Company's owners, respectively, as derived from the separate financial information.

3. **Cash flows included in the Consolidated Financial Statements attributable to the Company itself:**

   Separate financial information amounts which represent cash flows included in the Consolidated Financial Statements attributable to the Company itself are derived from the consolidated statements of cash flows; cash flow amounts are classified into cash flows from operating activities, investing activities and financing activities, and their composition is also disclosed. The classification of these data is consistent with their classification in the consolidated financial statements.

B. **Company's transactions with investees**

1. Intra-group balances and income and expenses arising from intra-group transactions, which were eliminated in the preparation of the Consolidated Financial Statements, were presented separately from the balance in respect of investees and the income in respect of investees, together with similar balances with third parties.

2. Transactions between the Company and its investees were measured in accordance with the measurement principles set in the relevant IFRSs outlining the accounting treatment applicable to such transactions with third parties.

NOTE 3 - CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
	In NIS thousand	
NIS-denominated cash and deposits with banks available for immediate withdrawal	403,736	16,959

As of balance sheet date, the cash with banks bear current interest of 4.37%-4.41% based on nominal interest rates applicable to daily deposits with banks (December 31, 2022 - 2.91%-3.48%).

Short-term deposits deposited with banking corporations are for periods of up to three months. The deposits bear a nominal interest rate of 4.4%-4.45% (December 31, 2022 - 3.50%-3.90%).

NOTE 4 - OTHER FINANCIAL INVESTMENTS

1. Set forth below is a breakdown of the investments in financial assets attributable to the parent company:

	As of December 31, 2023			
	Presented at fair value through profit and loss	Presented at fair value through capital reserve	Presented at amortized cost	Total
	In NIS thousand			
Liquid debt assets	1,312	-	-	1,312
Illiquid debt assets	-	-	5,595	5,595
Shares	15,893	-	-	15,893
Other	12,759	-	-	12,759
Total	29,964	-	5,595	35,559

	As of December 31, 2022			
	Presented at fair value through profit and loss	Presented at fair value through capital reserve	Presented at amortized cost	Total
	In NIS thousand			
Liquid debt assets	157	-	-	157
Illiquid debt assets (*)	-	-	5,130	5,130
Shares	-	5,083	-	5,083
Other	-	233	-	233
Total	157	5,316	5,130	10,603

(*) Reclassified.

2. Fair value of financial investments by level:

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Liquid debt assets	1,312	-	-	1,312
Shares	6,766	-	9,127	15,893
Other	998	-	11,761	12,759
Total	9,076	-	20,888	29,964
Fair value of illiquid debt assets	-	1,597	3,713	5,310

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Liquid debt assets	157	-	-	157
Shares	2,045	-	3,038	5,083
Other	233	-	-	233
Total	2,435	-	3,038	5,473
Fair value of illiquid debt assets (*)	-	2,033	2,859	4,892

(*) Reclassified.

NOTE 5 - RECEIVABLES AND DEBIT BALANCES

	December 31	
	2023	2022
	In NIS thousand	
Interest receivable from investees	13,236	10,260
Other	1,539	531
	14,776	10,791

NOTE 6 - PAYABLES AND CREDIT BALANCES

	December 31	
	2023	2022
	In NIS thousand	
Interest payable - in respect of bonds	4,730	6,778
Investees	3,678	469
Accounts payable	3,730	2,982
Other payables and credit balances	1,024	119
Government authorities	49	13
	13,212	10,362

NOTE 7 - BONDS

1. Repayment in years subsequent to the reporting date:

	As of December 31	
	2023	2022
	In NIS thousand	
First year	67,648	35,403
Second year	173,160	47,403
Third year	173,160	135,548
Fourth year	173,160	135,548
Fifth year onwards	1,416,051	1,193,964
	2,003,179	1,547,866
Less current maturities	(67,648)	(35,403)
Less - discount and deferred acquisition costs	(106,853)	(16,958)
	1,828,678	1,495,505

For further details, see Note 27 to the Consolidated Financial Statements.

2. Changes in liabilities stemming from financing activity:

	Bonds
	NIS thousand
Balance as of December 31, 2021	1,445,511
Cash flow	39,611
Effect of changes in the CPI	27,056
Other changes	18,730
Balance as of December 31, 2022	1,530,908
Cash flow	314,714
Effect of changes in the CPI	27,960
Other changes	22,744
Balance as of December 31, 2023	1,896,326

(*) The balance includes current maturities.

NOTE 8 - TAXES ON INCOME

A. Tax Assessments

The Company has tax assessments, which are considered to by final through tax year 2018, in accordance with Section 145 of the Income Tax Ordinance.

B. Asset and liability in respect of deferred taxes

The balances of deferred tax assets as of December 31, 2023 are for the creation of a tax asset for carryforward business losses (see Section C below). The outstanding liability in respect of deferred taxes as of December 31, 2022 is for expected tax on the future dividend from The Phoenix Agencies, which is subject to profit tax, offset by a tax asset that the Company created for the first time in 2022, totaling NIS 9 million for carryforward business losses (see Section C below).

C. Carryforward losses for tax purposes and other temporary differences

The Company has carry forward business losses totaling approx. NIS 113,683 thousand and approx. NIS 138,970 thousand as of December 31, 2023 and December 31, 2022, respectively. In respect of loss balances, deferred taxes totaling NIS 25 million were created; the tax assets amount is equal to the balance of losses that can be offset in the foreseeable future. For further details, see Note 23D to the Consolidated Financial Statements.

D. Taxes on income included in the income statements

	December 31		
	2023	2022	2021
	In NIS thousand		
Current taxes (*)	18,519	-	19,376
Deferred taxes in respect of the creation and reversal of temporary differences	(34,389)	(9,100)	(19,376)
Total taxes on income	(15,870)	(9,100)	-

(*) Profit tax paid for dividends from The Phoenix Agencies.

NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES

A. Balances with investees

	As of December 31	
	2023	2022
	In NIS thousand	
Non-current assets		
Loans and capital notes to investees (see Section D below)	1,185,282	819,470
Less current maturities	(18,650) (*)	(15,941) (*)
	1,166,632	803,529
Current assets		
Receivables and debit balances	13,236	10,260
Current maturities of loans to investees (see Section D below)	18,650	15,941
Liquid restricted Tier 1 capital (see E below)	1,336,368	995,404
Loans and capital notes to investees (see Section E below) (*)	1,355,018	1,011,345
	1,368,254	1,021,605

(*) Reclassified.

NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)

B. Transactions with investees

	For the year ended December 31		
	2023	2022	2021
	In NIS thousand		
Income from management fees of investees	3,000	3,000	3,000

1. The Company and subsidiaries entered into an agreement for the provision of management services in exchange for annual consideration of NIS 3,000 thousand.
2. Guarantee for Pension and Provident - The Company provided a guarantee to The Phoenix Pension and Provident Funds in respect of bank credit totaling up to approx. NIS 475 million, subject to the restrictions set out in the agreement. For further information regarding the Company's undertaking to complete the shareholders' equity of The Phoenix Pension and Provident Funds, see Note 42 to the Consolidated Financial Statements.
3. Guarantee for Gama - Subsequent to the balance sheet date, as part of the transfer of The Phoenix Construction Financing to Gama, the Company provided to Gama and/or its subsidiaries, a guarantee in respect of a credit facility at the total amount of approx. NIS 200 million, in accordance with Gama's needs. For further details regarding restructuring and the transfer of the construction projects' financing activity, see Note 42 to the Financial Statements.

C. Finance income from investees

	For the year ended December 31		
	2023	2022	2021
	In NIS thousand		
Finance income	90,315	99,479	111,155

D. Loans and capital notes to consolidated companies

1. The Phoenix Investments

	Interest rate	As of December 31	
		2023	2022
	%	In NIS thousand	
Capital notes (1)	-	464,000	358,000
Loans (2)	2.90	132,686	82,676
		596,686	440,676

(1) During 2023, The Phoenix Investments issued to the Company capital notes at the total amount of approx. NIS 164 million and repaid capital notes at the total amount of approx. NIS 58 million. The capital notes are not linked to the CPI and do not bear interest, with no early repayment, and in any event they will not be repaid before five years have elapsed from the issuance date.

(2) On July 3, 2023, the Company advanced to The Phoenix Investments another loan of approx. NIS 50 million, which is repayable at the end of four years at an interest calculated according to Section 3(J) to the Income Tax Ordinance. The loans are not linked to the CPI and the interest rate is in accordance with Section 3J to the Income Tax Ordinance.

2. The Phoenix Pension and Provident Fund

	Interest rate	As of December 31	
		2023	2021
	%	In NIS thousand	
Linked loans	0.44-0.45	193,802	205,147
Unlinked loans	1.94	105,006	107,556
		298,807	312,703

For details regarding the loans to The Phoenix Pension and Provident - see Note 8E to the Consolidated Financial Statements.

NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)

D. Loans and capital notes to consolidated companies (cont.)

3. Platinum

	Interest rate	As of December 31	
		2023	2022
	%	In NIS thousand	
Loan in NIS (1)	2.9	-	529
Unlinked capital note (2)	-	5,100	5,100
		5,100	5,629

(1) In December 2012, the Company advanced Platinum a loan bearing NIS interest at the rate set in the Income Tax (Setting Interest Rate for Purposes of Section 3(j)), 1986. This loan was repaid in 44 equal principal payments as from March 31, 2013.

(2) On February 1, 2007, Platinum issued a NIS 4 million capital note to the Company. The capital note is unlinked and does not bear interest. In July 2021, Platinum repaid a total of NIS 3.4 million. The outstanding capital note is scheduled to be repaid on December 31, 2099.
On November 27, 2022, Platinum issued a NIS 4.5 million capital note to the Company. The capital note is unlinked and does not bear interest. In any event, the capital note will not be repaid before five years have elapsed from its issuance date.

4. The Phoenix Investment House

	Interest rate	As of December 31	
		2023	2022
	%	In NIS thousand	
Loan in NIS	1.94-5.98	262,146	60,462
		262,146	60,462

(1) On September 13, 2022, the Company granted The Phoenix Investment House, a subsidiary of The Phoenix Investment and Finances, a loan totaling NIS 60 million to be repaid in 4 equal payments and bearing an annual interest equal to that of the Bank of Israel interest rate, plus 1.48%. For further details, see Note 8E to the Consolidated Financial Statements.

(2) During 2023, the Company advanced to The Phoenix Investment House, a subsidiary of The Phoenix Investment and Finances, loans totaling approx. NIS 200 million. The terms of the loan are in accordance with the issuance of Bonds (Series 6). For details regarding the terms of the issuance of Bonds (Series 6), see Note 27 to the Consolidated Financial Statements.

5. Agencies

In December 2023, the Company advanced a loan to Agencies totaling approx. NIS 23 million. The loan bears annual interest at a rate of Prime + 3%, which is payable at the beginning of each quarter. The loan principal will be repaid in one lump sum on December 31, 2029.

NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)

E. Liquid Restricted Tier 1 capital in The Phoenix Insurance

In August 2021, The Phoenix Insurance issued - through The Phoenix Capital Raising, an Additional Tier 1 capital instrument (hereinafter - the "Capital Instrument") totaling approx. NIS 200 million. The Capital Instrument is linked to the CPI and carries an annual interest rate of 2.29%. The principal shall be repaid in a single installment on February 5, 2032. The interest shall be paid twice a year - on February 5, and on August 5 of each year during the years 2022 through 2032; the first installment was paid on February 6, 2022. The Tier 1 capital instrument was rated A+ by Ma'alot S&P. The Capital Instrument is currently traded on the TACT-Institutionals trading platform.

In addition to the aforesaid amount that was issued and after obtaining the approvals of the relevant organs in The Phoenix group and the approval of the Capital Market, Insurance and Savings Authority, The Phoenix Capital Raising issued to the Company a capital instrument at the total amount of approx. NIS 1,025 million in exchange for the capital notes previously issued to the Company by The Phoenix Insurance at the total amount of approx. NIS 850 million. The capital instrument is recognized as regulatory capital for the purpose of capital requirements under the Economic Solvency Regime. The terms and conditions of the instrument, including the redemption period, are in accordance with the provisions of Part B ("Provisions in respect of Equity Capital of Insurance Companies") to Insurance Circular 2020-1-15, "Provisions for Applying Economic Solvency Regime Based on Solvency II for Insurance Companies". As a result of exchanging the said Additional Tier 1 capital notes, and in accordance with a substantial replacement of the debt instruments, the Company recorded in 2021, a pre-tax gain arising from early redemption of NIS 45 million.

In November 2023, The Phoenix Insurance completed a private placement for the Company of NIS 317,800 thousand p.v. in Subordinated Notes (Series L), which form part of Restricted Tier 1 capital, against the injection of NIS 300,000 thousand from the Company to The Phoenix Insurance, which arose from the Bonds (Series 5 and Series 6) (see Note 27E to the Consolidated Financial Statements). The additional subordinated notes were assigned an ilAA- rating by Maalot. The notes were recognized as Tier 1 Capital in The Phoenix Insurance, and were listed on the Tel Aviv Stock Exchange. See Note 27E4 to the Consolidated Financial Statements.

NOTE 10 - SUBSEQUENT EVENTS

For further details regarding subsequent events, see Note 44 to the consolidated financial statements.

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Building a better working world

March 26, 2024

To
The Board of The Phoenix Holdings Ltd.

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 independent auditor's report, dated March 26 2024, in respect of the Consolidated Financial Statements of The Phoenix Holdings Ltd. as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023.

2. Special Report dated March 26 2024 on Separate Financial Information of The Phoenix Holdings Ltd. pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970 as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023.

3. Report of the Independent Auditor dated March 26, 2024 on the Audit of the Components of the Internal Control over Financial Reporting of The Phoenix Holdings Ltd. as of December 31, 2023.

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Phoenix

Part 5

Additional Details About the Corporation



Regulation 9D -
Report of the Status of Liabilities according to Repayment Dates, as of December 31, 2023

For further details regarding the status of the Company's liabilities according to repayment dates, see the Company's immediate report dated March 27, 2024.

Regulation 10A -
Condensed (Consolidated) Quarterly Income Statements for 2023

	Quarter 1-3.23	Quarter 4-6.23	Quarter 7-9.23	Quarter 10-12.23	Total 2023
Premiums earned, gross	2,951,599	2,987,989	3,035,546	3,013,252	11,988,386
Premiums earned by reinsurers	391,832	405,735	412,699	422,261	1,632,527
Premiums earned - retention	2,559,767	2,582,254	2,622,847	2,590,991	10,355,859
Investment income, net and finance income	917,742	4,371,716	1,458,579	3,162,279	9,910,316
Income from management fees	408,542	409,328	447,954	455,792	1,721,616
Income from fees and commissions	213,368	192,710	250,736	230,916	887,730
Income from financial and other services	70,000	90,000	82,000	87,000	329,000
Revenue from factoring and clearing	46,212	44,356	48,047	40,169	178,784
Other income	4,544	137,539	7,067	6,987	156,137
Total income	4,220,175	7,827,903	4,917,230	6,574,134	23,539,442
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	3,549,939	7,089,554	3,801,064	4,856,160	19,296,717
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	371,023	369,803	305,263	627,901	1,673,990
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	3,178,916	6,719,751	3,495,801	4,228,259	17,622,727
Fees and commissions, marketing expenses and other purchase expenses	507,760	501,784	570,932	595,223	2,175,699
General and administrative expenses	491,628	511,566	541,862	560,812	2,105,868
Other expenses	20,655	39,191	35,325	40,989	136,160
Finance expenses	96,360	95,176	102,948	99,233	393,717
Total expenses	4,295,319	7,867,468	4,746,868	5,524,516	22,434,171
Share in profits of equity-accounted investees	6,036	37,037	17,207	(17,867)	42,413
Profit (loss) before taxes on income	(69,108)	(2,528)	187,569	1,031,751	1,147,684
Taxes on income	(35,930)	(90,054)	42,711	346,020	262,747
Profit (loss) for the period	(33,178)	87,526	144,858	685,731	884,937
Profit for the period attributable to:	-	-			
Company's shareholders	(57,048)	58,642	112,465	663,344	777,403
Non-controlling interests	23,870	28,884	32,393	22,387	107,534
	(33,178)	87,526	144,858	685,731	884,937

Regulation 10A -
Condensed (Consolidated) Quarterly Income Statements for 2023 (cont.)

