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The Phoenix Holdings Ltd.

Consolidated Interim Financial Statements as of March 31, 2024 (Unaudited)

Phoenix Insurance, Asset Management, Credit and Investments

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Members of the Board

Benjamin Gabbay - Chairman

Ben Langworthy

Dr. Ehud Shapira (Independent Director)

Eliezer Yones

Itzhak Shukri Cohen

Rachel Levine (External Director)

Richard Kaplan (External Director)

Roger Abravanel

Stella Amar Cohen

Part 1

Report of the Board of Directors on the State of the Corporation's Affairs as of March 31, 2024

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Report of the Board of Directors on the State of the Corporation's Affairs As of March 31, 2024

The Report of the Board of Directors of Phoenix Holdings Ltd. (hereinafter, "**Phoenix Holdings**" or the "**Company**" or the **Corporation**") as of March 31, 2024, outlines the principal changes in the Company's operations in the period from January through March 2024 (hereinafter - the "**Reporting Period**").

The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970. With regard to the insurance, Retirement (Pension and Provident) operations of the Group, the Report was prepared pursuant to the Supervision of Insurance Business Regulations (Reporting), 1998, and in accordance with the directives issued by the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the "**Supervisor**" or the "**Commissioner**"). The report was prepared assuming that the reader also has at his/her disposal the Company's full 2023 periodic report (hereinafter - the "**Periodic Report**").

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

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

1.1. Group structure

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 (hereinafter - the "**Controlling Shareholders**").

As of the report's publication date Belenus holds approx. 31.24% of the Company's shares. On April 21, 2024, Belenus informed the Company that the Capital Market, Insurance and Savings Authority awarded the controlling shareholders a permit to hold means of control in the Company and in Phoenix Insurance at a rate of up to 10% of the means of control in the Company. The permit will come into effect on the date on which the holding rate of the controlling shareholders through Belenus will be lower than 30% (fully diluted). On the date on which the holding permit will come into effect, the control permit will expire.

The holding permit includes various provisions, including provisions regarding the time frames for the coming into effect of the holding permit; provisions regarding the structure of the board of directors in the Company and in the subsidiaries, which are regulated by the Capital Market, Insurance and Savings Authority, and regarding maintaining the control structure of the controlling shareholders; provisions regarding sale or transfer - by Belenus - of means of control in the Company; as from the date on which the control permit will come into effect, the controlling shareholders will be precluded from using their votes in relation to appointment and termination of service of Company directors if their holding is higher than 10% of the Company's share capital.

The holding permit also includes restrictions on the controlling shareholders in connection with transactions and holdings for various periods involving the Company and competing entities;

In addition, as from the date on which the holding permit will come into effect the controlling shareholders' undertaking in connection with the outline for supplementing the insurer's shareholders' equity will be canceled, including the requirement to hold in trust Company shares at a rate of 4.5% of the Company's share capital in order to supplement the shareholders' equity, in the event that Phoenix Insurance fails to meet the capital requirements it is subject to.

For further details, see the immediate report dated April 21, 2024 (Ref. No.: 2024-01-044958).

1.2. Areas of activity

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

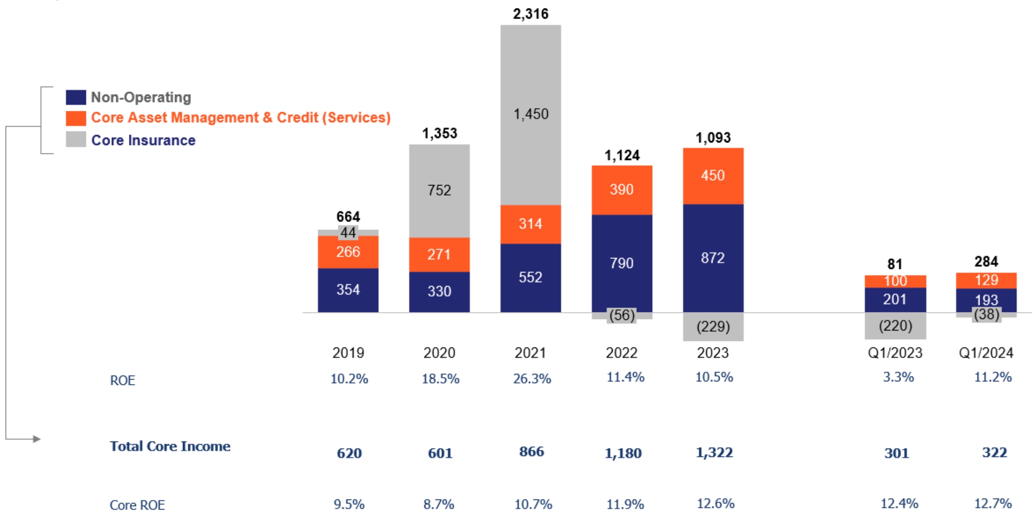
The said activity is divided in the Report into seven reporting segments. The **Insurance Activity** is divided into three segments - Property and Casualty Insurance, Health Insurance, Life and Savings. The **Asset Management and Credit Activity** is divided into four further segments - Retirement (Pension and Provident), Investment House and Wealth, Distribution (Agencies) and Credit.

In the **insurance** businesses, the Company operates through Phoenix Insurance Company Ltd.;

In the **Asset Management and Credit Activity**, the Company operates through Phoenix Pension and Provident Funds Ltd., Phoenix Investment House Ltd., and Phoenix Advanced Investments Ltd.; in its Distribution (Agencies) Segment it operates through Phoenix Agencies 1989 Ltd. and the agencies it owns; and in its **Credit Segment** - 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 operating income of its subsidiaries, as detailed in the sections dealing with the various operating segments. Following is the breakdown of the comprehensive income attributable to the shareholders in the reporting year (in NIS million post-tax); for further details, see Note 3 to the Financial Statements and Section 5 below:



(*) Non-operating income - 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 non-operating income, 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 Phoenix Insurance's assets, liabilities, financial performance, and solvency ratio. The Company manages the interest risks taking an overall look of its asset and liability management.

Interest rates - during the reporting period, the Bank of Israel cut its interest rate from 4.75% to 4.50%. In addition, in the reporting period, there was an increase in the NIS yield curve, which was offset beyond the increase by a decrease of approx. 0.24% in the illiquidity premium. Changes in the NIS interest rate curve affect both the Company's financial results and 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 Phoenix Insurance's solvency ratio.

Inflation - during the reporting period, the inflation rate increased by 0.29% compared to an increase of 1.08% in the corresponding period last year.

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 suffer slumps concurrently with an 0.8% increase in inflation in April. These changes triggered real losses in the nostro's liquid portfolio. On the other hand, there was an increase in the risk-free interest rate curve, which may trigger a decrease in insurance liabilities. As a result of the above, the effect of the results of investments and actual changes in interest rates in this period is lower than a real return of 3%.

At this stage, it is impossible to assess future developments in the market and the interest rate curve and their effect on the results of the second quarter of 2024, and therefore the above does not constitute an assessment of the Company's results in the second quarter of 2024.

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 Periodic Report. As to the effect of the changes in the NIS yield curve and in capital markets on Phoenix Insurance's solvency ratio, see Section 2.1.5 below, and Section 8 in Phoenix Insurance's Economic Solvency Ratio Report as of December 31, 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. 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 1,500 Israeli citizens, soldiers and members of the defense and rescue forces were killed in the line of duty or murdered as part of the War, 125 citizens and soldiers are held as hostages in the Gaza Strip, and approx. 11,500 sustained various injuries. 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 (on May 11, 2024, Moody's reiterated the rating and 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; on April 18, 2024, S&P announced it was downgrading the State of Israel's rating from AA- to A+, with a negative outlook. It is noted that the rating of the Company and Phoenix Insurance did not change as a result of the above.
For further details, see Section 1.3.15 below.

Due to its activity, the Phoenix group is exposed to slumps 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 Periodic Report.

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, higher inflation, changes in yield curves and in central bank's interest rate, materialization of insurance risks, and more.

Further to Note 1C(2)a to the Periodic Report regarding the effects of the Iron Swords War on the Life Insurance and Long-Term Savings Segment, in the reporting period claims were assessed and filed in life and disability insurance amounting to approx. NIS 12 million (retention).

Insurance Activities

1.3.3. **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 IFRS 9 (hereinafter - "**IFRS 9**") (hereinafter, jointly - the "**Standards**"), in the Financial Statements of the Company and 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 Financial Reporting 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 preparation of Israeli insurance companies for the adoption of IFRS 17, during April 2024, the Capital Market, Insurance and Savings Authority published professional issues pertaining to the implementation in Israel of IFRS 17 - eighth draft (hereinafter - "Eighth Draft"). The Eighth Draft included, among other things, a detailed regulation of the principles for calculating the fair value as of the transition date, setting confidence interval in the calculation of risk adjustment for non-financial risk (RA), in respect of the individual long-term care portfolio, which will not fall below 90%. As of the publication date of the financial statements, discussions are held with the Commissioner regarding the draft.

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 income, 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 income 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, which were set. For further details, see Note 2V to the Periodic Report.

1.3.4. Reform in the Health Insurance Segment and the Economic Arrangements Law for 2023 and 2024

The Company has acted to implement the health insurance reform of the Capital Market Authority, and is also acting to implement the reform's provisions regarding the surgical procedures product in accordance with the Economic Arrangements Law. For further details regarding the reform in the Health Insurance Segment and the Economic Arrangements Law for 2023 and 2024, see Section 2.3 and Section 4.1.9 to the 2023 Report on the Company's Business.

1.3.5. Restricted Tier 1 capital of Phoenix Insurance

In April 2024, the Company sold approx. NIS 140 million of its holdings in the subordinated notes recognized as Tier 1 capital instrument by Phoenix Insurance and listed on the main list of the TASE, to entities listed in the First Addendum to the Securities Law, 1968.

Asset Management and Credit

1.3.6. Phoenix Investment House - Acquisition of assets under management from Psagot Investment House

In the reporting period, a transaction was completed between Phoenix Investment House and KSM Mutual Funds on the one hand, and companies of the Psagot Investment House group on the other hand, 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.

For further details, see the immediate reports dated December 20, 2023, and February 28, 2024 (Ref. Nos.: 2023-01-138141 and 2023-01-138141, respectively).

1.3.7. 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 Segment under one arm in order to establish a significant credit activity arm within the Group, it was decided to execute a restructuring in the Credit Segment, as part of which Phoenix Construction Financing and Guarantees Ltd., which provides financing to real estate development projects (mainly residential projects) (hereinafter - "**Phoenix Financing and Construction**") and was wholly owned by Phoenix Insurance, became wholly owned by Gama.

The restructuring was executed in phases; in the first phase, on December 31, 2023, Phoenix Insurance distributed a dividend in kind to the Company comprising of shares of 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 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).

1.3.8. Phoenix Agencies

As of the report publication date, the Company holds approx. 79.4% of 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 Phoenix Agencies. As of the report publication date, the conditions for the execution of such a transaction have not yet been met, and there is no certainty that such a transaction will be executed.

Further developments during and subsequent to the reporting period at the group level

1.3.9. Sustainability and ESG

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 carbon 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 NIS of investment), with the information being scored at 4.4.

In February 2024, the Company started a process of revising the Group’s sustainability strategy for 2024-28 in combination with the business strategy.

In April 2024, the international rating agency S&P upgraded the Company’s ESG rating for 2022 to 39/100.

1.3.10. Revision of the 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.

In March 2022, the Board of Directors approved a revision to the dividend distribution policy, whereby the Company distributes 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.

Amounts used by the Company in the execution of buy-back plans are not included in the dividend distributions.

On May 28, 2024, concurrently with the approval of the financial statements, the Company’s Board of Directors approved a dividend distribution policy, which will apply to future dividend distributions, whereby the Company shall distribute an annual dividend at a minimum rate of 40% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year (as from the income for 2024). All other provisions of the Company’s dividend distribution policy and distribution timing have not changed.

It is clarified that the foregoing is not intended to derogate from the Board of Directors’ powers to decide to distribute a dividends as it deems appropriate at any time.

It is noted that concurrently with the revision of the Company's policy, the Board of Directors of Phoenix Insurance revised the dividend distribution policy in Phoenix Insurance, whereby - as from 2024 - Phoenix Insurance will distribute an annual dividend of 40% to 60%[1] of Phoenix Insurance's comprehensive income as per its Consolidated Annual Financial Statements, as long as Phoenix Insurance meets the minimum capital target rate it is required to maintain under the regulations. It is clarified that the foregoing is not intended to derogate from the Board of Directors' powers to decide to distribute a dividends as it deems appropriate at any time.

1.3.11. Dividend distribution

On March 26, 2024, concurrently with the approval of the Periodic Report, the Company's Board of Directors decided to distribute a dividend with respect to the 2023 profit in accordance with the Company's dividend distribution policy, totaling NIS 265 million, which was distributed on April 11, 2024. Total amount in dividend that was distributed in cash in respect of 2023 is NIS 385 million, which represents a dividend per share of approx. NIS 1.5.

1.3.12. Share buyback

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 (hereinafter - the "**Plan for 2024**"). As part of the Plan for 2024, as of the report publication date, the Company made buybacks totaling approx. NIS 53.8 million.

It is 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 7,925,508.5 treasury shares constituting 3.04% of the Company's issued and paid-up share capital. For further details, see the Company's immediate reports dated January 31, 2024 and May 6, 2024 (Ref Nos.: 2023-01-118477 and 2024-01-047664, respectively).

1.3.13. Extending the period for exercise of options

On January 31, 2022, the Board of Directors approved - after the approval of the Compensation Committee of January 30, 2022 - the allocation of options to employees of the Company and companies under its control (including the Company's CEO and 7 officers), in accordance with the conditions detailed in the outline, and in an immediate report regarding a material private offering and immaterial private offering of February 1, 2022 (Ref. No.: 2022-01-012510) (hereinafter - the "**2022 Outline**" and the "**Options**", respectively).

[1] Instead of the policy that was in place until then, whereby 30% to 50% of the income will be distributed.

In accordance with the terms of the options as detailed in the 2022 Outline, the exercise period of the first tranche of options (as defined in the 2022 Outline) ends on June 1, 2024. On April 18, 2024, and on April 24, 2024 the Company’s Compensation Committee and Board of Directors, respectively, approved the extension of the exercise period of the first tranche of options, including the options, which were awarded to the Company’s CEO, by a further period of approx. ten months through April 10, 2025, which is the exercise date of the second tranche of options (as defined in the 2022 Outline), without making any further changes to the 2022 Outline, and taking into account the reasons and considerations detailed in this report.

The Compensation Committee decided in respect of the CEO that the suggested change regarding the extension of the exercise period constitutes an immaterial change in relation to his existing service and employment terms. For further details, including the Board of Directors’ reasons for the extension of the period, see immediate report of April 24, 2024 (Ref. No.: 2024-01-040690)

1.3.14. Shareholders’ meetings

Extraordinary meetings

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 Phoenix Gama. For further details, see the Company's immediate reports dated February 1, 2024 and March 7, 2024 (Ref. No.: 2024-01-020488, respectively).

1.3.15. Ratings

Midroog

On January 28, 2024, Midroog announced that it is reiterating the Company’s rating and that of the bonds issued by it at Aa2.il, with a stable outlook.

Global rating for Phoenix Insurance

Moody's

On May 14, 2024, international credit rating agency Moody's reiterated the existing A2 rating of Phoenix Insurance with a negative rating outlook.

2. Description of the Business Environment

2.1. Implementation of the Provisions of the Economic Solvency Regime applicable to Phoenix Insurance Company Ltd.

2.1.1. Provisions regarding the implementation of the Economic Solvency Regime

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

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").This amount matches the expected increase rate in 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 about the recalculation of the Deduction in respect of the Transitional Period, see Section 2.1.5 below and 2A(2) in the Solvency Ratio Report dated December 31, 2023.

2.1.3. Publication of Economic Solvency Ratio Report

The Economic Solvency Ratio Report as of December 31, 2023 is published at the same time as the Financial Statements as of the end of the first quarter of 2024, approved on May 28, 2024, 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 Phoenix Insurance's undertakings under the deed of trust, as from 2023 the Company will publish to the public an estimated quarterly solvency ratio as of March 31 and September 30, as part of the periodic report published following the calculation date. The calculation of the estimated quarterly solvency ratio is not audited or reviewed by the independent auditor, and the controls conducted by 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 December 31, 2023:**

Following are details regarding the economic solvency ratio as published in the latest economic Solvency Ratio Report. 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 December 31	
	2023	2022
	Audited (1)	
	NIS thousand	
Shareholders equity in respect of SCR	14,823,584	14,711,664
Solvency capital requirement (SCR)	7,640,211	6,968,263
Surplus	7,183,373	7,773,401
Economic solvency ratio (in %)	**194%**	**211%**
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report:		
Redemption of capital instruments (2)	-	(410)
Shareholders equity in respect of SCR (3)	14,823,584	14,711,254
Surplus	7,183,373	7,742,991
Economic solvency ratio (in %)	**194%**	**211%**

(1) 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.
(2) Subsequent to the balance sheet date (December 31, 2023), approx. NIS 400 million in Bonds (Series D) were redeemed (immediate report dated January 02, 2024, Ref. No.: 2024-01-000765).
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 redemptions referred to above does not have a material effect on the solvency ratio as of December 31, 2022 and December 31, 2023 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.
(3) Regarding the recalculation of the Deduction in respect of the Transitional Period, see Section 2.1.5 below.

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 December 31, 2023 compared with December 31, 2022, see Section 1(a) to Phoenix Insurance's economic solvency ratio report as of December 31, 2023.
Below is a link to the Economic Solvency Ratio Report on Phoenix Insurance's website.
https://www.fnx.co.il/investors-relations-hebrew/kosherpiraon/

Minimum capital requirement (MCR)

	As of December 31	
	2023	**2022**
	Audited	
	NIS thousand	
Minimum capital requirement (MCR)	1,995,718	1,843,583
Shareholders equity for MCR	11,402,622	11,596,249

2.1.4.1. **Restrictions 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 attributable to the acquisition of the provident funds and management companies. In addition, the letter set out provisions for reporting to the Commissioner.

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 Phoenix Insurance's ability to continue its business activity such that it is able to provide returns to its shareholders. Phoenix Insurance is subject to capital requirements set by the Commissioner.

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 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 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 December 31, 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 Phoenix Insurance will meet the set capital targets at all times.

For details regarding the revision of Phoenix Insurance’s dividend distribution policy, see Section 1.3.10 above.

2.1.4.2. 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 Phoenix Insurance, about the economic solvency ratio calculated without taking into account the transitional provisions and the solvency ratio target set by Phoenix Insurance's Board of Directors, as required in the letter referred to above. As of December 31, 2023 and December 31, 2022, this ratio is higher than the target set by the Board of Directors.

	As of December 31	
	2023	**2022**
	Audited	
	NIS thousand	
Shareholders equity in respect of SCR	12,848,471	12,301,691
Solvency capital requirement (SCR)	8,434,457	8,254,667
Surplus	4,414,014	4,047,024
Economic solvency ratio (in %)	**152%**	**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*	-	-
Shareholders equity in respect of SCR	12,848,471	12,301,691
Surplus	4,414,014	4,047,024
Economic solvency ratio (in %)	**152%**	**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%**
Excess capital over target	**3,148,846**	**3,139,011**

* Subsequent to the balance sheet date (December 31, 2023), approx. NIS 400 million in Bonds (Series D) were redeemed (immediate report dated January 02, 2024, Ref. No.: 2024-01-000765).

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 redemptions 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. **Equity transactions and significant updates in 2023**

2.1.5.1. According to the Provisions of the Economic Solvency Regime, as outlined in Section 2.1.2 above and due to the material changes in the interest rate curve, in the period between June 30, 2022 and June 30, 2023, the Company recalculated the Deduction during the Transitional Period as of June 30, 2023. Accordingly, the Deduction during the Transitional Period as of June 30, 2023, which was recalculated, amounts to NIS 2,754 million after its linear amortization as of this date (compared with NIS 3,385 million as of December 31, 2022). Due to the continued increases in the interest rate curve in the period between July 1, 2023 and December 31, 2023, the Company recalculated the Deduction during the Transitional Period as of December 31, 2023. Accordingly, the Deduction during the Transitional Period as of December 31, 2023, which was recalculated, amounts to NIS 2,323 million after its linear amortization as at this date. For further details about the recalculation of the Deduction in respect of the Transitional Period, see Section 2.1.2 above and 2A(2) in the Solvency Ratio Report dated December 31, 2023.

2.1.5.2. Equity transactions taken into account in the results of the solvency ratio as of December 31, 2022:

2.1.5.2.1. On March 22, 2023, Phoenix Insurance's Board of Directors approved a cash dividend distribution in the amount of NIS 205 million out of 2022's income.

2.1.5.2.2. Subsequent to the calculation date as of December 31, 2022, 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.

2.1.5.3. Equity transactions taken into account in the results of the solvency ratio as of December 31, 2023:

2.1.5.3.1. On August 23, 2023, Phoenix Insurance's Board of Directors approved a cash dividend distribution in the amount of NIS 350 million.

2.1.5.3.2. On October 25, 2023, the Board of Directors of Phoenix Capital Raising (2009) Ltd. approved a private placement of Notes (Series PHONIX B12), which are part of Additional Tier 1 capital for a total consideration of approx. NIS 300 million.

2.1.5.3.3. On December 7, 2023, Phoenix Insurance's Board of Directors approved the distribution of a dividend in kind from Phoenix Financing and Construction in the amount of approx. NIS 315 million.

2.1.5.3.4. On December 24, 2023, the Company issued 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.

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

Changes in the linked risk-free yield curve affect the Company's economic solvency ratio, especially in the mid- to long-terms, affect 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 Phoenix Insurance's solvency ratio.

The following table summarizes the positive (negative) risk-free linked interest ("spot") rates: [2]

Range/years		December 31, 2023	March 31, 2024	May 23, 2024
Short term	1-3	Between 1.25% and 1.13%	Between 1.24% and 1.22%	Between 1.26% and 1.42%
Mid-term	4-10	Between 1.15% and 1.50%	Between 1.33% and 1.67%	Between 1.58% and 2.08%
Mid-long term	11-15	Between 1.53% and 1.63%	Between 1.70% and 1.79%	Between 2.12% and 2.18%
Long term	16-25	Between 1.64% and 1.76%	Between 1.81% and 1.92%	Between 2.19% and 2.21%

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, 2023. The estimation resulted in a decrease of approx. 13% in the economic solvency ratio (after applying the transitional provisions).

It is noted that the sensitivity is not necessarily linear; i.e., sensitivity at other rates is not necessarily a simple extrapolation of the sensitivity test presented.

For the results of the sensitivity tests of the economic solvency ratio to various risk factors, see Section 8 to Phoenix Insurance's Economic Solvency Ratio Report as of December 31, 2023.

2.2. Arrangements in force

Following are material regulatory provisions published during the reporting period and thereafter, which are not included in the 2023 Report on the Corporation's Business. For details regarding additional material regulatory provisions published during the reporting period, see Section 4.1.1 to the 2023 Report on the Corporation's Business.

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

2.2.1. In April 2024, the **Revised Consolidated Circular - Chief Actuary Report** - were published. The "Supervising Actuary and Chief Actuary Circular" requires insurers to appoint a Chief Actuary, who will be in charge of the Company's actuarial function; one of the Chief Actuary's roles is to submit a periodic actuarial report, in which they will review the manner of implementation of the solvency directives, and specifically the processes, actuarial calculations and the results derived therefrom, as well as the highlights of the actuarial function's work in the relevant period (hereinafter - the "Chief Actuary Report"). Further to the above, this circular defines guidelines regarding the content of the Chief Actuary Report, in order to ensure the quality of the reporting on "Economic Solvency Regime". For that purpose, the report places an emphasis on topics, which require a special reference, and also refers to material information required to understand the data, information and actuarial risks embodied in the actuarial calculations. The circular also provides details regarding the structure and scope of the required report, as well as the content of the statement of the chief actuary and the supervisor actuaries working alongside him/her. This report is primarily a qualitative report, which supplements the quantitative reports, which are currently submitted by the insurance companies regarding the "Economic Solvency Regime".

2.2.2. In April 2024, the final list of **Investment Tracks in Provident Funds**, was published as part of the implementation of the reform in the structure of investment tracks, which is expected to come into force on July 1, 2024. The revision to the list of investment tracks was carried out as part of a broad procedure of implementing the recommendations of the public committee on direct expenses in investment management. The final revision to the list of investment tracks includes, among other things, the expansion of the option to offer passive investment tracks (index tracking), and tracks that will only allow investment in liquid assets, in order to cut the direct expenses associated with investment management; the revision also sets uniform rules for the management of bond tracks combined with shares in investment provident funds, advanced education funds and savings policies.

2.2.3. In May 2024, the Capital Market Authority published - as part of a comprehensive regulatory process in the Motor Property Subsegment - the **Filing of Insurance Plans in the Motor Property Subsegment Circular, and the Amendment of the Consolidated Circular, Section 6, Part 2 - Provisions in the Motor Property Subsegment.**

Following are the key provisions, which were set in the **Filing of Insurance Plans in the Motor Property Subsegment Circular**: (1) regarding the mitigation of the damage - it was decided that the insurance company will be required to revise the wording of the disclosure to the policyholder if they repair the vehicle in an auto-repair shop, which does not participate in the arrangement, in the format, which was set in the circular; the disclosure should include the rules for reducing the insurance benefits, which will be filed for the approval of the Authority; it was also decided that the insurance plan shall stipulate that where a policyholder decided to repair their vehicle in an auto-repair shop, which does not participate in the arrangement, and certain conditions, which were set in the circular were met, the insurance company will deduct a deductible from the insurance benefits as if the vehicle was repaired in an auto-repair shop, which participates in the arrangement. (2) Constructive total loss - it was determined that an insurance plan shall not include compensation for constructive total loss, unless it is a plan that the Authority did not object to. The commencement date of this circular is September 1, 2024.

Following are the key changes made to the **Amendment of the Consolidated Circular, Section 6, Part 2 - Provisions in the Motor Property Subsegment**: (1) Agreed auto repair shop - the amendment sets the rules for engagement with an agreed auto repair shop, the circumstance in respect of which the insurance company will not be able to refuse to include an auto repair shop as an agreed auto repair shop, the principles, which will be included in the agreement with the agreed auto repair shop, and the rules for dealing with an agreed auto repair shop, which breached the agreement; (2) marketing of insurance plan - it was stipulated that the insurance company will be required to have in place an insurance plan, as part of which the policyholder will be allowed to use any auto repair shop, with no difference between the different auto repair shops in terms of the amount of the deductible, which they will pay; (3) a database of appraisers - it was stipulated that the insurance company is required to set up a database of appraisers in accordance with the rules stated in the circular, and provisions regarding the manner by which the database works, the way an appraiser may be removed from the database, and setting an appraiser's fees; (4) a deciding appraiser mechanism - rules were set, among other things, regarding the appraiser's identity, the topics they will cover, and time tables for their work; (5) effect on auto repair shops and a vehicle repair procedure - it was stipulated that an insurance agent will not receive compensation or a benefit related to the process of selecting an auto repair shop and the repair of the vehicle and/or the appraiser. The date on which the circular will come into effect is May 1, 2025, but it contains transitional provisions, which prescribe that it will come into effect gradually.

2.3. Draft laws, regulations and bills

Following are drafts of material regulatory provisions published during the reporting period and thereafter, which are not included in the 2023 Report on the Corporation's Business. For details regarding additional drafts of material regulatory provisions published during the reporting period, see Section 4.1 to the 2023 Description of the Corporation's Business Report.

2.3.1. In April 2024, a **memorandum of law of the Class Actions Law (Amendment No. 16), 2024** was published. The bill aims to enshrine in law the recommendations of the inter-ministerial taskforce, which tackle, among other things, the main problems arising from class actions, and promote proper and substantiated class actions, including the problem of frivolous lawsuits, the phenomenon whereby duplicate lawsuits are filed in respect of breach of a regulatory provision, which is easy to amend, and in respect of which the public did not incur significant damage; the phenomenon of multiple applications for withdrawal in this field, and the agent-principal problem. The highlights of the inter-ministerial taskforce's recommendations are: (1) Setting a mechanism for prior notice before the filing of a class action; (2) dealing with "coupon" arrangements and product donations; (3) setting uniform and clear rules for the court in connection with setting compensation and legal fees; (4) dealing with the issue of excessive claim amounts; (5) communicating the compensation to class members; (6) expanding the option of filing class actions by organizations; (7) and expanding the option to file a class action in respect of breach of privacy. Furthermore, the bill includes the addition of a dedicated clause for the insurance industry, whose objective is to reduce the option of filing an application for approval against an insurer or a management company, whose cause is breach of a "long-term contract" as defined in the memorandum. In accordance with this section, in an application for approval against an insurer or a management company, whose cause is breach of a long-term contract, the court will consider, among other things, the following considerations: An explicit written regulatory approval by an authorized entity is in place; the extent of the damage, which will be caused to the defendant if the application will be approved; the period that has passed since the signing of the contract; and legislation and regulatory changes since the signing of the contract.

2.3.2. In April 2024, the Ministry of Finance published a **call for proposals requesting the public's feedback and positions regarding the taskforce for reducing regulatory arbitrage in short and long-term investment and savings instruments.** As per the call for proposals, investors and savers are currently offered several short and medium-term investment and savings instruments under management - savings policies, investment provident funds and mutual funds. Although these products shares a common goal of giving the public the option of saving and investing its disposable income, they vary in regulatory terms; thus, for example, there is variation in terms of the regulation pertaining to the depositing, withdrawal and transfer of funds, the provision of loans on account of the saving, the taxation, the disclosure requirement, etc. Since the above discrepancies give rise to a regulatory arbitrage, which might lead to market failure and adversely affect investors, it was decided to set up a dedicated taskforce in the Ministry of Finance, participated by the Capital Market Authority, the Israel Securities Authority, the Israel Tax Authority, the Chief

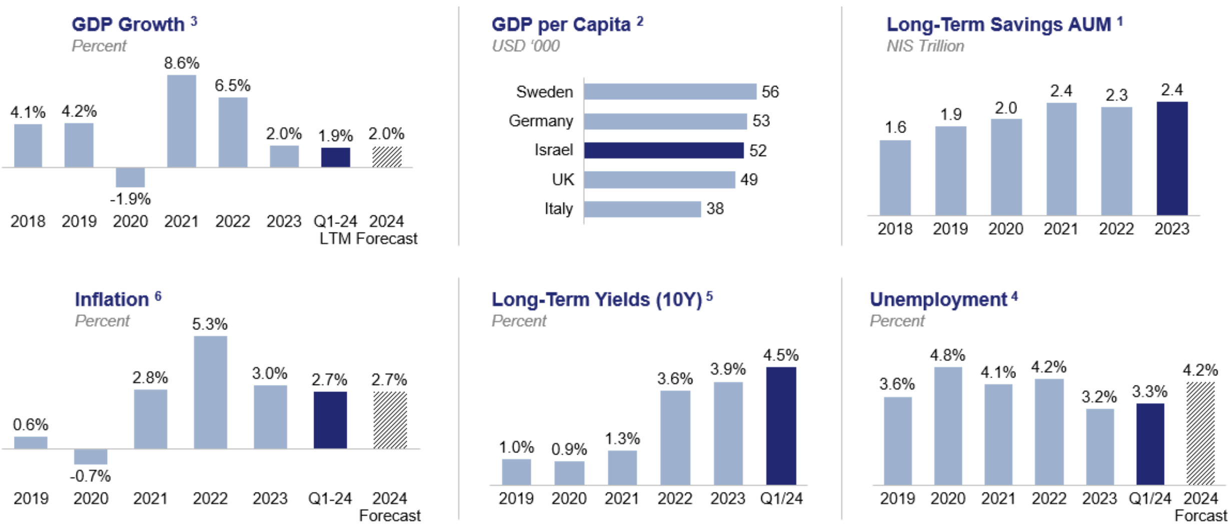
Economist Department, the Accountant General Department, and the Budgets Department, in order to assess the implementation of the following objectives: Assessing all aspects of the existing regulation of investment instruments in short and medium-term savings, and mapping the regulatory and tax gaps therein; and formulating recommendations to the Ministry of Finance regarding the appropriate regulatory outline in relation to short and medium-term investment and saving instruments, in order to promote competition and for the benefit of savers and investors, including recommending the required legislation amendments and regulatory provisions. In order to formulate its position and issue its recommendations, the taskforce requests that members of the public deliver their position regarding a range of issues, such as, the characteristics of the investors and savers in saving and investment products, the key regulatory discrepancies between the different investment instruments, is there a justification to the regulatory variation between the saving instruments and other investment products, etc.

2.3.3. In May 2024, the **Draft Regulations regarding Economic Competition and Minimizing Market Concentration (Financial Entity) (Amendment No. 1), 2024** was published. Chapter D of the Law for the Economic Competition and Minimizing Market Concentration, 2013 deals with the differences between significant financial entities and significant non-financial entities. As part of the law, the laws regulating financial entities were amended to include restrictions as to concurrent holdings in a significant financial entity and in a significant non-financial entity, and provisions regarding concurrent service of directors in such entities. A non-financial entity's being a significant non-financial entity or a financial entity's being a significant financial entity if significant for two reasons. Firstly, those corporations and entities will be subject to the requirements for separation between significant non-financial entities and significant financial entities by virtue of Chapter D to the law. Secondly, a non-financial entity's becoming a significant non-financial entity or a financial entity's becoming a significant financial entity is a criterion for inclusion in the list of concentrated entities.

As part of the regulations, it is suggested to add the following financial entities to the list of financial entities, among other things: A holder of a credit provision license, as defined in the Financial Services Supervision Law (Regulated Financial Services); a holder of a license to operate a credit brokering system as defined in the Financial Services Supervision Law (Regulated Financial Services); a holder of a license to provide deposit and credit services as defined in the Financial Services Supervision Law (Regulated Financial Services); an offering coordinator as defined in Section 15B(4a)(a) to the Securities Law, 1968; an insurer's issuance company, as defined in the Companies Regulations (Expedients to Certain Classes of Bond Companies), 2012; a payments company as defined in the Regulation of Engagement in Payment Services and Payment Initiation Law, 2023. Adding these entities to the definition of 'financial entity' will result in the inclusion of these entities in the calculation of the financial entity that controls them, or of the financial entity controlled by them, and will also result in there being no restriction on significant financial entities - by virtue of the separation provisions in Chapter D to the law - in connection with their holding of means of control therein; however, as long as the new laws regulating financial entities are not amended, there will also be no restriction on a significant non-financial corporation to hold means and control therein, and they themselves will not be precluded from holding means of control in a significant non-financial corporation.

3. Developments in the Macroeconomic Environment

3.1. Key macroeconomic data



(*) Publicly-available data as of November 26, 2023.
(1) Bank of Israel. The data include funds under the management of institutional entities. The decrease in 2022 stems from redemptions.
(2) The IMF, in accordance with the USD exchange rate in April 2023.
(3) Israel Central Bureau of Statistics, the Bank of Israel (GDP in accordance with adjusted annual return).
(4) Bloomberg and the IMF. The data refer to unemployment rates as of the end of the period.
(5) Bloomberg; returns on bonds are based on returns on 10-year bonds of the government of Israel (unlinked to the CPI), as of the last month at the end of the period.
(6) Bloomberg. The data are annual inflation data for the past 12 months.

3.2. Trends, events and developments in the macroeconomic environment

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

3.2.1. Financial markets in Israel

The Israeli economy continued to operate under the shadow of the Iron Swords War during the first quarter of 2024. The various indicators of the level of economic activity indicated a gradual improvement in activity during the first quarter of the year, specifically in January, after a sharp contraction of approx. 19.4% in the last quarter of 2023, but the overall level is still lower than the level prior to the War. The recovery in economic activity is also reflected in the labor market, with broad unemployment declining in February from 5.9% to 5.4%. Despite the recovery in activity, variation was observed between different economic sectors; the construction industry struggles to recover, and has an adverse effect on the aggregate economic activity due to workers shortage, and at the same time the tourism industry struggles to recover due to the security situation, although its impact on the overall economic activity is relatively low. 2024 started with an interest rate cut from 4.75% to 4.50%, but markets' expectations for further interest rate cuts diminished quickly due to the high levels of uncertainty generated by the War. Several weeks after the interest rate cut, the Governor of the Bank of Israel said - in an interview to a foreign media outlet - that the process is expected to be "very cautious and moderate" due to the uncertainty, and accordingly, in its interest decision of February the Bank of Israel opted to leave interest rates unchanged at 4.50%. Annual inflation continued its downward trend converging further to the midpoint of the target; in February, inflation declined from 2.6% to 2.5%. However, one-year inflation expectations derived from various sources increased, and stand around the upper bound of the inflation target, due to, among other things, expected tax increases (tobacco tax in March and VAT, which is expected to increase from 17% to 18% in January 2025). The rating agency Moody's downgraded the credit rating of Israel's sovereign debt from A1 to A2, including a negative rating outlook, due to, among other things, the high level of uncertainty as to when and how the Iron Swords War will end, and the change in the fiscal conditions. Moody's noted that the rating outlook was downgraded due to the uncertainty as to the expansion of the War to the north front. According to Ministry of Finance data, the deficit in February reached 5.6% of GDP, with the budget for 2024 according to the budget bill expected to reach 6.6% of GDP in 2024.

