



Menora Mivtachim Holdings Ltd.

Periodic Report for 2023

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Chapter A

Description of the Corporation's Business

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Part A

The Corporation's Activity and a Description of the Development of its Business

This chapter was prepared in accordance with Regulation 8C to the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the "Securities Regulations"), but the provisions of Regulations 8(b), 8A and 8B of the Securities Regulations do not apply to information in the periodic report of a corporation that consolidated or proportionately consolidated an insurer or where the insurer is its associate, insofar as this information pertains to the insurer.

Since most of the Company's holdings are in corporations, which are insurers (Menora Mivtachim Insurance Ltd., Menora Mivtachim Pension and Provident Funds Ltd., and Shomera Insurance Company Ltd.), most of this chapter was drawn up in accordance with the circulars of the Commissioner of the Capital Market, Insurance and Savings, which applied the said Securities Regulations to insurers, with the changes required due the nature of Mivtachim's activity, with some of the provisions different from those required according to the said regulations.

All parts of the Periodic Report should be read as a single unit.

Definitions

For the sake of convenience, in this chapter, the following abbreviations shall have the meaning assigned to them, unless explicitly stated otherwise:

General

The "**Company**" - Menora Mivtachim Holdings Ltd;

The "**Group**" - the Company and companies under its control, whether directly or indirectly, as the case may be;

"**Menora Mivtachim Insurance**" - Menora Mivtachim Insurance Ltd.;

"**Menora Mivtachim Capital Raising**" - Menora Mivtachim Capital Raising Ltd.;

"**Menora Mivtachim Engineers**" - Menora Mivtachim and The Association of Engineers Provident Funds Management Ltd.;

"**Menora Mivtachim Real Estate**" - Menora Mivtachim Real Estate Ltd.;

"**Menora Mivtachim Pension and Provident Funds**" - Menora Mivtachim Pension and Provident Funds Ltd.;

"**Shomera**" - Shomera Insurance Company Ltd. and the companies under its control;

"**ERN**" - ERN Ltd. and companies under its control;

"**Ampa Capital**" - Ampa Capital Ltd.

Terms

"**Designated bonds**" - illiquid CPI-linked government bonds bearing guaranteed return, which are issued to pension funds, provident funds and insurance companies;

"**Institutional entity**" - an insurer and management company;

"**Insurance premiums**" or "**Premium**" - the amount payable by the policyholder to the insurer in accordance with the terms and conditions of the policy, including fees;

"Contributions towards benefits" - the amount paid by planholders (salaried employees, self-employed and employers) in a pension fund or insurance fund for the pension insurance or saving in the provident fund, as the case may be;

The **"Financial Statements"** - the Company's audited financial statements as of December 31, 2023;

The **"Commissioner"** - the Commissioner of the Capital Market, Insurance and Savings Authority, as defined by the Supervision Law;

"Voluntary investments" - investments of the Group's assets other than through designated bonds;

"Management company" - a company that manages a pension fund or provident funds, and is licensed to do so in accordance with The Financial Services Supervision (Provident Funds) Law, 2005;

The **"Commissioner's circulars"** - circulars, position papers, and clarifications published by the Commissioner;

The **"National Health Insurance Law"** – the National Health Insurance Law, 1994;

The **"Pension Advice Law"** - The Financial Services Supervision Law (Consulting, Marketing and Pension Clearing System), 2005;

The **"Companies Law"** - the Companies Law, 1999;

The **"Insurance Contracts Law"** - the Insurance Contract Law, 1981;

The **"Supervision Law"** - Supervision of Financial Services Law (Insurance), 1981;

The **"Securities Law"** - the Securities Law, 1968;

The **"CRAV Law"** - Road Accident Victims Compensation Law, 1975;

The **"Provident Funds Law"** – Financial Services Supervision (Provident Funds) Law, 2005;

The **"Regulated Financial Services Law"** - Financial Services Supervision Law (Regulated Financial Services), 2016;

"Underwriting" - the process of approving an insurance offer and pricing the policy, in accordance with, among other things, actuarial assumptions;

"Insurance benefits" - amounts payable upon the occurrence of an insured event according to the terms and conditions of the policy;

"Collective" - a group of people (usually associated with a single organization), with whom the insurance company enters into a single agreement, under which all group members are insured or entitled to be insured;

"Pension product" - as defined in the Pension Advice Law;

"Income Tax Ordinance" or the **"Ordinance"** - Income Tax Ordinance [New Version];

"Earned Premium" - the premium for the reporting year;

The **"Capital Market Authority"** - the Capital Market, Insurance and Savings Authority as defined by the Supervision Law;

"Retention" - the maximum amount of risk retained by an insurer after transferring some of the risk to a reinsurer;

"Provident Funds Regulations" - Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964;

"S&P" - the international rating agency Standard & Poor's.

1. Description of the General Development of the Corporation's Business

1.1 The corporation's activity and a description of the development of its business

Menora Mivtachim Holdings Ltd. (hereinafter - the **"Company"**), is a holding company and one of the five largest insurance and finance groups in Israel.

The Company is a publicly-traded company, whose shares are traded on the Tel Aviv Stock Exchange Ltd. (hereinafter - the **"TASE"**). The Company's principal shareholders are Palamas Establishment and Najaden Establishment (foreign corporations), which hold jointly in trust approx. 63.25%¹ of the Company's shares for Mss. Niva Gurevitch and Tali Griffel, respectively. The foreign corporations awarded Ms. Tali Griffel and Ms. Niva Gurevitch powers of attorney to vote on behalf of each of them (respectively) at general meetings of the Company, and accordingly Ms. Tali Griffel and Ms. Niva Gurevitch are considered as the Company's controlling shareholders (hereinafter - the **"Controlling Shareholders"**). As of the report date, the Company's CEO, Mr. Ari Kalman, who also served early in the Reporting Year as the Chairman of Menora Mivtachim Insurance Ltd.,² a Company subsidiary (hereinafter - **"Menora Mivtachim Insurance"**) holds, through an employee trust company, approx. 2.77%³ of the Company's shares. The remaining Company shares are widely held.

The Company was incorporated in Israel (Palestine) in 1935 as a privately-held company named General Liability Office Ltd., and after a number of name changes over the years, in 2006 it changed its name to its current name.

In 1982, the Company's shares were issued to the public on the Stock Exchange, and the Company became a publicly-traded company.

As of the report date, the Company is engaged, through subsidiaries under its control, in all of the key insurance segments, including life insurance and long-term savings - which includes pension and provident funds, property and casualty insurance - which includes motor insurance (compulsory and property), other property and casualty insurance, and health insurance. The Company is also engaged, through subsidiaries under its control, in other activities (which do not constitute an "operating segment" as this term is defined in the Securities Regulations (Details of a Prospectus and Draft Prospectus - Structure and Form), 1969), such as provision of factoring services and credit to SMEs (through an associate) as well as the provision of securities distribution services and underwriting commitments, and real estate investments.

In addition, the Group holds a control stake and/or means of control in various insurance agencies, through Menora Mivtachim Agencies Ltd. (which is wholly-owned and controlled by the Company), and through subsidiaries of Shomera Insurance Company Ltd. (hereinafter - **"Shomera"**).

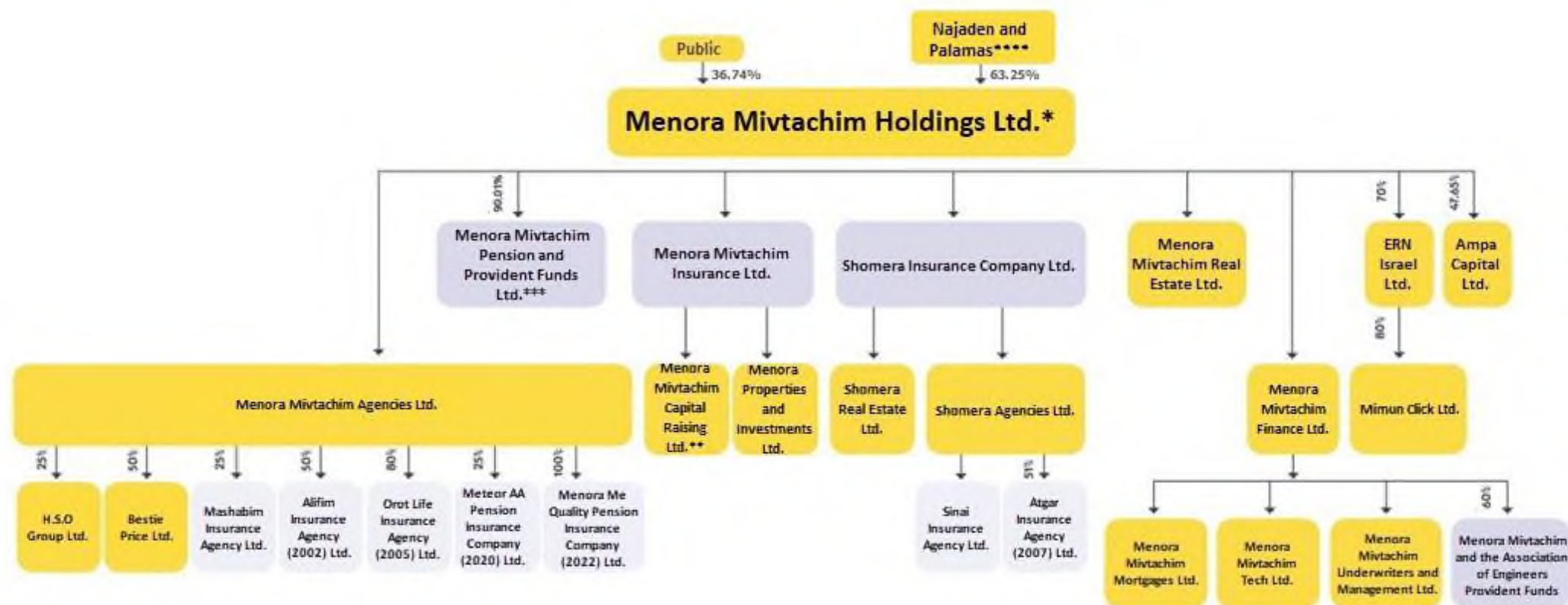
¹Fully diluted, after deduction of the dormant shares acquired within the share buyback plan, as of the report publication date - 63.18%.

²On January 17, 2023, Mr. Kalman notified of the end of his tenure as director and Chairman of the Board of Menora Mivtachim Insurance.

³Fully diluted, after deduction of the dormant shares acquired within the share buyback plan.

1.2 The Group's Structure of holdings

Set forth below is a schematic chart of the structure of the Group's key holdings as of December 31, 2023. A list of the Company's material investees at the is included in Part Five of the Periodic Report, under Regulation 11 of the Securities Regulations (hereinafter - the **"Additional Details Report"**).



The Company has immaterial holdings in additional companies.

* In the absence of a marking of holding percentages.

** A bonds company which is a reporting corporation.

*** 9.99% of the Company's issued capital is held by Allied Holdings Ltd.

**** After deduction of the dormant shares acquired within the share buyback plan.

Institutionals

Insurance agencies

1.3 Areas of Activity

The Group is engaged in the following areas of activity:

1.3.1 Life insurance and long-term savings

The life insurance and long-term savings segment provides policyholders/planholders with the option to save, including towards pension, for the long-term (old-age pension or lump sum when the policyholder or planholder reaches the relevant age) (hereinafter - "**Savings**"), and in some of the products also coverage for insured events arising from various risks that arise during the individual's life, such as: disability insurance, disability and life insurance (whether in the form of a lump sum or in the form of periodic payments) (hereinafter - "**Insurance Coverages**"). For details about activity in this area, see Chapter 2 below.

1.3.2 P&C insurance

The activity in P&C insurance includes the following areas of activity:

Compulsory motor insurance: this type of insurance is statutory, in accordance with the Motor Vehicle Insurance Ordinance [New Version], 1970 (hereinafter - the "**Motor Vehicle Insurance Ordinance**"). This insurance provides an insurance coverage for the motor vehicle's owner and its driver against any liability they may incur under the CRAV Law and against any other liability they may incur due to bodily injury caused to the driver of the vehicle, the passengers therein, or pedestrians injured as a result of use of motor vehicle. For details about activity in this area, see Chapter 3 below.

Motor property insurance: This insurance includes insurance coverage for loss or damage of insured vehicles and for the policyholders' liability in respect of property damage caused to the third party by the insured vehicles. Policyholders may purchase coverage solely for third party liability or incorporate additional coverage. For details about activity in this area, see Chapter 4 below.

Other P&C insurance: This subsegment includes the Group's operations in other P&C insurance subsegments, which are not included in the compulsory motor insurance or the motor property insurance subsegments. In this segment, the Group operates in two key subsegments - the liability insurance and the property insurance, and in other P&C insurance subsegments, whose scope of activity is immaterial. For details about activity in this area, see Chapter 5 below.

1.3.3 Health Insurance

This segment includes the Group's activity in the long-term health insurance subsegments including medical expenses insurance, critical illness insurance, long-term care insurance (including collective insurance to health maintenance organizations), personal accidents (long-term), dental insurance, and short-term health insurance of up to one year, and specifically travel insurance, foreign workers insurance, and tourists insurance. For details about activity in this area, see Chapter 6 below.

1.3.4 Other Activities

Furthermore, the Company has other activities, which were not included in the above operating segments, since their scope is not sufficient to constitute a

separate segment, including provision of undertakings to repay means of payment and provision of retail credit, as well as credit and financing activity for small and mid-sized businesses, the provision of securities distribution services and underwriting undertakings, investment in real estate through Menora Mivtachim Real Estate Ltd., and investment activities in other associates, as detailed in Section 7.4.3 below.

In addition, the Group holds a number of insurance agencies as detailed in the Company's holding structure chart and in Section 1.2 above.

The description of the Company's operating segments will be provided separately, except with regard to matters that pertain to all of the Group's operating segments, which will be described together in Section 7 below.

The above operating segments are subject to the legal provisions that apply to insurers, including The Supervision Law and the Insurance Contracts Law, and the regulations promulgated thereunder, and to the Commissioner's Directives, as published from time to time.

For information about key legislative limitations applicable to the operating segments, see Section 7.1.1 below.

1.4 Equity investments in the Corporation and transactions in its shares

No equity investments were made in the Company during the two years that preceded the date of this report, and to the best of the Company's knowledge, no material off-floor transactions were executed by the Company's interested parties. Regarding the Company's share buyback plan, see Section 1.5 below.

1.5 Dividend distribution

In December 2021, the Company adopted a dividend distribution policy, whereunder as from 2022, the Company will distribute to its shareholders a dividend of at least 35% of the distributable annual income, subject to compliance with the distribution criteria set in the Companies Law, and subject to restrictions and financial covenants. For further details, see the immediate report dated December 19, 2021 (Ref. No.: 2021-01-111307) and Note 15 to the Financial Statements.

In January 2022, the Company's Board of Directors approved a share buyback plan of Company shares, totaling up to NIS 100 million, which constitutes a "distribution" as defined in the Companies Law, in addition to the dividend distribution policy adopted by the Company as detailed above. For further details, see the Company's immediate report dated January 31, 2022 (Ref. No. 2022-01-013273). In November 2022, the share buyback was completed in accordance with the plan, with 1,388,921 shares being brought by the Company; the shares became dormant shares, representing 2.19% of the Company's issued and paid-up share capital. It is noted that in February 2024, some of the options allocated to the offerees under said option plan vested; as a result, some of the dormant shares were and will be allocated in accordance with the exercises made by the offerees and become liquid shares.

In March and August 2023, and in accordance with the dividend distribution policy, the Company declared the distribution of a dividend of approx. NIS 100 million which was distributed in April 2023, and a NIS 75 million dividend that was distributed in September

2023. For details, see the Company's immediate reports of March 29, 2023 (Ref. No.: 2023-01-034203) and August 29, 2023 (Ref. No.: 2023-01-099861).

As of the report date, the balance of distributable profits, as defined in the Companies Law, is NIS 5,270 million. For information regarding restrictions on dividend distribution as well as on dividend distribution subsequent to the balance sheet date, see Sections 11 and 13 to the Report of the Board of Directors, respectively.

1.6 Dividends from investees

In the reporting period, subsidiary Menora Mivtachim Pension and Provident Funds distributed a total of NIS 100 million in dividends to the Company (the Company's share is NIS 90 million). In addition, subsidiary ERN distributed a total of NIS 13 million in dividend (the Company's share is NIS 9 million). For information regarding dividend distribution subsequent to the balance sheet date, see Section 13 to the Report of the Board of Directors.

Part B

Description and Information regarding the Corporation's Areas of Activity

2. Life Insurance and Long-Term Savings

2.1 General description of the segment

This segment includes the life insurance activities, which are managed through Menora Mivtachim Insurance; it comprises the management of savings funds, including pension savings, and coverage for insured events that arise from various risks over the person's life, such as: Death, disability and disability insurance. Furthermore, in the long-term savings segment (pension savings), the Group manages pension funds, provident funds, and advanced education funds, through Menora Mivtachim Pension and Provident Funds, and through Menora Mivtachim Engineers.

Over the years, there have been many changes in the field of life insurance and long-term savings, which affected or may affect the Group's activity in this field, in view of changes and regulatory reforms that mainly focus on increasing competition and transparency and improving market digitization, among other things through the Pension Clearing System and the "Har Habituach" website of the Capital Market Authority, achieving uniformity of products and the selection of default pension funds (see Section 2.1.2 below), whose objective is to encourage competition and reduce the management fees in the pension savings market.

This policy by the Government and the Commissioner is reflected in comprehensive and frequent reforms in the industry, which drive significant changes in competition and in the activity of market players. See Section 2.3 below.

For information about key legislative restrictions that apply to the Group's activity in the life insurance and long-term savings segment and to the Group's activity as a whole, see Section 7.1.2 below.

Set forth below is a summary of the main points of the key reforms that were implemented in the segment in recent years.

2.1.1 Pension clearing house

The Pension Clearing System started operating in the second half of 2013. The purpose of the Pension Clearing System is to manage an information and funds clearing function in the field of long-term savings, while regulating the work interfaces between all institutional entities, savers, employers, operating entities, and pension advisors and agents. Among other things, the purpose of the Pension Clearing System is to increase the efficiency of the work and control processes, while improving the reliability of the receipt of funds, and increasing availability and transparency as part of the management of the public's savings.

As part of this process, the Commissioner published a circular on "**Uniform Format for Transferring Information and Data in the Pension Savings Market**" (hereinafter - the "**Uniform Structure Circular**"), which includes various appendices, that define the uniform format for transferring data to the clearing system for various types of events. This circular is amended from time to time and is expected to be amended several times over the next few years, until the regulation of most of the activities that require the exchange of information between institutional entities, license holders, employers, operating entities, and the clearing system, and for the purpose of executing actions.

In addition, the Commissioner published a circular on the **“Method of Making Contributions into a Provident Fund”** (hereinafter - the **“Circular”**), which regulates the method of making such a contribution and a uniform reporting format to the institutional entities (named the **“Employers Interface”**), and feedback to employers, including through the clearing system. The entering into effect of the Circular and the Employers Interface are carried out gradually.

So far, the Circular and the Employers Interface was implemented by the employers of most employees in Israel (who employ at least 10 employees). As from February 2023, the applicability of the Circular and the Employers Interface was expanded to employers, who employ between 3 to 9 employees, and since June 2024 - to employers who employ 1-2 employees. The Circular and the Employers Interface improved the operational efficiency of the institutional entities in connection with dealing with employers, which have already started reporting in the format of the Employers Interface.

The complex structure of provisions that was created (and which is expected to be created in the future) requires the institutional entities to make significant investments in order to comply with the complex technological requirements required to provide a reliable response within the set time frames.

In June 2021, the Commissioner published amendments to the circulars on **Method of Making Contributions into a Provident Fund, Uniform Format for Transferring Information and Data in the Pension Savings Market, and The Requirement to Use a Pension Clearing System** (hereinafter - the **“Uniform Structure Circular”**), as part of the Commissioner's attempt to promote automation in the pension market in the lead up to 2025. The amendments to the circulars include many changes to the way the institutional entities are required to conduct themselves, including a material shortening of the time frames for dealing with various events (to the point of providing an immediate response in some cases). In February 2023, a circular was published postponing once again the effective date of the Uniform Structure Circular. In December 2023, a draft amendment of the Uniform Structure Circular was published, which postpones again the effective date of some of the changes, and also proposes to make further changes to the circular.

The amendments to the circulars are expected to improve to some extent the efficiency of the activities of the institutional entities, and their customer services; they will also require the institutional entities to invest substantial resources in the preparations required for the purpose of implementing the above-mentioned amendments.

2.1.2 Management fees

In recent years, a number of provisions were published, which affect or may affect the amount of management fees collected in the various pension products:

Default pension fund

In July 2016, the Commissioner published a circular on **“Provisions Regarding Selection of Provident Funds”** (hereinafter - the **“Circular”**). The circular stipulates that comprehensive pension funds will be selected, that will serve as default funds for all Israeli employees, who have not actively selected another provident fund, and whose employer did not conduct an independent tender on its behalf regarding this matter, which is supposed to take place every 3 years; the management companies that will win the tender will be committed to the tender's terms and

conditions for 10 years from the date on which the planholder signed-on. Furthermore, the conditions and criteria were set under which an employer and a workers organization may hold an independent tender to select a pension fund, savings provident funds, or advanced education fund, which will serve as the default fund of their employees.

Since 2016, the Commissioner holds tenders according to rules set for the purpose of selecting the default funds, which are selected for a certain period (two or three years, as the case may be). In July 2021, the Commissioner published a new procedure for selection of default funds, which resulted in the selection of the pension funds that will serve as the selected default funds for a period of three years as from November 2021. As in the case of the previous tender, it was decided in this procedure that the selected default funds must collect management fees in respect of new annuity recipients, who will retire during the course of the said three years, at a total amount that will not exceed 0.3% of the assets held against the liability in respect of those employees (annualized). In September 2021, the details of the 4 funds that were selected as part of the said procedure, were published. The maximum management fees that the said 4 funds may collect are 0.22% of the accrual (annualized) and 1% of the contributions.

The selection of the default funds as part of the previous tenders affected the number of new planholders who sign-on to the pension funds managed by the Group and slowed down the increase in the number of insured planholders (hereinafter - “**Active Planholders**”) in those pension funds. It is noted that the competition in the pension sector in 2023 took place among all pension funds operating in the market - and the level of intensity of the competition against the other pension funds is not lower than that in the competition against the default funds.

For information about further existing and expected regulatory changes that may affect the management fees, see Section 7.1.2 below.

2.2 Services and products

This section includes a general and condensed description of the products' characteristics and uses, the nature of the insurance coverage, the main markets, and trends and changes in their demand and supply. The full and binding terms and conditions are the terms and conditions set out in each bylaws, policy and/or insurance contract, as the case may be. The description is for the purposes of this report only and may not be used for interpretation of the policy. For further details regarding the regulatory provisions that apply to the products and services in the segment, see Section 7.1.2 below.

2.2.1 Uniform products

Alongside the creation of a uniform format for the delivery of information and the execution of actions, as part of the Uniform Structure Circular, the Commissioner started promoting uniformity with regards to the products themselves. So far, texts of standard bylaws were published in respect of some of the long-term savings products, and the institutional entities were required to adapt their products' bylaws to the said standard bylaws. As part of this process, the comprehensive provident funds, the savings provident funds, the investment provident funds, and the long-term savings provident funds for children, had already become products that have uniform bylaws, with minor changes between one entity to another.

2.2.2 Life insurance

The life insurance subsegment provides coverage to insured events that arise from various risks over the person's life, such as: Death, disability and disability insurance (hereinafter - **"Insurance Coverages"**), and some insurance plans also incorporate a component of financial accrual (hereinafter - **"Savings"**), including a guaranteed life expectancy component. The combination of the two components (insurance coverage and savings) in a combined policy or in separate policies depends on the policyholder's selection and his/her personal needs. Life insurance policies are long-term policies that may be purchased independently or as part of employer-employee relationship as a salaried employee or as a controlling shareholder (hereinafter - **"Executive Insurance"**).

General description

The Group markets Executive Insurance policies, insurance policies for the self-employed (which are subject to the Provident Funds Regulations), and individual insurance policies. These policies include capital savings component (that allows the withdrawal of the redemption values in the form of a lump sum) or an annuity component (that allows the policyholder to receive a monthly annuity during his/her remaining life and/or payment of an annuity to his/her relatives), or a combination of the two (as selected by the policyholder and subject to the provisions of the law), and occasionally various insurance coverages, or any of the components referred to above, separately from the other components (various types of insurance coverages or various types of savings). In some of the savings products, the policyholder has a number of defined investment tracks to select from, which vary in terms of the investments mix.

Types of insurance plans in the life insurance subsegment

Set forth below is a breakdown of the key types of life insurance products and plans marketed by the Group:

■ **"Status" policy**

A policy the Group began to market in 2004. In this policy the insurance coverage, the savings and the expenses are completely separated. The policy is marketed as executive insurance, individual insurance, or retirement benefits insurance for the self-employed. The policy is a participating policy offering several investment tracks that the policyholder may opt for, with the default being an investment in a track that suits the policyholder's age. As from 2013, and in accordance with the Commissioner's directive, the Group markets a "Status 2015" policy to salaried employees and self-employed customers, whose age does not exceed 60; the policies have the status of provident funds that do not include a guaranteed life expectancy annuity conversion factor; for salaried employees and self-employed customers, who are older than 60, the Group markets "Status" policies, that include a guaranteed life expectancy annuity conversion factor. The savings accrued in the policy are invested in one or more of the various investment tracks available to a policyholder and in accordance to their instructions. Management fees are deducted from the invested savings according to the agreement between the company and policyholder.

- **Top Finance policy⁴**

A policy the Group began to market in 2005. This insurance policy includes a savings component only and is marketed as an individual insurance policy. The savings accrued in the policy are invested in one or more of the various investment tracks available to a policyholder and in accordance to their instructions. Management fees are deducted from the invested savings according to the agreement between the company and policyholder.

- **Pure risk life insurance**

As part of these insurance policies, the Group also markets dedicated life insurance policies that serve as security for the mortgage provider in the event of the death of the policyholder (including life insurance policies designed to secure the payment of a mortgage to people with a life-limiting disability, in accordance with the provisions of the law). The policy also allows to incorporate a private dwelling insurance coverage in respect of the apartment for which the loan was taken.

- **Collective life insurance**

Collective life insurance policies are usually marketed to employers or collectives that represent a group of policyholders who are linked to one another, and wish to insure the members of the group in a life insurance coverage, which is subject to the collective life insurance regulations, as well as other collective insurance coverages, with the premium usually collected through the policyholder for all group members who are insured.

- **Disability insurance**

A coverage that grants the policyholder, after a waiting period - normally several months from the date on which the insured event took place - a monthly payment and/or exemption from paying a premium during the period in which he/she was unable to work in the event of a disability that causes a full or partial loss of the ability to work, as a result of an illness or accident. This coverage is sold as the main coverage or as an additional coverage in other insurance policies. The said coverage is sold to salaried employees and the self-employed.

- **Collective disability insurance**

Collective disability insurance policies are usually marketed to employers and grant their insured employees, after a waiting period of several months from the date on which the insured event took place, a monthly payment and an exemption from paying a premium during the work incapacity period in the event of a disability that causes a full or partial loss of work capacity as a result of an illness or accident. The policies are subject to the collective disability insurance regulations, and the premium is usually collected through the policyholder for all group members who are insured. See also Section 7.1.2.1(k).

⁴ The premiums and redemptions data of these policies are not included in the report of the life insurance business.

■ **Supplementary disability insurance in the pension fund (TOP umbrella)**

A coverage that grants a policyholder, who is an Active Planholder in the pension fund, a monthly payment and/or exemption from paying a premium and contributions towards benefits in the pension fund during the work incapacity period in the event of a disability that causes a full or partial loss of work capacity, as a result of an illness or accident; however, despite the fact that the planholder holds a disability insurance with the pension fund, he/she is not entitled to receive from it a disability annuity.

The above-mentioned compensation shall be paid in respect of one or more of the following cases, as selected by the policyholder: (a) Where the planholder is in the qualification period in the pension fund; (b) if the policyholder opted to insure his/her specific occupation separately from the coverage offered by the pension fund according to the planholder's level of education, qualifications and experience; (c) a coverage granting financial compensation due to the offsetting - by the pension fund - of the disability allowance from a government body.

As from October 2021, the coverage is also marketed to employers as a collective policy for their employees.

■ **Occupational disability insurance**

A coverage that grants the policyholder a lump sum in the event of an accident or an illness, as a result of which the policyholder finds himself/herself in a state of absolute and permanent occupational disability.

■ **Policies for senior citizens**

Policies designed to address the needs and preferences of customers approaching retirement age by way of depositing lump sums to be used to make periodic payments, with and without an annuity conversion factor; payments over a predefined period; immediate or future annuity payments for various periods.

The savings accrued in the policy are invested in one or more of the various investment tracks available to a policyholder and in accordance to their instructions, with the default being an investment in a track that suits the policyholder's age. Management fees are deducted from the invested savings according to the agreement between the company and policyholder.

■ **Dedicated products comprising retirement and early retirement arrangements**

The Group markets to government ministries, institutions and large Israeli entities dedicated retirement and early retirement policies. The policies (both policies that are subject to the Provident Fund Regulations and individual policies, as the case may be) offer annuity solutions for the early retirement period, old-age pension, annuities to surviving family members, etc., and they supplement or add upon those entities pension arrangements. The policies, which are mostly issued as part of a tender held by the entities referred to above, are adapted to the specific needs of each of those entities in accordance with the retirement arrangements that are drawn up with their employees. In most cases, the dedicated policies guarantee those who retire (as part of early retirement and/or upon reaching retirement age) a CPI-linked allowance or annuity, without management fees, and the Group

derives its profits from the interest spread and life expectancy that differs from that estimated by the Group.

Set forth below is a breakdown of the key types of life insurance products and plans marketed by the Group, in respect of which the latter still receives contributions and/or premiums on a regular basis:

■ **“Adif” policy**

Through the end of 2003, the Group marketed an “Adif” insurance policy, in which the insurance premium is split between the life insurance component (including expenses) and the savings component, and the ratio between those components was set by the policyholder or the insured person. The accrued savings in policies of this type, which were marketed until 1990, are CPI-linked plus the interest specified therein. The policies that were marketed as from 1991 through the end of 2003 are “participating policies” (yield-dependent), and the policyholder can select either a capital payment, an annuity or a combination of the two. Management fees are set in the policy's terms and conditions. In light of Amendment No. 3 to the Provident Funds Law, the accrual in the policy in respect of contributions from January 2008 and thereafter (in policies that are subject to the Provident Fund Regulations) will be paid as annuity.

■ **“Mixed” (traditional) policy**

Through the end of June 2001, the Group marketed a “mixed” (traditional) insurance policy, the insurance amount of which combines the savings component with the life insurance component. Upon the occurrence of an insured event (death or end of term), the predefined insurance amount specified in the policy is paid. The accrued savings in policies of this type, which were marketed until 1990, are CPI-linked plus the interest specified therein. The policies that were marketed as from 1991 through the end of June 2001 are “participating policies” (yield-dependent). Management fees are set in the policy's terms and conditions. This policy was mostly issued as a capital policy (although in some of the policies there is an annuity appendix). In light of Amendment No. 3 to the Provident Funds Law, the accrual in the policy in respect of contributions from January 2008 and thereafter (in policies that are subject to the Provident Fund Regulations) will be paid as annuity.

■ **Accidental death insurance**

Coverage that guarantees the payment of a lump sum to the beneficiaries in the event of the policyholder's death due to an accident. Following the Amendment to the Provisions of the Consolidated Circular (Chapter 6, Part 3, Articles 2, 3, and 4) Insurance of Personal Accidents - was discontinued; as of May 2021, coverage of accidental death is being marketed.

■ **Accidental disability insurance**

Coverage that guarantees the payment of a lump sum to the policyholder in the event of accidental disability. In the event of a full and permanent disability, the insurance amount will be paid in full, and in the event of a partial disability, a relative share of the insurance amount will be paid out of the full insurance amount, according to a table set in the policy. Following the Amendment to the Provisions of the Consolidated Circular (Chapter 6, Part 3, Articles 2, 3, and 4) Insurance of

Personal Accidents - was discontinued; as of May 2021, coverage of accidental disability is being marketed.

2.2.3 Pension

The pension fund subsegment enables policyholders to save for pension in the long term (old-age pension) and also provides coverage for disability (disability annuity) and death (survivors' pension).

2.2.3.1 **Comprehensive new pension fund Menora Mivtachim Pension (formerly - "New Mivtachim")**

The fund provides coverage in the event of death, disability insurance and retirement upon reaching retirement age. As from March 2005, the fund is managed as an "accrued return fund", in which an amount is accrued for each planholder (so long as he/she does not receive old-age pension from the fund), and this accrual - when divided by an actuarial conversion factor - shall serve as the old-age pension to which he/she be entitled upon reaching retirement age, in accordance with his/her personal circumstances and depending on whether he/she opted for a survivors pension and a guaranteed payments period. The policyholder also has disability and life insurance coverages, which cover him/her before reaching retirement age, and these coverages will be funded by deducting the cost of the risks from the planholder's account every month. The scope of the coverage shall be decided according to the insurance track selected by the planholder.

The accumulated cost of the insurance coverages that will be given to the planholder in respect of the insurance period shall not exceed 35% of the contributions towards benefits that will be deposited for him/her with the fund as part of the compensation components. The monthly contributions into the fund are capped at up to 20.5% of twice the average wage in Israel (in 2023 the monthly contribution cap stood at NIS 4,867, and in 2024 it stands at NIS 5,140), which is calculated cumulatively for each tax year).

"Menora Mivtachim Pension" has nineteen investment tracks, and three investment portfolios to manage the fund's assets against the fund's liabilities to annuity recipients. The bylaws are amended from time to time, with the approval of the Commissioner or at his request.

A comprehensive pension fund is required to invest 30% of its assets in "Arad" designated bonds, which are issued by the State of Israel, or in guaranteed-return investment channel. The returns on the designated bonds and the guaranteed-return investment channel are allocated (60%) to the fund's assets portfolio against the liabilities for annuity recipients, and the remaining balance is allocated to the planholders' investment tracks. As from October 1, 2022, pension funds do not issue new designated bonds (in respect of new contributions and in respect of expired designated bonds), and they were replaced with the Government's undertaking - in respect of 30% of the pension fund's assets - to supplement the return of the pension fund to a target return of 5.15% with the addition of linkage differences (the "target return") - according to the Economic Efficiency Law (Legislative Amendments to Achieve the Budgetary Targets

for Budget Years 2021 and 2022), 2021. According to said law, a fund will be set up - to be managed by the government - for the supplementation of the return, and the government will transfer to the fund the payments required to comply with the undertaking to supplement the return differences.

At the same time, the pension fund provides assets that will be held against the undertaking to supplement the abovementioned return, that those assets are managed through a guaranteed-return investment track and invested in capital markets in Israel and across the world (in accordance with the investment policy of the pension fund's investment track with the largest amount of assets under management, or another investment track out of the fund's investment tracks, that will be selected in a manner that will be determined by the Minister of Finance at the approval of the Finance Committee). The State's undertaking shall be assessed within 5 years from the date on which the law comes into effect (separately for each and every month) - if it transpires that the return achieved in respect of the assets held against the liability in a specific month is lower than the five-year target return, the government (through the above-mentioned return supplementation fund) shall transfer the difference to the pension fund, and if it transpires that the return achieved is higher than the target return, the pension fund shall transfer the difference to the above-mentioned return supplementation fund. For further details about supplementary provisions that were published further to the above-mentioned Economic Efficiency Law - see Section 7.1.2.2(h) below.

2.2.3.2 **General new pension fund "Menora Mivtachim Supplementary" (formerly - "New Mivtachim Plus")**

The fund was established in 1997 and is a new general pension fund (named "**General Fund**" or "**Supplementary Fund**"), which is designed mainly to receive contributions towards benefits out of wages that exceed twice the average wage in Israel, and one-off contributions for the purpose of purchasing an annuity upon reaching retirement age.

According to the bylaws, comprehensive pension coverage is provided, which is similar to the coverage provided by the comprehensive fund, to any planholder seeking such coverage, under various insurance tracks from which the planholder may choose, but planholders will retain the option to opt for a basic track, i.e. - without life or disability insurance coverage that provide coverage before reaching retirement age. "**Menora Mivtachim Supplementary**" has sixteen investment tracks, and two investment portfolios to manage the fund's assets against the fund's liabilities to annuity recipients. The bylaws are amended from time to time, with the approval of the Commissioner or at his request.

Although the number of policyholders in "Menora Mivtachim Supplementary" is higher than the threshold set in the Commissioner's Directives as the threshold above which there is no requirement to purchase reinsurance for the insurance tracks, since the amount of planholders' assets under management in the fund's insurance tracks has not yet reached the critical mass required for efficient diversification of the demographic risk, reinsurance was purchased from Menora Mivtachim

Insurance for the insurance tracks, and such reinsurance is expected to be purchased until such a critical mass is reached.

2.2.4 Provident

Provident funds offer savers (hereinafter - “**planholders**”) an additional option for mid-term savings (advanced education funds) or long-term savings (savings provident funds⁵), entitling them to various tax benefits and the option (under certain conditions) to withdraw accrued funds as a lump sum. Menora Mivtachim Pension and Provident Funds manages 5 types of provident funds: savings provident funds (which continue to be managed as provident funds for retirement with regard to the funds deposited therein through the end of 2007), advanced education funds, central severance pay funds (and a central provident fund for participation in budgetary pension), provident fund for other purposes and investment provident fund (including investment provident fund - long-term savings for children). Menora Mivtachim Engineers manages an advanced education fund.

Savings provident funds and individual provident funds for retirement are long-term provident funds (withdrawal of a lump sum from these funds will only be allowed if certain conditions are satisfied).

Advanced education funds are mid-term provident funds.

Central severance pay funds (which were closed to contributions starting 2011), and provident funds for other purposes are usually short-term provident funds, aimed only at certain types of planholders.

Investment provident funds are designed to pay a capital amount to a self-employed planholder. Any contributions made to this fund shall not be entitled to tax benefits, will be limited to up to NIS 70 thousand (CPI-linked, as of the beginning of 2024, as of the current date - approx. NIS 79 thousand to date) in each fiscal year, and shall be deemed as conferring a tax-exempt annuity (recognized annuity) for the purpose of receipt of the funds after the planholder's reaching the age of 60. The withdrawal of the funds as a capital amount shall be liable to capital gains tax. These funds compete with the savings policies and the mutual funds.

Investment provident fund - long-term savings for children - operates in accordance with the **National Insurance Regulations (Long-Term Savings for Children), 2016**, according to which every month the National Insurance Institute will deposit - with an investment provident fund or a bank account, at selected by the parent - NIS 50 (as of early 2024 - CPI-linked, approx. NIS 57) out of the child allowance for every child entitled for such an allowance. Furthermore, the parent may increase the contribution amount by further NIS 50 (CPI-linked, as of the beginning of 2024 - approx. NIS 57) out of the child allowance paid to him/her.

⁵ Through 2008, those funds were called provident funds for retirement, and between 2008 and 2015 they were called non-annuity provident funds.

Set forth is the list of provident funds operating in the subsegment and managed by Menora Mivtachim Pension and Provident Funds:

(1) Menora Mivtachim Hishtalmut (fund type: advanced education fund); (2) Menora Mivtachim Retirement Benefits and Severance Pay (fund type: savings provident fund, retirement benefits provident fund and personal provident fund for severance pay); (3) More Menora Mivtachim (fund type: Savings provident fund, retirement benefits provident fund and personal provident fund for severance pay, sectoral fund⁶); (4) Menora Mivtachim Yoter (fund type: Savings provident fund, retirement benefits provident fund and personal provident fund for severance pay, includes 3 guaranteed return tracks); (5) Menora Mivtachim Amir (fund type: Savings provident fund, retirement benefits provident fund and personal provident fund for severance pay (includes 2 guaranteed return tracks); (6) Menora Central Severance Pay Fund (fund type: Central severance pay fund); (7) Mivtachim Central Severance Pay Fund (fund type: Central severance pay fund); (8) Menora Mivtachim Participating in Budgetary Pension (fund type: Central provident fund for participation in budgetary pension); (9) Mivtachim Provident Fund for Vacations, Holidays and Recreation (fund type: Provident fund for other purpose - vacation and recreation); (10) Hilla Retirement Benefits and Severance Pay Provident Fund (fund type: Savings provident fund, retirement benefits provident fund and personal provident fund for severance pay); (11) Reshef Retirement Benefits Provident Fund (fund type: Savings provident fund, provident fund for retirement benefits for salaried employees); (12) Menora Mivtachim Savings Top (fund type: Investment provident fund); (13) Menora Mivtachim Savings for Children (fund type: Investment provident fund - long-term savings for children).

As part of the provident funds subsegment, the Group also manages "Omega Advanced Education Fund", which is a sectoral advanced education fund, through Menora Mivtachim Engineers.

⁶ As part of the agreement between Menora Mivtachim Pension and Provident Funds and Hever Permanent Army Soldiers and Pensioners Organization Ltd. (hereinafter - the "Hever") that was signed in relation to the fund, it is stipulated that Hever will be allowed, upon fulfillment of the terms set out in the agreement, to instruct the transfer of the management of the fund to another management company, subject to approval of the Commissioner.