	Quarter 1-3.23	Quarter 4-6.23	Quarter 7-9.23	Quarter 10-12.23	Total 2023
Profit (loss) for the period	(33,178)	87,526	144,858	685,731	884,937
Other comprehensive income (loss):					
Amounts classified or reclassified to profit or loss under specific conditions					
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	12,462	191,480	90,216	(48,419)	245,739
Net change from disposal of financial assets classified as available for sale, carried to the income statement	(47,191)	(41,580)	(106,876)	(94,743)	(290,390)
Gain on impairment of financial assets classified as available for sale, carried to the income statement	219,914	76,981	161,132	17,978	476,005
Company's share in other comprehensive income (loss), net of equity-accounted companies	15,830	9,904	9,288	(12,546)	22,476
Tax effect	(62,834)	(78,052)	(49,396)	42,801	(147,481)
Total components of other comprehensive income (loss), net, subsequently reclassified to profit or loss	138,181	158,733	104,364	(94,929)	306,349
Amount that will not be subsequently reclassified to profit or loss					
Revaluation of property, plant, and equipment	-	-	-	11,558	11,558
Actuarial gain (loss) in respect of defined benefit plans	-	-	-	291	291
Tax effect	-	-	-	(2,754)	(2,754)
Total components of other comprehensive income, net that will not be subsequently reclassified to profit or loss	-	-	-	9,095	9,095
Total other comprehensive income (loss), net	138,131	158,733	104,364	(85,834)	315,444
Total comprehensive income for the period	105,003	246,259	249,222	599,897	1,200,381
				-	
Attributable to:				-	-
Company's shareholders	81,133	217,375	216,829	577,487	1,092,824
Non-controlling interests	23,870	28,884	32,393	22,410	107,557
Comprehensive income for the period	105,003	246,259	249,222	599,897	1,200,381

Regulation 10C -
Use of proceeds for securities

Issuance of further Bonds (Series 6) by the Company by way of series expansion

In January 2023, the Company issued - as part of an expansion - additional Bonds (Series 6) of up to approx. NIS 172 million p.v.; the bonds are registered bonds of NIS 1 p.v. each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 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.

Issuance of further series of Bonds (Series 5 and Series 6) by the Company.

In October 2023, additional Bonds (Series 5 and 6) were issued by way of series expansion. NIS 134,962 thousand p.v. in Bonds (Series 5) of NIS 1 p.v. each, and NIS 265,038 thousand p.v. in Bonds (Series 6) 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. The proceeds of the issuance, totaling NIS 300,000 thousand, were injected into The Phoenix Insurance against a private placement to the Company totaling NIS 317,800 thousand p.v in Restricted Tier 1 capital Subordinated Notes (Series L).

Regulation 11 -
List of Investments in Main Subsidiaries and Affiliated Companies as of the Balance Sheet Date

	Share class in p.v.	Total p.v. in NIS	Value in the separate financial statements In NIS thousand (*)	Holdings rate out of the issued capital, by percentage	
				In voting and in right to appoint directors	In equity
The Company's Subsidiaries and Affiliated Companies					
The Phoenix Insurance Company Ltd.	NIS 1	157,773,52	6,495,823	100	100
The Phoenix Insurance Company Ltd.	NIS 5	1,699,452	-	100	100
The Phoenix Investments and Finances Ltd.	NIS 0.001	12,833	1,452,746	100	100
The Phoenix Insurance Agencies 1989 Ltd. (see note on the restructuring of The Phoenix Agencies)	NIS 1	12,614,397	263,340	79.4	79.4
The Phoenix Pension and Provident Fund Ltd	NIS 1	7,746,961	957,199	100	100
Subsidiaries and Affiliated Companies of The Phoenix Insurance Company Ltd.					
Ad 120 Residence Centers for Senior Citizens Ltd.	NIS 1	600	759,300	47	47
Hadar Green Company Properties and Investments Ltd.	NIS 1	8,580,490	162,717	100	100
LRC	-	-	136,842	12.25	12.25
EL-AL FLY CARD	NIS 0.01	19,900	171,451	19.9	19.9
The Phoenix Mortgages (Gold) Ltd.	NIS 0.01	1,000	4,971	51	51
Subsidiaries and Affiliated Companies of The Phoenix Investments and Finances Ltd.					
The Phoenix Investment House Ltd. (formerly - Excellence Investments)	NIS 1	16,744,074	927,995	88.44	88.44
Gama Management and Clearing Ltd.	NIS 1	69,076,367	811,696	100	100
The Phoenix Advanced Investments Ltd. (formerly - Halman Aldubi Investment House Ltd.).	NIS 0.05	13,407,128	130,288	100	100
Subsidiaries and Affiliated Companies of The Phoenix Insurance Agencies 1989 Ltd.					
Agam Israel Ltd. (see note on the restructuring of The Phoenix Agencies)	NIS 1	60,000	235,964	100	100
Shekel Insurance Agency (2008) Ltd.	NIS 1	100	141,963	100	100
Oren Mizrach Insurance Agency Ltd.	NIS 1	683,000	137,515	68.32	68.32
Subsidiaries and affiliated companies of Excellence Investments Ltd.					
ESOP Management and Trust Services Ltd.	NIS 1	6,995	60,993	94.42	94.42
KSM Group	NIS 0.001	18,324	328,970	100	100
Excellence Investment Management and Securities Ltd.	NIS 1	15,062,608	383,082	100	100

All shares are not listed for trading on the TASE.

(*) The balances for the main subsidiaries do not include loans and capital notes, attributable to the part of the nostro only and attributable to the part of the Company only.

Regulation 11 -
Breakdown of Loans and Capital Notes to Subsidiaries and Main Affiliated Companies

The Company's Main Subsidiaries and Affiliated Companies	Balance of loans, bonds and capital notes in NIS thousand	Repayment date
The Phoenix Investments and Finances Ltd.	82,676	Interest-bearing loan 3(j), repayment date - September 30, 2026
The Phoenix Investments and Finances Ltd.	464,000	Non-linked interest-free capital notes, with no repayment date, but will not be repaid before five years will have elapsed from the signing date of the capital notes.
The Phoenix Investments and Finances Ltd.	50,000	Interest-bearing loan 3(j), repayment date - August 24, 2027
Platinum Finance and Factoring Ltd.	5,100	Non-linked interest-free capital notes, with no repayment date; in no case will they be repaid before five years will have elapsed from the signing date of the capital notes.
The Phoenix Investment House Ltd. (formerly - Excellence Investments)	60,462	Loan under the same terms as Bonds (Series 4)
The Phoenix Investment House Ltd. (formerly - Excellence Investments)	49,946	Loan under the same terms as the second expansion of Bonds (Series 6)
The Phoenix Investment House Ltd. (formerly - Excellence Investments)	151,567	Loan under the same terms as the first expansion of Bonds (Series 6)
The Phoenix Insurance Company Ltd.	1,336,368	Tier 1 capital instrument Series L - Security No. 1179225
The Phoenix Pension and Provident Fund Ltd	312,703	An NIS 105 million loan, at the same terms as the Company's Bonds (Series 5), and approx. NIS 208 million in other loans, at the same terms as the Company's Bonds (Series 6).
The Phoenix Construction Financing and Guarantees Ltd.	305,840	The loan was given by The Phoenix Insurance to The Phoenix Construction Financing; it carries an interest of Prime minus 0.25%. For details regarding the restructuring, see Note 8E(8) to the consolidated financial statements.
Main Subsidiaries and Affiliated Companies of The Phoenix Insurance Company Ltd.		
The Phoenix Mortgages (Gold) Ltd.	407,549	A loan with an average 5.3% interest.
The Phoenix Mortgages (Gold) Ltd.	9,136	A loan bearing a fixed NIS interest at an annual rate equal to 7%
EL-AL FLY CARD	351,672	A USD-denominated loan with a fixed 7% interest. Repayment date - June 30, 2028.
Ad 120 Residence Centers for Senior Citizens Ltd.	24,722	A loan under the same terms as the Subordinated Notes (Series J) of The Phoenix Insurance.

Regulation 11 -
Breakdown of Loans and Capital Notes to Subsidiaries and Affiliated Companies (cont.)

The Company's Main Subsidiaries and Affiliated Companies
-Balance of loans, bonds and capital notes in NIS thousand - repayment date

Main Subsidiaries and Affiliated Companies of The Phoenix Investments and Finances Ltd.		
Phoeniclass Ltd.	46,834	The amount includes a CPI-linked loan in the amount of NIS 21,537 thousand that bears an interest rate of approx. 5%. The balance of the amount bears a 2.9% interest under Section 3(j) of the Income Tax Ordinance.
Gama Management and Clearing Ltd.	33,333	A loan bearing interest of Prime + 0.5%, payable in 6 equal annual payments starting from October 2022.
Subsidiaries and Affiliated Companies of The Phoenix Insurance Agencies 1989 Ltd.		
Oren Mizrach Insurance Agency Ltd.	174,856	Unlinked loans, with interest rates between Prime + 2.8% and 5%, repayable in payments up to February 2033.

Regulation 12 -
Changes in Investments in Main Subsidiaries and Affiliated Companies in the Reporting Period

El Al Frequent Flyer Ltd.

On June 23, 2022, The Phoenix Insurance granted a USD 130 million loan using its nostro funds, to El Al Frequent Flyer Ltd. (hereinafter - the "Borrower"). The loan was advanced for a period ending June 30, 2028 (hereinafter - the "Loan Term").

Under the loan agreement, The Phoenix Insurance has the option to purchase up to 25% of the Borrower's shares; the option may be exercised at any time until the end of the term of the Loan, subject to additional terms and conditions for an additional year. On September 13, 2022, The Phoenix Insurance exercised the option and purchased shares at a rate of 19.9% in consideration for an exercise premium of approx. USD 14 million. The remaining balance of the loan, including the un-exercised option, are presented under the financial investments line item.

Real estate investments

The Company's investments in real estate properties are usually made through investees that invest directly in the properties. The Company holds several such investees that invest in real estate properties in Israel, the United States and Europe. The real estate properties are diverse and include office buildings, commercial centers, residential areas and land for construction.

During 2023, the Company exercised some of the investments in investees holding mostly real estate properties. The total consideration is approx. NIS 100 million. The gain from the disposal of investments in investees was recognized under revaluation of the real estate properties in the books of accounts of the investees, and therefore no gain was recognized in the Company upon disposal of the investments.

Loans and capital notes - The Phoenix Investments

During the reporting period, The Phoenix Investments issued to the Company capital notes at the total amount of approx. NIS 164 million and repaid capital notes at the total amount of approx. NIS 58 million. The capital notes are not linked to the CPI and do not bear interest, with no early repayment, and in any event they will not be repaid before five years have elapsed from the issuance date.

On July 3, 2023, the Company advanced to The Phoenix Investments an approx. NIS 50 million loan, which is repayable at the end of four years at an interest calculated according to Section 3(J) to the Income Tax Ordinance.

During 2023, the Company advanced to The Phoenix Investment House loans at the total amount of approx. NIS 200 million. The terms of the loan are in accordance with the issuance of Bonds (Series 6). For details regarding the terms of the issuance of Bonds (Series 6), see Note 27.

Loans - The Phoenix Pension and Provident Funds

A. In February 2021, The Phoenix Pension and Provident Funds took a NIS 100 million loan from the Company. The loan principal is linked to the CPI and carries an annual interest rate of 0.44%; all other terms of the loan are identical to the terms of the Bonds (Series 5). For details, see Note 27.

B. In March 2021, The Phoenix Pension and Provident Funds took an approx. NIS 89 million loan from the Company. The loan principal is linked to the CPI and carries an annual interest rate of 0.45%; all other terms of the loan are identical to the terms of the Bonds (Series 5). For details, see Note 27.

C. In September 2021, The Phoenix Pension and Provident Funds took a NIS 105 million loan from the Company. The loan principal shall bear fixed annual interest of 1.94%; all other terms of the loan are identical to the terms of the Bonds (Series 6). For details regarding the terms of the bonds - see Note 27.

Regulation 12 - (cont.)
Changes in Investments in Main Subsidiaries and Affiliated Companies in the Reporting Period

Restructuring - The Phoenix Agencies

A. Merger of Agam Holdings - 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 held 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 the allotment of ordinary shares of The Phoenix Agencies, which will be issued to the other shareholders of Agam Holdings, such that post-merger, the Company will hold approx. 79.41% of the shares of The Phoenix Agencies, and Hagoz (2015) Ltd. (hereinafter - "Hagoz"), which is owned by Mr. Yitzhak Oz, will hold 17.5% of The Phoenix Agencies' shares, and Y.H.G Sasson Ltd. (hereinafter - "Y.H.G Sasson"), which is owned by Mr. Moshe Sasson, will hold 3.088% of The Phoenix Agencies' shares. In addition, upon completion of the merger, The Phoenix Agencies will hold 100% of the shares of Agam Leaderim, which runs the agency's pension and provident activity. As a result of the merger, the equity attributable to the Company's shareholders decreased by approx. NIS 120 million.

B. Agreement in principle- Concurrently, and in connection with the merger, an agreement in principle was signed between the Company and the shareholders of The Phoenix Agencies, which regulated, among other things, the following issues:

1. Mr. Yitzhak Oz was appointed Active Chairman of The Phoenix Agencies, Agam Leaderim and Shekel, and an agreement for the provision of management services to The Phoenix Agencies and other companies in The Phoenix Agencies group will be signed with him, under compensation terms in line with the existing management agreement with Agam Leaderim.

2. The options agreement of March 28, 2019, and the additions thereto of December 31, 2019, between Yitzhak Oz, Hagoz, the Company and Agam Holdings (hereinafter - the "Options Agreement") under which a put option and a call option were awarded in respect of the shares of Agam Holdings, will be replaced with a new Options Agreement, where under the parties will have options in relation to The Phoenix Agencies' shares that will be held by Hagoz and Y.H.G Sasson following the merger (instead of in relation to their shares in Agam Holdings). The consideration in respect of the exercise of the options will be calculated based on an appraisal of The Phoenix Agencies, and in accordance with various understandings in connection with the appraisal. The put option may be exercised from January 1, 2027 to January 3, 2028.The call option may be exercised from January 4, 2028 to January 4, 2029. The Company may pay for the exercise of the options in cash or by allocating Company shares, subject to its discretion. If the call option is exercised by allocating Company shares, the number of Company shares that will be allocated to the seller will be increased by 1% compared with the number of shares the seller would have received had it not been for this provision; this is compared with a 5% increase if the put option is exercised by share allocation as stated above. The value of The Phoenix Agencies that will serve as a minimum price for the shares that will be held by Hagoz on the option exercise date shall be calculated based on a multiple of 5 in respect of the average annual EBITDA (earnings before interest, depreciation and amortization) for the past 24 months, net of minority interest in accordance with the financial statements of The Phoenix Agencies, and without taking into account various revenues and expenses agreed between the parties; in the event of the issuance of The Phoenix Agencies' shares to the public, the call and put options will be canceled (Hagoz will be allowed to exercise part or all of the put option before such issuance).

3. The agreement in principle includes other provisions, including, among other things: Reference to various events in The Phoenix Agencies, such as the introduction of another investor to The Phoenix Agencies; allocation of options by The Phoenix Agencies to officers in The Phoenix group, including the Chairman of The Phoenix Agencies, and the manner of managing The Phoenix Agencies.

Regulation 12 - (cont.)
Changes in Investments in Main Subsidiaries and Affiliated Companies in the Reporting Period

C. Dividend distribution - Furthermore, the shareholders of The Phoenix Agencies 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 approx. NIS 670 million. During June 2023, the merger was completed after fulfillment of all conditions precedent (aggregate); accordingly, The Phoenix Agencies declared a NIS 675 million cash dividend, which was fully paid as of December 31, 2023.

Merger between KSM and The Phoenix Investment House

In May 2022, an application for a statutory merger of KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings") with The Phoenix Investment House was filed. In January 2023, all of the required approvals were obtained and the merger was completed. Subsequent to the merger and the execution of other actions, the Company holds, through The Phoenix Investments, approx. 88% of the shares of The Phoenix Investment House. Furthermore, options arrangements were established to execute transactions, from 2016 to 2029, between The Phoenix Investments and the Managers in connection with their holdings in The Phoenix Investment House at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion. As a result of the merger, the equity attributable to the Company's shareholders decreased by approx. NIS 79 million.

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

In January 2023, The Phoenix Investment House entered into two separate and (non-contingent) agreements with companies of the Psagot Investment House group, as follows:

A. Acquisition of the entire portfolio management activity of the Psagot Investment House with assets under management of approx. NIS 8.1 billion (hereinafter - the "Portfolios Acquisition Agreement"), in consideration for approx. NIS 50 million.
B. Acquisition of mutual funds under the management of Psagot Mutual Funds Ltd., with assets under management totaling approx. NIS 11.1 billion, and in consideration for NIS 200 million.

For details about business combinations in which the said activities were acquired, see Note 4.

Acquisition of Epsilon Investment House Ltd.

In November 2022, The Phoenix Investment House entered into an agreement for the acquisition of the entire issued share capital of Epsilon Investment House Ltd. (hereinafter - "Epsilon Investment House"), which holds, among other things, Epsilon Mutual Funds Management (1991) Ltd. (hereinafter - "Epsilon Funds") and Epsilon Investment Portfolios Management Ltd. (hereinafter - "Epsilon Portfolios") in consideration for approx. 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. For the purpose of the acquisition, the Company advanced a loan of approx. NIS 60 million to The Phoenix Investment House by way of expansion of the lender's Bonds (Series 4); for details regarding the terms of the bonds - see Note 27. For details about business combinations in which Epsilon was acquired, as stated above, see Note 4.

Regulation 12 - (cont.)
Changes in Investments in Main Subsidiaries and Affiliated Companies in the Reporting Period

Gama Management and Clearing

Gama is engaged in financing, factoring, clearing and management of credit card vouchers, providing various types of credit, factoring receivables and check clearing services, financing against real estate properties, loans to businesses, financial guarantees and factoring. Gama's main activity is the provision of credit card factoring services. The factoring services involve bringing forward the payment to merchants against the merchants' assigning the credit card transactions to the factoring company. Among other things, this service allows merchants - Gama customers, among others - to enter into sale transactions with their own customers using credit card vouchers, and to factor their transaction payments.