The share indices achieved positive returns, and the TA 125 Index increased by approx. 8.3% in the first quarter of 2024. The yield on 10-year government bonds increased by approx. 34 base points to approx. 4.43%, and the Tel Bond 60 Index increased by approx. 1.6%. The NIS weakened by approx. 2.2% against the USD, reaching a level of NIS 3.68 per USD 1, and strengthened by approx. 0.1% against the EUR reaching a level of NIS 3.97 per EUR 1.

Subsequent to the balance sheet date and through the report publication date

The second quarter of the year started with an escalation in security conditions in Israel, and tensions due to the possibility that Iran will respond to the assassination in Damascus; this had an adverse effect on financial markets, due to the increase in uncertainty and a rise in geopolitical tensions across the world. Eventually, Iran did indeed attack Israel on April 14th, but its massive missiles attack was almost completely blocked by the various defense systems, which demonstrated Israel's strength and resilience. The escalation in the conflict with Iran led the rating agency S&P to downgrade the rating of Israel from AA- to A+, including a negative rating outlook, after quite a few reports claimed that S&P is not minded to downgrade the rating. On the other hand, the rating agency Fitch announced that it leaves the credit rating unchanged at A+, but it downgraded the rating outlook to negative. In May, the Bank of Israel left the interest rate unchanged at 4.50% for the third consecutive time, and noted the increased level of uncertainty, which is reflected in high-risk premium. Furthermore, the Bank of Israel expressed concerns as to the latest increase in inflation expectations, in view of the 0.8% increase in the CPI in April, which increased annual inflation to 2.8%, and - at concurrently - the various forecasts were revised upwards. The growth data for the first quarter indicated a recovery in domestic demand, with a 14.1% growth, but the level of GDP remained low at approx. 2.8% compared to the pre-War level (third quarter of 2023).

In total for the reviewed period (March 31, 2024 to May 27, 2024), the TA 125 Index was down by 3.7%, the yield on 10-year government bond increased by approx. 54 base points to 4.99%, the Tel Bond 60 Index was up by 0.6%, the NIS appreciated by approx. 0.7% against the USD, reaching a level of NIS 3.66 per USD 1, and strengthened by approx. 0.5% against the EUR, reaching a level of NIS 3.97 per EUR 1.

3.2.2. Capital markets abroad

The US economy continued the positive trend at the start of the first quarter of the year, both in the financial markets, which achieved fast increases, and in the non-financial economy, as shown by various indicators of the intensity of economic activity. The purchasing managers index in the services sectors indicated continued growth in activity, but a slight contraction in the industry sectors. In total, the growth forecasts for the first quarter amounted to approx. 2.0% or more. The labor market remained strong with approx. 275 thousand additional jobs in February and 353 thousand in January, alongside an unemployment rate of 3.9% in February. The decline in inflation has been dampened since the beginning of the year, when the CPI was surprisingly high; in February, annual inflation increased from 3.1% to 3.2%. The interest rate of the Fed remained unchanged at 5.25%-5.50%; however, despite the surprising increase in inflation, the Fed's forecasts continued to point to 3 interest rate cuts during 2024, and at the same time the growth forecast was significantly revised upwards in 2024 - which indicated that the Fed does not expect a 'landing' of the economy.

In Europe, the various economic activity metrics indicate zero growth in the Eurozone, and at the same time inflation continues to cool-down; in February annual inflation stood at 2.6%. The European Central Bank (ECB) left the interest rate unchanged during the first quarter of the year, but a combination of economic slowdown and a decline in inflation is expected to make it possible for the ECB to start cutting interest rates later this year. The Bank of Japan (BoJ) increased the interest rate from a negative rate of 0.1% to a range of 0.0%-0.1% due to the increase in inflation and pay, thereby effectively ending negative interest rates in Japan. Furthermore, the bank announced the discontinuance of the Yield Curve Control plan (YCC) and the purchases of ETFs; however, at the same time the Bank of Japan Governor noted that the monetary policy must still be expansionary. In the US, the yield on 10-year government bonds increased in the first quarter by approx. 33 base points to approx. 4.20%. The S&P 500 Index has jumped by 10.2% in the first quarter and the EURO-STOXX 600 Index has risen by 7.0%. In the first quarter, the EUR has devalued by approx. 2.2% against the USD, reaching a level of 1.08.

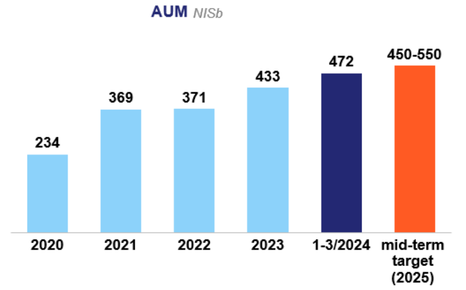
Subsequent to the balance sheet date and through the report publication date

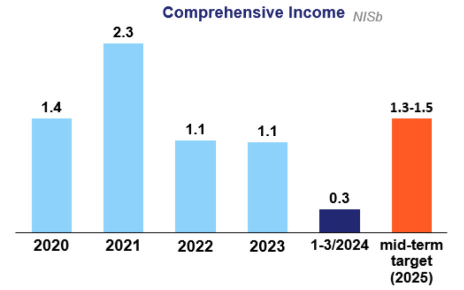
After three consecutive surprisingly high CPIs since the beginning of the year, the April CPI was surprisingly lower - increasing by only 0.3% - and consequently annual inflation slowed down from 3.5% to 3.4%. In the interest decision made at the beginning of May, interest rates remained unchanged at 5.25%-5.50%, and concurrently, the announcement noted that in recent months there was no progress towards the price stability target. Furthermore, the Fed noted that as from June the rate of quantitative tightening (QT) shall slow down from USD 60 billion to USD 25 billion per month. Furthermore, recent statements of the members of the Fed indicate that if inflation will not progress towards target levels, interest rates will remain high over time, except for a sudden and unexpected weakness in the labor market. GDP data for the first quarter of the year indicated a moderate growth of 1.6% - which is lower than expected; however, the breakdown of growth data reveals a more positive picture, with strong domestic demand, since the inventories and net export component curbed growth. The April employment report indicated a more moderate increase in the number of additional jobs - which amounted to 175 thousand - and a slight increase in the unemployment rate from 3.8% to 3.9%. In the USA, as of the end of the reviewed period (March 31, 2024 to May 27, 2024), the 10-year yield increased by approx. 26 base points to 4.46%, and the S&P500 increased by 1.0%. In Europe, the EURO-STOXX 600 index has risen by 1.5%, and the EUR has appreciated by 0.5% against the USD, reaching a rate of 1.08.

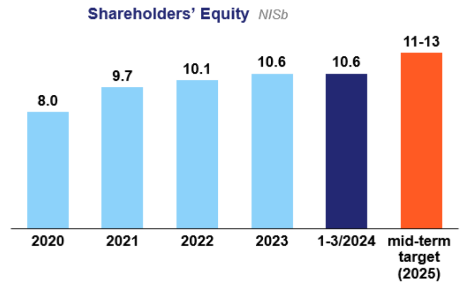
4. Business Targets and Strategy

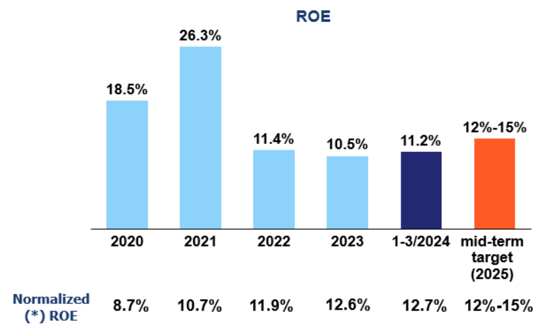
The Group's business strategy and targets constitute forward-looking information, as defined in Section 32A of the Securities Law, and are based on the data and information available to the Group as of the report date, its plans as a result thereof, the market situation and the Group's position. The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









(*) For further details, see Section 5.4.1 below.

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

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

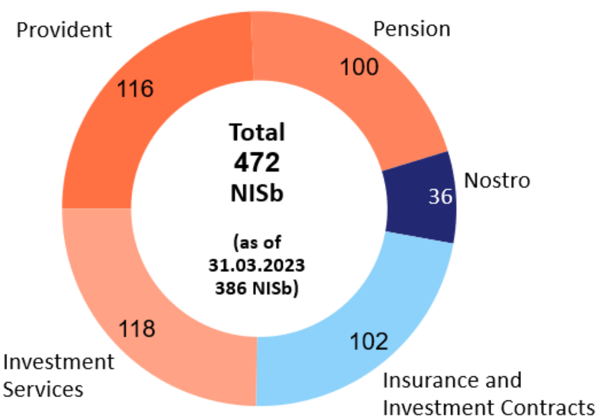
5.1. General

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.

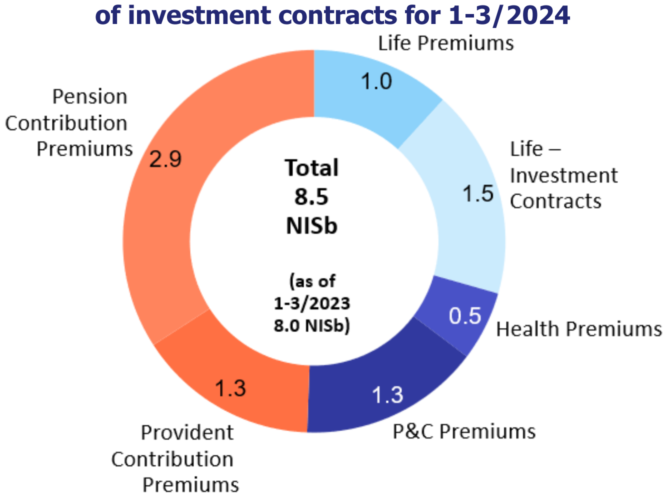
The Group's operations and results are significantly affected by the capital markets, including, among other things, the interest environment that has implications for its insurance liabilities and on the returns embodied in the Group's financial asset portfolios, and consequently - on the management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

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

Assets under management as of March 31, 2024



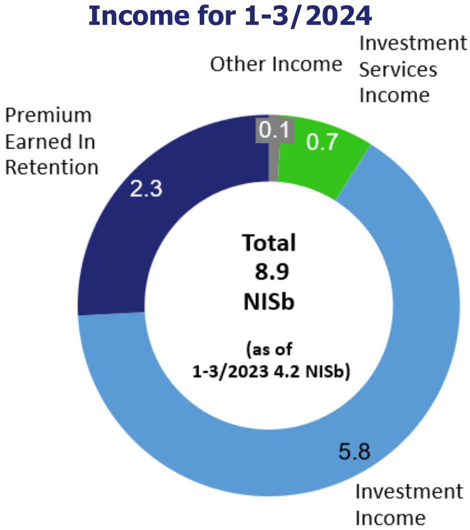
Premiums, gross, contributions towards benefits and proceeds in respect of investment contracts for 1-3/2024



Total assets under management by provident funds, excluding guaranteed return provident fund tracks, pension funds, ETFs, and customers' investment portfolios are not included in the Financial Statements. Proceeds in respect of investment contracts are not included in the premiums line item; rather, they are charged directly to liabilities in respect of insurance contracts and investment contracts.

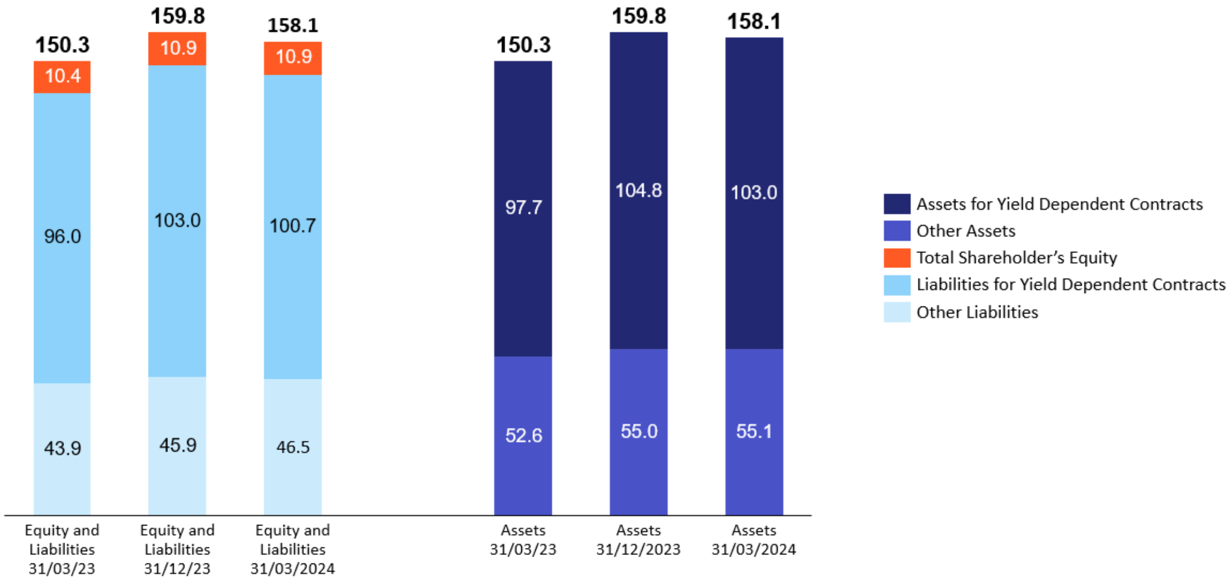
For further details on the premiums in the various operating segments, see Note 3 to the Financial Statements.

Income for 1-3/2024



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

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



Assets:

Total financial assets in respect of yield-dependent contracts and cash and cash equivalents in respect of yield-dependent contracts as of March 31, 2024, amounted to approx. NIS 103.0 billion, compared to approx. NIS 97.7 billion as of March 31, 2023 and NIS 104.8 billion as of December 31, 2023. Other assets as of March 31, 2024 amounted to approx. NIS 55.1 billion, compared with approx. NIS 52.6 billion as of March 31, 2023 and approx. NIS 55.0 billion as of December 31, 2023.

Liabilities:

Liabilities in respect of insurance contracts and yield-dependent investment contracts amounted to approx. NIS 100.7 billion as of March 31, 2024, compared to approx. NIS 96.0 billion as of March 31 2023 and NIS 103.0 billion as of December 31, 2023. Other liabilities as of March 31, 2024 amounted to approx. NIS 46.5 billion, compared with approx. NIS 43.9 billion as of March 31, 2023 and approx. NIS 45.9 billion as of December 31, 2023.

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 Items 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 Segment 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 separate investment income 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 separate investment income 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 attributable to the various segments. Financial liabilities that serve the Company's capital requirements and finance expenses in respect thereof are not allocated to the operating segments. In the Other Equity Returns Segment, the financial margin arises from investment income, with a 3% real return assumption, net of actual finance expenses.

5.4.1.7. Adjusted EBITDA - calculated as income before finance, taxes, depreciation and amortization in the relevant areas of activity. Adjustment of the EBITDA as detailed below:

Insurance segments - N/A.

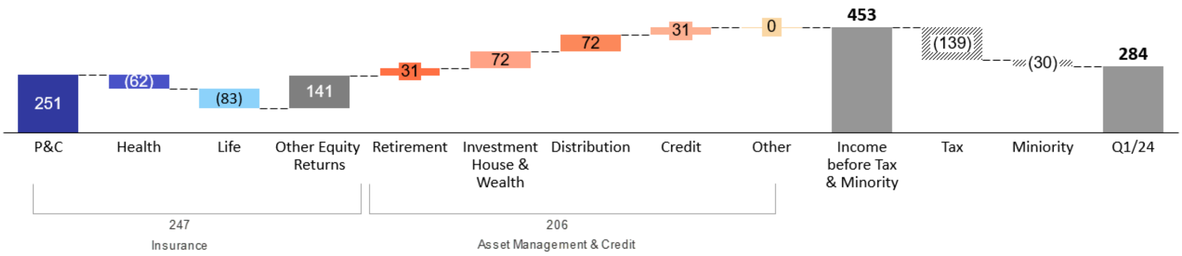
Retirement (Pension and Provident) - IFRS 16 adjustment and amortization of DAC and special items.

Distribution (Agencies) - IFRS 16 adjustment and special items.

Investment House - IFRS 16 adjustment and special items.

Credit - IFRS 16 adjustment and special items.

5.4.2. **<u>Following is the composition of the Company's financial performance by segment in the first quarter of 2024 compared with the corresponding period last year (in NIS million):</u>**



1-3/2023	**76**	**150**	**(77)**	**(183)**	**20**	**51**	**73**	**28**	**(6)**	**132**	**(27)**	**(24)**	**81**
Difference	175	(212)	(6)	324	11	21	(1)	3	6	321	(112)	(6)	203

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

5.4.3. Following are the payment balances and changes in insurance liabilities:

	1-3/2024	1-3/2023	1-12/2023
		In NIS million	
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention in the income statement	7,374	3,179	17,623
<u>Net of amounts included in the above amounts:</u>			
Investment income (losses) in respect of yield-dependent policies(*)	5,276	886	8,531
Changes in interest	(111)	150	(379)
Special items in the insurance segment	(57)	(18)	(35)
Total investment income, changes in interest and special items	5,108	1,018	8,117
Total payments and change in liabilities in respect of yield-dependent policies, net of investment income, changes in interest and special items	**2,266**	**2,161**	**9,505**

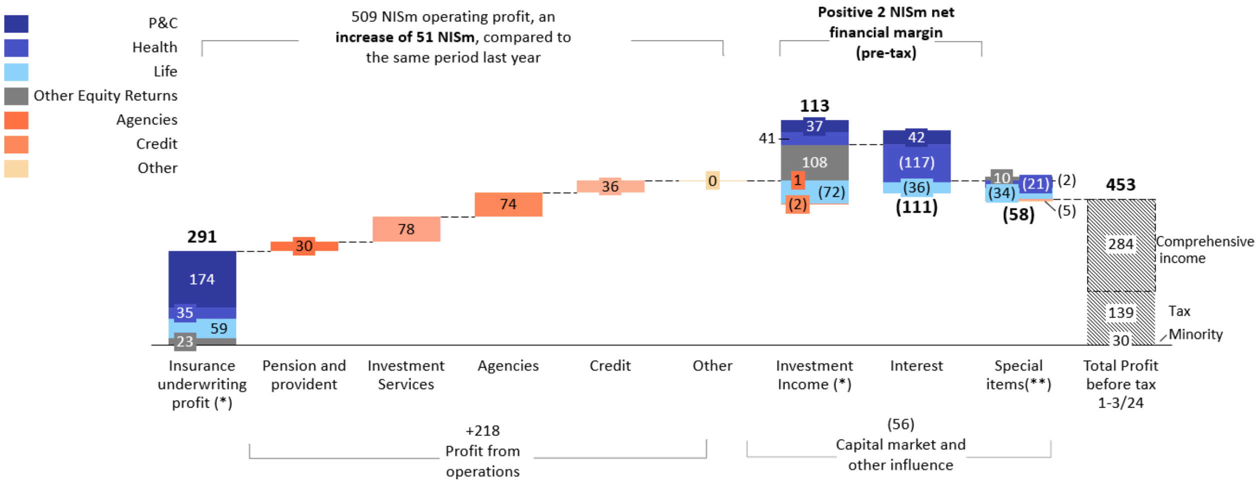
(*) Including health; for further details about the Life Insurance Subsegment, see Section 5.5.3.7 below.

5.4.4. Following is explanation regarding investment income in the insurance business:

	1-3/2024	1-3/2023	1-12/2023
		In NIS million	
Items from the income statement			
Investment income	5,769	918	9,910
Equity profits	25	6	42
Other comprehensive income	66	138	306
Tax effect on comprehensive income	51	63	147
Total	5,911	1,125	10,404
Less:			
Investment income (losses) in respect of yield-dependent policies	5,276	886	8,531
Gains (losses) attributable to the Credit Segment and Investment House and Wealth Segment	122	99	349
	5,399	985	8,881
Total investment income - nostro	512	140	1,526
Separate investment income, CPI-linked at 3%	399	593	2,291
Income from nostro investments, CPI-linked at over 3% (*)	**113**	**(453)**	**(765)**

(*) See Section 5.4.5 below.

5.4.5. **Following is the composition 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 first quarter of 2024 (in NIS million):**



1-3/2023	*289*	*24*	*57*	*66*	*28*	*(6)*	*(453)*	*150*	*(23)*	*132*
Difference	*2*	*6*	*21*	*8*	*8*	*6*	*557*	*(261)*	*(26)*	*321*

(*) 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 after deducting effects of the capital market, Special Items and interest increased by approx. NIS 51 million in the reporting period, compared with the corresponding period last year. The annualized nominal return from nostro investments in the reporting period was 6.5%, and the annualized real return in the reporting period was 5.3% (for further details regarding the effects subsequent to the reporting period, see Section 1.3.1 above). After crediting annual real return of 3%, and an amount in respect of variable management fees, which is calculated based on the real return, the effect of the capital market after the said crediting is NIS 113 million, see Section 5.4.1 regarding the review of sources of income.

The change in investment income in excess of a real return of 3% in the reporting period compared to the corresponding period last year totaled approx. NIS 566 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 March 31, 2024, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 218 million, before tax (as of the report publication date - approx. NIS 302 million before tax).

The change as a result of the effect of the change in the risk-free interest rate curve and the decline in the illiquidity premium in the reporting period compared with the corresponding period last year caused a decrease of approx. NIS 261 million in income in the reporting period, compared with 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 reporting period amounted to approx. NIS 2 million before tax, as reflected in the above chart.

The decrease of approx. NIS 35 million in income in the special items line item in the reporting period compared to the corresponding period last year stems mainly from the filing of claims in life and disability insurance due to the Iron Swords War at the total amount of approx. NIS 12 million (for further details, see Section 1.3.2 above) and from revision of assumptions, model revisions, and provisions for class actions compared with the corresponding period last year.

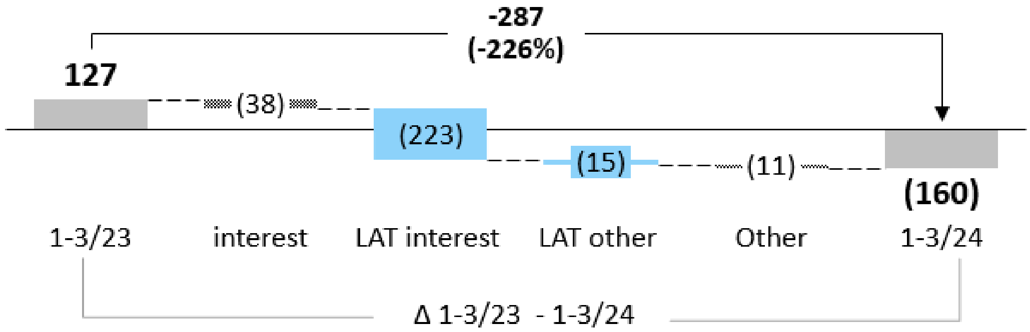
The tax results in the reporting period were affected by the expected increase in the payroll tax and profit tax as from January 1, 2025. The deferred tax balances included in the financial statements as of March 31, 2024 take into account the effects, which arise from the increase in tax rates as described above. The effect of the change in tax rates led to an approx. NIS 9 million increase in the balances of deferred tax liability; for further details, see Note 8G to the to the financial report.

Adjusted EBITDA[3] increased to NIS 281 million during the reporting period compared with NIS 223 million in the corresponding period last year. Adjusted EBITDA in the reporting period, net of non-controlling interest is NIS 236 million.

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

[3] See Section 5.4.1.7 above.

5.4.6. **<u>Following is the composition of the differences between the interest effects and main special items effects on pre-tax insurance liabilities in the first quarter of 2024 compared with the corresponding quarter last year (in NIS million):</u>**



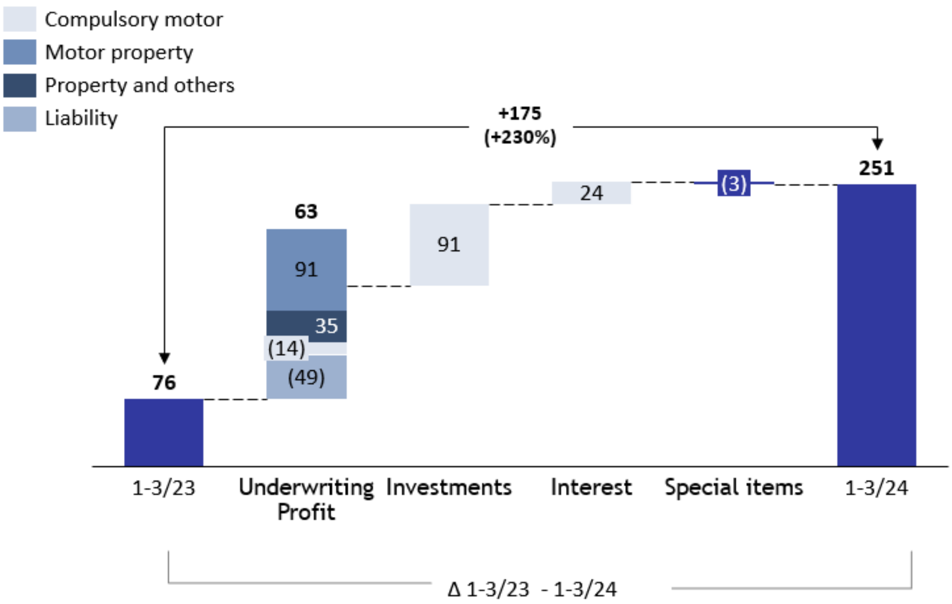
Results	(111) ריבית		(58) השפעות מיוחדות		
1-3/2024	**6**	**(117)**	**(11)**	**(38)**	**(160)**
P&C	42	-	-	(2)	40
Health	-	(117)	(11)	(1)	(129)
Life	(36)	-	-	(34)	(70)
Other Equity Returns	-	-	-	10	10
Pension and provident	-	-	-	(6)	(6)
Credit	-	-	-	(5)	(5)
1-3/2023	**44**	**106**	**4**	**(27)**	**127**
P&C	18	-	-	1	19
Health	-	106	4	(11)	99
Life	26	-	-	(11)	15
Financial Services	-	-	-	(6)	(6)

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

5.5. Description of developments in core areas - insurance

5.5.1. Property and casualty insurance

Following is the composition of the main effects and changes on the results of the Property and Casualty Insurance Segment for the first quarter of 2024 compared to the corresponding quarter last year (in NIS million before tax):



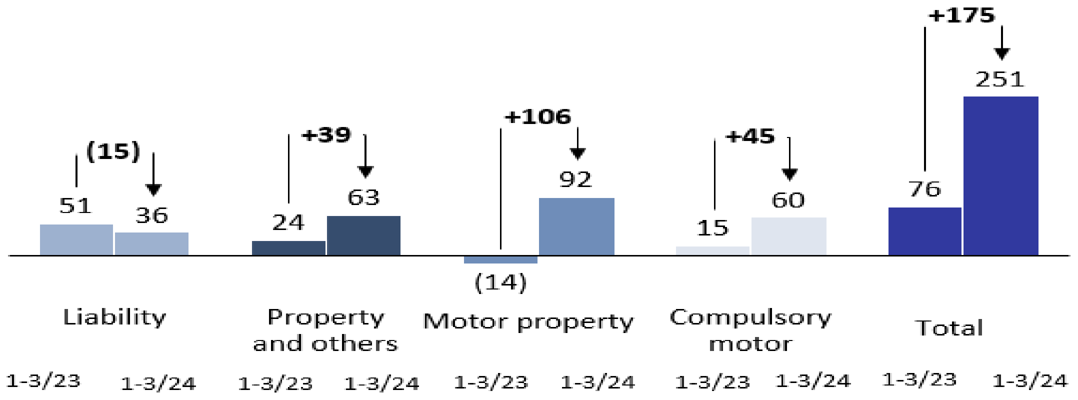
Results					
1-3/2024	**174**	**37**	**42**	**(2)**	**251**
1-3/2023	111	(54)	18	1	76

The increase of approx. NIS 63 million in underwriting income in the reporting period compared to the corresponding period last year stems mainly from an improvement in underwriting income in the Motor Property Insurance Subsegment and other Property Subsegments, offset against a decrease in profitability in other Liability Subsegments and in the Compulsory Motor Insurance Subsegment.

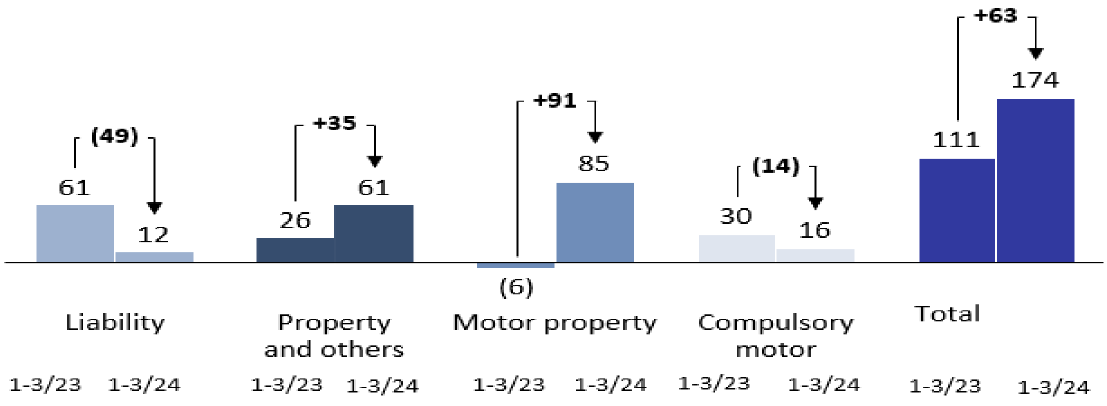
The improvement in investment income in the reporting period - of approx. NIS 91 million - compared to the corresponding period last year stems from rallies in financial markets in Israel and globally during the reporting period, compared to slumps in the corresponding period last year.

The increase in interest income of approx. NIS 24 million in the reporting period compared to the corresponding period last year stems mainly from the classification of approx. NIS 18 million in excess value of illiquid assets from the Health Insurance Segment to the P&C Insurance Segment and from the effect of the increase in the risk-free interest rate curve over insurance liabilities compared with the corresponding period last year.

5.5.1.1. **<u>Following is the pre-tax comprehensive income in the various Property and Casualty Insurance Subsegments for the first quarter of 2024 compared with the corresponding quarter last year (in NIS million):</u>**



5.5.1.2. **<u>Following is the pre-tax underwriting income (loss) in the various Property and Casualty Insurance Subsegments for the first quarter of 2024 compared with the corresponding quarter last year (in NIS million):</u>**



The increase in underwriting income in the reporting period compared to the corresponding period last year arises mainly from the Motor Property Subsegment as a result of an increase in the average premium and an improvement in claims compared to the corresponding quarter last year.

The decrease in profitability in the Liability Subsegment mainly arises from an approx. NIS 40 million decrease in insurance liabilities in the corresponding period last year in the Sales Law Guarantee Subsegment. In the Compulsory Motor Insurance Subsegment, the decrease in profitability is due to lower positive development in claims in respect of previous years compared to the corresponding period last year.

5.5.1.3. **Following is the gross loss ratio and combined ratio, and retention loss ratio in the Motor Property and Property and Other Subsegments:**

	Motor property		
	In NIS million		
	1-3/2024	**1-3/2023**	**1-12/2023**
Gross loss ratio	64.7%	84.0%	79.2%
Retention loss ratio	64.7%	84.0%	79.2%
Gross combined ratio	84.5%	105.6%	101.6%
Retention combined ratio	84.5%	105.6%	101.6%

	Property and Other Subsegments		
	In NIS million		
	1-3/2024	**1-3/2023**	**1-12/2023**
Gross loss ratio	35.8%	82.5%	87.1%
Retention loss ratio	19.0%	35.8%	35.6%
Gross combined ratio	60.1%	109.7%	114.7%
Retention combined ratio	25.2%	67.8%	68.6%

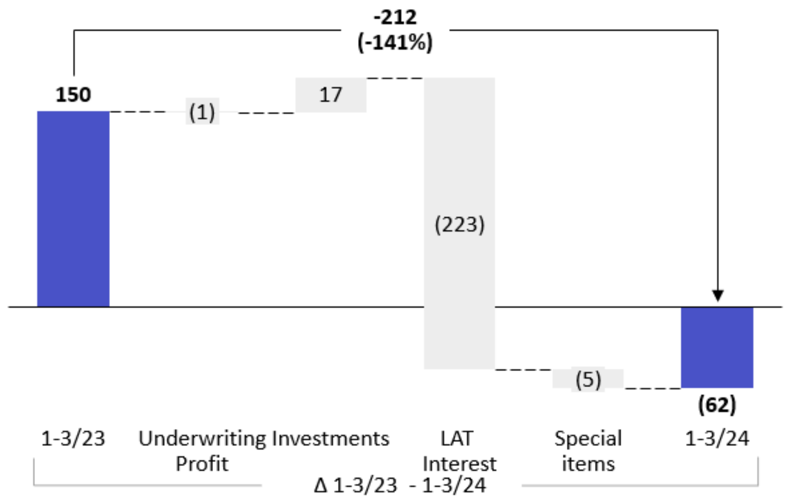
5.5.2. Health Insurance Segment

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 are affected by financial market fluctuations, as well as changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on liquid financial asset portfolios held against insurance and contingent claims reserves. It is noted that Phoenix Insurance no longer markets individual 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, please see Section 2.3.6 to the Description of the Corporation's Business Report

For details regarding 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 2.3.1.3.1 to the Description of the Corporation's Business Report for 2023.

Following is a composition of the main effects and changes on the results of the Health Insurance Segment for the first quarter of 2024 compared to the corresponding quarter last year (in NIS million):



Results

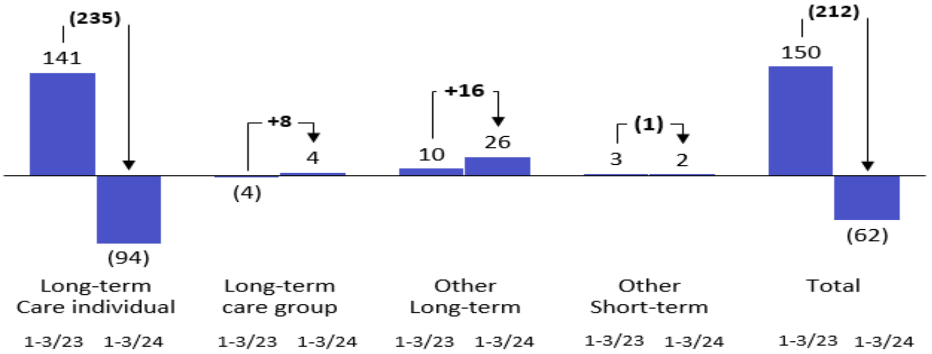
1-3/2024	***35***	***32***	***(117)***	***(12)***	***(62)***
1-3/2023	*36*	*15*	*106*	*(7)*	*150*

The NIS 223 million decrease in interest income arises mainly from the change in the risk-free interest rate curve and from the decrease in the illiquidity premium in the reporting period compared to the corresponding period last year, and from classification of approx. NIS 18 million in excess value of illiquid assets to the P&C Segment.

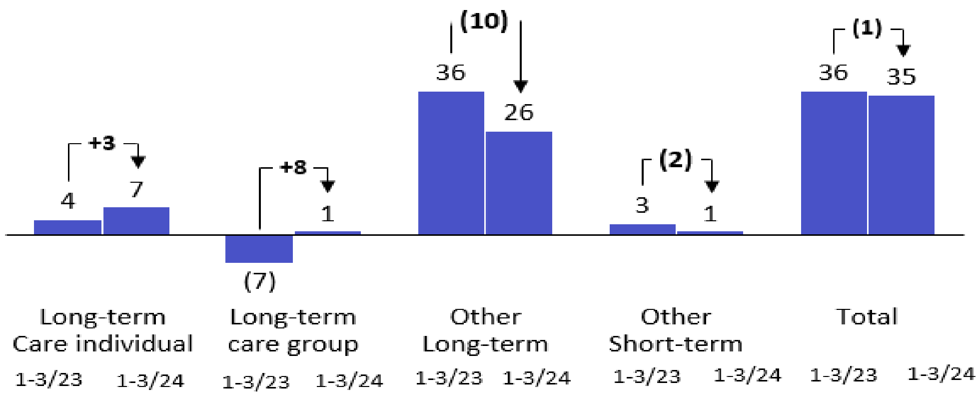
The increase of approx. NIS 26 million in investment income in the reporting period compared to the corresponding period last year stemmed mainly from positive effects in financial markets in Israel and globally, compared to the corresponding period last year, in relation to the mix of the portfolio against the segment's liabilities.