2.2.5 set for bellow is a summary of information regarding pension funds and provident funds

New pension funds and provident funds (in NIS million) 2023						
	Compre- hensive	Comple- mentary	Provident funds for retirement benefits and severance pay	Advanced education funds	Other	Total
Assets under management	215,266	5,920	18,672	16,709	4,136	260,704
Contributions towards benefits	16,394	853	485	2,548	738	21,018
Net accrual	13,411	967	392	1,576	380	16,725
Rate of management fees on assets	0.16%	0.34%	0.48%	0.59%	0.47%	-
Rate of management fees on contributions	1.78%	1.05%	0.55%	-	0.02%	-

New pension funds and provident funds (in NIS million) 2022						
	Compre- hensive	Comple- mentary	Provident funds for retirement benefits and severance pay	Advanced education funds	Other	Total
Assets under management	185,976	4,582	16,896	14,006	3,475	224,935
Contributions towards benefits	14,593	864	439	2,176	693	18,764
Net accrual	11,955	896	(209)	921	384	13,947
Rate of management fees on assets	0.16%	0.38%	0.48%	0.60%	0.47%	
Rate of management fees on contributions	1.82%	1.02%	0.64%		0.02%	

New pension funds and provident funds (in NIS million) 2021						
	Compre- hensive	Comple- mentary	Provident funds for retirement benefits and severance pay	Advanced education funds	Other	Total
Assets under management	181,156	4,079	17,773	14,300	3,387	220,694
Contributions towards benefits	13,386	654	462	1,968	734	17,203
Net accrual	7,925	576	(591)	17	401	8,328
Rate of management fees on assets	0.17%	0.43%	0.48%	0.59%	0.47%	
Rate of management fees on contributions	1.89%	1.04%	0.61%		0.03%	

2.3 Competition

2.3.1 Life insurance, pension and long-term savings

In the local long-term savings segment,⁷ total assets under management as of September 30, 2023 amounted to NIS 1,893 billion, an increase of approx. NIS 195 billion, which constitutes an increase of approx. 11.5% compared to the total assets as of September 30, 2022. The assets of the long-term savings subsegment are composed of approx. NIS 452 billion in assets in the life insurance subsegment, approx. NIS 716 billion in the pension subsegment, and in provident funds subsegment - approx. NIS 725 billion.

The Group's market share in this segment as of September 30, 2023 amounted to approx. 15.1% of total assets in Israel, compared to approx. 14.7% as of September 30, 2022, and the market share in the life insurance subsegment as of September 30, 2023 stood at approx. 7.5%, in the pension funds subsegment - 29.8%, in the provident funds subsegment - 5.2%, compared to 7.5%, 30.9%, and 5.0% as of September 30, 2022, respectively.

According to the institutional entities' financial statements and the Commissioner's data, in the first nine months of 2023, income from premiums and contributions towards benefits in the long-term savings subsegment in Israel amounted to approx. NIS 111.4 billion, compared to approx. NIS 108.3 billion in the corresponding period last year - an increase of approx. NIS 3.1 billion, that constitute an increase of approx. 2.8%.

The Group's market share in this segment in the first nine months of 2023 amounted to approx. 15.6% of income from premiums and contributions towards benefits (including one-off contributions), compared to approx. 14.4% in 2022, and the market share in the life insurance subsegment in 2023 stood at approx. 8.3%,

⁷In accordance with the Institutional Entities Circular, "Total Assets for Long-Term Savings" 2024-9-1 and 2023-9-1.

in the pension funds subsegment - 24.1%, and in the provident funds subsegment - 7.8%, compared to 7.6%, 24.9%, and 6.3% in 2022, respectively.

For details of the Group's income from premiums and contributions towards benefits, see Section 5.3.8 to the Report of the Board of Directors.

Competitive conditions in the segment and main competitors

In the long-term savings subsegment, the Group's main competitors are the four other major insurance groups and investment houses that manage pensions savings funds. The possibility of switching between the various products and the substitution between the products increased the competition in the field of long-term savings assets. In 2022 and 2023 the trend of transferring some of the customers' pension savings to the pension product, instead of depositing them with the executive insurance product continued. This trend is expected to continue in the future, in view of the fact that as from September 1, 2023 new customers may only sign-on to executive insurance if the customer first contributed towards a first tier with an annuity pension fund which is not an insurance fund (at an amount equivalent to the monthly contribution cap of a comprehensive pension fund) - in accordance with the Income Tax Regulations (Rules for Approval and Management of Provident Funds (Amendment), 2023, which was published in July 2023.

At the same time, the intensive competition in the pension funds subsegment continued, involving both the 4 default funds (for details see above) and the pension funds of the other insurance groups - which increased the rate of planholders switching between the various pension funds.

For details regarding the effect of new regulatory provisions on the competition in the segment as a whole and in the pension funds subsegment in particular, see also Section 7.1.2 below.

Set forth below are specific characteristics of the competition in the various subsegments in which the Group operates as part of its activity in the segment.

The following table provides information about the transfer of money from and to the Company in the long-term savings subsegment from 2021 to 2023:

For the year ended December 31 2023				
NIS million				
Company's activity				
	<u>Life insurance</u>	<u>Provident funds</u>	<u>Pension funds</u>	<u>Total</u>
Transfers to the Company from other entities:				
Transfers from other insurance companies	56	352	2,033	2,441
Transfers from pension funds	13	164	6,474	6,651
Transfers from provident funds	50	2,863	680	3,593
Total transfers to the company	119	3,379	9,187	12,685
Transfers from the Company to other entities:				
Transfers to other insurance companies	192	56	103	351
Transfers to pension funds	738	130	8,377	9,245
Transfers to provident funds	637	1,915	552	3,104
Total transfers from the Company	1,567	2,101	9,032	12,700
Net transfers	(1,448)	1,278	155	(15)

For the year ended December 31 2022				
NIS million				
Company's activity				
	<u>Life insurance</u>	<u>Provident funds</u>	<u>Pension funds</u>	<u>Total</u>
Transfers to the Company from other entities:				
Transfers from other insurance companies	69	139	1,691	1,899
Transfers from pension funds	22	102	5,586	5,710
Transfers from provident funds	63	1,849	665	2,577
Total transfers to the company	154	2,090	7,942	10,186
Transfers from the Company to other entities:				
Transfers to other insurance companies	257	84	180	521
Transfers to pension funds	619	100	6,970	7,689
Transfers to provident funds	533	2,035	552	3,120
Total transfers from the Company	1,409	2,219	7,702	11,330
Net transfers	(1,255)	(129)	240	(1,144)

For the year ended December 31 2021				
NIS million				
Company's activity				
	<u>Life insurance</u>	<u>Provident funds</u>	<u>Pension funds</u>	<u>Total</u>
Transfers to the Company from other entities:				
Transfers from other insurance companies	56	125	1,031	1,212
Transfers from pension funds	25	287	3,839	4,151
Transfers from provident funds	44	1,281	493	1,818
Total transfers to the company	125	1,693	5,363	7,181
Transfers from the Company to other entities:				
Transfers to other insurance companies	302	83	260	645
Transfers to pension funds	395	93	7,377	7,865
Transfers to provident funds	649	2,784	778	4,211
Total transfers from the Company	1,346	2,960	8,415	12,721
Net transfers	(1,221)	(1,267)	(3,052)	(5,540)

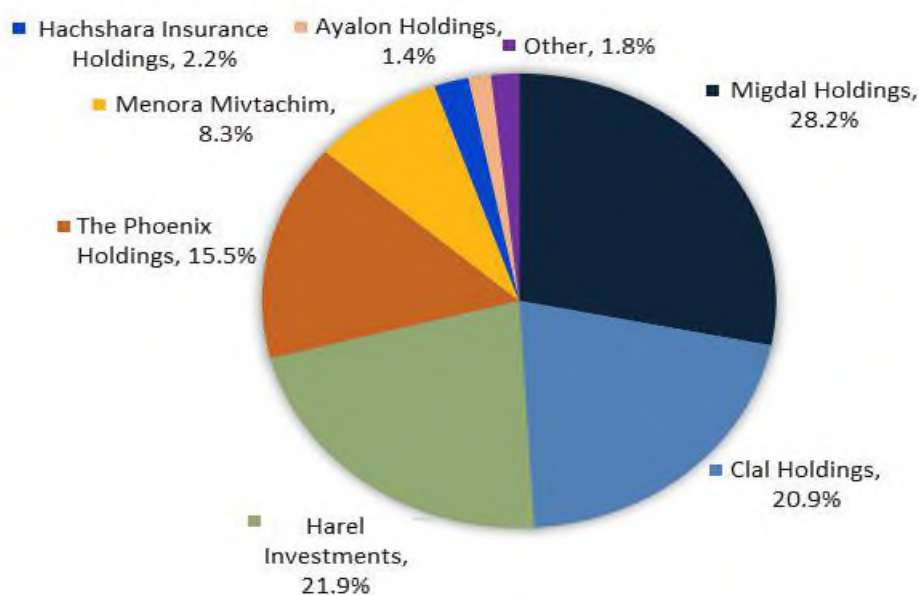
2.3.2 Life insurance

The competition in the life insurance subsegment focuses mainly on a range of insurance plans offered by the insurance companies, including the return on assets achieved over time, the level of risks associated with the assets in relation to the achieved/guaranteed return, the service given to policyholders, the rate of management fees from premium and accrual, and the insurance tariffs. It is noted that since February 2019, new tariffs were approved for life insurance plans designed to secure the payment of a mortgage, and life insurance plans that provide coverage for death for any reason whatsoever, have increased the competition in these products. The revised assumptions and compensation model of the insurance agents, which was implemented concurrently with the revision of the insurance tariffs, moderates the cancellation rate of the products and allows effective retention of the insurance portfolio. Concurrently with the approval of the tariffs of the insurance product designed to secure the payment of a mortgage, and the life insurance product that provides coverage for death for any reason whatsoever, the Commissioner did not approve the life insurance product, which is offered as part of a provident fund. The fact that this tariff was not approved, as stated above, caused a significant decrease in executive insurance sales and a decline in income from this product.

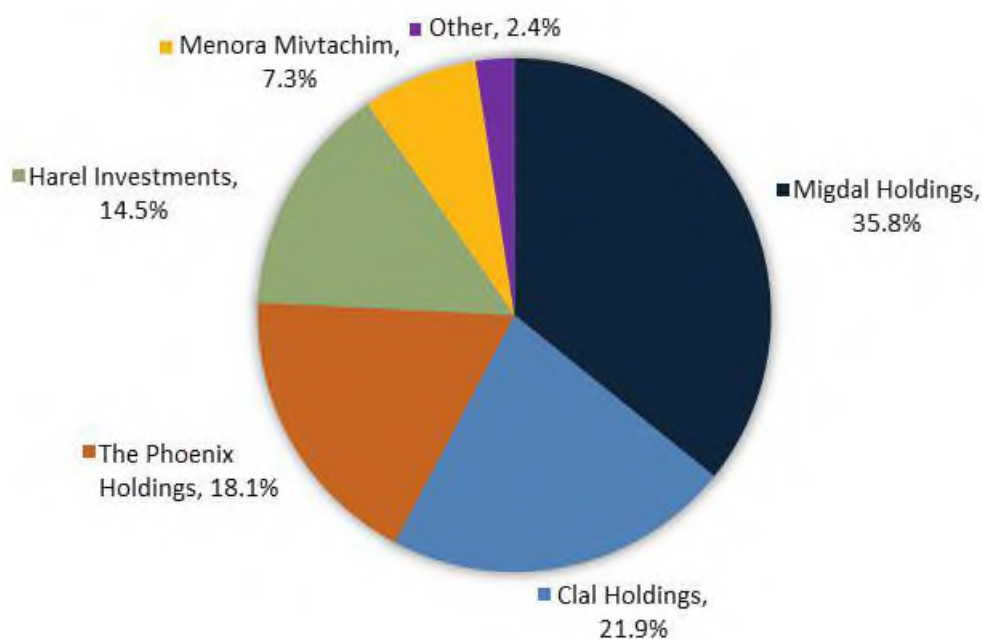
The Group believes that those trends, including the change in customers' preferences with regard to the management of pension savings as stated in Section 2.3.1 above, are expected to continue in the next few years.

The Group's assessment constitutes forward-looking information, which may not materialize due to the behavior of the market, the customers and the insurance agents.

According to the data of the Capital Market, Insurance and Savings Department in The Ministry of Finance, set forth below is the breakdown of gross premiums from the life insurance business between the companies competing in the segment as of September 30, 2023:



According to the data included in the insurance companies' financial statements,⁸ set forth below is the breakdown of the insurance liabilities between the companies competing in the life insurance segment as of September 30, 2023:



For further details about the Group's income from premiums in this subsegment, see Sections 5.3.8 and 5.3.12 to the Report of the Board of Directors.

The Group's ability to compete with other market players in this area of activity depends, among other things, on the expansion of its sales function, increased efficiency in production inputs while maintaining service levels, development of unique products, retention of the existing portfolio, and on being a leader in terms of returns offered to policyholders.

The key factors that affect the competition in the subsegment are the insurance companies, the pension funds and the investment houses competing for their market share, as well as the insurance agents that also influence the various insures' market shares, in view of the changes in the regulation that apply to the area of activity.

The factors that enhance the Group's positioning in terms of competition are: The attractiveness of its range of products, the insurance tariffs it offers, and the level of service to policyholders, employers and insurance agents.

Pension

The competition in this subsegment focuses on the efforts to recruit new customers, to transfer planholders between the various pension funds, and to encourage planholders to switch from executive insurance and provident funds to pension funds. The competition focuses mainly on the amount of management fees that will be collected from the planholders, the returns arising from the management of investments in the various investment tracks, and the level of service to the planholder and the organization to which he/she belongs. As from November 2016, and increasingly since April 2019, when the terms of historical

⁸ According to Bituach Net data.

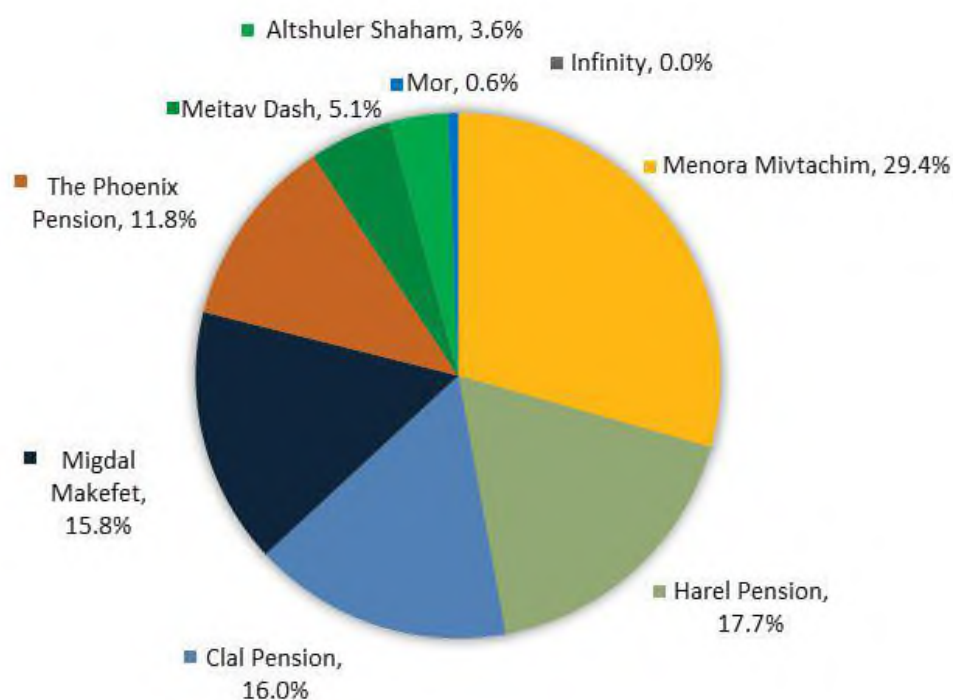
default agreements ended, new employees, who did not actively choose their pension fund, are directed to one of the selected default funds (see Section 2.1.2 above), a fact that increased the competition between all the pension funds in the subsegment in general, and the competition with regard to new employees who joined pension funds in particular.

As from 2017, once one signs-on to a pension fund, a process is carried out of identifying inactive savings in the other pension funds, and unifying the funds in the new pension fund, unless the planholder objected to this. Therefore, the increase in the number of planholders who sign-on to the selected default funds will later have an effect on those funds' market shares, at the expense of the other pension funds.

The entities competing in the pension funds subsegment are: Makefet Ishit, controlled by the Migdal Group; Clal Pension, controlled by the Clal Group; Harel Pension controlled by the Harel Group; The Phoenix Pension controlled by The Phoenix Group, Altshuler Shaham and Meitav Dash.

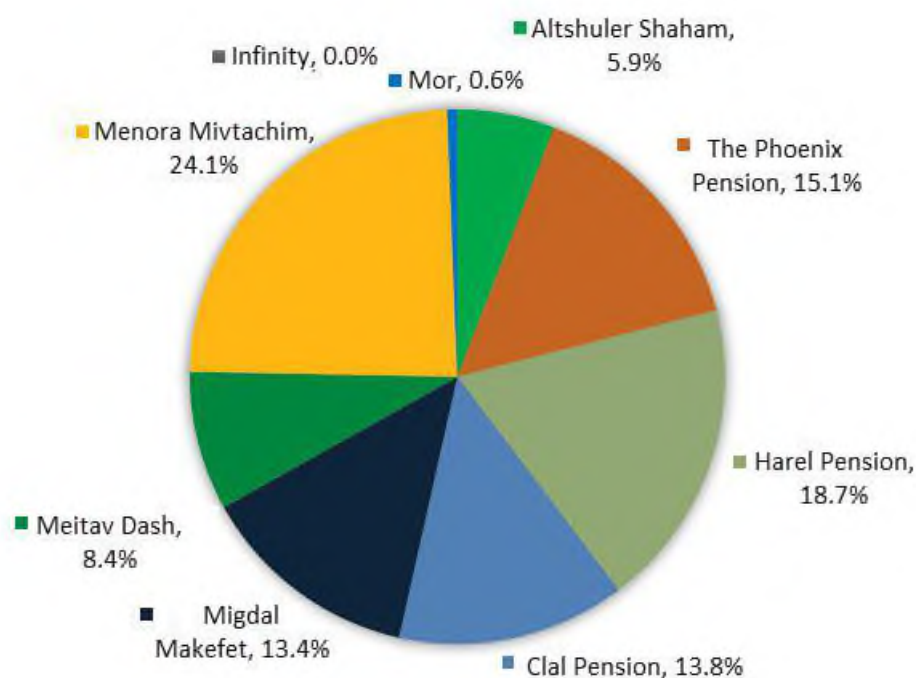
In April 2022, 2 new pension funds (More and Infinity) commenced operations, which were selected as default funds in the latest tender held by the Commissioner (see Section 2.1.2 above).

According to the Capital Market Authority's data, the breakdown of the pension funds' assets⁹ between the entities competing in the subsegment as of December 31, 2023 is as follows:



⁹ Based on Pension Net data.

According to data from pension fund management companies,¹⁰ the breakdown of contributions towards benefits between the competitors in this subsegment as of December 31, 2023 is as follows:



For further details about the Group's income from contributions towards benefits in this subsegment, see Section 5.4.3 to the Report of the Board of Directors.

In order to retain and expand its existing customer portfolio, Menora Mivtachim Pension and Provident Funds takes steps to convince its planholders not to switch to the competing pension funds, and at the same to recruit new customers. As part of those efforts, Menora Mivtachim Pension and Provident Funds emphasizes its economies of scale advantage over other competing market players. Furthermore, Menora Mivtachim Pension and Provident Funds takes steps to achieve optimal returns to policyholders in respect of their accrual with the pension fund. Since 2017, Menora Mivtachim Pension and Provident Funds embarked from time to time on a range of advertising campaigns in various media outlets, which are designed to raise awareness, and point out the advantages and importance of selecting the "Menora Mivtachim Pension" pension fund.

¹⁰ Based on Pension Net data.

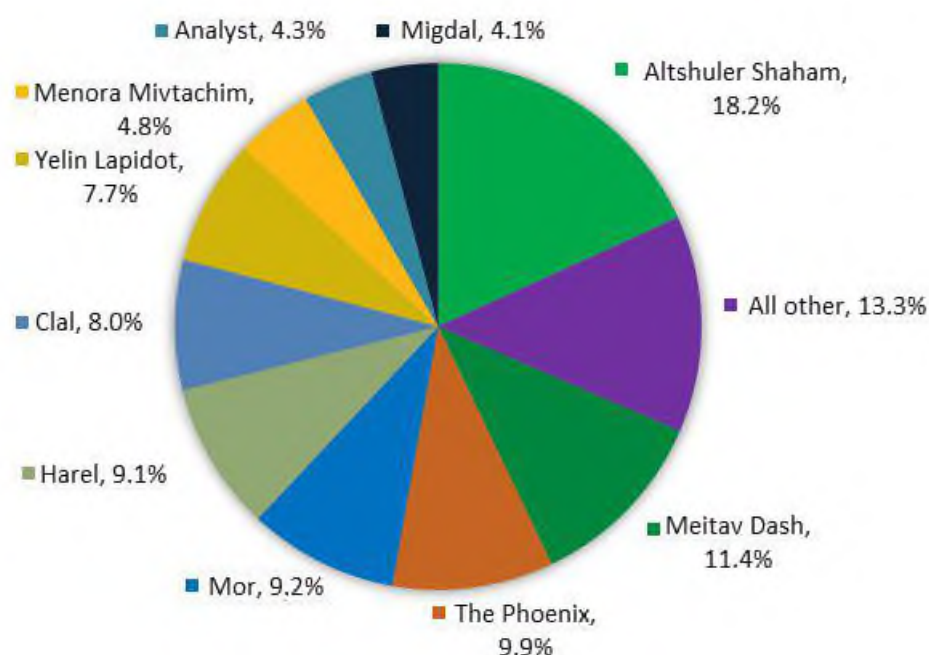
Provident funds

In the provident funds subsegment there is constant competition between multiple market players, and competition focuses on achieving returns (in relation to the risk level), the amount of management fees and the quality of the service.

The Group's main competitors in this subsegment are Altshuler Shaham, Yelin Lapidot, Meitav-Dash, Harel Group, Clal Group, Migdal Group, and The Phoenix Group.

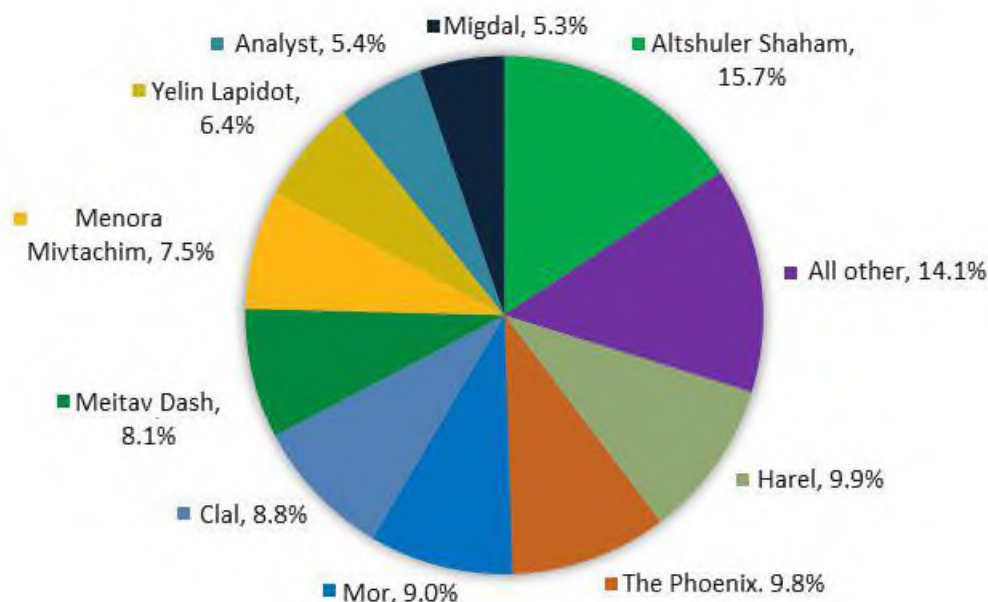
The Group estimates that of the Report approval date, its market share in the subsegment is approx. 5% (the Group's estimate is based on the assets under management of Menora Mivtachim Pension and Provident and Menora Mivtachim Engineers, proportionately to the estimate of total assets under management in this subsegment).

According to the Capital Market, Insurance and Savings Authority's data, set forth below is a breakdown of the provident funds' assets under management¹¹ (including advanced education funds without the data of the guaranteed return funds), between the entities competing in the subsegment as of December 31, 2023:



¹¹ Based on Gemel Net data.

According to data from provident fund management companies,¹² the breakdown of contributions towards benefits between the competitors in this subsegment (including advanced education funds and excluding data of guaranteed return investments), as of December 31, 2023 is as follows:



For further details about the Group's income from contributions towards benefits in this subsegment, see Section 5.5.3 to the Report of the Board of Directors.

2.3.3 Methods for dealing with competition and the factors that affect the Group's competitive position in this segment

The main methods employed by the Group to tackle competition are: synergy between the various Group companies in the provision of comprehensive solutions to Group customers in all long-term savings channels, while relying on the size and stability of Menora Mivtachim Pension, the largest pension fund in Israel; improving customer services while increasing operational efficiency; investing in automation and digitization of service and operation processes; expanding the agents function, and receiving support from the agents who work with the Group as a source of customer referrals; expanding the direct marketing function of the Menora Mivtachim Group, participating in key tenders in the field and more.

The main factors that affect the Group's competitive positioning in this subsegment are: Menora Mivtachim Pension and Provident Funds' being a leader in the pension funds subsegment; the Group's financial resilience; the high level of service provided by the Group as part of its management of claims and payment of insurance benefits, and its long-term relationships with agents that market its products.

¹² Based on Gemel Net data.

2.4 Customers

The Group is not dependent on a single customer or a small number of customers. In addition, the Group does not have a single customer the total income from which accounts for 10% or more of its income as per its financial statements.

2.4.1 Life insurance

Set forth below are data regarding the breakdown of the gross premium between planholders who are salaried employees and individual and self-employed policyholders and collectives (in percentages):

Customer	2023	2022	2021
Salaried employee planholders	58.5%	60.5%	59.0%
Private individuals and self-employed	39.9%	38.0%	39.5%
Collective	1.6%	1.5%	1.5%
Total	100%	100%	100%

For information about the rate of redemptions from average reserve in life insurance, see Sections 5.3.8 and 5.3.12 to the Report of the Board of Directors.

2.4.2 Pension - updated

Set forth below is a breakdown of the contributions towards benefits between planholders who are salaried employees and planholders who are self-employed (in percentages):

Customer	2023	2022	2021
Salaried employee planholders	97.4%	97.2%	97.5%
Policyholders - private individuals and self-employed	2.6%	2.8%	2.5%
Total	100%	100%	100%

2.4.3 Provident funds

Set forth below is a breakdown of the contributions towards benefits between planholders who are salaried employees, planholders who are individuals and planholders who are employees (in central funds) (in percentages):

Customer	2023	2022	2021
Salaried employee planholders	78%	75%	75%
Self-employed planholders	20%	23%	23%
Employers planholders in central funds	2%	2%	2%
Total	100%	100%	100%
The rate of redemptions of average reserve	13%	12%	15%

3. Compulsory Motor Insurance

3.1 General description of the segment

Compulsory motor insurance is statutory, in accordance with the Motor Vehicle Insurance Ordinance [New Version], 1970 (hereinafter - the **"Motor Vehicle Insurance Ordinance"**).

A compulsory motor policy, pursuant to the Motor Insurance Ordinance, covers the motor vehicle's owner and its driver against any liability they may incur under the Road Accident Victims Compensation Law, 1975 (hereinafter - the **"Compensation Law"**) and against any other liability they may incur due to bodily injury caused to the driver of the vehicle, the passengers therein, or pedestrians injured as a result of the use of the motor vehicle.

The Compensation Law is designed to put in place an efficient and swift mechanism to check the entitlement to compensation and its rate, regardless of the issue of blame. Among other things, the law determines the definition of a road accident, who is entitled to compensation, and the legal provisions that apply in such cases.

Road accidents victims, who are unable to claim compensation from an insurer company due to one of the following circumstances: (1) they were hit by a vehicle that was not insured; (2) unknown insurer (such as in the case of a hit and run accident); and (3) the vehicle's insurer is under liquidation - are entitled to compensation from the Road Accident Victims Compensation Fund (hereinafter - **"Karnit"**). Karnit is a statutory corporation that was established by virtue of the Compensation Law. Karnit's activity is financed from a provision of the insurance companies at a fixed rate of 1% of the (net) premium in respect of compulsory motor insurance policies, as detailed in the **Road Accident Victims Compensation Ordinance (Financing of the Fund) Order, 2002** (hereinafter - the **"Addition to the Fund's Financing"**).

Since 2003, the competition in the subsegment has been monitored.

The Motor Insurance Regulations (Creation and Management of Databases), 2004 (hereinafter - the **"Databases Regulations"**), regulate the creation and activity of databases in the compulsory motor insurance subsegment: A statistical database used to collect statistical information and assess the cost of risks in the compulsory motor insurance subsegment, and the database for identifying insurance fraud.

The said databases are managed by operators, which are not related to the insurance companies.

The operator of the statistical database is authorized, by law, to collect from insurance companies active in the subsegment relevant data for the purpose of determining the "cost of pure risk", which serves the Commissioner to set the residual insurance tariff and to approve the insurers' tariffs in the compulsory motor subsegment. The insurance companies are required to provide the operator with such data every quarter.

The database for identifying insurance fraud collects data from all insurance companies and other external databases and is used to identify and prevent fraud in the underwriting and claims processes of the compulsory motor subsegment. According to the Commissioner's circular on this matter, except for certain circumstances (such as when insurance is renewed for a vehicle that was insured by the same insurer in the previous year, or when the vehicle is part of a car fleet or collective), it is forbidden to issue a compulsory motor insurance certificate to private and commercial vehicles weighing up to 3.5 tons and motorcycles, without first verifying - during the underwriting process - certain details in the database, at the very least.

The activity of the database and the way it is used by the companies were determined in a sectoral agreement and in the Commissioner's circular. The insurers bear the entire cost of setting up and operating the databases. The payments borne by insurers for the services of the databases are determined, among other things, based on each insurer's relative share in the subsegment according to the previous year's data, and on the quality and dates of the reporting to the database.

As part of the monitored competition, the insurance companies collect insurance premiums in accordance with a differential compulsory motor insurance tariff, which is based on using variables included in the risk classification plan published by the operator of the statistical database, which were approved by the commissioner as variables that an insurer may use, in order to adjust the policyholder's risk premium. Since on the one hand, compulsory motor insurance is a statutory requirement, and on the other hand, each insurance company may refuse to insure a policyholder according to its discretion, the residual insurance was put in place (hereinafter - the "**Pool**"). The Pool's activity is regulated by **The Motor Insurance Regulations (Residual Insurance Arrangement and Mechanism for Determining the Tariff), 2001**, and a Commissioner circular that was published on the matter. A vehicle owner, who was refused insurance as described above, and failed to obtain an insurance coverage with one of the companies operating in the subsegment may purchase compulsory motor insurance through the Pool.

The Pool constitutes co-insurance of all insurance companies in the compulsory motor insurance subsegment, which participate in it and bear its expenses and losses or profits according to their relative shares in the total insurance premiums in the compulsory motor subsegment. The relative share of each insurer is determined according to its actual share in the relevant underwriting year.

As of underwriting year 2023, the Group's share in the Pool stood at approx. 12.58%, compared with the Group's relative share in the Pool in underwriting year 2022, which stood at approx. 13.42%.

According to the legislative arrangement, the expected loading component for the financing of the cost of insuring motorcycles as stated above is set as a rate of the "cost of the pure risk" (as defined in the Motor Insurance Ordinance), and its range is limited. The loading component may range between 5.5% to 8%.

The insurance tariffs collected by the Company are subject to the Commissioner's approval. For details about the monitoring of tariffs, see Section 3.2 below.

The responsibility for the provision of medical services, which are included in the basket of services set out in the Second Addendum to the National Health Insurance Law, and in the Medications Ordinance - due to bodily injury as a result of road accidents - lies with the health maintenance organizations, except for the treatments listed in the Third Addendum to the Law. Furthermore, the insurance companies bear the medical expenses in the following cases: 1. When the victim is not an Israeli resident or citizen (tourists, foreign workers, Palestinians) 2. Soldiers 3. Ordinary long-term care as opposed to complex long-term care; 4. Evacuation by an ambulance without hospitalization; 5. Victims of workplace accidents in the event of a road accident.

In order to finance the provision of medical services to victims of road accidents by the health maintenance organizations, it was determined that insurers are required to transfer to the health maintenance organizations - through Karnit and until the 10th of each month - 12.66% of the insurance premiums they collected in the previous month in respect of each compulsory motor insurance policy they issued (hereinafter - the "**Addition to the Financing of the Cost of Provision of Services**"). For that purpose, the "**Insurance**

Premiums” - the total amount of all payments collected from a policyholder in the compulsory motor insurance subsegment, except for the addition to the financing of Karnit in accordance with the **Road Accident Victims Compensation Ordinance (Financing of the Fund) Order, 2002** (hereinafter - the **“Fund’s Financing Order”**).

Furthermore, in accordance with the Amendment to The National Insurance Law (Combined Version) 1995, as from January 1, 2023 to December 31, 2024, instead of paying subrogation claims to the National Insurance Institute by virtue of the Compensation Law, insurers are required to transfer to Karnit - by the 10th of each month - 10% of the Insurance Premiums. As from January 1, 2025, the said rate will stand at 10.95% of the Insurance Premiums. For that purpose, the **“Insurance Premiums”** - the total amount of all payments collected from a policyholder in the compulsory motor insurance subsegment, including excess budget of the Road Accident Victims Compensation Fund, and except for the Addition to the financing of the Fund and the Addition to the Financing of the Cost of Provision of Services (hereinafter - the **“Addition to the Compensation of the National Insurance Institute”**). For further details, see Section 7.1.3 below.

A standard compulsory motor insurance policy is normally used in the subsegment. For details, see Section 3.2 below.

As stated above, according to the liability rule as per the Compensation Law, each insurer compensates the passengers who travelled in the vehicle insured by that insurer, regardless of whether the driver was to blame or not. The Compensation Law also stipulates that with regard to third parties that were involved in a road accident in which a number of vehicles were involved (for example, pedestrians), the insurers shall be “jointly and severally liable”, and the insurers will usually bear an equal share of the costs arising from such a liability. **The Road Accident Victims Compensation Ordinance (Arrangements for Dividing the Compensation Burden among Insurers), 2001** establishes exceptions to said rule and is designed to have insurers share the burden of payment, where the risk associated with the vehicles involved in an accident varies significantly - such as in the case of a motorcycle and another vehicle, or a light vehicle and a heavy vehicle. In those cases, the burden division orders set the indemnification that insurers are entitled to receive from one another (named **“balancing payments”**). In connection with this matter, the Israeli Insurance Association operates a clearing outline, through the clearing center of the Israeli Insurance Association, which is designed, among other things, to transfer the balancing payments between the insurers. For details, see Section 7.16.9 below.

For information about key legislative restrictions that apply to the Group and their effect on this segment, and on the Group’s activity as a whole, see Sections 7.1.1 and 7.1.3 below.

3.2 Services and products

This section includes a general and condensed description of the products’ characteristics and uses, their main markets, and trends and changes in their demand and supply. The full and binding terms and conditions are the terms and conditions set out in each policy and/or insurance contract, as the case may be. The description is for the purposes of this report only and may not be used for interpretation of the policy.

As stated above, a compulsory motor policy, pursuant to the Motor Insurance Ordinance, covers the motor vehicle’s owner and its driver against any liability they may incur under the Compensation Law and against any other liability they may incur due to bodily injury

caused to the driver of the vehicle, the passengers therein, or pedestrians injured as a result of the use of the motor vehicle.

The main characteristics of the segment are as follows:

- **Product uniformity** - as stated above, the insurance coverage in the compulsory motor insurance subsegment is fixed and uniform across all insurance companies and is prescribed according to the provisions of the law. Accordingly, the competition in this segment focuses mainly on the price, as described below in this section.

The industry has in place a standard uniform policy that constitutes a standard insurance contract (hereinafter - "**Standard Policy**"), in accordance with the provisions of the **Supervision of Financial Services Regulations (Insurance) (Contract Terms and Conditions for Compulsory Motor Insurance), 2010**, standard policies for individual vehicle owners, and standard policies for trading purposes, aimed at policyholders who hold a number of vehicles at the same time for the purpose of repairs, trade, etc. (such as: owners of auto repair shops, importers, etc.). The regulations set minimum terms and conditions for compulsory motor insurance, which insurers are not allowed to change, but are allowed to extend in terms of the scope of the insurance coverage. The regulations also stipulate the wording of the insurance certificate an insurer is required to issue as part of motor insurance.

The said provisions include, among other things, the insurer's duty to allow various bodies to inspect and review the compulsory motor insurance policy and its conditions. It was thus stipulated that an online indication of the motor insurance policy for potential users of the vehicles will also display the restrictions on or expansions to the insurance coverage, including coverage when the vehicle is not in use, coverage for a specific driver, and an insurance certificate that includes a deductible.

- **Advance payment** - a compulsory motor insurance policy will come into force only after advance payment of the entire premium in respect thereof.
- **Amount and methods of compensation** - except for the compensation cap in respect of damage components other than pecuniary damages, and the coverage for loss of income, which is limited to up to three times the average wages in Israel, the coverage is not limited in amount.
- **No fault** - according to the provisions of the Compensation Law, the liability of the owner of the vehicle or the person driving the vehicle is absolute, and therefore, the entitlement of the road accident's victim to compensation does not depend on proof of fault.
- **Exclusive cause of action** - A person who is injured in a road accident, and under the Compensation Law has a cause of action, must file a claim under the Compensation Law, and may not file a claim in respect of his/her damage under any other law. A person who does not have a cause of action under the Compensation Law may file a claim under the General Tort Law.
- **Long-tail claims** - the insurance claims in this segment are characterized with a relatively long investigation time, of several years, between the date on which the insured event took place, and the date on which the claim is settled.

- **Monitoring tariffs** - the provisions regarding P&C insurance contract in the Consolidated Circular include various provisions regarding insurance premiums in the compulsory motor subsegment, and procedures for setting insurance premiums that an insurer may collect, and the manner by which they are to be submitted for the Commissioner's approval. According to the provisions of the Consolidated Circular, the risk premium component in the compulsory motor insurance tariff (the net insurance premium) should be uniform for all policyholders that comply with the same variables as set in the risks classification plan published by the operator of the statistical database, which the Commissioner approved as variables that an insurer will be allowed to use in order to set the tariff, such as: Engine size, fuel type, horse power, number of airbags, sex and/or age of the driver and/or number of years since the driving license was issued for the youngest driver who is expected to drive the vehicle, the number of previous claims and/or the number of times the driving license of each of those expected to drive the vehicle was suspended in the past three years, the presence in the vehicle of an Anti-lock Braking System (ABS) and/or an Electronic Stability Program (ESP) and/or a Forward-Collision Warning system (FCW) and/or a Lane Departure Warning system (LDW). Each insurer may select which of the variables it will use to set the tariff.

Furthermore, the insurer may collect fees - to cover management expenses, agents' fees and commissions and the income, at the rate of up to 18% of the risk premium, as well as the Addition to the Financing of the Cost of Provision of Services, the Addition to the Fund's Financing, and the Addition to the Compensation of the National Insurance Institute as stated above. For further details about the background for the revision of the rate of fees, see Section 7.1.3 below.

The insurer may give discounts from the premiums only, except for compulsory motor insurance for vehicle fleets, as detailed below.

An insurer may give a discount in respect of the net insurance premium only in car fleets, by using a different tariff formula, which was submitted to the Commissioner in advance.

"Car fleet" - comprises at least 40 vehicles, which are all owned by a single owner and insured with the same insurer;

3.3 Competition

14 insurance companies (including the Pool) operate in the field of compulsory motor insurance, including direct insurance companies. Since this area of activity is characterized by a uniform coverage, competition focuses mainly on prices, and is affected, among other things, by the fact that there are multiple competitors, and by steps taken by the Commissioner to increase tariffs transparency (including by making it possible to compare tariffs on the Capital Market Authority's website).

According to the insurance companies' financial statements, in the first nine months of 2023, income from compulsory motor insurance amounted to NIS 4,605 million (excluding the transfer of 10% to the National Insurance Institute in accordance with the Compensation Law, in lieu of subrogation claims), compared to NIS 4,569 million in the corresponding period last year. An increase of approx. NIS 36 million, which constitute approx. 0.8% of total insurance premiums earned in the segment. As of the third quarter of 2023, the Group (Menora Mivtachim Insurance and Shomera) holds a market share of approx. 13.0%, compared to 12.4% in the corresponding period last year.

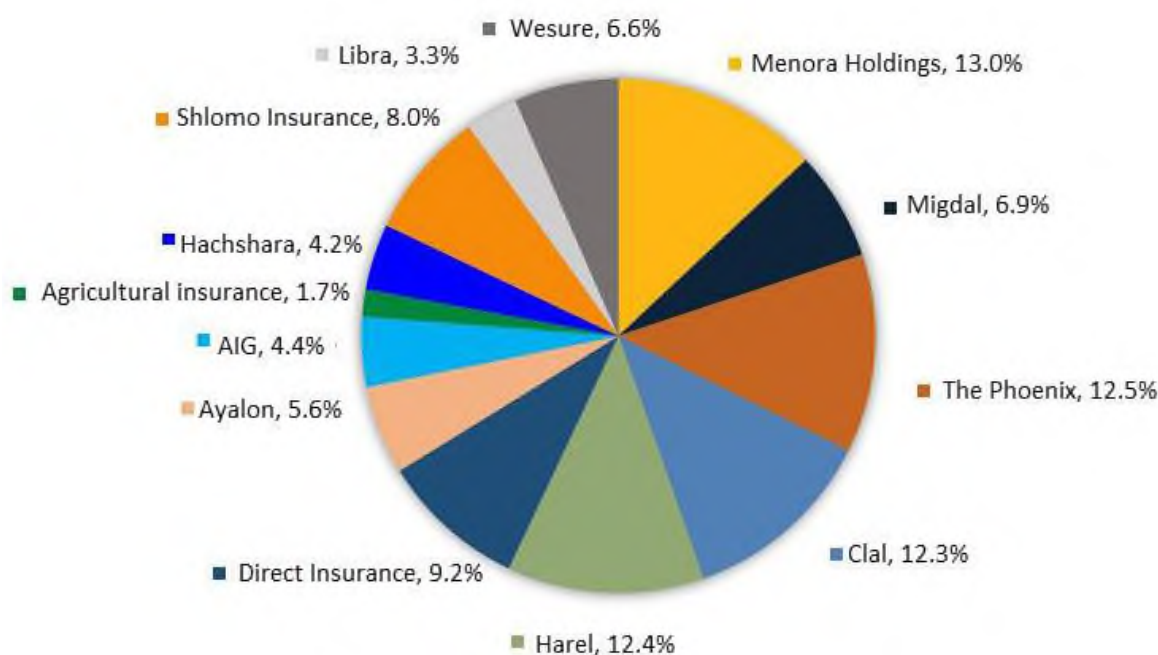
According to the insurance companies' financial statements, the share of the five largest market players in the first nine months of 2023 stood at approx. 59.3% of the total insurance premiums in this segment, compared to 61.4% in the corresponding period last year. The largest insurance companies in the compulsory motor insurance subsegment in 2023 are the Group, The Phoenix, Harel, Clal and Direct Insurance.