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

In August 2023, The Phoenix Investments completed the acquisition of the remaining Gama shares through a tender offer in consideration for approx. 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 28, 2023 Gama issued approx. 980 thousand shares to The Phoenix Investments against a capital injection amounting to approx. NIS 14 million.

In January 2024, the Company transferred all of its holdings in The Phoenix Construction Financing to Gama. For details regarding the restructuring in the credit segment, see Note 8E(9).

Restructuring - Transfer of the construction projects' financing activity to a separate company wholly-owned by Gama

As part of the execution of the strategic plan in the credit segment, and the wish to concentrate the Group's credit activity under a single arm it was decided to execute a restructuring in the credit segment, according to the following stages:

A. As from January 1, 2023, the construction projects' financing activity, which is funded solely by nostro funds, was separated from the activity of The Phoenix Insurance and transferred to a separate company wholly-owned by The Phoenix Insurance - The Phoenix Construction Financing and Guarantees Ltd. (hereinafter - the "Phoenix Construction Financing"). In this framework, in the reporting period, the approx. NIS 2.31 billion credit portfolio was transferred from The Phoenix Insurance to The Phoenix Construction Financing. The transfer of the credit portfolio was partially made against an investment in the share capital of The Phoenix Construction Financing (approx. 10%), and the balance - against a shareholder loan. It should be noted that all exposure limits and regulatory provisions applicable to the Company shall continue to apply in relation to The Phoenix Construction Financing, and that the Company's policy and procedures, as approved by the organs of the Company shall continue to apply to The Phoenix Construction Financing, mutatis mutandis.

B. In December 2023, loans amounting to approx. NIS 1.8 billion out of the credit portfolio of The Phoenix Construction Financing were sold to The Phoenix Insurance. The transfer of the loans shall be carried out against the closing of some of the shareholder loan. The remaining credit portfolio of The Phoenix Construction Financing amounted to approx. NIS 600 million.

C. On December 31, 2023, The Phoenix Insurance distributed a dividend in kind to the Company comprising of shares of The Phoenix Construction Financing and Guarantees Ltd.. The distribution of the dividend in kind was carried out according to the balance of the investment in the books of accounts - approx. NIS 309 million.

D. In January 2024, the Company transferred all of its holdings in The Phoenix Construction Financing to Gama by way of capital allocation. For further details, see the Company's immediate report of December 12 2023 (Ref. No. 2023-01-134841).

Regulation 12 - (cont.)
Changes in Investments in Main Subsidiaries and Affiliated Companies in the Reporting Period

The Phoenix Mortgages (Gold) Ltd.

The Phoenix Insurance has a 51% stake in The Phoenix Mortgages (Gold) Ltd. (hereinafter - "The Phoenix Mortgages"), whose activity focuses on granting loans to people over 60 against a first-degree pledge on their apartment. Furthermore, The Capital Market, Insurance and Savings Authority awarded The Phoenix Mortgages a permit to provide any type of mortgage.

The Phoenix Capital Raising

During 2009, The Phoenix Insurance established The Phoenix Capital Raising. The only area of activity of The Phoenix Capital Raising is raising funds in Israel for The Phoenix Insurance, through (public and private) offerings of promissory notes and/or bonds and/or capital notes, the proceeds of which are deposited with The Phoenix Insurance, for its use, at its discretion and at its responsibility.

Capital raising is affected by The Phoenix Insurance's capital needs. The terms and conditions of the issued bonds are affected by the state of the capital market and the level of demand and supply of liquid bonds in Israel. The Phoenix Capital Raising deposits the proceeds of the offerings in deferred deposits with The Phoenix Insurance on the same terms and conditions as those of the bonds issued to the public.

Regulation 13 -
Income of Main Subsidiaries and Affiliated Companies and Income of the Corporation Therefrom as of the Balance Sheet Date (in NIS thousand)

	Profit (loss) for the period (*)	Other comprehen-sive income (loss) for the period (*)	Comprehen-sive income (loss) for the period (*)	Dividend (**)	Manage-ment fees	Interest
The Company's Subsidiaries and Affiliated Companies						
The Phoenix Insurance Company Ltd.	330,765	314,810	645,575	863,830	2,500	67,765
The Phoenix Investments and Finances Ltd.	204,035	735	204,770	-	500	2,913
The Phoenix Pension and Provident Fund Ltd	52,740	-	52,740	-	-	9,144
The Phoenix Insurance Agencies 1989 Ltd.	160,160	-	160,160	536,031	-	-
Subsidiaries and Affiliated Companies of The Phoenix Insurance Company Ltd.						
Ad 120 Residence Centers for Senior Citizens Ltd.	37,273	-	37,273	-	-	1,361
Hadar Green Company Properties and Investments Ltd.	7,949	5,380	13,330	-	-	-
LRC	3,998	8,618	12,616	-	-	-
EL-AL FLY CARD	6,231	4,743	10,974	-	-	64,617
Subsidiaries and Affiliated Companies of The Phoenix Investments and Finances Ltd.						
The Phoenix Investment House Ltd.	154,000	-	154,000	-	-	10,494
Gama Management and Clearing Ltd.	79,434	249	79,683	32,701	-	2,509
The Phoenix Advanced Investments	7,682	-	7,682	-	-	-
Subsidiaries and Affiliated Companies of The Phoenix Insurance Agencies 1989 Ltd.						
Agam Leaderim Ltd.	95,084	-	95,084	31,900	4,963	-
Shekel Insurance Agency (2008) Ltd.	54,191	-	54,191	116,000	1,200	-
Oren Mizrach Insurance Agency Ltd.	19,604	-	19,604	6,005	-	12,735
Subsidiaries and affiliated companies of Excellence Investments Ltd.						
ESOP Management and Trust Services Ltd.	11,805	-	11,805	12,607	300	539
Excellence Investment Management and Securities Ltd.	83,571	-	83,571	30,000	(3,042)	(1,137)
KSM Group	75,640	-	75,640	35,000	(2,340)	10,764

(*) Reflects the Company's share in the profits (losses) of the investee.

(**) Including distribution of a dividend in kind and excluding a dividend announced subsequent to the reporting date.

Regulation 14 -
List of group of loan balances granted as of December 31, 2023

Amount	Balance in NIS thousand	No. of borrowers
NIS 1-100 thousand	407,457	211,910
NIS 100-500 thousand	416,009	1,848
NIS 500-1,000 thousand	216,330	323
NIS 1,000-5,000 thousand	227,707	128
NIS 5,000-12,000 thousand	182,535	21
Over NIS 12,000 thousand	12,569,906	149

Regulation 20 -
Trading on the TASE - Securities Listed for Trading - Dates and Reason for Delisting

Following are the Company's securities as recorded during the reporting period until the report's publication date:

Issuance of further Bonds (Series 6) by the Company by way of series expansion

In January 2023, the Company issued - as part of an expansion - additional Bonds (Series 6) of up to approx. NIS 172 million p.v.; the bonds are registered bonds of NIS 1 p.v. each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 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.

Issuance of further series of Bonds (Series 5 and Series 6) by the Company.

In October 2023, additional Bonds (Series 5 and 6) were issued by way of series expansion. NIS 134,962 thousand p.v. in Bonds (Series 5) of NIS 1 p.v. each, and NIS 265,038 thousand p.v. in Bonds (Series 6) 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. The proceeds of the issuance, totaling NIS 300,000 thousand, were injected into The Phoenix Insurance against a private placement to the Company totaling NIS 317,800 thousand p.v in Restricted Tier 1 capital Subordinated Notes (Series L).

Regulation 21 -

Compensation of Interested Parties and Senior Officers

Following is a breakdown of the compensation granted to interested parties and officers (in NIS thousand), as specified in the Sixth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, and as recognized in the financial statements for the reporting year:

1. For each of the five highest paid senior executives of the Company or companies under its control (the compensation amounts are in NIS thousand and in terms of cost to the corporation, excluding payroll tax and VAT):
2. Each of the three highest paid senior executives in the Company not included in Paragraph 1 above.
3. Any interested party in the Company not listed in Paragraphs 1 and 2 above.

Details of compensation recipients					Compensation for services (1)						
Name	Title	Appoint-ment percen-tage	Percentage of holding in corporation's share capital	Salary (*)	Bonus	Share-based compen-sation (**)	Manage-ment fees	Rent	Other	Total	Of which: Total in respect of the Compensation for Officers in Financial Corporations Law (***)
Benjamin Gabbay (3)	Chairman of the Board of Directors of the Company and of subsidiary The Phoenix Insurance Company Ltd.	70%	0.02%	2,578	-	190	-	-	-	2,768	2,489
Eyal Ben Simon (4)	Chief Executive Officer of the Company of subsidiary The Phoenix Insurance Company Ltd.	Full-time	0%	2,517	630	849	-	-	-	3,996	3,731
Haggai Schreiber (5)	Executive VP, Chief Investment Officer of the Company and of The Phoenix group	Full-time	0%	1,843	650	522	-	-	-	3,015	2,818
Eli Schwartz (6)	Executive Vice President, Chief Financial Officer of the Company and of The Phoenix group	Full-time	0.01%	1,755	750	500	-	-	-	3,005	2,820
Ran Givon (7)	Chief Executive Officer of Cohen Givon Insurance Agency (1994) Ltd.	Full-time	0.07%	-	11,798	-	2,066	-	-	13,864	-
Yitzhak Oz (8)	Chairperson and CEO of The Phoenix Insurance Agencies (1989) Ltd.	Full-time	0.09%	230	5,858	-	3,146	94	-	9,328	-

Regulation 21 -
Compensation of Interested Parties and Senior Officers (cont.)

Details of compensation recipients					Compensation for services (1)					Total	Of which: Total in respect of the Compensation for Officers in Financial Corporations Law (***)
Name	Title	Appoint-ment percen-tage	Percentage of holding in corporation's share capital	Salary (*)	Bonus	Share-based payment (**)	Manage-ment fees	Rent	Other		
Stu Shapira (9)	Director in The Phoenix Capital Ltd.	Full-time	0%	141	6,192	-	-	-	-	6,332	-
Moni Feller (9)	Director in The Phoenix Capital Ltd.	Full-time	0%	132	6,192	-	-	-	-	6,324	-
Gil Duek (10)	Co-CEO of Tagmul Life Insurance Agency (2002) Ltd.	Full-time	0%	-	4,714	-	634	-	-	5,348	-
Asaf Prinz (10)	Co-CEO of Tagmul Life Insurance Agency (2002) Ltd.	Full-time	0%	-	4,714	-	634	-	-	5,348	-

(*) The salary includes a payment charged in accordance with the employment agreement that does not depend on targets and/or subject to discretion.The salary shown in the above table constitutes 100% of the salary paid to the officer in respect of his functions in The Phoenix group and does not constitute the salary paid by the Company alone.

(**) This amount reflects the economic value of the options allocated to the officers of the Company and of The Phoenix Investment House during the reporting year. It is clarified that the economic value of the allocation of Gama options subsequent to the reporting period is not reflected in the regulation and will be reflected in the Company's financial statements for 2024. For further details regarding the award of Gama options to Mr. Eyal Ben Simon and Mr. Benjamin Gabbay, see the immediate report dated February 1, 2024 (Ref. No.: 2024-01-010207).

(***) Compensation as defined in the Compensation for Officers in Financial Corporations Law (Special Approval and Non-Authorization of Expense for Tax Purposes due to Extraordinary Compensation), 2016. I.e., total compensation excluding contributions for severance pay and benefits (including disability insurance) pursuant to the law (or contributions to funds as a substitute for these components for those not employed as "employees") and excluding the employer's supplementary contributions for benefits accrued until the law's effective date.

Regulation 21 - Compensation of Interested Parties and Senior Officers (cont.)

Comments regarding the data in the table:

1. The salary component includes all of the following components: monthly salary, social benefits, social security contributions and related benefits as is customary, and any income credited to the salary due to a component granted to the employee. The expense in respect of share-based payment is based on the valuation of the options as of the grant date, recorded as an expense in the Company's books of accounts in the reporting year.

2. All officers are entitled to be included in the executive insurance policy purchased by the Company, as well as letters of indemnification and exemption from liability under standard terms for senior officers in the Company.

3. Mr. Benjamin Gabbay has been serving as Chairman of the Board of Directors of the Company and The Phoenix Insurance since November 2019. For further details regarding Mr. Benjamin Gabbay's terms of employment, see Note 42 to the Financial Statements. It should be noted that for the service of Benjamin Gabbay as chairperson of the Company's Board of Directors, he is entitled to annual compensation in accordance with the Companies Regulations (Rules for Compensation and Expenses for an External Director), 2000, and compensation for board of directors' meetings only, in accordance with these regulations.

4. Mr. Eyal Ben Simon has been serving as the Company's CEO since June 2019, and as the CEO of The Phoenix Insurance Company Ltd. since May 2019. For further details regarding Mr. Eyal Ben Simon's terms of employment, see Note 42 to the Financial Statements.

5. Haggai Schreiber as been serving as Executive VP in The Phoenix Insurance and Chief Investment Officer in the Company and The Phoenix group since December 2019 (hereinafter - "**Mr. Schreiber**"). Mr. Schreiber is entitled to an annual bonus in accordance with the CEO's recommendation and the Company's compensation policy. Upon the end of Mr. Schreiber's employment with the Company, he will be entitled to a specified notice period of 4 months. During the specified notice period, Mr. Schreiber will be entitled to a salary, including all the benefits and related benefits included in the agreement. Mr. Schreiber is also entitled to social benefits, related benefits and reimbursement of expenses as is customary for senior executives in his position.

6. Mr. Eli Schwartz has been serving as Executive Vice President of the Company and Parent Company and Chief Financial Officer of the Company and The Phoenix Insurance and CFO of the Company and The Phoenix Insurance since April 2017 (hereinafter: "**Mr. Schwartz**"). Mr. Schwartz is entitled to an annual bonus in accordance with the CEO's recommendation and the Company's compensation policy. Upon the end of Mr. Schwartz's employment with the Company, he will be entitled to a specified notice period of 3 months. During the specified notice period, Mr. Schwartz will be entitled to a salary, including all the benefits and related benefits included in the agreement. Mr. Schwartz is also entitled to social benefits, related benefits and reimbursement of expenses as is customary for senior executives in his position.

7. Adv. Ran Givon (hereinafter - "**Givon**") serves as CEO of Cohen Givon Insurance Agency (1994) Ltd. (hereinafter - the "**Agency**"). Givon holds 48% of the Agency's share capital. According to the management agreement between the agency and Givon and the shareholders' agreement, Givon is entitled to management fees for his service as CEO of the agency in the reporting year totaling NIS 2,066 thousand (CPI-linked). In addition to management fees, Givon is entitled to an annual, performance-based bonus at 40% of the annual profit before tax and management fees, less a total of approx. NIS 2 million linked to the consumer price index, with the base index being the one for January 2003.

Regulation 21 -
Compensation of Interested Parties and Senior Officers (cont.)

8. Mr. Yitzhak Oz serves as Chairman and CEO of The Phoenix Insurance Agencies 1989 Ltd., Chairman of Shekel Insurance Agency (2008) Ltd. and Chairman of Agam Leaderim (Israel) Insurance Agency (2003) Ltd. (hereinafter - "Agam Israel"). Mr. Yitzhak Oz holds (through a company he owns) approx. 17.5% of The Phoenix Agencies' share capital. The management fees and bonus listed in connection with Mr. Yitzhak Oz and to which he is entitled are management fees paid to NAR Holdings Ltd. (hereinafter - "Oz"), a privately-held company wholly owned by Oz. The management fees include fixed annual management fees of approx. NIS 3,146 thousand, CPI-linked. As of the reporting year, the bonus to which Mr. Yitzhak Oz is entitled is an annual bonus derived from the joint profits of Agam Holdings and Agam Israel. The total aggregate annual fixed management fees and bonus shall not exceed NIS 8.13 million plus VAT (net of rent and above salary component).
   This amount is linked to the CPI for September 2019.

9. Mr. Moni Gil Feller and Mr. Stuart Shapira (hereinafter - the "**Managers**") serve as directors in The Phoenix Capital Ltd. (hereinafter - "**Capital**"), which develops and manages investment funds. The Managers jointly hold, indirectly (through Safra Consulting and Investment Company Ltd.) (hereinafter - "**Safra**"), approx. 27% of the share capital of Capital, with an additional 73% of the share capital of Capital held by The Phoenix Investments and Finances; the Managers are entitled - through Safra - to Capital's profits - ranging between 30% and 35% - depending on Capital's performance. In addition, until July 2023, each of the Managers is entitled to a salary for his work in Capital in the amount of NIS 4,000 per month.
   In addition, the Managers, through Saifa Management Services (2013) Ltd. (hereinafter - "**Saifa**"), are partners of The Phoenix Insurance and The Phoenix Pension and Provident in FNX Private, a unit which provides investment solutions and financial services to customers with self-directed policies and provident funds (hereinafter - the "**Venture**"). Until the reporting year, the Managers - through Saifa - were entitled to 50% of Venture's profits. In addition, each of the Managers was entitled, until the end of the reporting period, to a salary for his work in The Phoenix Insurance in the amount of NIS 8,000 per month.
   In the first quarter of 2023, The Phoenix Insurance and The Phoenix Pension and Provident Funds jointly signed with Saifa an agreement to incorporate the Venture through partnerships constituting separate legal entities. In addition, during the second quarter of 2023, The Phoenix Insurance and The Phoenix Pension and Provident Funds acquired an additional 1% stake in the Venture, such that their holdings in the Venture are 51% with 49% of the Venture being held by the Managers. As a result, as of the third quarter of 2023, the Managers receive the Venture's proceeds in the form of profit distribution from the Venture's partnerships to Saifa. Following the restructuring, as of 2024, the Company will not take these profits into account for the regulation's purposes.