As of March 31, 2024, the LAT reserve balance amounts to approx. NIS 228 million.

5.5.2.1. **<u>Following is the pre-tax comprehensive income (loss) in the various Health Insurance Subsegments for the reporting period compared with the corresponding period last year (in NIS million):</u>**



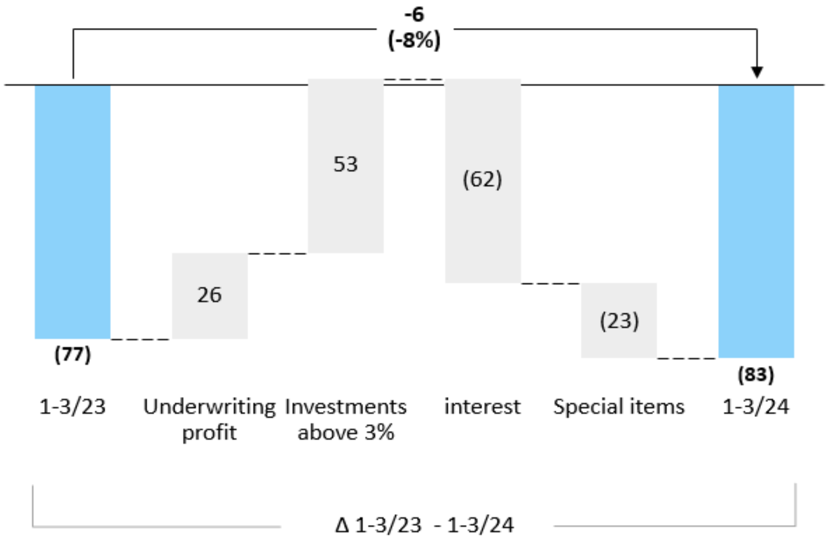
5.5.2.2. **<u>Following is the pre-tax underwriting income (loss) in the various Health Insurance Subsegments for the reporting period compared with the corresponding period last year (in NIS million):</u>**



5.5.3. Life and Savings Segment

5.5.3.1. Investment income has 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 by changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on liquid financial asset portfolios held against insurance and contingent claims reserves. It is 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 the composition of the main effects and changes on the results of the Life Insurance Subsegment for the first quarter of 2024 compared to the corresponding quarter last year (in NIS million):



Results					
1-3/2024	***59***	***(72)***	***(36)***	***(34)***	***(83)***
1-3/2023	*33*	*(125)*	*26*	*(11)*	*(77)*

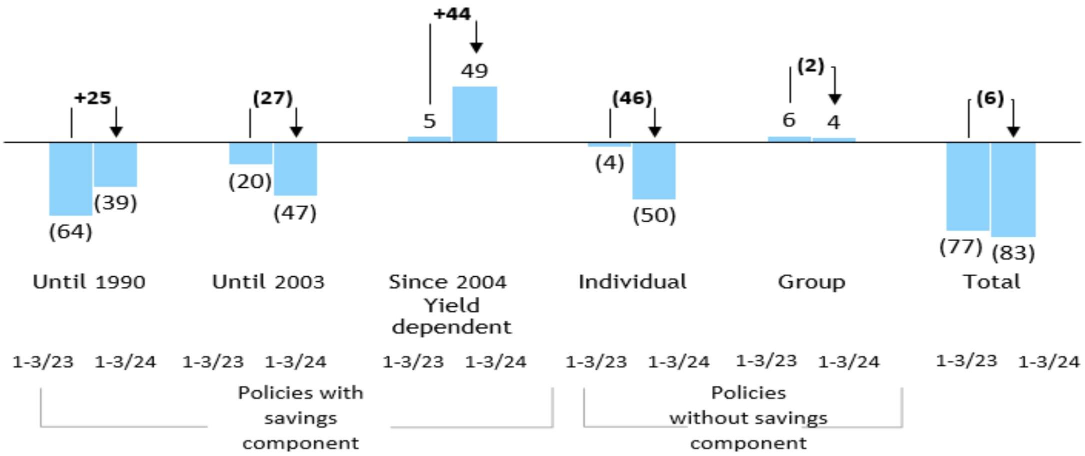
The results in the reporting period compared to the corresponding period last year were affected by an increase of approx. NIS 26 million in underwriting income, which stemmed mainly from an increase in fixed management fees.

Furthermore, in the reporting period, the results were affected - compared to the corresponding period last year - by a lower loss of approx. NIS 53 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 March 31, 2024, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 218 million, before tax (as of the report publication date - approx. NIS 302 million before tax).

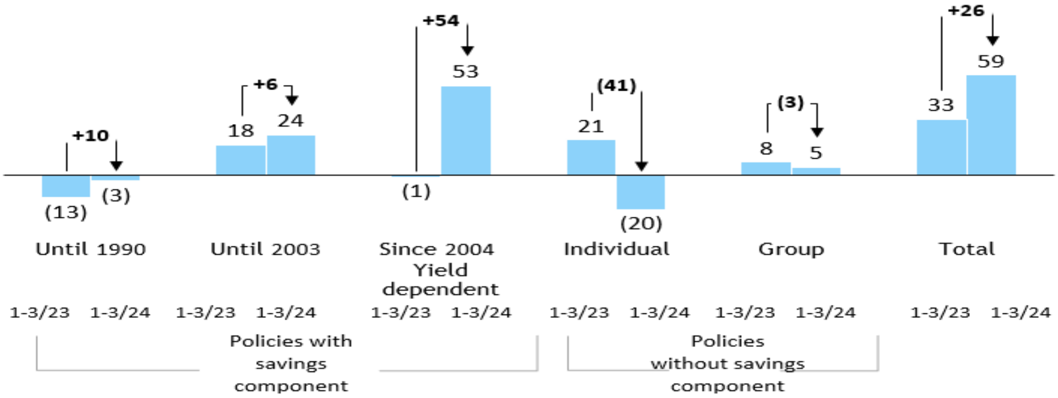
The results in the reporting period compared to the corresponding period last year was also affected by an approx. NIS 62 million decrease in income due to the change in the risk-free interest rate curve and the illiquidity premium.

The decrease of approx. NIS 23 million in income in the special items line item in the reporting period compared to the corresponding period last year stems mainly from the filing of claims in life and disability insurance due to the Iron Swords War at the total amount of approx. NIS 12 million (for further details, see Section 1.3.2 above) and from revision of assumptions, model revisions, and provisions for class actions compared with the corresponding period last year.

5.5.3.2. **<u>Following is the (pre-tax) comprehensive income (loss) in the various Life Insurance Subsegment for the reporting period compared with the corresponding period last year (in NIS million):</u>**



5.5.3.3. **<u>Following is the pre-tax underwriting income (loss) in the various Life Insurance Subsegments for the reporting period compared with the corresponding period last year (in NIS million):</u>**



The approx. NIS 26 million increase in underwriting income in the reporting period, compared to the corresponding period last year is attributed mainly to an increase in income in policies issued as from 2004, as a result of an increase in management fees and a decrease in expenses; this profitability was offset against the lower income in individual life insurance policies as a result of the increase in expenses and in the incidence of claims.

5.5.3.4. The rate of redemptions out of the average reserve (in annual terms) was approx. 7.7% compared with approx. 5.9% in the corresponding period last year. The increase stems mainly from increase in cancellations of investment policies due to changes in the capital market and from internal transfers to the provident funds of Phoenix Pension and Provident. It is 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. Following 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:

	1-3/2024	1-3/2023	1-12/2023
	In NIS million		
Investment income (losses) credited to policyholders net of management fees	4,580	671	7,156
Management fees	167	149	611

(*) Excluding investment income credited (debited) to policyholders in the Health Insurance Segment.

5.5.3.6. **Weighted returns on participating policies**

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

	Policies issued up to 2004 (Fund J)		
	1-3/2024	1-3/2023	1-12/2023
Nominal returns before payment of management fees	4.78%	0.43%	7.99%
Nominal returns after payment of management fees	4.62%	0.28%	7.39%
Real returns before payment of management fees	4.48%	(0.65%)	4.50%
Real returns after payment of management fees	4.32%	(0.79%)	3.92%

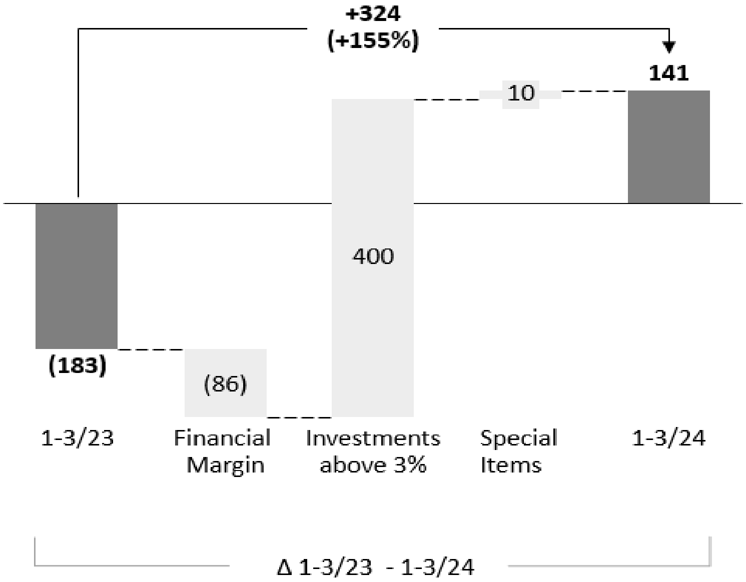
Fluctuations in these returns are a function of capital market returns in Israel and abroad, changes in the consumer price index, and changes in the NIS exchange rate against major currencies.

5.5.3.7. **Following are the nominal returns on yield-dependent insurance policies in respect of policies issued from 2004 and thereafter**

	Policies issued from 2004 and thereafter		
	1-3/2024	1-3/2023	1-12/2023
Nominal returns before payment of management fees	4.88%	0.81%	8.70%
Nominal returns after payment of management fees	4.64%	0.58%	7.74%
Real returns before payment of management fees	4.58%	(0.27%)	5.18%
Real returns after payment of management fees	4.34%	(0.49%)	4.26%

5.5.4. Capital gains - other

Following is the composition of the main effects and changes of other capital gains for the first quarter of 2024 compared to the corresponding quarter last year (in NIS million):



Results

1-3/2024	***23***	***108***	***10***	***141***
1-3/2023	*109*	*(292)*	*-*	*(183)*

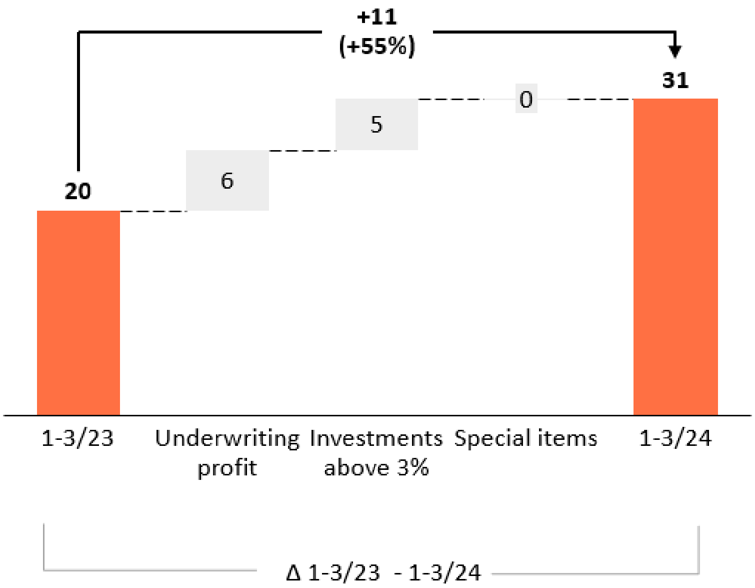
The increase in income in Other Equity Returns Segment in the reporting year, compared to the corresponding period last year, totaling approx. NIS 324 million, arises mainly from hikes in financial markets in Israel and globally compared with slumps in the corresponding period last year. The approx. NIS 86 million decrease in the financial margin (investment income less finance expenses) arises mainly from a higher increase of the Consumer Price Index in the corresponding quarter last year.

5.6. Description of developments in other core activities

5.6.1. Asset Management - Retirement (Pension and Provident)

The Group manages various types of pension funds and provident funds through 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 Phoenix Pension and Provident, and 100% of the shares of Halman-Aldubi IEC Gemel Ltd.

Following is the composition of the main effects and changes on the results of the Asset Management - Retirement (Pension and Provident) Segment for the first quarter of 2024 compared to the corresponding quarter last year (in NIS million):



Results

1-3/2024	***30***	***1***	**-**	***31***
1-3/2023	*24*	*(4)*	-	*20*

The NIS 11 million increase in income in the reporting period, compared to the corresponding period last year arose mainly from an increase in operating income as a result of an increase in management fees, offset against an increase in general and administrative expenses and an increase in investment income due to hikes in financial markets in Israel and globally during the reporting period, compared to slumps in the corresponding period last year, which impacted, among other things, the margins of a guaranteed-return provident fund and the margins of the management company's nostro investments.

Adjusted EBITDA[4] increased to NIS 38 million during the reporting period compared with NIS 32 million in the corresponding period last year.

[4] See Section 5.4.1.7 above.

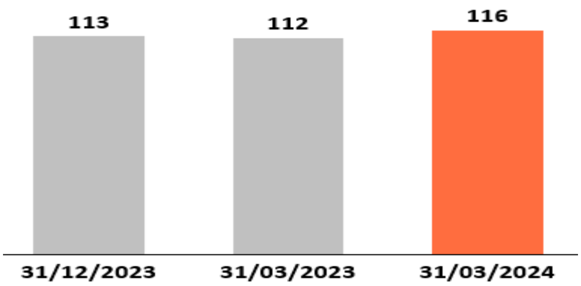
5.6.1.1. Provident Funds Subsegment

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

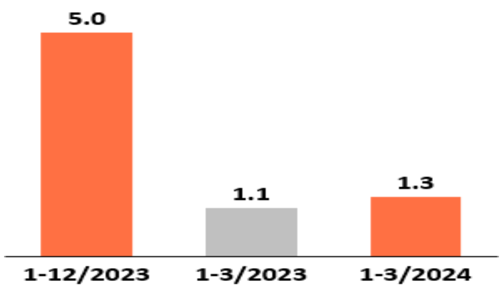
The pre-tax comprehensive income in the reporting period amounted to approx. NIS 23 million compared to approx. NIS 17 million during the corresponding period last year.

Following are developments in contributions towards benefits and total assets under management:

Contributions towards benefits (NIS billion)



Assets under management (NIS billion)



Based on Ministry of Finance data,[5] aggregate contributions towards benefits in the Provident Funds Subsegment in the first quarter of 2024 totaled approx. NIS 14.3 billion, compared to a total of approx. NIS 11.6 billion in the corresponding quarter last year, reflecting an increase of approx. 23.27%. According to Ministry of Finance data, as of March 31, 2024, total assets under management in the Provident Funds Subsegment amounted to a total of approx. NIS 764 billion, compared to approx. NIS 656 billion on March 31, 2023, an increase of approx. 16.46%.

[5] Based on Gemel Net data.

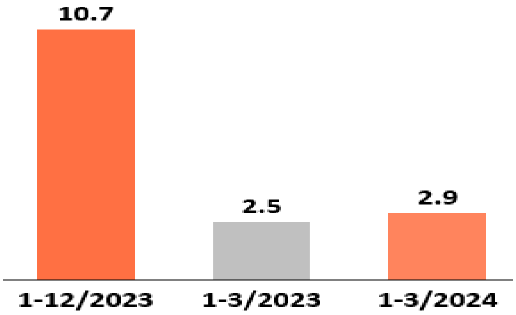
5.6.1.2. Pension Funds Subsegment

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

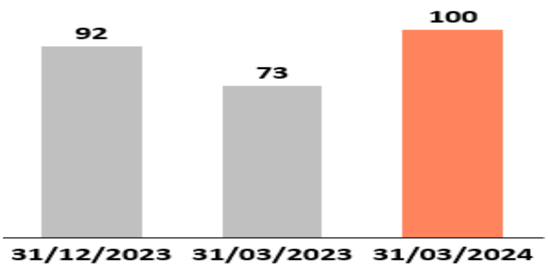
The pre-tax income in the reporting period amounted to approx. NIS 8 million compared with pre-tax income of approx. NIS 3 million in the corresponding period last year.

Following are developments in contributions towards benefits and total assets under management:

Contributions towards benefits (NIS billion)



Assets under management (in NIS billion)



Based on Ministry of Finance data,[6] aggregate contributions towards benefits in the New Comprehensive Pension Funds Subsegment in the first quarter of 2024 totaled approx. NIS 17.5 billion, compared to a total of approx. NIS 15.7 billion in the corresponding quarter last year, reflecting an increase of approx. 11.2%.

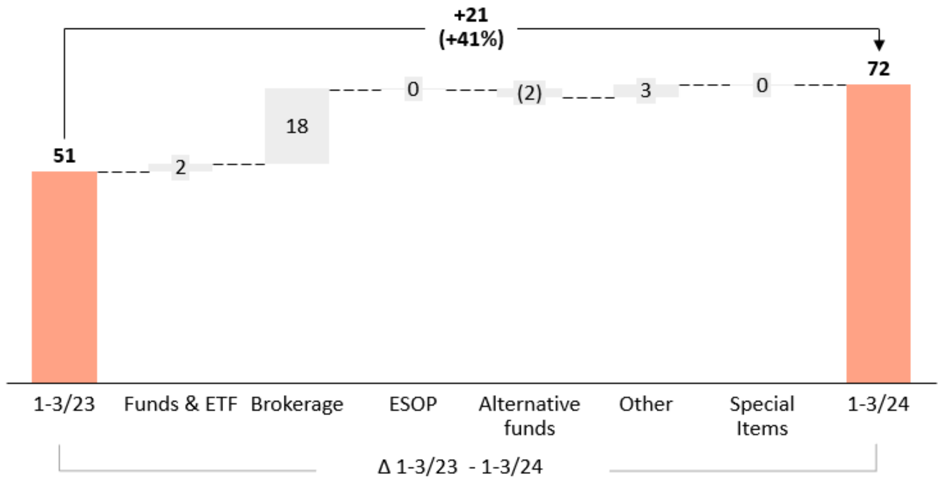
According to Ministry of Finance data, as of March 31, 2024, total assets under management in the New Comprehensive Pension Funds Subsegment amounted to a total of approx. NIS 779 billion, compared to approx. NIS 631 billion on March 31, 2023, an increase of approx. 23.5%.

[6] Based on Pension Net data.

5.6.2. Asset Management - Investment House and Wealth

The activity in this area is carried out mainly through Phoenix Investment House (formerly - Excellence Investments), and as from June 30, 2022 partly through Phoenix Advanced Investments.

Following is the composition of the main effects and changes on the results of the Investment House and Wealth Segment for the first quarter of 2024 compared to the corresponding quarter last year (in NIS million):



Results

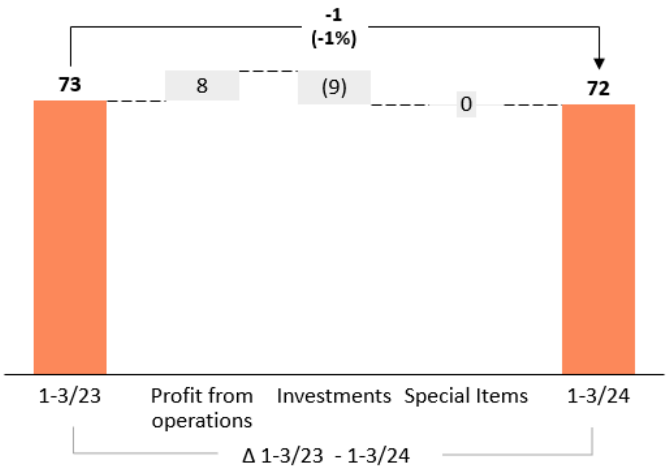
1-3/2024	***15***	***49***	***4***	***1***	***9***	***(6)***	***72***
1-3/2023	*13*	*31*	*4*	*3*	*6*	*(6)*	*51*

The approx. NIS 21 million increase in income in the reporting period compared to the corresponding quarter last year arises mainly from an approx. NIS 18 million improvement in operating income of the TASE Member due to improved spreads and increase in activity. Adjusted EBITDA[7] increased to NIS 105 million during the reporting period compared with NIS 80 million in the corresponding period last year. For details regarding the completion of the transaction for the purchase of assets under management of the Psagot investment house, see Section 1.3.6 above.

[7] See Section 5.4.1.7 above.

5.6.3. Distribution (Agencies)

Following is the composition of the main effects and changes on the results of the Distribution (Agencies) Segment for the first quarter of 2024 compared to the corresponding quarter last year (in NIS million):



Results

1-3/2024	***74***	***(2)***	***-***	***72***
1-3/2023	*66*	*7*	*-*	*73*

The approx. NIS 1 million decrease in income in the reporting period compared to the corresponding period last year arises from an increase in operating income, which was offset against the decrease in investment income compared to the corresponding period last year. Adjusted EBITDA[8] increased to NIS 88 million in the reporting period compared to NIS 79 million in the corresponding period last year.

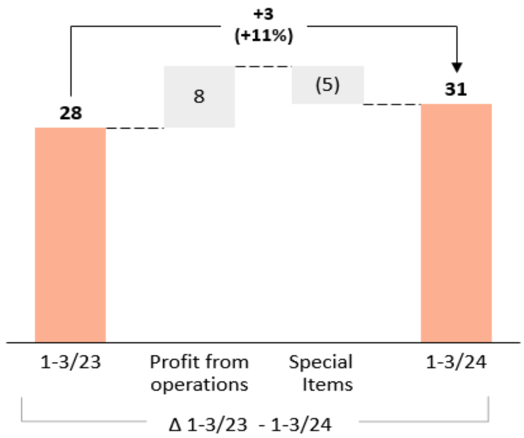
As to the option of introducing an international partner to Phoenix Agencies, see Section 1.3.8 above.

5.6.4. Credit Segment

In August 2023, 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 Phoenix Investments; for further details, see Section 1.3.7 above.

[8] See Section 5.4.1.7 above.

Following is the composition of the main effects and changes on the results of the Credit Segment for the first quarter of 2024 compared to the corresponding quarter last year (in NIS million):



Results

1-3/2024	***36***	***(5)***	***31***
1-3/2023	*28*	*-*	*28*

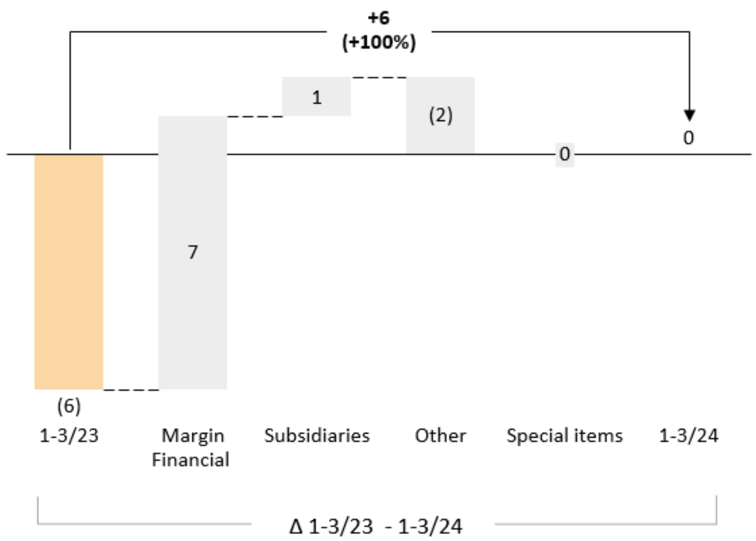
The increase in operating income in the reporting period compared with the corresponding period last year stems mainly from an increase in activity turnovers and an increase in credit spreads in the reporting period compared with the corresponding period last year. Adjusted EBITDA[8] increased to NIS 50 million in the reporting period compared to NIS 32 million in the corresponding period last year.

In the reporting period, the Company experienced a further decline in demand for credit by businesses and developers. Furthermore, in such a period, the Company - in its capacity as an entity providing credit to companies and businesses - is extremely cautious in its assessment of the credit it provides, and weighs the increase in the credit risk arising from the above alongside the protracted War and uncertainty as to the macroeconomic consequences. The above affects the development of the growth rate of the Company's credit portfolio, and is expected to continue to have an effect in the future as well.

On April 16, 2024, Mr. Ariel Genut ceased serving as a director and CEO in the Company (for further details, please see the Company's immediate reports dated January 31, 2024 (Ref. No. 2024-01-012144) and April 16, 2024 (Ref. No. 2024-01-038563). On April 10, 2024, the Company announced the appointment of a Company CEO - Mr. Adiri Ben Zion Benzi - as from July 1, 2024. The appointment is subject to the approval of the Capital Market, Insurance and Savings Authority, which has not yet been received as of the report date. Mr. Adiri's term in office may start earlier, subject to agreements with his current employer.

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

Following is the composition of the main effects and changes on the results of "Other" Segment and activity that is not attributed to operating segments in the first quarter of 2024 compared to the corresponding quarter last year (in NIS million before tax):



Results

1-3/2024	***10***	***-***	***(10)***	***-***	***-***
1-3/2023	*3*	*(1)*	*(8)*	*-*	*(6)*

The results in the reporting period compared with the corresponding periods last year were mainly affected by a decrease of approx. NIS 7 million in the financial margin.

5.7. Analysis of cash flow development

5.7.1. Cash flow in the reporting period

The consolidated cash flows provided by operating activities in the reporting period amounted to approx. NIS 408 million. The consolidated cash flows used in investing activities in the reporting period amounted to approx. NIS 565 million and included mainly a total of approx. NIS 272 million used for investing in associates, with a total of approx. NIS 248 million used to acquire and capitalize costs of intangible assets and approx. NIS 99 million used for the purchase of property, plant, and equipment.

The consolidated cash flows provided by financing activities in the reporting period amounted to approx. NIS 1,581 million; the cash flows included, among other things, a total of approx. NIS 1,435 million used fora REPO liability, a total of approx. NIS 444 million used to repay financial liabilities, and a total of approx. NIS 275 million used for distributing a dividend to the shareholders.

The Group's cash and cash-equivalent balances decreased from a total of approx. NIS 22,357 million at the beginning of the reporting period to approx. NIS 20,619 million at the end of the reporting period.

5.7.2. Sources of financing and liquidity

For liquidity purposes, the Company relies, among other things, on net financial assets and on distribution of dividends by some of its investees. Following 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. Phoenix Insurance - the dividends from 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 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 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 Phoenix Insurance as a source of liquidity, and classifies this holding as a financial investment (for further details, see Section 1.3.5 above).

B. Phoenix Pension and Provident - the dividend paid by Phoenix Pension and Provident depends on the capital requirements set by the Banking Supervision Department, and on Phoenix Pension and Provident's dividend distribution policy. The Company does not expect payment of dividend by 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 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. Phoenix Agencies - for information about restructuring, see Section 1.3.8.

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

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

Following is a table providing a breakdown of the net financial debt (the table includes the following companies: the Company, Phoenix Investments and Phoenix Agencies (for information regarding the restructuring in Phoenix Agencies, see Section 1.3.11 above) and does not include Phoenix Insurance and Phoenix Pension and Provident, which are subject to Regulatory Restrictions in addition to the distribution restrictions set out in the Companies Law, 1999):

	As of March 31 2024	As of March 31 2023	As of December 31 2023
		NIS thousand	
Financial assets			
Cash and cash equivalents	362	179	525
Other financial investments	1,670	1,233	1,447
Total assets	2,032	1,411	1,971
Less current maturities			
Financial liabilities - current (*)	73	36	68
Current financial assets net of current maturities	**1,959**	**1,375**	**1,903**
Non-current financial liabilities			
Non-current financial liabilities	1,851	1,654	1,829
Other liabilities	-	10	-
Total liabilities	1,851	1,664	1,829
Excess (deficit) of assets over financial liabilities net	**108**	**(289)**	**74**
LTV (**)	**-**	**3%**	**-**

(*) The other financial investments include an investment in a Restricted Tier 1 capital instrument of Phoenix Insurance, which is traded on the Tel Bond Index, amounting to NIS 1,343 million (fair value as of March 31, 2024 - approx. NIS 1,398 million; fair value as of December 31, 2023 - approx. NIS 1,293 million).

(**) The Company's LTV is calculated as net financial debt as described above, in relation to the Company's market value as of March 31, 2024. For the calculation of LTV in accordance with financial covenants, see Section 9.2 below. For further details regarding the change in the dividend policy, and a dividend distribution subsequent to the balance sheet date, see Sections 1.3.10 and 1.3.11, respectively.

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

Generally, in the reporting period there were no material changes in the exposure to market risks and the management thereof compared to the 2023 report.

Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of March 31, 2024

	NIS						ETNs - linkage		
	Non-linked	CPI-linked	Foreign currency	Other non-monetary items	pension companies in	Credit company in Israel	to various indices	Israeli insurance company	Total
Intangible Assets	-	-	-	2,169,695	491,293	14,205	-	1,064,922	3,740,115
Deferred tax assets	-	-	-	87,048	23	15,556	-	1,149	103,776
Deferred acquisition costs	-	-	-	-	1,184,316	-	-	1,568,131	2,752,447
Property, plant & equipment	-	-	-	188,494	1,525	41,817	-	1,361,065	1,592,901
Investments in investees	37,283	21,150	260,437	159,983	-	-	-	1,439,514	1,918,367
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	-	2,300,749	2,300,749
Investment property - other	-	-	-	-	-	-	-	1,252,782	1,252,782
Reinsurance assets	-	-	-	-	-	-	-	4,062,034	4,062,034
Credit for purchase of securities	599,000	-	83,000	-	-	-	-	-	682,000
Current tax assets	-	19,666	-	-	441	4	-	126,540	146,651
Receivables and debit balances	395,753	-	510	-	64,182	7,291	-	597,313	1,065,049
Premiums collectible	-	-	-	-	-	-	-	926,945	926,945
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	-	82,542,478	82,542,478
Financial investments for holders of notes, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds	-	-	-	-	-	-	153,000	-	153,000
Credit in respect of factoring, clearing and financing	-	-	-	-	-	4,255,367	-	-	4,255,367
Liquid debt assets	198,950	21,338	-	-	165,976	-	-	5,381,092	5,767,356
Illiquid debt assets	200,709	495,719	237,000	-	954,106	-	-	14,189,606	16,077,140
Shares	-	-	-	94,818	20,893	-	-	2,364,115	2,479,826
Other	-	-	32,239	25,415	32,114	-	-	5,550,710	5,640,478
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	-	17,890,179	17,890,179
Other cash and cash equivalents	617,333	-	23,008	-	132,826	19,723	-	1,935,762	2,728,652
					-	-			
Total assets	**2,049,028**	**557,873**	**636,194**	**2,725,453**	**3,047,695**	**4,353,963**	**153,000**	**144,555,086**	**158,078,292**
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	-	-	-	-	1,064,687	-	-	25,086,224	26,150,911
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	-	102,101,508	102,101,508
Liabilities in respect of deferred taxes	-	-	-	27,609	91,922	-	-	686,949	806,480
Liability for employee benefits, net	31,156	-	-	-	-	10,826	-	54,231	96,213
Liability in respect of current taxes	-	28,691	-	-	-	2,677	-	618	31,986
Payables and credit balances	424,722	-	109	-	135,913	90,265	-	2,981,917	3,632,926
Liabilities for notes, ETNs, short ETNs, composite ETNs and structured bonds	-	-	-	-	-	-	152,000	-	152,000
Payable dividend	-	-	-	265,000	-	-	-	-	265,000
Financial liabilities (*)	2,640,639	966,692	574,341	-	477,874	3,112,633	-	6,169,183	13,941,362
Total liabilities	**3,096,517**	**995,383**	**574,450**	**292,609**	**1,770,396**	**3,216,401**	**152,000**	**137,080,630**	**147,178,386**
Total exposure	**(1,047,489)**	**(437,510)**	**61,744**	**2,432,844**	**1,277,299**	**1,137,562**	**1,000**	**7,474,456**	**10,899,906**

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

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

	NIS						ETNs - linkage		
	Non-linked	CPI-linked	Foreign currency	Other non-monetary items	pension companies in	companies in Israel	to various indices	Israeli insurance company	Total
Intangible Assets	-	-	-	1,779,160	455,956	9,489	-	816,036	3,060,641
Deferred tax assets	-	-	-	70,422	1,087	8,986	-	1,312	81,807
Deferred acquisition costs	-	-	-	3,237	977,515	-	-	1,613,306	2,594,058
Property, plant & equipment	-	-	-	142,856	2,202	9,292	-	1,017,412	1,171,762
Investments in investees	22,947	19,423	-	140,063	-	-	-	1,435,963	1,618,396
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	-	2,141,480	2,141,480
Investment property - other	-	-	-	-	-	-	-	1,147,883	1,147,883
Reinsurance assets	-	-	-	-	-	-	-	3,379,199	3,379,199
Credit for purchase of securities	642,000	-	67,000	-	-	-	-	-	709,000
Current tax assets	-	28,647	-	-	60	-	-	204,684	233,391
Receivables and debit balances	402,942	19,423	11,217	-	52,274	8,522	-	568,651	1,063,029
Premiums collectible	-	-	-	-	-	-	-	979,632	979,632
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	-	78,230,894	78,230,894
Financial investments for holders of notes, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds	-	-	-	-	-	-	185,000	-	185,000
Credit in respect of factoring, clearing and financing	-	-	-	-	-	3,438,779	-	-	3,438,779
Liquid debt assets	63,940	12,368	512	-	143,590	-	-	5,745,414	5,965,824
Illiquid debt assets	476,539	531,758	89,140	-	913,805	12,735	-	15,253,949	17,277,926
Shares	-	-	-	496,652	17,687	-	-	1,787,152	2,301,491
Other	499	-	51,740	36,889	51,751	-	-	5,214,738	5,355,617
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	-	17,139,322	17,139,322
Other cash and cash equivalents	364,716	-	41,000	-	129,120	16,538	-	1,716,149	2,267,523
					-	-			
Total assets	**1,973,583**	**611,619**	**260,609**	**2,669,279**	**2,745,047**	**3,504,341**	**185,000**	**138,393,176**	**150,342,654**
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	-	-	-	-	1,030,382	-	-	23,660,882	24,691,264
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	-	96,024,989	96,024,989
Liabilities in respect of deferred taxes	-	-	-	44,679	79,280	-	-	447,091	571,050
Liability for employee benefits, net	23,532	-	-	-	-	4,159	-	45,801	73,492
Liability in respect of current taxes	-	42,807	-	-	2,180	5,557	-	332	50,876
Payables and credit balances	559,143	-	1,435	-	571,954	47,600	-	2,193,253	3,373,385
Liabilities for notes, ETNs, short ETNs, composite ETNs and structured bonds	-	-	-	-	-	-	185,457	-	185,457
Payable dividend	-	-	-	-	-	-	-	177,172	177,172
Financial liabilities (*)	2,464,850	1,134,073	119,000	-	3,253	2,974,757	-	8,082,744	14,778,677
Total liabilities	**3,047,525**	**1,176,880**	**120,435**	**44,679**	**1,687,049**	**3,032,073**	**185,457**	**130,632,264**	**139,926,362**
Total exposure	**(1,073,942)**	**(565,261)**	**140,174**	**2,624,600**	**1,057,998**	**472,268**	**(457)**	**7,760,912**	**10,416,292**

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

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

	NIS						ETNs - linkage		
	Non-linked	CPI-linked	Foreign currency	Other non-monetary items	pension companies in	Credit company in Israel	to various indices	Israeli insurance company	Total
Intangible Assets	-	-	-	2,031,620	495,623	12,916	-	1,057,709	3,597,868
Deferred tax assets	-	-	-	98,043	-	10,055	-	1,232	109,330
Deferred acquisition costs	-	-	-	-	1,149,413	-	-	1,536,857	2,686,270
Property, plant & equipment	-	-	-	135,009	1,706	39,922	-	1,283,755	1,460,392
Investments in investees	-	-	-	184,695	-	-	-	1,467,137	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	-	-	-	-	-	-	-	4,028,261	4,028,261
Credit for purchase of securities	637,000	-	80,000	-	-	-	-	-	717,000
Current tax assets	-	13,844	-	-	-	5	-	143,813	157,662
Receivables and debit balances	112,575	-	-	-	69,477	4,025	-	861,015	1,047,092
Premiums collectible	-	-	-	-	-	-	-	998,295	998,295
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	-	82,817,937	82,817,937
Financial investments for holders of notes, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds	-	-	-	-	-	-	173,000	-	173,000
Credit in respect of factoring, clearing and financing	-	-	-	-	-	3,700,349	-	-	3,700,349
Liquid debt assets	13,550	23,804	-	-	192,694	-	-	5,543,389	5,773,437
Illiquid debt assets	515,151	484,326	-	-	938,313	-	-	14,656,131	16,593,921
Shares	-	-	-	96,873	14,888	-	-	2,175,831	2,287,592
Other	-	-	29,804	21,561	35,407	-	-	6,029,562	6,116,334
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	-	19,303,547	19,303,547
Other cash and cash equivalents	860,754	-	35,008	-	58,080	14,667	-	2,084,514	3,053,023
					-	-			
Total assets	**2,139,030**	**521,974**	**144,812**	**2,567,801**	**2,955,601**	**3,781,939**	**173,000**	**147,510,572**	**159,794,729**
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	-	-	-	-	1,063,094	-	-	24,534,102	25,597,196
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	-	102,973,291	102,973,291
Liabilities in respect of deferred taxes	-	-	-	34,489	88,789	-	-	641,044	764,322
Liability for employee benefits, net	24,867	-	-	-	-	6,541	-	42,998	74,406
Liability in respect of current taxes	-	65,539	-	-	3,497	4,977	-	395	74,408
Payables and credit balances	502,310	-	-	-	-	61,615	-	3,105,240	3,669,165
Liabilities for notes, ETNs, short ETNs, composite ETNs and structured bonds	-	-	-	-	-	-	171,000	-	171,000
Payable dividend	-	-	-	-	-	-	-	-	-
Financial liabilities (*)	2,392,420	1,026,119	101,000	-	449,884	3,193,170	-	8,413,316	15,575,909
Total liabilities	**2,919,597**	**1,091,658**	**101,000**	**34,489**	**1,605,264**	**3,266,303**	**171,000**	**139,710,386**	**148,899,697**
Total exposure	**(780,567)**	**(569,684)**	**43,812**	**2,533,312**	**1,350,337**	**515,636**	**2,000**	**7,800,186**	**10,895,032**

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

8. Corporate Governance Aspects

8.1. Effectiveness of Internal Control over Financial Reporting and Disclosure

8.1.1. Securities Regulations

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

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

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

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

8.1.2. Insurance Commissioner's Circulars

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

- **Disclosure controls and procedures**

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

- **Internal control over financial reporting**

  During the reporting period ending March 31, 2024, 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 financial statements relating to the relevant processes are attached to the financial statements of Phoenix Group's institutional entities, in accordance with the provisions of Management's Responsibility Circulars.