For details regarding the Group's income from premiums, see Section 5.6.4 to the Report of the Board of Directors.

Set forth below is a breakdown of market share data, by companies operating in the segment:

The uniform insurance coverage provided by all insurance companies and the availability of comparative information regarding prices cause price to be the key variable when making a decision to purchase the insurance policies. The insurance companies vary from each other in terms of the variables that decide the tariff, and consequently in terms of the market segments they focus on. A factor that might affect the Group's competitive positioning is other insurance companies' using variables that are different from those used by the Group.

The factor that enhances the Group's competitive positioning is its extensive network of insurance agents.



3.4 Customers

Set forth below is a breakdown of gross premiums between individual policyholders and small business customers and car fleets and collectives:

	Gross premiums in 2023 (in NIS million)	% of total income for 2023	Gross premiums in 2022 (in NIS million)	% of total income for 2022	Gross premiums in 2021 (in NIS million)	% of total income for 2021
Individual policyholders and small business customers	613	83%	614	78%	630	87%
Car fleets and collectives	124	17%	176	22%	96	13%
Total	737	100%	790	100%	726	100%

The Group does not have a single customer in the compulsory motor insurance subsegment, the total income from which constitute 10% or more of the total amount of the Group's income in the subsegment, and the Group is not dependent on a single customer or a small number of customers in this segment.

Furthermore, the Group is not aware of permanent characteristics of customers in the compulsory motor insurance segment. According to the Group's assessment, the rate of renewals¹³ in 2023 was approx. 62%, compared to 63% in 2022, and the percentage of customers who purchased compulsory motor insurance and motor property insurance was approx. 89% of the entire population of policyholders holding a compulsory motor insurance with the Group, compared with 87% in 2022.

Set forth below is a breakdown of insurance premiums by customers' loyalty years in the compulsory motor insurance subsegment for the periods described in the Report:

Number of loyalty years	Premiums turnover in NIS million			% of total income		
	2023	2022	2021	2023	2022	2021
No loyalty	322	350	285	44%	45%	39%
Loyalty of one year	155	148	160	21%	19%	21%
Loyalty of two years	83	100	96	11%	13%	13%
Over three loyalty years	177	192	185	24%	23%	25%
Total	737	790	726	100%	100%	100%

¹³ The rates are in premium terms.

4. Motor Property Insurance

4.1 General description of the segment

Motor property insurance includes insurance coverage for loss or damage of insured vehicles and for the policyholders' liability in respect of property damage caused to the third party by the insured vehicles. Policyholders may purchase coverage solely for third party liability or incorporate additional coverage.

Appraisers' arrangement: The Consolidated Circular sets out the rules for conduct of appraisers and a mechanism for appealing their assessments, as well as provisions regarding the expansion of the disclosure regarding the policyholders' rights, increasing their involvement in the process of selecting the appraiser and expanding the transparency to the policyholders in the damage assessment process. In accordance with the circular's provisions, the insurance companies publish a list of external appraisers, from which the policyholder may select his/her preferred appraisers. An assessment of an external appraiser,¹⁴ constitutes the binding appraisal, and it binds the parties, subject to the insurer and the policyholder's right to appeal the assessment to a deciding appraiser, through an alternative appraisal.

In August 2017, the Commissioner published a third draft of the circular regarding **"Amendment to the Provisions of the Consolidated Circular - Provisions in the Motor Property Subsegment"** (hereinafter - the **"Draft"**). The Draft includes provisions regarding, among other things, the abovementioned Appraisers' Arrangement, and regarding the insurance companies' engagement with the auto repair shops under arrangement.

A second draft of the said circular was published in May 2019, and in August 2022 a third draft was published. In the opinion of the Group, the provisions of the said draft, if they become effective in their proposed wording, will have an extensive impact on operational and commercial aspects of motor vehicle insurance policies - property (self-insurance and third-party insurance); however, at this stage the Group is unable to predict and/or estimate its scope.

The Group's assessment in this matter constitutes forward-looking information that is based on the information available to it at the report publication date. The actual results may differ from the estimated results, which will be affected, among other things, by the final arrangement that will be set and by the behavior of the various parties involved in its implementation.

Information and disclosure: In order to deal with the lack of transparency and the information gaps that exist in the used cars market, which had an adverse effect on potential car buyers and on the insurance companies, the insurance companies and The Insurance Companies Clearing Center Ltd. had set up a database, which focuses mainly on recording vehicles' accidents history, and which will be available to those who buy used cars and to the insurance companies that will opt to join the database (hereinafter - the **"Database"**). The Database was awarded a conditional exemption from cartel clearance, which was in effect through February 2021. In view of the expiry of the abovementioned

¹⁴ For that purpose, an "external appraiser" - an appraiser who is not an inhouse appraiser and is included in the list of external appraisers. An "inhouse appraiser" is an appraiser that may find himself in a conflict of interest due to a special relationship with the insurer, including in accordance with presumptions set in that regard in the circular.

exemption, self-assessments were received according to which, subject to compliance with their terms and conditions, the arrangement constitutes a joint venture that meets the terms and conditions set forth in Section 9A to the Antitrust Rules (Class Exemption for Joint Ventures) (Temporary Order), 2006. The revised assessment is valid for a period of 3 years from the previous assessment, i.e. through February 2027, as long as no material changes have occurred with regard to the arrangement's circumstances. However, if the term of the abovementioned The Antitrust Rules (Class Exemption for Joint Ventures) (Temporary Order), 2006, which are due to expire on September 15, 2026, will not be extended - the self-assessment shall also expire on the said date.

The Database started operating on May 20, 2013. The Group joined the Database and the arrangement. Every insurer can join the arrangement (i.e., deliver data to the database and submit queries) or leave the arrangement at least once every calendar year by giving a 90-day advance notice. The inability of an insurer to provide data at the required level of detail will not be a justification for refusing to include it in the arrangement. The Company uses the Database during the ordinary course of business.

Arbitration arrangement in subrogation claims: The damages covered as part of motor property insurance are sometimes caused by the negligence of another person. In such a case, the payment of insurance benefits to a policyholder confers upon the insurer a right to receive compensation from the person who caused the damage - "subrogation" right. For details about the arrangement for settlement of subrogation claims between the insurance companies, see Section 7.16.10 below.

For information about key legislative restrictions that apply to the Group in this segment, and on the Group's activity as a whole, see Sections 7.1.1 and 7.1.3 below.

4.2 Services and products

This section includes a general and condensed description of the products' characteristics and uses, their main markets, and trends and changes in their demand and supply. The full and binding terms and conditions are the terms and conditions set out in each policy and/or insurance contract, as the case may be. The description is for the purposes of this report only and may not be used for interpretation of the policy.

A motor property insurance policy includes coverages in respect of damage caused to the insured car as a result of the risks listed in the policy, such as: Fire, accidental collision, theft and more, and a damage caused to a third party's property by the insured car. Policyholders may purchase coverage solely for damage caused to a third party or incorporate additional coverage. At the insurance offer stage, the policyholder may select coverage under one of four alternatives: (1) Comprehensive insurance (covering damage to the policyholder's car and damage to third party; (2) comprehensive insurance without theft coverage; (3) comprehensive insurance without accidents coverage for the policyholder's car; and (4) third-party insurance only, provided that the waiver was carried out through an explicit notice that was documented by the insurer.

The motor property insurance is divided into two main groups, according to the type of the car:

- (1) Insurance policy covering property damage and third-party damage to private vehicles and commercial vehicles with maximum weight of up to 3.5 tons (comprehensive insurance and third-party insurance), in accordance with **The Supervision of Insurance Business Regulations (Contract Terms and Conditions for Insuring a Private Vehicle), 1986** and in the addendum to the regulations

(hereinafter - the **“Motor Property Regulations”** or the **“Standard Policy”**, respectively). The Standard Policy sets wording and minimum terms and conditions for comprehensive motor insurance, and the insurer may modify them only if the change works for the benefit of the policyholder. Expansions may be added to the Standard Policy regarding the scope of the coverage, the risks, liabilities, and the policyholders' property.

A policyholder, who owns at least 40 private vehicles, which are all insured by a single insurer, may - at the insurance offer stage and by giving an explicit notice that will be documented by the insurer - waive the applicability of the Standard Policy in whole or in part.

- (2) Insurance policy covering property damage and third-party property damage, vehicles other than private and commercial vehicles whose weight is up to 3.5 tons, such as: Trucks, buses, trailers, supported vehicles, forklifts, motorbikes and other vehicles). This insurance is not subject to the provisions of the Standard Policy.

The Group also offers its policyholders the opportunity to acquire - as an addition to the policy, expansions or riders for receipt of various services for the vehicle, such as: Roadside assistance and towing services, courtesy cars, repair of windscreens, and more.

The main characteristics of the segment are as follows:

Motor property insurance policy is, in most cases, for a period of up to one year.

“Short-tail claims” - claims in this subsegment are characterized with a short period between the occurrence of the insured event and the settlement of the claim. The prescription period of a claim for motor property insurance benefits is three years from the occurrence of the insured event. However, the prescription period in respect of third-party coverage and the time it takes to settle the claim are longer.

Regulation of tariffs - the motor property insurance tariff is regulated by the Commissioner. The tariff is a maximum tariff; it is not uniform and depends on a number of factors, such as: The type of insured vehicle, the policyholder's accumulated claims history, the driver's age and the number of drivers allowed to drive the car.

4.3 Competition

13 insurance companies operate in the field of motor property insurance, including direct insurance companies.

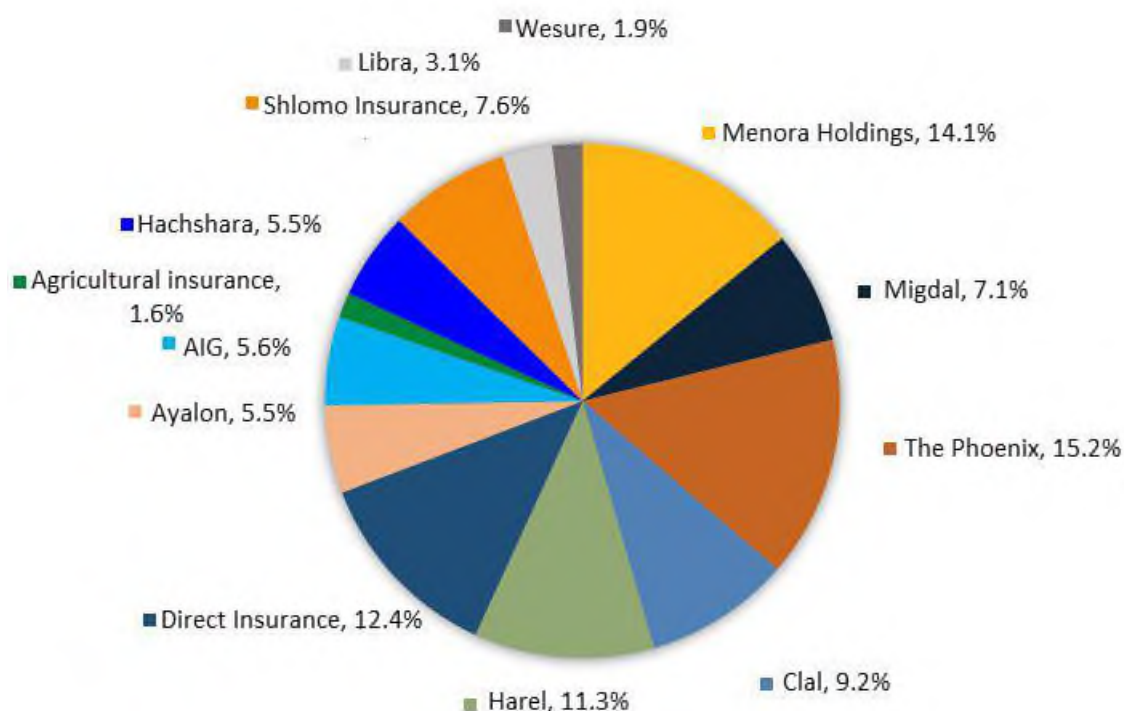
According to the insurance companies' financial statements, in the first nine months of 2023, income from motor property insurance amounted to approx. NIS 9,557 million, compared to approx. NIS 7,710 million in the corresponding period last year - an increase of approx. NIS 1,847 million in insurance premiums, which constitute approx. 24.0% of the total income from insurance premiums in the subsegment.

The Group's market share as reflected in income from insurance premiums in the first nine months of 2023 is approx. 14.1% compared to approx. 15.0% in the corresponding period last year.

For details regarding the Group's income from premiums, see Section 5.6.4 to the Report of the Board of Directors.

The largest insurance companies in the field of motor property insurance in 2023 are The Phoenix, the Group, Direct Insurance, Harel and Clal.

Set forth below is a breakdown of market share data, by companies operating in the segment:



The uniform insurance coverage in this segment in accordance with the Standard Policy is modular and allows the selection of all or some of the coverages, as decided by the policyholder. The flexibility of the selection process expands the potential competition between the various companies in respect of each and every component in the modular policy. The competition focuses mainly on the price to the customer in accordance with the scope of the coverage he/she selected. Therefore, the Group places an emphasis in this segment on a competitive tariff and specialized products that are adapted to distinct populations and include dedicated benefits for those populations, and dynamic products that allow the customer to benefit from a flexible coverage or price, such as the "Occasional Driver" coverage, that allows a policyholder to purchase a coverage for a fixed period for a driver who does not comply with the general definition of those who are allowed to drive as per the policy; and the "Miley" product, that includes tiered premium discounts, in accordance with the annual mileage of the car, and the "MenoraOn" product, that includes a personal pricing by driver/s and payment of insurance premiums based on the mileage and the quality of driving. The factors that reinforce the Group's positioning compared to its competitors are its extensive agents base and direct sales channel, the emphasis it places on high service levels and strict monitoring of various aspects of its activity.

4.4 Customers

In the motor property insurance segment, the Group mainly insures private customers.

The Group does not have a single customer in the motor property subsegment, the total income from which constitute 10% or more of the total amount of the Group's income, and the Group is not dependent on a single customer or a small number of customers in this subsegment.

Set forth below is a breakdown of gross premiums between individual policyholders and car fleets and collectives:

	Gross premiums in 2023 (in NIS million)		Gross premiums in 2022 (in NIS million)		Gross premiums in 2021 (in NIS million)	
		% of total income for 2023		% of total income for 2022		% of total income for 2021
Individual policyholders and small business customers	1,500	89%	1,300	88%	1,242	88%
Car fleets and collectives	191	11%	173	12%	166	12%
Total	1,691	100%	1,473	100%	1,408	100%

Furthermore, the Group is not aware of permanent characteristics of customers in the motor property segment. In the opinion of the Group, the rate of renewals¹⁵ in the motor property insurance subsegment in 2023 stood at approx. 63.1%, compared to 69.2% in 2022. The rate of customers, who purchased motor property insurance and compulsory motor insurance, out of the total number of customers, who purchased motor property insurance in 2023, is approx. 87%, compared to 83% in the previous year.

Set forth below is a breakdown of insurance premiums by customers' loyalty years in terms of premiums turnover for the periods described in the Report:

Number of loyalty years	Premiums turnover in NIS million			% of total income		
	2023	2022	2021	2023	2022	2021
No loyalty	696	550	566	41%	37%	40%
Loyalty of one year	313	361	308	19%	25%	22%
Loyalty of two years	236	202	185	14%	14%	13%
Over three loyalty years	446	360	349	26%	24%	25%
Total	1,691	1,473	1,408	100%	100%	100%

¹⁵ The rates are in premium terms.

5. Other Property and Casualty Insurance

5.1 General description of the segment

In this segment, the Group operates in two key subsegments - the liability insurance and the property insurance, and in other P&C insurance subsegments, in which the Group's scope of activity is immaterial.

Liability insurance includes coverage that is provided in respect of the policyholder's financial liability under law vis a vis a third party other than the policyholder, up to the liability limit specified in the policy.

Property insurance include coverage for loss or damage caused to the insured property and related damages, as a result of the risks covered by the policy (in a "listed risks" format, or in an "all risks" format).

For information about key legislative restrictions that apply to the Group on this segment, and on the Group's activity as a whole, see Sections 7.1.1 and 7.1.5 below.

5.2 Services and products

5.2.1 Description of the segment products and insurance coverages included therein

This section includes a general and condensed description of the products' characteristics and uses, their main markets, and trends and changes in their demand and supply. The full and binding terms and conditions are the terms and conditions set out in each policy and/or insurance contract, as the case may be. The description is for the purposes of this report only and may not be used for interpretation of the policy.

5.2.1.1 Liability insurance

General

Most policies in the liability insurance subsegment cover the policyholder in respect of a liability it may incur towards a third party under the provisions of the law in respect of bodily injury or damage to property caused to it.

A liability limit is set in liability insurance, which is the maximum amount to be paid by the insurer in the event of damage, plus reasonable legal costs.

The term of insurance policies of this type is normally one year.

An insurance claim in the liability insurance subsegments is not extinguished so long as the third-party claim against the policyholder has not been extinguished. Due to the long period of time that elapses from the date on which the grounds for the claim against the policyholder arise and the disclosure date and/or the claim's filing date, and due to the time it takes to investigate the those claims, which are complex in nature, this subsegment is deemed a long-tail claims activity.

Liability insurance can be issued according to one of two coverage bases:

Occurrence basis - in these policies, the coverage is provided for a liability in respect of events that occurred during the insurance period. The claim may be filed to the insurance company even after the end of the insurance period, subject to the prescription period.

Claims made basis - in these policies, coverage is provided for a liability in respect of claims that were initially filed against the policyholder during the insurance period, even if the grounds against the policyholder have arisen before the insurance inception date, provided that they have arisen within "the retroactive period" defined in the policy, i.e., after a certain date agreed upon.

The liability insurance subsegment is considered a volatile subsegment, due to the high level of uncertainty associated with the settlement of the claims, specifically in occurrence basis policies; such uncertainty arises, among other things, from long-tail claims, changes in judicial trends and cultural changes that increase the incidence and severity of the claims.

The liability insurance subsegment includes all liability insurances, except for compulsory motor insurance. The main types of insurance in this subsegment are: Third party liability insurance (hereinafter- "**third-party insurance**"), employer liability insurance, professional liability, product liability and directors' and officers' liability insurance.

The main products marketed by the Group in the liability insurance subsegments are as follows:

- (1) Third Party Insurance - the third party liability insurance policy covers the policyholder's liability under any law - usually a liability stemming from the Torts Ordinance - in respect of bodily injury (other than in respect of the use of motor vehicle) or damage to property that were caused to third parties, who are not policyholder employees, and which were caused due to an accident that took place in the insurance period in connection with the activity in respect of which the policyholder purchased the insurance coverage.

This insurance may be purchased as an independent product or as a coverage as part of policies to businesses, a home insurance policy, or as part of a policy covering contract work.

The insurance premium is set as a function of a number of variables, the key of which are: The policyholder's occupation, the scope of the policyholder's activity, the desired liability limit, the policyholder's claims history, the exposure to environmental hazards or risks, the means of protection the business has in place, and more.

This insurance is usually made on an event by occurrence basis.

- (2) **Employers' liability insurance** - coverage for the policyholder in respect of its liability for bodily injury only, which was caused to the employee in the course of his/her work for the policyholder, due to the policyholder's negligence, over the insurance period. In most cases, the covered liability is a liability under the Torts Ordinance and/or the Liability for Defective Products Law, 1980.

The insurance is a residual insurance, on top of the coverage under The National Insurance Law [Combined Version] 1995.

This insurance may be purchased as an independent product or as a coverage as part of policies to businesses, a home insurance policy, or a policy covering contract work.

The insurance premium is set as a function of a number of variables, the key of which are: The number of employees, the amount of annual salary paid by the employer, the employer's area of activity, the liability limit, the policyholder's claims history, the means of protection the business has in place, and more.

This insurance is usually made on an event by occurrence basis.

- (3) **Professional liability insurance** - this insurance covers the liability of the policyholder - a professional - in respect of failure in the performance of his/her professional duty that constitute negligence, error or omission of the policyholder as part of his/her profession, in respect of which the coverage was provided, whose result is damage caused to a third party regardless of whether it is a customer of the policyholder or not. This insurance is sold as an independent policy or as a policy incorporated into a product liability insurance.

The main factor that affects the insurance premium is the policyholder's occupation, and the scope of activity, liability limit, years of experience in the profession, the number of employees, the income turnover, the policyholder's claims history, and the territory of the coverage and jurisdiction also affects the insurance premium.

This insurance is made on a claims made basis.

- (4) **Product liability insurance** - this insurance covers the policyholder's liability in respect of bodily injury caused to a third party and/or damage to property of a third party, which was caused by faulty products manufactured, imported or supplied by the policyholder, once the products are no longer in the policyholder's possession, by virtue of the Liability for Defective Products Law, which applies to the manufacturer (as defined in the law, which also includes an importer and/or supplier) only a liability in respect of bodily injury, and by virtue of the Torts Ordinance, which applies to the manufacturer a liability for bodily injury or damage to property.

This insurance is sold as an independent policy or as a policy incorporated into a professional liability insurance, and sometimes also with a third-party liability insurance policy.

The main factor that affects the insurance premium is the policyholder's occupation, and the scope of activity, the question of whether there is an export activity or not, the required retroactive period, the liability limit, the policyholder's claims history, and the applicability of the coverage in the territory also affect the insurance premium.

This insurance is usually made on a claims made basis.

- (5) **Directors and officers liability insurance** - an insurance that covers directors' and officers' legal liability in respect of damage caused due to their act or omission, whether in good faith or due to negligence, in their capacity as Company officers. The liability covered under this policy is mainly

by virtue of the Companies Law and other legal provisions, which impose a personal liability on Company officers.

The policyholder in this insurance is the company that purchases the coverage for the officers and directors that serve and/or served in the past therein, and which are defined as insured.

This insurance is sold as an independent policy or incorporated into a professional liability insurance.

The insurance premium in this subsegment is set as a function of a number of variables, the key of which are: The liability limit, the policyholder's claims history, the Company's area of activity, the composition of the shareholders, the Company's structure and financial resilience, and its status as a publicly-traded company or a privately-held company.

This insurance is usually made on a claims made basis.

The activity in these products involves a high rate of reinsurance, due to, among other things, the insurance amounts, the severity of the potential claims, and the heterogeneity of the risk mix.

5.2.1.2 Property insurance

General

Property insurance include coverage for loss or physical damage caused to the insured property and related damages, as a result of the risks covered by the policy (in a "**listed risks**" format, or in an "**all risks**" format). Furthermore, one may purchase coverage for consequential damage arising from the physical damage ("**loss of income**" coverage). In property insurance, the Group offers insurance to the private sector and the business sector.

The main products marketed by the Group in the property insurance subsegment:

Home insurance premiums

Home insurance policies include coverage in respect of loss or damage caused to the insured home as a result of the risks listed in the policy.

The policies are subject to minimum conditions, which were set as part of the **Addendum to the Supervision of Insurance Business Regulations (Contract Terms and Conditions for Insuring Homes and their Contents), 1986** (hereinafter in this section: the "**Home and Contents Insurance Regulations**" or the "**Standard Policy**", respectively).

The insurance company may only change the terms of the Standard Policy in favor of the policyholder, and it may expand it in terms of the scope of the coverage, the insured property and risks, and types of liability insurance that are related to the home (such as third-party insurance). The insurance is aimed at private sector homes.

The Standard Policy defines the minimum insurance coverage for a building and its contents. The policy provides coverage on a listed risks basis: Fire, lightning, thunder, explosion, storm and flood risks, theft, robbery and earthquake risks, as well as other risks and risks related to water and other liquids ("**pipe**

damages”), at the request of the policyholder and at the agreement of the insurer.

The Standard Policy includes an earthquake risk coverage in respect of the building and contents, unless the policyholder waived this coverage and this was documented by the policyholder and noted by the insurer in the policy's specification.

The Group offers a number of home and/or contents insurance tracks, which are based on the terms and conditions of the Standard Policy. Some of the tracks offered under the policies confer upon the policyholder the option to purchase, at his/her selection, additional coverages, such as: Coverage for all risks in respect of jewelry and valuables, coverage for all risks in respect of home contents, and more.

Mortgage insurance - the Group markets policies that cover only the building to borrowers that undertook mortgages in order to finance the purchase of their home. These policies are pledged in favor of the lender. Sometimes, this insurance is sold in combination with life insurance (risk), in order to cover the outstanding balance of the loan in the event of the policyholder's death.

Loss of property - insurance covering loss of property or damage to property (such as commodities, machinery, equipment, plants, various types of inventories, etc.), other than a home or motor vehicle. Generally, the policies cover fire, burglary, natural disasters and earthquake risks. As part of these policies, it is possible to purchase coverage for consequential damage in the form of loss of income, which is a consequence of the physical damage to property.

Engineering insurance (contractor work/construction) - coverage for contract work, equipment and materials in respect of accidental damage.

Comprehensive insurance for businesses - an “umbrella” insurance for businesses, which includes a basic coverage in respect of loss or damage to contents and building, to which the policyholder can add a liability insurance coverage, loss of income coverage, and more.

Comprehensive insurance for house committees - house committees insurance covers a loss or damage that will be caused to the joined property and the liability of the representatives of the owners of flats in the condominium arising from an accidental event caused in the joint parts that caused bodily injury or damage to property of a third party.

5.2.1.3 Other insurance subsegments

Personal accidents insurance (short-term)

Personal accidents insurance awards a one-off fixed compensation due to disability (temporary and/or permanent) and/or the policyholder's death due to an accident. Furthermore, sometimes the coverage also includes a weekly compensation in respect of temporary disability (partial or full), as a result of an accident and/or in respect of temporary or full disability due to illness.

The insurance period in these policies is normally one year.

The policy is sold both as an independent policy and as part of combined policies, among other things, in the business sector.

Sale Law policies and guarantees

Sale Law policies - policies in accordance with **The Sale Law (Apartments) (Securing the Investments of Apartment Buyers), 1974 (hereinafter - the "Law")**, including an undertaking by an insurer to reimburse to an apartment buyer funds that he/she paid, net of the VAT component, on account of the price of the apartment he/she purchased from a developer that engaged with the insurer, and whose construction has not yet been completed, provided that one of the grounds set in the law is fulfilled as detailed below:

- A seller of the apartment will not be able to finalize the transfer ownership or another right in the apartment to the buyer as agreed in the sale contract;
- It is absolutely impossible to complete the construction and hand over possession of the apartment to the buyer (cancellation of the purchase agreement is not included in this reason).

The wording of the Sale Law policies, which are marketed by Menora Insurance, was adjusted, *mutatis mutandis*, to the provisions published on the matter under the regulations promulgated by virtue of the Sale Law, as amended from time to time.

The insurance period of Sale Law policies is not fixed; it ends subject to the fulfillment of all three conditions set in the Law for the cancellation or expiry of the policy, i.e., the completion of the construction work, the handing over of possession of the apartment, and the registration of the rights to the apartment in the name of the buyer, with the rights being clear of any pledge. The risk in these policies declines with the progress of construction, the increase in sales and the collection of proceeds from sales. Upon completion of the construction work (receipt of "**Certificate of Occupancy**"), the risk declines significantly, and it is negligible and close to zero.

Tender guarantees - guarantees required as a precondition for submission of a bid for participation in the tender as set by the tenderer in the tender documents. The purpose of the guarantee is to ensure an engagement between the bidding customer and the tenderer, if the tenderer will select the bidding customer's bid as the winning bid.

Performance guarantees - guarantees that reflect undertakings to pay the beneficiary - normally the commissioner of a work or service - in one lump sum or several payments, any amount up to the guarantee amount in respect of the breach of the guaranteed party/the policyholder's undertaking - normally a contractor or developer in a project or a service provider - which gave an undertaking to the person commissioning the work or the service as stated above.

Performance guarantees in combination transactions and/or raze and rebuild and/or NOP 38 with land owners under the construction lending method - guarantees issued in favor of interest holders to the land, who are entitled - in exchange for the transfer to the developer of some of their rights to the land - to receive some of the apartments to be built in the project that will be constructed on the land in exchange for their current apartments (each land owner has an interest and right to a specific apartment). All the land is pledged

in favor of the lenders, including that part of the land that constitutes the share of the future apartment of the landowners.

Guarantees in favor of mortgage banks - in order to be able to pledge all of the project's land in its entirety in favor of the lenders, as part of combination/ raze and rebuild transactions, in respect of the apartments pledged as part of mortgages, against a loan given to the apartment owners, the mortgaging bank is required to remove the mortgage recorded in its favor on an apartment of a tenant that has not yet repaid the mortgage prior to the engagement in the combination/ raze and rebuild transaction. The mortgage bank will only consent to the removal of the aforementioned mortgage if it will receive an autonomous guarantee in its favor instead of the mortgage.

Guarantees for tax payments - a guarantee provided in favor of the Israel Tax Authority to secure the tax payments in projects, and specifically betterment tax.

Guarantees to secure the payment of rent - guarantees issued in raze and rebuild projects. To secure the rent payments that the developer undertakes to pay in connection with the landowners and tenants through the completion of the construction and receipt of the keys for the flats constructed as part of the project.

Formal guarantees - guarantees in favor of a beneficiary, which is a competent authority in order to ensure the guaranteed party/policyholder's compliance with the terms and conditions of the license it was awarded, or to ensure the completion of a proceeding between the customer and the authority.

Guarantees to secure payments - a guarantee that constitutes an undertaking to pay a certain amount if the guaranteed party/policyholder will fail to pay the amount it undertook to pay a third party.

Other risks

The Group issues policies that cover other various risks that were not included in the above subsegments, since the scope of its activity in those subsegments is immaterial.

5.3 Competition

The Group's share in this area of activity decreased during the reporting period, as reflected in income from premiums, as detailed below:

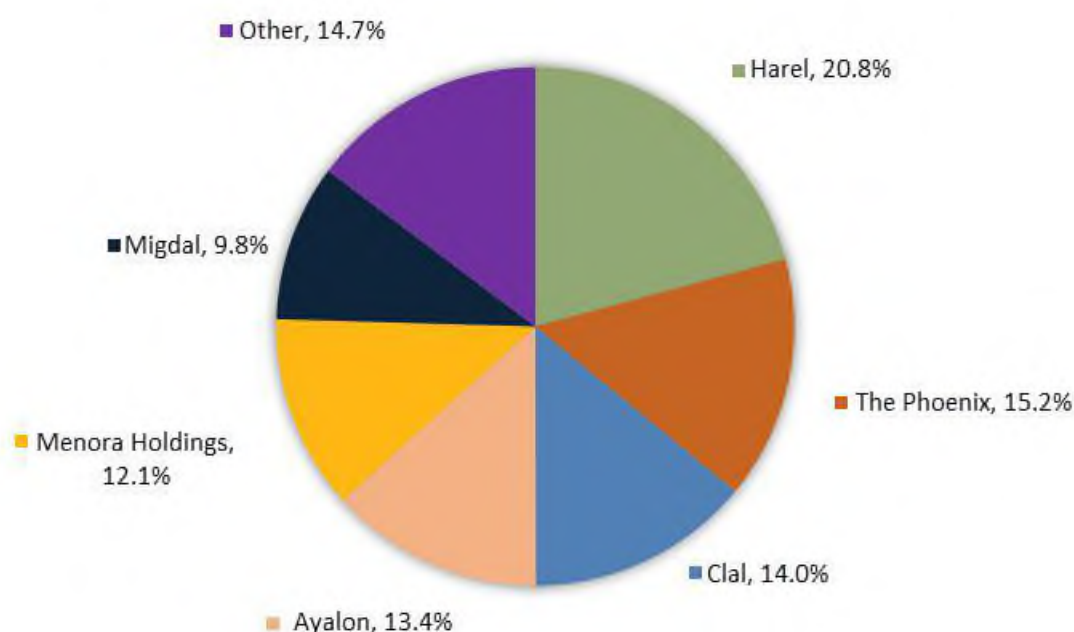
According to the insurance companies' financial statements, in the first nine months of 2023, income from other property and casualty insurance amounted to approx. NIS 9,395 million, compared to approx. NIS 8,400 million in the corresponding period last year - an increase of approx. NIS 995 million in insurance premiums, which constitute approx. 11.8% of the total income from insurance premiums.

The Group's market share as reflected in income from insurance premiums in the first nine months of 2023 is approx. 12.1% compared to 12.8% in the corresponding period last year. The Group is fifth largest market player in Israel, compared to fourth in the corresponding period last year.

In this segment, the Group competes with most of the insurance companies in Israel. According to the financial statements data of the insurance companies, the five largest insurance companies operating in this segment are Harel, The Phoenix, Clal, Ayalon and the Group. According to these data, the share of the five largest market players in the first nine months of 2023 stood at approx. 75.5% of the total gross insurance premiums in this segment, compared to approx. 76.2% in the corresponding period last year.

For details regarding the Group's income from premiums, see Section 5.6.4 to the Report of the Board of Directors.

Set forth below is a breakdown of market share data, by companies operating in the segment:



The competition in the segment is affected both on the demand side for products by various business companies in Israel, and on the supply side and quality of products offered by the insurance companies. The reinsurance market and the changes that take place therein in connection with the segment also constitute a major factor affecting competition. Furthermore, in the large business insurance and in the directors insurance subsegment, the policyholders are represented by insurance advisors, a fact that clarifies the importance of the quality of the coverage, and at the same time also creates pressure to reduce tariffs. The insurance products included in the property insurance subsegment, such as marine, aviation, engineering and electronic equipment insurance require specific specialty and provide a complex coverage, and therefore, the competition in these subsegments is based, among other things, on the quality of the insurance coverage provided by the Group. The factors that reinforce the Group's positioning compared to its competitors are its product mix, which includes innovative products in the various areas of activity, its extensive agents base, the emphasis it places on high service levels and strict monitoring of various aspects of its activity.

5.4 Customers

In the other property and casualty insurance subsegment, the Group insures private and business customers, as well as institutional entities. The Group conducts an underwriting process for each and every policyholder, except for old collectives of mortgage banks.

The Group does not have a single customer, the total income from which constitute 10% or more of the total amount of the Group's income in the segment, and the Group is not dependent on a single customer or a small number of customers in this segment. Furthermore, the Group is not aware of permanent characteristics of customers in the property and casualty insurance segment.

Breakdown of gross insurance premiums from customers*:

Type of customer	Gross premiums in 2023 (in NIS million)	% of total income for 2022	Gross premiums in 2021 (in NIS million)	% of total income for 2021	Gross premiums in 2020 (in NIS million)	% of total income for 2020
Collectives and large enterprises	548	37%	571	39%	454	36%
Individuals and small business customers	943	63%	877	61%	802	64%
Total	1,491	100%	1,448	100%	1,256	100%

* The breakdown in the liability insurance subsegments was made according to liability limits. The breakdown in the property insurance subsegments was made according to premium amounts.

Private customers and small business customers constitute the largest share of the Group's insurance portfolio.

Set forth below is a breakdown of insurance premiums by customers' loyalty years in the comprehensive home insurance sub segment for the periods described in the Report:

Number of loyalty years	Premiums turnover in NIS million			% of total income		
	2023	2022	2021	2023	2022	2021
No loyalty	41	43	41	14%	16%	16%
Loyalty of one year	33	34	31	12%	12%	12%
Loyalty of two years	31	25	25	11%	9%	9%
Over three loyalty years	182	173	169	64%	63%	63%
Total	287	275	266	100%	100%	100%

The rate of renewals¹⁶ in the comprehensive home insurance subsegment in 2023 stood at approx. 86%, similar to the rate of renewals in 2022.

¹⁶ The rates are in premium terms.

6. Health Insurance

6.1 General description of the segment

Health services in Israel are composed of three tiers: The first - The basic Healthcare Services Basket in accordance with the National Health Insurance Law and the regulations promulgated thereunder; the second - supplementary healthcare services in health maintenance organizations (hereinafter - "**SHABAN**"); and the third - private health insurance through the insurance companies. The private health insurance policies provide insurance coverages that replace, supplement, or add to the basic Healthcare Services Basket and/or the SHABAN services of health maintenance organizations in Israel, by way of expanding the insurance coverage, the right to select the service and the flexibility in terms of the exercise of the policyholder's medical rights. In addition, some of these policies allow the policyholder to receive medical services using advanced medical technology, and cover drugs in accordance with the definitions set in the relevant policy, which are not included in the Healthcare Services Basket or in SHABAN.

This segment includes the Group's activity in the private health insurance subsegments, as part of individual policies or collective policies, that provide insurance coverage whereby the customer is indemnified or compensated in respect of medical events, both on a long-term basis as part of medical expenses insurance, dental insurance, long-term care insurance, personal accidents insurance (long-term), and critical illness insurance, and short-term health insurance (up to one year), travel insurance, foreign workers insurance, and tourists insurance. The policies mainly cover a range of medical events caused to the policyholder due to illnesses and/or accidents.

The activity in the private health insurance subsegment is carried out subject to regulatory provisions, whose aim is to increase competition and transparency in this segment.

These provisions set a uniform coverage in a policy covering surgical procedures and non-surgical alternative treatments and consultations in Israel. Furthermore, the legislation in this field regulates, among other things, the relationship between the insurance companies and physicians and medical institutions, with which they have agreements in place, including the manner of payment for their services. Furthermore, in the field of individual policies, there are provisions whereby medical expenses and critical illness policies are renewed automatically every two years, as well as provisions that require insurance companies to give policyholders the option to purchase health insurance policies regardless of their purchase of other additional insurance policies.

Health reform:

In March 2022, the Capital Market Authority published the health insurance reform for the revision of the insurance plans, which came into effect in October 2023 (hereinafter - the "**Effective Date**"). Accordingly, **an amendment was published to various chapters in the provisions of the Consolidated Circular Chapter 6, Part 3, which deal with the drawing up of a health insurance plan (hereinafter - the "Reform")**; the Reform prescribes that the structure of health insurance shall include 5 pillars:

First pillar - a uniform basic health insurance policy that includes the following coverages: A policy covering transplants and special treatments abroad, medicines that are not included in the Israeli health care basket, and surgical procedures and alternative treatments to surgical procedures abroad;

Second pillar - a policy that includes one of the following alternatives: (a) A policy covering surgical procedures and alternative treatments to surgical procedures in Israel Supplementary SHABAN, with a deductible of NIS 5,000; (b) a policy covering surgical procedures and alternative treatments to surgical procedures in Israel Supplementary SHABAN, without a deductible; (c) a policy covering surgical procedures and alternative treatments to surgical procedures in Israel, From the First Shekel (hereinafter - "Surgery Policy from the First Shekel");

Third pillar - a rider policy that will include an expansion for one or more of the insurance plans in the first pillar, second pillar or the fifth pillar;

Fourth pillar - one or more of the ambulatory insurance appendixes: (a) consultation, medical diagnosis and tests; (b) home hospitalization (c) treatments using advanced technology and medical accessories; (d) medical support and treatments during a significant medical event, such as surgery, hospitalization or critical illness; (e) any insurance appendix approved by the Commissioner in advance and in writing;

Fifth pillar - critical illness policy.

Furthermore, regarding the signing-on of insurance applicants to the health insurance policies described above, it was stipulated that in view of the importance of the coverage in the first pillar, the insurance applicant is first required to purchase a basic health insurance policy, unless one of the following exclusions applies: (a) Due to an underwriting procedure, the insurance applicant was refused insurance, or a certain exclusion is required; (b) the insurance applicant is older than 65, and does not wish to hold one or more of the insurance plans included in the basic insurance policy. In addition, it was stipulated that the marketing entity is required to explain the structure of the new insurance, including the differences between the basic policies and the expansions, while reflecting the insurance premium.

Beyond the above, it is stipulated that a marketing entity shall not sell an individual policy that awards indemnity to an insurance applicant, who has an individual insurance policy that provides a similar coverage (without canceling the existing policy), unless one of the following exclusions applies: (a) The policy that will be offered to the insurance applicant includes only the remaining insurance coverage; (b) the rate of the cost of the similar insurance coverage between the policies does not exceed ten percent of the premium amount approved by the Commissioner; (c) due to an underwriting procedure, a certain exclusion is required in a medications policy, and the insurance applicant has an old medications policy without those exclusions; (d) an insurance applicant, who wishes to switch from a collective insurance policy to an individual insurance policy without discontinuing the insurance coverage. In addition, it was decided that a premium discount will be given at a fixed-rate for a period of at least ten years.

Supervision of Financial Services Directives (Insurance) (Conditions in an Insurance Contract for a Basic Health Insurance Policy), 2021 were published at the same time, which suggest to set a wording for the said policies, which define a uniform coverage, in order to make it easier for policyholders to make comparisons between the various companies. Furthermore, an amendment was published to the **Supervision of Financial Services Regulations (Insurance) (Conditions in an Insurance Contract for Surgical Procedures and Alternative Treatments to Surgical Procedures in Israel), 2021**, which makes the adjustments required for the uniform insurance policy, as derived from the said reform, and certain updates in the policy's list of exclusions.

In June 2023, the **Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2023 and 2024), Chapter S (Health) (hereinafter - the "Economic Arrangements Law")** was published, which amends The Financial Services Supervision Law, and sets a requirement whereby an insurer will pay the health maintenance organization for a surgical procedure that was executed and financed through a SHABAN plan when the following two conditions are met: (1) The planholder is insured under a "first shekel" surgical procedure insurance policy, and the said policy covers such a surgical procedure; (2) the surgeon is part of a surgical procedures arrangement with the insurance company; (3) the surgical procedure was carried out and financed through a SHABAN plan, even if there are differences between the SHABAN plan and the policy in terms of the method employed to execute the surgical procedure, the medical center in which it is carried out, and the technology and the devices required for the surgical procedure.