10. Mr. Gil Duek and Mr. Asaf Prinz (hereinafter - the "**Managers**") serve as Co-CEOs of Tagmul Life Insurance Agency (2002) Ltd. (hereinafter - "**Tagmul**") in which The Phoenix Agencies holds 95%. The Managers hold 2.5% each of Tagmul's share capital. According to the management agreement between Tagmul and the Managers, the total monthly cost of each Manager's salary is NIS 48 thousand, unlinked. In addition to their salary, the CEOs are entitled to an annual performance-based bonus, equal to 2.5% each, out of the annual profit before tax, and to an additional 12.5% bonus on the remaining annual profit before tax (hereinafter: the "**Bonus**"). In addition, the Managers have an option to purchase some of Tagmul's shares, for the consideration set forth in the agreement the parties signed. If the Managers exercise the option, they will no longer be entitled to the Bonus.

Regulation 21 - Compensation of Interested Parties and Senior Officers (cont.)

Following is a breakdown of the directors' compensation:

In 2023, the Company paid its directors for their service on the Company's Board of Directors a total of approx. NIS 3,416 thousand (the amounts do not include payroll tax or VAT). The compensation given to the directors of the Company, classified as expert directors, is the maximum compensation allowed in accordance with Regulations 1A-1B to the Companies Regulations (Exemptions for Interested Party Transactions), 2000 (hereinafter - the "**Exemption Regulations**") and Regulations 5A and 7 of the Companies Regulations (Rules regarding Compensation and Expenses for External Directors), 2000.

No compensation was granted to the officers subsequent to the reporting year and prior to the reporting date in connection with their service or employment in the reporting year.

Regulation 21A - Control of the corporation

The controlling shareholder of the Company is Belenus Lux S.à.r.l. (hereinafter - "Belenus"), which is indirectly held through a chain of companies, by CCP III Cayman GP Ltd., Matthew Botein, Lewis (Lee) Sachs.
As of the report's publication date Belenus holds approx. 31.22% of the Company's shares. For further details regarding a transaction for the sale of approx. 2% of the Company's shares in the reporting period, see immediate report dated August 15, 2023 (Ref. No.: 2023-01-075799).

Regulation 22 - Transactions with controlling shareholders or in which a controlling shareholder has a vested interest

Some of the Company's financial and insurance activities are carried out with related parties and interested parties in the ordinary course of business and under market terms, subject to the approvals required as per the law and the Company's procedures. In August 2008, the Securities Regulations Amendment (Periodic and Immediate Reports), 1970 came into force (hereinafter - the "**Securities Regulations**"). Pursuant to the amendment, the Company's Board of Directors decided to adopt, for the first time, a negligibility threshold as set out in the Securities Regulations in connection with controlling shareholder transactions.

The Company's Board of Directors has determined that a Controlling Shareholder Transaction shall be considered as a negligible transaction if all of the following terms and conditions are met in respect thereof:

A. It is not an extraordinary transaction (as the term is defined in the Companies Law).
B. Its effect on the relevant parameter is less than one percent (1%).

For each transaction or engagement assessed in relation to the negligibility threshold, the relevant parameters shall be assessed based on the latest consolidated financial statements issued by the Company prior to the event.

For further details regarding the Company's policy on negligible transactions, see Note 42 to the Company's Financial Statements.

Additionally, as of the report publication date, the Company or its affiliated companies have no engagements with Belenus or the Funds.

Regulation 22 -
Transactions with controlling shareholders or in which a controlling shareholder has a vested interest (cont.)

Transactions listed in Section 270(4) of the Companies Law

Insurance policy, exemption and indemnification letters for board members and officers

Insurance, exemption and indemnification for officers

A. In March 2020, the general meeting of the Company's shareholders (hereinafter in this section - the "**General Meeting**"), approved, among other things:

1. Award of exemption letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the exemption letters.

2. Award of indemnification letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the indemnification letters.

3. The Meeting also approved the payment of expenses arising from participation in meetings of the Board of Directors and its committees by directors residing outside Israel, including directors on behalf of the controlling shareholder, who serve or will serve from time to time in the Company's Board of Directors. The directors will be entitled to full reimbursement of expenses. The total amount of expense per day to be paid by the Company shall not exceed NIS 2,000 plus VAT per director. The directors shall also be entitled to reimbursement of travel expenses in Israel which are directly related to their participation in such meetings.

B. In October 2020, the Company's general meeting approved the Company's revised compensation policy, and the limit for insurance coverage of directors, officers, and other key executives was increased to USD 220 million (instead of USD 150 million) and the Company was granted the option to purchase, at its discretion and in accordance with the approvals required by law, a runoff insurance policy for officers for up to seven years, in the scope of the coverage. For further information, see the Company's immediate report of September 18, 2020 (Ref. No. 2020-01-025789).

C. In October 2023, in accordance with Regulation 1B1 of the Companies Regulations (Relief in Transactions with Interested Parties), 2000, the Company's Compensation Committee approved the Company's agreement for the liability insurance policy for officers in the Company and subsidiaries, including those serving on behalf of the controlling shareholders, for an annual insurance period beginning on November 3, 2023.

Regulation 24 -
Shares and Other Securities Held by Interested Parties and Senior Officers in the Corporation, Subsidiary or Related Company, as Close as Possible to the Report Date, to the Best of the Corporation's Knowledge

For details regarding holdings of interested parties and senior officers in the Company's shares and other securities as close as possible to the report date, see the Company's immediate report dated January 7, 2024 (Ref. No.: 2024-01-002764).

Dormant shares of the corporation held by the corporation or a subsidiary of the corporation:

	The Phoenix Shares NIS 1 p.v.	Total no. of shares	Holding rate - voting rights and authority to appoint directors	Holding rate - equity	Holding rate - equity (fully diluted)	Holding rate - voting rights and authority to appoint directors (fully diluted)
The Phoenix Holdings Ltd. (dormant shares)	6,451,617.5	6,451,617.5	0%	2.49%	2.45%	0%
The Phoenix Investments and Finances (dormant shares in vote)	31	31	0%	0%	0%	0%

Regulation 24A -
Registered Capital, Issued Capital and Convertible Securities of the Corporation

The registered capital of the Company immediately prior to the report publication date is NIS 300,000,000, composed of 300,000,000 shares of NIS 1 p.v. each. The issued capital of the Company is NIS 259,662,307, composed of 259,662,307 ordinary shares of NIS 1 p.v. each.
The number of dormant shares of the Company that do not confer voting rights is 31 ordinary shares of NIS 1 p.v. each. In addition, the number of dormant shares of the Company that do not confer any rights is 6,451,617.5 ordinary shares of NIS 1 p.v. each.
The Company's issued capital less the dormant shares that do not confer voting rights is 253,210,659 ordinary shares of NIS 1 p.v. each.
The Company's issued capital less the dormant shares that do not confer any rights is 253,210,690 ordinary shares of NIS 1 p.v. each.
In addition, in accordance with the options plan for officers and employees of the Company and The Phoenix group, immediately prior to the report publication date, the convertible securities issued by the Corporation include 12,945,938 options of The Phoenix Up Employees Security No. 7670235.[1] For further details regarding the Company's securities that were listed for trading during the reporting period, see Regulation 20 above.

[1]For further information about the plan and additional grants made under it, see the immediate reports of December 27, 2018 (Ref. No.: 2018-01-119905); February 3, 2019 (Ref. No.: 2019-01-009838); May 1, 2019 (Ref. No.: 2019- 01-037938); May 6, 2019 (Ref. No.: 2019-01-039360); October 31, 2019 (Ref. No.: 2019-01-107011); November 28, 2019 (Ref. No.: 2019- 01-116347); October 11, 2020 (Ref. No.: 2020-01-11061); October 27, 2020 (Ref. No.: 2020-01-107788); May 27, 2021, July 6, 2021, and July 8, 2021 (Ref. Nos.: 2021-01-031390, 2021-01-048694 and 2021-01-050455, respectively); February 1, 2022 and March 9, 2022 (Ref. Nos.: 2022-01-012513 and 2022-01-028288, respectively); and June 28, 2023 and March 9, 2022 (Ref. Nos. 2023-01-060307 and 2023-01-073039, respectively).

Regulation 24B -
The Corporation's Shareholder Register

For the most recent register of the Company's shareholders, see the immediate report dated March 3, 2024 (Ref. No. 2024-01-018811), which is included herein by way of reference.

Regulation 25A -
Registered Address of the Corporation

The registered address of the Corporation is 53 Derech Hashalom Street, Givatayim. Tel.: +972-3-7332997.
Fax.: +972-3-5734516
E-MAIL: menin@fnx.co.il

Regulation 26 -
The Corporation's Directors

1)	Name	-	**Benjamin Gabbay, ID No. 022973606 (Chairman of the Board)**
2)	Date of birth	-	March 16, 1967
3)	Address	-	Omri 24A, Tel Aviv
4)	Citizenship	-	Israeli
5)	Membership in Board committees	-	ESG Committee
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	Yes. Chairman of the Board of Directors of the Company and Chairman of the Board of The Phoenix Insurance Ltd.
8)	The date on which he began his term as a director	-	November 3, 2019.
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	Education - BA in Accounting and Economics and L.L.M from Tel Aviv University. Current occupation - Co-CEO of Universal Motors Israel Ltd. Previously: Partner in Kost Forer Gabbay & Kasierer, provided consulting services in B.G.N.Y. Management Services Ltd. and CEO of Eliyahu Issues Ltd. Corporations in which he serves as a director: The Phoenix Insurance Company Ltd.: Chairman, member of the Nostro Investments Committee, member of the Risk Management Committee, member of the IT Committee, and member of the ESG Committee; B.G.N.Y. Management Services Ltd.; Advancement of Education in Israel Fund (Public Benefit Company); UTS Universal Transportation Solutions Ltd. (Chairman); Office 3000 Ltd.; G1 Security Solutions Ltd.; Gama Management and Clearing Ltd; The Phoenix Investment House Ltd.; Chairman of the Association of Life Insurance Companies of Israel Ltd.; Chairman of the Association of Insurance Companies of Israel (Registered NGO).
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

Regulation 26 -
The Corporation's Directors (cont.)

1)	Name	-	**Roger Abravanel, Passport No. YB9262868**
2)	Date of birth	-	July 27, 1946
3)	Address	-	Rue Des Melezes 17 Crans Montana 3963, Switzerland
4)	Citizenship	-	Italian
5)	Membership in Board committees	-	Chairman of the Strategy Committee and Chairman of the ESG Committee.
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	No.
8)	The date on which he began his term as a director	-	November 3, 2019
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	Education - B.Sc in Chemical Engineering from Polytechnic Milan and MBA from INSEAD. Occupation - director as described below. Corporations in which he serves as a director: The Phoenix Insurance Company Ltd.: Strategy Committee, Chairman of the ESG Committee; BNL. Formerly: Caesastone Ltd., LUXOTTICA, Pianoforte holdings, Genenta, BNP, Admiral, Teva, Digital, Coesia Esselunga, Cofide.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

1)	Name	-	**Itzhak Shukrie (Zhak) Cohen, ID No. 23949508**
2)	Date of birth	-	May 2, 1984
3)	Address	-	660 Steamboat Rd, Greenwich, CT 06830 U.S.A
4)	Citizenship	-	Israeli and American
5)	Membership in Board committees	-	No
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	Serves as an investment Manager at Gallatin Point LLC (one of the Company's controlling shareholders).
8)	The date on which he began his term as a director	-	November 3, 2019
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	Education - BA in Art from Brandeis University Waltham, and L.L.M. from the University of Pennsylvania Law School. Occupation: Investment Manager at Gallatin Point LLC. Formerly: VP at XL Catlin (AXAXL). Corporations in which he serves as a director: The Phoenix Insurance Company Ltd.: Director, member of the Risk Management Committee, Bowhead Specialty, Victor Insurance Exchange and Trusted Resources Underwriting Exchange.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

Regulation 26 -
The Corporation's Directors (cont.)

1)	Name	-	**Stella (Amar) Cohen, Identity No. 341286003**
2)	Date of birth	-	September 12, 1980
3)	Address	-	Shalva 105, Herzliya
4)	Citizenship	-	Israeli, American and French
5)	Membership in Board committees	-	Financial Statements Review Committee, Strategy and ESG Committee.
6)	ED	-	No
7)	Is she an employee of the Company, a subsidiary, a related company or an interested party	-	No.
8)	The date on which she began her term as a director	-	August 24, 2022
9)	Education and occupation in the past five years and a list of the corporations in which she serves as a director	-	Education: Master of Law (LL.M.) Columbia University (New York, USA) & Juris Doctor (J.D.), University Pantheon Assas (Paris, France) & Master of Arts (MA.), Institute of Political Sciences (Paris, France) & Master of Sciences, University Paris Dauphine (Paris, France). Corporations in which she serves as a director: The Phoenix Insurance Company Ltd. Strategy Committee, ESG Committee and Balance Sheet Committee. Co-Head of Private Equity for Europe, Middle East and Asia, J. Safra GROUP (J. SAFRA SARASIN ASSET MANAGEMENT); Finans2 Kapital, Chairman of the Board; Food Delivery Brand, Director, ZOLVA GROUP (member of the investment committee), USI INSURANCE - director and chair of the audit committee, Sedgwick INC, Director-Observer.
10)	Is she a relative of another interested party in the Company	-	No
11)	Does she have accounting and financial skills or professional qualifications	-	Yes

Regulation 26 -
The Corporation's Directors (cont.)

1)	Name	-	**Dr. Ehud Shapira, ID No. 008370991**
2)	Date of birth	-	October 5, 1944
3)	Address	-	Belkind 1, Tel Aviv
4)	Citizenship	-	Israeli
5)	Membership in Board committees	-	Chairperson of the Audit Committee, Chairperson Compensation Committee, Strategy Committee and the Financial Statements Review Committee.
6)	ED	-	No, an independent director.
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	No.
8)	The date on which he began his term as a director	-	November 7, 2019.
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	Education - B.Sc in Economics and Statistics from Tel Aviv University, M.Sc in Economics and Performance Research from the Technion, M.Sc. in Economics and Ph.D in Economics and Finance - from New York University. Occupation - director of various companies, as detailed below. Corporations in which he serves as a director - The Phoenix Holdings Ltd., Samelet Motors Ltd., Samelet Financing Ltd., Birad - Research and Development Company Ltd., and Dr. Ehud Shapira Management Ltd. Previously - Psagot Investment House Ltd. (Chairman and board member).
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

1)	Name	-	**Ben Carlton Langworthy, Passport No. 683533858**
2)	Date of birth	-	August 12, 1978
3)	Address	-	Centerbridge Partners Europe, LLP 10 New Burlington Street, 2nd Floor, London, W1S 3BE
4)	Citizenship	-	American
5)	Membership in Board committees	-	No
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	Managing Director of Centerbridge Partners Europe LLP (one of the Company's controlling shareholders).
8)	The date on which he began his term as a director	-	December 12, 2019
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	Education - BA in Economics from Yale University and MBA from Harvard Business School. Occupation: Managing Director at Centerbridge Partners Europe LLP. Corporations in which he serves as a director - Fortuna Holdings Limited, The Phoenix Holdings, Fortuna Topco Limited, Auxmoney Europe Holding Limited.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

Regulation 26 -
The Corporation's Directors (cont.)

1)	Name	-	**Richard Kaplan, ID 011176500**
2)	Date of birth	-	August 26, 1955
3)	Address	-	63 Levi Eshkol Street, Tel Aviv
4)	Citizenship	-	Israeli and American
5)	Membership in Board committees	-	Member of the Audit Committee, Compensation Committee, and the Financial Statements Review Committee.
6)	ED	-	Yes
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	No
8)	The date on which he began his term as a director	-	February 24, 2020
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	Education: Bachelor of Science in Mechanical Engineering from Brown University. Doctor of Law, Cornell University. Occupation: serves as a director of the companies listed below and as a partner in MizMaa Ventures. Formerly: GM IBM Israel, VP IBM Business Development. The corporations in which he serves as a director: R.E. Kaplan 22 Consulting Ltd., QEDIT Systems Ltd., AFI Properties Ltd.; Decentralized Mobile Applications Ltd.; serves a head of the IT Committee of The Phoenix Insurance, Resolution Games AB, (Sweden) Org. NR 559009-9199, Qedit Systems Ltd. (Israel) 515485274, Decentralized Mobile Applications (DBA PayKey) (Israel) 515133734, Loadmill Ltd. (Israel) 515682599, Networks Inc (DBA Ananda Networks) (Delaware Corp.) EIN 83-1206991. Formerly: Bank Hapoalim Ltd.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Has professional qualifications

Regulation 26 -
The Corporation's Directors (cont.)