8.2. 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 guidance 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 Statement Review Committee (hereinafter - the "**Balance Sheet Committee**" or the "**Committee**"), other than the Audit Committee, that 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.

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

9.1. Events subsequent to the balance sheet date

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

9.2. Dedicated disclosure for the Company's bondholders

Series/issuance date	Bonds (Series 4)	Bonds (Series 5)	Bonds (Series 6)
Rating agency	Midroog / Maalot	Midroog / Maalot	Midroog / Maalot
Rating as of the report date	Aa2.il ilAA /-	Aa2.il ilAA /-	Aa2.il ilAA /-
Par value on issuance date	NIS 487,564,542	NIS 957,578,000	NIS 737,650,000
Interest type	Unlinked	CPI-linked	Unlinked
Nominal interest	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	0.44%	1.94%
Effective interest rate on issuance date	1.7%	0.55%	4.6%
Listed on the TASE	Yes	Yes	Yes
Principal payment dates	2 equal annual installments of 12% on July 31 of each of the years 2020 and 2021 and 4 equal annual installments of 19% on July 31 of each of the years 2025 through 2028.	3 equal annual installments of 4% on July 1 of each of the years 2022 through 2024, one installment of 28% on May 1, 2028, and 2 equal annual installments of 30% on May 1 of each of the years 2029 through 2030.	9 annual installments: 1 installment of 4% on December 31, 2024, 3 equal installments of 12% on December 31 of each of the years 2025 through 2027, 3 equal installments of 10% on December 31 of each of the years 2028 through 2030, and 2 installments of 15% in each of the years 2031 through 2032.
Interest payment dates	Quarterly interest on January 31, April 30, July 31, and October 31	Semi-annual interest on May 1 and November 1	Semi-annual interest on June 30 and December 31
Nominal p.v. as of March 31, 2024	NIS 398 million	NIS 892 million	NIS 613 million
CPI-linked nominal p.v. as of March 31, 2024	NIS 398 million	NIS 994 million	NIS 613 million
Carrying amount of bonds' outstanding balances as of March 31, 2024	Approx. NIS 397 million	Approx. NIS 962 million	Approx. NIS 543 million
Carrying amount of interest payable as of March 31, 2024	Approx. NIS 4 million	Approx. NIS 2 million	Approx. NIS 3 million
Market value as of March 31, 2024 (1)	Approx. NIS 407 million	Approx. NIS 913 million	Approx. NIS 539 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) The market value includes interest accrued as of March 31, 2024.

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 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 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 Bonds (Series 5) are not repaid in full, unless it has obtained the bondholders' consent in advance and placed on that date a lien of the same rank in favor of Series 5 bondholders.

Furthermore, with respect to 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 March 31, 2024 was approx. 0.66% (including Restricted Tier 1 capital instrument issued by Phoenix Insurance through Phoenix Capital Raising), and the Company's shareholders' equity as per its separate financial statements as of March 31, 2024, was approx. NIS 10,582 million, which is higher than the above required shareholders' equity.

For further details – see Note 5 to the Company's financial statements as of March 31, 2024.

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

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

May 28, 2024

Part 2

Consolidated Interim Financial Statements

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

Introduction

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

We did not review the condensed interim financial information of certain subsidiary, whose assets included in consolidation constitute approximately 2.8% of the total consolidated assets as of March 31, 2024 and whose revenues included in consolidation constitutes approximately 1.4% of the total consolidated revenues for the three-month period then ended. Furthermore, we did not review condensed financial information for an interim period of companies presented on the basis of the equity method. the investment in which, at equity, amounted to approximately NIS 669,334 thousand as of March 31, 2024, and the Company's share in the earning amounted to approximately NIS 26,100 thousand for a period of three-month period then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial information in respect of these companies, is based on the review reports of the other independent auditors.

Scope of the Review

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

Conclusion

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

Emphasis of matter

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

Tel Aviv,
May 28, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

	Note	March 31, 2024	March 31, 2023	December 31, 2023
		As of		
		Unaudited		Audited
		NIS thousand		
Assets				
Intangible assets		**3,740,115**	3,060,641	3,597,868
Deferred tax assets		**103,776**	81,807	109,330
Deferred acquisition costs		**2,752,447**	2,594,058	2,686,270
Property, plant & equipment		**1,592,901**	1,171,762	1,460,392
Investments in associates		**1,918,367**	1,618,396	1,651,832
Investment property in respect of yield-dependent contracts		**2,300,749**	2,141,480	2,283,063
Investment property - other		**1,252,782**	1,147,883	1,238,524
Reinsurance assets		**4,062,034**	3,379,199	4,028,261
Credit for purchase of securities		**682,000**	709,000	717,000
Current tax assets		**146,651**	233,391	157,662
Receivables and debit balances		**1,065,049**	1,063,029	1,047,092
Premiums collectible		**926,945**	979,632	998,295
Financial investments in respect of yield-dependent contracts	5A	**82,542,478**	78,230,894	82,817,937
Financial investments for holders of certificates of deposit and structured bonds		**153,000**	185,000	173,000
Credit assets in respect of factoring, acquiring and financing	5C, 8C	**4,255,367**	3,438,779	3,700,349
Other financial investments:				
Liquid debt assets		**5,767,356**	5,965,824	5,773,437
Illiquid debt assets	8C	**16,077,140**	17,277,926	16,593,921
Shares		**2,479,826**	2,301,491	2,287,592
Other		**5,640,478**	5,355,617	6,116,334
Total other financial investments	5B	**29,964,800**	30,900,858	30,771,284
Cash and cash equivalents in respect of yield-dependent contracts		**17,890,179**	17,139,322	19,303,547
Other cash and cash equivalents		**2,728,652**	2,267,523	3,053,023
Total assets		**158,078,292**	150,342,654	159,794,729
Total assets for yield-dependent contracts		**103,027,021**	97,695,522	104,769,512

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

	Note	As of March 31, 2024	March 31, 2023	December 31, 2023
		Unaudited		Audited
		NIS thousand		
Equity				
Share capital		**313,664**	311,817	313,340
Premium and capital reserves in respect of shares		**863,725**	851,225	860,345
Treasury shares		**(193,866)**	(161,926)	(193,866)
Capital reserves		**1,144,615**	1,183,620	1,101,414
Retained earnings		**8,453,418**	7,782,434	8,499,062
Total equity attributable to the Company's shareholders		**10,581,556**	9,967,170	10,580,295
Non-controlling interests		**318,350**	449,122	314,737
Total equity		**10,899,906**	10,416,292	10,895,032
Liabilities				
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts		**26,150,911**	24,691,264 (*)	25,597,196
Liabilities in respect of insurance contracts and yield-dependent investment contracts		**102,101,508**	96,024,989 (*)	102,973,291
Liabilities in respect of deferred taxes		**806,480**	571,050	764,322
Liability for employee benefits, net		**96,213**	73,492	74,406
Liability in respect of current taxes		**31,986**	50,876	74,408
Payable dividend	8B	**265,000**	177,172	-
Payables and credit balances		**3,632,926**	3,373,385	3,669,165
Liabilities in respect of structured products		**152,000**	185,457	171,000
Financial liabilities		**13,941,362**	14,778,677	15,575,909
Total liabilities		**147,178,386**	139,926,362	148,899,697
Total equity and liabilities		**158,078,292**	150,342,654	159,794,729

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

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

Date of approval of the financial statements - May 28, 2024

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

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
Premiums earned, gross	2,661,491	2,951,599	11,988,386
Premiums earned by reinsurers	401,086	391,832	1,632,527
Premiums earned - retention	2,260,405	2,559,767	10,355,859
Investment income, net and finance income	5,769,194	917,742	9,910,316
Income from management fees	456,884	408,542	1,721,616
Income from fees and commissions	230,889	213,368	887,730
Income from other financial services	96,000	70,000	329,000
Income from factoring and acquiring	48,076	46,212	178,784
Other income	7,325	4,544	156,137
Total income	8,868,773	4,220,175	23,539,442
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	7,627,433	3,549,939	19,296,717
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	252,983	371,023	1,673,990
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	7,374,450	3,178,916	17,622,727
Fees and commissions, marketing expenses and other purchase expenses	525,823	507,760	2,175,699
General and administrative expenses	519,893	491,628	2,105,868
Other expenses	25,363	20,655	136,160
Finance expenses	111,400	96,360	393,717
Total expenses	8,556,929	4,295,319	22,434,171
Share in income of equity-accounted investees	25,168	6,036	42,413
Income (loss) before income tax	337,012	(69,108)	1,147,684
Taxes on income (tax benefit)	88,745	(35,930)	262,747
Income (loss) for the period	248,267	(33,178)	884,937
Attributable to:			
Company's shareholders	218,354	(57,048)	777,403
Non-controlling interests	29,913	23,870	107,534
Income (loss) for the period	248,267	(33,178)	884,937
Earnings (loss) per share attributable to the Company's shareholders (in NIS):			
Basic earnings (loss) per share			
Earnings (loss) per ordinary share of NIS 1 par value (in NIS)	0.86	(0.23)	3.07
Diluted earnings (loss) per share			
Earnings (loss) per ordinary share of NIS 1 par value (in NIS)	0.86	(0.23)	3.04

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

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
Income (loss) for the period	**248,267**	**(33,178)**	**884,937**
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	**202,059**	**12,462**	**245,739**
Net change in fair value of financial assets classified as available for sale, carried to the statement of profit and loss	**(155,383)**	**(47,191)**	**(290,390)**
Gain on impairment of financial assets classified as available for sale, carried to the statement of profit and loss	**70,033**	**219,914**	**476,005**
Company's share in other comprehensive income (loss), net of equity-accounted companies	**(439)**	**15,830**	**22,476**
Tax effect	**(50,591)**	**(62,834)**	**(147,481)**
Total components of net other comprehensive income subsequently reclassified to profit or loss	**65,679**	**138,181**	**306,349**
Amounts that shall not be subsequently reclassified to profit or loss			
Revaluation of property, plant and equipment	**-**	**-**	**11,558**
Actuarial gain (loss) in respect of defined benefit plans	**-**	**-**	**291**
Tax effect	**-**	**-**	**(2,754)**
Total components of other comprehensive income that shall not be subsequently reclassified to profit or loss	**-**	**-**	**9,095**
Total other comprehensive income, net	**65,679**	**138,181**	**315,444**
Total comprehensive income for the period	**313,946**	**105,003**	**1,200,381**
Attributable to:			
Company's shareholders	**284,033**	**81,133**	**1,092,824**
Non-controlling interests	**29,913**	**23,870**	**107,557**
Comprehensive income for the period	**313,946**	**105,003**	**1,200,381**

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 - bonus	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale assets	Total	Non-controlling interests	Total equity
	NIS thousand												
Balance as of January 1, 2024 (audited)	**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**
Net income for the period	**-**	**-**	**-**	**218,354**	**-**	**-**	**-**	**-**	**-**	**-**	**218,354**	**29,913**	**248,267**
Other comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(439)**	**66,118**	**65,679**	**-**	**65,679**
Total comprehensive income (loss)	**-**	**-**	**-**	**218,354**	**-**	**-**	**-**	**-**	**(439)**	**66,118**	**284,033**	**29,913**	**313,946**
Share-based payment	**-**	**416**	**-**	**-**	**-**	**-**	**3,449**	**-**	**-**	**-**	**3,865**	**-**	**3,865**
Dividend to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(24,401)**	**(24,401)**
Exercise of employee options	**324**	**2,964**	**-**	**-**	**-**	**-**	**(3,288)**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	**-**	**-**	**-**	**1,002**	**-**	**-**	**-**	**(1,002)**	**-**	**-**	**-**	**-**	**-**
Dividend (Note 8B)	**-**	**-**	**-**	**(265,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**(265,000)**	**-**	**(265,000)**
Allocation of options of a consolidated company to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,300**	**2,300**
Transaction with minority interest	**-**	**-**	**-**	**-**	**(21,637)**	**-**	**-**	**-**	**-**	**-**	**(21,637)**	**(4,199)**	**(25,836)**
Balance as of March 31, 2024 (unaudited)	**313,664**	**863,725**	**(193,866)**	**8,453,418**	**(416,732)**	**11,000**	**69,668**	**227,939**	**7,602**	**1,245,138**	**10,581,556**	**318,350**	**10,899,906**

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

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 transactions with controlling shareholders	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale assets	Total	Non-controlling interests	Total equity
	NIS thousand												
Balance as of January 1, 2023 (audited)	311,640	851,918	(155,628)	8,013,123	(56,503)	11,000	62,920	224,054	(14,435)	896,669	10,144,758	388,640	10,533,398
Effect of first-time application of IFRS 9	-	-	-	1,522	-	-	-	-	-	(1,522)	-	-	-
Balance as of January 1, 2023 after first-time application of IFRS 9	311,640	851,918	(155,628)	8,014,645	(56,503)	11,000	62,920	224,054	(14,435)	895,147	10,144,758	388,640	10,533,398
Net income	-	-	-	777,403	-	-	-	-	-	-	777,403	107,534	884,937
Other comprehensive income	-	-	-	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)
Acquisition of treasury shares	-	-	(38,238)	-	-	-	-	-	-	-	(38,238)	-	(38,238)
Commencement of consolidation	-	-	-	-	-	-	-	-	-	-	-	38,687	38,687
Sale of previously-consolidated company	-	-	-	-	-	-	-	-	-	-	-	5,228	5,228
Exercise of employee options	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	-	-	-	(297,171)	-	-	-	-	-	-	(297,171)	-	(297,171)
Transaction with minority interest	-	-	-	-	(199,605)	-	-	-	-	-	(199,605)	196,512	(3,093)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	(2,184)	-	-	-	-	-	(2,184)	6,781	4,597
Acquisition of non-controlling interests	-	-	-	-	(136,803)	-	-	-	-	-	(136,803)	(214,180)	(350,983)
Balance as of December 31, 2023 (audited)	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.

	Appendix	For the three months ended March 31 2024	For the three months ended March 31 2023	For the year ended December 31 2023
		Unaudited	Unaudited	Audited
		NIS thousand		
Cash flows from operating activities				
Income (loss) for the year		248,267	(33,178)	884,937
Adjustments required to present cash flows from operating activities	(a)	161,877	(833,390)	1,296,692
Net cash provided by operating activities		410,144	(866,568)	2,181,629
Cash flows used for investing activities				
Purchase of property, plant and equipment		(98,622)	(83,472)	(389,181)
Proceeds from disposal of property, plant and equipment		500	2	1,032
Proceeds on sale of fees and commissions portfolios		1,287	45	1,723
Investment in associates		(271,834)	(23,820)	(115,865)
Dividend from associates		2,555	1,301	23,497
Acquisition of consolidated companies consolidated for the first time	(b)	(159)	(48,000)	(90,340)
Sale of previously-consolidated company	(c)	-	-	(828)
Acquisition of minority interest in a consolidated company		-	(12,530)	(344,202)
Change in loans granted to associates		(360)	(526)	(290)
Proceeds from disposal of investment in associate		50,131	19,752	101,258
Acquisition and capitalization of intangible assets costs		(248,464)	(82,752)	(648,882)
Net cash used for investing activities		(564,966)	(230,000)	(1,462,078)
Cash flows provided by financing activities				
Acquisition of Company shares		-	(6,298)	(38,238)
Short-term credit from banks, net		59,000	36,000	(408,000)
Repayment of financial liabilities		(443,518)	(479,360)	(751,162)
Dividend to shareholders		-	-	(297,171)
Repayment of lease liability principal		(14,067)	(10,771)	(54,467)
Issuance of financial liabilities		274,808	148,368	2,440,322
Change in liability for REPO, net		(1,434,739)	1,045,020	1,161,948
Dividend paid to non-controlling interests		(24,401)	(27,821)	(214,488)
Net cash provided by (used in) financing activities		(1,582,917)	705,138	1,838,744
Increase (decrease) in cash and cash equivalents		(1,737,739)	(391,430)	2,558,295
Balance of cash and cash equivalents at beginning of period	(d)	22,356,570	19,798,275	19,798,275
Balance of cash and cash equivalents at end of period	(d)	20,618,831	19,406,845	22,356,570

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

		For the three months ended March 31		For the year ended December 31
		2024	2023	2023
		Unaudited		Audited
		NIS thousand		
(a)	Adjustments required to present cash flows from operating activities:			
	Items not involving cash flows			
	Net gains on financial investments in respect of insurance contracts and yield-dependent investment contract	(5,037,242)	(837,166)	(7,714,268)
	Change in fair value of investment property in respect of yield-dependent contracts	-	8,571	(20,609)
	Net (gains) losses on other financial investments			
	Liquid debt assets	7,830	114,350	(29,270)
	Illiquid debt assets	(344,621)	(437,907)	(1,510,938)
	Shares	(69,880)	48,828	26,296
	Other	(67,621)	271,004	143,072
	Depreciation and amortization	138,149	111,427	499,147
	Loss from disposal of property, plant and equipment	3	-	3
	Change in fair value of investment property	-	4,676	(14,513)
	Loss (gain) on notional disposal as a result of gaining control of an investee	966	-	(128,989)
	Change in financial liabilities	(153,157)	928,451	(29,749)
	Expenses for income tax (tax benefit)	88,745	(35,930)	262,747
	Company's share in the income of associates, net	(25,168)	(6,036)	(42,413)
	Payroll expenses in respect of share-based payment	3,449	5,615	16,221
	Issuance of shares to non-controlling interests in a consolidated company	2,300	-	-
	Changes in other on-balance sheet line items, net:			
	Change in liabilities in respect of non-yield-dependent insurance contracts	553,715	543,623 (*)	1,449,555
	Change in liabilities in respect of yield-dependent contracts	3,383,151	672,041 (*)	7,620,343
	Change in liabilities for notes, ETFs	(19,000)	(15,241)	(29,698)
	Change in financial investments for holders of ETFs, certificates of deposit	20,000	16,000	28,000
	Change in credit assets in respect of factoring, acquiring and financing	36,987	4,558	(257,012)
	Change in deferred acquisition costs	(66,177)	(140,675)	(232,887)
	Change in reinsurance assets	(33,773)	(206,950)	(856,012)
	Change in liabilities for employee benefits, net	21,807	6,825	7,014
	Change in receivables, debit balances and collectible premiums	51,264	(540,366)	(565,939)
	Change in payables and credit balances	(71,743)	(79,170)	251,832
	Change in credit for purchase of securities	35,000	56,000	48,000
	Change in loans granted to associates	(331)	453	(1,148)
	Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts:			
	Acquisition of real estate properties	(17,686)	(7,977)	(120,380)
	Sale of financial investments, net	1,057,767	543	2,290,602
	Financial investments and other investment property:			
	Sales (acquisitions), net of financial investments	801,228	(1,169,085)	573,770
	Acquisition of real estate properties	(14,257)	(4,660)	(76,112)
	Cash paid and received during the year for:			
	Taxes paid	(119,670)	(210,233)	(357,754)
	Taxes received	(158)	65,041	67,781
	Total cash flows provided by (used for) operating activities	161,877	(833,390)	1,296,692

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

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

		For the three months ended March 31		For the year ended December 31
		2024	2023	2023
		Unaudited		Audited
		NIS thousand		
(b)	Acquisition of consolidated companies consolidated for the first time			
	Assets and liabilities of the consolidated companies as of acquisition date:			
	Working capital (excluding cash and cash equivalents)	105	(3,000)	(5,078)
	Property, plant and equipment, net	(1,638)	-	(685)
	Goodwill arising from acquisition	-	(36,000)	(156,520)
	Intangible assets	(4,073)	(12,000)	(161,439)
	Deferred taxes	134	3,000	53,943
	Minority interests	-	-	38,687
	Disposal of investment in an associate	-	-	129,030
	Financial liabilities	1,061	-	-
	Liability for payment in respect of acquisition of an investee	-	-	10,706
	Liabilities for employee benefits	-	-	1,016
	Loan from parent company	4,252	-	-
		(159)	(48,000)	(90,340)
(c)	Sale of previously-consolidated company			
	Working capital (excluding cash and cash equivalents)	-	-	(6,056)
	Minority interests	-	-	5,228
		-	-	(828)
(d)	Cash and cash equivalents			
	Balance of cash and cash equivalents at beginning of period:			
	Cash and cash equivalents	3,053,023	3,439,766	3,439,766
	Cash and cash equivalents in respect of yield-dependent contracts	19,303,547	16,358,509	16,358,509
		22,356,570	19,798,275	19,798,275
	Balance of cash and cash equivalents at end of period:			
	Cash and cash equivalents	2,728,652	2,267,523	3,053,023
	Cash and cash equivalents in respect of yield-dependent contracts	17,890,179	17,139,322	19,303,547
		20,618,831	19,406,845	22,356,570
(e)	Significant non-cash activities			
	Payable dividend	265,000	177,172	-
	Purchase of intangible assets	-	-	(8,161)
	Recognition of right-of-use asset against a lease liability	(61,926)	(7,830)	(90,780)
(f)	Breakdown of amounts included in operating activities			
	Interest paid	83,970	63,064	280,810
	Interest received	249,344	163,424	1,224,477
	Dividend received	5,220	20,588	49,193

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

NOTE 1 - GENERAL

A. The Phoenix Holdings Ltd. (hereinafter - the "Company") is an Israeli resident company incorporated in Israel, whose official address is 53 Derech Hashalom St., Givatayim, Israel. These financial statements were prepared in condensed format as of March 31 2024 and for the three-month period then ended (hereinafter - the "Condensed Consolidated Interim Financial Statements"). These financial statements should be read in conjunction with the Company's Annual Financial Statements as of December 31, 2023 and for the year then ended and the accompanying notes (hereinafter - the "Consolidated Annual Financial Statements").

B. **Definitions**

The Company	-	The Phoenix Holdings Ltd.
The Group	-	The Phoenix Holdings Ltd. and its consolidated companies.
The Phoenix Insurance	-	The Phoenix Insurance Company Ltd., a wholly-owned subsidiary of the Company.
The Phoenix Investments	-	The Phoenix Investments and Finances Ltd., a wholly-owned subsidiary of the Company.
The Phoenix Investment House	-	The Phoenix Investment House Ltd., a subsidiary of The Phoenix Investments, is a subsidiary controlled by the Company.
Gama		Gama Management and Clearing Ltd., a subsidiary wholly-owned by The Phoenix Investments.
The Phoenix Agencies	-	The Phoenix Insurance Agencies 1989 Ltd. - a company under the Company's control.
The Phoenix Pension and Provident Funds	-	The Phoenix Pension and Provident Funds Ltd., a wholly-owned subsidiary of the Company.
The Phoenix Capital Raising	-	The Phoenix Capital Raising (2009) Ltd., a wholly-owned subsidiary of The Phoenix Insurance.
The Phoenix Construction Financing		The Phoenix Construction Financing and Guarantees Ltd. is a wholly-owned subsidiary of Gama. For further details, see Note 8C.
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.
The Commissioner		The Commissioner of the Capital Market, Insurance and Savings.

NOTE 1 - GENERAL (cont.)

C. Control of The Phoenix Holdings

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

As of the report publication date Belenus holds approx. 31.24% of the Company's shares. On April 21, 2024, Belenus informed the Company that the Capital Market, Insurance and Savings Authority awarded the controlling shareholders a permit to hold means of control in the Company and in The Phoenix Insurance at a rate of up to 10% of the means of control in the Company. The permit will come into effect on the date on which the holding rate of the controlling shareholders through Belenus will be lower than 30% (fully diluted). On the date on which the holding permit will come into effect, the control permit will expire.

The holding permit includes various provisions, including provisions regarding the time frames for the coming into effect of the holding permit; provisions regarding the structure of the board of directors in the Company and in the subsidiaries, which are regulated by the Capital Market, Insurance and Savings Authority, and regarding maintaining the control structure of the controlling shareholders; provisions regarding sale or transfer - by Belenus - of means of control in the Company; as from the date on which the control permit will come into effect, the controlling shareholders will be precluded from using their votes in relation to appointment and termination of service of Company directors if their holding is higher than 10% of the Company's share capital. The holding permit also includes restrictions on the controlling shareholders in connection with transactions and holdings for various periods involving the Company and competing entities.

In addition, as from the date on which the holding permit will come into effect the controlling shareholders' undertaking in connection with the outline for supplementing the insurer's shareholders' equity will be canceled, including the requirement to hold in trust Company shares at a rate of 4.5% of the Company's share capital in order to supplement the shareholders' equity, in the event that The Phoenix Insurance fails to meet the capital requirements it is subject to.

For further details, see the immediate report dated April 21, 2024 (Ref. No.: 2024-01-044958).

D. **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 1,500 Israeli citizens, soldiers and members of the defense and rescue forces were killed in the line of duty or murdered as part of the War, 125 citizens and soldiers are held as hostages in the Gaza Strip, and approx. 11,500 sustained various injuries. 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 (on May 11, 2024, Moody's reiterated the rating and outlook).

Rating agency Fitch announced on October 17, 2023 that it was placing the State of Israel on the Rating Watch Negative list.

Rating agency S&P announced on October 24, 2023 its revision of the rating outlook for the State of Israel to negative; on April 18, 2024, S&P announced it was downgrading the State of Israel's rating from AA- to A+, with a negative outlook.

NOTE 1 - GENERAL (cont.)

D. The Iron Swords War (cont.)

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 Annual Consolidated Financial Statements.

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, higher inflation, changes in yield curves and in central bank's interest rate, insurance risks, and more.

Further to Note 1C(2)a to the Consolidated Annual Financial Statements regarding the effects of the Iron Swords War on the Life Insurance and Long-Term Savings Segment, in the reporting period claims were assessed and filed in life and disability insurance amounting to approx. NIS 12 million (retention).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the consolidated interim financial statements

The Consolidated Interim Financial Statements of the Company have been drawn up in accordance with the provisions of the Securities Regulations (Periodic and Immediate Reports), 1970. In accordance with these provisions, those financial statements data that relate to a consolidated subsidiary, which falls within the scope of the definition of insurer, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, are drawn up in accordance with the requirements set by the Commissioner in accordance with the Financial Services Supervision Law (Insurance), 1981.

In accordance with requirements set by the Commissioner, the first-time application date of IFRS 17 regarding Insurance Contracts and IFRS 9 regarding Financial Instruments was postponed to January 1, 2025 (instead of the first-time application date that was set in the standard itself - January 1, 2023). Consequently, during the periods through the date of first-time application in Israel, those data in the financial statements that relate to The Phoenix Insurance, as stated above, continue to be drawn up in accordance with IFRS 4 regarding Insurance Contracts, and IAS 39, Financial Instruments (of 2017).

In addition, data included in The Phoenix Insurance's consolidated financial statements, which do not relate to IFRS 17 and IFRS 9 as stated above, and the remaining data in the consolidated financial statements, are drawn up in accordance with IAS 34 - "Interim Financial Reporting".

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

The accounting policies applied in the preparation of the Consolidated Interim Financial Statements are consistent with those implemented in the preparation of the Consolidated Annual Financial Statements.

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

1. IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) published IFRS 18 - Presentation and Disclosure in Financial Statements (hereinafter - the "New Standard") - which supersedes IAS 1 - Presentation of Financial Statements (hereinafter - "IAS 1").

The New Standard is aimed at improving the comparability and transparency of communication of financial statements.

The New Standard includes requirements previously included in IAS 1, and introduces new requirements on presentation within the statement of profit or loss, including the presentation of totals and subtotals required under the New Standard, disclosure of management-defined performance measures, and new requirements for the aggregation and disaggregation of financial information.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

1. IFRS 18, Presentation and Disclosure in Financial Statements (cont.)

The New Standard does not change the provisions regarding recognition and measurement of items in the financial statements. However, since items in the statement of profit or loss must be classified into one of five categories (operating, investing, financing, income taxes, and discontinued operations), it may change the structure of the Company's statement of profit and loss. In addition, the publication of the New Standard triggered limited amendments to other accounting standards, including IAS 7 - Statement of Cash Flow - and IAS 34 - Interim Financial Reporting.

The New Standard was applied retrospectively as from annual periods beginning on January 1, 2027. Early application is permitted, provided a disclosure is made.

The Company is studying the effect - on the consolidated financial statements - of the New Standard, including the effect of consequential amendments to other accounting standards.

C. Reclassified

The Company classified liabilities in comparative figures as of March 31, 2023 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.

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

	CPI		Representative exchange rate Of USD
	Known CPI	In lieu CPI	
	%	%	%
For the three months ended on:			
March 31, 2024	0.29	0.95	1.5
March 31, 2023	1.08	1.19	2.7
For the year ended December 31, 2023	3.0	3.3	3.1

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, permanent health 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 to the Annual Consolidated Financial Statements).

2. Health Insurance Segment

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

3. Property and Casualty Segment

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

- Compulsory motor subsegment
  The compulsory motor subsegment focuses on coverage, the purchase of which by the vehicle owner or driver is mandatory, in respect of bodily injury caused as a result of the use of a motor vehicle (to the driver, passengers, or pedestrians).

- Motor property subsegment
  The motor property subsegment focuses on coverage against property damage to the policyholder's vehicle and third-party property damage caused by the insured vehicle.

- Other liability subsegments
  The liability subsegments provide coverage in respect of the policyholder's liability for any third-party damage he/she may cause. These subsegments include: third-party liability, employers' liability, professional liability, product liability and other subsegments.

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

4. Retirement (Pension and Provident) Segment

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, General Partnership" - are included in the results of this segment. (For further details, see Note 4B to the Annual Consolidated Financial Statements).

In accordance with the Commissioner's directives, segment activity is described separately for the Retirement (Pension and Provident) Activity.

NOTE 3 - OPERATING SEGMENTS (cont.)

5. Investment House and Wealth Segment

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, execution services on the Stock Exchange, 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) Segment

The Distribution (Agencies) Segment includes the activity of the pension arrangement agencies and other insurance agencies in the group.

7. Credit Segment

The Credit Segment mostly includes Gama. Gama is a credit aggregator providing financing against post-dated checks (factoring), acquiring, and management of credit vouchers services, financing against real estate properties, loans and credit, equipment financing and supplier financing. Further to Note 8E(8) to the Consolidated Annual Financial Statements, on January 1, 2024, The Phoenix Financing and Construction was transferred from the Company to Gama, such that, as of that date, the segment includes the operating results of The Phoenix Financing and Construction. In addition, the results of the segment include the consumer credit activity under an investee, providing all-purpose loans.

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 capital 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

	Life insurance (a)	Health insurance (b)	P&C insurance (c)	Retirement (Pension and Provident) (d)	Investment House and Wealth	Distribution (Agencies)	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	For the three-month period ended March 31, 2024									
	Unaudited									
	NIS thousand									
Premiums earned, gross	1,028,470	511,138	1,121,883	-	-	-	-	-	-	2,661,491
Premiums earned by reinsurers	65,246	37,462	298,378	-	-	-	-	-	-	401,086
Premiums earned - retention	963,224	473,676	823,505	-	-	-	-	-	-	2,260,405
Investment income, net and finance income	4,914,067	580,603	88,004	23,241	12,268	4,519	54,128	99,227	(6,863)	5,769,194
Income from management fees	166,290	-	-	199,335	104,761	1,429	200	750	(15,881)	456,884
Income from fees and commissions (e)	8,816	8,621	77,960	-	-	206,935	-	-	(71,443)	230,889
Income from Investment House and Wealth	-	-	-	-	96,000	-	-	-	-	96,000
Income from factoring and acquiring	-	-	-	-	-	-	48,076	-	-	48,076
Other income	244	-	-	479	477	3,823	-	2,757	(455)	7,325
Total income	6,052,641	1,062,900	989,469	223,055	213,506	216,706	102,404	102,734	(94,642)	8,868,773
Increase in insurance liabilities and payments in respect of insurance contracts	5,935,616	1,025,828	649,930	16,059	-	-	-	-	-	7,627,433
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	66,562	42,377	144,044	-	-	-	-	-	-	252,983
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	5,869,054	983,451	505,886	16,059	-	-	-	-	-	7,374,450
Fees and commissions and other purchase expenses	147,231	121,210	199,290	98,916	17,926	-	1,736	-	(60,486)	525,823
General and administrative expenses	97,926	34,435	33,357	62,221	118,671	134,614	39,020	17,316	(17,667)	519,893
Other expenses	2,882	-	-	8,738	1,428	6,676	2,030	3,723	(114)	25,363
Finance expenses (income)	9,514	-	1,969	6,561	8,018	3,536	28,681	59,316	(6,195)	111,400
Total expenses	6,126,607	1,139,096	740,502	192,495	146,043	144,826	71,467	80,355	(84,462)	8,556,929
Company's share in the net results of investees	(4,420)	15,282	6,603	-	4,243	580	-	2,880	-	25,168
Income (loss) before income tax	(78,386)	(60,914)	255,570	30,560	71,706	72,460	30,937	25,259	(10,180)	337,012
Other comprehensive income (loss) before income tax	(4,978)	(932)	(4,577)	-	-	-	-	126,757	-	116,270
Comprehensive income (loss) before income tax	(83,364)	(61,846)	250,993	30,560	71,706	72,460	30,937	152,016	(10,180)	453,282
	As of March 31, 2024									
	Unaudited									
	NIS thousand									
Liabilities in respect of insurance contracts and yield-dependent investment contracts	98,820,437	3,281,071	-	-	-	-	-	-	-	102,101,508
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,975,067	3,976,672	8,134,484	1,064,688	-	-	-	-	-	26,150,911

(a) For additional data regarding the life insurance and savings subsegments, see Section B below.
(b) For additional data regarding the Health Insurance Subsegments, see Section C below.
(c) For additional data regarding the property and casualty insurance subsegments, see Section d below.
(d) For more information regarding the Retirement (Pension and Provident) Subsegments, see Section E below.
(e) 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 three-month period ended March 31, 2023									
	Life insurance (a)	Health insurance (b)	P&C insurance (c)	Retirement (Pension and Provident) (d)	Investment House and Wealth	Distribution (Agencies)	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited									
	NIS thousand									
Premiums earned, gross	1,207,599	807,741	936,259	-	-	-	-	-	-	2,951,599
Premiums earned by reinsurers	68,570	57,897	265,365	-	-	-	-	-	-	391,832
Premiums earned - retention	1,139,029	749,844	670,894	-	-	-	-	-	-	2,559,767
Investment income (losses), net and finance income	907,421	97,697	23,760	21,751	10,997	5,587	35,344	(179,821)	(4,994)	917,742
Income from management fees	147,872	-	-	178,288	88,031	435	-	995	(7,079)	408,542
Income from fees and commissions (e)	14,840	10,422	59,334	-	-	191,285	-	-	(62,513)	213,368
Income from Investment House and Wealth	-	-	-	-	70,000	-	-	-	-	70,000
Income from factoring and acquiring	-	-	-	-	-	-	46,212	-	-	46,212
Other income	255	-	-	470	1,123	3,102	-	-	(406)	4,544
Total income	2,209,417	857,963	753,988	200,509	170,151	200,409	81,556	(178,826)	(74,992)	4,220,175
Increase in insurance liabilities and payments in respect of insurance contracts	2,146,267	659,646	720,723	23,303	-	-	-	-	-	3,549,939
Less - reinsurance	46,561	82,897	241,565	-	-	-	-	-	-	371,023
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	2,099,706	576,749	479,158	23,303	-	-	-	-	-	3,178,916
Fees and commissions and other purchase expenses	158,444	122,804	172,477	88,943	16,871	-	1,590	-	(53,369)	507,760
General and administrative expenses	98,442	45,012	35,910	57,194	97,767	121,230	25,942	19,036	(8,905)	491,628
Other expenses (income)	(1,066)	-	-	7,807	5,576	6,421	2,030	-	(113)	20,655
Finance expenses (income)	5,069	-	4,549	2,956	2,351	763	23,958	61,044	(4,330)	96,360
Total expenses	2,360,595	744,565	692,094	180,203	122,565	128,414	53,520	80,080	(66,717)	4,295,319
Company's share in the net results of investees	3,088	24,626	(24,262)	-	3,276	901	-	(1,593)	-	6,036
Income (loss) before income tax	(148,090)	138,024	37,632	20,306	50,862	72,896	28,036	(260,499)	(8,275)	(69,108)
Other comprehensive income before income tax	70,705	12,243	38,122	-	-	-	-	79,945	-	201,015
Comprehensive income (loss) before income tax	(77,385)	150,267	75,754	20,306	50,862	72,896	28,036	(180,554)	(8,275)	131,907
	As of March 31, 2023									
	Unaudited									
	NIS thousand									
Liabilities in respect of insurance contracts and yield-dependent investment contracts	88,788,880	7,236,109 (*)	-	-	-	-	-	-	-	96,024,989
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,641,956	3,440,545 (*)	7,578,381	1,030,382	-	-	-	-	-	24,691,264

(a) For additional data regarding the life insurance and savings subsegments, see Section B below.
(b) For additional data regarding the Health Insurance Subsegments, see Section C below.
(c) For additional data regarding the property and casualty insurance subsegments, see Section d below.
(d) For more information regarding the Retirement (Pension and Provident) Subsegments, see Section E below.
(e) Arises from fees and commissions income received from agencies owned by the Group, mainly from activities in the Life and Savings Segment.
(*) Reclassified, for further details, see Note 2C.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

	For the year ended December 31, 2023									
	Life insurance (a)	Health insurance (b)	P&C insurance (c)	Retirement (Pension and Provident) (d)	Investment House and Wealth	Distribution (Agencies)	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	Audited									
	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 (e)	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 acquiring	-	-	-	-	-	-	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 (income)	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
Income (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
	As of December 31, 2023									
	Audited									
	NIS thousand									
Liabilities in respect of insurance contracts and yield-dependent investment contracts	94,693,723	8,279,568	-	-	-	-	-	-	-	102,973,291
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

(a) For additional data regarding the life insurance and savings subsegments, see Section B below.