In this regard, it was determined that the amount that will be paid to the health maintenance organization shall be equal to the price of the surgical procedure as per the Ministry of Health's price list, or as set in a dedicated order that will be set at the recommendation of the Commissioner - the lower of the two. The policyholder's deductible shall be deducted from this amount to the extent that he paid it. It was also stipulated that the insurer may submit to the Commissioner an appeal to the payment notice as stated above within 30 days from receipt of such notice, and the appeal will not delay the payment to the health maintenance organization, and the Commissioner is required to inform the insurer and the health maintenance organization of its decision regarding the appeal within 60 days of its receipt. Furthermore, transitional provisions were set that will require the insurer to transfer policyholders from an individual "From the First Shekel" surgical procedure policy taken out as from February 2016 until the effective date who also have a SHABAN plan in place, to a "Supplementary SHABAN" surgical procedures policy, while ensuring continuous insurance coverage on June 1, 2024.

In addition, it was determined that policyholders will be allowed to inform the insurer - within a year of the transfer date - of their wish to cancel the transfer and reinstate the original policy. It was prescribed that in order to transfer the payment by the insurer in respect of the execution of the surgical procedure as part of the SHABAN plan as stated above, and in order to transfer policyholders to a "Supplementary SHABAN" surgical procedures policy, the Capital Market, Insurance and Savings Authority shall operate and maintain a secure online interface that will be used to transfer the relevant information between the health maintenance organizations and the insurance companies to achieve the implementation of the provisions of the law.

In September 2023, the Commissioner published supplementary circulars for the implementation of the Economic Arrangements Law: (1) Amendment to the Required Information on a Website of an Institutional Entity Circular, which stipulates that insurance companies that market surgical procedures policies shall present the list of surgeons, who are included in an arrangement with them, on the relevant dates set in the circular, in order to allow the health maintenance organizations to file payment requests to the insurance companies in accordance with the terms set out in the Economic Arrangements Law; (2) a circular dealing with the Online Interface regarding Surgical Procedures in Israel, which stipulates provisions regarding the manner of transferring information between the health maintenance organizations and the insurance companies, including the details of the information that the insurance companies and the health maintenance organizations are required to exchange through the online interface. The effective date of those circulars was set for December 1, 2023.

Changes in the long-term care subsegment:

In collective long-term care insurance, **The Supervision of Financial Services Directives (Insurance) (Collective Long-Term Care Insurance to Members of Health Maintenance Organizations), 2015 and Circular regarding Collective Long-Term Care Insurance to Members of Health Maintenance Organizations, which was incorporated into the Consolidated Circular** (hereinafter - the **"Directives"** and the **"Circular"**) stipulate, among other things, uniform terms and conditions for the collective long-term care insurance of health maintenance organizations, including terms regarding qualification period, waiting period, the insurance period and the amount of insurance benefits in the case of an insured event, which serve as the basis for the Group's activity in this field (see Section 6.2.1.2 below). An **amendment to the Directives** was published in July 2020, whereby the insurance companies providing collective insurance coverage to members of health maintenance organizations will be allowed to offer to those policyholders, who purchased a basic insurance, to purchase another tier as part of a collective insurance (hereinafter - the **"Expanded Tier"**), subject to a medical underwriting process and for an additional payment, as detailed in the amendment. It is noted that in 2021 further amendments were published with respect to this tier.

In December 2023, the Commissioner's Directives regarding Financial Services Supervision (Insurance) (Collective Long-Term Care Insurance to Members of Health Maintenance Organizations) (Amendment), 2023, which revises the existing insurance coverage under collective long-term care insurance policies of health maintenance funds in order to stabilize the "policyholders' funds" in view of the increase in the incidence of claims filed and paid, and their adverse effect on policyholders' funds. The provisions prescribe reducing by approx. 10% the amount of insurance benefits paid to a policyholder, who is entitled to the basic tier of coverage, and who lives at home. In addition, the monthly insurance benefits paid in accordance with the directives were reduced by linking the insurance benefits amounts to the known CPI on the Amendment's effective date and no later than July 1, 2016. Furthermore, the existing exclusion period was revised for entitlement to insurance coverage under the policy to an insured event that occurred in the first 5 years of a policyholder's life instead of 3 years according to the existing exclusion. In view of the difficulties of adding an "extended tier" to the insurance coverage under the policy, the effective date of the provisions dealing with the extended tier was postponed to January 1, 2028. The amendment shall apply to all collective long-term care insurance policies of the health maintenance organizations that will be entered into or renewed as from the effective date (as defined below), and that they will also apply to existing policies, if it was agreed between the insurance company and the health maintenance organization, that those directives shall apply to them. It was clarified that the amendment will not apply to insured events that occurred prior to the effective date. The effective date of the provisions of the amendment is January 1, 2024.

In December 2023, the Commissioner published an amendment to Consolidated Circular - Title 6, Part 3 - Long-Term Care Insurance, which prescribes that, due to the challenges arising in long-term care insurance (including an increase in the number of insured events and the prolongation of the entitlement period), the minimum 20% threshold for insurance companies' participation in the insurance risk arising from long-term care insurance policies of health maintenance organizations should be scrapped. It was clarified that this cancellation is expected to allow the health maintenance organizations the flexibility to set the risk rate applicable to the insurance company.

For information about key legislative restrictions that apply to the Group on this segment, and on the Group's activity as a whole, see Sections 7.1.1 and 7.1.6 below, respectively.

6.2 Services and products

6.2.1 Description of the segment and the main insurance coverages included therein

This section includes a general and condensed description of the products' characteristics and uses, their main markets, and trends and changes in their demand and supply. The full and binding terms and conditions are the terms and conditions set out in each policy and/or insurance contract, as the case may be. The description is for the purposes of this report only and may not be used for interpretation of the policy.

6.2.1.1 General

Most of the policies in the segment are long-term policies and sometimes (medical expenses and individual long-term care) they cover the policyholder's entire life. Upon the coming into effect of the changes in the health insurance segment, at the beginning of 2016, most medical expenses and critical illness (individual) long-term policies, which are marketed by the Group, are renewed every two years.

The insurance coverage is provided under individual or collective insurance policies, and policies sold to collectives are limited in time. The policies mainly cover a range of insured events caused to the policyholder due to illnesses and/or accidents.

6.2.1.2 Long-term care insurance

A plan awarding the policyholder a predetermined monthly compensation after a waiting period of several months starting on the date of the insured event (in accordance with the definitions set out in the policy), and over the compensation period as defined in the policy. The said compensation is paid so long as the policyholder requires long-term care, but no longer than the period specified in the policy. According to the Government and the Commissioner's policy, regulation was put in place regarding the collective long-term care insurance, whereby - as from December 31, 2017 - collective long-term care insurance policies will no longer be marketed and/or extended, other than long-term care insurance policies to members of the health maintenance organizations, or other collective long-term care insurance policies that were approved by the Commissioner.

As from 2019, the Group ceased the marketing of all long-term care insurance products to private customers. It is noted that during February 2018, Menora Mivtachim Insurance and Tzevet, the IDF Veterans Association (hereinafter - "Tzevet") signed a detailed collective long-term care insurance agreement for Tzevet members (approx. 40 thousand members) and their families, which came into effect on April 1, 2018 for a period of eight years, at the end of which if Tzevet will not engage in a collective long-term care insurance for an additional period, an arrangement for continuity of insurance coverage will be in place in respect of the policyholders that were included in the insurance at that time, through individual policies, as they will be in effect on the date on which the collective insurance expires. In December 2022, the agreement with Tzevet was extended through 2030, and an extended insurance tier was added to increase the insurance amount to insured Tzevet members, who will wish to expand the insurance coverage, subject to underwriting and the payment of an additional premium, all in accordance with the terms and conditions of the agreement.

It is also noted that, as from April 1, 2019, and since January 1, 2020 Menora Mivtachim Insurance started insuring members of the health maintenance organizations "Leumit Health Services" and "Kupat Holim Meuhedet" (hereinafter - "Leumit" and "Meuhedet", and jointly - the "Health Maintenance Organizations"), respectively, under a collective long-term care insurance in accordance with the terms and conditions of the tenders. Menora Mivtachim Insurance shall deal with the management and settlement of policyholders' claims in the collective long-term care insurance policies of the health maintenance organizations and will also take steps in connection with marketing and signing on new policyholders to the policies. In addition, Menora Mivtachim Insurance shall hold and manage in trust - for the policyholders insured under the policies - the funds that were accrued and will accrue in the future in the policyholders' fund (hereinafter - the "Policyholders' Fund"). The policies' term is five years, with an option to extend the term by a further 3 years, all in accordance with and subject to the terms and conditions of the tenders.

In said collective transactions, Menora Mivtachim Insurance will bear 20% of the total insurance benefits, and a policyholders' fund will bear 80% of the insurance benefits. Accordingly, the premium amount to which Menora Mivtachim Insurance is entitled is the risk premium that was set in tenders plus management fees for the operation of the insurance policy. If the policyholders' fund will have not funds left, the Company will be required to add funds from own sources. In such a case, and in other situations as defined in the above-mentioned transactions, Menora Insurance shall be entitled to contact the Capital Market Authority to request a tariff increase.

Further to the changes in the long-term care insurance subsegment as detailed above, Menora Mivtachim Insurance entered into an agreement for the operation of the collective long-term care insurance of the Maccabi and Leumit health maintenance organizations.

In December 2023, an agreement in principle was signed for the operation of long-term care insurance for Maccabi members, as from January 1, 2024, for a period of one year, with an extension option subject to meeting the terms and conditions detailed in the agreement in principle. The agreement in principle shall constitute the basis for a detailed agreement that will be signed between the parties in the forthcoming period, the key points of which are: Operation of the long-term care insurance of Maccabi members without bearing the insurance risk, against a consideration comprising management fees; dealing with long-term care insurance claims in accordance with the terms and conditions of the policy; management of the investments of the "Policyholders' Fund", all based on the revised legislative arrangement that was published as mentioned above by the Capital Market Authority regarding collective long-term care insurance to members of health maintenance organizations; and arrangements and agreements regarding other operational and service-related issues, as will be agreed between the parties under the detailed agreement. On December 26, 2023, the Commissioner's approval to operate the health insurance plan for Maccabi members was received, thereby fulfilling the conditions precedent for the coming into effect of the agreement in principle.

As from April 2024, the agreement with Leumit will be revised such that it will be assigned to an agreement for the operation of long-term care insurance claims for Leumit members in consideration for management fees as will be agreed with the health maintenance organization.

6.2.1.3 Critical illness insurance

A policy that ensures that a policyholder will receive financial compensation in the event of the detection of a critical illness or in the event of severe medical events out of a predefined list. The policy is sold mainly to private customers, but the coverage is also available as part of collective insurance policies.

The insurance coverage in the policy is available up to the age of 75.

6.2.1.4 Medical expenses insurance

The insurance coverage in these policies is based on a model of indemnification or undertakings to pay service providers in respect of medical expenses up to a ceiling specified in the policy. In policies that were marketed through February 2016 there are sometimes also insurance coverages by way of financial compensation, which does not depend on actual expenses.

Medical expenses insurance is sold both to private customers and to collectives.

Surgeries and non-surgical alternatives and consultancies in Israel – standard policy

A plan that provides financial indemnity when a surgical procedure is carried out in Israel in a private and/or a public hospital and/or when a non-surgical alternative treatment is carried out, in respect of the surgeon and the anesthetist's fees, operating theater costs, implant as part of the surgery, consumable equipment, drugs during the surgery and the hospitalization period, tests carried out as part of the surgery and hospitalization expenses, and consultations in connection with the surgical procedure, all in accordance with the terms and conditions of the policy. In addition, according to the provisions of the law, the coverage is in respect of surgical procedures carried out only by service providers that are included in the agreement.

Surgeries and non-surgical alternative treatments and consultations in Israel – standard Supplementary SHABAN policy (with or without deductibles)

A plan that provides supplementary insurance coverage in respect of a surgical procedure carried out in Israel in a private and/or a public hospital and consultations in connection with the surgical procedure only through service providers included in the agreement, which covers the gap between the SHABAN plan and the private insurance, such as reimbursement in respect of deductible or full indemnity for surgeons, who are not included in the SHABAN arrangement but are included in the arrangement with the Company. In addition, according to the provisions of the law, the coverage is in respect of surgical procedures carried out only by service providers that are included in the agreement.

Transplants and special treatments abroad

A plan providing indemnity in connection with the execution of transplants and special treatments abroad, regardless of whether those were approved by the health maintenance organizations.

Special medications

Plans providing coverage in respect of medications that are not included in the Healthcare Services Basket, and includes, among other things, chemical and biological medications, medications that were approved in Israel or abroad, off label medications and orphan drugs.

Personalized medications

An expansion appendix regarding personalized medications, which is added to the special medications coverage offered by the Group and provides the policyholder with a more extensive and comprehensive basket of medications.

Surgeries abroad and non-surgical alternative treatments abroad

The coverage includes, among other things, the surgeon and the anesthetist's fees, operating theater expenses and hospitalization expenses up to ceilings set in the agreement with the service providers.

Ambulatory services

Additional coverage on top of the private health insurance plans, available outside a hospitalization scenario, and provide coverage for pregnancy tests, diagnostic tests, physiotherapy sessions and more.

Riders

Quick diagnosis, online medical consultations, complementary medicine, preventive medicine, and personalized case management.

6.2.1.5 Dental insurance

The Group's dental insurance plans are marketed only to collectives, and include a wide range of coverages, starting with general dentistry, restorative dentistry, periodontics and orthodontics.

6.2.1.6 Long-term personal accidents insurance

The plan provides a financial compensation in the event of an accident in Israel or abroad, which caused a disability, fractures, burns, hospitalization in a hospital and long-term care or death, and includes a package of additional coverages in the event of an accident.

The policy was mainly marketed to private customers and is in effect up to the age of 80.

Following the Amendment to the Provisions of the Consolidated Circular (Chapter 6, Part 3, Articles 2, 3, and 4) Insurance of Personal Accidents - was discontinued; as of May 2021, long-term personal accidents insurance is being marketed.

6.2.1.7 Plan providing coverage for occupational disability due to accident

A plan providing the policyholder with a monthly compensation in the event of losing his/her ability to engage in his/her occupation as it was prior to the accident, after a waiting period and for a defined compensation period (as selected by the policyholder), and so long as he/she is unable to engage in this occupation.

Following the Amendment to the Provisions of the Consolidated Circular (Chapter 6, Part 3, Articles 2, 3, and 4) Insurance of Personal Accidents - was discontinued; as of May 2021, coverage of occupational disability due to accident is being marketed.

6.2.1.8 Travel insurance

Travel insurance provides a basket of insurance coverage as part of the basic insurance tier for policyholders during their stay abroad. As part of travel insurance, policyholders may purchase expansions to the coverage, which include, among other things, coverage in respect of illnesses, accidents and various medical events, as well as third party damages and damage to luggage.

The insurance period in such policies is normally short and specified in days, in accordance with the policyholder's stay abroad, and the insurance premium is set in accordance with the destination to which the policyholder travelled.

6.2.1.9 Medical insurance to foreign workers and tourists

The Group markets an insurance plan to foreign workers in accordance with the requirements of the ordinance in accordance with the **Foreign Workers Law (Prohibition of Unlawful Employment and Securing Fair Terms), 1991**, which prescribes a medical insurance requirement in respect of foreign workers, which applies to the employer, while defining a minimum coverage. The policy is marketed through licensed agents, to individuals and collectives through their employers. The insurance includes, among other things, coverage for hospitalization expenses in a public hospital in Israel, including A&E expenses (even if they did not result in hospitalization), disability coverage for a limited period and the financing of a flight ticket for the policyholder in the event that he/she is unable to work due to illness. In addition, the Group markets a policy covering medical expenses of tourists staying in Israel. This coverage is essentially similar to the insurance provided to foreign workers but is capped with a maximum amount.

6.3 Competition

The Company's activity's activity in the health insurance segment is growing, which is reflected in changes in the income from premium as detailed below:

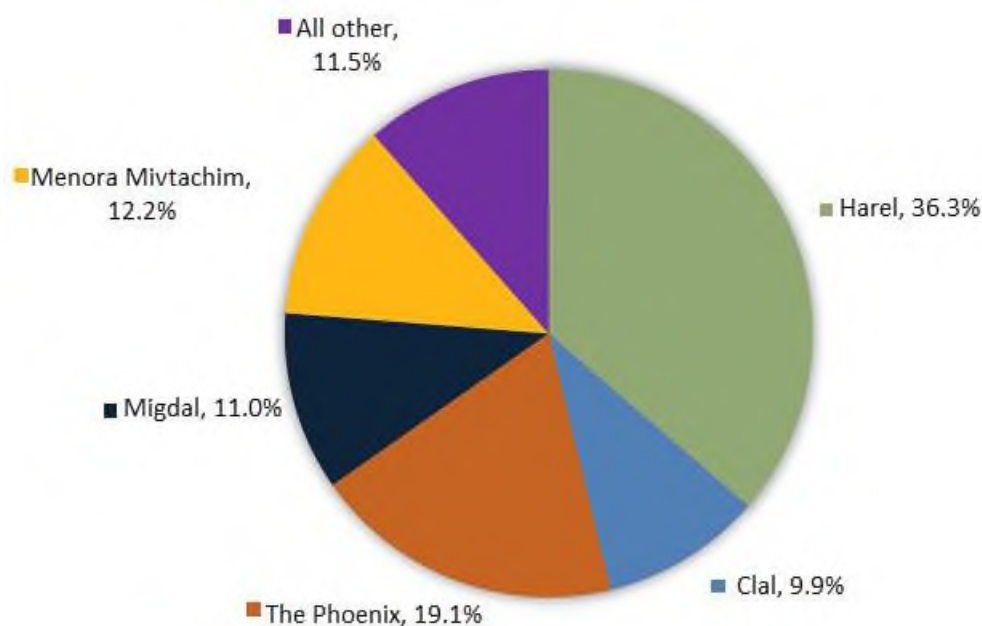
According to the insurance companies' financial statements, in the first nine months of 2023, the income in the health segment stood at approx. NIS 13,288 million, compared to approx. NIS 12,055 million in the corresponding period last year - an increase of approx. NIS 1,233 million in insurance premiums, which constitute approx. 10% of the total income from insurance premiums.

In this segment, the Company competes with most of the insurance companies in Israel. According to the financial statements data of the insurance companies, the largest insurance companies operating in this segment are Harel, The Phoenix, Migdal, Clal and the Group.

In this period, the Company holds a market share of approx. 12.2% with a premium of approx. NIS 1,627 million and is positioned third compared to a market share of approx. 11.6% with a premium of approx. NIS 1,397 million in the corresponding period last year.

For details regarding the Group's income from premiums, see Section 5.7.2 to the Report of the Board of Directors.

Set forth below is a breakdown of market share data, by companies operating in the segment for the first nine months of 2023:



Most of the health insurance plans are long-term plans (some are renewed automatically every two years), and as such they are impacted by actuarial assumptions over the term of the policies. Changes in actuarial assumptions and assessments in relation to risk may have a material effect on the business results. In long-term care insurance, which is characterized with accrual of significant reserves, investment income has a material effect on the business results and the profitability in this field.

In health insurance there is intensive competition, which stems, among other things, from multiple competing entities and similar products. In collective insurance, the manner and range of engagement, and the involvement of policyholders and advisors in the field intensified the competition, which was reflected, among other things, in price decreases and erosion of tariffs.

The main methods employed by the Group in order to tackle competition are: Expanding the incorporation of the Group's health insurance products among its agents; developing new products that meet the customers' needs and developments in medicine; expanding the Agents Unit, and using the agents who work with the Group as a source for referral of customers; expanding the direct sales channel; expanding the service channels to customers and agents, including through advanced technological tools; participating in key tenders in the field; increasing operational efficiency, and more.

The main factors that affect the Group's competitive positioning in this subsegment are: the Group's financial resilience; the high level of service provided by the Group as part of its management of claims and payment of insurance benefits, and its long-term relationships with agents that market its products.

6.4 Customers

Health insurance customers can be divided into two main categories, as detailed below:

Individual insurance: Insurance plans sold to private customers are, usually, insurance plans for long periods (subject to renewal every two years) (for the policyholder's entire life or up to a pre-determined age), which cover the policyholder even if his/her medical condition changes during this period.

Collective insurance: Insurance plans, which are sold to a group of insured persons, who are linked to one another, through a representative party (hereinafter - the "Policyholder"). The terms and conditions of the collective insurance agreements are decided in negotiations between the insurer and the Policyholder, and they apply to all individuals included in the relevant group. These agreements are signed for predetermined periods of a number of years (and as from January 1, 2016, according to an amendment to the Collective Health Insurance Regulations - they have a limit of 5 years) and are renewed subject to the agreement of the parties. Some collective insurance agreements include insurance continuity when the collective insurance agreement terminates or when an individual ceases to be a member of the group. In addition, in accordance with **The Supervision of Financial Services Directives (Insurance) (Collective Long-Term Care Insurance to Members of Health Maintenance Organizations) (Amendment No. 2), 2018**, if the collective long-term care insurance to members of health maintenance organizations with any insurer is terminated due to non-renewal, the insured individuals will be included in a mutual long-term care insurance policy covering their entire life.

The Group has a range of customers in this area of activity, and therefore it is not dependent on a single customer or a small number of customers. In addition, the Group does not have a single customer the total income from which constitute 10% or more of the Group's total income.

Breakdown of insurance premiums from customers, gross:

Type of customer	Gross premiums in 2023 (in NIS million)	% of total income for 2023	Gross premiums in 2022 (in NIS million)	% of total income for 2022	Gross premiums in 2021 (in NIS million)	% of total income for 2021
Collectives and large enterprises	879	40%	765	40%	687	42%
Individuals and small business customers	1,318	60%	1,163	60%	940	58%
Total	2,197	100%	1,928	100%	1,627	100%

Cancellation rate

According to the Commissioner's Directives, the cancellation rate is calculated by dividing the amount of the premium charged in the last month of the year by the amount of the premium that was charged in the last month of the previous year; this is only relevant to policies effective as of before the current year, net of the rise in tariffs.

The cancellation rate from the policies in effect as of the beginning of the year in the illnesses and hospitalization subsegments - in terms of premiums - stood at approx. NIS 11.7% in 2023, compared to 10.7% in the corresponding period last year.

The cancellation rate of long-term care insurance policies in effect as of the beginning of the year - in terms of premiums - stood at approx. NIS 4.1% in 2023, compared to 3.8% in the corresponding period last year.

Part C

Additional Information at the Group Level

7. Additional Information at the Group Level

Further to the information provided in Sections 2-6 above, which covers separately each of the Group's areas of activity, set forth below is Group-wide information on the Group's businesses.

7.1 General environment and effect of external factors on the corporation's activity

2023 saw rallies in international financial markets, despite further interest rate hikes by central banks. The interest rate in the USA reached 5.25%-5.5%, in Canada - 5%, in the Eurozone - 4%, in the UK - 5.25%, and in Australia - 4.35%. Interest rates hikes had a particularly significant adverse effect on those sectors that are more sensitive to interest rates, such as the real estate sector.

The effect of higher interest rates was smaller than previously estimated. The performance of the US economy was particularly surprising; according to the Fed's forecast of the end of 2022, it was expected to grow only by 0.5% in 2023, and in practice it grew by 2.5%. The relatively small impact of the high interest rates that prevailed so far arises from the strong labor market, the continued strong demand for services, the government's large deficit, which stands at approx. 6% of GDP, and from an increase in government and business sector's investments in technology and infrastructures. In addition, the effect of interest rate hikes on interest expenses of companies and households was smaller than previously estimated, due to a relatively low rate of loans bearing variable interest, and a high rate of liquid assets that are positively affected by the interest rate hikes. Private consumption in the USA, which is the main component of the American economy, continued to grow at a high rate.

Growth in the Eurozone declined significantly from 1.8% in 2022 to 0.1% in 2023. Growth was negligible in the second half of the year. The hit sustained by the European economy as a result of interest rate hikes was worse than the hit sustained by the American economy. Europe is also more exposed to damage from the continuation of the Russia-Ukraine war than the United States. However, the European labor market continued to be strong too and financial markets rallied.

Economic growth in Japan improved from 0.5% in 2022 to 1.0% in 2023. The improvement in growth was achieved thanks to the fact that the Japanese central bank was the only central bank in the developed world that did not increase interest rates, despite the rise in inflation. In addition, the Japanese economy is supported by a number of reforms in the economy and in the financial system.

Among the developing economies, the most disappointing one was the Chinese economy. It has, indeed, grown by 5.2% in 2023 after growing by 2.9% in 2022, but expectations were higher against the backdrop of the lifting of Covid-19 restrictions at the end of 2022. The Chinese economy suffered from the crisis in the real estate market, an outflow of foreign investments, and low rates of private consumption. The Chinese authorities implemented various steps in order to overcome the difficulties. The financial markets in China displayed much weaker performances than other markets.

The inflation rate in the key countries declined during 2023. In the US, inflation was down to 3.4% in 2023, compared to a record 9.1% in 2022. In Europe, inflation dropped to 2.9%, reaching 10.6% at its peak. In China, inflation rates did not increase, and levels have even

declined reaching negative levels of -0.3% in 2023. The decline in inflation rates in the developed countries has given rise to the expectation that interest rates will be cut during 2024. In some of the developing countries interest rates have already started to fall.

In March 2023, a crisis developed in a number of US banks, but the authorities managed to stop it from spreading by implementing various steps. During the course of the year, high levels of geopolitical instability persisted, which included the continued impact of the war between Russia and Ukraine, the tensions between the USA and China, and the war between Israel and Hamas. In its latest update of January 2024, the IMF raised its forecast for global economic growth in 2024 from 2.9% to 3.1%, after a similar growth rate was achieved in 2023. The developed economies are expected to grow by 1.5% in 2024, and the developing economies are expected to grow by 4.1%.

The Israeli economy grew by 2% in 2023, much less than previously estimated. Economic growth in Israel started to slow down even before the outbreak of the War with Hamas in October 2023. The decline in growth before the War stemmed from decline in growth across the word, mainly due the weaker growth in the technology sector, the effect of interest rate hikes in Israel, and the political uncertainty due to the Government's promotion of the legal reform and the public protest against it since the beginning of the year.

On October 7, 2023, Hamas attacked localities in the Gaza Envelope, causing numerous casualties and taking hostages. In response, the IDF attacked the Gaza Strip from the air, and at a later stage launched a ground assault. A conflict also developed in the north of Israel against Hizballah, which is currently a low scale conflict. The War is expected to have a significant adverse effect on economic growth and lead to an increase in budget deficit. Financial markets in Israel responded to the events with sharp slumps and the shekel suffered devaluation at the beginning of the War. Subsequently, performances improved in local markets. The government was forced to significantly increase its expenses for military and civilian needs. The Bank of Israel took various steps in order to ease conditions in the markets and the economy. Among other things, the BOI announced a foreign currency sale plan totaling USD 30 billion; however, in practice it implemented only a third of the intended sale.

The unemployment rate stood at 3.1% in December. The broad unemployment rate, which includes those who are temporarily absent from employment and those who were dismissed in the past two years is 7.5%. The broad unemployment rate also includes those who were drafted as reservists due to the War.

The inflation rate in Israel declined to 3.0% in December. At its peak, inflation rate in Israel stood at 5.1%. The Bank of Israel increased its interest rate to 4.75% during 2023. In January 2024, the interest rate was down to 4.5%.

The government's budget deficit reached a level of 4.2% in 2023. The government passed a budget for 2024 that includes a deficit of 6.6% in GDP. The debt to GDP ratio in Israel increased by 1.6% in 2023 to 62.1%.

The Bank of Israel expects that the inflation rate will stand at approx. 2.4% in 2024. The broad unemployment rate will stand at 5.3% (annual average). The forecast is based on the assumption that the fighting will continue until the end of 2024, but at a decreasing

intensity, with its effect on the economy declining accordingly. In addition, the forecast assumes that a full-scale war will not develop in the north.

The bonds and equities markets

During 2023, trading activity in world markets was conducted against the backdrop of the continued attempts to curb inflation, and interest rate hikes by central banks, which were halted mid-year. The local capital market was characterized by weaker performance amid interest rate hikes in Israel and growing concerns regarding the effects of the legal reform, which is progressing despite extensive protests against it. In the last quarter, the performances of the local markets were significantly affected by the War in Gaza. The local share indices reflect significant under-performance compared to other share indices from across the world, which achieved good price increases despite the collapse of a number of regional banks in the USA and liquidity difficulties experienced by two large European banks. This is the most significant event since the global financial crisis in 2008, which led to sharp slumps both in the leading indices and in the prices of the shares of banks across the world, albeit for relatively brief periods.

In annual terms, the TA 35 Index was up by 3.8%, the TA 90 Index - by 4.3%, and the TA 125 Index - by 4.1%. The sharpest slumps were in the Investment & Holdings Index, which fell by 14.9%, the Industry Index, which fell by 13.4% and the Commerce & Services Index that fell by 14.4%. On the other hand, the Oil and Gas Index achieved exceptionally good results, with rates increasing by approx. 30.1% against the backdrop of the huge transaction for the acquisition - by two international companies - of approx. 50% of the NewMed Energy partnership, which holds approx. 45% of the "Leviathan" oil field, and so did the Banks Index, which increased by 12.2%.

In the US, the S&P500 rose by 24.2% in 2023, with the NASDAQ up by 43.4%. In Europe, the EURO STOXX 600 was up by 12.7%, the German DAX - by 20.3%, and the FTSE in England - by 3.8%.

Bond trading was affected at the beginning of the year by further interest rate hikes. Thereafter, bond trading was affected by the cessation of interest rate hikes, and at a later stage from the development of the expectation that interest rates will be cut in Israel and across the world. US bond yields rose until October and then fell until the end of the year. In Israel a similar trend was observed, except for the outbreak of the War that led to a sharp increase in bond yields. The Tel Gov General Index increased in 2023 by 0.7%, the Tel Gov Linked Index declined by 0.4%, and the Tel Gov Shekel Index increased by 1.4%. The Tel Bond-20 Index increased by approx. 4.6% and the Tel Bond 40 Index increased by approx. 5.6%.

In annual terms the shekel devalued by 3% against the USD, and by 6% against the EUR. The shekel suffered a significant devaluation since the beginning of the War, but subsequently it strengthened. The Bank of Israel's foreign exchange reserves reached USD 204.7 billion at the end of the year.

Events subsequent to the reporting date

In February 2024, the rating agency Moody's downgraded Israel's credit rating from A1 to A2, with a negative outlook. This is the first time ever that Israel's credit rating was downgraded. The Israeli equity market continued to display weak performances compared

to the American market, but the local bonds market displayed relatively strong performances. The Ministry of Finance increased significantly the scope of issuances. Demand for the issuances is strong. The shekel continued to strengthen against most currencies.

Equity markets across the world continued a positive trend since the beginning of the year, and expectations developed as to the date on which interest rate cuts will start in the key countries.

7.1.1 Restrictions and regulation to which the Group's activity is subject

In addition to the provisions of the general law, the Group's activity in its various segments is subject to the laws that govern the field of insurance and pension savings and financial services in Israel, such as the provisions of The Insurance Contracts Law, The Supervision Law, the Income Tax Ordinance, the Provident Funds Law, the Pension Advice Law, The Regulated Financial Services Law, and to the regulations promulgated thereunder, as well as to case law that affects the Group's activity, and to a requirement to receive permits and licenses from various government agencies, including the Commissioner and the Israel Securities Authority.

The activity of the Group's institutional entities is subject to the supervision of the Capital Market Authority, which has the power to set provisions regarding the methods of operation and management of the entities it supervises.

Furthermore, in its capacity as a publicly-traded company, the Company is also regulated by the Israel Securities Authority, and is subject to the provisions of the securities laws to the provisions of the companies laws applicable to publicly-traded companies.

Set forth below is a summary of the key legal provisions that apply to the activity of Group companies, and a summary of drafts published by the Commissioner in the Reporting Year and subsequently through the Report publication date, which are material to their activity, in addition to the laws and arrangements described above and below as part of the description of the areas of activity and in other sections.

Legal provisions applicable to the activity of the Group as a whole

7.1.1.1 Laws and regulations

(a) The Supervision Law and the regulations promulgated thereunder

The insurance companies are subject to the provisions of The Supervision Law and the regulations promulgated thereunder. Management companies of pension funds and provident funds are partially subject to the provisions of The Supervision Law and to some of the Supervision Regulations, as well as to the Provident Funds Law. The provisions of the law and regulations promulgated thereunder include the regulation of management by insurance companies and management companies in connection with various issues, including with respect to segregation of assets, their control and licensing, rules for investigating customer complaints, and provisions regarding administrative and criminal enforcement in connection with those issues. In addition, a number of regulations were promulgated by virtue of The Supervision Law (Insurance), which set provisions regarding the

format of the insurance contract, and conditions that should be included in various types of insurance contracts.

(b) Insurance Contracts Law

The Insurance Contracts Law (hereinafter in this paragraph: the “**Law**”) regulates various aspects of insurance contracts and insurer-agent-policyholder relationships. According to the law, an insurance contract is a contract between an insurer and a policyholder, under which the insurer is required to pay insurance benefits to the beneficiary upon the occurrence of the insured event, in consideration for insurance premiums. The Law regulates, among other things, the entitlement to insurance benefits, the payment dates thereof, and the policyholder's responsibilities and rights in connection with the insurance contract.

Furthermore, the law includes, among other things, provisions regarding disclosure requirements the policyholder is required to comply with, and the consequences of failure to provide the required disclosures, conditions for the cancelation of an insurance contract, the beneficiary's status and rights, provisions regarding the effects of changes in the policyholder's risk, and special provisions that apply to the various insurance subsegments (life insurance, accident, illness and disability insurance, property insurance and liability insurance).

In November 2020, Amendment No. 11 to the Law was published, which deals with the extension - to 5 years - of the prescription period in life insurance, illnesses and hospitalization insurance, and long-term care insurance. For that purpose - life insurance - an insurance in which the insured event is the death of the policyholder or another person. In addition, the Amendment prescribed a requirement to issue notices before the end of the prescription period on different dates.

(c) The Privacy Protection Law, 1981 (hereinafter - the “Privacy Protection Law”)

The Privacy Protection Law prescribes provisions regarding databases as defined in the law, including arrangements regarding the following key issues: Requirement to register with the Register of Databases, provisions regarding collection of data in a database, management, use and maintenance of databases, the right to inspect data, the requirement to ensure the security of data included in a database, and more.

(d) The Prohibition on Money Laundering Law, 2000 (hereinafter - the “Prohibition on Money Laundering Law”)

In accordance with the Prohibition on Money Laundering Law and the orders issued by virtue thereof, insurers, provident funds, and insurance agents are required to identify and authenticate the details of policyholders insured in life insurance policies with a savings component, as well as the details of planholders in provident funds, and to retain the ID documents. During 2017 and 2018, the **Prohibition on Money Laundering Ordinance (Obligations of Identification, Reporting and Record Keeping by Insurers, Insurance Agents and Management Companies to Prevent Money Laundering and Financing of Terrorism) Ordinance, 2017**, and a circular on the

“Management of Money Laundering and Financing of Terrorism Risks in Institutional Entities”, were published that regulate, among other things, the requirements to identify and authenticate the identity of policyholders and the requirement to conduct a “know your customer” procedure, as well as the various requirements to report to the Israel Money Laundering and Terror Financing Prohibition Authority.

(e) **The Financial Services Supervision Law (Regulated Financial Services), 2016 (for the purpose of this paragraph - the “Law”)**

The Law - which was published in the Official Gazette in August 2016 - deals mainly with the regulation of monitoring, among other things, providers of currency services, and providers of non-banking credit services. The key points of the Law include, among other things, the appointment of a regulator of providers of financial services, which is the regulator defined in the Financial Services Supervision (Provident Funds) Law, 2005. The services that will be regulated in accordance with this Law will include, among other things, the provision of certain types of credit by such entities, including factoring transactions. According to the Law, there are a number of types of licenses, in accordance with the type and scope of the activities requested by the service providers. The Law became effective on June 1, 2017 in relation to providers of credit services. The Law was divided to a number of segments, each of which regulate various issues, and some of the segments refer to various areas of financial services. Chapter C to the Law regulates licenses for provision of services in financial assets and for provision of credit. The Prohibition on Money Laundering Ordinance (Credit Providers' Requirements regarding Identification, Reporting and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism), 2018 was published in the Official Gazette in March 2018; the order regulates the requirements applicable to “credit services providers” which are financial entities in connection with the prohibition on money laundering and financing of terrorism, including know your customer, in person identification, recording and authenticating the customer's details and control and reporting requirements. The Licensing of Regulated Financial Services Procedure was published in November 2019, including its various amendments and revisions (the latest of which was published on May 13, 2021). This licensing procedure is designed to regulate the procedure for obtaining a license, including the requirements regarding the filing of a license application, among other things, for an entity that is engaged in the provision of credit. Furthermore, the Capital Market Authority published various circulars, including a circular on disclosure in a loan contract, an honesty and integrity circular, a circular regarding remote online engagement with a recipient of services, a circular on the retainment of documents, and provisions on the management of consumer credit, a circular regarding the management of money laundering and financing of terrorism risks by financial services providers, a circular on risk management, a circular regarding the management of cyber risks at financial services providers, a circular regarding dealing with public complaints and the regulation of the conduct of financial services providers as part of the

dealing with public complaints, a circular regarding directives for credit provision license holders - reporting credit to the Commissioner. In addition, various positions and procedures were published on behalf of the Commissioner (and draft procedures) including: A procedure for appointment of officers in providers of financial services; the procedure for applying for a permit to hold means of control in providers of financial services; the procedure for applying for approval of a status of a holder of influence in a provider of services in financial assets or in a credit provider; licensing procedure for the operation of a credit brokerage system; Commissioner's Position: Territorial scope of the requirement to obtain a credit provider license; procedure for renewal of a license for provision of financial services (draft).

(f) **The Economic Competition Law, 1988**

A law that regulates the area of antitrust and is essentially designed to promote competition in Israel by preventing unfair competition or abuse of power by a business entity through rules and provisions for approving mergers, cartels or monopolies. The law was amended in January 2019, and its name was changed to the "Economic Competition Law"; furthermore, the financial sanction cap as per the law was revised to up to NIS 100 million; the criminal liability of officers in the corporation as per the law was expanded, and an independent offense was added in respect of lack of oversight (even if the corporation or any of its employees did not breach the law in any way), such that the law currently requires that officers will exercise oversight, and do everything possible to prevent an offense according to the law. Breach of this supervision obligation may result in a criminal sanction of up to one year's incarceration and a fine for the same offense. In addition, the definition of an owner of a monopoly was expanded such that it will also apply to a corporation holding a "substantial market power which is not temporary", even if its market share is lower than 50%. Furthermore, the punishment in respect of restrictive trade practices was increased from 3 years of imprisonment to up to 5 years of imprisonment.

7.1.1.2 **The Commissioner's circulars, directives, position papers and fundamental decisions**

(a) **The Code of Regulations (the "Consolidated Circular")**

As from 2011, the Commissioner has been publishing chapters and drafts of chapters of the Consolidated Circular, in order to concentrate and reorganize the Commissioner's Directives as issued over the years to entities it regulates. At the end of the process, the Code of Regulations will be composed of two "mega circulars": The first one for institutional entities and the second for insurance agents, marketing entities and pension advisors.

- (b) In August 2018, the Commissioner published a circular dealing with the "**Board of Directors of an Institutional Entity**". The circular regulates in a comprehensive manner the corporate governance rules applicable to an institutional entity's board of directors and its committees, while setting minimum standards for adequate management of the

institutional entity in all matters relating to the activity of the board of directors and its committees, by setting provisions regarding the competency of members of the board of directors, its composition, roles, powers and the way it conducts itself. The said circular cancelled and superseded existing circulars dealing with procedures for the work of a board of directors and its committees. In June 2019, the Commissioner published an announcement on issues that may be discussed in joint meetings of the institutional entity and other corporations, which includes a list of issues described in Section 26 to the circular, and other issues, that are not included in the said section, so long as there are no concerns of a conflict of interest or a real violation of independent discussions in the board of directors.

- (c) **The Consolidated Circular Part 1, Title 5, Chapter 5 regarding "Compensation"**. As part of the regulation of corporate governance in institutional entities, the circular prescribed provisions regarding compensation policy, including, among other things, the compensation of officers and key office holders, while adapting the Commissioner's Directives to the regulation introduced in recent years in this field, and specifically to the Law of Officer Compensation in Financial Corporations Law (Special Approval and Non-Deductibility for Tax Purpose of an Expense Due to Extraordinary Compensation), 2016. The purpose of the circular is to prevent the award of incentives that will encourage the taking of risks that are not consistent with the institutional entity's long-term objectives and its risk management policy.
- (d) In June 2017, the Commissioner published Circular 2017-1-9 dealing with **"Application Provisions for a Solvency II-Based Economic Solvency Regime of an Insurance Company"**. The circular's objective is to establish a new solvency regime for Israeli insurance companies based on the EC/2009/138 Directive (hereinafter - the **"Solvency II Directive"** or the **"Solvency Circular"**), that was adopted by the European Union, and has been implemented, since January 2016, in all member countries (hereinafter - the **"Solvency Regime"**). The said circular imposed on the Group's insurance companies the requirement to have in place an economic solvency regime.

The revised circular was published in October 2020 (hereinafter - the **"Revised Solvency Circular"**); it implemented a number of changes in order to achieve consistency with the European directive, the key of which pertained to the revision of the transitional provisions mechanism, including, the option to select gradual transitioning of certain homogeneous groups of insurance reserves in the economic balance sheet by December 2032 (instead of transitioning into the solvency capital requirement by 2024, all subject to the Commissioner's approval), recognizing shares held for the long-term, encouragement of investments in insurtech, and the tax mechanism in the model.

The Solvency II Directive includes a comprehensive assessment of the risks to which insurance companies are exposed, and standards for the management and measurement of those risks; the Solvency II directive

is based on three pillars: Pillar 1 is a quantitative pillar dealing with risk-based solvency ratio; Pillar 2 is a qualitative pillar dealing with internal control processes, risk management, corporate governance and own risk and solvency assessment (hereinafter - **"ORSA"**); Pillar 3 promotes market discipline and imposes reporting and disclosure requirements. As part of the trend led by the Capital Market Authority to adapt regulation such that it is consistent with international standards in addition to the various requirements currently in place, and the steps currently being taken in various aspects of risk management, internal control and corporate governance in insurance companies, it was determined that an insurance company shall report to the Commissioner an Own Risk and Solvency Assessment as implemented by that company.