1)	Name	-	**Rachel (Rucha) Levine, ID No. 022216329**
2)	Date of birth	-	December 9, 1965
3)	Address	-	Yeffe Nof 3, Givatayim
4)	Citizenship	-	Israeli
5)	Membership in Board committees	-	Member of the Audit Committee and the Compensation Committee, Chair of the Financial Statements Review Committee, and member of the Nostro Investments Committee.
6)	ED	-	Yes
7)	Is she an employee of the Company, a subsidiary, a related company or an interested party	-	No
8)	The date on which she began her term as a director	-	February 24, 2020
9)	Education and occupation in the past five years and a list of the corporations in which she serves as a director	-	Education - BA in Business with specialization in Accounting - College of Management, Tel Aviv. MBA from Kellogg School of Management, Northwestern University, Chicago. CPA license. Occupation: serves as a director in the companies listed below, and as a professional consultant to companies in the real estate and renewable energy fields. The corporations in which she serves as a director: AFI Properties Ltd.; Veridis Environment Ltd.; Deputy Chairwoman of the Tidhar Group Ltd. Board of Directors; and a director of subsidiaries in Tidhar Group Ltd., The Phoenix Construction Financing and Guarantees Ltd. of the Gama Group. Formerly: External Director of Infinya Ltd., Gazit Globe, Chairperson of the Gazit Globe Israel Ltd. Board of Directors; Director of the Finnish Gazit Globe Company Citycon; Deputy Chairwoman of Atrium European Real Estate Ltd.; CEO and Director of Gazit Globe Ltd.
10)	Is she a relative of another interested party in the Company	-	No
11)	Does she have accounting and financial skills or professional qualifications	-	Yes

Regulation 26 -
The Corporation's Directors (cont.)

1)	Name	-	**Eliezer Yones, ID No. 050934637**
2)	Date of birth	-	October 7, 1951
3)	Address	-	Jabotinsky 60A, Tel Aviv.
4)	Citizenship	-	Israeli
5)	Membership in Board committees	-	Chairman of the Strategy Committee.
6)	ED	-	No.
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	No.
8)	The date on which he began his term as a director	-	April 22, 2020
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	Education - BA in Economics and Sociology - The Hebrew University, Jerusalem. MBA from The Hebrew University, Jerusalem. Occupation - provides private consulting and mediation services. Corporations in which he serves as a director: The Phoenix Insurance Company Ltd.: Director, Chairman of the Strategy Committee; E.H. Yones (1999) Ltd.; Yones & MSHP Investments Ltd.; HaBrosh 18 Ltd.; and family investment management.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

Directors who ceased to serve in the Company during the reporting period

There are no directors who ceased to serve in the Company during the reporting period.

Regulation 26A -
Officers in the Corporation

1.	Name	-	**Eyal Ben Simon, ID No. 025173782**
2.	Date of birth	-	March 12, 1973
3.	Position in the Company	-	The Company's CEO.
4.	Position in a subsidiary of the Company or an interested party therein	-	The Company's CEO. CEO of subsidiary The Phoenix Insurance Company Ltd.; Director of companies of The Phoenix group, of which, the main ones are: The Phoenix Investments and Finances Ltd., The Phoenix Investment House Ltd.; The Phoenix Capital Raising (2009) Ltd.; Gama Management and Clearing Ltd.; The Phoenix Insurance Agencies 1989 Ltd., and subsidiaries. In addition, he serves as a member of The Phoenix Insurance Company Ltd. Nostro Investments Committee and as a director of the Association of Life Insurance Companies of Israel Ltd.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	Education - BA in Economics and Accounting and MBA (Finance) from the Hebrew University of Jerusalem, CPA. Business experience - CEO of the Company and CEO of The Phoenix Insurance Company Ltd. Formerly - Executive Vice President of The Phoenix - Head of Property and Casualty Insurance and Claims.
7.	The date on which he began his term	-	November 7, 2019

1.	Name	-	**Haggai Schreiber, ID No. 037626546**
2.	Date of birth	-	August 15, 1975
3.	Position in the Company	-	Executive Vice President, the Company's Chief Investment Officer.
4.	Position in a subsidiary of the Company or an interested party therein	-	Executive Vice President, Chief Investment Officer of the following the Phoenix Group companies: The Phoenix Insurance Company Ltd., The Phoenix Pension and Provident Fund Ltd. CEO of The Phoenix Investments and Finances Ltd. and The Phoenix Capital Raising (2009) Ltd. Director of companies in The Phoenix group, the main one being The Phoenix Investment House Ltd.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	Education - BA in Economics and Management and MA in Finance and Accounting, Tel Aviv University. Business experience: CEO of The Phoenix Investments and Finances Ltd. and Chief Investment Officer of The Phoenix group. Previously - manager of planholders' funds, manager of the nostro portfolio and international markets strategist at The Phoenix Investments and Finances Ltd.
7.	The date on which he began his term	-	December 5, 2019

Regulation 26A -
Officers in the Corporation (cont.)

1.	Name	-	**Eli Schwartz, ID no. 032315517**
2.	Date of birth	-	June 10, 1975
3.	Position in the Company	-	EVP, Chief Financial Officer.
4.	Position in a subsidiary of the Company or an interested party therein	-	Deputy CEO, CFO of the subsidiary The Phoenix Insurance Company Ltd.; Director of The Phoenix group companies, of which the main ones are: The Phoenix Investments and Finances Ltd., The Phoenix Pension and Provident Fund Ltd., Gama Management and Clearing Ltd, The Phoenix Capital Raising (2009) Ltd., The Phoenix Advanced Investments Ltd., The Phoenix Insurance Agencies 1989 Ltd., and several other agencies and companies held by The Phoenix. In addition, he serves as a member of the Nostro Investments Committee at The Phoenix Insurance Company Ltd.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	Education - CPA, BA in Accounting and Economics from Ben Gurion University of the Negev and MBA (major in Finance) from Bar Ilan University, member of the steering committee of the Insurance and Capital Markets Sector Committee of the Institute of Certified Public Accountants in Israel. Business experience - CFO at the Company and at The Phoenix Insurance Company Ltd. Previously: Investment controller and CFO of subsidiaries of The Phoenix group, Head of Enterprise Applications in the IT Division of The Phoenix Insurance.
7.	The date on which he began his term	-	August 15, 2016

1.	Name	-	**Amit Netanel, ID No. 028722213**
2.	Date of birth	-	June 2, 1971
3.	Position in the Company	-	EVP, Chief Risk Officer.
4.	Position in a subsidiary of the Company or an interested party therein	-	Chief Risk Officer at the Company and subsidiaries of The Phoenix group.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	Education - Economics and Management, Open University; MA in Finance - Accounting, Tel Aviv University. Business experience - Chief Risk Officer at the Company and at The Phoenix Insurance Company Ltd.
7	The date on which he began his term	-	September 24, 2012

Regulation 26A -
Officers in the Corporation (cont.)

1.	Name	-	**Menachem (Meni) Neeman, ID No. 028017523**
2.	Date of birth	-	August 25, 1970
3.	Position in the Company	-	Executive Vice President, Chief Legal Counsel
4.	Position in a subsidiary of the Company or an interested party therein	-	EVP, Chief Legal Counsel for The Phoenix Holdings Ltd. and The Phoenix Insurance Company Ltd. In addition, he serves as a director of The Phoenix group companies, of which, the main ones are: The Phoenix Investments and Finances Ltd., The Phoenix Advanced Investments Ltd., The Phoenix Pension and Provident Fund Ltd., Gama Management and Clearing Ltd., The Phoenix Investment House Ltd., ESOP Management and Trust Services Ltd., Ad 120 Residence for Senior Citizens Ltd. and other companies in the Ad 120 Group. He also serves in the Association of Life Insurance Companies of Israel Ltd. and is a member of Bar Ilan University's Executive Committee of a member of the Aluma NGO's Executive Committee.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	Education - Adv. LL.B with honors and LL.M from Bar Ilan University. Work experience: Chief Legal Counsel of The Phoenix group.
7.	The date on which he began his term	-	August 1, 2015

1.	Name	-	**Michal Leshem, ID No. 027862721**
2.	Date of birth	-	July 30, 1970
3.	Position in the Company	-	Chief Internal Auditor.
4.	Position in a subsidiary of the Company or an interested party therein	-	Chief Internal Auditor at The Phoenix Insurance Company Ltd. and several other companies in The Phoenix group.
5.	Is she a relative of another senior officer or of an interested party	-	No
6.	Education and business experience over the past five years	-	Education - CPA, B.A in Business Administration and Accounting, College of Management; Business experience - Chief Internal Auditor at The Phoenix Insurance Company Ltd. and other companies in The Phoenix group and ED in Assuta. Previously: Chief Financial Officer in the Paz Group, Chief Internal Auditor in the Migdal Group, ED at Matrix ET Ltd., and ED at weSure Ltd.
7.	The date on which he began his term	-	September 1, 2020

Regulation 26A -
Officers in the Corporation (cont.)

1.	Name	-	**Eilon Dachbash, ID No. 034396648**
2.	Date of birth	-	September 17, 1977
3.	Position in the Company	-	Executive VP, Retail Credit Director.
4.	Position in a subsidiary of the Company or an interested party therein	-	Executive VP, Retail Credit Director.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	Education- Computer Sciences (BA) from the College of Management, Licensed Investment Advisor. Professional experience: serves as a director of several companies in The Phoenix group. Formerly: Executive VP, member of the Board of Directors - head of the Banking Division, Bank Leumi; director in Pepper Platform Ltd.
7.	The date on which he began his term	-	January 16, 2022.

1.	Name	-	**David Alexander, ID 014690952**
2.	Date of birth	-	June 24, 1972
3.	Position in the Company	-	Deputy CEO, Business Development Manager.
4.	Position in a subsidiary of the Company or an interested party therein	-	Deputy CEO, Business Development Manager.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	Education: B.S. in Mathematics from MIT; MA. in Political Science from Columbia University; J.D. in Law from Columbia University. Professional Experience: Manager, VNS Capital Ltd.
7.	The date on which he began his term	-	September 1, 2021.

Officers who ceased to serve during the reporting period

In the reporting year, no officers ended their term.

Regulation 26B -
Authorized Signatory of the Corporation

The Corporation does not have independent signatories.

Regulation 27 -
The Company's Independent Auditor

Kost Forer Gabbay & Kasierer, 144 Menachem Begin Road, Tel Aviv.

Regulation 28 -
Change in the Memorandum or Articles of Association of the Corporation

On March 8, 2023, the Company held an extraordinary meeting whose agenda included, among other things, the adoption of amendments to the Company's articles of association. For further details, see the Company's immediate reports dated November 30, 2022 and January 8, 2023 (Ref. Nos.: 2022-01-115548 and 2023-01-003559, respectively). For the Company's current articles of association, see the January 8, 2023 immediate report (Ref. No. 2023-01-003562).

Regulation 29 - Recommendations and Resolutions of the Board of Directors

The Board of Directors' recommendations to the General Meeting and their resolutions that do not require the approval of the General Meeting regarding:

1. **Dividend payment (final and interim) and distribution of bonus shares:**
   In 2022, the Company distributed a cash dividend of NIS 337 million.
   In August 2023, the Company distributed a NIS 120 million interim dividend on account of the Company's 2023 profits (hereinafter - the "Interim Dividend").
   Subsequent to the report date, on March 26, 2024, concurrently with the approval of the Company's Financial Statements as of December 31, 2023, which are included in this Periodic Report, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 265 million. Total amount in dividend that was distributed and will be distributed in cash in respect of 2023 including the interim dividend as stated above is NIS 385 million, which represents a dividend per share of approx. NIS 1.04.

2. **Changes in the registered or issued share capital of the corporation:**
   For details regarding changes in the registered or issued share capital of the corporation, see Regulation 20 to this report.

3. **Change in the memorandum or articles of association of the corporation:**
   There was no change in the reporting year.

4. **Redemption of shares:**
   None

5. **Early redemption of bonds:**
   None

6. (a) **A transaction that is not in accordance with market conditions between the corporation and an interested party therein:** None
   (b) **Resolutions of the General Meeting in the matters listed above that were made other than in accordance with the recommendations of the Board of Directors:** None.

   (C) **Resolutions by Extraordinary General Meeting:**

General meeting of January 5, 2023

An extraordinary meeting of the Company was held on January 5, 2023; the following items were on the agenda of the meeting: 1) Revision of the Company's compensation policy; 2) adoption of amendments to the Company's Articles of Association. For further details, see the Company's immediate reports dated November 30, 2022 and January 8, 2023 (Ref. Nos.: 2022-01-115548 and 2023-01-003559, respectively).

General meeting of March 8, 2023

An extraordinary meeting of the Company was held on March 8, 2023, which discussed the appointment of Ms. Rachel Lavine for another term in office as an external director. For further details, see the Company's immediate reports dated February 16, 2023 and March 8, 2023 (Ref. Nos.: 2023-01-015454 and 2023-01-020875, respectively).

Regulation 29 -
Recommendations and Resolutions of the Board of Directors (cont.)

General meeting dated August 2, 2023

On August 2, 2023, the Company held a meeting, with the following items on the agenda: 1) Revising the Company's compensation policy; 2) Allocating options (illiquid) to the Company's CEO, Mr. Eyal Ben Simon (3) Allocating options (illiquid) to the Company's Chairman of the Board, Mr. Benjamin Gabbay. For further details, see the Company's immediate report of June 28, 2023 (Ref. No. 2023-01-060334).

Subsequent to reporting period

General meeting of January 8, 2024

In January 2024, an extraordinary meeting of the Company was held, the agenda of which included the approval of a revised Compensation Policy to officers for 2024-2026. For further details, see the Company's immediate reports dated November 29, 2023 and January 9, 2024 (Ref. Nos.: 2023-01-108148 and 2024-01-003979, respectively).

General meeting of March 7, 2024

In March 2024, an extraordinary meeting of the Company was held, the agenda of which included the award of options to the CEO and Chairman of the Board of Directors of The Phoenix Gama. For further details, see the Company's immediate reports dated February 1, 2024 and March 7, 2024 (Ref. Nos.: 2024-01-010207 and 2024-01-020488, respectively).

Corporate Resolutions

1. Approval of transactions under Section 255 to the Companies Law: None.

2. Transaction under Section 254(a) to the Companies Law which has not been approved: None.

3. Exemption from insurance or indemnity undertaking, for an officer effective as of the reporting date:

   Under the Company's compensation policy, directors, senior officers and other key officers shall be entitled to exemption and indemnification insurance, subject to the approvals required by law. For further details, see Regulation 22 above.

Date: March 26, 2024.

Names of the signatories

Eyal Ben Simon	-	**Chief Executive Officer**	_____
Eli Schwartz	-	**EVP, Chief Financial Officer**	_____

Phoenix

Corporate Governance Questionnaire



Corporate Governance Questionnaire of The Phoenix Holdings Ltd.[1]

The Board of Directors' Independence

			Yes	No
1.		Each reporting year, there were at least two external directors in the corporation. The question may be answered "yes" if the period during which the corporation had less than two external directors did not exceed 90 days, pursuant to Section 363A.(b)(10) to the Companies Law. However, any answer (yes or no) must include the length of the period (number of days) in which there were less than two external directors serving during the reporting period (including if the tenure was approved retroactively, for each of the different external directors): Director A: **Rachel Levin**. Director B: **Dr. Ehud Shapira (independent director)**. Director C: **Richard Kaplan**. Number of External Directors serving at the corporation as of the date of the publication of this questionnaire: **2.**	✓	
2.		Proportion[2] of independent directors[3] serving in the corporation as of the questionnaire's publication date: **3/9**. The proportion of Independent Directors in the corporation's[4] Articles of Association:[5] _____. **X** N/A (no provision has been made in the Articles of Association).	____ _	___ __

[1] Published on March 16, 2014, as part of legislative proposals for improvement of reporting.
[2] In this questionnaire, "proportion" is a certain number out of the total. For example - 3/8.
[3] Including "External Directors" within the meaning thereof in the Companies Law.
[4] Regarding this question - "Articles of Association" include a specific legal provision applicable to the corporation (for example, in a banking corporation - directives issued by the Banking Supervision Department).
[5] Bonds companies are exempt from answering this section.

			Yes	No
3.		In the reporting year, the Bank held checks and found that during the reporting period its external directors (and independent directors) fulfilled the provisions of Section 240(b) and (f) to the Companies Law requiring external directors (and independent directors) not to have an interest in the corporation or its controlling shareholder, and the conditions for service as external directors (or independent directors).	✓	
4.		None of the directors who served in the corporation during the reporting year are not subordinate to the President and CEO,[6] either directly or indirectly (inapplicable to a director who serves as a representative of the employees, if such representation exists in the corporation). If your answer is "No" (i.e., the director reports to the CEO as aforesaid) - please indicate the proportion of directors who did not meet the said restriction: _____.	✓	
5.		None of the directors who have reported having a vested interest in the approval of a transaction on a meeting's agenda were not present at the discussion or participated in the vote as aforesaid (except for a discussion and/or vote under the circumstances outlined in Section 278(b) to the Companies Law: If your answer is "No" - Was this for the purpose of presenting a specific issue by that director in accordance with the provision of Section 278(A): · Yes · No (please check the appropriate box). It should be noted that the proportion of meetings in which such directors were present in a discussion and/or participated in a vote, except for circumstances outlined as aforesaid in Subsection A, was: ___.	✓	
6.		The controlling shareholder (including a relative and/or representative thereof) who is not a director or other senior officer in the Corporation was not present in the meetings of the Board of Directors held during the reporting year.		✓

[6] For the purpose of this question - Serving as a director in an investee corporation under the Corporation's control shall not be deemed "subordination"; on the other hand, if a director in the Corporation also serves as an officer (excluding as director) and/or is an employee of an investee corporation under the Corporation's control, they shall be deemed "subordinate" for the purpose of this question.