(b) For additional data regarding the Health Insurance Subsegments, see Section C below.

(c) For additional data regarding the property and casualty insurance subsegments, see Section d below.

(d) For more information regarding the Retirement (Pension and Provident) Subsegments, see Section E below.

(e) 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 information regarding the Life and Savings Segment

Breakdown of results by type of policy

Data for the three-month period ended March 31, 2024:

	Policies including a saving component (including appendices) by policy issuance date				Policies without a savings component sold as a single policy		
			From 2004				
	Until 1990 (1)	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
	Unaudited						
	NIS thousand						
Gross premiums:	12,094	281,155	-	533,388	177,779	24,054	1,028,470
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	1,470,937	-	-	1,470,937
Financial margin including management fees (2)	(7,201)	55,252 (3)	-	110,663	-	-	158,714
Payments and change in liabilities in respect of insurance contracts, gross	189,960	1,999,947 (4)	-	2,245,540 (4)	155,382	19,275	4,610,104
Payments and changes in liabilities in respect of investment contracts	-	-	-	1,325,512 (4)	-	-	1,325,512
Total payments and change in liabilities from life insurance and savings							5,935,616
Total comprehensive income (loss) from Life Insurance and Savings Business	(39,318) (5)	(47,357) (5)	-	48,535	(49,479)	4,255	(83,364)

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment income, for the reporting year, less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. As of March 31, 2024, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approx. NIS 218 million. As of the report publication date, the estimated management fees which will not be collected amounted to approx. NIS 302 million.
4. This amount includes investment income or losses carried to participating policies.
5. Includes a loss in respect of the effect of the change in the discount rate on calculation of the supplementary retirement pension reserve and paid pensions totaling approx. NIS 36 million, before tax. For further details, see Note 8A.

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional information regarding the Life and Savings Segment (cont.)

Breakdown of results by type of policy (cont.)

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

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

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment income, for the reporting year, less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. As of March 31, 2023, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approx. NIS 691 million.
4. This amount includes investment income or losses carried to participating policies.
5. Includes income in respect of the effect of the change in the discount rate on calculation of the supplementary retirement pension reserve and paid pensions totaling approx. NIS 26 million, before tax. For further details, see Note 8A.

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional information regarding the Life and Savings Segment (cont.)

Breakdown of results by type of policy (cont.)

Data for the year ended December 31, 2023:

	Policies including a saving component (including appendices) by policy issuance date				Policies without a savings component sold as a single policy		
			From 2004				
	Until 1990 (1)	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective	Total
	Audited						
	NIS thousand						
Gross premiums:	51,910	1,164,959	-	2,500,462	694,165	130,643	4,542,139
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	5,241,397	-	-	5,241,397
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 (4)	-	5,415,055 (4)	407,795	89,489	10,699,616
Payments and changes in liabilities in respect of investment contracts	-	-	-	2,083,371 (4)	-	-	2,083,371
Total payments and change in liabilities from life insurance and savings							12,782,987
Total comprehensive income (loss) from Life Insurance and Savings Business (4)	32,814 (5)	(102,532) (5)	-	27,244	12,037	39,272	8,835

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 yield in respect of participating policies amounted to approx. NIS 449 million.
4. This amount includes investment income or losses carried to participating policies.
5. Includes income in respect of the effect of the changes in the discount rate and in the assumptions regarding the cost of claims for disability insurance totaling approx. approx. NIS 153 million, before tax. For details, see Note 8A.

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the Health Insurance Segment

	Data for the period ended March 31, 2024				
	Long-term care		Other (2)		
	Individual	Collective (4)	Long-term	Short-term	Total
	Unaudited				
	NIS thousand				
Gross premiums	70,050	-	450,124(1)	13,090(1)	533,264
Payments and change in liabilities in respect of insurance contracts, gross	230,907	509,155	280,999	4,771	1,025,832
Total comprehensive income (loss) from Health Insurance Business	(93,999) (3)	4,292	26,322	1,539	(61,846)

(1) Of this, individual premiums in the amount of NIS 285.134 thousand and collective premiums in the amount of NIS 178,080 thousand.

	Data for the period ended March 31, 2023				
	Long-term care		Other (2)		
	Individual	Collective (4)	Long-term	Short-term	Total
	Unaudited				
	NIS thousand				
Gross premiums	69,874	303,956	402,880(1)	27,164(1)	803,874
Payments and change in liabilities in respect of insurance contracts, gross	(13,460)	394,097	268,121	10,888	659,646
Total comprehensive income (loss) from Health Insurance Business	141,471 (3)	(3,757) (3)	9,512	3,041	150,267

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

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the Health Insurance Segment (cont.)

	Data for the year ended December 31, 2023				
	Long-term care		Other (2)		
	Individual	Collective (4)	Long-term	Short-term	Total
	Audited				
	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
Total comprehensive income (loss) from Health Insurance Business	218,675	(36,973)	149,900	16,020	347,622

(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 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.

(3) The income (loss) in the three-month periods ended March 31, 2024 and March 31, 2023 includes an increase in the insurance reserve (LAT) at the total amount of approx. NIS 124 million and a decrease of approx. NIS 105 million in the insurance reserves (LAT), respectively.

(4) 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 as 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. In accordance with the above, most of the decrease in liabilities in respect of insurance contracts and yield-dependent investment contracts in the Health Insurance Segment arises from the discontinuation of long-term care insurance for Maccabi members.

NOTE 3 - OPERATING SEGMENTS (cont.)

D. Additional data regarding the Property and Casualty Insurance Segment

	For the three-month period ended March 31, 2024				
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
			Unaudited		
			NIS thousand		
Gross premiums	226,630	585,243	300,956	223,922	1,336,751
Reinsurance premiums	7,519	-	198,990	105,497	312,006
Premiums - retention	219,111	585,243	101,966	118,425	1,024,745
Change in unearned premium balance, retention	41,924	117,164	23,726	18,426	201,240
Premiums earned - retention	177,187	468,079	78,240	99,999	823,505
Investment income, net and finance income	36,886	19,327	4,226	27,565	88,004
Income from fees and commissions	3,387	-	59,988	14,585	77,960
Total income	217,460	487,406	142,454	142,149	989,469
Payments and change in liabilities in respect of insurance contracts, gross	135,947	302,742	95,447	115,794	649,930
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	259	(10)	80,544	63,251	144,044
Payments and change in liabilities for insurance contracts - retention	135,688	302,752	14,903	52,543	505,886
Fees and commissions, marketing expenses and other purchase expenses	16,164	80,126	57,684	45,316	199,290
General and administrative expenses	5,470	12,463	7,105	8,319	33,357
Finance expenses	1,058	-	121	790	1,969
Total expenses	158,380	395,341	79,813	106,968	740,502
Company's share in the net results of investees	2,750	1,483	315	2,055	6,603
Profit before taxes on income	61,830	93,548	62,956	37,236	255,570
Other comprehensive loss before income tax	(1,906)	(1,029)	(218)	(1,424)	(4,577)
Total comprehensive income for the period before taxes on income	59,924	92,519	62,738	35,812	250,993
Liabilities in respect of insurance contracts - gross - as of March 31, 2024	3,037,971	1,294,296	1,237,186	2,565,031	8,134,484
Liabilities in respect of insurance contracts - retention - as of March 31, 2024	2,145,125	1,294,292	260,894	1,608,426	5,308,737

(*) 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 79% of total premiums in these subsegments.

NOTE 3 - OPERATING SEGMENTS (cont.)

D. Additional data regarding the Property and Casualty Insurance Segment (cont.)

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

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

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

NOTE 3 - OPERATING SEGMENTS (cont.)

D. Additional data regarding the Property and Casualty Insurance Segment (cont.)

	For the year ended December 31, 2023				
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
	Audited				
	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)
Profit before taxes on income	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.)

E. Additional data regarding the Retirement (Pension and Provident) Segment

	For the three-month period ended March 31, 2024		
	Provident funds	Pension	Total
	Unaudited		
	NIS thousand		
Investment income, net and finance income	19,139	4,102	23,241
Income from management fees	112,809	86,526	199,335
Other income	38	441	479
Total income	131,986	91,069	223,055
Change in liabilities for investment contracts	16,059	-	16,059
Fees and commissions, marketing expenses and other purchase expenses	51,100	47,816	98,916
General and administrative expenses	34,906	27,315	62,221
Other expenses	4,992	3,746	8,738
Finance expenses	2,340	4,221	6,561
Total expenses	109,397	83,098	192,495
Comprehensive income before income tax for the year	22,589	7,971	30,560

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

NOTE 3 - OPERATING SEGMENTS (cont.)

E. Additional data regarding the Retirement (Pension and Provident) Segment (cont.)

	For the year ended December 31, 2023		
	Provident funds	Pension	Total
		Audited	
		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

NOTE 4 - BUSINESS COMBINATIONS

Acquisition of the active mutual funds activity from Psagot by The Phoenix Investment House (including through subsidiaries)

On December 19, 2023, The Phoenix Investment House engaged with companies of the Psagot Investment House group in a binding agreement for a total consideration of approx. NIS 150 million (hereinafter - the "Consideration Amount"), as detailed below:

The agreement between The Phoenix Investment House and KSM Mutual Funds Ltd., 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 for a period of 4 years (hereinafter jointly - the "Funds Sale Agreement").

On March 21, 2024, after the fulfillment of all the conditions precedent, the transaction was completed in consideration for approx. NIS 151 million and assets under management of active funds at the total value of approx. NIS 22.8 billion were transferred to The Phoenix Investment House.

For the purpose of the said acquisition, The Phoenix Investment House took a bank loan at the total amount of approx. NIS 100 million for a period of 7 years. The loan principal will bear an interest of Prime minus 0.5%.

The Phoenix Investment House recognized the fair value of the assets acquired and the liabilities assumed as part of the business combination according to a provisional measurement. As of the approval date of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities assumed. A final adjustment of the consideration for the acquisition as well as the fair value of the assets and liabilities acquired 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.

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 41 million, and goodwill in the amount of approx. NIS 110 million.

NOTE 5 - FINANCIAL INSTRUMENTS

A. Assets for yield-dependent contracts

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

	As of March 31		As of December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
Investment property	2,300,749	2,141,480	2,283,063
Financial investments:			
Liquid debt assets	21,364,044	22,258,479	22,136,113
Illiquid debt assets	8,174,086	7,933,273	7,849,659
Shares	19,855,476	18,536,788	19,844,102
Other financial investments	33,148,872	29,502,354	32,988,063
Total financial investments	82,542,478	78,230,894	82,817,937
Cash and cash equivalents	17,890,179	17,139,322	19,303,547
Other	293,615	183,826	364,965
Total assets for yield-dependent contracts	103,027,021	97,695,522	104,769,512

2. Fair value of financial assets by level:

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

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

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

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

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

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Liquid debt assets	15,759,545	5,604,499	-	21,364,044
Illiquid debt assets	-	5,449,939	2,724,147	8,174,086
Shares	17,466,646	123,240	2,265,590	19,855,476
Other financial investments	11,932,358	883,887	20,332,627	33,148,872
Total	45,158,549	12,061,565	25,322,364	82,542,478

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

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

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

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	Audited			
	NIS thousand			
Financial investments:				
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

* Reclassified.

Assets measured at fair value - Level 3

	Fair value measurement at the reporting date				
	Financial assets at fair value through profit and loss				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	NIS thousand				
Balance as of January 1, 2024 (audited)	-	2,694,773	2,104,471	19,230,673	24,029,917
Total income recognized in profit or loss (*)	-	71,175	25,249	541,163	637,587
Purchases	-	204,769	143,592	1,240,010	1,588,371
Proceeds from interest and dividend	-	(21,528)	(7,722)	(257,516)	(286,766)
Redemptions / sales	-	(206,246)	-	(421,703)	(627,949)
Transfers from Level 3 (**)	-	(18,796)	-	-	(18,796)
Balance as of March 31, 2024 (unaudited)	-	2,724,147	2,265,590	20,332,627	25,322,364
(*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of March 31, 2024 (unaudited)	-	40,841	17,862	393,718	452,421

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

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

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

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

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

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

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

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

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

	Fair value measurement at the reporting date				
	Financial assets at fair value through profit and loss				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	Audited				
	NIS thousand				
Balance as of January 1, 2023	-	1,916,398	1,876,296	17,268,806	21,061,500
Total income (losses) recognized					-
Total income recognized in profit or 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 / 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 unrealized gains for the period recognized 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.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments

1. Illiquid debt assets

Composition:

	As of March 31, 2024	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
Government bonds		
Presented as loans and receivables:		
Designated bonds and treasury deposits (*)	8,428,707	10,547,063
Other non-convertible debt assets		
Presented at fair value through profit and loss	21,428	21,428
Presented as loans and receivables:		
Other non-convertible debt assets, excluding deposits with banks	6,617,875	6,604,374
Deposits with banks	1,009,130	1,014,786
Total other non-convertible debt assets	7,648,433	7,640,588
Total illiquid debt assets	16,077,140	18,187,651
Impairments carried to profit and loss (cumulative)	81,179	

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

	As of March 31, 2023	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
Government bonds		
Presented as loans and receivables:		
Designated bonds and treasury deposits (*)	8,764,949	11,521,237
Other non-convertible debt assets		
Presented as loans and receivables:		
Other debt assets, excluding deposits with banks	7,169,284	6,931,503
Deposits with banks	1,343,693	1,356,488
Total other non-convertible debt assets	8,512,977	8,287,991
Total illiquid debt assets	17,277,926	19,809,228
Impairments carried to profit and loss (cumulative)	54,644	

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

	As of December 31, 2023	
	Carrying amount	Fair value
	Audited	
	NIS thousand	
Government bonds		
Presented as loans and receivables:	8,300,538	10,586,670
Designated bonds and treasury deposits (*)		
Other non-convertible debt assets		
Presented at fair value through profit and loss	21,060	21,060
Presented as loans and receivables:		
Other debt assets, excluding deposits with banks	7,494,386	7,473,444
Deposits with banks	777,937	784,524
Total other non-convertible debt assets	8,293,383	8,279,028
Total illiquid debt assets	16,593,921	18,865,698
Impairments carried to profit and loss (cumulative)	103,271	

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

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

2. Fair value of financial assets by level

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

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Liquid debt assets	4,669,054	1,098,302	-	5,767,356
Illiquid debt assets	-	-	21,428	21,428
Shares	1,885,288	47,136	547,402	2,479,826
Other	489,888	163,164	4,987,426	5,640,478
Total	7,044,230	1,308,602	5,556,256	13,909,088

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

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	Audited			
	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

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

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

Assets measured at fair value - Level 3

	Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	NIS thousand				
Balance as of January 1, 2024 (audited)	-	21,060	525,605	5,033,923	5,580,588
Total income (losses) recognized:					
In profit or loss (*)	-	368	24,018	104,877	129,263
In other comprehensive income	-	-	(18,393)	(17,464)	(35,857)
Purchases	-	-	44,012	260,059	304,071
Proceeds from interest and dividend	-	-	(1,323)	(64,474)	(65,797)
Redemptions / sales	-	-	(26,517)	(329,495)	(356,012)
Balance as of March 31, 2024 (unaudited)	-	21,428	547,402	4,987,426	5,556,256
(*) Of which: Total unrealized gains (losses) for the period included in profit and loss in respect of assets held as of March 31, 2024 (unaudited)	-	368	2,100	(463)	2,005

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

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

Assets measured at fair value - Level 3

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

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

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

	Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
			Audited		
			NIS thousand		
Balance as of January 1, 2023	-	-	486,793	4,111,483	4,598,276
Total income (losses) recognized:					
In profit or 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 / 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 unrealized 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 primarily from a securities issued for the first time.

C. Credit assets in respect of factoring, acquiring and financing

	As of March 31 2024	As of March 31 2023	As of December 31 2023
	Unaudited	Unaudited	Audited
	NIS thousand	NIS thousand	NIS thousand
Trade receivables and checks for collection	790,360	971,779	858,113
Credit vouchers	11,160	13,325	10,539
Loans and checks for collection	1,624,198(*)	1,071,231	1,016,231
Credit vouchers for sale	1,871,893	1,410,028	1,851,336
Credit loss provision	(42,244)	(27,584)	(35,870)
Total	4,255,367	3,438,779	3,700,349

(*) For details regarding the restructuring in the Credit Segment, see Note 8C.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities

1. Breakdown of financial liabilities

	Balance as of March 31, 2024	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
Financial liabilities presented at amortized cost:		
Short-term credit from banking corporations	1,352,212	1,352,212
Loans from non-bank entities	837,001	837,001
Bonds	2,501,336	2,462,586
Subordinated notes (1)	4,086,091	3,984,749
Notes - additional Tier 1 capital (1)	218,898	207,295
Trade receivables for credit cards	1,716,092	1,716,092
REPO in respect of non-yield-dependent contracts (2)	614,851	614,851
Other (3)	47,359	47,359
	11,373,840	11,222,145
Financial liabilities presented at fair value through profit and loss:		
Derivatives held for yield-dependent contracts	752,090	752,090
Derivatives held for non-yield-dependent contracts	369,242	369,242
Liability for short sale of liquid securities	1,266,398	1,266,398
Total financial liabilities presented at fair value through profit and loss	2,387,730	2,387,730
Lease liabilities (4)	179,792	
Total financial liabilities	13,941,362	

(1) The notes were issued for the purpose of complying with the capital requirements.
For information regarding full early redemption of Bonds (Series D), see Note 8H.

(2) The Phoenix Insurance has entered into repo and reverse repo agreements with foreign banks. These transactions are made against liquid debt assets of the Government of Israel and include adjustment mechanisms for the value of the collaterals which shall be provided against the consideration received in the transaction.

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

(4) Disclosure of fair value was not required.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities (cont.)

1. Breakdown of financial liabilities (cont.)

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

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

(2) The Phoenix Insurance has entered into repo and reverse repo agreements with foreign banks. These transactions are made against liquid debt assets of the Government of Israel and include adjustment mechanisms for the value of the collaterals which shall be provided against the consideration received in the transaction.

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

(4) Disclosure of fair value was not required.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities (cont.)

1. Breakdown of financial liabilities (cont.)

	As of December 31, 2023	
	Carrying amount	Fair value
	Audited	
	NIS thousand	
Financial liabilities presented at amortized cost:		
Short-term credit from banking corporations	1,011,800	1,011,800
Loans from non-bank entities	886,621	886,621
Bonds	2,495,765	2,439,861
Subordinated notes (1)	4,480,493	4,388,401
Subordinated notes - Additional Tier 1 capital (1)	217,644	240,359
Trade receivables for credit cards	1,754,711	1,754,711
REPO in respect of non-yield-dependent contracts (2)	833,501	833,501
Other (3)	54,069	54,069
Total financial liabilities presented at amortized cost	11,734,604	11,609,323
Financial liabilities presented at fair value through profit and loss:		
Derivatives held for yield-dependent contracts	1,052,783	1,052,783
Derivatives held for non-yield-dependent contracts	439,993	439,993
REPO in respect of yield-dependent contracts (2)	1,180,841	1,180,841
Liability for short sale of liquid securities	1,038,609	1,038,609
Other	6,000	6,000
Total financial liabilities presented at fair value through profit and loss	3,718,226	3,718,226
Lease liabilities (4)	123,079	
Total financial liabilities	15,575,909	

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

(2) The Phoenix Insurance has entered into repo and reverse repo agreements with foreign banks. These transactions are made against liquid debt assets of the Government of Israel and include adjustment mechanisms for the value of the collaterals which shall be provided against the consideration received in the transaction.

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

(4) Disclosure of fair value was not required.

2. Fair value of financial liabilities by level

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Liability for short sale of liquid securities	1,266,398	-	-	1,266,398
Derivatives	25,512	1,084,145	11,675	1,121,332
Financial liabilities presented at fair value	1,291,910	1,084,145	11,675	2,387,730

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities (cont.)

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

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

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	Audited			
	NIS thousand			
Derivatives	160,897	1,321,446	10,433	1,492,776
REPO in respect of yield-dependent contracts	-	1,180,841	-	1,180,841
Short sale	1,044,609	-	-	1,044,609
Financial liabilities presented at fair value	1,205,506	2,502,287	10,433	3,718,226

3. Valuation techniques

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

a) Illiquid debt assets

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

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. <u>Financial liabilities</u> (cont.)

3. Valuation techniques (cont.)

b) Illiquid shares

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

c) Derivatives

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

d) Liability for REPO

The Company enters into REPO transactions with multiple parties, especially financial institutions. The underlying assets of these transactions are not derecognized from the Company's statements of financial position, since the Company is still exposed to the risks and economic benefits arising therefrom. Accordingly, the consideration received in the transaction is presented against a financial liability. The differences between the consideration received in the transaction and the future purchase price represents the transaction's implicit effective interest rate, which is used by the Company in the subsequent measurement of the financial liability in the statements of financial position.

NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS

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

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

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

Economic solvency ratio

The economic solvency ratio is calculated as the ratio between the Insurance Company's recognized economic equity and the solvency capital requirement.
The recognized economic equity capital is determined as the sum of the core tier 1 capital derived from the economic balance sheet and debt instruments that include loss absorption mechanisms (Additional Tier 1 capital and Tier 2 capital instrument).
Economic balance sheet items are calculated based on economic value, with insurance liabilities calculated on the basis of a best estimate of all expected future cash flows from existing businesses, without conservatism margins, and plus a risk margin.
The solvency capital requirement (SCR) is designed to estimate the economic equity's exposure to a series of scenarios set out in the Provisions of the Economic Solvency Regime, and which reflect insurance risks, market risks and credit risks as well as operational risks.
The Economic Solvency Regime includes, among other things, transitional provisions in connection with compliance with capital requirements, and which allow increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the Provisions of the Economic Solvency Regime (hereinafter - the "Deduction"). The Deduction will decrease gradually until 2032 (hereinafter - the "Transitional Period").

In 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 to the Annual Consolidated Financial Statements, 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 publishes, in the framework of the Report of the Board of Directors, the estimated quarterly solvency ratio as of March 31 and September 30, as part of the periodic report published following the calculation date. The calculation of the estimated quarterly solvency ratio is not audited or reviewed by the independent auditor, and the controls conducted by The Phoenix Insurance for the purpose of publishing the estimated ratio are less in scope compared to those executed for the purpose of publishing the Solvency Ratio Report, which is published in accordance with the Commissioner's directives. In addition, if the Company's solvency ratio falls to 120% or below, it will publish a Full Solvency Ratio Report on a quarterly basis in a semi-annual format, instead of an estimated ratio.

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

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

The Phoenix Insurance published its Solvency Ratio Report as of December 31 2023 along with the publication of the Financial Statements. In accordance with the Solvency Ratio Report as of December 31, 2023, 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 as of December 31, 2023 made by The Phoenix Insurance was reviewed by The Phoenix Insurance's independent auditors, in accordance with International Standard on Assurance Engagements (ISAE 3400) - The Examination of Prospective Financial Information. This standard is relevant to audits of solvency calculations and does not constitute part of the auditing standards that apply to financial statements.

It should be emphasized that the projections and assumptions on the basis of which the Economic Solvency Ratio Report was prepared are based mainly on past experience as arising from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The calculation is sometimes based on assumptions regarding future events, steps taken by management, and the pattern of the future development of the risk margin, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the calculation. Furthermore, actual results may materially vary from the calculation, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation.

In their special report, the independent auditors noted that they did not review the appropriateness of the Deduction During the Transitional Period as of December 31, 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 detailed in the provisions on calculation of risk margin. Furthermore, attention is drawn to 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 December 31, 2023.

B. Dividend

According to the letter published by the Commissioner, in October 2017, (hereinafter - the "Dividend Distribution Letter") an insurance company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio - according to the Provisions of the Economic Solvency Regime - of at least 100%, calculated without taking into account the transitional provisions and subject to the economic solvency ratio target set by the Company's Board of Directors. The aforesaid ratio shall be calculated without the relief granted in respect of the original difference attributed to the acquisition of the provident funds and management companies. In addition, the letter set out provisions for reporting to the Commissioner.

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

B. Dividend (cont.)

The Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target and target range based on Solvency II. The economic solvency ratio target range, within which the Company seeks to be during and at the end of the Transitional Period, taking into account the Deduction during the Transitional Period and its gradual reduction is 150%-170%. In addition, the minimum economic solvency ratio target, taking into account the transitional provisions, is set at 135%. In addition, on August 23, 2023, the Company's Board of Directors increased the minimum economic solvency ratio target by 4 percentage points without taking into account the provisions during the Transitional Period - from a rate of 111% to a rate of 115% beginning on June 30, 2023. This minimum economic solvency ratio target is expected to reach 135% at the end of the Transitional Period, in accordance with the Company's capital plan.

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

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

-Dividend at the discretion of the Board of Directors on the approval date of the Financial Statements for the second quarter of each calendar year.

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

On May 28, 2024, The Phoenix Insurance's Board of Directors approved a revision of its dividend distribution policy whereby, as from 2024, The Phoenix Insurance shall distribute an annual dividend at a rate of 40% to 60%.

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

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

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

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

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

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

D. 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 as long as the Company is the controlling shareholder of this entity.

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

F. For further details regarding the Company's dividend distribution, see Note 8B.

G. For details regarding the share buyback subsequent to the balance sheet date, see Note 9B.

H. For details regarding the Company's dividend distribution policy, see Note 9F.

NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent liabilities

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

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

Motions to certify class actions are filed through the hearing procedure mechanism set forth in the Class Actions Law. The hearings procedure for motions to certify class actions is divided into two main stages: The first stage is the motion to certify the claim as a class action (hereinafter - the “motion to certify" or the “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 certification 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 class action lawsuit.

In the State of Israel, filing class action lawsuits does not entail payment of a fee derived from the claim amount; therefore the amounts of such claims may be significantly higher than the actual exposure for that claim.

In the motions to certify claims as class actions and/or claims certified as class actions, as detailed in Note 43A1 to the Company’s financial statements as of December 31, 2023 and/or in the table below, 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 approval of which is under appeal), in which the Group’s defense claims - in whole or in part - are more likely than not to be rejected, and in which the Group is willing to reach a compromise, provisions were included in the financial statements to cover the exposure as assessed by the Group or a provision in the amount for which the Group is willing to settle, as the case may be.

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

Many of the motions to certify lawsuits as class actions have been filed against the Group on various matters related to insurance contracts and the Group's ordinary course of business, for which the Group has allocated insurance reserves.

In motions to certify lawsuits as class actions as set out in Sections 20, 27, 37, 42, 45-47, 49, 52, 53, 57-59 to Note 43A1 to the Company’s financial statements as of December 31, 2023 and Sections 7-9 in the table below, at this preliminary stage, the chances of the motions to certify lawsuits as class actions cannot be assessed and therefore no provision is included in respect thereof in the Financial Statements.

NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Except as detailed in the table below, as of the report publication date, there were no material changes in the motions to certify lawsuits as class actions, and lawsuits, which were certified as class actions, detailed in Note 43A1 to the Company's financial statements as of December 31, 2023.

Serial No.	Reference to the Company's financial statements as of December 31, 2023	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
1.	43A1(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 "policy factor" commission in a manner that reduced the saving amount accrued in favor of the policyholder for a period starting seven years before the claim was filed.	In November 2016, the District Court - in a parallel case filed against several other insurance companies - partially certified motions to approve the claims as class actions. The class action - both in the corresponding case and in the case heard against The Phoenix Insurance - continues to be heard jointly by the District Court. In June 2023, the parties filed with the Court a motion to approve a settlement agreement. According to the settlement agreement that was filed, the considerations paid to the class members (as defined in the settlement agreement), are: Refund at the rate of 42% in respect of the past for the "policy factor"; future discount of 50% in respect of the "policy factor"; and payment of compensation and legal fees to the class action plaintiff and his attorney (for further details, see immediate report of June 21, 2023, Ref No.: 2023-01-057877). The settlement agreement is subject to the Court's approval. On May 5, 2024 the Attorney General presented her position, whereby she does not object to the rate of refund to the class members in respect of the past (42%) and leaves this to the Court to decide, provided that the revaluation of the refund amounts shall be made by adding actual returns also from 2013 and thereafter; she also does not object to the future reduction of the policy factor, and leaves this to the Court to decide. Furthermore, the position includes an objection and comments regarding other clauses in the settlement agreement, including the legal fees to the representative plaintiff's attorneys, the manner by which refunds will be paid to the class members, and the manner of reducing the policy factor. A hearing on the motion to approve the settlement agreement was scheduled for June 23, 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.
[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 is noted that the amounts in the motion to certify the claim as a class action were different and higher.

NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Reference to the Company's financial statements as of December 31, 2023	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
2.	43A1(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, and in view of the Court's comments in April 2024 they filed an amended settlement agreement at amounts which are immaterial for The Phoenix Insurance. The 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 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Reference to the Company's financial statements as of December 31, 2023	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
3.	43A1(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 riders (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 ruling, 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 May 23, 2024, the motion for leave to appeal filed by The Phoenix Insurance to the Supreme Court against the certification ruling was struck out, while maintaining the parties' arguments, and the class action itself continues to be heard by 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 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Reference to the Company's financial statements as of December 31, 2023	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
4.	43A1(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 home insurance policy automatically while increasing the premium, allegedly without obtaining policyholders' consent.	On April 7, 2024, 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 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Reference to the Company's financial statements as of December 31, 2023	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
5.	43A1(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 Note 43A1 to the Company's financial statements as of December 31, 2023).	The motion to 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 in Note 43A1 to the Company's financial statements as of December 31, 2023). 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.

NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Reference to the Company's financial statements as of December 31, 2023	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
6.	43A1(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 disability 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.	On May 24, 2024, the Court issued a resolution approving the motion to certify the claim as a class lawsuit. The certification ruling stipulated, among other things, that the group on whose behalf the class action will be pursued comprises all The Phoenix Insurance's policyholders, who were insured under a disability insurance with The Phoenix Insurance between May 19, 2015 (seven years prior to the lawsuit filing date) and through May 19, 2022, and only with respect to two appendices as defined in the certification ruling, and the definition of the "age for insurance purposes" condition, as raised in the proceeding by The Phoenix Insurance, applies to their case, in accordance with the conditions set in the certification ruling.

[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 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Reference to the Company's financial statements as of December 31, 2023	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
7.	43A1(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 parties agreed to conduct 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 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Reference to the Company's financial statements as of December 31, 2023	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
8.	43A1(54)	September 2023 Tel Aviv-Jaffa District Court The Phoenix Insurance and 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 parties agreed to conduct a mediation procedure.
9.	-	May 2024 Haifa District Court The Phoenix Insurance and other insurance companies The claim amount was assessed in relation to all plaintiffs at much more than NIS 2.5 million, and in relation to some of the class members, it is claimed that the estimated damage is NIS 27 million per year (since they claim that the period in question is seven years) (in relation to all defendants).	The subject matter of the lawsuit is the claim whereby in the case of policyholders, who hold a rider dealing with the fixing of windscreens, and who activated the rider, the installers of windscreens on behalf of the defendants did not conduct any testing and/or calibration of the safety system in their vehicle as part of the process of replacing the front windscreen, and if such a test and/or calibration was conducted, they were charged for that. Furthermore, according to the claim, when the policyholders purchased the rider, the defendants did not inform them that the coverage will not include the testing and calibration of the safety system during the replacement of the front windscreen.	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 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims*

Serial No.	Reference to the Company's financial statements as of December 31, 2023	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
1.	43A1(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 bylaws of the Excellence Gemel provident fund, which were in effect until January 1, 2016, and according to the bylaws 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.	On March 27, 2024, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify the claim as a class action.
2.	43A1(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.	On April 7, 2024, 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's financial statements as of December 31, 2023, published on March 27 (Ref. No. 2024-01-026677).

NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims* (cont.)

Serial No.	Reference to the Company's financial statements as of December 31, 2023	Date,[1] court,[2] defendants and claim amount[3]	Main arguments	Details
3.	43A1(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.	On April 21, 2024, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify the claim as a class action.
4.	43A1(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.	On April 25, 2024, the Court handed down a judgment dismissing 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's financial statements as of December 31, 2023, published on March 27 (Ref. No. 2024-01-026677).

NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

3. Legal and other proceedings

For legal and other proceedings against the Group 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.

As of the report publication date, there were no material changes in legal and other proceedings detailed in Note 43A3 to the Company’s financial statements as of December 31, 2023.

It is noted that 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 30.7 million (a total of approx. NIS 31.3 million as of December 31, 2023). 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 7 - 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 income 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, claims certified as class actions and other material claims against the Group, as noted by the plaintiffs in the statements of claim filed on their behalf. It is hereby clarified that the amount claimed does not necessarily constitute a quantification of the exposure amount assessed by the Group, since these are assessments on behalf of the plaintiffs which will be resolved as part of the legal proceedings. It is further clarified that the table below does not include proceedings that have been concluded, including proceedings that concluded after a settlement agreement was approved in respect thereof.

NOTE 7 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

5. Summary table (cont.)

Type	No. of claims	The amount claimed in NIS thousand (unaudited)
Certified class actions:		
A specific amount was attributed to the Company	7	1,157,743
The claim pertains to several companies and no specific amount was attributed to the Company	2	328,000
No claim amount was specified.	5	-
Pending motions to certify lawsuits as class actions:		
A specific amount was attributed to the Company	15	1,838,554
The claim pertains to several companies and no specific amount was attributed to the Company	7	3,056,895
No claim amount was 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
No claim amount was specified.	-	-
Claims and other demands	19	30,670

The total provision amount in respect of class actions, legal proceedings and others, filed against the Group as detailed above as of March 31, 2023 and December 31, 2024, amounted to approx. NIS 463,368 thousand (of which a total of approx. NIS 13,490 thousand is for concluded class actions) and approx. NIS 449,468 thousand, respectively.