In January 2022, **Amendment of the Provisions of the Consolidated Circular - Reporting to the Commissioner of Capital Market - Own Risk and Solvency Assessment of an Insurance Company (ORSA) was published** (hereinafter - the **"Amendment"**). According to the amendment, an insurance Company shall report its Own Risk and Solvency Assessment (ORSA) to the Commissioner of Capital Market once a year, during January. In accordance with the Amendment, the Company provides the Commissioner with a report that includes 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.

- (e) In December 2017, the Commissioner published a circular on the **"Format of Required Disclosure in the Periodic Report and the Website of Insurance Companies regarding Solvency II-Based Economic Solvency Regime"** (hereinafter - the **"Disclosure Circular"**), which sets provisions regarding the format of the disclosure required in the Periodic Report and website of insurance companies regarding Solvency II-based Economic Solvency Regime, including the requirement to audit such a disclosure.

In October 2020, the Commissioner published an update to the Disclosure Circular (hereinafter - the **"Revised Disclosure Circular"**), which revised the format of the disclosure in the Report of the Board of Directors and in the Economic Solvency Ratio Report, such that the disclosure to the public regarding the solvency ratio shall be expanded to include the implementation of the transitional provisions that were set for the Transitional Period, which will be presented at the beginning of a report on this subject, while referring to the solvency ratio required for dividend distribution, based on the solvency ratio without the implementation of the transitional provisions, plus a margin set by the Board of Directors for that purpose (hereinafter - the **"Target Capital"**).

- (f) In March 2018, the Commissioner published a position on **"Defining Eligible Capital and Capital Requirement in Hybrid Capital Instruments"**, which aims to clarify and synchronize the definitions of the terms "capital requirement" and "eligible capital" for some of the sections in the terms and conditions of the capital instruments that

were issued in the past, and in particular sections referring to suspending circumstances under which loss absorption mechanisms will be activated (such as deferral or cancellation of principal and interest), and sections referring to early redemption conditions. Sometimes, the definition of terms in the conditions of the instruments generally refers to the Commissioner's Directives, and in other cases it refers expressly to the Minimum Capital Regulations.

- (g) Upon the entering into effect of the Solvency Circular, and a circular published in March 2018 on **"Provisions regarding Insurer's Solvency Capital"** (hereinafter - the **"Solvency Capital Requirement Circular"**), the shareholders' equity and the capital requirement of the insurance companies shall be calculated according to those circulars, as amended from time to time, rather than in accordance with the Capital Regulations that were cancelled. According to the said regulation regarding insurance companies that received the Commissioner's approval to audit the implementation of the Solvency Circular, the term **"Capital Requirement"** (including **"Minimum Capital Requirement"** and other terms) - shall be interpreted in accordance with the term **"Minimum Capital Requirement"** (MCR) in the Solvency Circular, within its upper limit, i.e. - 45% of SCR (calculated without taking into account the provisions in the Transitional Period). In addition, the term **"shareholders' equity"** (including **"eligible capital"** and similar terms) shall be interpreted in accordance with the term **"shareholders' equity"** in the Solvency Circulars. As to companies that have not yet obtained the Commissioner's approval, the terms **"own capital"** and **"solvency capital requirement"** shall be interpreted in accordance with their definition in the Solvency Capital Requirement circular.

For details about the Group's capital requirements, and the transition to Solvency II-Based Economic Solvency Regime, see Section 3 to the Report of the Board of Directors, and Note 15 to the Financial Statements.

- (h) **The Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required for Insurer License), 2017** were published in April 2018. The regulations prescribe, among other things, minimum Tier I capital requirements for obtaining an Israeli insurer license and supersede The Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required from Insurer), 1998.
- (i) In October 2016, the Commissioner published a circular on **"Online Interface for Searching Insurance Products"**. The circular details the requirements from insurance companies for the purpose of operating a central online interface (named **"Har Habituach"**), which allows policyholders to easily and quickly search their insurance products with all insurance companies and assess their terms and conditions. The Commissioner publishes from time to time additional provisions on this matter. In August 2021, an amendment to the said circular was published, which aims to strengthen the authentication measures when logging-in to the **"Har Habituach"** website. According to the amendment, marketers (insurance agents, pension advisors, and

authorized persons acting on behalf of the insurance companies) will log-in to the Har Habituach website in order to search and obtain information about policyholders after they undergo an authentication process through the government authentication system, and after their identity will be authenticated by the Capital Market, Insurance and Savings Authority. The amendment to the circular came into force in August 2021.

- (j) In July 2015, the **“The Signing-On to Insurance Plans Circular”** was published, which prescribed provisions regulating the conduct of insurance companies and insurance agents when signing on policyholders to an insurance plan, including the adding of a coverage or a rider to an existing policy. The circular sets, among other things, provisions regarding the requirement that the insurance will match the insurance candidate's needs, conduct in the lead-up to entering into an insurance contract, obtaining consent for entering into an insurance contract, and delivering relevant information after the signing on to the insurance plan (including the details that should be displayed on the insurance details page). In addition, the circular prescribes provisions regarding the requirement to document certain phases in the process, and the method of documentation, as well as provisions regarding required control procedures. The circular also prescribes special provisions regarding the proactive marketing of insurance. The circular applies to the insurance companies, the **“Pool”** and insurance agents in most insurance subsegments. Over the course of the years, the circular underwent a number of amendments, as part of which, among other things, an appendix was added dealing with **“Practices that Should not be Used When Signing-On to Insurance”**, a requirement was added to refer to the **“Har Habituach”** website when matching the needs, and provisions were added regarding the signing on of senior citizens (in effect for most insurance subsegments since July 2022).
- (k) In June 2020, an amendment was published to the Consolidated Circular regarding **“Personal Accidents Insurance”**. The amendment prescribes, among other things, provisions aimed at regulating the definition and content of the insurance coverage in the personal accidents subsegment, the manner of signing on to insurance, and the manner of settling the claims in the policy. Accordingly, a basic coverage was set for a personal accidents policy, which will include coverage for death, disability, hospitalization, fractures, and recuperation days. It was also stipulated that the insurance period shall not exceed two years, and at the end of the said period it will be possible to renew the policy in accordance with and subject to the provisions of the Renewal of Insurance Contract Circular, except for accidental death policies or accidental disability policies, which are marketed as a rider for pure life insurance, whose insurance period will correspond to the insurance period in the basic policy. The provisions will apply to collective or individual personal accidents insurance policies. Personal accidents insurance policies that are subject to dedicated legislative provisions were excluded from the provisions of the circular regarding the scope of coverage and the manner of signing on, and so were insurance policies for a period shorter than one year,

which were issued to a group of policyholders due to their participation in an event or in a specific activity. In addition, the circular will not apply to insurance that was issued for a period shorter than one year and is fully funded by the employer for a non-specific policyholder or as part of a business insurance. The amendment entered into force in May 2021. Furthermore, the amendment sets transitional provisions for two years, which set special conditions for signing-on policyholders to insurance during this period, and the setting up of an internal control mechanism for assessing the manner by which signing-on is carried out.

(l) **IFRS roadmap**

- (m) In May 2017, the IASB published IFRS 17 - Insurance Contracts (hereinafter - the "New Standard"). The New Standard sets rules for the recognition, measurement, presentation and disclosure of insurance contracts and will supersede the current guidance on this issue.
- (n) In June 2020, the Commissioner published a roadmap for ensuring the preparedness of Israeli insurance companies for an adequate implementation of the New Standard. According to the roadmap, the standard and the roadmap for its implementation will lead to a fundamental change in the manner entities account for insurance contracts, and it is expected to have a material effect on the data included in the financial statements of the insurance companies. The standard is highly complex, and its implementation may involve dealing with accounting, actuarial, operational and automation issues. The roadmap sets the key milestones that will be required in the plan for preparing for the implementation of the standard. For details, see Note 2Y to the Annual Financial Statements.

In October 2020, a draft circular was published regarding professional issues pertaining to the implementation of IFRS 17 in Israel. The purpose of the draft is to publish guidelines for the implementation of the standard in Israel, and it covers a number of professional issues.

In January, May, and December 2022, and in June 2023, the Commissioner published directives that revise the roadmap for the adoption of the standard. The directives prescribe, among other things, the timetables and the preparations insurance companies are required to make in the lead up to the implementation of the standard in Israel. On June 1, 2023, the first-time application date of the standard in Israel was revised, such that it will take place on January 1, 2025, and the transition date shall apply on January 1, 2024. Furthermore, in accordance with the above directives, in 2024, disclosure will be provided as part of the financial statements regarding the effect of the application of the provisions of IFRS 17 and IFRS 9 on the Company's financial position (pro forma balance sheet) as of January 1, 2024 (opening balances data as of the transition date) in the Company's financial statements as of the third quarter of 2024 and disclosure regarding the Company's results and financial position

(statement of comprehensive income and a pro-forma balance sheet) in the annual financial statements of 2024. In addition, the directives add requirements regarding reports submitted to the Capital Market, Insurance and Savings Authority in connection with the Company's results and financial position in accordance with IFRS 17 and IFRS 9.

(o) **Commissioner's Position on independent auditor's independence**

In January 2021, a Commissioner's Position was published dealing with "compromising the independent auditor's independence due to the provision of a related service" (hereinafter - the "Commissioner's Position"). The Commissioner's Position was published in view of a number of cases that were reported to the Authority, and which indicated the need to clarify the rules regarding the independent auditor's independence. The Commissioner's Position details the normative framework pertaining to the matter, while adopting, among other things, the Israel Securities Authority's decision of August 1992 regarding the "independence of the independent auditor", whose scope was expanded by the Commissioner to all institutional entities. As part of the position, the Commissioner details an open list of cases which demonstrate the compromising of the independence required from an independent auditor, with an emphasis on related services, specifically services pertaining to the preparations made by the institutional entities for the implementation of IFRS 17. The Group assessed the related services provided by the independent auditor, including as part of the implementation of the IFRS 17 project, and determined that they are consistent with the provisions of the law and regulation in connection with this matter, while maintaining the independence required from the independent auditor in performing audits.

Circulars and provisions pertaining to investments of institutional entities

- (a) The Commissioner's circulars on investments are incorporated in Chapter 4, Part 2, Title 5 to the Consolidated Circular (Code of Regulations) regarding the management of investment assets, which sets supplementary provisions to the Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012.
- (b) In April 2020, a paper titled **Policy Regarding the Issuance of a Permit to Hold the Means of Control in an Institutional Entity to Entities which Manage Customers' Funds** was issued, allowing such institutional entities to hold a stake of up to 7.5% in means of control in such a corporation.
- (c) In October 2020, an **Amendment to the provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Various Amendments)** was published, which, among other things, allows a management company and an insurer, which are part of the same group of investors, to manage joint investment baskets also for nostro funds. In addition, an exemption was given to institutional entities from the requirement imposed on issuers to obtain the investment committee's approval for a bonds repurchase transaction,

to the extent that the relevant bond is not classified as a troubled debt. The Amendment also stipulated, among other things, that an institutional entity may extend a loan at a rate higher than 30% to savers who have a regular source of income in the form of an old-age pension from a pension fund or an insurance company, or in the form of a budgetary pension.

- (d) Amendment to the **Provisions of the Consolidated Circular, "Management of Investment Assets" - Internal Rating Model**. In November 2020, Amendment to the Provisions of the Consolidated Circular, "Management of Investment Assets" - Internal Rating Model was published. The Amendment focuses mainly on the transfer of the responsibility for creating and approving an internal credit rating model for the institutional entity, while adding conditions for the creation, management and implementation of the model. The additional terms and conditions relate to the model's characteristics, the methods employed to validate and document it and the manner in which it was used. The it was also stated that the board of directors may authorize one of its committees to execute its functions in connection with the approval of the internal rating model and supervise the use of the model. All of the foregoing is aimed at encouraging improvement of the quality of the assessment, and management of credit risks in respect of investments in debt assets and promoting expertise in credit rating at the institutional entity. It is noted that the internal rating will be recognized for the purpose of calculating the capital requirement in respect of the credit spread risk in the solvency model.
- (e) **Institutional Entities Circular 2021-9-4 Amendment to the Provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" - Debt Settlement Arrangements and Rating Agencies** was published in May 2021, among other things, narrowing the scope of the definition of "debt settlement arrangement", and prescribed that it will apply only to debt settlements of troubled debt, and in the case of problem debt, which is a "special mention debt" - only when the change affects the debt's economic conditions.
- (f) **The provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Collaboration with a Related Fund)** - in June 2021, the Commissioner published an amendment to the provisions of the Consolidated Circular, which regulates the provision of investment management services by an insurer to an investment fund, which is a related party thereof, where the fund allows the wider public to make investments. The circular defines a related fund as a fund controlled by the insurer or a controlling corporation thereof, which holds at least 50% of a certain type of its means of control, and prescribes that an insurer will be allowed to provide investment management services to a related fund in relation to illiquid assets held by an institutional investor, which is included in the group of investors to which the insurer belongs (hereinafter - the "Group"). It was further prescribed, among other things, that the Group's institutional investors should have the right to invest in any illiquid investment that is offered to the fund regardless of the

investment's amount or characteristics. The minimum investment rate or amount that will be secured for the institutional investor shall be determined according to a model (out of two proposed models) that will be approved in advance by resolutions of all the investment committees of the Group's institutional investors, which will be passed by a majority of the external representatives. However, in the first three years since the establishment of the fund, and provided that the value of the fund's assets will not exceed 5% of the revalued value of the Group's corresponding assets plus the value of the related fund's assets, the fund will be allowed to invest 5% of the total investment that will be made by the fund and by the Group. In addition, it was prescribed that the investment of each of the Group's investors, who wishes to invest in an illiquid asset with the related fund, shall not be an investment through the related fund, but rather a direct investment in the asset.

- (g) In November 2021, **Amendment to the Provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets (Investment Considerations relating to Environmental, Social and Corporate Governance Aspects, Material Emerging Risks (such as Cyber Risks and Technological Risks))** was published. The circular prescribes that the investment policy that is set by an institutional investor's Investment Committee shall also refer to environmental, social and corporate governance aspects ("ESG"), where they are relevant and may have a material effect on the performance of the investment portfolio.

It was further prescribed that the committee will set a policy regarding the identification of material emerging risks related to ESG aspects, and the identification of any additional relevant risks that may have a material effect on the performance of the investment portfolio. The committee is tasked with addressing risks arising from environmental impacts and climate change, and material emerging risks, such as technological and cyber risks. The committee is required to formulate rules and procedures for developing the institutional investor's expertise in assessing the said considerations and risks independently, but it is also allowed to set rules for engagement with a service provider that has the expertise to assess the said considerations, subject to the setting up of a mechanism for dealing adequately with conflicts of interest, documentation of the circumstances under which an external expert is opted for instead of developing independent expertise, and the reasons for selecting that specific expert, subject to the verification of the methodology used by the expert. Furthermore, as part of the publication of the investment policy relating to a non-specialized investment track, an institutional investor is required to provide details regarding its ESG considerations, the way they are implemented in its investment policy, in the assessment of the investments and their management, how climate considerations are taken into account when assessing an investment, whose exposure to climate risks may have a material effect on its value, and whether it avoids completely investments in certain sectors due to ESG considerations, and the sectors it avoids making investments in.

In January 2022, a Policy Paper - Investment in Insurtech Corporations and in Investment Corporations in the Field of Innovative Financial Technology, superseding the Commissioner's Position regarding investment in insurtech companies, published in 2020. The policy paper is designed to encourage institutional entities to consider investments in innovative financial technology in areas in which they have enhanced expertise enabling them to evaluate the economic viability of such investments, due to such investments' being closely related to their areas of activity. The policy paper sets out guidelines and conditions for the Commissioner's approval of a holding of more than 20% of the means of control in corporations that invest in insurtech ventures and in corporations, whose objective is to invest in innovative financial technology.

- (h) In March 2023, an Amendment to the Provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Publication of External Management Costs Cap as Part of an Advance Statement of an Institutional Investor regarding its Investment Policy, Establishment of an Index-Tracking Investment Basket, and Reports to the Investment Committee regarding Variable Management Fees that were Collected) was published; the amendment allows to create a designated investment basket for managing index-tracking assets only (even if the indexes track various investment channels, provided the basket includes index-tracking assets only). The amendment also sets provisions regarding the uniformity of the reporting of the investment policy in all tracks, provisions as to the publication of the external management costs cap, and provisions regarding reporting to the investment committees about the variable management fees that were collected.

7.1.2 Life insurance and long-term savings

7.1.2.1 Laws and regulations

(a) Provident Funds Law

This law regulates the provident funds area of activity (including the pension funds). The provisions of the law and the regulations promulgated thereunder include the regulation of the management of management companies (and insurance companies in relation to insurance funds) in connection with various issues, including with respect to segregation of assets, their control and licensing, rules for investigating customer complaints, and provisions regarding administrative and criminal enforcement in connection with those issues.

The law also determines an employee's right to select the provident fund with which his/her employer will deposit funds for him/her. In that context, it was determined that if the eligible employee did not select a certain provident fund in accordance with this right, contributions will be made to a provident fund whose identity was set in law, or in an agreement that confers upon the employee the right to deposit funds in his/her name in a provident fund.

As part of the law, a provision was prescribed, according to which, once one signs-on to a pension fund, a process will be carried out of identifying inactive savings in the other pension funds, and unifying the funds in the new pension fund, unless the planholder objected to this.

Various provisions were prescribed, from time to time, by virtue of the Provident Funds Law, which regulate various issues in connection with the provident funds (including pension funds) and management companies, including investment rules for institutional entities, deductible expenses for institutional entities, revaluation methods regarding various assets in the provident funds, the requirement that management companies participate in general meetings, and more.

(b) **Direct Costs Due to Execution of Transactions Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses Incurred as a Result of Execution of Transactions), 2008 (hereinafter - the "Expenses Regulations").**

The Expenses Regulations allow the collection of direct expenses - as defined in the regulations - from policyholders and planholders' assets, in respect of the execution of investment transactions. The regulations included a Temporary Order that allows the collection of expenses arising from external management fees, in respect of, among other things, investments in investment funds, ETFs, a fund or a foreign fund, and in respect of fees arising from investments in a high-tech fund, with the cap for the rate of direct expenses that may be collected in respect of external management fees as stated above standing at a total rate of up to 0.25%. The term of the Temporary Order was extended from time to time, through April 6, 2022. In October 2022, an amendment to the Expenses Regulations was published. As part of the amendment, the term of the temporary order was extended retroactively through the end the year, and management fees to external party, as well as expenses arising from the provision of a mortgage (subject to the limits that will be set by the Commissioner) were permanently included in the Expenses Regulations, with effect as from 2023 (hereinafter - the "Effective Date"). It was further stipulated that instead of the 0.25% cap that was in place so far, the cap on external management fees that may be collected each year will be set by the institutional entity separately in relation to each investment track (hereinafter - the "Management Fees to External Party Cap"). The cap will be published in advance, and - as a general rule - it will be impossible to change it during the course of the year. Furthermore, the institutional entity will be required to present to the planholder and the policyholder in advance the expected total cost it will incur during that year in respect of management fees and direct expenses. **The Manner of Presentation of Annual Expected Cost to Planholders or Policyholders Circular** was published in July 2023, according to which institutional entities will be required to present the rate of direct costs to planholders and policyholders, while regulating the manner by which this cost will be calculated; in addition to the said circular, a number of amendments to various circulars are expected to be published, which set the disclosure format of the report to a planholder and a policyholder, the notice of increase in management fees, etc., in order to incorporate in such reports and

notices the annual expected cost that will be calculated in accordance with the circular that had already been published.

The Management Fees to External Party Cap will not include an expense reflecting a payment of variable management fees (which are also called “success fees”). Furthermore, it was stipulated that in relation to specialized investment tracks, which mostly invest in liquid assets, and specialized investment tracks, which mostly invest in index-tracking instruments, that will be set up as from the Effective Date, entities will be allowed to collect direct expenses which are typical of liquid investments, and to pay management fees to external party to fund managers or to relevant funds in relation to liquid securities, but only in accordance with the terms detailed in the regulations. It was further stipulated that in investment tracks with yield-dependent management fees that will be set up as from the Effective Date, collection of direct costs of any kind whatsoever will be prohibited, except for collection of tax.

(c) **Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012**

The regulations set the investment rules and restrictions that apply to the savings products, including pension products (pension funds, provident funds, participating policies), and nostro accounts of insurers and management companies. Various circulars were published by virtue of the regulations, which were consolidated into a chapter in the Consolidated Circular - Management of Investment Assets, as detailed above.

(d) **Supervision of Financial Services Regulations (Provident Funds) (Management Fees), 2012**

Among other things, the regulations set out the maximum rate of management fees that may be collected from planholders and policyholders in long-term savings products, and that the management fees in accounts of planholders and policyholders that should be identified in accordance with the Supervision of Financial Services Regulations (Provident Funds) (Locating Planholders and Beneficiaries), 2012, and which were not located in the set time frame, will be reduced to 0.3% of the accumulated balance. Once the contact with such a planholder or a policyholder is renewed, it will be possible to collect again the rate of management fees that were collected from the planholder or the policyholder on the date on which contact was lost, as well as the difference between the abovementioned reduced management fees (0.3%) and the lower of 0.5% or the management fees that were collected from the planholder or policyholder on the date on which contact therewith was lost. The regulations also stipulate the cap on management fees that may be collected from recipients of old age pension (0.5% from those who started receiving old age pension before February 1, 2022, and 0.3% from those who started receiving old age pension on February 1, 2022 and thereafter).

Although the Expenses Regulations were amended (as stated above) to include a reference the investment tracks that will include variable management fees, a draft amendment to the management fees

regulations has not yet published, such that as of the date of this Report it is impossible to collect variable management fees.

- (e) **The Supervision of Financial Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds), 2008.** The regulations, together with circulars that were published with regard to this matter from time to time, set rules that were designed to allow planholders to transfer funds as easily and simply as possible, between provident funds of the same type (including pension funds and insurance funds), and even to transfer funds from equity provident funds to annuity pension funds.

- (f) **The Pension Advice Law**

This law regulates those who engage in pension advice or pension marketing. The law stipulates, among other things, provisions regarding the licensing requirement, and provisions regarding the conduct of the holders of various license holders (including banking corporation as a pension advisor), while setting fiduciary duty and a duty of care, and prohibition on potential conflict of interest between the advisor or the marketer and the customer, rules regarding compensation of pension advisors, and provisions regarding supervision and administrative and criminal enforcement. Furthermore, the law regulates the activity of the Pension Clearing System (in that regard, see also Section 2.1.1 above).

- (g) **The Severance Pay Law, 1963**

This law stipulates, among other things, rules regarding contributions towards the severance pay components in provident funds, including regarding policies that are subject to the **Provident Funds Regulations (Executive Insurance)** and the pension funds, and provisions that protect such contributions from foreclosure, pledge, return or transfer.

- (h) **The Wage Protection Law, 1958**

In accordance with the provisions of Section 19A to the Wage Protection Law, provident funds are required to take action to collect debts from employers. The provident funds will be allowed to be released from this obligation if they prove that they did not act negligibly or that other circumstances occurred that justify the release from this obligation.

- (i) **Income Tax Ordinance**

The Income Tax Ordinance sets tax benefits awarded in respect of depositing funds with provident funds, including policies, which are subject to the **Provident Funds Regulations (Self Employed and Executive Insurance)**, and tax benefits in respect of funds paid out of them, and “penalties” on withdrawals carried out not in accordance with the terms of the legislative arrangement.

- (j) **Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964**

These regulations regulate various issues pertaining to the management of provident funds, pension funds and insurance funds, and the

insurance obligations that apply to them. The key issues regulated under the regulations are, among other things, determining the rates of contributions allowed in respect of pension savings, while distinguishing between salaried planholders and self-employed planholders, and determining the options for withdrawal of funds accumulated therein, and the conditions regarding this matter.

(k) The Supervision of Financial Services Regulations (Insurance) (Collective Disability Insurance), 2006

The regulations set basic principles for collective disability insurance, whose main objective is to protect the policyholders' interest and ensure appropriate insurance coverage. In April 2022, an amendment to the regulations was published, which sets revised provisions regarding the signing on of insurance applicants and the management of collective disability insurance policies. The amendment stipulates, among other things, that the signing on of policyholders will only be carried out after receiving the documented consent of the insurance applicant, and after he/she was presented with all of the insurance coverages, and the amount of insurance premium in respect of each coverage. In addition, it was stipulated that if the insurance premium paid by the policyholder increases during the insurance period or on the insurance renewal date by more than 15%, including by way of reducing the scope of the insurance coverage, the policyholder's expressed consent will be required as to renewal, and if such consent is not obtained, once the notices are sent in accordance with the provisions, the insurance will not be renewed. Furthermore, it was stipulated that at the end of the term of the collective insurance policy, or on the date on which the insured person's association with the policyholder is terminated, the policyholder will allow transition to an individual policy that will provide insurance continuity, whose insurance premium will be in accordance with the average insurance premium collected by the insurer, provided that their rate will not exceed 50% of the insurance premium that was paid in respect of the collective policy. The effective date of the amendment was set for July 6, 2022, and it applies to all collective disability insurance that will be issued or renewed thereafter.

(l) The Supervision of Insurance Business Regulations (Collective Life Insurance), 1993

These regulations include provisions regarding collective life insurance, risk (without savings component), including the definitions of the collectives and their minimal size, the insurance period, and the cap on fees and commissions to agents. Furthermore, the Commissioner was authorized to set provisions regarding a follow-on policy in the event of discontinuation of the collective insurance and without undergoing underwriting again.

(m) The Supervision of Insurance Business Regulations (Separation of Accounts and Assets of an Insurer in Life insurance), 1984

These regulations set guidance as to the separation of the accounts and assets of the life insurance businesses from all other insurance

businesses of an insurer, and the separation of the assets of participating life insurance businesses from the assets of other life insurance businesses.

7.1.2.2 The Commissioner's circulars, directives, position papers and fundamental decisions

- (a) **The "Explanations Document" Circular**, which regulates the preparation of various types of explanations document, including the information that should be delivered to the customer as part of a meeting with a license holder.
- (b) In March 2020, Insurance Circular 2020-1-5, **Amendment of the Provisions of the Consolidated Circular regarding Measurement of Liabilities - Liability Adequacy Test (LAT) was published (hereinafter – the "LAT Circular")**. According to the circular, the LAT shall be calculated while combining life insurance products (excluding long-term care products) instead of calculating for each life insurance product separately, as was the case so far. This change also allows to take into account in the test the types of policies that generate profit, rather than only those that generate loss. The Group applied the provisions of the circular by way of retrospective application, in order to reflect the effect of the change in the accounting treatment of LAT in life insurance reserves, by retrospective application.
- (c) In June 2020, the Commissioner published a Circular titled **"Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT"**, which addresses the difference between amortized cost and fair value of assets which are not recorded at fair value in the statement of financial position (UGL), for purposes of testing the adequacy of the reserve. The purpose of the circular is to provide clarifications regarding the manner of applying the UGL provisions for the purpose of improving comparability between companies and the regulatory certainty, while revising the disclosure provisions in this matter. The Group updated the assets allocation procedure, such that the fair value differences (UGL) in respect of illiquid assets (except for Hetz bonds), shall be allocated to insurance liabilities that arose in the calculation of the liability adequacy test (LAT), from the highest to the lowest, and separately for each and every segment. Assets, which were not allocated as described above, shall be allocated, on a quarterly basis, proportionately based on the reserve. Transfers of assets as a result of the revision to the allocation model shall be accounted for - according to the circular's provisions - as a change in estimate according to International Accounting Standard No. 8 ("prospectively"). For further details, see Note 38 to the Financial Statements.
- (d) In May 2020, the Commissioner published a circular titled **Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities - Illiquidity Premium**. As a rule, the provisions of Consolidated Circular, Measurement of Liabilities, stipulate that an illiquidity premium at various rates may be added to the risk-free interest rate used in the liability adequacy test, illiquidity premium at various

rates. As part of the amendment, a specific rate was set for the illiquidity premium, that will be used in the calculation of LAT for individual long-term care insurance policies and compulsory motor and liability insurance policies. According to the amendment, an illiquidity premium may be added to the risk-free interest, both for a return assumption and for a discount rate assumption, as the case may be, and as detailed in the circular.

- (e) In February 2022, the Commissioner published a revision to the manner of calculation of the illiquidity premium, which came into effect on December 31, 2021. The new calculation formula is based on the volatility adjustment methodology, with certain changes, as is generally accepted in an economic solvency regime. For further details, see Note 38 to the Financial Statements.
- (f) In December 2020, the Commissioner published the **Settlement of Disability Insurance Claims Circular**. The circular sets out principles for the settlement of disability claims, including the documents required to handle the claim, the dates for handling the claim, the information that the Company is required to include in the notices that describe the decision as to the claim, principles for the execution of an investigation, the regulation of a procedure for the policyholder seeing the Company's physician, and the option to appeal to a medical committee or to an appellant medical committee. Furthermore, it was decided that every quarter the Company will submit to the Commissioner a report regarding the claims for which a decision was made, and the claims for which an appeal was submitted, both to the medical committee and to the medical committee for appeals. The provisions of the circular came into force on September 1, 2021. It was also determined that the provisions of the Circular regarding the Handling and Settlement of Claims and Handling of Public Inquiries will not apply to the settlement of disability insurance claims, except for handling of public inquiries in connection with a disability insurance policy.
- (g) In September 2022, an amendment was published to the circular on Management of Investment Tracks in Provident Funds for the implementation of the principles arising from the recommendations of the advisory committee for the review of direct expenses (hereinafter - the "Yafeh Committee"), in order to expand the range of specialized investment tracks and increase the competition in the pension savings subsegment. The amendment stipulates, among other things, that the specialized investment tracks will be divided into 5 clusters: Actively-managed investment tracks; actively-managed investment tracks with variable management fees - dependent on returns; investment tracks specializing in liquid assets; index-tracking investment tracks; and faith and sustainability-based investment tracks: investment tracks that specialize in the management of investments in accordance with religious values or a sustainability and environment-based outlook. It was also decided that the management of an actively-managed investment track with variable management fees will be allowed only if at the same time the entity has in place an actively-managed investment track with fixed management fees, which specializes in the same field. It was also stipulated that pension funds, savings provident funds, annuity

provident funds, and provident funds for pension are required to have in place 2 investment tracks: A combined liquid investment track, and a flexible index-tracking investment track; in addition, specific rules were set that will apply to customers who opted to invest in a financial investment track. Furthermore, the limit on the number of specialized investment tracks that an entity may manage was removed, and it was decided that entities are required to revise the investment policy of the existing tracks such that they are in line with the regulatory investment policy set out in the circular. In December 2022, the Commissioner published an amendment to the circular that postpones the implementation date of most of the circular's provisions to January 1, 2024. Except for the requirement to have in place a combined liquid investment track, and a flexible index-tracking investment track in the funds listed above, and the option to set up a sustainability-based investment track, which came into effect on January 1, 2023. In October 2023, a further amendment to the circular was published as part of emergency provisions published by the Commissioner, which postponed the circular's effective date to July 1, 2024.

- (h) In July 2022, the Commissioner published an amendment to the measurement and report to the public chapter in the Consolidated Circular, with regard to ensuring the supplementation of return to pension funds, which revised the future assumption as to the value of the guaranteed-return investment channel - the assumption is that as from October 1, 2022 and for a 15-year period, the guaranteed component of the designated bonds ("Arad") that provide to a comprehensive pension fund a return of 4.86%, shall be replaced linearly with a guaranteed-return investment channel that provides a return of 5.15%. In addition, an amendment was published to the circular regarding the management of a new fund, as part of which the cumulative interest rate was increased from 4.26% to 4.38% as from January 1, 2023. The cumulative interest rate is used both to calculate the annuity conversion factor (on the basis of which the first pension that will be paid to planholders who will retire is determined) for new recipients of annuities, who will retire as from January 1, 2023 - and an increase on the interest rate as stated above shall increase the amount of the pension that will be paid to new retirees as stated above; the cumulative interest rate is also used to calculate the costs of the insurance coverage that are collected from the insured planholders - and the increase of that interest rate shall reduce the cost of coverage accordingly. In May 2022, the Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities, the Supervision of Financial Services Regulations (Provident Funds) (Crediting Yields in a Comprehensive New Pension Fund) and the Supervision of Financial Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds) were amended to adapt them to the change that was set in the Economic Efficiency Law (discontinuance of the issuance of the designated bonds on October 1, 2022, and their replacement with a government undertaking, in respect of 30% of the pension fund's assets, to supplement the return of the pension fund to a target return of 5.15%).

- (i) In June 2022, the Commissioner published an amendment to the Consolidated Circular regarding Measurement of Liabilities - Updating the Demographic Assumptions System in Life Insurance and Pension Funds, due to updates in the mortality improvements model and the revision of the mortality probabilities to annuity recipients, their spouses and widowers/widows. The effects of the new assumptions will be reflected, in most cases, in an increase of the annuity conversion coefficient (on the basis of which the amount of the first pension that will be paid to retired planholders is determined), and at the same time, there was a change in the costs of coverage for surviving relatives.
- (j) In April 2023, a draft circular **entitled Discounts and Cancellations in Life Insurance** was published. As part of the draft, it is suggested to prescribe that an insurance company will be allowed to offer a life insurance policyholder a discount at a rate that will not be lower than the rate that was set when the insurance policy commenced for the entire insurance period. In addition, it is suggested to prescribe that if a non-recurring fee or commission was paid to a license holder (as defined in the draft) for the marketing of a life insurance policy, the fee or commission will be refunded to the insurance company when the policy is canceled or if services are no longer rendered by the license holder based on the cancellation years set in the policy (and at most 6 years from the date of its marketing), all in accordance with the rates listed in the draft. The proposed effective date of the draft is November 1, 2023. As of the date of this report, a final version with a binding effective date has not been published. **The Group believes that the revised compensation model of the insurance agents is expected to moderate the cancellation rate of the products on the one hand and increase the rate of fixed discounts on the other hand, thus enabling effective retaining of the insurance portfolio. The Group's assessment in this matter constitutes forward-looking information that is based on the information available to it at the report publication date. The actual results may differ from the estimated results, inter alia, in light of uncertainty regarding the final version of the circular, the behavior of customers and competitors.**
- (k) **A Draft of the Supervision of Financial Services Regulations (Provident Funds) (Direct Distribution Fee to a Pension Insurance Agent), 2023** was published in April 2023. As part of the draft, it is suggested to determine that a management company will be allowed to pay a pension insurance agent a non-recurring fee only if it was agreed with the agent that he/she will be required to refund the fee he/she received (and the management company will take steps to collect such a commission) if one of the following will occur during the first 6 years after the date on which the planholder signed-on or the date on which the agent was appointed (the latest of the two) (hereinafter - the "Service Period"): Transfer of the funds to another fund, withdrawal of the funds (except for withdrawal from an investment provident fund), or the cancellation of the agent's appointment. If one of the following occurs during the course of the Service Period, then the agent will be required to refund a portion of the non-recurring fee he/she received in respect of the planholder, depending of the period that elapsed since the commencement of the Service Period, in accordance with the table set in the addendum to the

draft regulations. The proposed effective date of the draft is November 1, 2023. The draft regulations are subject to the approval of the Finance Committee. As of the date of this report, the Finance Committee has not yet approved the draft regulations. The Group believes that the revised compensation model of the insurance agents is expected to moderate the cancellation rate of the products on the one hand and increase the rate of fixed discounts on the other hand, thus enabling effective retaining of the insurance portfolio. The Group's assessment in this matter constitutes forward-looking information that is based on the information available to it at the report publication date. The actual results may differ from the estimated results, inter alia, in light of uncertainty regarding the final version of the circular, the behavior of customers and competitors.

- (I) In July 2023, an Amendment to the **Income Tax Regulations (Rules for Approval and Management of Provident Funds)**, 1964 was published, which prescribed that in view of the characteristics of the management of pension savings in the insurance fund and the product costs, the contribution into an insurance fund will be capped to that portion of the wage that exceeds double the average wage in Israel, such that the portion up to this wage level will be deposited with an annuity provident fund which is not an insurance fund, with respect of insurance funds that will be issued as from September 1, 2023 (hereinafter - the "**Effective Date**"). Concurrently, and in order to complete this amendment, an amendment to the **Financial Services Supervision Regulations (Provident Funds) (Transfer of Funds between Provident Funds)**, 2008 was published, which caps, as from the Effective Date, the transfer of funds to an insurance fund to that portion of the wage that exceeds double the average wage in Israel, in order to prevent the bypassing of the above amendment to the Income Tax Regulations. Furthermore, in this amendment it is clarified that the cap on the transfer of funds as described above shall not apply to insurance funds that were issued before the regulations' Effective Date, in order to allow policyholders that hold those policies to transfer their funds to another insurance fund, if they believe that they will be given better terms as part of such policy. **The Group is of the opinion that the limits referred to above shall affect the marketing methods and accordingly also the premium amounts that will be received and/or transferred to the insurance companies and annuity provident funds, which are not insurance funds, as from the Effective Date, such that as from that date the premium that will be received in respect of insurance funds under the Group's management will decline gradually and to an immaterial extent. Since the contributions with respect of new entrants to the labor market will not be directed to insurance funds (except for a minority of those entrants who join as a second tier), then the said amendment is expected to increase the contributions of new planholders in pension funds, including the pension funds under the Group's management. The Group's assessment constitutes forward-looking information that is based on the information available to the Group at the report date. The actual results may differ from the estimated results, which depend, inter alia, on the actual behavior of customers and competitors.**

7.1.3 Compulsory motor insurance

Laws and regulations, bills and draft regulations and Commissioner's circulars

The National Insurance Law [Combined Version] 1995

According to Section 328 of the **National Insurance Law** (hereinafter - the "**Law**"), the National Insurance Institute (hereinafter - the "**NII**") has the right to claim from third parties compensation that has been paid or shall be paid by the NII, if the case is also cause to charge a third party in accordance with the Tort Ordinance or CRAV Law (for example, if an employee is injured in a car accident that is also a workplace accident).

The Law also sets an arrangement that requires insurers of an injuring party, which was required to make payments to an injured party and was allowed to deduct or deducted from such a payment amounts payable to the injured party to the National Insurance Institute (National Insurance Institute annuity), to report to the National Insurance Institute about those amounts.

The amendment to Section 328A to the National Insurance Law [Combined Version], 1995,¹⁷ (hereinafter - the "National Insurance Law Amendment" and the "National Insurance Law", respectively), stipulates that in subrogation claims in accordance with the Road Accident Victims Compensation Law, 1975, with respect to road accidents which took place as from 2023, instead of the option available to the National Insurance Institute to file a subrogation claim in that respect as stated in Section 328 to the National Insurance Law, a comprehensive netting arrangement will apply, as part of which the insurance companies and the arrangement for residual insurance (the Pool) will transfer to the National Insurance Institute a fixed rate of the insurance premium in the subsegment, as follows: For the period beginning on January 1, 2023 and ending on December 31, 2024 - 10%, and for the period beginning on January 1, 2025 onwards - 10.95%.

It should be noted that further to agreements signed between Menora and the National Insurance Institute, Menora's exposure to subrogation claims of the National Insurance Institute in the compulsory motor subsegment in respect of 2016-2022 was essentially extinguished.

In November 2022, the Authority published Amendment to the Provisions of the Consolidated Circular - Title 6, Part 2 - Provisions in the Compulsory Motor Insurance Subsegment - was published. As part of the amendment to the circular, the Authority revised the rate of fees in the compulsory motor insurance subsegment (hereinafter - the "**Subsegment**"), which are calculated out of net premiums, from 16.25% to 18%, in order to preserve the current situation in connection with the fees component.

¹⁷ The Economic Plan Law (Legislative Amendments for Implementing Economic Policies for Budget Years 2021 and 2022), 2021.

National Insurance Regulations (Capitalization), 1978 (hereinafter - the "Capitalization Regulations")

The Discounting Regulations were amended in June 2016, further to the recommendations of an interministerial committee headed by the (retired) judge, the late Dr. Eliyahu Winograd, to assess an amendment of the life expectancy tables and the interest rate used to discount annuities in respect of disability in accordance with the Discounting Regulations. The amendment revised the life expectancy and the interest rate used for the purpose of discounting of the annuity; the interest rate was revised to 2% instead of 3%, which was the rate prior to the amendment, and a future mechanism was set for revising the discount rate as stated above. The provisions of the regulations have a direct effect on subrogation claims of the National Insurance Institute (hereinafter - the "NII"), in the liability subsegments, including the compulsory motor insurance subsegment. The amendment entered into force in September 2017.

The changes to the Discounting Regulations constituted, among other things, the basis for the claims for changing the discounting policy regarding compensation due to bodily injury.

In June 2019, the committee for assessing the discount rate of tort damages due to bodily injury (hereinafter - the "**Kaminitz Committee**") published its report, and in August 2019, the Supreme Court, which was presented with this issue, handed down a judgment in Civil Appeal 3751/17, Israel Motor Insurance Database vs. John Doe (hereinafter - the "**Judgment**").

As part of its judgment, the court effectively adopted the recommendations of the Kaminitz Committee and ruled that the discount rate shall continue to stand at 3%. This, until the legislature decides otherwise, unless a change is proven according to the parameter that was set in the Kaminitz Committee's recommendations according to which the uniform discount rate will be determined based on yields on corporate bonds with AA rating with term of 25 years, which will be assessed every two years by the Accountant General (the competent organ), and if the assessment shall indicate a deviation of more than one percent (1%) in any direction between the calculated yield and the discount rate in effect on the assessment date, the said competent organ shall revise the interest rate, or at its discretion, under extraordinary and special circumstances, and after consulting various parties related to this issue, it will avoid from making the revision.

With regard to the discount rate that will be used to discount the National Insurance Institute's annuities from the insurance benefits paid to policyholders, and for the purpose of paying subrogation claims to the National Insurance Institute, the judgment stipulated that in the interim period - until an appropriate legislation amendment is passed, the parties' agreement to deduct the annuities amount from the insurance benefits to policyholders at a discount rate of 3%, will remain in effect. It was stipulated that in view of the damage caused to injuring parties (including the insurance companies), it is presumed that until the amendment of the Discounting Regulations, the National Insurance Institute will also demand from the injuring parties a discount rate of 3%.