			Yes	No
		If your answer is "No" (i.e., the controlling shareholder and/or relative and/or representative who is not a member of the Board of Directors and/or a senior officer of the Corporation was present in the Board of Directors' meetings as aforesaid: Name: Lewis (Lee) Sachs. Position in the corporation (if any): one of the controlling shareholders of the Gallatin Fund (50%), which jointly holds, with the Centerbridge Fund (Gallatin - 30%, Centerbridge - 70%), indirectly, 31.22% of the Company. Information on the relation to the controlling shareholder (if the person present was not the controlling shareholder himself): _____. Was this for the purpose of presenting a specific issue: X Yes No (please check the appropriate box). The proportion of Board meetings[7] in which he/she participated during the reporting year for the purpose of presenting a specific issue: ____; otherwise present: 14%.[8] ·N/A (the corporation has no controlling shareholder).		

[7] Specify separately for each of the controlling shareholders, relative and/or representative.

[8] Attended four out of 29 meetings, three of which focused on the Company's emergency preparedness due to the events of October 7 and the outbreak of the Iron Swords War.

The Directors' Competency and Qualifications

				Yes	No
7.		The Corporation's Articles of Association do not contain a provision restricting the possibility of immediately terminating the tenure of all directors of the Corporation who are not External Directors (for this purpose - a simple majority does not constitute a restriction).[9] If your answer is "No" (i.e., if there is a restriction as aforesaid), please indicate -			✓
		A.	The period prescribed for a director's tenure by the Articles of Association: **two years**.		
		B.	The majority required to terminate the tenure of directors by the Articles of Association: **A majority of at least 75% (seventy-five percent) of the total number of shareholders present at the meeting.**		
		C.	The legal quorum required by the General Meeting to terminate the directors' appointments according to the Articles of Association: **3 shareholders holding at least 1/3 (one third) of the total voting rights in the Company.**		
		D.	The majority needed to amend these provisions in the Articles of Association: **A majority of at least 75% (seventy-five percent) of the total number of shareholders present at the meeting.**		
8.		The Corporation has established a program for training new directors on the Corporation's business and the rules that apply to the corporation and directors, and also established a follow-up program for training serving directors that is tailored, inter alia, to each director's function in the corporation. If your answer is "Yes" - please indicate if the program was active during the reporting year: **X** Yes ·No (please check the appropriate box).		✓	

[9] Bonds companies are exempt from answering this section.

				Yes	No
9.		A.	The Corporation has a minimum number of directors in the Board of Directors who have accounting and financial expertise. If your answer is "Yes" - please indicate the minimum number set: **3**.	✓	
		B.	No. of directors who served in the corporation during the reporting year - who have accounting and financial expertise: **8**.[10] Who have professional qualifications: **1.** In case of changes in the number of said directors during the reporting year, please provide the lowest number (except within a period of 60 days from the change date) of directors of any type who served during the reporting year.		
10.		A.	In each reporting year, the Board of Directors included members of both genders. If your answer is "No" - please indicate the period (number of days) in which the aforesaid was not met: _____. The question may be answered "Yes" if the period during which the corporation did not have members of both genders serving as directors did not exceed 60 days. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have members of both genders serving as directors: ____.	✓	
		B.	Number of directors of each gender serving on the Board of Directors as of the questionnaire publication date: Men: **7**, Women: **2**.	____	___

[10] Following the Board of Directors' assessment, in accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and Director with Professional Qualifications), 2005.

Board of Directors Meetings (and Convening of the General Meeting)

				Yes	No
11.		A.	Number of board meetings held during each quarter in the reporting year: First quarter (**2023**): **11**. Second quarter: **4**. Third quarter: **5**. Fourth quarter: **9**.	_____	_____
		B.	Next to each of the names of the directors who served in the Corporation during the reporting year, please indicate the proportion[11] of board meetings in which he/she participated (in this Subsection - including meetings of Board of Directors' committees in which he/she is a member, and as indicated below), which took place during the reporting year (during his/her tenure period): (Please add lines according to the number of directors).	_____	_____

11 See Footnote 2..

Director's name	Proportion of the director's participation in **board** meetings[12]	Proportion of the director's participation in meetings of the **Audit Committee**.[13]	Rate of participation in meetings of the Financial Statements Review Committee[14]	Rate of participation in meetings of the **Compensation Committee**.[15]	Proportion of the director's participation in meetings of **additional board committees in which he/she is not a member** (please indicate which committee)
Benjamin Gabbay	28/29 (97%)	-	-	-	ESG Committee 6/6 (100%)
Richard Kaplan	28/29 (97%)	9/9 (100%)	17/17 (100%)	8/8 (100%)	-
Ben Langworthy	26/29 (90%)	-	-	-	-
Dr. Ehud Shapira	28/29 (97%)	9/9 (100%)	17/17 (100%)	8/8 (100%)	Strategy Committee - 7/7 (100%)
Zhak Cohen	26/29 (90%)	-	-	-	-
Roger Abravanel	24/29 (83%)	-	-		Strategy Committee - 6/7 (86%) ESG Committee 6/6 (100%)
Rachel Levine	28/29 (97%)	9/9 (100%)	17/17 (100%)	8/8 (100%)	
Eliezer Yones	24/29 (83%)	-	-	-	Strategy Committee - 7/7 (100%)
Stella Cohen	26/29 (90%)		17/17 (100%)		Strategy Committee - 7/7 (100%) ESG Committee 6/6 (100%)

[12] The directors are obliged to participate in at least 66% of the board meetings throughout the year.

13 For a director who is a member of this committee.

14 For a director who is a member of this committee.

[15] For a director who is a member of this committee.

12.		During the reporting year, the Board of Directors held at least one discussion about the management of the corporation's business by the chief executive officer and the officers reporting thereto without their presence and allowed them to express their positions.[16]		✓

[16] The discussion was held in March 2024.

Separation between the positions of chief executive officer and chairman of the board

			Yes	No
13.		In each reporting year, there was a chairman of the board in place. The question may be answered "Yes" if the period during which the corporation had no chairman of the board in place did not exceed 60 days, as prescribed by Section 363A.(2) to the Companies Law. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have a chairman of the board in place as aforesaid:	✓	
14.		In each reporting year, there was a chief executive officer in place. The question may be answered "Yes" if the period during which the corporation had no chief executive officer in place did not exceed 90 days, as prescribed by Section 363A.(6) to the Companies Law. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have a chief executive officer in place as aforesaid:	✓	
15.		In a corporation in which the chairman of the board also serves as the corporation's chief executive officer and/or has assumed his/her powers, the dual position has been approved in accordance with the provisions of Section 121(c) to the Companies Law.[17] **X** N/A (insofar as there is no dual position as aforesaid in the corporation).		
16.		The chief executive officer is not a relative of the chairman of the board. If your answer is "No" (i.e., the chief executive officer is a relative of the Chairman of the Board) -	✓	
	a.	Please indicate the nature of the family relationship between the parties: _____.	_____	_____
	b.	The position was approved in accordance with Section 121(c) of the Companies Law:[18] ・ Yes ・ No *(Please check the appropriate box)*	_____	_____
17.		A controlling shareholder or his/her relative does not serve as the chief executive officer or senior officer in the corporation, excluding as a director. ・N/A (the Corporation has no controlling shareholder).	✓	

[17] In a bonds company - approval in accordance with Section 121(d) to the Companies Law.
[18] In a bonds company - approval in accordance with Section 121(d) to the Companies Law.

Audit Committee

			Yes	No
18.		During the reporting year, the following did not serve -	____	___
	A.	The controlling shareholder or his/her relative. ·N/A (the Corporation has no controlling shareholder).	✓	
	B.	The Chairman of the Board.	✓	
	C.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control.	✓	
	D.	A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis.	✓	
	E.	A director whose main source of income is the controlling shareholder. ·N/A (the Corporation has no controlling shareholder).	✓	
19.		A person who may not serve as a member of the Audit Committee, including the controlling shareholder or his/her relative, did not participate, during the reporting year, in meetings of the Audit Committee, other than in accordance with the provisions of Section 115(e) to the Companies Law.	✓	
20.		A legal quorum for discussing and reaching decisions in all meetings of the Audit Committee which took place during the reporting year was a majority of the committee members, with most of the participants being independent directors and at least one - an external director. If your answer is "No" - please indicate the proportion of meetings in which the above requirement was not met: _____.	✓	
21.		During the reporting year, the Audit Committee held at least one meeting in which the Chief Internal Auditor and independent auditor were present but in which officers of the corporation who are not members of the Committee did not participate, on the subject of deficiencies in the corporation's business management.	✓	
22.		In all meetings of the Audit Committee in which there was a participant who may not serve as a member of the Committee, his/her participation was approved by the chairman of the Committee and/or he/she was invited by the Committee (as for the Chief Legal Adviser and the corporation's secretary other than a controlling shareholder or his/her relative).	✓	
23.		During the reporting year, there were arrangements in place, approved by the Audit Committee, regarding the manner of handling complaints filed by employees in relation to deficiencies in the managing the corporation's business and the protection provided to employees filing complaints as aforesaid.	✓	
24.		The Audit Committee (and/or the Financial Statement Review Committee) was convinced that the scope of the independent auditor's work and his/her fees in respect of the financial statements during the reporting year were adequate for the purpose of carrying out the audit and review work in an appropriate manner.	✓	

The purview of the Financial Statement Review Committee (hereinafter - the "Committee") in its work prior to approving the financial statements

			Yes	No
25.	A.	Please note the length of the period (in days) which the Board of Directors prescribed as a reasonable time for submitting the Committee's recommendations towards discussion by the Board of Directors for approval of the financial statements: **Quarterly Report: 2 days. Annual report: 3 days.**	____	____
	B.	The number of days which elapsed, in effect, from the date of submitting the recommendations to the Board of Directors to the date of discussion of the financial statements towards their approval by the Board: First quarter report **2.** Second quarter report: **2**. Third quarter report: **5.** Annual Report (2023): 2.[19]: **2**.	____	____
	C.	The number of days which elapsed from the date of submitting the financial statements' draft to the directors to the date of the financial statements' discussion towards their approval by the Board: First quarter report **4.** Second quarter report: **6**. Third quarter report: **6.** Annual Report (2023): **5**.		

[19] Ahead of the approval of the annual financial statements, the Committee for the Approval of Financial Statements held 3 meetings: on March 19, 2024, March 21, 2024 and March 25, 2024. The board of directors' meeting was originally scheduled for March 27, 2024, but due to scheduling constraints, was brought forward to March 26, 2024.

			Yes	No
26.	The corporation's independent auditor participated in all of the meetings of the Committee and Board of Directors in which the corporation' financial statements relating to the periods included in the reporting year were discussed. If your answer is "No", specify the rate of participation: _____		✓	
27.	During the entire reporting year and until the publication of the annual report, the Committee met all of the terms and conditions outlined below:		_____	_____
	A.	It had no less than three members (on the date of discussion by the Committee and approval of the financial statements as aforesaid).	✓	
	B.	All of the terms and conditions outlined in Section 115(b) and (c) to the Companies Law (regarding tenure of the Audit Committee members).	✓	
	C.	The chairman of the Committee is an external director.	✓	
	D.	All of its members are directors and most of them are independent directors.	✓	
	E.	All of its members have the capacity to read and understand financial statements and at least one of the independent directors has accounting and financial expertise.	✓	
	F.	The members of the Committee gave a statement prior to their appointment.	✓	
	G.	The legal quorum for discussing and reaching decisions by the Committee was a majority of its members, provided that most of the participants were independent directors, including at least one external director.	✓	
	If your answer is "No" on one or more of this question's subsections, please indicate what type of report (annual or quarterly) did not meet the said condition and which condition was not met:		_____	_____

Compensation Committee

				Yes	No
28.		During the reporting year, the Committee included at least three members, of which the external directors constituted a majority (on the date of discussion by the Committee). ・N/A (no discussion was held).		✓	
29.		During the reporting year, the terms of tenure and employment of all members of the Compensation Committee met the Companies Regulations (Rules on Compensation and Expenses for an Outside Director), 2000.		✓	
30.		During the reporting year, the following did not serve as a member of the Compensation Committee -		——	——
		a.	The controlling shareholder or his/her relative. ・N/A (the Corporation has no controlling shareholder).	✓	
		b.	The Chairman of the Board.	✓	
		C.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control.	✓	
		D.	A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis.	✓	
		E.	A director whose main source of income is the controlling shareholder. ・N/A (the Corporation has no controlling shareholder).	✓	
31.		During the reporting year, the controlling shareholder or his/her relative did not participate in meetings of the Compensation Committee, unless the chairman of the board determined that one of them was required to participate in order to present a specific topic.		✓	
32.		The Compensation Committee and Board of Directors did not exercise their power under Sections 267A(C), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or compensation policy, despite objection by the General Meeting. If your answer is "No", please specify - The type of transaction approved as aforesaid: _____ The number of times in which their power was used during the reporting year: ____		✓	

Internal Auditor

		Yes	No
33.	The corporation's Chief Internal Auditor reports to the corporation's chairman of the board or chief executive officer.	✓	
34.	The chairman of the board or audit committee have approved the work plan during the reporting year. In addition, specify the audit topics that the Chief Internal Auditor dealt with in the reporting year: _____ (check the appropriate box).	✓	
35.	The scope of the Chief Internal Auditor's position in the corporation during the reporting year (in hours[20]): 31,443	———	———
	During the reporting year, a discussion was held (by the Audit Committee or Board of Directors) about the Chief Internal Auditor's findings.	✓	
36.	The Chief Internal Auditor is not an interested party in the corporation, a relative thereof, an independent auditor or anyone on his/her behalf and therefore has no material business relations with the corporation, its controlling shareholder, his/her relative or corporations under their control.	✓	

[20]Including the no. of working hours dedicated to investees and audits held outside Israel, if any.

Interested party transactions

		Yes	No
37.	The controlling shareholder or his/her relative (including a company under his/her control) is not employed by the corporation or provides it with management services. If your answer is "No" (i.e., the controlling shareholder or his/her relative is employed by the corporation or provides it with management services, please specify - - The number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and/or through management companies): ____. - Were the employment agreements and/or management services as aforesaid approved by the organs prescribed by law: · Yes · No (Please check the appropriate box) ·N/A (the Corporation has no controlling shareholder) _____.	✓	
38.	To the best of the corporation's knowledge, the controlling shareholder has no additional businesses in the corporation's line of business (one or more lines). If your answer is "No - please indicate whether there is an arrangement in place to separate between the activities of the corporation and its controlling shareholder: ·Yes · No (Check the appropriate box)· N/A (the corporation has no controlling shareholder).	✓[21]	

Chairman of the Board: Benjamin Gabbay	**Chairperson of the Audit Committee: Dr. Ehud Shapira**	**Chairperson of the Committee for Review of the Financial Statements: Rachel Levin**

[21]The answer is for the State of Israel.

Phoenix

Part 6

Report and Statements regarding the Internal Controls over Financial Reporting and Disclosure



Annual Report on Effectiveness of Control over Financial Reporting and Disclosure in accordance with Regulation 9B(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 Officer, CEO of The Phoenix Investments Ltd.
4. Meni Neeman, EVP, Chief Legal Counsel and Corporate Secretary of the Company and The Phoenix Insurance.
5. Michal Leshem, EVP, Chief Internal Auditor of the Company and The Phoenix Insurance.
6. David Alexander, EVP, Head of Business Development of the Company and The Phoenix Insurance.
7. Eilon Dachbash, EVP, Head of Retail Credit of the Company.
8. Amit Netanel, EVP, Chief Risk Officer of the Company and The Phoenix Insurance.

The internal control over financial reporting and disclosure consists of the Corporation's existing controls and procedures that have been planned by the chief executive officer and the most senior financial officer or under their supervision, or by the equivalent acting officers, under the supervision of the Corporation's Board of Directors, designed to provide reasonable assurance about the reliability of financial reporting and the preparation of the financial statements in compliance with applicable laws, and ensure that all information that the Company is required to disclose in the financial statements its publishes pursuant to law is collected, processed, summated 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.

Management, under the supervision of the Corporation's Board of Directors, performed an examination and assessment of the Corporation's internal control over financial reporting and disclosure and their effectiveness; the assessment of the effectiveness of internal control over financial reporting and disclosure as performed by management under the supervision of the Board of Directors included the following:

Entity-level controls, controls on the process for compiling and closing the financial statements, general information technology controls (ITGC), and controls over processes which are highly material to financial reporting and disclosure (these processes are carried out within The Phoenix Insurance Company Ltd. and its subsidiaries, The Phoenix Pension and Provident Fund Ltd. - which are institutional entities to which the following provisions relating to institutional entities apply).