NOTE 8 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

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

1. Effect of interest rate on pension reserves

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

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

2. K factor values used by the Company

	March 31, 2024	March 31, 2023	December 31, 2023
	Unaudited	Unaudited	Audited
	%		
In respect of guaranteed return insurance policies	-	-	-
In respect of yield-dependent insurance policies	0.85	0.85	0.85

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

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

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

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

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

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

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS million		
Life Insurance Subsegment:			
Effect of updating assumption regarding rates of annuity uptake	-	-	-
Effect of updating other assumptions on the supplementary retirement pension reserve and paid pensions	-	-	(5)
Effect of updating assumptions on the expense rates	-	-	-
Effect of updating assumptions on the mortality rates	-	-	-
Change in the discount rate used in the calculation of the supplementary retirement pension reserve and paid pensions	36	(26)	(89)
The effect of the changes in the assumptions regarding the cost of claims in disability insurance	-	-	(59)
Total increase (decrease) in liabilities on retention in the life insurance segment	**36**	**(26)**	**(153)**
Health Insurance Segment:			
Effect of updating of assumptions on the cancellation rates:			
LAT	-	-	(8)
Effect of updating assumptions on the expense rates:			
LAT	5	-	-
Other	6	-	8
Change in LAT reserve following a change in the discount rate (*)	117	(106)	(147)
Total increase (decrease) in liabilities on retention in Health Insurance Segment	**128**	**(106)**	**(147)**
Property and Casualty Segment:			
Change in discount rate (*)	(42)	(18)	(143)
Total decrease in liabilities on retention in Property and Casualty Insurance Segment	**(42)**	**(18)**	**(143)**
Total increase (decrease) in liabilities on retention before tax	**122**	**(150)**	**(443)**
Total increase (decrease) in liabilities on retention, after tax	**80**	**(99)**	**(292)**

(*) This effect includes the change in the excess of value of illiquid assets, and the effect of the classification of excess value illiquid assets from the Health Insurance Segment to the Property and Casualty Segment. For further details, see Note 41 (5.2.2.5) A to the Consolidated Annual Financial Statements.

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

B. On March 26, 2024, the Company's Board of Directors approved a dividend distribution in respect of income for 2023, in the amount of NIS 265 million. The dividend per share of NIS 1 p.v. is NIS 1.04. The dividend was paid on April 11, 2024.

C. On January 1, 2024, as part of the restructuring of the Credit Segment, the Company transferred all of its holdings in The Phoenix Financing and Construction to Gama. As a result of the above, credit assets in respect of factoring, acquiring and financing increased by approx. NIS 600 million, against a corresponding decrease in illiquid debt assets in the other financial investments line item. For further details, see Note 8E(8) to the Annual Consolidated Financial Statements.

D. In January and March 2024, Gama's Board of Directors approved an award of 6,083,198 options to Gama's shares to employees and officers of Gama and other Group companies. The total value of the options is estimated at approx. NIS 25 million. 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. 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 Note 37C to the Annual Consolidated Financial Statements and the immediate report dated March 7, 2024 (Ref. No. 2024-01-020488).

E. 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. For further details about an acquisition subsequent to the reporting period, see Note 9B below.

F. On January 28, 2024, Midroog announced that it is reiterating the Company's rating and that of the bonds issued by it at Aa2.il, with a stable outlook.

G. In March 2024 an amendment was published to the Value Added Tax Ordinance (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "Ordinance"), which prescribes that as from January 1, 2025 the rate of payroll tax applicable to financial institutions will stand at 18% of the wage paid for work, and the profit tax shall stand at 18% of the profit generated.

The deferred tax balances included in the financial statements as of March 31, 2024 take into account the effects, which arise from the increase in tax rates as described above. The effect of the change in tax rates led to an approx. NIS 9 million increase in the balances of deferred tax liability.

H. On January 31, 2024, The Phoenix Capital Raising executed a full early redemption of the principal of the Bonds (Series D) 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).

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

NOTE 9 - SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

A. During the period from reporting date through immediately prior to the publication date of the financial statements, the participating life insurance policies marketed through 2004 achieved negative real returns. Therefore, the estimated management fees which were not collected due to negative real yield since the beginning of 2022 through immediately prior to the publication date of the financial statements, amounted to approx. NIS 302 million (pre-tax).

B. Further to Note 8E, subsequent to balance sheet date and through the report publication date, the Company carried out a buyback of 1,473 thousand shares at a total cost of approx. NIS 53,836 thousand. Subsequent to the purchase, the Company holds 7,926 thousand Company shares.

C. Global rating for The Phoenix Insurance
On May 14, 2024, international credit rating agency Moody's reiterated the existing A2 rating of The Phoenix Insurance with a negative rating outlook.

D. On April 24, 2024, the Company's Board of Directors approved - after the approval of the Compensation Committee - the postponement of the deadline for the exercise of approx. 1.4 million options out of option warrants awarded in 2022 to employees of the Company and its subsidiaries, some of whom are Company officers (including the Company's CEO), and to service providers of the Company (hereinafter - the "Offerees"). The said deadline was postponed from June 1, 2024 to April 10, 2025. These options vested on April 1, 2023.
The incremental fair value as of April 24, 2024 was calculated based on an appraisal received from an external appraiser calculated using the binomial model. The average fair value per one option was estimated at approx. NIS 2.7 and the total value of the benefit, which will be recognized as an expense in the second quarter of 2024, was estimated at approx. NIS 3.8 million as of that date. Out of this amount, the value of the benefit to the CEO is approx. NIS 82 thousand; the Compensation Committee decided in respect of the CEO that the suggested change regarding the extension of the exercise period constitutes an immaterial change in relation to his existing service and employment terms.
For further details about the postponement of the exercise date, see the Company's report of April 24, 2024 (Ref. No.: 2024-01-040690). For further details regarding the option terms and conditions, see Note 37B(4) to the Consolidated Annual Financial Statements.

E. In April 2024, the Company sold approx. NIS 140 million of its holdings in the subordinated notes recognized as Tier 1 capital instrument by The Phoenix Insurance and listed on the main list of the TASE, to entities listed in the First Addendum to the Securities Law, 1968.
For details about the terms of the Bonds (Series L), see Note 27E to the consolidated financial statements.

F. On May 28, 2024, concurrently with the approval of the financial statements, the Company's Board of Directors approved a dividend distribution policy, which will apply to future dividend distributions as from 2024, whereby the Company shall distribute an annual dividend at a minimum rate of 40% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year. All other provisions of the Company's dividend distribution policy and distribution timing have not changed. For details regarding the revision of The Phoenix Insurance's dividend policy, see Note 6B above.

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

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9

In May 2017, the International Accounting Standards Board (IASB) published IFRS 17 - Insurance Contracts. Furthermore, in June 2020 and December 2021, the IASB published amendments to the standard (hereinafter - "IFRS 17").

IFRS 17 sets rules for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes the current guidance on this issue under IFRS 4 and the directives of the Capital Market, Insurance and Savings Authority. The new standard is expected to trigger material changes in the Company's financial reporting.
The first-time application date set in IFRS 17 is January 1, 2023; however, in accordance with the requirements of the Commissioner, which were published as part of the "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts" (hereinafter - the "Roadmap"), the first-time application date of IFRS 17 in Israel was postponed to the quarterly and annual periods beginning on January 1, 2025, and the transition date is January 1, 2024.

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

In preparation of Israeli insurance companies for the adoption of IFRS 17, during April 2024, the Capital Market, Insurance and Savings Authority published professional issues pertaining to the implementation in Israel of IFRS 17 - eighth draft (hereinafter - "Eighth Draft"). The Eighth Draft included, among other things, a detailed regulation of the principles for calculating the fair value as of the transition date, setting confidence interval in the calculation of risk adjustment for non-financial risk (RA), in respect of the individual long-term care portfolio, which will not fall below 90%. As of the publication date of the financial statements, discussions are held with the Commissioner regarding the draft.

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9

As part of the standards' adoption process, the Company is implementing and integrating IT systems that are necessary for applying the provisions. In addition, the Company is testing and mapping the required controls and the flow of information to the financial statements. In January 2024, the Company delivered to the Authority a list of key controls which were implemented by the end of 2023, and the Company's work plan in connection with the other controls which are expected to be implemented during the first half of 2024. In addition, in accordance with the Roadmap, in August 2023 the Company reported to the Authority the results of the first Quantitative Impact Study (hereinafter - "QIS1"), which assesses the effect of 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. The Company delivered to the Authority a revised version of the RA calculation methodology paper during the fourth quarter of 2023; In addition, in March 2024, the Company delivered to the Authority a revised draft of the full accounting policy for the application of IFRS 17 and IFRS 9, in accordance with the guidance of the Roadmap. The Company is preparing for the performance of the second QIS2, in order to assess the effects of the first-time application of IFRS 17 and IFRS 9, which will be filed to the Authority in accordance with the time tables set in the Roadmap by July 31, 2024.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

It is emphasized that all the details provided below in connection with the accounting policy are correct as of the date of this report and may change.

1. The Standard's scope

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

a) Insurance contracts, including reinsurance contracts, which the Company issues;
b) Reinsurance contracts held by the Company; and
c) Investment contracts with discretionary participation features, which the Company issues, provided that it also issues insurance contracts.

An insurance contract may contain one or more components, which would be within the scope of another standard if they were separate contracts. For example, insurance contracts may include:

- Investment component
- A service component in addition to the insurance contract services (hereinafter - the "Service Component")
- Embedded derivatives

IFRS 17 stipulates that an Investment Component and a Service Component will be separated from the insurance contract only if they are distinct. An embedded derivative shall be separated only if it meets the criteria set forth in IFRS 9. Where these components were separated from the insurance contract, they will be accounted for within the scope of the relevant standard.

In the opinion of the Company, the application of IFRS 17 is not expected to have a material effect on the classification of contracts as insurance contracts compared to IFRS 4. Furthermore, the Company is not expected to separate from the insurance contracts components, which will be accounted for within the scope of another standard.

2. The measurement model

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

A. The general model - the GMM model

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

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

2. The measurement model (cont.)

A. The general model - the GMM model (cont.)

In subsequent periods, the contractual service margin will be adjusted in respect of changes in non-financial assumptions related to the future service. If the contractual service margin reached zero as a result of those changes, any change beyond that will be recognized immediately in profit and loss. On the other hand, changes arising from the time value of money and financial risks shall be recognized immediately in profit and loss under finance expenses in respect of insurance contracts.
In held reinsurance contracts, the contractual service margin may be an asset or a liability and it represents the net expected cost or the net expected income, respectively. If the reinsurance contract exists upon recognition of a loss component in respect of a group of insurance contracts covered by the reinsurer, the Company will recognize immediately an income in respect of the reinsurance contract (loss recovery component) against adjustment of the contractual service margin.

Following are the main products, which will be measured using the GMM model by segments:

Issued insurance contracts

- Life Insurance Segment - non-yield-dependent savings policies, individual and collective life insurance, and individual and collective disability insurance, which are sold as a standalone policy.
- The Health Insurance Segment - all health insurance products, excluding short-term health insurance products.

Reinsurance contracts

- In the Life Insurance Subsegment - all reinsurances
- In the Health Insurance Segment - all reinsurances

B. The variable fee approach - the VFA model

This model is a modification of the GMM model and applies to contracts with direct participation features. Insurance contracts with direct participation features are insurance contracts under which the Company promises an investment return to the policyholder based on underlying items. That is to say, the contract includes a significant service associated with investments.
IFRS 17 defines an insurance contract with direct participation features as an insurance contract, unpot the entering into which:

a) The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items.
b) The Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
c) The Company expects a substantial proportion of any change in the amounts paid to the policyholder to vary with the change in fair value of the underlying items.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

2. The measurement model (cont.)

B. The variable fee approach - the VFA model (cont.)

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

The VFS model is expected to significantly reduce the fluctuations in the Company's results in respect of insurance contracts, which include a participating savings component, arising from the actual performance of the capital market in the reporting period.

Following are the main products, which will be measured using the VFA model:

Issued insurance contracts
Life Insurance Segment - savings policies, which include a yield dependent savings component.

C. The Premium Allocation Approach - the PAA model

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

In accordance with this model, the liability in respect of the remaining coverage is determined as the total amount of the premiums received net of any insurance acquisition cash flows, and net of the premium amounts and insurance acquisition cash flows, which were recognized in profit or loss in respect of the coverage period, which elapsed. Premiums received and insurance acquisition cash flows are recognized in profit or loss over the coverage period on the basis of the passage of time. If insurance contracts in the group have a significant financing component, the Company shall adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk in accordance with the interest rate curve as of initial recognition date, which is calculated as detailed in this note.

For groups of insurance contracts, under the PAA model the Company may recognize any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group is no more than one year. The Company expects that it will not apply this alternative.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

2. The measurement model (cont.)

C. The Premium Allocation Approach - the PAA model (cont.)

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

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

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

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

a) The coverage period of each contract in the group is one year or less; or
b) The Company reasonably expects that such simplification would produce a measurement of the liability for the remaining coverage period provided by the group that would not differ materially from the measurement that would result from applying the general model.

The Company may apply the Premium Allocation Approach for held groups of reinsurance contracts, adapted to reflect the features of reinsurance contracts held, which differ from insurance contracts issued.

The Company opted to measure the following groups of insurance contracts under the PAA model:

Property and casualty insurance

In most property and casualty insurance portfolios, the coverage period of all contracts is up to one year. These groups of insurance contracts qualify automatically for application of the PAA model.

In respect of the remaining groups of contracts, the Company compares the liability in respect of the remaining coverage period, which will be produced from applying the PPA model, and the liability, which will be produced from applying the general model (PPA eligibility test).

The Company expects that all of its property and casualty insurance contracts will meet the criteria for the implementation of this approach.

The measurement of the insurance contracts using the PAA model is essentially similar to the measurement of property and casualty insurance contracts under the Company's existing policy pursuant to IFRS 4. However, there are measurement differences, which affect the amount of the liability in respect of insurance contracts, such as: The restriction regarding the discounting of acquisition costs, the offsetting of excess fair value of non-financial assets (UGL), reinsurers deposits, etc.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

2. The measurement model (cont.)

C. The Premium Allocation Approach - the PAA model (cont.)

Health Insurance
Short-term insurance contracts, such as: Travel insurance contracts.

3. Aggregation level

IFRS 17 requires the aggregation of insurance contract into groups for recognition and measurement purposes. The Company will determine the groups upon initial recognition and will not change the composition of the groups at a later date.
Initially, the Company is required to identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Once it identified a portfolio, the Company shall divide it into a minimum of the following groups, based on the expected profitability upon initial recognition:

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

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

The Company sells insurance contracts, which include a number of coverage types, which would have been classified into different insurance contract groups, had they been separate insurance contracts. The lowest unit of account in IFRS 17 is the insurance contract, with all insurance coverages included therein; therefore, the Company will normally allocate the insurance contract in its entirety to a single group of insurance contracts. It is only in cases where the legal form of the policy does not reflect the economic substance of the rights and obligations included in the contract, that the Company separates the coverages and recognizes them as separate insurance contracts. This approach is materially different from the Company's policy under IFRS 4, where under the Company normally recognizes and measures each coverage separately.
In addition, in certain cases the Company contracts the same policyholder (or a related party thereof) in a set or a series of insurance policies. Normally, each policy in a set or a series shall be recognized as a separate insurance contract. In certain cases, the set or series of policies reflects the economic substance of a single insurance contract. In such cases, the Company will recognize and measure such policies as a single insurance contract.
IFRS 17 permits the inclusion of contracts in the same group if they belong to different groups only because a law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics. The Company's relative share in compulsory motor insurance policies issued through the Pool meets this requirement; therefore, the Company opted to include its relative share in these policies in the same group as the ordinary compulsory motor insurance policies sold by the Company.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

4. The contract's boundaries

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations which exist during the reporting period in which the Company can compel the policyholder to pay the premiums or in which it has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when the Company has the practical ability to reassess the risks of the particular policyholder (single policyholder) or the insurance contracts portfolio. At this point, the Company has the practical ability to set a new price or to change the terms of the benefits that fully reflect the same risks, provided that in the pricing at the portfolio level the overall premium did not include a future cost risk. The Company's practical ability to set a price at a future date, which fully reflects the risks in the contract from that date, exists in the absence of constraints, which prevent the Company from setting the same price it would for a new contract with the same characteristics as the existing contract.
When determining the contract boundaries of insurance contracts, the Company assesses each contract separately, and weighs all the substantive obligations and rights, regardless of whether they arise from a contract, law or regulation, and ignoring conditions with no commercial substance.

Cash flows are within the boundary of a reinsurance contract if they arise from substantive rights and obligations, which exist during the reporting period, in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the policyholder. A substantive right to receive services from the reinsurer ends when the reinsurer has a practical ability to reassess the risks transferred to it, and can set a new price or change the terms of the benefits, such that they fully reflect those risks, or alternatively, when the reinsurer has a substantive right to discontinue the coverage.

Following are the contract boundaries of material policies, which were identified:

A. Individual health insurance policies issued from 2016 and thereafter

As part of the reform, which came into effect on February 1, 2016 it was stipulated that the insurance period in individual health insurance policies will be two years, and the policy will be renewed every two years on a fixed renewal date, without the need to undergo a medical assessment or a further qualification period. Changes to the policy's tariffs and/or terms and conditions shall be made subject to the approval of The Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner"). By virtue of Insurance Circular 2022-1-13 regarding "Tariff Updating in Renewable Health Insurance Policies", which was published on September 20, 2022, the insurance companies may - subject to compliance with certain conditions - revise the premium in renewable health insurance policies without being required to receive the Commissioner's approval. Through the publication date of the circular, the Commissioner did not grant approvals for changes in tariffs in respect of existing coverages. In addition, the circular caps the rate of premium revision at the rate of the loss ratio (LR), which ranges between 75% to 85%, depending on the calculation method and the size of the Company. Therefore, it is impossible to say that there is a practical ability to reassess the portfolio's risks and accordingly to set a new price, which fully reflects those risks. Accordingly, the periods subsequent to fixed renewal date will be included in the contract's boundaries.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

4. The contract's boundaries (cont.)

B. Life insurance policies, which include a savings component without a guaranteed annuity conversion factor on the policy issuance date

Life insurance policies, which include a savings component to the retirement age and disability and/or life insurance coverage are insurance contracts, which often also provide an additional pension insurability (hereinafter - the "Annuity Option"). The Annuity Option is not included in the contract's boundaries, since the Company has the practical ability to reassess the contract's risks and to set an annuity conversion factor, which reflects those risks. Subsequent to its exercise, the Annuity Option shall be recognized as a new insurance contract in accordance with the standard's recognition rules.

C. Reinsurance contracts held

In accordance with the accounting policy applied under IFRS 4, the measurement of the reinsurance contracts is only in respect of the underlying contracts, which were transferred to the reinsurer as of the balance sheet date. In accordance with IFRS 17, except for these cash flows, the reinsurance contracts' boundaries may also include cash flows in respect of underlying contracts, which the Company expects to sell (and deliver to the reinsurance) in the reporting period, if the Company and the reinsurer do not have the right to cancel or reprice the obligation to deliver those futures.

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

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

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

The Company adjusts the estimated present value of the future cash flows in respect of this amount, which is reflected separately in the Company's total liabilities.
IFRS 17 does not specify the estimation techniques used to determine the risk adjustment for non-financial risk.

Life and health insurance
The Company calculates the RA amount required in order to comply with the required confidence level (CL) in accordance with the Value At Risk (VaR) method as applied in Solvency 2 for the capital requirement (SCR), with certain adjustments.

Property and casualty insurance
The Company calculates the RA amount required in order to comply with the required CL in accordance with the existing method for calculating the margin for best estimate liabilities in the financial statements, similar to the VaR method as applied in accordance with the best practice directives.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

6. The interest rate curves

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

a) reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
b) be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
c) exclude the effect of factors, which influence such observable market prices but do not affect the future cash flows of the insurance contracts.

The Company determines the interest rate curves for all groups of insurance contracts using the Botton-Up approach. In this approach, the discount rate is obtained by adding the illiquidity premium (which reflects the liability's illiquidity) to the risk-free interest rate curve. The risk-free interest rate curve is based on yields to maturity of liquid bonds of the Israeli government. The last liquid point is the 25th year. Beyond this point, the Company will set the risk-free interest rate curves by way of extrapolation - in accordance with the Smith-Wilson method - up to the ultimate forward rate, which will be set at 60 years.

The full illiquidity premium is set based on the average spread of the bonds included in the Tel-Bond 60 Index. This premium is added in full or in part to the risk-free interest rate curve in accordance with the illiquidity characteristics of the relevant cash flows.

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

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

The CSM represents the liability in respect of the unearned profit relating to future services. In accordance with the standard, the CSM will be recognized in profit and loss over the coverage period through a pattern, which reflects the insurance service provided by the Company in connection with the contracts, which are included in the insurance contracts group. This pattern is determined based on the coverage units, which were provided during the period compared to the coverage units, which are expected to be provided in the future in connection with the insurance contracts group.
The number of coverage units in a group is the quantity of coverage services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period.

The Company selected several parameters for the purpose of calculating the coverage units, and various weights in order to adapt the different coverage units, based on the expected amount of benefits payable to a policyholder from each type of coverage or service.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

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

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

IFRS 17 does not determine whether the time value should be taken into consideration when allocating the contractual service margin to the coverage units, such that the allocation will reflect the expected timing of the coverage units, which will be provided.

8. Cash flow for purchase of insurance

Insurance acquisition cash flows are cash flows arising from the costs to sell, underwriting and starting a group of insurance contracts which are directly attributable to the portfolio of insurance contracts to which the group belongs. When insurance acquisition cash flows are directly attributable to a group of insurance contracts, they will be allocated to that group and to groups, which will include insurance contracts, which are expected to arise from renewals of the insurance contracts within that group, where relevant. Insurance acquisition cash flows, which are directly attributable to a portfolio of insurance contracts, will be allocated to groups of contracts in the portfolio, including groups of insurance contracts, which have not yet been recognized. If the Company allocated an insurance acquisition cash flows amount to insurance contracts which have not yet been recognized, this amount will be recognized as a separate asset. This asset will be derecognized when the renewals to which the asset relates will be recognized. Furthermore, the Company will assess the recoverability of the asset if there will be indications of impairment.
Insurance acquisition cash flows relating to insurance contracts, which have already been recognized, will be included in the measurement of the insurance contracts as part of the present value of the future cash flows, and will reduce the value of the CSM (in the GMM/VFA model), or the carrying amount of the liability in respect of the remaining coverage in the PAA model. This is a significant change in relation to the policy as per IFRS 4, whereby all insurance acquisition cash flows were recognized and measured as a separate asset in the statement of financial position. It is noted that consequently in the GMM/VFA model the insurance acquisition cash flows will be recognized in the Company's profit or loss in accordance with the timing of the CSM release, instead of the amortization method currently in place, which is based on straight line amortization plus taking into account actual cancellations.

The Company is still studying the need to recognize an insurance acquisition cash flows asset.

9. Presentation

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

A. Insurance service results, comprising insurance income and insurance service expenses; and
B. Finance income or finance expenses from insurance.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

9. Presentation (cont.)

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

Insurance service results

Total income from insurance contracts for a group of insurance contracts is the consideration for the contracts adjusted to reflect finance effects.

Income from insurance services in the GMM and VFA model shall be calculated based on the decrease in liability in respect of the remaining coverage in respect of the services provided in the period plus the allocation of the premiums amount relating to recovery of the insurance acquisition cash flows for the reporting period. The Company will make this allocation in accordance with the coverage units used to release the CSM. In the PAA model, income from insurance services are recognized over the coverage period based on the passage of time.

Investment components, which were not separated from the insurance contracts, will not be recognized in expenses and income from insurance contracts. These components represent amounts, which will be refunded to the policyholder in any case, even if an insured event did not take place, and constitute a kind of a deposit deposited by the policyholder. Therefore, this amount does not constitute a part of the consideration received by the Company in respect of the service, and its refund does not constitute part of the Company's expenses.

The key investment components which were identified are in products which included a savings component.

Following the above, the Company expects that its income and expenses from insurance services will decline significantly in the transition to IFRS 17, with no effect on comprehensive income.

Expenses which are directly attributable to sale and fulfillment of the insurance contracts shall be included in the measurement of the insurance contract, and recognized as an expense as part of insurance service results. Expenses which are not directly attributable to the insurance contracts will be recognized as an expense as incurred outside the insurance service results.

Finance income or finance expenses from insurance

Under IFRS 17, changes in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money; and the effect of financial risk and changes in financial risk are recognized as insurance finance income or expenses.

IFRS 17 stipulates that the Company shall make an accounting policy choice between:

a) including insurance finance income or expenses for the period in profit or loss; or
b) disaggregating insurance finance income or expenses for the period between profit or loss and other comprehensive income.

This selection is carried out at the level of the insurance contracts portfolio.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

9. Presentation (cont.)

Finance income or finance expenses from insurance (cont.)

The accounting policy, which was selected by the Company for all insurance portfolios, is the inclusion of insurance finance income or expenses for the period in profit or loss. This policy together with the policy to designate the financial assets, within the scope of IFRS 9 eliminates mismatches in the measurement of assets and liabilities.

IFRS 17 does not require disaggregation of the RA between insurance service results and finance income or finance expenses from insurance.

The Company expects that it will not apply this expedient and that it will disaggregate the RA between insurance service results and finance income or finance expenses from insurance.

10. Transitional provisions

IFRS 17 should be applied retrospectively (hereinafter - "Full Retrospective Application"), unless this is impractical. In applying the Full Retrospective Application, the Company shall identify, recognize and measure each group of insurance contracts and any insurance acquisition cash flows as of the transition date as if IFRS 17 had always been applied. Furthermore, the Company shall derecognize any existing balances, which would not exist had IFRS 17 always been applied. Any resulting net difference will be recognized in equity. The transition date is January 1, 2024, such that upon initial application the Company will restate the comparative figures for 2024. If Full Retrospective Application for a group of insurance contracts and/or an asset in respect of insurance acquisition cash flows is impractical, the Company shall apply one of the following approaches:

a) The modified retrospective approach (MRA) - to achieve the closest outcome to full retrospective application possible using reasonable and supportable information available without undue cost or effort; or
b) The fair value approach (FVA) - in this approach the Company shall determine the contractual service margin or loss component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

The Company expects to apply the following for the insurance portfolios, as detailed below:

1. The full retrospective approach (FRA)

- For property and casualty insurance portfolios.
- For short-term health insurance portfolios measured in accordance with the PAA model.

2. The modified retrospective approach (MRA)

The Company expects to apply the MRA approach for some of the insurance contract groups in the Life and Health Insurance Segments.

3. The fair value approach - FVA

All other insurance contract groups in the Life and Health Insurance Segment will be measured in accordance with the FVA approach.

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

A. The Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

10. Transitional provisions (cont.)

3. The fair value approach - FVA (cont.)

In accordance with the Eighth Draft, the assessment of the fair value of the liabilities and the reinsurance assets shall be carried out using the Appraisal Value method (hereinafter - "AV"). The calculations under this method shall be based - to the extent possible - on calculations of IFRS 17 and Solvency 2-based economic solvency regime.

In applying the fair value approach, the Company may include in a group contracts issued more than one year apart. The Company opted to apply this expedient, rather than to divide groups into those, which include only contracts issued one year or less apart.

The Company is still studying the effects of the transition to IFRS 17 on its equity as of the transition date.

B. IFRS 9 - Main changes in the accounting policies

Classification and measurement

Financial assets

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

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

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) The contractual terms and conditions of the financial asset provide entitlement, at specified dates, to cash flows that are only principal and interest payments in respect of the outstanding principal amount (hereinafter - the "Principal and Interest Test").

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

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

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

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

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

NOTE 10 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

B. IFRS 9 - Main changes in the accounting policies (cont.)

Classification and measurement (cont.)

Participating portfolio

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

The nostro portfolio

- Investment in equity instruments will be measured at fair value through profit or loss instead of at fair value through other comprehensive income under IAS 39.
- Derivatives will be measured at fair value through profit or loss as is the case in IAS 39.
- Investments in equity instruments held against insurance liabilities, including designated bonds - will be measured at fair value through profit or loss, in order to prevent an accounting mismatch with the measurement of liabilities in respect of insurance contracts.
- Regarding investments in equity instruments held against equity and other liabilities, which are not insurance liabilities - the Company is considering the option of measuring them at amortized cost.

Financial liabilities

The Company does not expect a material change in the classification and measurement of the financial liabilities.

Impairment model of financial assets

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

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

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

b) debt instruments with significant deterioration in credit quality since the initial recognition date and their credit risk is not low, the provision for loss recognized will take into account the expected credit losses - over the balance of the useful life of the instrument. The will apply Company the expedient, according to which it shall assume that the credit risk of a debt instrument has not increased significantly since its initial recognition date, if it is determined, at the reporting date, that the instrument has low credit risk, for example - if the instrument has an external "investment grade" rating.

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

Details of assets for assets and other financial investments

A. Details of other financial investments

	As of March 31, 2024			
	Presented at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	Unaudited			
	NIS thousand			
Liquid debt assets (a1)	175,665	5,205,427	-	5,381,092
Illiquid debt assets	21,428	-	14,474,018	14,495,446
Shares (a2)	-	2,364,115	-	2,364,115
Other (a3)	359,467	5,191,243	-	5,550,710
Total	556,560	12,760,785	14,474,018	27,791,363

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

	As of December 31, 2023			
	Presented at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	Audited			
	NIS thousand			
Liquid debt assets (a1)	148,802	5,394,587	-	5,543,389
Illiquid debt assets	21,060	-	14,635,071	14,656,131
Shares (a2)	-	2,175,831	-	2,175,831
Other (a3)	749,792	5,279,770	-	6,029,562
Total	919,654	12,850,188	14,635,071	28,404,913

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

A1. Liquid debt assets

	As of March 31, 2024	
	Carrying amount	Amortized cost
	Unaudited	
	NIS thousand	
Government bonds	2,631,622	2,877,547
Other debt assets:		
Other non-convertible debt assets	2,573,805	2,655,628
Other convertible debt assets	175,665	170,609
Total liquid debt assets	5,381,092	5,703,784
Impairments carried to profit and loss (cumulative)	415,156	

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

	As of December 31, 2023	
	Carrying amount	Amortized cost
	Audited	
	NIS thousand	
Government bonds	2,569,068	2,754,618
Other debt assets:		
Other non-convertible debt assets	2,825,519	2,977,081
Other convertible debt assets	148,802	154,611
Total liquid debt assets	5,543,389	5,886,310
Impairments carried to profit and loss (cumulative)	382,196	

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

a2. Shares

	As of March 31, 2024	
	Carrying amount	Cost
	Unaudited	
	NIS thousand	
Liquid shares	1,849,884	1,657,183
Illiquid shares	514,231	325,994
Total shares	2,364,115	1,983,177
Impairments carried to profit and loss (cumulative)	282,372	

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

	As of December 31, 2023	
	Carrying amount	Cost
	Audited	
	NIS thousand	
Liquid shares	1,678,362	1,604,213
Illiquid shares	497,469	326,809
Total shares	2,175,831	1,931,022
Impairments carried to profit and loss (cumulative)	299,754	

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

a3. Other financial investments

	As of March 31, 2024	
	Carrying amount	Cost
	Unaudited	
	NIS thousand	
Total liquid financial investments	447,140	357,005
Total illiquid financial investments	5,103,570	3,997,923
Total other financial investments	5,550,710	4,354,928
Impairments carried to profit and loss (cumulative)	253,303	

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

	As of December 31, 2023	
	Carrying amount	Cost
	Audited	
	NIS thousand	
Total liquid financial investments	505,506	411,171
Total illiquid financial investments	5,524,056	4,039,115
Total other financial investments	6,029,562	4,450,286
Impairments carried to profit and loss (cumulative)	256,780	

Part 3

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

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Building a better
working world

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To
The Shareholders of The Phoenix Holdings Ltd.

Dear Madam/Sir,

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

Introduction

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Holdings Ltd. ("the Company") as of March 31, 2024 and for the three-month period then ended. The company's board of directors and management are responsible for The separate interim financial information. Our responsibility is to express a conclusion regarding the separate interim financial information based on our review.

We did not review the separate interim financial information taken from the interim information of investees, in which the total amounted to approximately NIS 1,451,044 thousand as of March 31, 2024, and the Company's share in of their earnings amounted to approximately NIS 54,504 thousand for the three-month period then ended, respectively. The separate interim financial statements of these companies were reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial statements in respect of these companies, is based on the review reports of the other auditors.

Scope of the Review

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

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying separate interim financial information is not prepared, in all material respects, in accordance with Regulations 38D to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
May 28, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

	As of		
	March 31, 2024	March 31, 2023	December 31, 2023
	Unaudited		Audited
	NIS thousand		
Assets			
Investments in investees	9,738,371	9,633,266	9,489,368
Loans and capital notes to investees	1,168,240	920,755 (*)	1,166,632
Total non-current assets	10,906,611	10,554,021	10,656,000
Loans and capital notes to investees	1,364,883	1,016,179 (*)	1,355,018
Deferred tax assets	24,700	-	24,700
Dividend receivable from investees	-	205,000	-
Other financial investments	234,348	10,670 (*)	35,559
Current tax assets	45	44	44
Receivables and debit balances	10,435	5,104	14,776
Cash and cash equivalents	249,331	58,486	403,736
Total current assets	1,883,742	1,295,484	1,833,833
Total assets	12,790,353	11,849,505	12,489,833
Equity attributable to Company's shareholders			
Share capital	313,664	311,817	313,340
Share premium and capital reserves	863,725	851,225	860,345
Treasury shares	(193,866)	(161,926)	(193,866)
Capital reserves	1,144,615	1,183,620	1,101,414
Surplus	8,453,418	7,782,434	8,499,062
Total equity	10,581,556	9,967,170	10,580,295
Liabilities			
Non-current liabilities			
Financial liabilities	1,851,248	1,654,007	1,828,678
Current liabilities			
Financial liabilities	72,782	35,786	67,648
Payables and credit balances	19,767	12,504	13,212
Liabilities in respect of deferred taxes	-	2,866	-
Payable dividend	265,000	177,172	-
Total current liabilities	357,549	228,328	80,860
Total liabilities	2,208,797	1,882,335	1,909,538
Total equity and liabilities	12,790,353	11,849,505	12,489,833

(*) Reclassified.