7.1.4 Motor property insurance

Bills and draft regulations and Commissioner's circulars

- (a) In September 2023, the Commissioner of the Capital Market, Insurance and Savings published a fundamental decision on Reduced Insurance Payouts in Motor (Property) Insurance in respect of a Difference in Spare Parts Prices Where the Vehicle was Repaired in a Garage which is not Included in an Arrangement. The decision was issued further to queries, which were made by members of the public, and which the Capital Market, Insurance and Savings Authority became aware of, from which it became evident regarding motor property insurance policies that some of the insurance companies started using a practice, as part of which they deduct some of the insurance benefits in respect of the difference between the spare parts price list quoted by the appraiser in its appraisal, and the amount the insurance company would have paid for those parts had they been purchased from spare parts suppliers, with whom the insurance company entered into engagement. As part of the decision, the Commissioner stipulated that the insurance companies have the right to enforce the provisions of Section 61 to the Insurance Contract Law, 1981 (hereinafter - the "Insurance Contract Law"), which prescribes that an insurer shall not be liable to insurance benefits in respect of a damage that the policyholder could have prevented or minimized using reasonable means or means that the insurer ordered it to take; however, the Commissioner stipulated that an insurance company may not deduct from the insurance benefits or take a similar step in connection with a policyholder that informed the insurance company about the insured event immediately after it became aware of the insured event, collaborated with the company, acted in good faith to repair its car in a garage that is not included in an arrangement, and was not informed in advance by the insurance company of its rights, duties and the meaning thereof.

Further to the above, and by the power vested in him under Section 62(A) to the Financial Services Supervision Law, which allows him to make decisions regarding complaints and order a rectification by way of issuing a rule, the Commissioner ordered the companies to act in the following manner from here on: (a) An insurance company that operates in the said manner should display to the policyholder, in a prominent way, the way it is expected to conduct itself upon the occurrence of an insured event. Such disclosure will be given both at the stage of the insurance offer, and when the policyholder reports an insured event (hereinafter - "Disclosure regarding the Requirement to Minimize the Damage"); (b) before a deduction is carried out, the insurance company shall consider, according to the relevant circumstances, to give the policyholder the option to pay a lower deductible similar to the deductible amount the policyholder would have paid had it repaired the car in a garage, which is included in an arrangement.

Notwithstanding the above, in view of the lack of clarity prior to the publication of the decision regarding the requirement to provide the disclosure at the stage of the insurance offer, and so long as the insured event has not taken place through the publication date of this decision, an insurance company may provide the Disclosure regarding the Requirement to Minimize the Damage in an existing policy on the publication date of this policy, during the course of the insurance period, and in particular on the date on which the policy's terms are revised, even if it had not informed the policyholder on the date of the insurance

offer or on the policy renewal date. This should be carried out while documenting receipt of the notice by the policyholder.

With respect of insured events that occurred through the publication date of this decision - an insurance company is required to assess whether the deduction was made after a disclosure was given to the policyholder, which allowed the policyholder to take action in order to minimize the damage, and that the policyholder received the Company's notice when the claim was opened or before the car was repaired, insofar as the policyholder informed it about the occurrence of the insured event, immediately after it became aware of it. If the insurance company reduced insurance benefits without providing disclosure thereof, if the policyholder informed it of the said insured event, the insurance company shall check whether the amount of insurance benefits it paid was lower than the repair amount paid by the policyholder (net of deductible), and any difference should be refunded to the policyholder.

On February 12, 2024 a draft was published regarding the filing of insurance plans in the motor property subsegment. The draft was published against the backdrop of the publication of the abovementioned decision, and a "Call for Proposals" published regarding the effect of the decision on the amount of the deductible payable by policyholders.

As part of the draft, it is suggested to clarify that an insurance company that takes steps to reduce the damage in motor property insurance should do so while conducting itself in good faith and fairness and in accordance with the provisions of the law, and the reduction rate shall not exceed a rate to be approved by the Authority out of the total cost of the repair in respect of the damage; to determine that if the policyholder collaborated with the insurance company, and led to cost savings, the insurance company shall deduct a deductible from the insurance benefits, as if the policyholder repaired his/her car in an arrangement auto repair shop; and to determine that the insurance companies will not include in the insurance plans the option to receive compensation in respect of constructive total loss, and that vehicles will be taken off the road only in cases of total loss that requires the taking the damaged car off the road.

7.1.5 Other property and casualty insurance

Laws and regulations

In June 2016, the **National Insurance Regulations (Capitalization), 1978** were revised. For details, see Section 7.1.3 above.

7.1.6 Health insurance

The Commissioner's circulars, directives, position papers and fundamental decisions

- (a) An amendment to Chapter 5 Part 3 in Title 6 **of the Consolidated Circular (Code of Regulations)** was published in November 2018, which **deals with the settlement of long-term care insurance claims**. The amendment sets principles for the settlement of long-term care insurance claims, including conditions for conducting an assessment of functioning of the policyholder and appointing a dedicated representative who will support the policyholder. In addition, conditions were set for the postponement of the policyholder's assessment of functioning, and rules for using an investigation to assess the functioning of the policyholder. Furthermore, it was stipulated that the Company should maintain records of the claims for which it conducted an additional functioning assessment, which will include the details of the assessing provider, the results of the claim in view of the functioning assessment, and the details of the deciding provider, which was selected in such cases. Most of the provisions of the amendment came into force on September 1, 2019.

Supervision of Financial Services Directives (Insurance) (Conditions in an Insurance Contract for a Basic Health Insurance Policy), 2021 were published at the same time, which suggest to set a wording for the said policies, which define a uniform coverage, in order to make it easier for policyholders to make comparisons between the various companies. Furthermore, an amendment was published to the **Supervision of Financial Services Regulations (Insurance) (Conditions in an Insurance Contract for Surgical Procedures and Alternative Treatments to Surgical Procedures in Israel), 2021**, which makes the adjustments required for the uniform insurance policy, as derived from the said reform, and certain updates in the policy's list of exclusions. In this regard, it was determined that policyholders will be allowed to inform the insurer - within a year of the transfer date - of their wish to cancel the transfer and reinstate the original policy. It was prescribed that in order to transfer the payment by the insurer in respect of the execution of the surgical procedure as part of the SHABAN plan as stated above, and in order to transfer policyholders to a "Supplementary SHABAN" surgical procedures policy, the Capital Market, Insurance and Savings Authority shall operate and maintain a secure online interface that will be used to transfer the relevant information between the health maintenance organizations and the insurance companies to achieve the implementation of the provisions of the law.

In the opinion of the Group, the provisions of the law shall affect the marketing and pricing of the premium in "first shekel" surgical procedures policies (covering procedures carried out in Israel), that will be marketed and renewed as from the effective date. The Group's assessment constitutes forward-looking information that is based on the information available to the Group at the report date. The actual results may differ from the estimated results, which depend, inter alia, on the actual behavior of customers and competitors.

7.2 Main entry and exit barriers and changes therein

7.2.1 General

The main entry barriers to all of the Group's areas of activity are as follows:

- The existence of technological and professional infrastructure that supports the areas of activity in which the Group operates, skilled manpower, developed business relations with reinsurers, and knowhow and experience with key service providers;
- The need to meet the conditions required by law for receipt of licenses to engage in a certain area of activity, and of control permits and permits to hold means of control, as the case may be (as to the policy paper regarding conditions for control and for holding means of control in institutional entities, see Section 7.2.2);
- Compliance with regulatory requirements, including as detailed in Chapters 2-6 and Section 7.1 above;
- Minimum equity requirement (for details, see Note 15 to the Financial Statements);
- Setting up effective marketing functions in the various areas of activity;

A key exit barrier from the Group's areas of activity arises from the need to obtain a control permit by the entity acquiring the activity, and consequently, if an appropriate buyer is not identified - the need to continue handling the existing customer portfolio and insurance claims, sometimes over long periods ("**run-off**").

7.2.2 Permit to hold means of control

In accordance with the provisions of the law, the holding of means of control and a control in an insurer (including in a management company of a pension fund), an agent and a management company of a provident fund, and in a provider of credit services are subject to obtaining a permit from the Commissioner. In December 2013, in view of the merger of Menora Mivtachim Provident into Menora Mivtachim Pension and Provident Funds, and the death of the late Mr. Menachem Gurevitch, the Group's control permit was updated and given to Ms. Tali Griffel and Ms. Niva Gurevitch (the two daughters of the late Mr. Menachem Gurevitch).

The permit allows the holding of means of control and controlling - directly or indirectly - through the Company - the following insurers: Menora Mivtachim Insurance, Menora Mivtachim Pension and Provident Funds and Shomera; the management company: Menora Mivtachim Engineers; and control permits in the corporation's agents, through Menora Mivtachim Agencies and Shomera Agencies, including, Sinai Insurance Agency Ltd., and Orot Life Insurance Agency (2005) Ltd., and Alifim Insurance Agency (2002) Ltd. (hereinafter - the "**Corporations Covered by the Permit**").

The permit stipulates, among other things, the following key conditions: Provisions regarding retaining the control core in the Group¹⁸ throughout the chain of control in the Corporations Covered by the Permit, by way of restricting the placement of

¹⁸ In this context, a "control core" is 30.01% in each of the means of control, whether directly or indirectly, fully diluted, of all the means of control in the relevant corporation.

pledges, selling, transferring the control core in the above corporations, including by way of issuance; provisions regarding depositing with a trustee (an Israeli attorney) - in accordance with a trust letter - share certificates that represent - at the very least - the control core in insurers and in the management companies, and signing powers of appointment to the trustee of the means of control that will be appointed by the Commissioner to the sale of the control core shares, when the conditions set out in the permit are fulfilled. It should be noted that as of the Report date, the Company complies with all the permit's conditions.

It is noted that a joint principles paper of the Commissioner and the Banking Supervision Department in the Bank of Israel (hereinafter - the **"Regulators"**) regarding the provision of a control permit and a permit to hold means of control in entities they regulate (i.e., banking corporations and insurance and long-term savings institutions), lists the Regulators' considerations when considering the applicant's suitability to control a regulated entity, divided into five key areas: Personal and business honesty and integrity; financial strength; investment strategy; business experience; and the other businesses and areas of activity of the permit applicant. Further to what is stated above, in February 2014 the Commissioner published a policy paper for control in an institutional entity, which sets rules and conditions for obtaining a control permit and/or a permit to hold means of control in institutional entities, while referring to the structure of the control, the financial strength of the controlling shareholders, restrictions on the financing of means of control, and on the placement of pledges on and transfer of the means of control.

7.3 Critical success factors

In the opinion of the Group, there are a number of factors, on which the success of the Group's activity in the various insurance segments depends, including: a professional and high-skilled workforce; high-quality and effective service to the Group's policyholders, planholders and agents, including customer retention, and the marketing of new products to existing customers; the quality of the reinsurance agreements, and the stability of the reinsurers; the quality of the management of investments and investment income; advanced supporting computer and IT systems, including advanced digital capabilities, in particular in connection with customer interfaces (sales, service, claims settlement, etc.); recruiting new agents and securing a broad network of insurance agents, who market the Group's products, as well as expanding the direct marketing function, in particular in Menora Mivtachim Pension and Provident Funds.

7.4 Investments

7.4.1 Insurers and institutional entities

Structure of investment management

The investments of the Group's institutional entities are managed by the Investments Division of Menora Mivtachim Insurance. The division has investment teams that specialize in liquid investments in Israel and abroad (shares, bonds, derivatives, etc.), non-financial investments (investments in illiquid shares), investment funds, real estate properties in Israel and abroad, and illiquid credit. The nostro funds are managed separately from the policyholders or planholders' funds.

Investment decisions are made by area of activity managers and the various investment managers in the Investments Division, who are supported by a research and rating team, internal and external research works in Israel and abroad, and through regular meetings with analysts and economists with relevant experience. All subject to regulatory restrictions, at the approval of the relevant investment and/or credit committees, and in accordance with the authorization hierarchy and the investment policy approved by the relevant boards of directors.

The division includes a liquid securities research department, a research and rating department, and a team that monitors troubled debt. The division receives support on a regular basis from the legal and risk management departments.

Furthermore, the Finance Department includes an operations, reporting and control function named Menora Invest Operations, which includes a "middle Office" unit responsible for control and reporting on the investment processes - specifically on meeting investment restrictions, as well as a "back office" unit responsible for receiving, recording and monitoring the execution of transactions in investment assets and for regulatory and other reports required on this matter.

The Group's assets under management

The Group's nostro assets (own capital, liabilities arising from non-yield-dependent life insurance businesses, health insurance businesses, and property and casualty insurance businesses), are invested in accordance with the restrictions set in the Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012 (hereinafter - the "**Investment Rules Regulations**"), and the approved investment policy, that is set by the Group's investment committees and boards of directors. The risks arising from investments of nostro assets apply to Group companies.

Policyholders or planholders' assets are invested in liquid and illiquid investments in accordance with the restrictions set in that respect, and in accordance with the investment policy approved by the Group's investment committees and boards of directors. The return that is achieved is credited to policyholders or planholders, net of management fees and direct expenses. It is noted that in guaranteed return provident funds a minimum return is credited in accordance with what was promised by the fund, even if the actual return is lower.

Investment committees

The Group has two types of investment committees, which implement the overall investment policy which was approved, and make investment decisions: The first one is the yield-dependent investment committee - "participating" ("**Policyholders or Planholders' Funds**") and the second - "Non-Yield-Dependent Investment Committee" ("**Nostro**").

Credit committees

The Group has two credit committees:

- (1) An internal credit committee, which approves and/or gives recommendations to the credit and/or investment committee, as the case may be - according to the authorization hierarchy - in connection with the provision of adjusted loans and the handling thereof.

- (2) A joint credit subcommittee of all institutional entities in the Group (whose members are external), which approves credit transactions, except for several types of credit, which were excluded from its scope of responsibilities.

7.4.2 Investments under management

Set forth below is information about the breakdown of the assets under management of the Group's institutional investors (in NIS million) as of December 31, 2023:

Assets under management	NIS million
For insurance contracts and investment contracts	33,345
For pension funds' planholders	221,186
For provident funds' planholders	39,518
Total assets under management for policyholders and planholders in the Group	294,049
Nostro assets	20,918
Total	314,967

7.4.3 Material investing activities

7.4.3.1 The Company has investments in a number of investees, the material of which are:

Menora Mivtachim Insurance - in July and September 2010, the Company invested a total of NIS 253 million in two deferred capital notes at a total value of NIS 250 million p.v., which were issued for a period of forty-nine years, where Menora Mivtachim Insurance has an option for early repayment after ten years, and subsequently after five years. The capital notes constitute Restricted Tier 1 capital in Menora Mivtachim Insurance. As of December 31, 2023, the investment amount of the said investment amount stands at approx. NIS 301 million.

Menora Mivtachim Finance - the Company provided shareholder loans and capital notes to Menora Mivtachim Finance, whose balance stands at approx. NIS 89 million as of December 31, 2023.

Menora Mivtachim Real Estate - the Company provided shareholder loans and capital notes to Menora Mivtachim Real Estate, whose balance stands at a total of approx. NIS 185 million as of December 31, 2023. Menora Mivtachim Real Estate invested, among other things, in transactions for the development of land assets in Russia, and in the construction of solar ventures in Europe.

Investment in Ampa Capital - for details, see Section 7.16.2 below.

Investment in ERN - for details, see Section 7.16.3 below.

Menora Mivtachim Agencies - the Company provided shareholder loans and capital notes to Menora Mivtachim Agencies Ltd. - a Company subsidiary - at the total amount of approx. NIS 152 million, for the purpose of investment in investee insurance agencies.

7.4.3.2 Special loans

The Group provided loans to customers (hereinafter - the **"Borrowers"**), during the period from October 2004 to March 2007, without sufficient collaterals on the loans provision date, against a pledge on life insurance policies, which were issued to the Borrowers by Menora Mivtachim Insurance immediately prior to the loans' provision date (hereinafter - the **"Loans"**).

In July 2010, the Commissioner transferred an audit report in connection with the Loans (hereinafter - the **"Commissioner's Report"**). The report provides guidance, whose objective is, among other things, to improve the relevant controls and processes in Menora Mivtachim Insurance; lessons were drawn further to the report, and the Commissioner's guidance was implemented, including by revising the relevant work procedures and processes as stated above. Furthermore, in 2010, the Commissioner imposed on Menora Mivtachim Insurance a monetary sanction and a civil penalty.

The total balance of the said Loans, as of December 31, 2023 stood at approx. NIS 16.2 million. As of December 31, 2023, the redemption values of the policies that were pledged against the provision of the Loans as stated above are approx. NIS 0.1 million. A provision for doubtful accounts of approx. NIS 13.9 million was made against the said Loans in the Group's Financial Statements. It is noted that as part of the said Loans' collection arrangements, new loan agreements were signed with the Company, which were mainly used to repay the loans that were originally provided by Menora Mivtachim Insurance.

7.4.4 Publication of the Group's investment policy

Set forth below is a link to the investment management policy of the Group's institutional entities (for their planholders or policyholders), as published on their websites -

Menora Mivtachim Insurance

<https://www.menoramivt.co.il/wps/portal/about-menora/menora-mivtachim-insurance/participating-portfolio/investment-policy/>

Menora Mivtachim Pension and Provident Funds

<https://www.menoramivt.co.il/links/about-menora/pension-and-gemel>

7.5 Reinsurance

7.5.1 General

Reinsurance is one of the tools used by the Group to hedge its insurance risks, mitigate its exposure and protect its own capital. Reinsurance allows the insurance company to diversify the insurance risk, and thereby mitigate the overall risk to which it is exposed, while expanding its capacity for new businesses, all within the limits of the risk it can assume in relation to its own capital.

The reinsurance allows the insurance company to mitigate fluctuations in underwriting results (retention), while passing on extraordinary risks to reinsurers. The type of risks passed on to the reinsurers, and the manner by which they are passed on are determined according to an analysis of the nature of the risk and the effectiveness of passing it on to the reinsurer, based on past experience and internal economic models. It is noted that passing on a risk to reinsurers does not release the Group from its undertakings to its policyholders.

The Group's reinsurance contracts in the property and casualty insurance segment are normally drawn up on an annual basis with various reinsurers. Reinsurance contracts in the life and health insurance segments are drawn up on a multi-year basis, and the parties have the option to cancel them by giving advance notice, regarding new policies. Catastrophe insurance contracts in life insurance are drawn up on an annual basis. The Group is not dependent on any specific reinsurer. In reinsurance, a premium is paid to the reinsurers, and in exchange the reinsurers participate in their share in claim payments, and also pay fees and commissions to the insurer, in certain contracts, as the case may be. In the past, modified reinsurance contracts were entered into in life insurance. The format of modified reinsurance is essentially similar to proportional reinsurance. The Group does not enter into such reinsurance contracts for new businesses.

In some of the agreements, the amount of the fees and commissions depends on the income earned during that year or in recent years, in accordance with the terms set out in the contract.

In some of the subsegments of property and casualty insurance, the Group's retention is covered by excess of loss insurance in respect of catastrophe.

The various types of reinsurance are presented in the financial statements under the premium, paid claims and contingent claims, fees and commissions, insurance reserves and receivables and other liabilities line items, as the case may be.

7.5.1.1 The key types of reinsurance contracts and a condensed description of the coverage in respect of each key product in the various areas of activity:

In each of the subsegments, the reinsurance coverage that is purchased is adapted to the Group's business activity and to the nature of the risk and its level.

There are two types of reinsurance: Contractual reinsurance (proportional or non-proportional), which is a reinsurance drawn up for a subsegment or insurance type in accordance with the terms of the treaty, and facultative reinsurance, which is reinsurance drawn up for specific business/es or a single policy. Generally, facultative reinsurance is purchased for corporations, especially when the insurance amount exceeds the capacity of the Group's reinsurance contracts, or when the risk is excluded from the treaty with the reinsurer. These agreements can be with one or several reinsurers concurrently.

Set forth below are the various types of coverages generally accepted in the insurance industry in general and in the Group in particular -

Proportional reinsurance - includes quota share insurance and surplus insurance. In proportional reinsurance, the Group transfers to the reinsurer a certain rate of the premium amount of each policy or coverage, which is covered under the contract, and in exchange it receives from the reinsurer

an identical rate of the amount of each claim in respect of the policy or the above-mentioned coverage. In quota share insurance, this rate is fixed for all the policies in the insured subsegment, and in surplus insurance, this rate varies based on the insurance amount, in accordance with each policy or coverage. In contracts of this type, the reinsurer's participation in the risk is predefined, in accordance with its relative share in the premium or in accordance with a key that was set in advance based on the insurance amount.

Non-proportional reinsurance includes excess of loss insurance. Excess of loss insurance is an insurance that covers claims or events above a predefined amount, i.e., a single claim or event that involves a number of risks, the accumulation of which in excess of the agreed amount is paid by the reinsurer up to the amount of the agreed cap. On the other hand, a claim whose amount is lower than the predefined amount shall be paid solely by the insurance company. In contracts of this type, the distribution of the risk is not proportional, and the participation of the reinsurer depends on the amount of the damage.

7.5.1.2 Description of the structure of the fees and commissions received from reinsurers

In non-proportional reinsurance contracts, the Group generally does not receive fees and commissions from reinsurers. In proportional insurance contracts, and in facultative insurance agreements, the Group receives - in some of the cases - fees and commissions from the reinsurers at an agreed rate and/or in accordance with the insurance results, as the case may be. There are three main types of fees and commissions: Fees at a fixed rate of the premiums (flat fees), commissions for the first year in some of the life insurance agreements, and sliding scale commissions or profit commissions, which are based on the reinsurer's profitability in the contracts.

7.5.2 Policy of exposure to reinsurers

The boards of directors of the Group's insurers approve a reinsurance policy once a year - in accordance with the Group's areas of activity - which includes the retention in each and every subsegment, and the maximum exposure amount for a single reinsurer or a rating group of reinsurers. The reinsurance policy includes criteria for engagement with a reinsurer, and specifically the reinsurer's rating.

Managements of the Group's insurers implement the approved policy, set an annual reinsurance plan in accordance with the policy and report it to the Commissioner.

For further details, see Note 38 to the Financial Statements.

7.5.2.1 P&C insurance

In the property and casualty insurance segment the Group engages with multiple reinsurers in order to prevent dependence on a single reinsurer, and to diversify the credit risk embodied in such an engagement.

Set forth below is the policy for engagement with reinsurers in the property and casualty insurance segment as of the report date:

The Group will not enter into engagement with a reinsurer, whose rating is lower than A- according to S&P's rating, or according to a similar rating by other rating agencies, in accordance with the policy, except for special exemptions in respect of specific circumstances.

Generally, the Group's engagements with the reinsurers in all property and casualty insurance subsegments are renewed every year.

Extraordinary reinsurance transactions are reported to the board of directors of the relevant company every quarter in accordance with the reinsurance policy that was approved in the board of directors. In 2023 approx. 25 property transactions (including Shomera) and 11 liability transactions were reported.

Compulsory motor insurance

The Group's exposure in the compulsory motor insurance subsegment is hedged both through proportional reinsurance contracts, and through excess of loss reinsurance contracts.

Set forth below are details regarding reinsurers, whose share in the premiums in the subsegment accounts for more than 10% of total reinsurance premiums in the subsegment in the periods described in the Report (in NIS million):

Reinsurer	S&P rating	Country	2023		2022		2021	
			Rein- surance pre- mium	% of total rein- surance pre- miums	Rein- surance pre- mium	% of total rein- surance pre- miums	Rein- surance pre- mium	% of total rein- surance pre- miums
Swiss Reinsurance Co.	AA-	Switzerland	4	12%	-	0%	-	0%
XL RE Europe	A+	France	5	17%	-	0%	-	0%
Everest Reinsurance Company	A+	United States	4	11%	-	0%	-	0%
Allied World Assurance Co Ltd..	A-	Bermuda	-	0%	15	10%	-	0%
Royal & Sun Alliance Insurance PLC	A	South Africa	-	0%	16	11%	-	0%
Liberty	A+	Luxembourg	-	0%	15	10%	-	0%
CCR RE	A	France	4	14%	15	11%	14	11%
Korean Reinsurance Company	A	Korean	-	0%	36	25%	32	24%

Motor property

The Group's exposure in the field of motor property insurance segment is hedged both through proportional reinsurance contracts, and through excess of loss reinsurance contracts, in order to protect the Group against extraordinary events.

Set forth below are details regarding reinsurers, whose share in the premiums in the segment accounts for more than 10% of total reinsurance premiums in the segment (in NIS million) in the periods described in the Report:

Reinsurer	S&P rating	Country	2023		2022		2021	
			Rein- sur- ance pre- mium	% of total rein- sur- ance pre- miums	Rein- sur- ance pre- mium	% of total rein- sur- ance pre- miums	Rein- sur- ance pre- mium	% of total rein- sur- ance pre- miums
Everest Reinsurance Company	A+	USA	3	12%	27	36%	33	45%
R+V Versicherung AG	AA-	Germany	-	-	-	-	9	12%
Santam Ltd.	AA-	South Africa	3	12%	-	-	-	-
Korean Reinsurance Co	A	Korean	3	10%	-	-	-	-
Trans RE Zurich Reinsurance Company	A+	Switzerland	4	15%	-	-	-	-
Axis Re Europe	A+	Switzerland	3	14%	-	-	-	-

Other property and casualty insurance

The Group's engagements with reinsurers across all segments of this area of activity are renewed every year. The employers' liability, third-party insurance and professional liability insurance subsegments are covered by a single excess of loss reinsurance contract, which is based on the damage year.

In the directors' liability, product liability, professional liability, employers' liability, and third-party liability insurance subsegments, the Group has been purchasing quota share reinsurance since 2019.

In the property insurance subsegment, the Group engages in proportional contracts and excess of loss contracts that protect the Group from catastrophe events.

In certain businesses, where the scope of liability exceed that which is set in the reinsurance agreements, or where the required coverage is not included in the reinsurance agreements, specific (facultative) reinsurance is purchased. The type of the purchased reinsurance (proportional/non-proportional) varies in accordance with the nature of the risk and the offering of coverages in the reinsurance market.

In the proportional reinsurance agreements in subsegments that include a catastrophe component, the reinsurers limit the payment for a single event at an agreed rate out of the total exposure at the time of the event, in accordance with a policy approved by the board of directors.

In home insurance covering the mortgage period, which are sold through the banks, a specific **"facultative"** reinsurance is purchased.

Liability insurance

Set forth below are details regarding reinsurers, whose share in the premiums in the liability subsegment accounts for more than 10% of total reinsurance premiums in the subsegment (in NIS million) in the periods described in the Report:

Reinsurer	S&P rating	Country	2023		2022		2021	
			% of total		% of total		% of total	
			Rein- surance pre- mium	rein- surance pre- miums	Rein- surance pre- mium	rein- surance pre- miums	Rein- surance pre- mium	rein- surance pre- miums
Lloyd's	A+	UK	73	20%	94	23%	76	23%
Everest Reinsurance Company	A+	USA	43	12%	47	12%	46	14%

Property and other insurance

As of the report date none of the reinsurers crossed the threshold of 10% of total reinsurance premiums in the segment.

Summary of results of reinsurance in property and casualty insurance (in NIS million)

	Compulsory motor			Motor property			Others property subsegments			Other liability subsegments			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Rein- surance premiums	31	143	131	25	74	71	653	631	535	360	402	338	1,068	1,250	1,075
Income (loss) for reinsurers	14	67	(52)	(1)	(11)	20	235	9	90	78	166	39	327	232	98

Breakdown of other property subsegments by premium types:

	2023	2022	2021
Reinsurance premiums - quota share	315	306	259
Reinsurance premiums - non-proportional	75	46	37
Reinsurance premiums - earthquake	263	279	239
Total reinsurance premiums	653	631	535

7.5.2.2 Life insurance

In accordance with the Group's exposure policy in the life insurance segment, the Group's engagements are with reinsurers with an international rating of A- or higher assigned by S&P. Reinsurance in any agreement depends on the level of the risk covered and commercial considerations, in accordance with a policy approved by the Board of Directors. The Group enters into quota share and surplus proportional reinsurance contracts with reinsurers in order to protect itself against the risk in the life insurance portfolio (but not the savings component). Furthermore, every year, the Group purchases reinsurance to protect itself from catastrophe events as part of life insurance, permanent health insurance and disability insurance. In the past, proportional reinsurance agreements were drawn up, which also include the savings component.

The Group's engagements in reinsurance contracts in the life insurance subsegment are long-term engagements, which are determined according to the insurance plans and are not limited in time, except for coverage for catastrophe events (including war and terror), which is renewed every year. The terms of the reinsurance contracts are reappraised every year. Changes therein are normally effective only with regard to new insurance policies.

For further details, see Note 38 to the Financial Statements.

Following are details reinsurers that account for more than 10% of total reinsurance premiums in the life insurance and long-term savings segment (in NIS million), in the periods outlined in the report:

Reinsurer	S&P rating	Country	2023		2022		2021	
			Rein- surance pre- mium	% of total rein- surance pre- miums	Rein- surance pre- mium	% of total rein- surance pre- miums	Rein- surance pre- mium	% of total rein- surance pre- miums
Swiss Reinsurance	AA-	Switzerland	61	58.3%	57	54.8%	61	56.4%
Munich Reinsurance C	AA-	Germany	25	23.9%	29	28.0%	27	24.6%

7.5.2.3 Health insurance

In accordance with the Group's exposure policy, the Group's engagements in the health insurance segment are with reinsurers with an international rating of A- or higher assigned by S&P, except for special exemptions in respect of specific circumstances. The reinsurance rate in any agreement depends on the level of the risk covered and commercial considerations, in accordance with a policy approved by the Board of Directors. The Group enters into quota share proportional reinsurance contracts with reinsurers.

The Group's engagements in reinsurance agreements in the health insurance segment are long-term, determined according to the insurance plan and may be canceled by giving advance notice for future policies only, except for special cases. The terms of the reinsurance contracts are reapproved every year. Changes therein are normally effective only with regard to new insurance policies.

Furthermore, the reinsurance purchased by the Company every year to protect itself against catastrophe events covers travel abroad, medical expenses, and personal accidents.

In some of the reinsurance contracts, the reinsurer has the option to update tariffs during the agreement term, subject to certain conditions. All health insurance agreements are quota share agreements.

Following are details regarding reinsurers that account for more than 10% of total reinsurance premiums in the health insurance segment (in NIS million), in the periods outlined in the report:

Reinsurer	S&P rating	Country	2023		2022		2021	
			Rein- surance pre- mium	% of total rein- surance pre- miums	Rein- surance pre- mium	% of total rein- surance pre- miums	Rein- surance pre- mium	% of total rein- surance pre- miums
Swiss Re	AA-	Switzerland	162	63.9%	150	65.4%	138	66.0%
CCR	A	France	45	17.6%	32	13.9%	26	12.3%

7.5.3 Exposure to earthquake (property and casualty insurance)

The reinsurers' exposure to the earthquake risk is composed from the risks passed on to them as part of the proportional property insurance contracts, in which the reinsurer assumes a proportional portion of the risk. This exposure is capped at a maximum amount per event (event limit).

In respect of the earthquake risk in excess of the existing risk as part of the proportional reinsurance contracts, the Group purchases further protection as part of an excess of loss contract at various levels. The scope of the coverage purchased in property and casualty insurance is based on the maximum possible loss, according to which the Group decided to purchase the protection. The MPL reflects the maximum probable loss that the Group is expected to incur as a result of a single event at the probability that was set. The Group sets a conservative MPL in relation to the Commissioner's directive, while taking additional safety margins, for each risk type, based on the breakdown of the Group's portfolio, while using international models.

In 2023 the Group relied on an average MPL of approx. 2%-2.4%, with respect to hedging against earthquakes.

The amounts of exposure to an earthquake risk, which are covered with proportional reinsurance, amounted to approx. NIS 233 billion as of the report date (including Shomera), and the amounts of exposure covered with non-proportional reinsurance amount to approx. NIS 46 billion as of the report date (including

Shomera). As stated above, the Group's reinsurance agreements do not protect the full exposure amounts; rather, they are based on risk assessments of maximum potential loss. As of the report date, the reinsurer the total exposure of which to earthquake exceeds 10%, is Re Swiss.

For further details, see Note 38 to the Financial Statements.

In respect of the exposure to earthquake damage in life insurance, permanent health insurance and disability insurance, the Group purchased protection under a cat cover agreement. The maximum amount was set by assessing the effects of damage such as earthquake damage on the Group's portfolio, according to simulations it conducted.

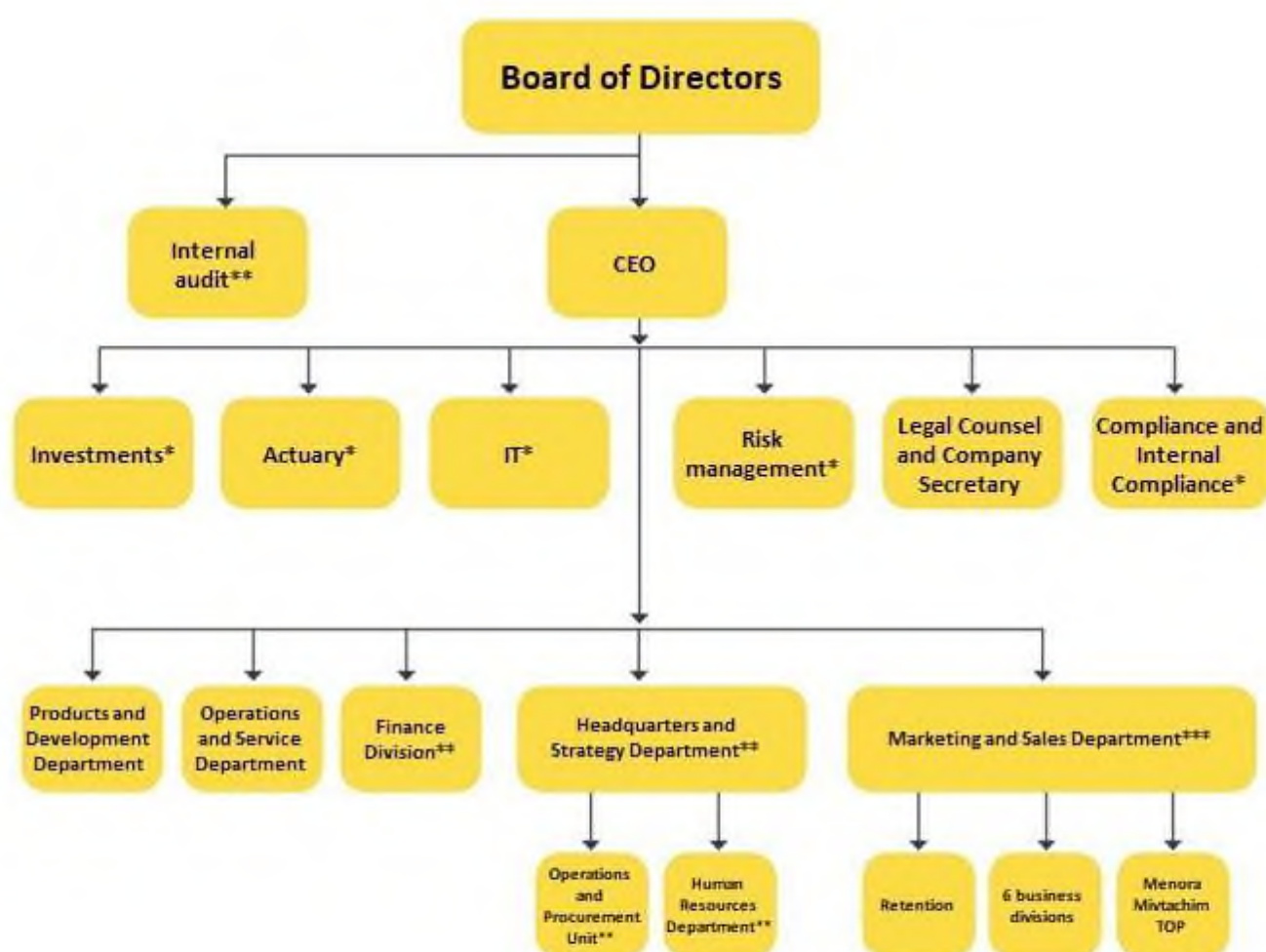
7.6 Human capital

7.6.1 The Group's organizational structure as of the report date:



Menora Mivtachim Holdings' HQ includes the CFO, Business Development Manager, Investment Manager, Legal Counsel and Company Secretary, Chief Compliance Officer and Chief Internal Auditor, most of whom serve in corresponding positions in Menora Mivtachim Insurance.

Menora Mivtachim Pension and Provident Funds



* Provided through Menora Mivtachim Insurance.

** Activity combined with corresponding units in Menora Mivtachim Insurance.

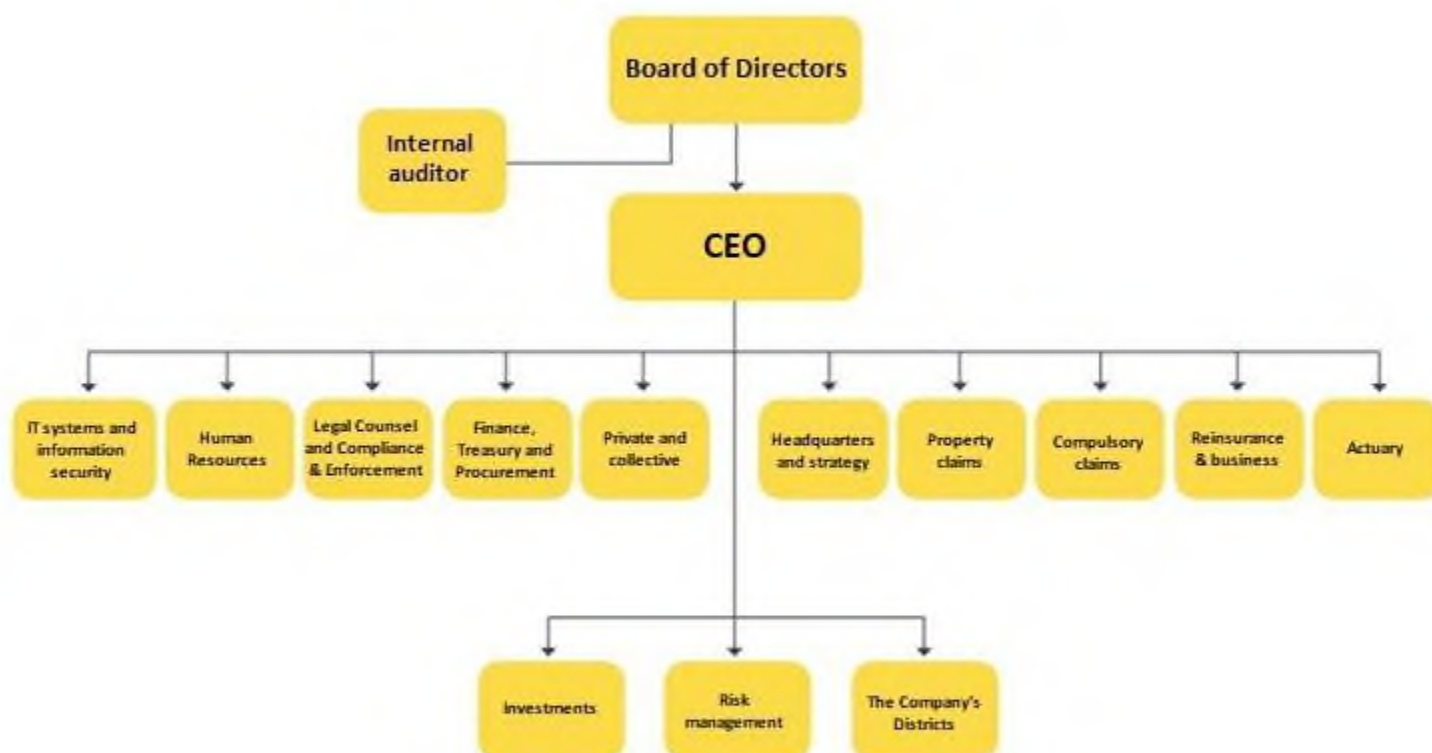
*** Provides services to Menora Mivtachim Insurance too.

Menora Mivtachim Insurance Ltd.



*Service provider of Menora Mivtachim Pension and Provident Funds Ltd.

Shomera Insurance Company



7.6.2 Workforce

The Group employs workers as detailed below:

		December 31, 2023	December 31, 2022
The Group's management		26	27
Long-term savings	Life insurance	423	443
	Pension and provident funds	1,227	1,158
P&C insurance		609	643
Health insurance		128	124
Fees and commissions of insurance agencies		203	196
ERN Group ¹⁹		244	252
Company-wide headquarters units ²⁰		751	690
Total		3,611	3,533

As of the report date, the Group is not dependent on any employee.

In addition to the data detailed in the above table, the Group receives services from external suppliers, which provide the services of their employees to the Group (hereinafter - "**Contract Workers**"), and a significant portion of whose employees work in the Group's offices. As of December 31, 2023, the Group received such services through 182 Contract Workers, compared to 214 Contract Workers as of December 31, 2022. Most of them provide services to the IT Department.

As of December 31, 2023 the Group's workforce (including the contract workers) increased by 78 employees - an increase of approx. 2.2%.

7.6.3 Training and organizational development

The Group invests resources in professional training of employees and agents in accordance with the business needs and regulatory provisions. Training to employees and agents includes professional training, managerial and behavioral training, organizational and personal consulting to managers, in order to achieve high professional levels in connection with various issues, such as: Regulatory requirements, new insurance plans, training sessions focusing on life insurance, long-term savings and pension, taxation and finances, and serviceability, development of management skills and improvement of work processes.

Furthermore, the Group has and is working to train employees in its various areas of activity, including long-term savings, for the purpose of obtaining a pension marketing license, in accordance with the Commissioner's guidance.

¹⁹ The data includes Mimun Click Ltd.

²⁰ Human resources, IT systems, actuarial sciences, finance, etc.