The Phoenix Insurance Ltd. and The Phoenix Pension and Provident Fund Ltd., subsidiaries of the Corporation, are institutional entities which are 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.

Regarding the said subsidiary, management - under the supervision of the Board of Directors - examined and assessed the internal control over financial reporting and the effectiveness thereof, based on Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Control over Financial Reporting"; Circular 2010-9-7, "Internal Control over Financial Reporting - Statements, Reports and Disclosures" and amendments to said circulars.

Based on this assessment, the corporations' boards of directors and managements have concluded that the institutional entity's internal control over financial reporting as of December 31, 2023 is effective.

Based on the assessment of effectiveness that was performed by management under the supervision of the Board of Directors as described above, the Corporation's Board of Directors and management have concluded that the Corporation's internal control over financial reporting and disclosure as of December 31, 2023 is effective.

Certification

Certification by the CEO

I, Eyal Ben Simon, hereby certify that:

(1) I have reviewed periodic report of The Phoenix Holdings Ltd. (hereinafter - the "**Corporation**") for 2023 (hereinafter – the "**Reports**");

(2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, or omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;

(3) To my knowledge, the financial statements and other financial information included in the Reports 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.

March 26, 2024

_____

Eyal Ben Simon, CEO

Certification

Certification by the Most Senior Financial Officer

I, Eli Schwartz, hereby certify that:

(1) I have reviewed the financial statements and other financial information included in the reports of The Phoenix Holdings Ltd. (hereinafter - the "**Corporation**") for 2023 (hereinafter - the "**Reports**" or "**Interim Reports**");

(2) To my knowledge, the 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) My assessment of the effectiveness of internal control over financial reporting and disclosure, insofar as it relates to the financial statements and other financial information included in the Reports as of the Reports' date. My conclusions regarding my aforesaid assessment have been presented to the Board of Directors and management and are included in this report.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

March 26, 2024

_____

Eli Schwartz, EVP, CFO

Phoenix

Part 7

Appendices regarding to the
Phoenix Insurance Company Ltd.



The Phoenix Insurance Company Ltd.
Certification

I, Eyal Ben Simon, hereby certify that:

1. I have reviewed the annual report of The Phoenix Insurance Company Ltd. (hereinafter - the "**Company**") for the year 2023 (hereinafter - the "**Report**").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the 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.

March 26, 2024

Eyal Ben Simon, Chief Executive Officer

The Phoenix Insurance Company Ltd.
Certification

I, Eli Schwartz, hereby certify that:

1. I have reviewed the annual report of The Phoenix Insurance Company Ltd. (hereinafter - the "**Company**") for the year 2023 (hereinafter - the "**Report**").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the 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.

March 26, 2024

Eli Schwartz, Executive VP, Chief Financial Officer

[1]As defined in the provisions of the institutional entities circular titled "Internal Controls over Financial Reporting - Statements, Reports and Disclosures".

Report of the Board of Directors and Management on Internal Controls over Financial Reporting

Management, under the supervision of the Board of Directors of The Phoenix Insurance Company Ltd. (hereinafter - the "**Company**"), is responsible for establishing and maintaining adequate internal controls over financial reporting. The internal control system of the Company was designed to provide reasonable assurance to its Board of Directors and management with regard to the preparation and fair presentation of financial statements published in accordance with International Financial Reporting Standards (IFRSs) and the directives of the Commissioner of the Capital Market, Insurance and Savings. Regardless of the quality of their planning, any internal control systems have inherent limitations. Therefore, even if these systems are found to be effective, they can only provide reasonable assurance as to the preparation and presentation of financial statements.

Management, under the supervision of the Board of Directors, maintains a comprehensive system of controls aimed at ensuring that transactions are executed in accordance with management's authorizations, that assets are protected, and that accounting records are reliable. Furthermore, management, under the supervision of the Board of Directors, takes measures to ensure that information and communication channels are effective and monitor performance, including the performance of internal control procedures.

The Company's management, under the supervision of the Board of Directors, assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2023, based on criteria set in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that as of December 31, 2023, the Company's internal controls over financial reporting is effective.

Chairman of the Board of Directors:	**Benjamin Gabbay**	_____
Chief Executive Officer:	**Eyal Ben Simon**	_____
Deputy CEO, CFO:	**Eli Schwartz**	_____

Date of report's approval: March 26, 2024

Actuary's Statement - Life Insurance

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "**Insurer**") to examine the provisions for life insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "**Provisions**") as of December 31, 2023, as described below.

To the best of my knowledge, I am not an interested party of the Insurer or a subsidiary or an affiliate thereof; I do not have business relations with an interested party of the Insurer nor with a family member thereof, nor with a subsidiary or an affiliate of the Insurer.

I have been a salaried employee of the Insurer since February 2019. I was appointed Supervising Actuary of the life insurance subsegment in December 2019.

Chapter B - Scope of the Actuarial Opinion

1. Scope of the Actuarial Opinion

A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.

B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.

C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.

D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.

E. The following matters were also taken into account in my opinion:

1) The provision calculated in respect of the ceded businesses is based on a calculation carried out by the actuary.

2) I calculated the provision in respect of joint insurance in which the Company does not serve as the lead insurer in accordance with information received from the lead insurer.

2 . Data included in the section on the scope of the actuarial opinion

A. The amounts of the provisions (gross and retention) are listed in the appendixes below:

1) Provision for contingent claims (claims that were incurred but not yet fully paid regardless of whether they were approved or not, excluding claims paid in the form of allowances, such as: permanent health insurance and income protection) and the direct expenses stemming therefrom, and excluding indirect expenses in respect of these claims (including IBNR reserve) -

   Reserve for Unpaid Losses (Incurred but Unpaid Claims) and Unpaid Allocated and Unallocated Loss Adjustment Expenses (including IBNR)

2) Provision (reserve) stemming from the terms of the life insurance contract, separately, including -

   A) Reserve for plan with accrual;

   B) Provision required where some of the premium collected in the early years of the contract is designated to provide coverage at a later date, such as: provision in respect of fixed premium, insurability and continuity;

3) Reserve's portion in respect of claims being paid, including claims paid in the form of allowances, such as: permanent health insurance and income protection).

4) Supplement stemming from liability adequacy testing (LAT) - after examining the data, I concluded that a supplement is not required.

5) Other - additional provisions in accordance with the Commissioner's directives, such as: supplementing the reserve for policies with a guaranteed annuity conversion factor in accordance with Commissioner Circular 2013-1-2 (supplemental annuity reserve).

B. The effect of the below listed changes on the amounts of the provisions (gross and retention):

1) For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – no such adjustment was required.

2) For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected: a decrease of approx. NIS 64 million in reserves (retention) in the life insurance subsegment.

Chapter C - The Opinion

I hereby state and confirm that in the life insurance subsegment:

1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
   A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
   B. The Commissioner's directives and guidance;
   C. Generally accepted actuarial principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of life insurance contracts, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

1. Details about reserve types, interest rates, etc. are included in the notes to the financial statements.
2. Exposure to future developments and changes.

   Changes and developments may occur in the environment in which the Israeli life insurance industry operates due to regulatory changes, judicial decisions, technological developments and changes in social and environmental conditions. These factors cannot be predicted and may impact the final cost of the claims and consequently the actuarial assessment of the provisions.
3. Statistical and actuarial uncertainty

   The reserves calculated in respect of the insurance coverages are partly based on assumptions as to mortality and morbidity rates, which reflect the Company or reinsurers' past experience. The calculations and models, including the work assumptions, were developed based on my understanding of the Company's current business environment, and in accordance with my

assessment of the development of the Company's bushiness environment and policyholders' future behavior. Therefore, it should be acknowledged that it is highly probable that the future business results will vary from those projected by the actuarial models for calculation of reserves.

4 . Consistency between data in the appendices and financial statements data:

The tables in the following appendixes were prepared in accordance with the Commissioner's directives, and the composition of the data presented therein is not necessarily consistent with the composition of the data presented in the Company's financial statements and the notes thereto.

5 . Material changes in actuarial assumptions and methods:

The following changes took place in the reporting period:

A. During the reporting year, the discount rate changed, which triggered a decrease of approx. NIS 89 million in life insurance reserves.

B. Material changes in provisions arising from assumption revision:

- During the course of the reporting year, the Company completed studies regarding costs in connection with disability insurance coverage. As a result of the implementation of the studies, the (retention) reserves decreased by approx. NIS 59 million, as follows:
  - The claims expenses study: an increase of approx. NIS 65 million in reserve (retention).
  - The morbidity study (study about the incidence and duration of claim payments): a decrease of approx. NIS 124 million in reserves (retention).
- In the reporting year, the Company revised some of the assumptions it uses when calculating the reserves. The total effect is a decrease of approx. NIS 5 million decrease in reserves.

Attached

Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

March 26, 2024	**Supervising Actuary - Life Insurance**	**Mark Rabaev**	
Date	**Title**	**Actuary's name**	**Signature**

Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Company: The Phoenix Insurance Company Ltd. *As of: December 31, 2023*

(in NIS thousand)

			Total	Savings and mortality risk (classic, traditional)		Pure savings or the savings component in policies (Preferred, Track)		Pure mortality risk or mortality risk component in policy		Paid income protection	Long-term care		Other covers 1)
				Guaranteed -return	Participating	Guaranteed-return	Participating	Individual	collective		Individual	collective	
				1A	1B	2A	2B	3A	3B	4	5A	5B	6
1	Contingent claims		639,973	10,501	2,893	12,493	76,986	287,231	123,652	12,565			113,650
2	Reserve (total of lines 2A 1 to 6)		107,017,490	3,158,851	920,452	8,253,696	93,111,679	30,815	11,791	1,529,194			1,012
2A1	Policies which include a savings component (including appendices) by policy issuance date:	until 1990	8,317,576	2,030,679		6,177,647	105,810	116		3,288			36
2A2		Policies issued between 1991 and 2003	31,938,748		779,021		31,083,807	4,588		71,259			73
2A3		Policies issued after 2004	55,732,687		1,256		55,679,410	919		51,091			10
2A4		2A3)	95,989,011	2,030,679	780,277	6,177,647	86,869,027	5,623	0	125,639			119
2B	Policies without a savings component		238,959					8,055	11,791	218,220			893
3	Percentage of reserve for paid claims		8.793,975	911.416	123.529	1,689,173	4,867.384	17.138		1,185.335			
4	Participating												
5	Supplement resulting from liability adequacy test												
6	Other		1,995,546	216,756	16,646	386,876	1,375,267						
7	Extraordinary risk reserve												
8A	Effect of adjusting provisions for new businesses												
8B1	Effect of adjusting provisions for existing businesses	Changes in	-38,778	-4,083	-13	-197	-916			-33,570			
8B2		Changes in											
8B3		Differences in											
8B4		Other changes											

1) Other coverages, including: disabilities, double indemnity, etc.

Date: March 26, 2024 **Title:** Supervising Actuary - Life Insurance **Actuary's name:** Mark Rabaev

Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

Company: The Phoenix Insurance Company Ltd. *As of: December 31, 2023*

(in NIS thousand)

			Total	Savings and mortality risk (classic, traditional)		Pure savings or the savings component in policies (Preferred, Track)		Pure mortality risk or mortality risk component in policy		Paid income protection	Long-term care		Other covers 1)
				Guaranteed-return	Participating	Guaranteed-return	Participating	Individual	collective		Individual	collective	
				1A	1B	2A	2B	3A	3B	4	5A	5B	6
1	Contingent claims		620,758	10,419	2,804	12,438	76,095	277,182	121,747	12,565			107,508
2	Reserve (total of lines 2A 1 to 6)		106,551,792	3,157,522	920,372	8,253,559	93,109,756	20,053	11,791	1,077,727			1,012
2A1	Policies which include a savings component (including appendices) by policy issuance date:	Policies issued until 1990	8,316,754	2,030,679		6,177,647	105,810	116		2,466			36
2A2		Policies issued between 1991 and 2003	31,918,478		778,941		31,083,807	4,582		51,075			73
2A3		Policies issued after 2004	55,701,281		1,256		55,679,410	919		19,685			10
2A4		Total (2A1 to 2A3)	95,936,513	2,030,679	780,197	6,177,647	86,869,027	5,617	0	73,227			119
2B	Policies without a savings component		174,588					8,049	11,791	153,855			893
3	Percentage of reserve for paid claims		8,445,145	910,087	123,529	1,689,036	4,865,461	6,387	0	850,645			0
4	Participating												
5	Supplement resulting from liability adequacy test												
6	Other		1,995,546	216,756	16,646	386,876	1,375,267						
7	Extraordinary risk reserve												

1) Other coverages, including: disability, double indemnity, etc.

8A	Effect of adjusting provisions for new businesses												
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	-63,822	-4,083	-13	-197	-916			-58,614			
8B2		Changes in methods											
8B3		Differences in premium rates											
8B4		Other changes											

Date: March 26, 2024 **Title:** Supervising Actuary - Life Insurance **Actuary's name:** Mark Rabaev

Actuary's Statement - Health Insurance

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "**Insurer**") to examine the provisions for health insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "**Provisions**") as of December 31, 2023, as described below.

To the best of my knowledge, I do not have business relations with an interested party of the Insurer or a family member thereof, nor with a related company of the Insurer.

I have been a salaried employee of The Phoenix Group since May 2014 and was appointed Supervising Actuary - Health Insurance on April 6 2020.

Chapter B - Scope of the Actuarial Opinion

1. Scope of the Actuarial Opinion

A. To calculate the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for financial statements purposes. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the year to which the report relates and to previous years' data.

B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.

C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidance and principles listed in Section 1 to Chapter C below.

D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the

information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.

E. The following matters were also taken into account in my opinion:

1) The Insurer has no ceded businesses in the segments which are the subject matter of this statement.

2) The Insurer does not have joint insurance in which the Insurer is not the lead insurer in the segments which are the subject matter of this statement.

2 . Data included in the paragraph on the scope of the actuarial opinion

A. The provision amount is detailed in the table below; all data are in thousands of shekels.

Type of provision	Businesses reporting in the health insurance segment			
	Individual policies		Group policies	
	Gross	Retention	Gross	Retention
Contingent claims	389,608	332,318	271,747	258,418
Indirect expenses	14,550	14,550	4,845	4,845
Insurance contracts T&C	734,565	529,750	20,600	20,600
Total	**1,138,723**	**876,619**	**297,193**	**283,863**

* The data do not include an unearned premium of NIS 72,673 thousand - gross and NIS 72,658 thousand - retention.

** The data do not include a provision for participating policies in the health insurance business in the amount of NIS 8,366 thousand.

*** The data include short-term provisions for the personal accident subsegment calculated by the Supervising Actuary of Property and Casualty Insurance, Ms. Anna Nahum.

B. The effect of the below listed changes on the provisions -

1) For individual policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for

the premium and the underlying assumptions for the provision – was NIS 17,576 thousand - at the gross and retention levels.

2) For individual policies which entered into force prior to the most recent annual financial statements - the provision was increased following an update of the assumption regarding cancellations and expenses. The amount of the increase is NIS 10,909 thousand - gross and NIS 8,050 thousand - retention.

3) For individual policies which entered into force prior to the most recent annual financial statements - the provision was decreased following improvement of the data and improvement of the actuarial models. The amount of the reduction is NIS 12,711 thousand - gross and NIS 13,118 thousand - retention.

Chapter C - The Opinion

I hereby state and confirm that for the following health insurance subsegments: medical expenses, foreign workers, critical illness, personal accidents, sick leave, travel and dental:

1 . I examined the Insurer's provisions listed in Chapter B in accordance with the directives, guidance and principles set forth below, all in effect as of the financial statements date:
   A. The Financial Services Supervision Law (Insurance), 1981;
   B. Directives and guidance by the Commissioner of the Capital Market, Insurance and Savings;
   C. Generally accepted actuarial principles.

2 . After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.

3 . I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.

4 . To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of health insurance contracts in the

abovementioned health insurance subsegments, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

1. Regarding the provisions for the short-term personal accident subsegments included in this statement, I relied on the work of the Property and Casualty Insurance Actuary - Ms. Anna Nahum - who reported the results, which I have checked solely for reasonableness.
2. In any future calculation process related to both premiums and claims, there are statistical and other uncertainties. These uncertainties arise from possible changes in constitutional, legal, demographic or economic matters. I have relied on past experience and accepted actuarial methods and estimates; however, there is no guarantee that the real results will be similar to the forecast.
3. During the reporting period, the following changes took place in the provisions listed in Chapter B above:
   - Revision of the cancellation rates in the critical illness and personal accidents subsegments. As a result, there was an immaterial increase in the reserve both at the gross and retention levels.
   - Revision of the expenses in the medical expenses, critical illness and personal accidents subsegments. As a result, the reserve increased by NIS 10,552 thousand - gross and by NIS 7,693 thousand - retention.
   - Improvement of the data of the actuarial model in the medical expenses, critical illness and personal accidents subsegments. As a result, the reserve decreased by NIS 12,711 thousand - gross and by NIS 13,118 thousand - retention.

March 26, 2024	Health Insurance Actuary	Luba Sharapov	
Date	**Title**	**Actuary's name**	**Signature**

Actuary's Statement - Long-Term Care Insurance

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "**Insurer**") to examine the provisions for long-term care insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "**Provisions**") as of December 31, 2023, as described below.