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

Date of approval of the financial statements - May 28, 2024

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

		For the three months ended March 31		For the year ended December 31
		2024	2023	2023
		Unaudited		Audited
	Note	NIS thousand		
Company's share in the income of investees, net of tax		207,998	(67,181)	736,279
Investment income, net and finance income		26,556	24,626	94,762
Income from management fees of investees	2A	6,229	750	3,000
Total income (losses)		240,783	(41,805)	834,041
General and administrative expenses	2A	7,429	3,884	18,847
Finance expenses		15,000	18,159	53,661
Total expenses		22,429	22,043	72,508
Income (loss) before taxes on income		218,354	(63,848)	761,533
Income tax expenses		-	(6,800)	(15,870)
Income (loss) for the period attributable to the Company’s owners		218,354	(57,048)	777,403

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

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
Income (loss) for the period attributable to the Company's owners	218,354	(57,048)	777,403
Other comprehensive income:			
Amounts that will be or that have been reclassified to profit or loss when specific conditions are met			
Group's share in other comprehensive income of investees	65,679	138,181	306,349
Total components of income items, subsequently reclassified to profit or loss	65,679	138,181	306,349
Amount that will not be subsequently reclassified to profit or loss			
The Group's share in other comprehensive income of equity-accounted investees	-	-	9,072
Other comprehensive income for the period, net	65,679	138,181	315,421
Total comprehensive income for the period	284,033	81,133	1,092,824

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

	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total equity
	NIS thousand										
Balance on January 1, 2024 (audited)	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
Income for the period	-	-	-	218,354	-	-	-	-	-	-	218,354
Total other comprehensive income (loss)	-	-	-	-	-	-	-	-	(439)	66,118	65,679
Comprehensive income	-	-	-	218,354	-	-	-	-	(439)	66,118	284,033
Share-based payment	-	416	-	-	-	-	3,449	-	-	-	3,865
Exercise of employee options	324	2,964	-	-	-	-	(3,288)	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	1,002	-	-	-	(1,002)	-	-	-
Dividend	-	-	-	(265,000)	-	-	-	-	-	-	(265,000)
Transaction with minority interest	-	-	-	-	(21,637)	-	-	-	-	-	(21,637)
Balance as of March 31, 2024 (unaudited)	313,664	863,725	(193,866)	8,453,418	(416,732)	11,000	69,668	227,939	7,602	1,245,138	10,581,556

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

	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total equity
						NIS thousand					
Balance on January 1, 2023 (audited)	311,640	851,918	(155,628)	8,013,123	(56,503)	11,000	62,920	224,054	(14,435)	896,669	10,144,758
Effect of first-time application of IFRS 9	-	-	-	2,507	-	-	-	-	-	(2,507)	-
Balance as of January 1, 2023 after first-time application of IFRS 9	311,640	851,918	(155,628)	8,015,630	(56,503)	11,000	62,920	224,054	(14,435)	894,162	10,144,758
Loss for the period	-	-	-	(57,048)	-	-	-	-	-	-	(57,048)
Total other comprehensive income	-	-	-	-		-	-	-	15,830	122,351	138,181
Comprehensive income (loss)	-	-	-	(57,048)	-	-	-	-	15,830	122,351	81,133
Share-based payment		(1,644)	-		-	-	5,615	-	-	-	3,971
Acquisition of treasury shares	-	-	(6,298)		-	-	-	-	-	-	(6,298)
Exercise of employee options	177	951	-		-	-	(1,128)	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	1,024	-	-	-	(1,024)	-	-	-
Dividend	-	-	-	(177,172)	-	-	-	-	-	-	(177,172)
Acquisition of minority interests	-	-	-	-	(863)	-	-	-	-	-	(863)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	834	-	-	-	-	-	834
Transaction with minority interest	-	-	-	-	(79,193)	-	-	-	-	-	(79,193)
Balance as of March 31, 2023 (unaudited)	311,817	851,225	(161,926)	7,782,434	(135,725)	11,000	67,407	223,030	1,395	1,016,513	9,967,170

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

	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total equity
						NIS thousand					
Balance on January 1, 2023 (audited)	311,640	851,918	(155,628)	8,013,123	(56,503)	11,000	62,920	224,054	(14,435)	896,669	10,144,758
Effect of first-time application of IFRS 9	-	-	-	1,522	-	-	-	-	-	(1,522)	-
Balance as of January 1, 2023 after first-time application of IFRS 9	311,640	851,918	(155,628)	8,014,645	(56,503)	11,000	62,920	224,054	(14,435)	895,147	10,144,758
Net income for the year	-	-	-	777,403	-	-	-		-	-	777,403
Other comprehensive income	-	-	-	172	-	-	-	8,900	22,476	283,873	315,421
Total other 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)	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	4,013	-	-	-	(4,013)	-	-	-
Dividend	-	-	-	(297,171)	-	-	-	-	-	-	(297,171)
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 on December 31, 2023 (audited)	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

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

	Appendix	For the three months ended March 31 2024	For the three months ended March 31 2023	For the year ended December 31 2023
		Unaudited	Unaudited	Audited
		NIS thousand		
Cash flows for operating activities				
Net income (loss) for the period		218,354	(57,048)	777,403
Adjustments required to present cash flows for operating activities	(a)	(214,154)	56,740	(779,214)
Net cash provided by (used for) operating activities of the Company		4,200	(308)	(1,811)
Cash flows provided by investing activities:				
Repayment of capital notes and loans from investees		-	43,214	70,420
Dividend received from an investee		29,521	-	1,091,031
Loans and capital notes provided to investees		-	-	(435,557)
Investment in restricted Tier 1 capital - Insurance		-	-	(298,084)
Acquisition of an investee		-	-	(10,608)
Sales (acquisitions) of financial investments by the Company, net		(188,126)	5,933	(24,026)
Capital note/loan to a subsidiary		-	(149,405)	-
Net cash provided by (used for) investing activities		(158,605)	(100,258)	393,177
Cash flows used for financing activities				
Dividend to shareholders		-	-	(297,171)
Acquisition of Company shares		-	(6,298)	(38,238)
Issuance of bonds		-	148,391	489,942
Repayment of bonds		-	-	(159,121)
Net cash provided by (used for) financing activities		-	142,093	(4,589)
Increase (decrease) in cash and cash equivalents		(154,405)	41,527	386,777
Balance of cash and cash equivalents at beginning of period		403,736	16,959	16,959
Balance of cash and cash equivalents as of end of period		249,331	58,486	403,736

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

		For the three months ended March 31		For the year ended December 31
		2024	2023	2023
		Unaudited		Audited
		NIS thousand		
Adjustments required to present cash flows provided by (used for) operating activities:	(a)			
Items not involving cash flows:				
Losses (gains), net on financial investments		(10,772)	124(*)	1,472
Income and expenses not involving cash flows:				
Accrued interest and appreciation of bonds		5,194	10,495	34,598
Tax income, net		-	(6,800)	(15,870)
Company's share in the income of investees, net		(207,998)	67,181	(736,280)
Changes in other on-balance sheet line items, net:				
Change in accounts receivable, debit balances and collectible premiums		4,342	5,593	(3,984)
Change in payables and credit balances		6,552	2,142	2,939
Change in loans to investees		(11,472)	(21,995)(*)	(43,557)
Cash paid and received during the period for:				
Taxes paid, net		-	-	(18,532)
Total cash flows for operating activities		(214,154)	56,740	(779,214)
Significant non-cash activities:	(b)			
Dividend declared and not yet paid		(265,000)	(177,172)	-
Dividend receivable from subsidiaries		-	205,000	-

(*) Reclassified.

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

NOTE 1 - GENERAL

The Interim Separate Financial Information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 and does not include all the information required under Regulation 9C and the Tenth Addendum to the Securities Regulation (Periodic and Immediate Reports), 1970, "Separate Financial Information of the Corporation".

This separate financial information should be read in conjunction with the separate financial information as of the date and year ended December 31, 2023 and in conjunction with the condensed interim consolidated financial statements as of March 31, 2024 (hereinafter - the "Consolidated Financial Statements").

Definitions

The "**Company**" **-**	The Phoenix Holdings Ltd.
"**Investee companies**"-	Consolidated companies and companies the Company's investment in which is included, whether directly or indirectly, in the financial statements based on the equity method.

NOTE 2 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A. During the quarter, and as part of the implementation of the Company's strategy, The Phoenix Insurance transferred several employees and officers to the Company, and accordingly seeks to alter the management fee agreement with The Phoenix Insurance.

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

NOTE 3 - SUBSEQUENT EVENTS

A. In April 2024, the Company sold approx. NIS 140 million of its holdings in the subordinated notes recognized as Tier 1 capital instrument by The Phoenix Insurance and listed on the main list of the TASE, to entities listed in the First Addendum to the Securities Law, 1968. For details about the terms of the Bonds (Series L), see Note 27E to the Consolidated Financial Statements.

B. For other significant events subsequent to the reporting period, see Note 9 to the Consolidated Financial Statements.

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May 28, 2024

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

Dear Madam/Sir,

Re: Shelf Prospectus of The Phoenix Holdings Ltd. (hereinafter - the "Shelf Prospectus") published on August 24, 2022

We hereby inform you that we agree to the inclusion (including by way of reference) of our reports, as listed below, in a shelf offering based on the Shelf Prospectus in the subject:

1. Review Report dated May 28 2024, on the Condensed Consolidated Financial Information of The Phoenix Holdings Ltd. as of March 31, 2024 and for the three-month period then ended.

2. Special report dated May 28 on the Separate Interim Financial Information in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Holdings Ltd. of The Phoenix Holdings Ltd. as of March 31, 2024 and for the three-month period ended on that date.

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Part 4

Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure

Quarterly Report on the Effectiveness of the Internal Control over Financial Reporting and Disclosure in accordance with Regulation 38C(a):

Management, under the supervision of the Board of Directors of The Phoenix Holdings Ltd. (hereinafter - the "Corporation") is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure in the Corporation.

For this matter, the members of management are as follows:

1. Eyal Ben Simon, CEO of the Company and The Phoenix Insurance.
2. Eli Schwartz, Executive VP, CFO of the Company and The Phoenix Insurance.
3. Haggai Schreiber, Executive VP, Chief Investment Officer, CEO The Phoenix Investments Ltd.
4. Meni Neeman, Executive VP, Chief Legal Counsel and Secretary of the Company and of The Phoenix Insurance.
5. Michal Leshem, Executive VP, Chief Internal Auditor of the Company and The Phoenix Insurance.
6. David Alexander, Executive VP, Head of Business Development of the Company and The Phoenix Insurance.
7. Eilon Dachbash, Executive VP, Head of Retail Credit of the Company.
8. Amit Netanel, VP, Chief Risk Officer of the Company and The Phoenix Insurance.

The internal control over financial reporting and disclosure consists of the Corporation's existing controls and procedures that have been planned by the chief executive officer and the most senior financial officer or under their supervision, or by the equivalent acting officers, under the supervision of the Corporation's Board of Directors, designed to provide reasonable assurance about the reliability of financial reporting and the preparation of the financial statements in compliance with applicable laws, and ensure that all information that the Company is required to disclose in the financial statements its publishes pursuant to law is collected, processed, summarized and reported in a timely manner and according to the format prescribed by law.

Among other things, internal controls include controls and procedures planned to ensure that all information that the Corporation is required to disclose as aforesaid is collected and transferred to the Corporation's management, including the chief executive officer and the most senior financial officer, or the equivalent acting officers, in order to allow decision making on a timely basis with respect to the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that misstatements or omissions of information in the financial statements shall be prevented or detected.

The Phoenix Insurance Ltd., a subsidiary of the Corporation, is an institutional entity which is subject to the directives of the Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance regarding the assessment of the effectiveness of internal controls over financial reporting.

With respect to the internal control of the said subsidiary, the Corporation implements the following provisions:
Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Controls over Financial Reporting"; Institutional Entities Circular 2010-9-6, "Management's Responsibility for internal control over financial reporting - Amendment"; Circular 2010-9-7, "internal control over financial reporting - Statements, Reports and Disclosures"; and Circular 2015-9-15, "Internal Control over Financial Reporting - Statements, Reports, Disclosures and Management's Responsibility for Internal Control over Financial Reporting - Amendments".

In the Annual Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure attached to the periodic report for the period ended December 31 2023 (hereinafter - the "Most Recent Annual Report Over Internal Control"), the Board of Directors and management assessed the internal control in the corporation. Based on this assessment, the Corporation's Board of Directors and management have concluded that the said internal control, as of March 31 2024, is effective.

As of the report date, the Board of Directors and management have not been informed of any event or matter that may alter the assessment of the effectiveness of internal control, as presented in the Most Recent Annual Report Over Internal Control.

As of the report date, based on the Most Recent Quarterly Report of Internal Control and based on information brought to the attention of management and the Board of Directors as stated above, the internal control is effective.

Certification

Certification by the CEO

I, Eyal Ben Simon, hereby certify that:

(1) I have reviewed the periodic report of The Phoenix Holdings Ltd. (hereinafter - the "Corporation") for the first quarter of 2024 (hereinafter – the "Reports");

(2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, or omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;

(3) To my knowledge, the financial statements and other financial information included in the Reports present fairly, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;

(4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Board of Directors' audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:

(a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation's ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -

(b) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation, state that:

(a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -

(b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

(c) I have not been informed of any event or matter that occurred in the period between the most recent report date (quarterly or periodic, as the case may be) and the date of this Report, which may change the conclusion of the Board of Directors and management regarding the effectiveness of internal controls over the corporation's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 28, 2024

Eyal Ben Simon, CEO

Certification

Certification by the Most Senior Financial Officer

I, Eli Schwartz, hereby certify that:

(1) I have reviewed interim financial statements and other financial information included in the interim report of The Phoenix Holdings Ltd. (hereinafter: the "Corporation") for the first quarter of 2024 (hereinafter – the "Reports" or "Interim Reports");

(2) To my knowledge, the interim financial statements and other financial information included in the Interim Reports do not contain any misrepresentation of a material fact, nor omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;

(3) To my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports present fairly, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;

(4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Board of Directors' audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure insofar as it relates to the Interim Financial Statements and other financial information included in the Interim Reports, which could reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of the financial statements in accordance with law; and –

(b) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation, state that:

(a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -

(b) I have established controls and procedures or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.

(c) I have not been informed of any event or matter that occurred in the period between the most recent report date (quarterly or periodic, as the case may be) and the date of this Report, which may change the conclusion of the Board of Directors and management regarding the effectiveness of internal controls over the corporation's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 28, 2024

Eli Schwartz, Executive VP, Chief Financial Officer

Part 5

Statements Regarding Controls and Procedures in respect of Disclosure in the Financial Statements of The Phoenix Insurance Company Ltd.

The Phoenix Insurance Company Ltd.

Certification

I, Eyal Ben Simon, hereby certify that:

1. I have reviewed the quarterly report of The Phoenix Insurance Company Ltd. (hereinafter - the "Company") for the quarter ended March 31, 2024 (hereinafter - the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, which is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting of the Company; and -
   (a) We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
   (b) We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
   (c) We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and -
   (d) The Report discloses any change in the Company's internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting; and -
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
   (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and -
   (b) Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 28, 2024

Eyal Ben Simon, Chief Executive Officer

The Phoenix Insurance Company Ltd.

Certification

I, Eli Schwartz, hereby certify that:

1. I have reviewed the quarterly report of The Phoenix Insurance Company Ltd. (hereinafter - the "Company") for the quarter ended March 31, 2024 (hereinafter - the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, which is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting[1] of the Company; and
   (a) We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
   (b) We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
   (c) We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and -
   (d) The Report discloses any change in the Company's internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting; and -
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
   (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and -
   (b) Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 28, 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".

Part 6

The Phoenix Insurance Solvency Report

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

Re: Examination of the Application of Certain Instructions of the Commissioner of the Capital Market, Insurance and Savings regarding the Solvency II-Based Economic Solvency Requirement of The Phoenix Insurance Company Ltd. (hereinafter - the "Company") as of December 31, 2023

We examined the capital required to maintain the solvency capital requirement (hereinafter - "**SCR**") and the economic capital of The Phoenix Insurance Company Ltd. of December 31, 2023 (hereinafter - the "**Information**"), included in the Company's Economic Solvency Ratio Report attached hereby (hereinafter - the "**Report**").

The Board of Directors and management bear the responsibility for the preparation and presentation of the Information drawn up in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") regarding Solvency II-based economic SCR of an insurance company as included the Commissioner's circular No. 2020-1-15 of October 14 2020, and in accordance with the Commissioner's Directives regarding principles for calculation of Deduction during the Transitional Period in a Solvency II-based Economic Solvency Regime of October 15 2020 (hereinafter - the "**Directives**").

The calculations, forecasts and assumptions on which the preparation of the Information was based fall under the responsibility of the Board of Directors and management.

We conducted our examination in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information, and in accordance with the Commissioner's Directives, as included in Appendix B of the Insurance Circular 2017-1-20 of December 3 2017, which provides guidance as to audit of Economic Solvency Ratio Report.

We did not examine the appropriateness of the amount of Deduction during the Transitional Period as of December 31, 2023 as presented in Section 2 to the Report, except for verifying that the Deduction does not exceed the expected discounted amount of the risk margin and the solvency 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.

Except for what is stated above in connection with the appropriateness of the Deduction during the Transitional Period, based on the examination of the evidence supporting the calculations, the forecasts and the assumptions, as referred to below, which were used by the Company's Board of Directors and management in the preparation of the information nothing came to our attention which caused us to believe that the forecasts and assumptions, as a whole, do not constitute a reasonable basis for the information in accordance with the Directives. Furthermore, in our opinion, the information, including the method employed to determine the assumptions and forecasts, was prepared and presented in all material respects in accordance with the Directives.

It should be emphasized that the projections and assumptions are based mainly on past experience, as arising from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The information is sometimes based on assumptions regarding future events, steps taken by management, and the pattern of the future development of the risk margin, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the information. Furthermore, actual results may materially vary from the information, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the information.

We draw attention to what stated in Section C - comments and clarifications regarding the solvency ratio, the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

Tel Aviv,
May 28, 2024

Respectfully,

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Overview and Disclosure Requirements

Solvency II-based Economic Solvency Regime

The information provided below was calculated in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "**Provisions of the Economic Solvency Regime**"), was prepared and presented in accordance with Chapter 1, Part 4 Section 5 of the Consolidated Circular as revised in Circular 2022-1-8 (hereinafter - the "**Disclosure Provisions**").

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

The eligible shareholders' equity is composed of Tier 1 capital and Tier 2 capital. Tier 1 capital includes shareholders' equity calculated through assessing the economic value of an insurance company's assets and liabilities in accordance with the circular's provisions, and Additional Tier 1 capital. Additional Tier 1 capital and Tier 2 capital include equity instruments with loss absorption mechanisms, including Subordinated Tier 2 capital, Hybrid Tier 2 capital and Tier 3 capital, which were issued prior to the circular's effective date. The circular places restrictions on the composition of shareholders' equity for SCR and MCR purposes (see below), such that the rate of Additional Tier 1 capital shall not exceed 20% of the Tier 1 capital, and such that the rate of components included in Tier 2 capital shall not exceed 40% of the SCR without taking into account the Provisions of the Transitional Period and the equity scenario adjustment, and shall not exceed 50% of the SCR under the Transitional Provisions and taking into account the equity scenario adjustment.

The eligible capital is compared to the capital requirement when there are two levels of capital requirements:

- The capital required to maintain an insurance company's solvency (hereinafter - "**SCR**"). The SCR is comprised of risks to which the Company is exposed and is based on forward-looking calculation of the impact of the materialization of different scenarios, while taking into account the correlation of the different risk factors, based on the guidance in the Provisions of the Economic Solvency Regime.
- Minimum capital requirement (hereinafter "MCR" or "minimum capital requirement"). In accordance with the Provisions of the Economic Solvency Regime, the minimum capital requirement shall be equal to the highest of the amount of the minimum Tier 1 capital requirement under the "Requirements of the Previous Capital Regime" and an amount derived from insurance reserves and premiums (as defined in the Solvency Circular), with a floor of 25% and a cap of 45% of the SCR.

The eligible capital and the capital requirement are calculated using data and models which are based, among other things, on forecasts and assumptions that rely mainly on past experience. These calculations are highly complex.

The Provisions of the Economic Solvency Regime include, among other things, Transitional Provisions, which are based on increasing the eligible capital by deducting from the insurance reserves an amount that will be calculated as detailed in Section b below. The Deduction will decrease gradually until 2032 (hereinafter: the "Deduction during the Transitional Period") and the stock scenario adjustment.

Publication of Economic Solvency Ratio Report

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

Furthermore, in view of the listing of Additional Tier 1 capital on the main list, and in accordance with The Phoenix Insurance's undertakings under the deed of trust, as from 2023 the Company publishes an estimated quarterly solvency ratio as of March 31 and September 30, as part of the periodic report published following the calculation date. The calculation of the estimated quarterly solvency ratio is not audited or reviewed by the independent auditor, and the controls conducted by The Phoenix Insurance for the purpose of publishing the estimated ratio are less in scope compared to those executed for the purpose of publishing the solvency ratio report, which is published in accordance with the Commissioner's directives. If the Company's solvency ratio goes down to 120% or less, it will publish a Full Solvency Ratio Report on a quarterly basis in a semi-annual format, instead of an estimated ratio.

Forward-looking information

The data included in this Economic Solvency Ratio Report, including the eligible and the solvency capital requirement are based, among other things, on forecasts, assessments, and estimates of future events, the materialization of which is uncertain and is not under the Company's control, and which should be considered as "forward-looking information" as the term is defined in Section 32A to the Securities Law, 1968. Actual results may differ from the results reflected in this Economic Solvency Ratio Report, if such forecasts, assessments and estimates, either in whole or in part, fail to materialize or materialize in a manner different than anticipated, including, among other things, with respect to actuarial assumptions (including mortality rates, morbidity rates, recovery rates, cancellations, expenses, uptake of pension benefits, rate of release of the risk margin and underwriting income rate), assumptions regarding future management actions, risk-free interest rates, capital market returns, future revenue, and damage in catastrophe scenarios.

A. Definitions

The Company	-	The Phoenix Insurance Company Ltd.
Provisions of the Economic Solvency Regime	-	The provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "Solvency Circular"), including its explanations.
Best estimate	-	Expected future cash flows from insurance contracts and investment contracts throughout their term, without conservatism margins and discounted by an adjusted risk-free interest.
Long-term health insurance (SLT)	-	Health insurance that is conducted similarly to life insurance.
Short-term health insurance (NSLT)	-	Health insurance that is deemed to be written on a similar technical basis as property and casualty insurance.
Basic solvency capital requirement (BSCR)	-	The capital requirement of an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Provisions of the Economic Solvency Regime Directives, without taking into account the capital requirement due to operational risk, loss absorption adjustment due to deferred tax and capital requirement due to management companies.
Solvency capital requirement (SCR)	-	Total capital requirement of an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Economic Solvency Regime.
Recognized shareholders' equity	-	Total Tier 1 capital and Tier 2 capital of an insurance company, after deductions and amortization in accordance with the provisions of Part B of the Appendix to the Solvency Circular.
Basic Tier 1 capital	-	Excess of assets over liabilities in the economic balance sheet, net of unrecognized assets and dividend declared subsequent to report date and until the report's initial publication date.
Additional Tier 1 capital	-	Perpetual capital note, non-cumulative preferred shares, Restricted Tier 1 capital instrument, Additional Tier 1 capital instrument - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular.
Tier 2 capital	-	Tier 2 capital instruments, Subordinated Tier 2 Capital, Hybrid Tier 2, Additional Tier 1 Capital instrument that was not included in Tier 1 and Hybrid Tier 3 Capital - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular.
The Commissioner	-	Commissioner of the Capital Market, Insurance and Savings Authority.
Effect of diversification of risk-weighted components	-	Effect of the partial correlation between different risks in the model on their amounts; the greater the diversification between operating segments in the portfolio and the risk diversification risks, the greater is the effect of the correlation, which reduces the overall risk.
Solvency ratio	-	The ratio between the eligible shareholders' equity of an insurance company and the solvency capital requirement.
Symmetric Adjustment (SA)	-	Anti-cyclical component designed to adjust the capital requirement in respect of the shares risk to the changes in share prices, as detailed in Part C to the Provisions of the Economic Solvency Regime.

Stock scenario adjustment	-	A reduced capital requirement for certain types of investments that will gradually increase until 2023, when the capital requirement in respect of these investments will reach its maximum rate.
Economic balance sheet	-	The Company's balance sheet with the value of assets and liabilities adjusted in accordance with the provisions of Part A of the Solvency Circular.
Risk margin (RM)	-	An amount that reflects the total cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities.
Deduction during the Transitional Period (hereinafter - the "Deduction")	-	The amount deducted from insurance reserves during the Transitional Period, as detailed in Section 2a(2) above, and in accordance with the Provisions of the Economic Solvency Regime.
Minimum capital requirement (MCR)	-	The minimum capital requirement of an insurance company, calculated in accordance with Chapter C of the Solvency Circular.
Expected profits in future premiums (EPIFP)	-	Expected Profit in Future Premiums; the future profit from liabilities in respect of existing life and health insurance contracts arises from future premiums.
Transitional Period	-	Under the Transitional Provisions for the implementation of an Economic Solvency Regime - a period running until December 31, 2032.
UFR	-	Ultimate Forward Rate - the latest forward interest rate derived from the expected long-term real interest rate and the long-term inflation expectations to which the adjusted interest rate curve converges, in accordance with the Provisions of the Economic Solvency Regime.
Volatility Adjustment (VA)	-	A component reflecting the margin implicit in a representative debt assets portfolio of insurance companies and added to the adjusted interest rate curve in accordance with Provisions of the Economic Solvency Regime.
Audited	-	The term refers to an audit held by an independent auditor in accordance International Standard on Assurance Engagement (ISAE) 3400 – "The Examination of Prospective Financial Information".
Unaudited	-	The term refers to a review conducted in accordance with the principles of the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.
Investment Rules Regulations	-	Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012.
Adjusted risk-free interest	-	The interest rate curve set by the Commissioner which is based on the real yield to maturity of bonds of the Government of Israel, with convergence in the long-term to a fixed real rate of 2.6% (UFR) plus a margin (VA) that was set by the Commissioner.

B. Calculation Methodology

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

Economic balance sheet

The economic balance sheet is calculated in accordance with the detailed rules and directives published by the Commissioner, which are based on the European Solvency II rules, with adjustments to reflect the characteristics of the economic environment and products in Israel. The purpose of the rules is to reflect the economic value of the balance sheet items in accordance with the Commissioner's approach. In accordance with the Directives, the insurance liabilities are calculated based on the best estimate of all expected future cash flows from existing businesses, without conservatism margins and plus a risk margin, which represents the addition to the insurance liabilities that is expected to be required from another insurance company to assume the insurance company's insurance liabilities. In accordance with the Directives, the risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses as described below. The economic balance sheet is prepared based on the Company's standalone financial statements plus investees, whose main occupation is holding rights in real estate properties. The economic balance sheet attributes zero value to intangible assets and deferred acquisition costs other than investment in "Insurtech" as defined in the Provisions of the Economic Solvency Regime, and the Commissioner's approval in that respect was obtained, as required.

Increasing economic capital according to the Transitional Provisions

As aforesaid, the Company opted for the current alternative provided by the Transitional Provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the "Deduction during the Transitional Period" or the "Deduction"). With regard to the Deduction during the Transitional Period, a letter was addressed to insurance companies managers titled "Principles for calculating Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" (hereinafter - the "Letter of Principles"). Pursuant to the Letter of Principles, the Deduction during the Transitional Period shall be calculated by dividing insurance policies issued through December 31, 2016 into homogeneous risk groups. The aforesaid deduction shall be calculated as the difference between insurance reserves (retention) as per the economic balance sheet including the risk margin attributed thereto (without adjusting the fair value of designated bonds) and the insurance reserves (retention) as per the Financial Statements. This difference shall be deducted on a linear basis until December 31, 2032.

The Company ensures that the deduction balance at each reporting date (hereinafter - the "Deduction Value During the Transitional Period") shall be proportionate to the expected increase in the solvency ratio calculated excluding expedients during the Transitional Period, and factors in at least the expected amortization of the SCRs and risk margin of the current portfolio as of the calculation date.

The Deduction during the Transitional Period shall be recalculated in subsequent periods in the following instances:

(a) Every two years, after obtaining the Commissioner's approval;
(b) If a material change occurred in the risk profile or the business structure of the insurance company;
(c) At the request of the Commissioner, if he/she believed that circumstances have changed since approval was given.

Additionally, Section 3(c) of the letter "Principles for Calculating the Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" of October 15, 2020 (hereinafter – the "**Letter of Principles**") stipulates that an insurance company will determine qualitative and quantitative tests for cases in which the Deduction during the Transitional Period is recalculated and the Deduction during the Transitional Period will be recalculated, at least, in the following cases:

1. A material change in the risk-free interest rate curve;
2. A material change in the value of the Company's assets;
3. A material change in the demographic and operational assumptions underlying calculation of the insurance reserves;
4. A material change in the Company's business structure relevant to the Deduction during the Transitional Period;
5. A material change in the reinsurance agreements of businesses relevant to the Deduction during the Transitional Period.

The Company recently calculated the Deduction as of December 31, 2023. For further details about the Deduction, see Section 2A(2) below.

Solvency capital requirement (SCR)

The calculation of the solvency capital requirement is based on an assessment of the economic shareholders' equity's exposure to the following risk-weighted components set in the Provisions of the Economic Solvency Regime: life insurance risks, health insurance risks, property and casualty insurance risks, market risks and counter-party default risks. These risk-weighted components include sub-risk-weighted components with respect to specific risks to which the insurance company is exposed. The exposure assessment of the economic shareholders' equity to each sub-risk component is carried out based on a defined scenario set out in the guidance. The determination of the solvency capital requirement is based on the sum of the capital requirements in respect of the risk-weighted sub-components and the sub-risk weighted components, as stated above, net of the effect of the risk diversification in the Company in accordance with the correlations assigned to them under the Directives, and net of the loss absorption adjustment due to deferred tax, as detailed in the Provisions of the Economic Solvency Regime. Furthermore, the calculation of the solvency capital requirement includes components of the capital requirement in respect of operational risk and in respect of management companies (where relevant).

The capital requirement in respect of each of the risks is calculated in accordance with the Company's exposure to that risk, taking into account the parameters set in the Directives. In accordance with the Directives, the capital requirement represents the scope of equity that will allow the insurance company to absorb unexpected losses in the forthcoming year and meet its obligations to policyholders and beneficiaries on time, with a 99.5% certainty level.

Loss absorption adjustment due to deferred tax asset

In accordance with the Provisions of the Economic Solvency Regime, an insurance company may recognize a loss absorption adjustment with respect to deferred tax assets up to the amount of the balance of the deferred tax reserve included in the economic balance sheet plus a tax asset against future profits up to 5% of the basic solvency capital requirement (BSCR), provided that the following conditions are met:

- The insurance company is able to demonstrate to the Commissioner that it is probable that it will have future taxable income against which the tax assets may be utilized.
- The future profits shall arise only from property and casualty insurance or from Not Similar to Life Techniques (NSLT) (short term health insurance) only.

C. Comments and clarifications

1. General

The Economic Solvency Ratio Report includes, among other things, forecasts based on assumptions and parameters based on past experience, as they arise from actuarial studies conducted from time to time, and on Company's assessments regarding the future, to the extent that it has relevant and concrete information which can be relied upon. The information and studies are similar to those used as the basis for the Company's financial statements as of as of December 31, 2023. Any information or studies obtained or completed after the reporting date of the Company's annual report as of December 31, 2023 were not taken into account.

It should be emphasized that in view of the reforms in the capital, insurance and savings market and the changes in the economic environment, past data are not necessarily indicative of future results, and the Company is unable to reliably assess the effect of the reform and the changes. The calculation is sometimes based on assumptions regarding future events and steps taken by management, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the calculation. Furthermore, actual results may materially vary from the calculation, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation.

It should be emphasized that the results of the models used in the calculation of the eligible shareholders' equity and the solvency capital requirement are highly sensitive to the forecasts and assumptions included therein, as well as to the manner by which the Directives are implemented. The economic solvency ratio is highly sensitive to market variables and other variables, and accordingly may be volatile.

2. <u>Future effects of legislation and regulatory measures known as of the report's publication date and exposure to contingent liabilities</u>

a) The field of insurance has been subject to frequent changes in relevant legislation and regulatory directives. For more information, see Sections 2.1 and 2.3. in Part B and Section 4.1 in Part D of the Description of the Corporation's Business in the Periodic Report for 2023 and in section 1.2 in the Board Report for the period ended March 31, 2024.

The legislation and regulatory measures may impact the Company's economic solvency ratio. The calculation of the solvency ratio does not reflect the entire potential effect of the aforesaid legislation and regulatory measures and of other developments that are not yet reflected in practice in the data; this is since to date the Company is unable to assess their entire effect on its business results and solvency ratio. With regard to this matter, it should be noted that there is significant uncertainty in the context of the effect of the application of IFRS 17 and its various components; the standard is due to come into effect in Israel starting in the financial statements as of January 1, 2025. The manner by which this standard will be applied in the financial statements may affect the results of the calculation of the solvency ratio, and at this stage the Company is unable to assess this effect.

b) In accordance with the Provisions of the Economic Solvency Regime, the value of contingent liabilities in the economic balance sheet is determined based on their value in the accounting balance sheet in accordance with the provisions of IAS 37; this measurement does not reflect their economic value. It is not possible to assess the effect of the uncertainty arising from the exposure to contingent liabilities, including such exposure's effect on the Company's future profits and economic solvency ratio. For details regarding the exposure to contingent claims as of December 31, 2023, see Note 40 to the financial statements of 2023. For an update as to developments in this exposure after reporting date, see Note 7 to the financial statements as of March 31, 2024.

c) **<u>Amendment of the Consolidated Circular - Chapter 3 Part 4 Title 5 "Reporting to the Commissioner of the Capital Market, Insurance and Savings" - Hetz Bonds</u>** - allocations of Hetz bonds are based on the amount of the insurance liability recognized in the financial statements in respect of the insurance contracts, where as from January 1, 2025 (the date of first-time application of IFRS 17), the manner of calculating the insurance liability will change significantly (transition from measurement based on traditional actuarial methods to measurement based on future cash flows discounted using a risk-free interest). In view of the above, in March 2023 the Commissioner published a circular regarding the "Amendment of the Consolidated Circular - Chapter 3 Part 4 Title 5 - Reporting to the Commissioner of the Capital Market, Insurance and Savings - Hetz Bonds"; the circular sets out provisions as to the manner of allocation of designated government Hetz bonds as from January 1, 2025 (the date of first-time application of IFRS 17). The change in the manner of allocation that will apply as from the first-time application date of the standard impacts the calculation of the asset relating to designated bonds as per the economic balance sheet. In the calculation of the solvency ratio as of December 31, 2023, the Company has not yet included the effect of the amendment, due to its assessment of immateriality from application of the amendment and due to the uncertainty as to the results of the calculations of the reserves in IFRS 17, including the risk adjustment component, and its allocation for the purpose of the calculation of Hetz bonds in the period applicable to IFRS 17.

d) In March 2024 an amendment was approved by the Knesset plenum to the Value Added Tax Ordinance (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "Ordinance"), which prescribes that as from January 1, 2025 the rate of payroll tax applicable to financial institutions will stand at 18% of the wage paid for work, and the profit tax shall stand at 18% of the profit generated. In accordance with an assessment made by the Company, the effect of the above revision of the results of the solvency ratio is immaterial.

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

A. Economic solvency ratio

	As of December 31	
	2023	**2022**
	Audited*	
	NIS thousand	
Shareholders' equity in respect of SCR - see Section 3	14,823,584	14,711,664
Solvency capital requirement (SCR) - see Section 4	7,640,211	6,968,263
Surplus	7,183,373	7,773,401
Economic solvency ratio (in %)	**194%**	**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**	-	(410)
Shareholders' equity in respect of SCR	14,823,584	14,711,254
Surplus	7,183,373	7,742,991
Economic solvency ratio (in %)	**194%**	**211%**

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

** Subsequent to the balance sheet date (December 31, 2023), approx. NIS 400 million in Bonds (Series D) were redeemed (immediate report dated January 2, 2024, Ref. No.: 2024-01-000765). The redemption referred to above does not affect the solvency ratio as of December 31, 2023 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.
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.

For details regarding the economic solvency ratio without applying the Transitional Provisions for the Transitional Period, and without adjusting the stock scenario, and regarding the target economic solvency ratio and restrictions applicable to the Company in connection with dividend distribution, see Section 9 below.

Explanations to main changes in capital surplus and in the economic solvency ratio compared to last year:

- The Company recalculated the value of the Deduction during the Transitional Period as of June 30, 2023 and December 31, 2023 (in accordance with Section B above and due to material increases in the interest rate curve, in accordance with the Commissioner's Directives). Following the said recalculation, there was an approx. NIS 1,045 million decrease in the Deduction (from NIS 4,400 million to NIS 3,355 million, before linear amortization) and accordingly, a decrease in the capital surplus and solvency ratio of the Company. For further details about the recalculation of the Deduction in respect of the Transitional Period, see Section 2A(2) below.
- In the reporting period, there was an increase in the risk-free interest rate curve and an increase in the Consumer Price Index in Israel. The increase in the interest rate increased the capital surpluses as well as the solvency ratio of the Company; this increase was partially offset against the increase in inflation rate in Israel.
- During the reporting period, the Company revised its actuarial assumptions that had a cumulative negative impact on the solvency ratio. As part of those assumptions, the company updated its assumptions regarding expected cancellations and settlements. This revision affected mainly the savings policies portfolio and had a negative effect of approx. 5% on the solvency ratio under the Transitional Provisions in the Transitional Period.
- In the reporting period, there was an increase in capital requirements due to an increase in the market component due positive yield in the investment portfolio, the ending in the equity stress adjustment period and increase in exposure to this segment in comparison to previous year.
- In the reporting period, there was a natural in the capital surplus and solvency ratio of the Company due to the amortization in the capital requirement for existing life and health insurance products, which reduces the solvency capital requirement and the risk margin (RM).
- The results of the economic solvency ratio as of December 31, 2023 include a distribution of a dividend in kind of NIS 350 million, which was paid during the third quarter of 2023, and a distribution of approx. NIS 309 million in cash dividend that was paid in the fourth quarter of 2023.
- For details regarding other equity transactions subsequent to the balance sheet date, see footnote in the above table.

Implication of 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 date - more than 1,500 Israeli citizens were murdered (including members of the defense forces), approx. 11,500 sustained various injuries, and 125 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.

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

The Company 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 38 to the Financial Report as of December 31, 2023.

At this stage, there is uncertainty regarding how the War will develop, its scope, and duration. As of the report publication date, since December 31, 2023 there has been an increase in the CPI-linked risk-free interest, and equity markets were up. For information about the effects of share indexes and the index-linked risk-free interest, see Chapter 8 - Sensitivity Tests - to this report.