7.6.4 Benefits and the nature of employment contracts

On July 30, 2017, Menora Mivtachim Insurance signed a collective agreement with the New Histadrut Workers' Union and the Workers Committee (hereinafter - the "**Agreement**"), which applies to most of the employees, excluding employees in certain positions and managers of a certain rank, as detailed in the Agreement. For details, see the Company's immediate report dated July 31, 2017 (Ref. No. 2017-01-078525). On December 1, 2020, Menora Mivtachim Insurance and the Workers Committee agreed to extend the agreement - without change - by one further year through the end of 2021, including a pay rise as from January 2021; for details, see immediate report of December 2, 2020 (Ref. No.: 2020-01-131208). On May 20, 2022, a collective bargaining agreement was signed with the New Histadrut Workers' Union and the Workers Committee. The agreement continues the agreement that was signed on July 31, 2017, and an agreement that was signed on December 1, 2020, which includes amendments and changes, and is in effect through December 31, 2024 (Ref. No.: 2022-01-061426).

Furthermore, the Group has employees, who are engaged in sales, including purchasing supervisors in the life insurance and long-term savings subsegment, who are employed through a collective employment agreement comprising a base salary and sales commissions. The Group also has employees, mainly in the field of marketing, who are employed jointly by several Group companies.

In March 2021, a collective agreement was signed between Menora Mivtachim Pension and Provident Funds and New Histadrut Workers' Union, which replaced a collective agreement of 2016, and a memorandum of understanding of December 2017, which applies to pension planners and business portfolio managers, who are employed by the marketing department of Menora Mivtachim Pension and Provident Funds. The Agreement is in effect through December 2023. For further details, see the Bank's immediate report dated March 24, 2021 (Ref. No.: 2021-01-042378). Negotiations are currently underway to renew the collective agreement.

Shomera's employees and managers are employed through employment agreements that are generally accepted in the industry, which incorporate all the employment terms, including the components of monthly gross salary, social benefits and other benefits in accordance with criteria, such as: advanced education fund, company car, mobile phone and per diem. Shomera employees are entitled to loans in accordance with a procedure set for that purpose. Shomera employees are subject to collective agreements by virtue of expansion ordinance that apply to all employees and employers in Israel. Officers who are Company employees are employed under personal employment agreements. Shomera's officers are subject to a compensation policy as detailed in Section 7.6.9 above.

7.6.5 Members of senior management

Members of the Group's senior management (except for officers who are subject to a compensation policy as detailed below) are employed under personal employment contracts, which include, among other things, gross salary components, per diem, 13th salary (in some of the companies), annual bonus (subject to the approval of the competent organs), company car or alternatively reimbursement of vehicle expenses, mobile phone, and social benefits and advanced education fund as is generally accepted in Israel.

7.6.6 Organizational changes in the Group

As from 2018, concurrently with the move of most Group companies to Beit Menora Mivtachim in Ramat Gan, the Group started taking steps to consolidate various operational functions in order to increase efficiency and utilize economies of scale. As part of the above, among other things, the human resources, procurement and logistics functions, marketing and sales function, the finance departments and activity of the internal audit function were consolidated under the Company's Chief Internal Auditor.

In 2023, a headquarters and strategy department was set up comprising the human resources department, the areas of planning and control, headquarters budget and service, operation, procurement and assets, organization and methods and digital.

7.6.7 Compensation to the Company's CEO

For details regarding the employment agreement of the Company's CEO, see Note 39 to the Financial Statements.

7.6.8 Compensation for the Company's Chairman of the Board

For details regarding the employment agreement of the Chairman of the Board of the Company, see Note 39 to the Financial Statements.

7.6.9 Compensation policy for the Group's officers

For details on the Group's compensation policy, see Note 39 to the Financial Statements.

Updated compensation policy

In January 2022, further to the approval of the Company's Compensation Committee and Board of Directors, the General Meeting approved an amendment to the compensation policy. The revised provisions of the compensation policy allow the award - to the Company's officers and members of senior management - of a share-based compensation, including option exercisable into the Company's shares.

In May 2023, further to the approval of the Company's Compensation Committee and Board of Directors, the General Meeting approved an amendment to the compensation policy. The revised provisions of the compensation policy stipulate that the Company's performance tier as part of the annual metrics for calculating the annual bonuses to executives will include a component that will take into consideration the return to savers, such that if such a return will be negative, a portion of the bonus will be deducted, at a rate that will be set for that purpose in the annual bonus plan

Adoption of an employee option plan

In January 2022, further to the approval of the Company's Compensation Committee and Board of Directors, the Company's General Meeting approved an amendment to the Company's compensation policy. The revised provisions of the compensation policy allow, inter alia, the award - to officers, executives and employees of the Group (hereinafter - "**Employees**") - of a share-based compensation, including options exercisable into the Company's shares. On

December 2021, the Company's Board of Directors approved a compensation plan, subject to the approval of the change in the compensation policy by the General Meeting as described above. Further to what is stated above, the Company's Board of Directors approved the publication of an outline for the allotment of securities to Employees. As part of the compensation plan, the Company allotted - without consideration - up to 2,900,000 illiquid and non-transferable options to offerees, which are exercisable into up to 2,900,000 ordinary shares of the Company (subject to adjustments and other provisions of the option plan (hereinafter - the "**Plan**"). It is noted that the number of options that were allotted as stated above includes a "bank" for future allotments for eligible Employees. The options that were allotted according to the Plan were allotted under the capital gains track and deposited with a trustee, who will hold them in trust for the Employees over the period set for that purpose in the Ordinance and in the regulations promulgated thereunder. It is noted that in view of the fact that under the provisions of the Plan the allotment of shares (as part of the exercise) is carried out on a cashless basis, the maximum number of shares that may be allotted (assuming full exercise and maximum price) shall constitute approx. 1.99% of the Company's issued and paid up share capital and voting rights (on a fully diluted basis). For further details, see Note 34 to the Financial Statements and immediate reports dated January 3, 2022 and February 2, 2022 (Ref. Nos. 2022-01-001572 and 2022-01-014305, respectively).

7.6.10 For further information on policies and compensation plans, see the websites of the Group's institutional entities, as follows:

Menora Mivtachim Insurance:

Compensation policy - Information regarding an Institutional Entity - Menora Mivtachim Insurance Ltd. - About - Menora Mivtachim

Shomera Insurance Company:

<https://www.shomera.co.il/Pages/דיווחים-שונים.aspx>

Menora Mivtachim Pension and Provident Funds:

Officers' Compensation Policy in Menora Mivtachim Pension - Additional Procedures and Information - Procedures and Information - Menora Mivtachim Pension and Provident Funds Ltd. - about - Menora Mivtachim

7.6.11 Release from liability, indemnity and officer insurance for officers

For details about the terms of officer insurance policies, letters of exemption and indemnity undertaking to officers, see Note 39 Financial Statements.

7.6.12 Officers' tenure

7.6.12.1 In May 2023, Ms. Avital Stein ended a 9-year tenure as an ED in the Company. For further details, see the immediate report dated May 4, 2023 (Ref. No.: 2023-01-047922).

7.6.12.2 In May 2023, the General Meeting approved the appointment of Ms. Orit Stav for a first term in office as an external director, starting May 3, 2023.

For further details, see the immediate report dated May 3, 2023 (Ref. No.: 2023-01-047682).

- 7.6.12.3 In October 2023, the General Meeting approved the reappointment of the directors: Eran Griffel, Yonel Cohen, Shai Feldman and Yoav Kremer. For further details, see the Company's immediate report dated October 17, 2023 (Ref. No. 2023-01-116697).

7.7 Marketing and distribution

7.7.1 The Group's Agents Unit

7.7.1.1 General

The Group markets its insurance policies mainly through insurance agents and insurance agencies (hereinafter - the **"Agents"**). The Agents also market the pension funds and the provident funds under the Group's management. Furthermore, some of the Group's products are marketed by way of direct sales.

Notwithstanding the development of the direct sales channel, the Group continues to develop and promote the marketing of its products by the Agents, and as of the report date, the Group has business relationships with approx. 1,250 active Agents.

The Group is engaged with most of the Agents that conduct the Group's sales, both in the property and casualty insurance businesses, and in the life insurance business and long-term savings business. The Agents do not work exclusively for the Group, and most of them also work with other insurance companies. There is a core of Agents, who are clearly identified with the Group. The Group's Agents operate according to tariffs and underwriting guidance distributed by the Group from time to time in the various areas of activity.

In the property and casualty insurance and life insurance segments, the Group operates through districts in three key cities (Ramat Gan, Haifa and Jerusalem), and in principle the Agents are allocated to the districts according to their geographic location. In life insurance, purchasing supervisors who are employees of the Group work within the districts, whose role is to promote sales and monitor the Agents' activity, including providing advice and guidance to the insurance agents they monitor.

In the property and casualty insurance subsegments, the commission to the Agents is paid, in most subsegments, as a percentage of net annual premium, and in other subsegments as a percentage of gross annual premium, and a netting mechanism is in place with the agent in respect of cancellations of policies. The commission rate is partially set in accordance with the various insurance segments, sometimes even after taking into account the profitability of the agent's insurance portfolio, and in accordance with the provisions of the law.

In the life insurance, long-term savings and health insurance subsegments, the agents are paid commissions at variable rates, in money or in kind, and the rate of the commission is partially set in accordance with the product

and partially conditional upon the agent's sales, and sometimes also on the profitability of his insurance portfolio, and in accordance with the provisions of the law.

As of the report date, the Group is not dependent on any of its Agents nor does it have an agent, the scope of activity with whom accounts for more than 10% in each of the areas of activity.

7.7.1.2 Life insurance and long-term savings

General

Currently, there are two types of distributors of pension products:

Pension reseller - an insurance agent or a pension marketing agent (who is an employee of the institutional entity), that has an affiliation to the insurer or any other producer of a pension product and mediates in the purchase transaction of the pension product further to a personal consultation process he/she held with the customer.

Pension advisor - a person or a corporation, which has no affiliation to the insurer and/or any other producer of a pension product and offers the pension product further to a personal consultation process he/she held with the customer.

Both resellers and advisors in this field are duty bound to provide advice following the "best advice" principle.

The Group is based on the distribution of life insurance and long-term savings products through insurance agents, pension resellers, Group employees and a call center. In addition, the banks have not yet started to distribute life insurance plans, as distinct from the distribution of pension funds, provident funds and advanced education funds, as detailed below.

It is noted that the licensing and certification requirements, as well as various regulatory guidelines applicable to pension agents and resellers, which also affect, among other things, their compensation, may have an adverse effect on their profitability, and consequently on the number of agents.

The Group owns insurance agencies (as detailed in Section 1.1 above), part of which operate as an "insurance agents hub" or as an "arrangement agency". The agencies owned by the Group are also engaged in pension marketing agreements with other insurers, and market their products.

Life insurance and long-term savings

In life insurance, the Group operates through districts, and a headquarters and service function located at its head office. Furthermore, the Group has a customer relations center, that addresses all customer inquiries through the telephone, the Group's website or face to face.

The compensation to the insurance agents is composed of 4 potential main components: Current commission (hereinafter - "**Recurring Commissions**"), compensation in respect of meeting sales targets

(hereinafter - **"Targets Commissions"**), rewards in respect of offers, and bonuses; compensation is not identical for all agents.

Set forth below are details regarding the average rate of fees and commissions out of premium in life insurance:

	2023	2022	2021
Rate of fees and commissions on premiums	10.9%	11.0%	11.1%
Rate of fees and commissions from new annualized premium	74.4%	78.4%	72.3%

* The rate of fees and commissions from a new annualized premium is affected by a change in the portfolio's product mix.

The insurance agents function constitutes the main distribution channel of life insurance products. The Group does not have an agent, the scope of his income from premiums he generated exceed 10% of total income of the life insurance subsegment.

Pension and provident funds

Menora Mivtachim Pension and Provident Funds markets its pension products through Menora Mivtachim Insurance's Agents Unit, and through a direct marketing function comprised of managers of business portfolios and pension planners, located across the country. The employees of the direct marketing function maintain regular contact with the fund's planholders and the employers for customer retention purposes and in order to recruit new planholders. Services provided to policyholders and employers include a customer relations center, which provides services to the customers through a range of channels, and a website that provides, in addition to general information regarding pension and provident funds, also personal information to planholders and employers. The direct marketing function provides a sales and marketing umbrella, which includes: signing on new planholders, provision of pension-marketing and training services in respect of all of Menora Mivtachim Pension and Provident Funds' pension products, dealing with termination of employer-employee relations, etc.

Menora Mivtachim Pension and Provident Funds collaborates with arrangement agencies and insurance agents (including Orot and the agents of Menora Mivtachim Insurance). This collaboration stemmed from some of the employers' need for a comprehensive handling of the social benefits of their employees, including collection and combination between various products, such as pension funds, executive insurance, provident funds, and sometimes also other social benefits products.

The agents' compensation in respect of the marketing of Menora Mivtachim Pension and Provident Funds' products is paid mainly through Menora Mivtachim Insurance.

Furthermore, Menora Mivtachim Pension and Provident Funds is engaged in distribution agreements with a number of banks and pension advisors,

in order to distribute the pension funds and provident funds under its management. The scope of distribution activity of pension funds by the banks is, at this stage, relatively small. The scope of distribution activity of provident funds by the banks and pension advisors is more significant and depends mainly on the funds' internal rating by the banks - a rating that varies from one bank to another. The distribution activity in this segment is subject, among other things, to the **Supervision of Financial Services Regulations (Provident Funds) (Distribution Fees), 2006**.

Menora Mivtachim Pension and Provident Funds does not have employers, whose contributions towards benefits in respect of their employees constitute 10% or more of the amount of contributions towards benefits collected by the pension funds and provident funds under its management.

7.7.1.3 Compulsory motor

The Group markets its insurance policies mainly through agents to whom fees and commissions are paid. The commission rate varies from agent to agent.

As of the report date, the Group is not dependent on any of its Agents, and the Group does not have an agent, the scope of activity with whom accounts for more than 10% in each of the areas of activity.

Set forth below are details regarding the average rate of fees and commissions (including VAT) out of gross premium in the compulsory motor insurance subsegment:

	2023	2022	2021
Rate of fees and commissions from gross premium	4.7%	4.6%	5.1%

7.7.1.4 Motor property

The Group markets its insurance policies mainly through agents to whom fees and commissions are paid. The commission rate varies from agent to agent.

As of the report date, the Group is not dependent on any of its Agents, and the Group does not have an agent, the scope of activity with whom accounts for more than 10% in each of the areas of activity.

Set forth below are details regarding the average rate of fees and commissions (including VAT) out of gross premium in the motor property insurance subsegment:

	2023	2022	2021
Rate of fees and commissions from gross premium	16.4%	16.7%	17.0%

7.7.1.5 Other property and casualty insurance

The Group markets its insurance policies in the segment mainly through agents to whom fees and commissions are paid. The commission rate varies from agent to agent.

As of the report date, the Group is not dependent on any of its Agents; nevertheless, there are two agents, the scope of activity with whom accounts for more than 10% in the area of activity.

Set forth below are details regarding the average rate of fees and commissions (including VAT) out of gross premium in the segment:

	2023	2022	2021
Rate of insurance fees and commissions from gross premium	11.6%	11.1%	11.8%

7.7.1.6 Health insurance

The Group markets its insurance policies in the segment mainly through agents, and pays them various types of sale commissions, calculated mainly as a rate of insurance premiums. The Group does not have an agent whose scope of activity accounts for more than 10% of the insurance premium in the segment.

Set forth below are details regarding the average rate of fees and commissions (including VAT) out of gross premium in the segment:

	2023	2022	2021
Rate of insurance fees and commissions from gross premium	19.2%	20.1%	19.6%

7.8 Trade payables

7.8.1 General

The main hardware suppliers for Group companies' IT systems are IBM, which supplies the main applications servers and storage platforms, including backup and recovery servers, and InfiniDat, which supplies another part of the storage platform.

Shomera is engaged with a number of hardware and software suppliers, both in engagements for the purchase of new products and in engagements for regular maintenance of its systems. The main suppliers that provide maintenance services in connection with its main insurance system are Comtect Ltd., which is a software house that provides those services to Shomera and to other insurance companies, and Dortal Ltd, which is a company that provides support services in connection with the various software Shomera uses on a regular basis. If a need arises to switch to other software suppliers, this may involve material additional costs.

In the field of computer services, the Group is engaged with a number of suppliers, which specialize in various areas that are relevant to the Group's activity, specifically in life insurance and long-term savings; the discontinuation of the services of any of those suppliers, will involve the investment of financial resources and time inputs by the Group in order for it to be able to receive services from another supplier.

The Group is not dependent on any supplier in any of its areas of activity, except for Shomera's engagements with Comtec and Dortal as detailed above, and with Sapiens Software Systems Ltd. (hereinafter - "Sapiens"), as detailed below.

7.8.2 Life insurance and long-term savings

The Group entered into an engagement with Sapiens in connection with a project for the development of a comprehensive system for the management of a life insurance and long-term savings function ("**Topaz Life**"), and in a project for the development of a system for the management of the pension function ("**Topaz Pension**") (Topaz Life and Topaz Pension will be named hereinafter jointly - the "**Topaz System**"). Further to the foregoing, in October 2011 the Group entered into an agreement that formalizes and regulates its long-standing engagement with Sapiens in connection with the Topaz System and additional software systems supplied to the Group, among other matters in the areas of life insurance, pensions, reinsurance, and health (hereinafter - the "**Systems**"), and services to be provided to the Group in connection with these Systems (hereinafter, in this paragraph - the "**Agreement**").

The Agreement creates a framework for the continued supply of various services to the Group in connection with the aforesaid Systems, including development services, testing, malfunction repairs, support, supply of versions and editions, and maintenance services for the Systems, according to agreed-upon annual work plans.

In September 2013, a supplementary agreement was signed with Sapiens, following an engagement of Sapiens with an additional client for provision of a pension-fund management system and associated systems used by the Group. Within the supplementary agreement and a (similar) agreement concerning a third client signed in 2022, Sapiens undertook to pay the Group various royalties, in immaterial amounts, over a period of several years. In addition, the period of the engagement to which Sapiens is committed with respect to the maintenance and continued development of the Systems for the Group was extended, and it is renewed automatically every year, with certain commercial modifications. In 2023, the Group paid Sapiens a total of approx. NIS 28.5 million in respect of various development and maintenance services.

7.9 Property, plant and equipment

For further details regarding the various components of property, plant, and equipment (land, vehicles, IT systems), see Notes 5 and 7 to the Financial Statements.

7.10 Seasonality

7.10.1 Life insurance and long-term savings

Set forth below is the breakdown of gross premiums in the life insurance and long-term savings segment by quarters (in NIS million)

	Data for 2023		Data for 2022	
	In NIS million	In NIS million	%	%
First quarter	571	22%	580	22%
Second quarter	586	23%	575	22%
Third quarter	695	27%	677	27%
Fourth quarter	724	28%	760	29%
Total	2,576	100%	2,592	100%

Income from life insurance premiums is not characterized by seasonality.

7.10.2 Pension funds

Generally, the collection of contributions towards benefits by pension funds is not affected by seasonality. Furthermore, the amounts of contributions towards benefits are higher in certain months, which vary from one year to another, mainly due to one-off payments made by employers to employees, and in respect of which contributions towards benefits are made. It is noted that the fact that certain employers, which are customers of Menora Mivtachim Pension and Provident Funds and operate in certain sectors, are affected by seasonality, which, in turn, affects the number of their employees, does not have a material effect on the distribution of contributions towards benefits between the different months of the year.

Set forth below is the breakdown of quarterly contributions towards benefits:

New Mivtachim				
	2023		2022	
	In NIS million	%	In NIS million	%
First quarter	3,811	23%	3,359	23%
Second quarter	3,972	24%	3,557	24%
Third quarter	4,325	26%	3,838	26%
Fourth quarter	4,286	27%	3,839	27%
Total	16,394	100%	14,593	100%
New Mivtachim Plus (Supplementary)				
	2023		2022	
	In NIS million	%	In NIS million	%
First quarter	206	24%	193	22%
Second quarter	195	23%	198	23%
Third quarter	219	26%	240	28%
Fourth quarter	233	27%	233	27%
Total	853	100%	864	100%

7.10.3 Provident funds

The segment's activity is characterized with a certain degree of seasonality, since a large part of planholders' contributions (mainly by the self-employed) is made towards the end of the year in order to fully utilize the tax benefits. However, the proportion of self-employed planholders out of all planholders in the Group's activity in this segment is relatively low.

	Data for 2023		Data for 2022	
	In NIS million	%	In NIS million	%
First quarter	848	22%	798	24%
Second quarter	905	24%	798	24%
Third quarter	1,050	28%	775	23%
Fourth quarter	968	26%	937	29%
Total	3,771	100%	3,307	100%

7.10.4 P&C insurance

Set forth below is the breakdown of gross premiums in the property and casualty insurance subsegment by quarter (in NIS million):

	Data for 2023		Data for 2022	
	In NIS million	%	In NIS million	%
First quarter	1,108	28%	1,071	28%
Second quarter	854	22%	826	22%
Third quarter	927	24%	898	24%
Fourth quarter	1,030	26%	915	25%
Total	3,919	100%	3,712	100%

In property and casualty insurance, the premium amount recorded in the first quarter is the largest, due to businesses' tendency to renew their insurance (compulsory motor, motor property, liability and property) at the beginning of the year.

It is noted that in property and casualty insurance, a mechanism of reserve for unexpired risks regulates the effect that the turnover's seasonality has on income.

Gross income from premiums in property and casualty insurance is characterized by seasonality, mainly due to renewal of motor insurance policies of various groups of employees and businesses' car fleets, whose renewal dates normally fall in January; seasonality is also caused by renewal of business insurance policies, which are typically renewed in January or April. The effect of this seasonality on the reported income is neutralized through the provision for unearned premium.

Other expenses components, such as claims, and other income components, such as investment income, do not have significant seasonality, and therefore there is no significant seasonality in the income. However, it should be noted that a severe winter may trigger an increase in claims, mainly in the motor property subsegments, in the first and fourth quarters of the year, and as a consequence, a decrease in the reported income.

7.10.5 Health insurance

Set forth below is the breakdown of gross premiums in the health insurance segment by quarter (in NIS million):

	Data for 2023		Data for 2022	
	In NIS million	%	In NIS million	%
First quarter	525	24%	438	23%
Second quarter	536	24%	468	24%
Third quarter	566	26%	491	25%
Fourth quarter	570	26%	531	28%
Total	2,197	100%	1,928	100%

Generally, insurance premiums in this subsegment are not affected by seasonality; however, the variation between the quarters is due to the timing of issuing policies, which is annual and not recorded in monthly collection.

It is noted that in health insurance, a mechanism of reserve for unexpired risks regulates the effect that the turnover's seasonality has on income.

7.10.6 Claims

It is noted that the Group did not identify seasonality in terms of claims in all segments, except where claims arise due to natural disasters in the winter months.

7.11 Intangible assets

Databases

Group companies own a number of separate and secure databases, which were registered with the Databases Registrar, and which focus mainly on customers (including a Group database for marketing purposes), employees and suppliers of those companies, as the case may be, all in accordance with the provisions of the Privacy Protection Law, 1981.

The Group uses the brand names "Menora Mivtachim" and "Shomera". The Group has a number of trademarks, which are registered with the Registrar of Patents, Designs and Trademarks, including - "Mivtachim", "Menora" "Menora Mivtachim", "Shomera Insurance Company Ltd. - Israeli Family", and more. For details regarding intangible assets and the amounts recognized in respect thereof as an asset in the Financial Statements, see Note 5 Financial Statements.

Licenses

The Group holds licenses and/or permits to operate as an insurer, agent or management company, as the case may be, as required under any law.

- In accordance with Section 15 to the Supervision Law, the Group holds Israeli insurer licenses to operate in the pension subsegment and in the following insurance subsegments: comprehensive life, personal accidents; illnesses and hospitalization; employers' liability; compulsory motor; motor property (in respect of self-inflicted damage and third party); comprehensive home and business; including glass

insurance; aircrafts, including third party liability; vessels, including third party liability; cargo in transit; third party liability; property loss; agricultural, except for insurance covering natural disasters in agriculture; engineering; product liability; provision of guarantees; other risks; and investments of home buyers.

- The Group also holds a license to act as a management company of provident funds, and provident funds certifications for the provident funds and pension funds under its management. Furthermore, Menora Mivtachim Underwriting Management is registered in the Register of Underwriters, in accordance with the Securities Regulations (Underwriting) (Amendment), 2007.
- The Group has licenses to operate as a credit service provider under the Financial Services Supervision Law (Regulated Financial Services), 2016.

IT

For details regarding IT systems, see Note 5 to the Financial Statements.

7.12 Legal proceedings

For a description of material legal and administrative proceedings, including class actions, see Note 40 to the Financial Statements.

7.13 Financing

The Group finances its activity from its own sources, bank credit and non-banking credit by raising (liquid and illiquid) capital in the capital market. For details regarding financing, see Section 7 to the Report of the Board of Directors and Note 25 to the Financial Statements.

7.14 Taxation

For a description of taxation issues, see Note 22 to the Financial Statements.

7.15 Risk factors

Risk category	Description of risks	Risk rating		
		High	Moderate effect	Low
Macroeconomic risks	Changes in the economy (unemployment, employment)	x		
	Total market risks	x		
	Specific market risks:	-		
	Interest rate risk	x		
	Share price risk and other equity instruments	x		
	Foreign currency risk			x
	Real estate risk and other assets		x	
	Credit Risks		x	
	Inflationary risk			x
Industry-specific risks	Insurance risks:	-		
	Morbidity risks	x		
	Longevity risks, including pension uptake		x	
	Cancellation risks in long-term savings portfolio	x		
	Other insurance risks	x		
	Catastrophe events: Earthquake	x		
	Catastrophe events: War or pandemic	x		
	Regulatory changes	x		
	Legal precedents (including class actions)		x	
	Changes in competition conditions	x		
	Availability of reinsurance		x	
Risks specific to the Group	Liquidity risks			x
	Outsourcing/engagements with external suppliers risks		x	
	Stability of reinsurance		x	
	General operational risks		x	
	Dependence on IT systems	x		
	Information and cyber security	x		
	Compliance risks		x	
	Goodwill		x	

Information and cyber security

The Menora Mivtachim group is exposed to cyber threats, mainly as part of the activity of its principal subsidiaries, which might arise from unauthorized use of identify, disruption to the normal activity of the network, shutdown of services, damage to the system, theft of assets, penetration to systems or exposure and disruption of information. As required, among other things, under regulatory provisions, the Group has a dedicated information security unit for handling information security and cybersecurity risks, which is managed by an information security officer. In the reporting year, a number of cyber-attacks took place, the severity of which is low, but their frequency (as a phenomenon) is increasing over time.

So far, the types of attacks included mainly by “Denial-of-Service” attacks, phishing and viruses that are sent by email. In view of the expansion of the Group’s digital activity, the probability of the occurrence of cyber-attacks increases. The Group has an up-to-date information security and cyber policy, which is approved by the boards of directors of Group companies once a year, as well as procedures and routine activities, which are derived from the said policy in order to mitigate, as much as possible, the information security and cyber exposures, as well as ways to deal with a cyber incident until recovery is achieved and normal activity is restored.

Among other things, the Group has a security operation center, that monitors, identifies and provides alerts regarding incidents and coordinates the handing of such incidents; during the reporting year, there were also a number of drills in order to assess the effectiveness of the systems and the tools that were implemented for the purpose of dealing with information security and cyber incidents. Furthermore, the Group trained a heterogeneous IT systems response team in order to improve its ability to deal with such events. Cyber security that is implemented by the Group also includes checks conducted during the course of employee recruitment processes and engagement with suppliers, increasing employees’ awareness to cyber threats, maintaining physical security, protecting the network, systems and applications, and user access controls. As mentioned above, the expansion of the Group’s digital activity in recent years, which is planned to continue in the next few years, increases the risk of cyber-attacks, both directly with attacks on the Group’s infrastructures, and indirectly with on the infrastructures of the Group’s suppliers.

In recent years, and in view of the occurrence of significant cyber incidents in Israel and abroad, the Group enhanced its readiness and preparedness for the occurrence of a cyber event. In addition, the control systems and response scenarios for ransom incidents were tested, including the revision of procedures and the planning of an outline for a drill focusing on dealing with such an incident (including management drill with the support of an external professional party), which was scheduled in the work plans. The main risks in this area are information leakage, information disruption and reputational risk, which the Group works to prevent or at least mitigate through monitoring and identification tools and through the implementation of adequate controls in its systems, and as stated above - also by receiving assistance from a professional party with which it entered into an engagement. Furthermore, the Group purchased insurance coverage in respect of damages that might be caused as a result of computer crimes and cyber incidents.

For a description of risk management in the Group, see Section 8 to the Report of the Board of Directors and Note 38 to the Financial Statements.

7.16 Material agreements and collaboration agreements

7.16.1 New collective long-term care insurance - Tzevet, the IDF Veterans Association - in February 2018 Menora Mivtachim Insurance and Tzevet, the IDF Veterans Association (hereinafter - “Tzevet”) signed a detailed collective long-term care insurance agreement for Tzevet members; in December 2022, the agreement was extended. For further details, see Section 6.2.1.2 above.

7.16.2 Investments in Ampa Capital - In January 2016, the Company signed an agreement with Ampa Capital Ltd. (hereinafter - “**Ampa Capital**”) and its parent company, the Investment Company for the Development of Industry for Israel Ltd. (hereinafter - the “Seller”) regarding the acquisition and allocation of 30% of Ampa Capital shares from the Seller in consideration for a sum of approx. NIS 63.5 million,

as well as options for the acquisition and allocation of an additional 10% of Ampa Capital shares under the terms and conditions as detailed in the agreement (hereinafter - the "**Agreement**"). The call options shall remain valid for the duration of a period of 180 days commencing after 3 years have elapsed from the completion date, subject to the Company's right to bring forward the exercise of the call options in certain cases as set forth in the Agreement. In February 2018, an agreement for the purchase of a further 17.63% of the shares of Ampa Capital was signed instead of the above-mentioned option. The Consideration Amount according to the agreement is mainly based on a NIS 270 million value of Ampa Capital and is subject to the modification of a price based on Ampa Capital's financial results for 2018. The total consideration that was paid in practice in respect of the shares stood at NIS 73.4 million. Furthermore, in January 2020 the Company purchased 0.75% of Ampa Capital's shares from Ampa Capital's CEO. After the said acquisition of shares, the Company has an aggregate rate of approx. 47.65% of Ampa Capital's share capital. For further details, see Note 8 to the Financial Statements.

7.16.3 Investment in ERN - in September 2016, the Company signed an agreement with ERN Israel Ltd. (hereinafter - "**ERN**"), which is engaged in the provision of undertakings for repayment of means of payment, and with S.A.B Ltd., which is the parent company of ERN (hereinafter - the "**Seller**"), both of which are privately-held companies, which are not related to the Company and/or its controlling shareholders (hereinafter - the "**Original Agreement**" or the "**Transaction**"), for the purchase of 40% of ERN's share capital by the Company in consideration for NIS 100 million. As part of the agreement, the parties were awarded call and put options - under various conditions - which were partially exercised, by virtue of a revised shareholders' agreement that was signed between the parties as detailed below.

In September 2022, the Company signed an agreement with the Seller and ERN, which replaced the existing agreements between the Company and the Seller and ERN, pertaining to the acquisition of ERN shares by the Company from the Seller and relating to the Company's investment in ERN (hereinafter - the "**Agreement**"). According to the Agreement, the Company will exercise the call option available to it to purchase 10% of ERN shares in consideration for a total of NIS 38.5 million. Furthermore, the Company will acquire from the Seller an additional 15% of ERN shares for an additional consideration of NIS 90 million. Concomitant with the share acquisition, the Company will invest an additional NIS 60 million in ERN in return for the allocation of an additional 10% of ERN shares. The Company and the Seller agreed to convert existing shareholder loans totaling approx. NIS 32.6 million into ERN share capital. Subsequent to the completion of the share purchase transactions, the allotment of the shares and the conversion of the loans as described above, the Company will hold 70% of ERN shares while the Seller will hold the remaining 30% of ERN shares.

As part of the Agreement, provisions were established regarding the arrangements between the parties in relation to the overall legal relations between them with the status of the Company and the Seller as shareholders in ERN subsequent to the completion date, including with regard to: (a) The parties' undertaking to work towards the issuance of ERN for a value of no less than NIS 600 million; (b) Arrangements relating to decision making at ERN following completion of the Agreement (both prior to the issuance of ERN and thereafter); (c) Arrangements in

relation to future sales of ERN shares by any of the parties (including: first right of refusal that was granted to the Company in the sale of shares by the Seller, tag-along right that was granted to the Seller in the sale of shares by the Company, etc.); and (d) The Company's undertaking to provide funding for ERN for certain objectives defined in the Agreement alone. In addition, if and insofar as the issuance is not carried out by the date set forth in the Agreement, the Seller shall be entitled to exercise a put option for a 12-month period, to sell its shares in ERN to the Company in accordance with the valuation mechanism set forth in the Agreement, but in any event for a value not exceeding NIS 600 million. On September 30, 2022, after the fulfillment of the conditions precedent, the above transaction for the purchase and allocation of the shares was completed. Furthermore, a transaction was completed for an investment by Bank Leumi le-Israel B.M. in Mimun Click Ltd. - a subsidiary of ERN - at the total amount of NIS 65 million in consideration for the allocation of 20% of the issued and paid-up share capital of Mimun Click.

7.16.4 Allotment of shares in a subsidiary

In March 2021, an investment agreement was signed with Allied Holdings Ltd. (hereinafter - the "**Investor**") regarding an investment in Menora Mivtachim Pension and Provident Funds amounting to NIS 128.8 million (hereinafter - the "**Investment Amount**"), against the allocation of 4.9% of the issued and paid-up share capital of Menora Pension and Provident Funds, on a fully diluted basis. The Investor was also awarded an option for a further allocation of up to 4.9% of the issued and paid-up share capital of Menora Mivtachim Pension and Provident Funds. The Investment Agreement stipulated that in 2021 and 2022 Menora Mivtachim Pension and Provident Funds shall distribute a dividend at a total amount that will not be lower than the amount that was distributed in 2020, and as from 2023 it will distribute a dividend at a rate that will not be lower than 70% of the annual income (subject to the provisions of the law). For further details, see immediate reports dated February 15, 2021, February 18, 2021 and March 18, 2021 (Ref. Nos. 2021-01-018060, 2021-01-019635 and 2021-01-039393, respectively). In May 2022, an addendum was signed to the abovementioned agreement, where under, further to the serving of a revised exercise notice by Allied, Menora Pension and Provident Funds allotted to Allied the option shares as well as additional shares (hereinafter - the "**Additional Shares**"), such that subsequent to the exercise of the option shares and the purchase of the Additional Shares, Allied's overall holding stands at 9.999% of Menora Pension and Provident Funds' issued and paid up share capital, on a fully diluted basis. In consideration for the allotment of the option shares and the Additional Shares, Allied paid a total of approx. NIS 150 million - an amount reflecting a (pre-money) value of NIS 2,650 million for Menora Pension and Provident Funds. It is noted that Allied has the Commissioner's approval to hold up to 10% of Menora Pension and Provident Funds' shares. For further details, see the immediate report dated May 30, 2022 (Ref. No. 2022-01-066754).

7.16.5 Acquisition of 50% of the Alifim agency

In April 2022, a binding agreement was signed between Mr. Alexander Chernomordik and Best Capital 54 Ltd. (hereinafter - the "**Sellers**") and Menora Mivtachim Agencies Ltd. (hereinafter - "**Menora Agencies**"), a wholly-owned and controlled subsidiary of the Company, for the purchase of 50% of the issued and paid up share capital (on a fully diluted basis) of Alifim Insurance Agency (2002)

Ltd. (hereinafter - the "Agency") in consideration for NIS 140 million plus a future consideration of NIS 10 million, subject to the fulfillment of conditions as detailed in the agreement (hereinafter - the "Agreement"). The Agreement stipulates, among other things, that the Menora Mivtachim Group will provide the Agency with a credit facility for the purpose of its operating activities, including for the purpose of expanding its activity by way of purchasing other agencies and agents' portfolios, and a condition whereby Mr. Chernomordik will continue to serve as the CEO of the Agency and will be subject to a non-compete stipulation for the periods and under the conditions detailed in the Agreement. Furthermore, the agreement includes generally accepted representations in relation to the Agency and the parties to the engagement, and generally accepted arrangements between the parties in their capacity as shareholders in the Agency as from the completion date, including with regard to the transfer of shares to a third party and the Agency's dividend distribution policy, subject to the provisions of any law and to the Commissioner's Directives, conditions regarding put and call options to the parties, and provisions regarding the appointment of directors and indemnity in the event of breach of representations, tax liability or any other matter that took place prior to the completion date. On January 1, 2023 after the fulfillment of the Agreement's conditions precedent, including receipt of the required regulatory approvals, the purchase and shares allocation transaction was completed, such that Menora Agencies holds 50% of the Agency's shares. For further details, see the Company's immediate report dated April 13, 2022 and January 1, 2023 (Ref. Nos. 2023-01-000631 and 2022-01-039480).

7.16.6 Collective insurance tender - HMOs Meuhedet and Leumit

As from April 1, 2019, and since January 1, 2020 Menora Insurance started insuring members of the health maintenance organizations "Leumit Health Services" and "Kupat Holim Meuhedet" (hereinafter - "**Leumit**" and "**Meuhedet**", and jointly - the "**Health Maintenance Organizations**"), respectively, under a collective long-term care insurance in accordance with the terms and conditions of the tenders they had published. The insurance period is expected to end on March 31, 2024 and on December 31, 2024, respectively. On March 26, 2024, the parties signed an addendum to the agreement such that from April 2024, the agreement with Leumit will be converted to an agreement for the operation of long-term care insurance claims for Leumit members in return for management fees as specified in the addendum to the agreement. For further details, see Section 6.2.1.2.

7.16.7 Signing an agreement with Maccabi

In December 2023, an agreement in principle was signed for the operation of long-term care insurance for Maccabi members, as from January 1, 2024, for a period of one year, with an extension option subject to meeting the terms and conditions detailed in the agreement in principle. The agreement in principle shall constitute the basis for a detailed agreement that will be signed between the parties in the forthcoming period, the key points of which are: Operation of the long-term care insurance of Maccabi members without bearing the insurance risk, against a consideration comprising management fees and reimbursement of expenses; dealing with long-term care insurance claims in accordance with the terms and conditions of the policy; management of the investments of the "Policyholders' Fund", all based on the revised legislative arrangement that was published in

December 2023 by the Capital Market Authority regarding collective long-term care insurance to members of health maintenance organizations; and arrangements and agreements regarding other operational and service-related issues, as will be agreed between the parties under the detailed agreement. On December 26, 2023, the Commissioner's approval to operate the health insurance plan was received, thereby fulfilling the conditions precedent for the coming into effect of the agreement in principle.

7.16.8 Life insurance and long-term savings

The Group has an agreement with Sapiens Israel Ltd. for the development of IT systems (for details, see Section 7.8.2 above).

Menora Mivtachim Pension and Provident Funds signed distribution agreements with the following banks: Israel Discount Bank Ltd., Bank Massad Ltd., Mizrahi Tefahot Bank Ltd., First International Bank Ltd., Bank Leumi le-Israel B.M., Bank Otsar HaHayal Ltd. and Bank Hapoalim Ltd. (only in relation to the provident funds, and not in relation to the pension funds under the Company's management) as well as One Zero Digital Bank Ltd. The distribution agreement stipulates that Menora Mivtachim Pension and Provident Funds shall pay the banks distribution fees in accordance with the provisions of the law in exchange for the distribution of its products.

Menora Mivtachim Engineers signed distribution agreements with the following banks: Israel Discount Bank Ltd., Bank Massad Ltd., Mizrahi Tefahot Bank Ltd., First International Bank Ltd., Bank Leumi le-Israel B.M., Bank Otsar HaHayal Ltd., Union Bank Ltd. and Bank Hapoalim Ltd. The distribution agreement stipulates that Menora Mivtachim Engineers and Provident Funds shall pay the banks distribution fees in accordance with the provisions of the law in exchange for the distribution of its products.

7.16.9 Compulsory motor insurance

Further to what is stated in Section 3.1 above regarding division of the burden of paying the compensation between the insurers of vehicles that were involved in an accident, and for the purpose of automated handling of netting mechanisms between the insurers, the Israeli Insurance Association operates a joint system for operating a clearing mechanism through The Insurance Companies Clearing Center Ltd. (hereinafter - the **"Clearing Center"**), in respect of payments arising from the Compensation Law and the Burden Division Order (named: **"'Light-Heavy' Clearing Outline"**). To this end, the insurance companies and the Clearing Center signed an agreement that regulates the outline as from 2004. The manager of the Clearing Outline was also given arbitration powers in connection with any disputes that may arise between the insurers with regard to the involvement of an insured vehicle in an accident. The said outline was awarded an exemption, subject to conditions, from cartel clearance by the Director General of the Israel Antitrust Authority (among other things since the system will be used for the transfer - between insurers - of payments arising from the provisions of the "Burden Division Order", that the system will be operated using an infrastructure of the clearing company and by an independent entity, which is not related to the insurers, the prohibition of the transfer of business information between the parties to the arrangement, etc.), which was in effect through August 31, 2020. In view of the expiry of the above-mentioned exemption, a self-assessment was received according to which,

subject to compliance with the conditions that were part of the exemption issued by the Commissioner, the arrangement constitutes a joint venture that meets the conditions set out in Section 9A to the Antitrust Rules (Class Exemption for Joint Ventures) (Temporary Order), 2006. This assessment is valid for a period of 5 years from the expiry of the latest exemption, i.e. through August 31, 2025, so long as no material changes have occurred with regard to the arrangement's circumstances.

In June and August 2015, Menora Mivtachim Insurance and Shomera, respectively, signed an agreement with the National Insurance Institute, which includes rules, terms and dates for settlement of the subrogation claims that will be filed by the National Insurance Institute in the compulsory motor insurance subsegment. The previous agreement expired in 2009, and the new agreement applies as from the expiry date of the previous agreement and thereafter. During 2023, Menora Insurance signed a further agreement with the National Insurance Institute to finalize the netting process in respect of subrogation as described above in consideration for a one-off payment for 2016-2022. For further details regarding the regulatory arrangements and the agreements that were signed with the NII, see Section 7.1.3 above.