To the best of my knowledge, I am not an interested party of the Insurer or a subsidiary or a related company thereof; I do not have business relations with an interested party of the Insurer nor with a family member thereof, nor with a subsidiary or a related company of the Insurer.

I have been a salaried employee of The Phoenix Group since May 2014 and was appointed Supervising Actuary on April 6 2020.

Chapter B - Scope of the Actuarial Opinion

1. Scope of the Actuarial Opinion

A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.

B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.

C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.

D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information

provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.

E. The following matters were also taken into account in my opinion:

1) The provision for incoming business - the Company does not have ceded business in long-term care insurance.

2) The provision in respect of joint insurance in which the Company does not serve as the lead insurer - the Company does not have joint long-term care insurance.

2 . <u>Data included in the section on the scope of the actuarial opinion</u>

A. The amounts of the provisions (gross and retention) are listed in the appendixes below:

1) Provision for contingent claims (claims that were incurred but not yet fully paid regardless of whether they were approved or not, excluding claims paid in the form of allowances, such as: long-term care, permanent health insurance and income protection) and the direct expenses stemming therefrom, and excluding indirect expenses in respect of these claims (including IBNR reserve).

2) Provision (reserve) stemming from the terms of the life insurance contract, separately, including -

A) Reserve for plan with accrual;

B) Provision required where some of the premium collected in the early years of the contract is designated to provide coverage at a later date, such as: provision in respect of fixed premium, insurability and continuity;

3) Reserve's portion in respect of claims being paid, including claims paid in the form of allowances, such as: long-term care, permanent health insurance and income protection).

4) Supplement resulting from the Liability Adequacy Test (long-term care LAT) - after the LAT, I came to the conclusion that a provision is needed to supplement the reserve. The provision was recorded in the Company's financial statements.

5) Other - additional provisions according to the Commissioner's directives.

B. The effect of the below listed changes on the amounts of the provisions (gross and retention):

1) For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from

the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – no such adjustment was required.

2) For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected: an increase of approx. NIS 32 million in reserves at the gross and retention levels in the life insurance subsegment.

Chapter C - The Opinion

I hereby state and confirm that in the long-term care subsegment:

1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
   A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
   B. The Commissioner's directives and guidance;
   C. Generally accepted actuarial principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of life insurance contracts, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

1. Details about reserve types, interest rates, etc. are included in the notes to the financial statements.
2. Exposure to future developments and changes:
   Changes and developments may occur in the environment in which the Israeli long-term care industry operates due to regulatory changes, judicial decisions, technological developments

and changes in social and environmental conditions. These factors cannot be predicted and may impact the final cost of the claims and consequently the actuarial assessment of the provisions.

3 . Statistical and actuarial uncertainty:

The reserves calculated in respect of the insurance coverages are partly based on assumptions as to mortality rates, morbidity rates, and cancellation rates, which reflect the Company or reinsurers' past experience. The calculations and models, including the work assumptions, were developed based on my understanding of the Company's current business environment, and in accordance with my assessment of the development of the Company's bushiness environment and policyholders' future behavior. Therefore, it should be acknowledged that it is highly probable that the future business results will vary from those projected by the actuarial models for calculation of reserves.

4 . Consistency between data in the appendices and financial statements data:

The tables in the following appendixes were prepared in accordance with the Commissioner's directives, and the composition of the data presented therein is not necessarily consistent with the composition of the data presented in the Company's financial statements and the notes thereto.

5 . Material changes in actuarial assumptions and methods:

The following changes took place in the reporting period:

- Change in the discount rates used to calculate the reserves caused a decrease of approx. NIS 147 million in the long-term care insurance reserves at the gross and retention levels.
- Improvement of data and actuarial models used to calculate the reserves caused an increase of approx. NIS 40 million in the long-term care insurance reserves at the gross and retention levels.
- A revision of the cancellations assumption caused a decrease of approx. NIS 8 million in the long-term care insurance reserves at the gross and retention levels.

Attached

Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

March 26, 2024	**Supervising actuary**	**Luba Sharapov**	
Date	**Title**	**Actuary's name**	**Signature**

Form 12A - Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Company: The Phoenix Insurance Company Ltd. as of December 31, 2023

(In NIS thousand)

			Total	Long-term care		Other covers 1)
				Individual	Group	
				5A	5B	6
1	Contingent claims		0	0	0	
2	Reserve (total of lines 2a 1 to 6)		10,654,013	2,291,013	8,363,000	
2A1	Policies which include a savings component (including appendices) by policy issuance date:	Policies issued until 1990				
2A2		Policies issued between 1991 and 2003				
2A3		Policies issued after 2004				
2A4		Total (2A1 to 2A3)	0	0	0	
2B	Policies without a savings component		8,164,150	1,801,015	6,363,135	
3	Percentage of reserve for paid claims		2,385,658	385,792	1,999,866	
4	Participating					
5	Supplement resulting from liability adequacy test		104,205	104,205	0	
6	Other		0	0	0	
7	Extraordinary risk reserve					

(1 Other coverages, including: disabilities, double indemnity, etc.

8A	Effect of adjusting provisions for new businesses					
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	-7,878	-7,878	0	
8B2		Changes in methods				
8B3		Differences in premium rates				
8B4		Other changes	39,679	39,679	0	
Date:	March 26, 2024	Title:	Supervising actuary		Actuary's name:	Luba Sharapov

Form 12B - Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

Company: The Phoenix Insurance Company Ltd. as of December 31, 2023

(In NIS thousand)

			Total	Long-term care		Other covers 1)
				Individual	Group	
				5A	5B	6
1	Contingent claims		0	0	0	
2	Reserve (total of lines 2a 1 to 6)		10,204,356	2,193,044	8,011,313	
2A1	Policies which include a savings component (including appendices) by policy issuance date:	Policies issued until 1990				
2A2		Policies issued between 1991 and 2003				
2A3		Policies issued after 2004				
2A4		Total (2A1 to 2A3)				
2B	Policies without a savings component		8,060,725	1,781,274	6,279,451	
3	Percentage of reserve for paid claims		2,039,426	307,564	1,731,862	
4	Participating		0	0	0	
5	Supplement resulting from liability adequacy test		104,205	104,205	0	
6	Other					
7	Extraordinary risk reserve					

(1 Other coverages, including: disabilities, double indemnity, etc.

8A	Effect of adjusting provisions for new businesses					
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	-7,878	-7,878	0	
8B2		Changes in methods				
8B3		Differences in premium rates				
8B4		Other changes	39,679	39,679	0	
Date:	March 26, 2024	Title:	Supervising actuary		Actuary's name:	Luba Sharapov

Chapter A - Actuary's Statement - Property and Casualty Insurance

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "**Insurer**" or "**The Phoenix**") to examine the provisions listed in Chapter B below in the property and casualty insurance subsegments for the financial statements of the insurer (hereinafter - the "**Provisions**") The Phoenix Insurance Company Ltd. as of December 31, 2023, as described below.

I have been working as a salaried employee of The Phoenix - in the position of property and casualty insurance actuary - since July 10, 2013.

To the best of my knowledge, I do not have business relations with an interested party of the Insurer or a family member thereof, nor with a related company of the Insurer.

Chapter B - Scope of the Actuarial Opinion

1. Wording of the scope of the actuarial opinion paragraph

A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.

B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.

C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed in Section 2 below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.

D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance

arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.

E. The following matters were also taken into account in my opinion:

1) The provision calculated in respect of the residual insurance arrangement (the "Pool") is based on a calculation carried out by the Pool.

2) No actuarial reserve was calculated in respect of ceded businesses as defined in the Supervision of Insurance Business Regulations (Method of Calculation of Reserves for Future Claims in Property and Casualty Insurance), 1984.

3) I calculated the provision in respect of joint insurance in which the Company does not serve as the lead insurer in accordance with information received from the lead insurer.

4) I did not take into account the lack of correlation between the various subsegments for the purpose of writing down the total provision in respect of contingent claims for all subsegments included in my assessment. It should be noted that, in our assessment of the best practices, we have taken into account the lack of correlation between the various subsegments. This was done in accordance with Section 3(c) of the Commissioner's Position - Best Practice for Calculation of Reserves in Property and Casualty Insurance.

2. Data included in the paragraph on the scope of the actuarial opinion

Set forth below is a breakdown of the required provisions (in NIS thousand):

		The data are linked to the known index as of December 31, 2023	
	Contingent claims	Gross	Retention
2.A.1)	Compulsory motor insurance	2,590,527	1,670,163
	Third-party	1,005,076	642,896
	Employers	447,548	349,766
	Professional liability	490,801	243,244
	Product liability	75,890	44,638
	Motor property	361,984	361,947
	Comprehensive business	76,818	29,228
	Comprehensive home	63,645	11,460
	Total non-aggregated subsegments	**5,112,289**	**3,353,342**
	Aggregated subsegments[2]	556,313	23,638
	Total non-aggregated and aggregated subsegments[1]	**5,668,602**	**3,376,980**
2.A.2)	Indirect expenses in respect of all of the Company's property and casualty subsegments	200,721	200,721
2.A.3)	**Provision for the difference between the reserve for outstanding risks and the unearned premium at the retention level**		
	Compulsory motor insurance	0	0
	Motor property	0	0
	Home	0	0
	Total insurance liabilities in respect of insurance contracts included in the property and casualty segment calculated in accordance with actuarial assessment	**5,869,323**	**3,577,701**

[1] In view of the calculation method employed for the liability subsegments, the reserve to contingent claims also includes a provision for premium deficiency, if any.

[2] Aggregated subsegments - loss of property, mortgage banks, engineering and goods in consignment insurance.

Chapter C - The Opinion

I hereby declare and confirm that in the following subsegments, as defined in the Notice of the Commissioner of Insurance Business (Insurance Subsegments), 1985:

A. Insurance pursuant to the Motor Insurance Ordinance [New Version], 1970 (Section 1(a)(9))
B. Third-party liability insurance (Section 1(a)(14))
C. Employers' liability insurance (Section 1(a)(7))
D. Professional liability insurance (Section 1(a)(14))
E. Product liability insurance (Section1(a)(22))
F. Motor insurance - property (Section 1(a)(9))
G. Comprehensive business insurance (Section 1(a)(12)),
H. Agricultural insurance, excluding natural hazards insurance in agriculture (Section 1(a)(17))
I. Comprehensive home insurance, including mortgage banks (Section 1(a)(12))
J. Loss of property insurance (Section 1(a)(15))
K. Engineering insurance (Section 1(a)(18))

1. I examined the Insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
   A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
   B. The Insurance Commissioner's directives and guidelines;
   C. The Commissioner's position on calculation of reserves in property and casualty insurance
   D. Generally accepted actuarial principles
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my assessment.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidelines and principles specified above.
4. To the best of my knowledge, the provisions listed in Chapter B, Section 2.a.1)(a) in respect of the non-aggregated subsegments (compulsory motor, third party, employers' liability, professional liability, product liability,

motor property, comprehensive businesses and home) form an adequate reserve for covering the Insurer's liabilities in respect of the contingent claims defined above, for each separately-listed subsegment, in effect as of the financial statements date.

5. To the best of my knowledge, the total amount of the provisions specified in Chapter B, Section 2.a.1) form an adequate reserve for covering the Insurer's liabilities in respect of the contingent claims, in all aggregated and non-aggregated subsegments, in effect as of the financial statements date.
6. To the best of my knowledge, the provision specified in Chapter B, Section 2.a.2) forms an adequate reserve for covering the Insurer's liabilities in respect of indirect expenses to settle the claims, in effect as of the financial statements date.
7. To the best of my knowledge, the provisions specified in Chapter B, Section 2.a.3) form an adequate reserve for covering the Insurer's liabilities in respect of any difference between the unexpired risk reserve and the unearned premium (retention), in effect as of the financial statements date.

Chapter D - Comments and Clarifications

1. The calculation of the cost of contingent claims is based on actuarial assessments which are inherently uncertain. Therefore, even if the claims' distribution remains unchanged, the ultimate cost of the claims may differ from the actuarial assessment. Furthermore, unpredictable changes may occur in connection with risks, environmental factors, case law and precedents. The actual cost of the claims may be higher or lower. Therefore, this assessment may increase or decrease over time.

2. When calculating the reserves, we have taken into account the variance of claim payments' development (which is inevitable) as well as the projected payment period (for discounting purposes). The calculation methods and material assumptions are identical to those used in calculations in the previous year.

3 . In October 2017, an amendment to the National Insurance (Capitalization) Regulations, 1978, came into force, which provides for the calculation of allowances paid by the National Insurance Institute for those injured in work accidents, and the manner in which those allowances are discounted. Under the regulations, the life expectancy component shall be based on schedules published by the Central Bureau of Statistics; the discount rate will be updated every four years, and the manner of its calculation is determined provided that the rate of change is not higher than 1% (and the interest rate shall not be less than 0%). The interest rate according to the regulations is 2% (instead of the previous rate 3%). The regulations gave rise to a discrepancy in court rulings in connection with the discount rate of claims for compensation for bodily injury paid by insurance companies to injured Policyholders, and an appeal was filed to the Supreme Court on that matter (Civil Appeal 3571/17 Israel Motor Insurance Database (the Pool) vs. John Doe), in order to decide on this issue. On August 8, 2019, the Supreme Court issued a judgment in the said appeal to the effect that the discount rate shall be 3% (hereinafter - the "**Judgment**"). In addition, the Judgment states that until a legislative amendments are made, the discount interest rate may be changed in accordance with a two-year test mechanism as set out in the Judgment.

On September 17 2020, the Supreme Court issued a judgment on an appeal filed by National Insurance Institute against Megilot Dead Sea Regional Council; the said judgment stipulates that the court's Judgment whereby the subrogation claims will be discounted at a rate of 3% rather than 2% supersedes the Discounting Regulations and bind National Insurance Institute.

4 . In March 2018, the 2019 Economic Plan adopted the government's decision to change the accounting mechanism pursuant to Section 328 of the National Insurance Law [Combined Version], 1995 between the National Insurance Institute and the insurance companies regarding road

accidents. According to this decision, the individual right of subrogation available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law for road accidents will be revoked and, as a result, the agreements signed to regulate this right will be terminated. In lieu of this right of subrogation, an overall settlement arrangement will be established, under which a fixed amount will be transferred from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. The amendment's effective date, if any, is January 1, 2019.

In addition, the liability of insurance companies will also be regulated in respect of road accidents that occurred between January 1 2014 and December 31 2018 and in respect of which no claims or demands have been filed yet. After negotiations between the insurance companies and the National Insurance Institute, in July 2021 an agreement was signed with the National Insurance Institute, which replaces the overall netting mechanism set in the Economic Efficiency Law, 2019. In accordance with this agreement, the insurers will transfer to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022. The netting with the National Insurance Institute in respect of road accidents that took place in those years shall be carried out in accordance in agreements in place with each company, and the amounts payable shall be offset against the advance.

It was further agreed that in respect of road accidents that will occur in 2023-2024, insurers will transfer to the National Insurance Institute 10% of the insurance premiums that will be collected in each of the years; in respect of road accidents that will occur in 2025 and thereafter, the percentage will increase to 10.95% in lieu of the National Insurance Institute’s right to bring a restitutionary claim against an insurer that is liable to payment in respect of damage.

The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter F (Part B): Regulation of a Netting Mechanism Due to Road Accidents between the National Insurance Institute and the Insurance

Companies, was published in November 2021. The said agreements regarding the future netting with the National Insurance Institute were enshrined in the said law.

5 . As from its 2015 financial statements, and in line with the Commissioner's directives, The Phoenix adopted the Commissioner's Position - Best Practice for Calculating Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes. Under the position, an “adequate reserve to cover the insurer's liabilities” was calculated, which signifies that it is fairly likely that the insurance liability set will be sufficient to cover the Insurer's liabilities. In the case of contingent claims in the compulsory motor and liability subsegments, the position requires that the estimate of “fairly likely" shall mean a probability at least 75%.

The assessment process including establishing both the random risk and the systemic risk. The assessment of the random risk was made using generally accepted stochastic methods and models. On the other hand, systemic risks do not have a clear statistical structure, and therefore, we recognize that analysis of historical data alone cannot capture future uncertainty; thus, the actuary is required to exercise professional judgment. If the reserve meets the “fairly likely” criterion, the assessments remain unchanged; if the reserve does not meet the said criterion, we would have been required to supplement the reserve.

The discount rate appropriate for the prudence test is based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities. Furthermore, in this valuation we have taken into account the effect of non-marketable assets against the liabilities.

The calculation of the cost of contingent claims is based on actuarial assessments which are inherently uncertain. The actual cost of the claims may be higher or lower. Therefore, this assessment may increase or decrease over time.

6 . A provision in respect of agricultural insurance, excluding natural hazards insurance, is included in the business subsegment. In the following subsegments: aircraft and marine vessel insurance, including third-party liability insurance, Sale Law guarantees, ceded businesses, other risks and marine freight insurance, no actuarial valuation was carried out in respect of contingent claims due to lack of statistical significance. Total contingent claims in these subsegments constitutes approx. 0.8% of the reserve for contingent claims (retention).

March 26, 2024	Supervisory Actuary for Property and Casualty Insurance	Anna Nahum	
Date	**Title**	**Actuary's name**	**Signature**