For further details regarding the ramifications of the War, see Section 1.3.2 to the 2023 Annual Financial Statements as well as the Company's financial statements as of March 31, 2024.

B. Minimum capital requirement (MCR)

	As of December 31	
	2023	2022
	Audited	
	NIS thousand	
Minimum capital requirement (MCR) - see Section 5A	1,995,718	1,843,583
Shareholders' equity for MCR - see Section 5B	11,402,622	11,596,249

Section 2 - Economic Balance Sheet

	Information about economic balance sheet	As of December 31			
		2023		2022	
		Balance sheet according to accounting standards	Economic balance sheet	Balance sheet according to accounting standards	Economic balance sheet
		Audited			
		NIS thousand			
Assets					
Intangible assets	3	868,287	129,266	805,156	159,510
Deferred acquisition costs	4	1,664,106	-	1,657,544	-
Property, plant & equipment		1,238,871	1,238,871	913,636	913,636
Investments in investees that are not insurance companies					
Other investees	5	1,581,275	1,177,039	1,434,476	1,155,587
Total investments in investees that are not insurance companies		1,581,275	1,177,039	1,434,476	1,155,587
Investment property in respect of yield-dependent contracts		2,283,063	2,283,063	2,142,074	2,142,074
Investment property - other		1,283,408	1,283,408	1,193,932	1,193,932
Reinsurance assets - see Section 2B	1	4,028,261	3,426,365	3,172,249	2,889,895
Receivables and debit balances	10	2,003,123	1,952,245	1,807,914	1,745,624
Financial investments in respect of yield-dependent contracts		82,817,937	82,817,937	77,394,271	77,394,271
Other financial investments					
Liquid debt assets		5,543,389	5,543,389	5,526,350	5,526,350
Illiquid debt assets, excluding designated bonds	6	7,272,587	7,256,853	7,000,949	6,871,856
Designated bonds	7	7,383,544	9,185,718	7,695,966	9,880,196
Shares		2,175,831	2,175,831	1,869,608	1,869,608
Other		6,029,562	6,029,562	4,890,182	4,890,182
Total other financial investments		28,404,913	30,191,353	26,983,055	29,038,192
Cash and cash equivalents in respect of yield-dependent contracts		19,303,547	19,303,547	16,358,509	16,358,509
Other cash and cash equivalents		2,084,507	2,084,507	2,752,806	2,752,806
Total assets		**147,561,298**	**145,887,601**	**136,615,622**	**135,744,036**
Total assets in respect of yield-dependent contracts		**104,769,512**	**104,909,651**	**96,055,588**	**96,261,754**

	Information about economic balance sheet	As of December 31 2023 Balance sheet according to accounting standards	2023 Economic balance sheet	2022 Balance sheet according to accounting standards	2022 Economic balance sheet
		Audited			
		NIS thousand			
Equity					
Basic Tier 1 capital		6,418,491	9,545,604	6,627,651	10,317,309
Total equity		**6,418,491**	**9,545,604**	**6,627,651**	**10,317,309**
Liabilities					
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts - see Section 2B	1, 8	24,605,125	18,122,795	24,516,307	17,508,068
Liabilities in respect of insurance contracts and yield-dependent investment contracts - see Section 2B	1, 8	103,060,466	99,174,573	94,112,888	91,638,483
Risk margin (RM)	1	-	6,399,314	-	6,618,426
Deduction during the Transitional Period	2	-	(2,323,036)	-	(3,385,061)
Liabilities in respect of deferred taxes, net	9	601,059	2,439,700	460,160	2,522,344
Payables and credit balances	4,10	3,126,474	2,993,582	3,037,358	2,902,704
Financial liabilities	11	9,749,683	9,535,069	7,861,258	7,621,763
Total liabilities		**141,142,807**	**136,341,997**	**129,987,971**	**125,426,727**
Total equity and liabilities		**147,561,298**	**145,887,601**	**136,615,622**	**135,774,036**

Key changes compared with December 31, 2022

- For explanations about key changes in Tier 1 capital, see Section 3 above.
- For more information about the changes in the Deduction during the Transitional Period, see Section 2A(2) below.

Section 2A Information about economic balance sheet

The fair value of assets and liabilities in the economic balance sheet was calculated in accordance with the provisions included in the chapter dealing with measurement of assets and liabilities for financial statements purposes in the Consolidated Circular (Code of Regulations), except for items for which other provisions apply as per the Solvency Circular, as follows:

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

Liabilities in respect of insurance contracts and investment contracts are calculated in accordance with Part A Chapter 4 of the Solvency Circular based on a best estimate (hereafter - "BE" or "Best Estimate") on the basis of assumptions that are mainly a result of projecting to the future existing experience relating to past events, within the environment in which the Company operates, and without conservatism factors. As a rule, with respect to life and Health SLT liabilities, the Company applied the embedded value (EV) calculation methodology in Israel, and with respect to property and casualty insurance - on the basis of the section in the Commissioner Position entitled "Best Practice for Calculation of Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes".

The calculation of SLT life and health insurance liabilities contracts was carried out by discounting the Company's projected cash flows using a model applied to information available in the Company's operational systems as to insurance coverages, and to many demographic, economic and behavioral assumptions. The projected cash flows include, for example, projected premiums in view of the expected cancellation rates, net of the expenses that the Company will incur in respect of the coverages, including fees and commissions to agents, expected claims, etc.

This cash flow is discounted based on an interest rate curve set by the Commissioner which is based on the real yield to maturity of bonds of the Government of Israel (hereinafter - "risk-free interest"), with convergence in the long-term to a fixed real rate of 2.6% (UFR) plus a margin (VA) that was set by the Commissioner.

The calculation of the liabilities does not include cash flows in respect of future sales; however, it does include an assumption that the Company will continue receiving premiums from existing businesses (excluding in respect of policies without an insurance risk, including investment contracts). Furthermore, the calculation assumes that the Company shall continue as a going concern, i.e., that the Company's activity will not change, and therefore, some of the fixed expenses in the future shall not be allocated to the current portfolio, but rather to a new business which is expected to be sold in the future.

It is likely that the actual cash flows will vary to some degree on another from the estimates made on a best estimate basis, even if the underlying parameters of the calculation will not change in any way. See also Section C1 above - comments and clarifications.

As stated above, the measurement of the insurance liabilities in the economic balance sheet is carried out by discounting the projected cash flows, including future profit, by a risk-free interest plus VAT and taking the UFR into consideration, on the basis of a best estimate that does not include conservatism margins, where the risk is reflected in the RM component, which is a separate liability. This measurement differs from the measurement applied in the financial statements, where insurance liabilities are estimated with conservatism margins using the discounting methods and rates described in the risk management note of the annual financial statements.

Risk margin - In addition to the insurance liabilities based on a best estimate, a component of the risk margin is calculated which reflects the total cost of capital that another insurance company would be expected to require in order to receive the insurance company's total insurance liabilities, calculated on the basis of a best estimate. The risk margin is calculated in accordance with the Commissioner's Directives, based on a capital cost rate of 6%, and is discounted at an adjusted risk-free interest rate, but excluding the VA component and based on current and future capital requirements. The future capital requirement is calculated in accordance with the "risk factor method", by changing the capital requirement components calculated as of the reporting date in accordance with the projected development of the risk factors attributed thereto. These factors are designed to reflect the development of the standard model risks over time. The calculation does not take into account the capital requirement in respect of market risks.

Limitations and qualifications with regard to calculation of the best estimate

- Generally, the underlying assumptions of the models were formulated mainly on the basis of studies and analyses which are based on Company’s experience over the past few years, which did not include extreme events. Although there is low probability that extreme events will occur, the Company is unable to estimate this probability or the extent of the effect of those events. Accordingly, such events were not taken into account in the determination of the models’ underlying assumptions.
- The determination of the BE is supposed to be based on an estimation of the distribution of the potential BEs. With no available significant statistical data that can be used to evaluate the distribution of BE for all demographic and operational factors in life and health SLT, the Company used real assumptions of each and every parameter, according to the expected value of each relevant factor, without taking into account any correlation or dependency between the different assumptions, or between the assumptions and external economic parameters such as taxation, interest or employment levels in Israel. Since the Company did not have sufficient data, when calculating the BE it did not check the level of correlation between demographic and operational assumptions (such as the rate of cancellations) and assumptions pertaining to market conditions (such as the interest rate), which may materially affect the BE.
- In many cases, the future cash flows refer to periods of tens of years into the future. The studies on which the underlying cash flow assumptions rely are based on management’s best knowledge, mainly recent years’ experience. It is highly uncertain whether the underlying cash flow assumptions will,

indeed, materialize, including as a result of future regulatory changes which may have a material effect.

Limitations and qualifications with regard to calculation of the risk margin (RM)

The risk margin is calculated using the cost of capital method, at a rate of 6% in accordance with the guidance of the Economic Solvency Regime, and this rate does not necessarily reflect the cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities. In this context, it should be emphasized that the capital requirements are based on the model used to calculate the best estimate, despite its limitations as described above.

Assumptions underlying the insurance liabilities calculation

Demographic and operating assumptions

The calculation's underlying assumptions were set in accordance with the Company's best estimates of relevant demographic and operational factors and reflect the Company's expectations as to the future in respect of these factors. The demographic assumptions included in the calculation were taken from Company's internal studies, if any, and conclusions reached as a result of exercising professional judgment, based on relevant experience and the integration of information received from external sources, such as information from reinsurers and mortality and morbidity tables published by the Commissioner.

The operational assumptions (general and administrative expenses) were calculated in accordance with the results of the Company's internal pricing model applied to expenses relating to the relevant insurance liabilities, including: allocation of expenses to the different segments and activities (issuance, current management, investments, claims management, etc.) and assumptions regarding their future development (in accordance with the CPI, amount of premiums and assets under management, etc.).

Following are the key assumptions on which the Company relied in the calculations:

a) Economic assumptions

- Discount rate - risk-free interest rate curve based on the yield to maturity of bonds of the Government of Israel (hereinafter - "risk-free interest") plus a margin (VA), with convergence in the long-term to a fixed real rate of 2.6% (UFR) as set by the Commissioner (hereinafter - the "Discount Rate").
- The yield on the assets backing the life and long-term health insurance products is identical to the Discount Rate (except for the assumed yield in respect of designated bonds).

The yield on designated bonds takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them. In that context, its should be noted that in March 2023 the Commissioner published a circular regarding the "Amendment of the Consolidated

Circular - Chapter 3 Part 4 Title 5 - Reporting to the Commissioner of the Capital Market, Insurance and Savings - Hetz Bonds". For more information regarding this circular, see Section C(1) above.

b) Operational assumptions (for life and health insurance)

General and administrative expenses - the Company analyzed the expenses allocated in the financial statements to the relevant insurance segments and allocated them to various products and coverage types and to various activities such as current operating of the coverages, investment management, handling claims, payment of pensions and more. The expenses study is revised periodically and the different types of expenses are carried to the future cash flow in relation to the relevant factors, such as the number of coverages, premiums, reserves or claims. The determination of the future expenses and their allocation to future cash flows include many assessments and judgments by the Company, which affect the amount of the liabilities.

c) Demographic assumptions

- Cancellations (discontinuation of premium payment, settlement of policies, payment of redemption value) - in accordance with Company's experience with the different products as observed in periodic cancellation studies, while making adjustments in accordance with the Company's estimates in cases where past experience does not faithfully represent the Company's expectations as to future changes.
- Mortality of pensioners - in accordance with the appendixes and the life expectancy increase assumption as published by the Commissioner in the Consolidated Circular Section 5, Part 2, Chapter 1 - Measurement Appendix C - Measurement of Liabilities, including the amendment of the provisions of the Circular Provisions on Measuring Liabilities - Updating the Demographic Assumptions in Life Insurance and Updating the Mortality Improvements Model for Insurance Companies and Pension Funds of June 30, 2022. It was also assumed, in accordance with the default assumption in that circular, that the effect of the selection of pensioners that do not have to take out an annuity shall be equal to a 3% increase in the value of the paid pension.
- Mortality of planholders - based on the Company's experience in accordance with periodic mortality studies conducted in connection with the relevant products, while making adjustments in accordance with the Company's estimates in cases where past experience does not faithfully represent the Company's expectations as to future changes.
- Morbidity (claims' rate and period) in relation to long-term care, income protection, disability and health insurance products - based on the Company's claims history to the relevant products, in accordance with periodic claims studies, and/or in accordance with reinsurance tariffs applicable to the relevant products.
- Pension uptake rates, annuity uptake age, and pension tracks - in accordance with the Company's experience as observed in periodic studies, the different policy types and funds.

d) Insurance liabilities in property and casualty insurance

The estimate of the insurance liabilities in the different subsegments in respect of policies earned is based on the provision for the balance sheet. The estimate includes Unallocated Loss Adjustment Expenses (ULAE) and does not include RM and other non-specific margins that were taken into account for reserve adequacy testing for the said balance sheet.

In respect of the unearned portion, the cost is based on the balance sheet calculation, taking into account the unearned portion of the contingent claims; (risk margins and other non-specific margins are deducted from these calculations as well).

(2) Deduction Value during the Transitional Period

The Deduction during the Transitional Period (hereinafter - the "Deduction") is calculated in accordance with the provisions included in the Economic Solvency Regime and in the letter to insurance companies managers: "Principles for Calculating Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" of October 15 2020 (hereinafter - the "**Letter of Principles**").

According to the Provisions of the Economic Solvency Regime, as outlined in Section B above and due to the material changes in the interest rate curve, in the period between June 30, 2022 and June 30, 2023, the Company recalculated the Deduction during the Transitional Period as of June 30, 2023. Accordingly, the Deduction during the Transitional Period as of June 30, 2023, which was recalculated, amounts to NIS 2,754 million after its linear amortization as of this date (compared with NIS 3,385 million as of December 31, 2022). Due to the continued increases in the interest rate curve in the period between July 1, 2023 and December 31, 2023, the Company recalculated the Deduction during the Transitional Period as of December 31, 2023. Accordingly, the Deduction during the Transitional Period as of December 31, 2023, which was recalculated, amounts to NIS 2,323 million after the linear amortization as of this date.

Other assets and liabilities:

(3) **Intangible assets** - in accordance with Part A Chapter 2 Appendix A to the Provisions of the Economic Solvency Regime, an insurance company shall assess the value of intangible assets at zero, except for investment in Insurtech as defined in the Solvency Circular, for which it obtained the Commissioner's approval, as required.

(4) **Deferred acquisition costs** - in accordance with Part A Chapter 2 Appendix A to the Provisions of the Economic Solvency Regime, an insurance company shall assess the value of acquisition expenses at zero. It should be noted that the value of the future profits implicit in the insurance contracts was taken into account in the liability in respect of insurance contracts item.

(5) **Investment in investees which are not insurance companies** - in accordance with Part A Chapter 2 Appendix B to the Provisions of the Economic Solvency Regime, the calculation was carried out using the adjusted equity method, in accordance with the circular on investees which are not insurance companies. In accordance with this method, the Company's stake in investees was included based on its relative share in the excess of their assets over their liabilities, calculated in accordance with the economic value of the assets and liabilities in accordance with the circular's provisions, which

is calculated based on their financial statements after writing-off intangible assets. In investees where the economic balance sheet reflects an excess of liabilities over assets, the value of the investment will be zero rather than a negative amount, when its value in the accounting balance sheet is a positive amount.

The economic value of the investees does not include the profits implicit in those companies.

In the management company, 35% of the balance of the original difference relating to this company is added to the economic value.

(6) **Non-marketable debt assets** - in accordance with Part A, Chapter 1 to the Provisions of the Economic Solvency Regime, the fair value of non-marketable debt assets is calculated on the basis of a discounted cash flow model; the discount rates are determined by a company providing price and interest rate quotes for institutional entities.

(7) **Designated bonds** - in accordance with Part A Chapter 2 Appendix E to the Provisions of the Economic Solvency Regime, the insurance company adjusts the value of designated bonds to their value as per the economic balance sheet in accordance with their economic value that takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them. See also Section 2a(1)(a) above.

(8) **Contingent liabilities** - as to the value of contingent liabilities in the economic balance sheet, see Section d(2)(b) above.

(9) **Liabilities in respect of deferred taxes, net** - in accordance with Part A Chapter 2 Appendix C to the Provisions of the Economic Solvency Regime, the calculation is based on the difference between the value attributed to assets and liabilities in the economic balance sheet (taking into account the Deduction) and the value attributed to those assets and liabilities for tax purposes, in accordance with the recognition, measurement and presentation provisions of IAS 12. Deferred tax assets may be recognized only if the Company meet the criteria included in the Economic Solvency Regime, in addition to the criteria included in the above-mentioned accounting standard.

(10) **Payables and credit balances, receivables and debit balances** - in accordance with Part A Chapter 1 of the Provisions of the Economic Solvency Regime, some of the balances in this item were calculated in accordance with the general principles regarding the economic balance sheet.

(11) **Financial liabilities** - were calculated in accordance with the general principles set in the Provisions of the Economic Solvency Regime and subject to the guidance in Part A Chapter 3, whereby changes in the Company's credit risk may only taken into account in respect of changes in risk-free interest. That is to say, the discount rate is a risk-free interest plus the margin on issuance date.

Section 2B - Composition of liabilities in respect to insurance contracts and investment contracts

	As of December 31, 2023		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	Audited		
	NIS thousand		
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts			
SLT life insurance and long-term health insurance contracts	11,269,994	813,352	10,456,642
NSLT property & casualty insurance and health insurance contracts	6,852,801	2,264,885	4,587,916
Total liabilities for insurance contracts and non-yield-dependent investment contracts	**18,122,795**	**3,078,237**	**15,044,558**
Liabilities in respect of insurance contracts and yield-dependent investment contracts - SLT life insurance and long-term health insurance contracts	99,174,573	348,128	98,826,445
Total liabilities in respect of insurance contracts and investment contracts	**117,297,368**	**3,426,365**	**113,871,003**

	As of December 31, 2022		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	Audited		
	NIS thousand		
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts			
SLT life insurance and long-term health insurance contracts	11,415,228	693,659	10,721,569
NSLT property & casualty insurance and health insurance contracts	6,092,839	1,862,025	4,230,814
Total liabilities for insurance contracts and non-yield-dependent investment contracts	**17,508,067**	**2,555,684**	**14,952,383**
Liabilities in respect of insurance contracts and yield-dependent investment contracts - SLT life insurance and long-term health insurance contracts	91,638,483	334,211	91,304,272
Total liabilities in respect of insurance contracts and investment contracts	**109,146,550**	**2,889,895**	**106,256,655**

Key changes compared with December 31, 2022:

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

Section 3 - Shareholders' equity in respect of SCR

	As of December 31, 2023			
	Tier 1 capital			
	Basic	Additional	Tier 2 capital	Total
	NIS thousand			
Shareholders' equity	9,545,604	1,484,921	4,334,970	15,365,495
Deductions from Tier 1 capital (a)	(27,047)			(27,047)
Deductions (b)				
Deviation from quantitative limitations (c)			(514,864)	(514,865)
Shareholders' equity in respect of SCR (d)	**9,518,557**	**1,484,921**	**3,820,106**	**14,823,584**
Of which - expected profits in future premiums (EPIFP) after tax	6,441,641			6,441,641

	As of December 31, 2022			
	Tier 1 capital			
	Basic	Additional	Tier 2 capital	Total
	Audited			
	NIS thousand			
Shareholders' equity	10,317,309	1,146,514	3,894,393	15,358,216
Deductions from Tier 1 capital (a)	(236,290)	-	-	(236,290)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	(410,262)	(410,262)
Shareholders' equity in respect of SCR (d)	**10,081,019**	**1,146,514**	**3,484,131**	**14,711,664**
Of which - expected profits in future premiums (EPIFP) after tax	6,635,675			6,635,675

Key changes compared with December 31, 2022:

- Basic Tier 1 capital was negatively affected by recalculation of the amount of the Deduction during the Transitional Period as set out in Section 2A(2) above; the effect was offset by positive effects from sales of a new business and amortization of the underwritten capital requirement for an existing business (which decreases the RM component).
- In the period from the publication date of the report as of December 31, 2022 through the publication date of the report as of December 31, 2023 a cash dividend totaling NIS 350 million was distributed, and a dividend in kind of approx. NIS 309 million, which reduced Basic Tier 1 capital.
- The increase in Tier 2 capital is due to raising of approx. NIS 800 million in Bonds (Series N and Series O) (immediate report of December 7, 2023, Ref. No. 2023-01-111655).
- The increase in Additional Tier 1 capital is due to an approx. NIS 300 million expansion in Bonds (Series L) (immediate report of October 25, 2023, Ref. No. 2023-01-119001)
- For further details regarding these changes, see Section 1a above and Section 4 below.

(a) Amounts deducted from Tier 1 capital - in accordance with the definitions of "Basic Tier 1 capital" in Appendix B, Chapter 2, Part 2 of Section 5 in the Consolidated Circular - "Economic Solvency Regime" (hereinafter - "the Economic Solvency Regime Appendix"), these deductions include the amount of assets held against liabilities in respect of non-yield dependent insurance and investment contracts in breach of the Investment Rules Regulations, amount invested by the Company in purchasing Company ordinary shares, and the amount of dividend declared subsequent to the report date and through the publication of the report for the first time.

(b) Deductions - in accordance with the provisions of Chapter 6 in Part B - "Directives regarding Insurance Companies' Shareholders' Equity" to the Economic Solvency Regime Appendix.

(c) Deviation from quantitative limitations - in accordance with the provisions of Chapter 2 in Part B - "Directives regarding Insurance Companies' Shareholders' Equity" to the Economic Solvency Regime Appendix.

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

	As of December 31, 2023	As of December 31, 2022
	Audited	
	NIS thousand	
Tier 1 capital		
Basic Tier 1 capital	**9,518,557**	**10,081,019**
Additional Tier 1 capital		
Additional Tier 1 capital instruments	1,484,921	1,146,514
Additional Tier 1 capital	**1,484,921**	**1,146,514**
Total Tier 1 capital	**11,003,478**	**11,227,533**
Tier 2 capital		
Tier 2 capital instruments	2,724,092	1,887,068
Hybrid Tier 2 capital instruments	1,204,306	1,607,989
Hybrid Tier 3 capital instruments	406,572	399,336
Less deduction due to deviation from quantitative limit	(514,864)	(410,262)
Total Tier 2 capital	**3,820,106**	**3,484,131**
Total shareholders' equity in respect of SCR	**14,823,584**	**14,711,664**

- For an explanation about key changes compared with December 31, 2022, see Section 3 above.
- For details about shareholders' equity for purposes of solvency capital requirement without applying the Provisions for the Transitional Period and without applying a stock scenario adjustment, see Section 6 "Effect of application of Provisions for the Transitional Period", below.
- The decrease in hybrid tier 2 capital instruments is due to a redemption of approx. NIS 411 Million Bonds series F.

Section 4 - Solvency capital requirement (SCR)

	As of December 31, 2023	As of December 31, 2022
	Capital requirements	
	Audited	
	NIS thousand	
Basic solvency capital requirement (BSCR)		
Capital required in respect of market risk component *	5,977,457	5,307,614
Capital required in respect of counterparty risk component	596,309	497,977
Capital required in respect of underwriting risk component in life insurance	3,000,397	2,967,172
Capital requirement in respect of underwriting risk component in health insurance (SLT+NSLT)	4,267,732	4,299,031
Capital required in respect of underwriting risk component in P&C insurance	1,453,960	1,300,622
Effect of diversification of risk-weighted components	(5,161,649)	(4,870,456)
Capital required in respect of the intangible assets risk component	64,633	79,755
Total basic solvency capital requirement (BSCR)	**10,198,839**	**9,581,715**
Capital required in respect of operational risk	391,014	387,978
Loss absorption adjustment due to deferred tax asset	(2,949,642)	(3,001,430)
Total solvency capital requirement (SCR)	**7,640,211**	**6,968,263**

* With stock scenario adjustment (for December 31, 2022).

For details about shareholders' equity for purposes of solvency capital requirement without applying the Transitional Provisions to the Transitional Period and without applying a stock scenario adjustment, see Section 6 "Effect of Application of Provisions for the Transitional Period", below.

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

- During the reporting period, the capital requirements increased, mainly due to an increase in the market risk component, due to the conclusion of the adjustment of the stock scenario and the increase in exposure to this component compared to last year.

Section 5 - Minimum capital requirement (MCR)

(a) Minimum capital requirement (MCR)

	As of December 31, 2023	As of December 31, 2022
	Audited	
	NIS thousand	
Minimum capital requirement according to MCR formula	1,995,718	1,843,583
Lower band (25% of solvency capital requirement in the Transitional Period)	1,910,053	1,742,066
Upper band (45% of solvency capital requirement in the Transitional Period)	3,438,095	3,135,718
Minimum capital requirement (MCR)	**1,995,718**	**1,843,583**

(b) Shareholders' equity for MCR

	As of December 31, 2023		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	NIS thousand		
Shareholders' equity in respect of SCR according to Section 3	11,003,478	3,820,106	14,823,584
Deviation from quantitative limitations due to minimum capital requirement*	-	(3,420,962)	(3,420,962)
Shareholders' equity for MCR	**11,003,478**	**399,144**	**11,402,622**

	As of December 31, 2022		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	NIS thousand		
Shareholders' equity in respect of SCR according to Section 3	11,227,533	3,484,131	14,711,664
Deviation from quantitative limitations due to minimum capital requirement*	-	(3,115,415)	(3,115,415)
Shareholders' equity for MCR	**11,227,533**	**368,716**	**11,596,249**

(*) In accordance with the provisions of Chapter 3 in Part B to the Economic Solvency Regime Appendix, Tier 2 capital shall not exceed 20% of MCR.

Section 6 - Effect of the application of the Provisions for the Transitional Period

	As of December 31, 2023				
	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of Deduction during the Transitional Period	Effect of stock scenario adjustment	Effect of a 50% rate Tier 2 capital during the Transitional Period	Total excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
	Audited				
	NIS thousand				
Total insurance liabilities, including risk margin (RM)	121,373,646	(2,323,036)	-	-	123,696,682
Basic Tier 1 capital	9,518,557	1,528,790	-	-	7,989,767
Shareholders' equity in respect of SCR	14,823,584	1,131,667	-	843,446	12,848,471
Solvency capital requirement (SCR)	7,640,211	(794,246)	-	-	8,434,457

	As of December 31, 2022				
	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of Deduction during the Transitional Period	Effect of stock scenario adjustment	Effect of a 50% rate Tier 2 capital during the Transitional Period	Total excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
	Audited				
	NIS thousand				
Total insurance liabilities, including risk margin (RM)	112,379,916	(3,385,061)	-	-	115,764,977
Basic Tier 1 capital	10,081,019	2,227,708	-	-	7,853,311
Shareholders' equity in respect of SCR	14,711,664	1,817,447	-	592,526	12,301,691
Solvency capital requirement (SCR)	6,968,263	(1,157,352)	(129,052)	-	8,254,667

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

Key changes compared with December 31, 2022 regarding the effect of the implementation of the Provisions for the Transitional Period:

- A recalculation of the amount of Deduction during the Transitional Period led to a decrease of the effect of the inclusion of the amount of Deduction during the Transitional Period, in addition to the linear amortization of the Deduction. For further details, see Section 1 and Section 2A(2) above.
- As of December 31, 2023, the Company has Tier 2 capital, which is not recognized in accordance with the calculation of the solvency ratio without applying the Transitional Provisions for the Transitional Periods, and without adjusting the shares scenario at the total amount of NIS 961 million. Subsequent to the report date, approx. NIS 400 million in Bonds (Series D) were redeemed (immediate report dated January 2, 2024, Ref. No.: 2024-01-000765).
- For an explanation about other key changes compared with December 31, 2022, see Section 1a above.

Section 7 - Changes in Capital Surplus

Following is a table that describes the changes, during the reporting period, in the capital requirement for purpose of the solvency capital requirement, the capital requirement for the purpose of solvency, and finally in the capital surplus (deficit) by main effect items. The data included in this section were calculated and reported in accordance with the Commissioner's guidance. The Commissioner determined the order of the presentation of the items in the above table; the Commissioner also determined that the order of the items in the table does not necessarily represent the order by which the various items will be calculated. It should be noted that the order by which the items are calculated may impact the results of the calculation.

	Shareholders equity in respect of SCR	Solvency capital requirement (SCR)	Capital surplus (deficit)
		Audited	
		NIS thousand	
As at January 1, 2023	**14,711,664**	**6,968,263**	**7,743,401**
adjusting the Transitional Provisions for the Transitional Period and adjusting the stock scenario	(2,409,973)	1,286,404	(3,696,377)
As of January 1, 2023, excluding applying the transitional Provisions for the Transitional Period and adjusting the stock scenario	12,301,690	8,254,667	4,047,024
The effect of operating activities (a)	(2,813,997)	(91,919)	(2,722,078)
Effect of economic activity (b)	2,866,281	388,207	2,478,074
New businesses (c)	364,634	163,964	200,670
Effect of the issuance of capital instruments (net of redemptions) and a declared dividend (d)	298,084	-	298,084
Effect of changes in deferred tax, Additional Tier 1 capital and Tier 2 capital	(168,222)	(280,462)	112,240
As of December 31, 2023, total without applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	12,848,471	8,434,457	4,414,014
Effect of the Transitional Provisions for the Transitional Period and adjusting the stock scenario	1,975,113	(794,246)	2,769,359
As of December 31, 2023	**14,823,584**	**7,640,211**	**7,183,373**

(a) This section includes the effect of:

1. The projected cash flow that was embedded in the opening balance and which was expected to be released in the reporting year;
2. Deviations from demographic and operating assumptions in the reporting year;
3. Changes in regulatory rules;
4. Changes in demographic and operating assumptions compared with those used on the date of the previous report;
5. Model updates;
6. New insurance contracts (P&C Insurance and NSLT health insurance) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year;
7. Investment in intangible assets;
8. Other changes not included in the other items.

(b) This section includes the effect of the current operating activity, including:

1. Changes in the value of investment assets;

2. Changes in capital requirement in respect of market risk component, including change in the symmetric adjustment component (SA);
3. Effect of inflation;
4. Effect of changes in the risk-free interest rate curve on solvency.

(c) This item includes new insurance contracts (SLT life and health insurance) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year, including their effect on market risks, counterparty risk and operational risk. This note does not include the profitability from property & casualty and NSLT Health activity, which included in note (a) above.

(d) This item includes equity transactions, including issuance and redemption of Tier 1 capital and Tier 2 capital instruments that were carried out through the report date, and a dividend declared subsequent to the publication date of the solvency ratio report.

<u>Key explanations for changes in capital surplus for the reporting period</u>:

- The effect of operating activities caused a decrease in capital surplus during the reporting period, mainly due to the implementation of actuarial studies, including the revision of assumptions on expected cancellation and settlement rates in savings policies. Those effects were partially offset by property & casualty activity.
- The effect of economic activity led to an increase in capital surplus in the reporting period mainly due to an increase in the risk-free interest rate, which increased the shareholders' equity in respect of SCR and decreased the solvency capital requirement (SCR) as well as from positive returns in investment portfolios. This effect was partially offset as a result of increases in the Consumer Price Index.
- For more information about significant effects on the economic solvency ratio's components, see Section 1a above.

Section 8 - Sensitivity Tests

Following is a sensitivity analysis of the economic solvency ratio to various risk factors as of the report date. This analysis reflects the effects of various risk factors both on equity, including the effect of the quantitative restrictions that apply to equity and on the solvency capital requirement. The sensitivity tests only reflect direct effects, holding all other risk factors constant, and do not include secondary effects or derived changes on other risk factors or effects on the Deduction.

It should be noted that the sensitivities are not necessarily linear, such that the sensitivities at other rates are not necessarily a simple extrapolation of the sensitivity tests presented.

	As of December 31, 2023	As of December 31, 2022
	Audited	
	Effect on the economic solvency ratio (in percentage points)	
A 50-base-point decrease in risk-free interest (a)	(13%)	(18%)
A 25% decrease in the value of equity assets (b)	(22%)	(18%)
A 5% increase in morbidity rate (c)	(9%)	(11%)
A 5% decrease in mortality rates (c)	(10%)	(13%)

(a) The sensitivity to a 50-base-point decrease in interest was calculated by creating a risk-free interest rate curve for a new solvency that includes a corresponding 50-base-point decrease compared with the basic curve up to the 10th year, and subsequent to that year an extrapolation according to the Smith Wilson model with convergence to a UFR of 2.6% as required in the Solvency Circular.
The sensitivity test was implemented to all debt assets and insurance liabilities which are exposed to changes in the risk-free interest, including recalculation of indirect effects on variable management fees.

(b) Sensitivity to a 25% decrease in the value of equity assets applies to all shares accounted for in the shares sub-risk component, including all Israeli shares and foreign shares, investment funds and illiquid capital expenditures. For the purpose of the sensitivity test, the SA was recalculated in line with a 25% slump in the TA 125 Index, which is used to calculate the SA.

(c) Sensitivities to an increase in morbidity rates and a decrease in mortality rates were calculated for all insurance products which are sensitive to those changes, where relevant.

Section 9 - Restrictions on Dividend Distribution

The Company's policy is to have a solid capital base to ensure its solvency and ability to meet its liabilities to policyholders, to preserve the Company's ability to continue its business activity such that it is able to provide returns to its shareholders. The Company is subject to capital requirements set by the Commissioner.

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

The minimum economic solvency ratio target, taking into account the Transitional Provisions, was set at 135%, and the minimum solvency ratio target without taking into account the Provisions for the Transitional Period is set to reach 135% at the end of the Transitional Period according to the Company's capital plan. On August 24, 2023, the Company's Board of Directors increased the minimum economic solvency ratio target without taking into account the Provisions for the Transitional Period by 4 percentage points - from the 111% rate a 115% rate as of June 30, 2023.

As of December 31, 2023, the date of the calculation, the Company has capital surplus in relation to the targets that were set, as described in the table set forth below.

It is hereby clarified that the aforesaid does not guarantee that the Company will meet the set targets at all times.

Dividend

According to the letter published by the Commissioner, in October 2017, (hereinafter - the "**Letter**") an insurance company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio - according to the Economic Solvency Regime - of at least 100%, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors. The aforesaid ratio shall be calculated without the relief granted in respect of the original difference attributed to the acquisition of the provident funds and management companies. In addition, the letter set out provisions for reporting to the Commissioner.

Dividend distribution

In the first quarter of 2023, The Phoenix Insurance distributed a dividend in the amount of NIS 205 million; for further details about the said dividend distribution, see the immediate report of March 23, 2023. This dividend distribution was taken into account in the calculation of the solvency ratio as of December 31, 2022.

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

During the fourth quarter of 2023, The Phoenix Insurance distributed a dividend in kind totaling NIS 309 million.

Subsequent to the dividend distributions, as set out above, the economic solvency ratio of The Phoenix Insurance and the economic solvency ratio excluding the Transitional Provisions for the Transitional Period and without adjusting the share scenario, meet the minimum economic solvency ratio target without taking into account the provisions in the Transitional Period as set by the Board of Directors, according to the Commissioner's requirements on dividend distribution, as set out above.

The following are data on the Company's economic solvency ratio, calculated without taking into account the Transitional Provisions and the solvency ratio target set by the Company's Board of Directors with respect to the solvency ratio calculated without taking into account the Provisions for the Transitional Period and adjusting the stock scenario, as required by the letter. As stated, the ratio is higher than the solvency ratio required by the letter.

Solvency ratio without applying the Transitional Provisions for the Transitional Period, and without adjusting the shares scenario:

	As of December 31	
	2023	**2022**
	Audited	
	NIS thousand	
Shareholders' equity in respect of SCR - see Section 6	12,848,471	12,301,691
Solvency capital requirement (SCR) - see Section 6	8,434,457	8,254,667
Surplus	4,414,014	4,047,024
Economic solvency ratio (in %)	**152%**	**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*	-	-
Shareholders' equity in respect of SCR	12,848,471	12,301,691
Surplus	4,414,014	4,047,024
Economic solvency ratio (in %)	**152%**	**149%**
Capital surplus after capital-related actions in relation to the Board of Directors' target:		
Minimum solvency ratio target without applying the Transitional Provisions	**115%**	**111%**
Capital surplus over target	**3,148,846**	**3,139,011**

* Subsequent to the balance sheet date (December 31, 2023), approx. NIS 400 million in Bonds (Series D) were redeemed (immediate report dated January 2, 2024, Ref. No.: 2024-01-000765). The redemption referred to above does not affect the solvency ratio as of December 31, 2023 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.
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 an effect on the solvency ratio as of December 31, 2022 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.

- For an explanation about key changes compared with last year see Section 1A above.

May 28, 2024				
Date	**Benjamin Gabbay** **Chairman of the Board**	**Eyal Ben Simon** **CEO**	**Eli Schwartz** **Deputy CEO, Chief Financial Officer**	**Amit Netanel** **Executive VP, Chief Risk Officer**