7.16.10 Motor property

In view of the request of the Courts System Director, and in order to reduce the volume of litigation between the insurance companies, which are members of the Israeli Insurance Association - the insurance companies reached an outline arrangement for the management of arbitration proceedings relating to subrogation claims in motor property insurance and a binding engagement with a manager, who will be appointed to conduct the arbitration through a suitable software. According to the arrangement outline, each insurance company may opt to join the arrangement, disputes between insurance companies that joined the arrangement with regard to subrogation claims with certain characteristics shall not be litigated in court, but rather resolved through the arbitration mechanism. The arbitrator's decision in this proceeding is binding, and collection is carried out through the Clearing Center. Menora Insurance and Shomera joined the arrangement.

Part D

Corporate Governance Aspects

8. Corporate Governance Aspects

This part relates only to the corporate governance aspects which are relevant to the Group's insurance companies, as follows:

8.1 External directors

Menora Mivtachim Insurance

As of the report date, two external directors and 3 independent directors serve in Menora Mivtachim Insurance, out of ten serving directors, as follows.

Ms. Yocheved (Yochi) Dvir has been serving as an ED since April 1, 2015 (appointed for a third term in office on April 1, 2021), has an accounting and financial expertise. Serves as the Chairperson of the Balance Sheet Committee, and as a member of the Audit Committee and the Risk Management Committee.

Mr. Shimon Kalman, has been serving as an ED since November 25, 2019 (was appointed for a second term in office on November 25, 2022), has an accounting and financial expertise. Serves as the Chairperson of the Information Technology and Cyber Committee, member of the Balance Sheet Committee, Chairman of the Audit Committee and member of the Risk Management Committee.

Furthermore, three independent directors serve in Menora Mivtachim Insurance as follows: Mr. Tomer Sharet has been serving as an independent director since May 28, 2018 (was appointed for a second term in office on May 28, 2021) has an accounting and financial expertise. Serves as the Chairman of the Risk Management Committee, member of the Audit Committee and member of the Balance Sheet Committee.

Mr. Raz Heiferman has been serving as an independent director since August 1, 2018 (was appointed for a second term in office on August 1, 2021), has professional qualifications. Serves as a member of the Information Technology and Cyber Committee.

Mr. Ephraim Dror, has been serving as an independent director since May 12, 2022 (first term of office), has an accounting and financial expertise. Serves as a member of the Balance Sheet Committee and as a member of the Risk Management Committee.

Shomera

As of the report date, two external directors serve in Shomera, out of seven serving directors, as follows -

Ms. Yochi (Yocheved) Dvir has been serving as an ED since April 1, 2015 (appointed for a third term in office on April 1, 2021), has an accounting and financial expertise. Serves as the Chairperson of the Audit committee, Chairperson of the Investments Committee, member of the Balance Sheet Committee, and the Solvency and Risk Management Committee.

Mr. Avi Zamir, has been serving as an ED since May 30, 2021, has an accounting and financial expertise. Serves as a member of the Audit Committee.

Shomera also has a serving independent director, as follows -

Mr. Tomer Sharet, has been serving as an independent director since July 11, 2019 (was appointed for a second term in office on July 12, 2022), has an accounting and financial expertise. Serves as the Chairman of the Balance Sheet Committee, Chairman of the Solvency and Risk Management Committee, and member of the Audit Committee.

Menora Mivtachim Pension and Provident Funds

As of the report date, five external or independent directors serve in Menora Mivtachim Pension and Provident Funds, out of ten serving directors, as follows -

Mr. Shimon Kalman, has been serving as an ED/Independent Director since November 20, 2019, has an accounting and financial expertise. Serves as a member of the Audit Committee and of the Risk Management Committee.

Ms. Meirav Kirshner has been serving as an ED/Independent Director since February 6, 2022. Serves as a member of the Audit Committee.

Ms. Dalia Tal has been serving as an ED/Independent Director since July 24, 2022. Serves as a member of the Audit Committee.

Ms. Eti Einhorn has been serving as an independent director since May 15, 2023, has an accounting and financial expertise. Serves as a member of the Audit Committee.

Mr. Eli Cohen serves as an independent director since May 15, 2023. Serves as a member of the Audit Committee.

8.2 Chief Internal Auditor

8.2.1 Details of the Chief Internal Auditor

On January 28, 2013, the Company's Board of Directors approved (after approval by and at the recommendation of the Audit Committee of January 20, 2013) the appointment of Ms. Eti Hirshman (CPA) as the Chief Internal Auditor of the Company and other subsidiaries in the Menora Mivtachim Group, in effect as from March 1, 2013, based, among other things, on Ms. Hirshman relevant qualifications, skills and experience, which match the requirements of the position, taking into account the nature and scope of the activity of the Company and its subsidiaries.

The Chief Internal Auditor meets the criteria set in Section 3(a) of the Internal Auditing Law, 1992, the provisions Section 8 of the said law and the provisions of Section 146(b) of the Companies Law.

To the best of the Company's knowledge, the Chief Internal Auditor holds 22,605 options of the Company as part of the employee option plan, and she has no material business or other relations with the Company or a related entity thereof.

In November 2020, the Boards of Directors of Menora Insurance, Menora Pension and Provident Funds, and Menora Mivtachim Engineers approved a move of consolidating the internal audit functions of those companies under the management of the Chief Internal Auditor, in effect as from January 2021.

In addition, the Chief Internal Auditor is an auditor in other Group companies: Menora Mivtachim Finance Ltd., Menora Mivtachim Underwriters and Management Ltd., Menora Mivtachim Real Estate Ltd., Menora Mivtachim Capital Raising Ltd. and other Group companies.

8.2.2 Identity of the Chief Internal Auditor's Supervisor

The Chief Internal Auditor reports to the Chairman of the Board of Directors.

8.2.3 Work Plan

The work plan of the internal audit function is annual. The work plan for 2023 focused mainly on the activity of the subsidiaries - mainly on Menora Mivtachim Insurance and Menora Mivtachim Pension and Provident Funds - and the Company's audit plan is residual in nature and takes into consideration the Company's residual risks and the implementation of adequate controls and previous year's audit findings. The 2023 work plan and the multi-year plan for 2020 to 2023 in Menora Mivtachim Insurance and Menora Mivtachim Pension and Provident Funds relied on a risk survey conducted by an external professional party, and based on consultations held by the Chief Internal Auditor with internal and external parties, including the independent auditor, and at the approval of the Audit Committee, while relying on ad-hoc needs and constraints. In 2023, a risk survey was conducted by an external entity for the formulation of a multi-year plan for 2024-2027. Under the audit plan, the Chief Internal Auditor may make immaterial changes in the plan, subject to her discretion, taking into consideration ad-hoc needs.

8.2.4 Audit abroad or of investee corporations

The Chief Internal Auditor of the Company also serves as the internal auditor of Menora Mivtachim Insurance and Menora Mivtachim Pension and Provident Funds, which constitute key holdings of the Company, and accordingly, the audit activity focused on those companies. The Group has 2 other institutional entities in which internal audit work is carried out as follows: Menora Mivtachim and the Engineers Association, in which the Chief Internal Auditor carries out the audit work; in Shomera - the audit is conducted by Mr. Meir Ilia (CPA), a partner of Rosenblum Holtzman & Co. CPAs, which provides its services on an outsourcing basis. The details of material findings in Shomera are transferred to the Company's Chief Internal Auditor.

In Menora Mivtachim Real Estate, a Company subsidiary, whose activity is mainly carried out abroad, internal audit is carried out in accordance with an audit plan that was set and approved by Menora Mivtachim Real Estate's Board of Directors.

Scope of internal audit

The scope of the internal audit work in terms of number of working hours in the Company and investees is set, as stated above, based on risk surveys or a risk assessment, while taking into account ad-hoc needs and constraints, as detailed below:

Company	Audit hours	Audit hours by way of outsourcing
Menora Mivtachim Holdings (including Menora Mivtachim Insurance and its subsidiaries - as a main holding of the Company)	14,272	1,112
In Menora Mivtachim Finance and its subsidiaries (excluding Menora Mivtachim Provident)	80	
Shomera	---	1,800
Menora Mivtachim Pension and Menora Mivtachim Provident	7,848	2,000
Total	22,200	4,912

Out of a total of 27,872 audit hours in the Group in 2023, the number of hours under direct responsibility of the Chief Internal Auditor stood at 22,200 hours. At the Group level, there was an immaterial decrease of approx. 2.87% in the number of audit hours in 2023 compared to 2022. It is noted that the audit work is carried out exclusively by the employees of the internal audit function and/or through outsourcing, as the case may be, rather than through other Company functions.

8.2.5 Conducting the audit

The audit is conducted and carried out according to the professional standards, and in accordance with professional guidance of the Institute of Internal Auditors (IIA), which were adopted by Institute of Internal Auditors in Israel - the Israeli organization of internal auditors, and in accordance with the legal provisions, which are relevant to each Group Company, as the case may be. The Chairpersons of the boards of directors of the companies, through the Audit Committees, monitor the work of the Chief Internal Auditor. In order to verify compliance with the said professional standards, the Company holds, every several years, an external audit over the internal audit activity through a professional party.

On December 25, 2023, the Company's Board of Directors held a discussion - without the attendance of the management - in connection with the internal audit activity in 2023, in which the Chief Internal Auditor delivered her position regarding the resources she was allocated with, and the collaboration she receives from the Company. As part of this discussion, the Chairperson of the Audit Committee noted the committee's satisfaction from the Chief Internal Auditor's work.

8.2.6 Access to information

The Chief Internal Auditor and the other auditors in the Group's internal audit function have free access to all information sources, including documents, regular or computerized databases and financial data. What is stated in this paragraph also applies to the Company's subsidiaries in which the Chief Internal Auditor serves.

8.2.7 Chief Internal Auditor's report

The Chief Internal Auditor's audit reports are submitted in writing, after discussions were held with the audited entities in connection with the draft audit reports. The reports are brought before the Chairman of the Board of Directors and the CEO for review, and then for discussion by the Audit Committee. Furthermore, the Audit Committee is provided with follow-up reports regarding the implementation of the Chief Internal Auditor's recommendations that were made in previous audit reports.

During the reporting period, the Company's Audit Committee held 8 meetings. It should also be noted that in the Company's investees many other audit reports, ad-hoc inspection reports, as the case may be, and follow-up reports were submitted, which were discussed by the relevant audit committees.

8.2.8 The Board of Directors' assessment of the Chief Internal Auditor's work

In all institutional entities in the Group and in most of the investees, dedicated internal audit activity is conducted, and the audit reports are discussed in those corporations' audit committees. The Company's Audit Committee discusses only matters pertaining directly to the Company and receives reports on material and extraordinary audit findings in investees. In view of the above, the Board of Directors - having recorded the Chief Internal Auditor's explanations regarding the work plan and its compliance with the provisions of the law, and taking into account the data regarding the ratio between the activity of the internal audit function through that function's employees and the activity carried out by way of outsourcing, and information regarding the function's employees in the Group and other background data - is satisfied that the internal audit function has the resources and the tools it needs in order to carry out its responsibilities, noting, among other things, the Company's special needs in its capacity as a holding company that has no independent activity, the Company's size and the complexity of its activity.

In the opinion of the Board of Directors, the scope, nature and continuity of the Chief Internal Auditor's work and her work plan are reasonable under the circumstances and are sufficient to achieve the Group's internal control objectives.

8.2.9 Tagmul

Ms. Eti Hirshman is employed under a personal employment agreement as a full-time Group employee, and receives a monthly salary, social benefits and related benefits as is generally accepted, as well as a target-based bonus, all in accordance with the Company's Compensation Policy; the cost of the Chief Internal Auditor's compensation in the reporting year stood at approx. NIS 1,113 thousand.

The Company's Board of Directors is of the opinion that the compensation of the Chief Internal Auditor was adequate bearing in mind the scope of her activity and her functioning, and did not affect her professional judgment.

8.3 Independent auditor

The Company's independent auditors are Kost Forer Gabbay & Kasierer CPAs, who have been serving in this role since 1999. As from June 1, 2023, Tal Hay Zion has been serving as the partner in charge of the audit in the Company.

Compensation in NIS million (excluding VAT):

(In NIS thousand)	For 2023					For 2022				
	Audit*	Auditing -related services	Other tax services	Other services	Total	Audit*	Auditing -related services	Other tax services	Other services	Total
Company	0.2	-	0.01	0.19	0.4	0.2	-	0.02	0.18	0.4
Menora Miv-tachim Insurance	4.4	-	0.32	0.14	4.86	3.76	-	0.52	0.44	4.72
Shomera	0.91	-	-	-	0.91	0.58	-	-	0.32	0.9
Menora Miv-tachim Pension and Provident Funds	0.5	-	0.1	0.02	0.62	0.5	-	0.01	0.02	0.53
ERN group**	0.28	-	-	-	0.28	0.28	-	-	0.05	0.33
Other companies	0.6	0.06	0.06	0.03	0.75	0.59	0.1	-	0.03	0.72
Total	6.89	0.06	0.49	0.38	7.82	5.91	0.1	0.55	1.04	7.6

* Including SOX 404 audit, preliminary audit in respect of IFRS 17 and solvency audit.

** RSM Shiff Hazenfratz Co.

The independent auditors' fee in respect of audit services is set by the Company's management at the approval of the Board of Directors, after conducting negotiations, based, among other things, on generally accepted tariff for audit in corporations, whose activity requires extensive expertise and understanding of the relevant accounting and business environment.

8.4 Effectiveness of Internal Control over Financial Reporting and Disclosure

Management, under the supervision of the Board of Directors, performed an examination and assessment of the Corporation's internal control over financial reporting and disclosure and their effectiveness. In this context, the Company adopted the COSO's internal control module, which constitutes a defined and recognized framework for assessing internal controls. The assessment of the effectiveness of the internal control as described above included the following control components: Entity-level controls; controls over the process of preparing and closing the financial statements; IT general control

(ITGC), and controls over processes, which are very material for financial reporting and disclosure, which are carried out mainly by the Group's institutional entities, which coordinate the principal part of its business activity, as detailed below:

The SOX processes in the institutional entities

In accordance with the Commissioner's Directives, the Group's institutional entities implement the provisions of Sections 302 and 404 of the "Sarbanes-Oxley Law", which was legislated in the United States. In November 2010, the Commissioner published a Circular (No. 2010-9-7) dealing with "Internal Control over Financial Reporting - Certifications, Reports and Disclosures", which regulated the wording of the statements and the disclosure format and set the wording of the independent auditor's report and the Report of the Board of Directors and Management regarding internal control over financial reporting.

According to the provisions of Section 302, the CEO and the CFO should each sign a statement regarding controls and procedures regarding disclosure. In order to implement the procedure required under the said directives, the Group's institutional entities conducted, among other things, an assessment of the controls and procedures regarding the disclosure, and discussions participated by the parties that take part in the preparation of the financial statements.

The provisions of Section 404 are implemented in accordance with the Commissioner's circular on "**Management's Responsibility for Internal Control over Financial Reporting**". According to the circular, institutional entities, as defined in the Supervision Law, including provident funds and pension funds, are required to include in the annual report a statement regarding management's responsibility for setting up and maintaining an internal audit function and appropriate procedures regarding internal control over financial reporting, and an assessment - as of the end of the financial year - regarding the effectiveness of the internal control function and the procedures of internal control over financial reporting of the institutional entity. Furthermore, the institutional entity's independent auditor is required to provide an opinion on internal controls over financial reporting.

As part of the implementation of the provisions of Section 404, the Group's institutional entities implemented, among other things, the following work processes: Identifying the accounts, the business processes and the IT systems, which are material for the financial reporting (scoping), documenting the processes and assessing the risks associated with financial reporting and fair disclosure, setting the controls designed to prevent or mitigate those risks, and analyzing the control gaps and setting work plans designed to close those gaps. The institutional entities have established work processes for ongoing monitoring of the controls that were set as described above, in order to ensure the continued effectiveness of internal control over financial reporting and disclosure.

In accordance with what is stated above, no "material weaknesses" were detected, as defined in the circular. However, the Company worked and continues to work - as part of a multi-year work plan - to reduce a number of significant deficiencies in Menora Mivtachim Insurance, while continuing to implement relevant compensatory controls, establishing work processes and improving automated controls. These deficiencies were reported - as required - to the Balance Sheet Committee and the Board of Directors of Menora Mivtachim Insurance.

Controls and procedures regarding disclosure and changes in internal control over financial reporting

Managements of the Group's institutional entities assessed the effectiveness of the controls and procedures concerning their disclosure as of the end of the period covered in this report. Based on this assessment, the CEOs and CFOs of all institutional entities concluded that, as of the end of this period, the controls and procedures regarding disclosure are sufficiently effective for recording, processing, summarizing, and reporting the information they are required to disclose in their annual reports in accordance with the provisions of the law and the reporting provisions set by the Commissioner and on the date set out in these provisions.

During the reporting period ended on December 31, 2023, no changes took place in the internal control over financial reporting of the said institutional entities that had a material effect, or is expected to have a material effect, on these institutional entities' internal control over financial reporting.

8.5 Implementation of a Solvency II-based Solvency Regime

For details regarding the implementation of a Solvency II-based Solvency Regime, see Section 3 to the Report of the Board of Directors and Note 15 to the Financial Statements.

Eran Griffel
Chairman of the Board

Ari Kalman
CEO

Ramat Gan, March 28, 2024

Chapter B

Report of the Board of Directors

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Menora Mivtachim Holdings Ltd.

Report of the Board of Directors for 2023

The following Report of the Board of Directors reviews the activity of Menora Mivtachim Holdings Ltd. (hereinafter - the “Company”) for the period ended December 31, 2023 (hereinafter - the “Reporting Period”).

The Report of the Board of Directors reviews the key changes in the Company’s activity in the Reporting Period. The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the “**Securities Regulations**”). The Report of the Board of Directors is an integral part of the Periodic Report, and the Periodic Report is to be read in its entirety, as a single unit.

With regard to the description of the businesses of the insurers consolidated in the Company’s reports, the report was prepared pursuant to the Supervision of Insurance Business Regulations (Reporting), 1998, and in accordance with the circulars issued by the Commissioner of the Capital Market, Insurance and Savings Authority.

1. The Board of Directors’ Explanations for the State of the Corporation’s Business

1.1 General

For details about the Company and its shareholders, see Section 1.1 of the Report on the Corporation's Business.

1.2 The Company’s areas of activity

For a description of the Company’s areas of activity, see Section 1.3 in the chapter entitled Description of the Corporation's Business.

2. Key changes involving the corporation’s businesses in the Reporting Period

2.1 The Iron Swords War - consequences and effects

On October 7, 2023, a surprise attack was launched on the State of Israel from the Gaza Strip, following which the Israeli government declared a state of war (hereinafter - the “**Iron Swords War**” or the “**War**”). In view of the above and further to the letters issued on October 17 and November 8, 2023 by the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the “Commissioner”) to the Group’s institutional entities regarding “Guidelines to Institutional Entities in View of the Iron Swords War” and “The Effects of the Iron Swords War on the Financial Statements, respectively, and further to points of emphasis published by the Israel Securities Authority to reporting corporations regarding a disclosure in connection with the Iron Swords War, the boards of directors of the companies and the Group’s institutional entities held meetings in which, among other things, they analyzed the potential exposure to the effects of the War, and discussed the business continuity plan, the Company’s preparedness to emergency scenarios, and the

tools through which the Group can mitigate the risk, including from a financial perspective.

Following are the details of the main effects:

On the operational level:

Upon the outbreak of the War, Group companies took action to facilitate remote work for most of their employees, with an emphasis on continuous provision of services to customers and employers in connection with essential process, specifically those listed in the Commissioner's letter, while monitoring various business parameters through relevant reporting mechanisms; enhancing the capability to provide services through digital channels - all, to the extent possible, while ensuring work safety, and mitigating the risks of remote working, including cyber and information security risks, and refreshing the business continuity procedures. Towards the end of 2023, and during the first quarter of 2024, a gradual process of returning to work full time at the Group's offices has started, aiming to return to the work format which was in place prior to the outbreak of the War.

At the business level

Life insurance and long-term savings - most of the exposure in this segment stems from life insurance, permanent health insurance, and disability insurance. The Group has in place reinsurance coverage for catastrophe events, which is supposed to absorb some of the exposure; in the opinion of the Group, based on the information available to date, the effect in retention due to the impact of the war amounts to approx. NIS 42 million before tax. It is noted that following the war in Ukraine and the Iron Swords War, the reinsurers excluded war risks from catastrophe coverage in life and health insurance. Furthermore, due to potential adverse effects of the War on the labor market, and specifically an increase in unemployment rate, there may be a decline in contributions and an increase in withdrawals from pension savings in the future.

Health insurance (including long-term care insurance) - the exposure as a result of the War on the health and long-term health insurance operating segment is not expected to be material.

Property and casualty insurance - generally, damage to property due to the War is not covered by property insurance policies, and therefore, the exposure due to the War is not expected to be material. Furthermore, in this subsegment, there is an immaterial positive effect which is not quantifiable.

Non-banking credit - the credit granting activity in the Group is carried out mostly by the subsidiary ERN and sub-subsidiary (Mimun Click). Most of the effects of the War were felt in October and November 2023, and were reflected in a decline in transaction turnover and in revenues, and in an increase in default rates. During December 2023 the effects of the War moderated. The exposure in the credit granting activity is an increase in credit losses; furthermore, the direct effect of the War on the expected credit losses is immaterial.

On the financial level:

Assets under management - the Iron Swords War triggered declines in capital markets in Israel (both in share prices and in bond prices), which moderated in November 2023 and even changed course to hikes during December 2023. As a result of the above, the value of the Group's nostro assets and assets under management increased.

Changes in the risk-free interest and the illiquidity premium - as a result of the War there

was an increase in the risk-free interest and the illiquidity premium, and as from November, the trend changed and the risk-free interest decreased, and in the short term the decrease was even higher than the said increase.

In the regulatory environment:

On October 23, 2023, the Commissioner published a number of directives regarding regulatory changes and expedients which will apply during the War, whose objective is, among other things, to facilitate the activity of the institutional entities, and in particular the investment activity of institutional entities (in order, among other things, to facilitate the activity of the capital market), and in order to support those entities' customers.

Thus, among other things, with respect to investments, expedients were provided regarding analyses in connection with the acquisition of corporate bonds, while giving the option to acquire bonds even without an up-to-date economic analysis as is currently required, provided that there is an independent and comprehensive economic analysis which will be approved by the Investment Committee. In addition, directives were prescribed that are designed to facilitate the activity of the institutional entities by postponing the dates on which various regulatory directives will come into force, including the amendment of the Investment Tracks Circular, amendment of a uniform format for the transfer of information and data in the pension savings markets, the manner of depositing payments, own risk and solvency assessment of an insurance company (**ORSA**), amendment of the Supervising Actuary and Chief Actuary circular.

Furthermore, expedients were prescribed regarding regular reports to the Commissioner and regarding the manner by which the Board of Directors and its committees work, and the permission to postpone the publication date of the financial statements for the third quarter of 2023. Directives were prescribed that are designed to give expedients to policyholders and planholders, including amendment of the renewal circular while giving policyholders the flexibility to stop insurance coverages, and giving insurers the option to extend the term of the policy beyond the date set in the renewal notice if it did not manage to contact the policyholder. In addition, the Knesset legislated the Deadline Postponement Law, which stipulates that an entity/person entitled to postpone a deadline as defined in the law will be allowed to notify the Company about the postponement of the set deadline for executing an action by virtue of a contract or a ruling by the earlier of 60 days or through February 29, 2024.

The term of the abovementioned directives was limited in time through the date set in each directive, on a case by case basis.

The War's effects on the Group's results constitute forward-looking information, as defined in the Securities Law, 1968, which is based, among other things, on the Company's assessments and estimates as of this reporting date, and are based on the publications and on the guidance of the competent parties in Israel and abroad, which might change from time to time, and whose materialization is uncertain and is outside the Group's control. The Company's assessments may not materialize, or materialize in a manner that is materially different, due to, among other things, in view of the development of the War, and specifically as a result of the government's actions in response to those developments.

2.2 Appointment of directors and officers

On January 17, 2023 the Board of Directors of Menora Mivtachim Insurance Ltd. (hereinafter - "**Menora Mivtachim Insurance**") decided - after a discussion in the Audit Committee and at its recommendation - to appoint Mr. Michael Kalman as the Company's CEO as from April 1, 2023, instead of Mr. Yehuda Ben Assayag, the former CEO. Furthermore, the Board of Directors of Menora Mivtachim Insurance decided to appoint Mr. Ben Assayag as a director and as Chairman of the Board of Directors starting on April 1, 2023, instead of Mr. Ari Kalman, who ended his tenure as the Chairman of the Board of Directors of Menora Mivtachim Insurance on January 17, 2023. On February 22, 2023, the Acting Commissioner of the Capital Market, Insurance and Savings Authority approved the above-mentioned appointments.

2.3 Extraordinary annual meeting

For details regarding annual and extraordinary meetings of the Company, see Section 18 of the Additional Details Report.

2.4 Updated compensation policy

For details regarding the revised compensation policy, see Section 7.6.9 of the Report on the Corporation's Business.

2.5 The legal reform

During January 2023, the government began promoting a plan to make fundamental changes in the legal system in Israel, which led to controversy and widespread public protests. The legal reform and the uncertainty it gives rise to might impact the economic environment in which the Group operates, including the cost of capital raising, the returns in the capital market, the credit rating of Israel, and more. At this stage the Company is unable to assess future developments, or the effect of those events on the Israeli economy in general and the Group's activity in particular.

2.6 Market volatility

In 2022, there were declines in the financial markets due to the increase in the interest rate curve and due to the conflict between Russia and Ukraine. In view of the above, the declines in financial markets increased, specifically due to the hikes in interest rates across the world and in the USA, and the concern that a global recession will occur. Further to the above, the participating life insurance policies marketed through 2004 achieved a negative real return. Therefore, Menora Mivtachim Insurance did not record variable management fees since the beginning of 2022; rather, it only recorded fixed management fees. In 2023, there was a positive real return, which partially offset the negative real return as stated above. Accordingly, the estimated management fees which will not be collected due to the negative real return until a cumulative positive return is achieved amounted, as of the report date, to approx. NIS 198 million before tax. Immediately prior to the financial statements publication date the management fees which will not be collected due to the negative real return were estimated at approx. NIS 126 million.

Furthermore, and in view of the War in Ukraine which is still raging, some western countries decided to collaborate and impose some significant financial and economic sanctions on Russia, as well as various trade restrictions on Russian entities (including financial institutions and various corporations, politicians, Russian businessmen, etc.); these sanctions and restrictions include a prohibition on trade, investment, and on maintaining economic relations, as well as the disconnection of some Russian banks from international financial systems. At the same time, the Russian government-imposed restrictions on the transfer of capital to destinations outside Russia. Menora Mivtachim group invested - together with partners - in assets located in Russia; the amount of the investment is immaterial compared to the Group's total assets; in view of the above, the Group's ability to dispose of the assets is limited, and so is its ability to transfer funds to destinations outside the Russian Federation. Furthermore, and as a result of a sharp depreciation in the exchange rate of the Ruble, the value of the investment has eroded significantly in USD and NIS terms.

2.7 Dividend distribution

In March and August 2023, and in accordance with the dividend distribution policy, the Company declared the distribution of approx. NIS 100 million in dividend which was distributed in April 2023, and a NIS 75 million dividend which was distributed in September 2023. For details, see the Company's immediate reports of March 29, 2023 (Ref. No.: 2023-01-034203) and August 29, 2023 (Ref. No.: 2023-01-099861).

2.8 Dividend from subsidiaries and investees

For details regarding dividends from subsidiaries and investees, see Sections 1.5 and 1.6 of the Report on the Corporation's Business.

2.9 Rating - subsidiaries

In May 2023, Midroog published a tracking report of Menora Mivtachim Insurance Ltd. a company subsidiary, which reiterated the rating of the subsidiary and that of the notes issued by it and by Menora Mivtachim Capital Raising, a sub-subsidiary of the Company. Accordingly, the subsidiary's rating is Aa1 with a stable outlook, the rating of the notes included in the Tier 2 and Tier 3 Capital is Aa2 with a stable outlook, and the rating of the notes comprising the hybrid Tier 2 Capital is Aa3 with a stable outlook. For further details, see the immediate report dated May 29, 2023 (Ref. No. 2023-01-057270).

In August 2023, Midroog published a tracking report of the subsidiary, Shomera Insurance Company Ltd., which reiterated the subsidiary's rating - A1 with a stable outlook. To view the full rating report, see the immediate report dated August 22, 2023 (Ref. No. 2023-01-078211).

2.10 Investment in Manor Fund

The Company's Board of Directors approved an investment - through a subsidiary - and alongside other leading financial entities, as an anchor investor in the "Manor" investment fund (hereinafter - the "**Investment Fund**"), to be set up by 3 partners headed by Avi Ortal. The amount of investment undertakings in the fund totals approx. NIS 150 million. The fund plans to operate for an indefinite period of time (**evergreen**), and its investment period will span over its entire life. The fund's investment may be made through various types of financial instruments, including shares, loans, convertible securities and more. In its capacity as an anchor investor, the Group will be allowed to redeem its investment after 7 years from the date of the investment undertaking. The general partner will be entitled to management fees and success fees as is generally accepted. The Group and the other

anchor investors shall be entitled to a portion of the success fees; such entitlement shall be in place even after the Group redeems its investment as stated above (if it does, indeed, do so). For further details, see the Company's immediate report dated June 13, 2023 (Ref. No. 2023-01-064986). It is noted that as of the report publication date, the Group invested approx. NIS 20 million of the investment undertaking amount.

2.11 Extension of the term of the Company and sub-subsidiary's shelf prospectus

On August 23, 2023, the Israel Securities Authority approved the extension of the term of the Company's shelf prospectus, which was published on August 30, 2021; for details see the Company's immediate report of August 23, 2023 (Ref. No.: 2023-01-079009).

On August 23, 2023, the Israel Securities Authority approved the extension of the term of Menora Mivtachim Gius Hon's shelf prospectus, which was published on August 30, 2021; for details see Menora Mivtachim Gius Hon's immediate report of August 23, 2023 (Ref. No.: 2023-01-078991).

2.12 Issuance of Series H

In September 2023, the sub-subsidiary - Menora Mivtachim Gius Hon Ltd. - issued NIS 300 million p.v. registered Bonds (Series H) of NIS 1 p.v each. The Bonds (Series H) were rated Aa3 by Midroog. The issuance proceeds were transferred to Menora Mivtachim Insurance as Tier 2 Capital. For further information, see the immediate report of Menora Mivtachim Gius Hon dated September 7, 2023 (Ref. No. 2023-01-104514).

2.13 Renewal of D&O policy

In September 2023, the Company's Board of Directors approved the renewal of a directors and officers insurance policy through December 14, 2024, in respect of the directors and officers of the Company and its subsidiaries, as they will serve from time to time, including for the controlling shareholder, Mr. Eran Griffel, as the case may be. For further details, see the Company's immediate report dated September 11 2023 (Ref. No. 2023-01-105450) and supplementary report of September 26, 2023 (Ref. No. 2023-01-109752).

2.14 Signing an operating agreement with Maccabi

In December 2023, an agreement in principle was signed with Maccabi Healthcare Services (hereinafter - "Maccabi") for the operation of long-term care insurance for Maccabi members, as from January 1, 2024, for a period of one year, with an extension option subject to meeting the terms and conditions outlined in the agreement in principle. The agreement in principle shall constitute the basis for a detailed agreement to be signed between the parties in the forthcoming period, the key points of which are: Operation of the long-term care insurance of Maccabi members without bearing the insurance risk, against a consideration comprising management fees and reimbursement of expenses; dealing with long-term care insurance claims in accordance with the terms and conditions of the policy; management of the investments of the "Policyholders' Fund", all based on the revised legislative arrangement which was published in December 2023 by the Capital Market Authority regarding collective long-term care insurance to members of health maintenance organizations; and arrangements and agreements regarding other operational and service-related issues, as will be agreed between the parties under the detailed agreement. On December 26, 2023, the Commissioner's approval to operate the health insurance plan was received, thereby fulfilling the conditions precedent for the coming into effect of the agreement in principle.

2.15 Collective long-term care insurance - Leumit Health Services

Menora Insurance is the insurer in a collective long-term care insurance policy for members of the Leumit Health Services HMO. According to the agreement with Leumit, the insurance period is expected to end on March 31, 2024. On March 26, 2024, the parties signed an addendum to the agreement such that from April 2024, the agreement with Leumit will be converted to an agreement for the operation of long-term care insurance claims for Leumit members in return for management fees as specified in the addendum to the agreement.

2.16 Quality investment agreement

In September 2022, a collaboration agreement was signed for the provision of reverse mortgage loans by Menora Insurance to borrowers located by Quality Credit Holdings Ltd. (hereinafter - "Quality" and the "Original Agreement"). On March 7, 2024, an agreement was signed between Menora Finance and Quality regarding an addendum to the collaboration agreement in which it was agreed that Menora will exercise the **call** option granted to it to purchase shares in Quality at a rate not exceeding 27.5% of the issued and paid up share capital of Quality against payment to Quality of an amount based on a value of approx. NIS 70 million for the Company with respect to Quality Holdings. The transaction was completed subject to approval by the Israel Competition Authority and the Capital Market, Insurance and Savings Authority.

2.17 Legal proceedings

For a description of legal and administrative proceedings, as well as regarding developments in the exposure to class actions and the approval of lawsuits which were filed against the Company and/or its consolidated companies, as class actions and other contingent claims, see Note 40 to the financial statements.

2.18 Cyber risk

For details regarding cyber risk, see Section 7.15 to the Report on the Corporation's Business.

2.19 Description of the business environment

For further details, see Section 7.1 to the Report on the Corporation's Business.

3. Capital requirements according to the solvency regime (in NIS thousand)

3.1 Solvency ratio and minimum capital requirement

A. Solvency ratio

Menora Insurance	As of June 30, 2023	As of December 31, 2022
	Unaudited*	Audited**
	NIS thousand	
Without taking into account the Provisions for the Transitional Period and after adjusting the stock scenario:		
Shareholders equity in respect of SCR	6,934,664	6,616,988
Solvency capital requirement (SCR)	4,606,968	4,578,909
Retained earnings	2,327,696	2,038,079
Solvency ratio (%)	150.5%	144.5%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Capital raising	182,697	-
Shareholders' equity for solvency purposes	7,117,360	6,616,988
Retained earnings	2,510,392	2,038,079
Solvency ratio (%)	154.5%	144.5%
The Board's target for the period (in %)	113.9%	113.6%
Excess capital over target (in NIS thousand)	1,868,708	1,416,655
Meeting milestones taking into account the Provisions for the Transitional Period and after adjusting the stock scenario:		
Shareholders' equity in respect of SCR	7,350,716	7,200,873
Solvency capital requirement (SCR)	4,330,377	4,207,916
Retained earnings	3,020,339	2,992,957
Solvency ratio (%)	169.7%	171.1%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Capital raising	300,000	-
Shareholders' equity for solvency purposes	7,650,716	7,200,873
	3,320,339	2,992,957
Solvency ratio (%)	176.7%	171.1%

B. Minimum capital requirement (MCR)

	As of June 30, 2023	As of December 31, 2022
	Unaudited*	Audited**
	NIS thousand	
Minimum capital requirement (MCR)	1,443,295	1,267,822
Solvency capital requirement (SCR)	5,979,284	5,797,315

(*) The solvency ratio as of June 30, 2023 was reviewed by the Company's independent auditors in accordance with the principles of International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

(**) The solvency ratio as of December 31, 2022 was reviewed by the Company's independent auditors, in accordance with International Standard on Assurance Engagements (ISAE 3400) - The Examination of Prospective Financial Information. See Note 15 to the Consolidated Interim Financial Statements and the Economic Solvency Ratio Report on the Company's website.

C. Solvency ratio

Shomera Insurance	As of June 30, 2023	As of December 31, 2022
	Unaudited*	Audited**
	NIS thousand	
Without taking into account the Provisions for the Transitional Period and after adjusting the stock scenario:		
Shareholders equity in respect of SCR	664,794	629,276
Solvency capital requirement (SCR)	399,988	475,975
Retained earnings	264,806	153,300
Solvency ratio (%)	166.2%	132.2%
The Board's target for the period (in %)	109.8%	108.8%
Excess capital over target (in NIS thousand)	225,493	111,551
Meeting milestones taking into account the Provisions for the Transitional Period and after adjusting the stock scenario: **		
Shareholders' equity in respect of SCR	664,794	629,276
Solvency capital requirement (SCR)	352,028	420,253
Retained earnings	312,766	209,023
Solvency ratio (%)	188.8%	149.7%

D. Minimum capital requirement (MCR)

	As of June 30, 2023	As of December 31, 2022
	Unaudited*	Audited**
	NIS thousand	
Minimum capital requirement (MCR)	117,034	165,648
Solvency capital requirement (SCR)	664,794	629,276

(*) The solvency ratio as of June 30, 2023 was reviewed by the Company's independent auditors in accordance with the principles of International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

(**) The solvency ratio as of December 31, 2022 was reviewed by the Company's independent auditors, in accordance with International Standard on Assurance Engagements (ISAE 3400) - The Examination of Prospective Financial Information. See Note 15 to the Consolidated Interim Financial Statements and the Economic Solvency Ratio Report on the Company's website.

The Solvency Ratio Report was prepared on the basis of the terms and conditions and the best estimate as known to the companies as of the reporting date on June 30, 2023. Therefore, at this stage, the Solvency Ratio Report was not revised to reflect the effects of the “Iron Swords” War, since the companies are unable to reliably assess the future effect of the War on their economic solvency ratio, due to, among other things, the volatility in the markets, and its effect on the interest rate curve, the uncertainty regarding the duration of the war, its intensity, its effects on the Company’s areas of activity, and in relation to other steps which will be taken by the government. Without detracting from the above, at this stage, and based on the information available as of the report publication date, there was no material deterioration in the solvency ratio as a result of the Iron Swords War.

According to 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 circulars by virtue of the said regulations, as of the report date, Menora Mivtachim Pension and Provident Funds and The Association of Engineers Provident Funds Management Ltd. (hereinafter - “**Menora Mivtachim Engineers**”) have excess capital of approx. NIS 425 million and approx. NIS 1.3 million, respectively.

As of the approval date of the financial statements, all Group companies comply with the capital requirements which were set for them, as the case may be (see also Note 15 to the financial statements).

3.2 Economic solvency regime based on Solvency II of an insurance company

In February and March 2018, the Boards of Directors of Menora Mivtachim Insurance and Shomera decided to set a “capital target” for the purpose of dividend distribution. The capital target constitutes an addition to the equity capital in excess of the solvency capital requirement (SCR).

The capital target which was set by the companies for the purpose of dividend distribution shall be created gradually (plus an annual increase of approx. 0.7% in Menora Insurance and approx. 0.86% in Shomera by the end of 2024 (the adjustment period of the solvency provisions for Shomera); as of this date and thereafter, the capital target shall stand at 115% and 108% of the required solvency ratio, respectively.

In October 2020, Shomera updated the target capital for the purpose of dividend distribution, such that it will increase gradually until reaching 110% at the end of the adjustment period in 2024 (instead of 108%), and in November 2021, Shomera updated the target capital once again to 113% instead of 110%, such that it will increase every year by 2.1% through the end of the adjustment period in 2024.

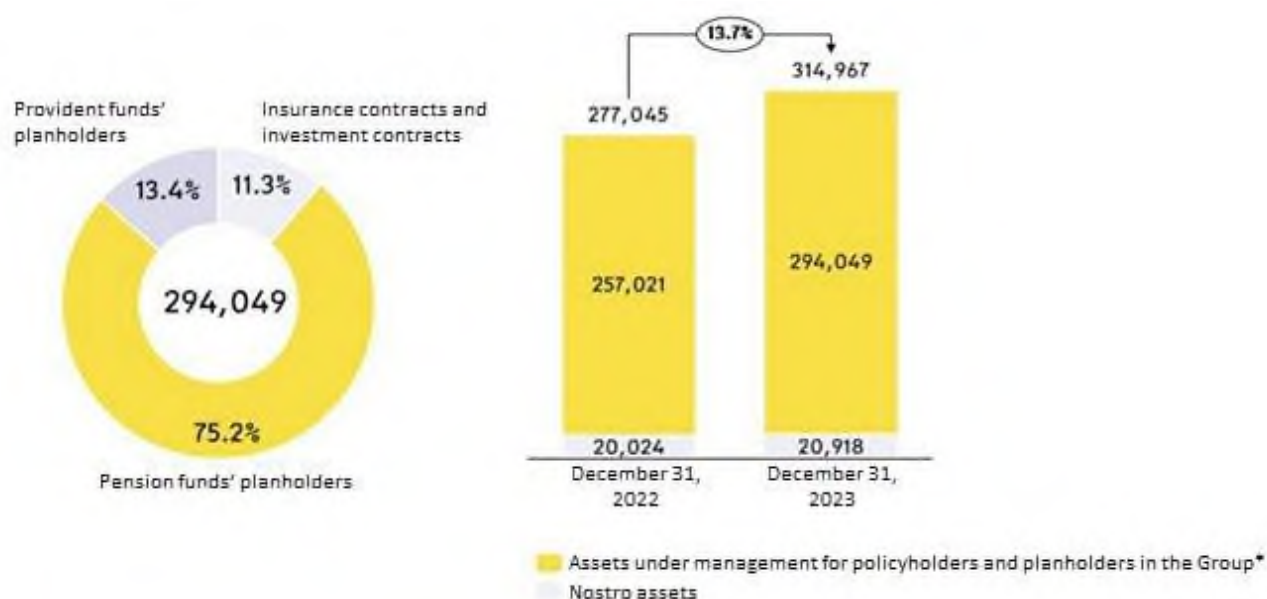
In November 2023, Menora Insurance updated the target capital, such that as from the end of 2024 the target capital will increase linearly from 115% as stated above to 130% in 2032.

As of June 30, 2023 (according to the gradual increase as stated above) the capital target stands at approx. 113.9% and approx. 109.8%, respectively. It is hereby clarified that there is no certainty that the Consolidated Insurance Companies will meet this solvency ratio at each point in time.

For details, see Note 15 to the Financial Statements.

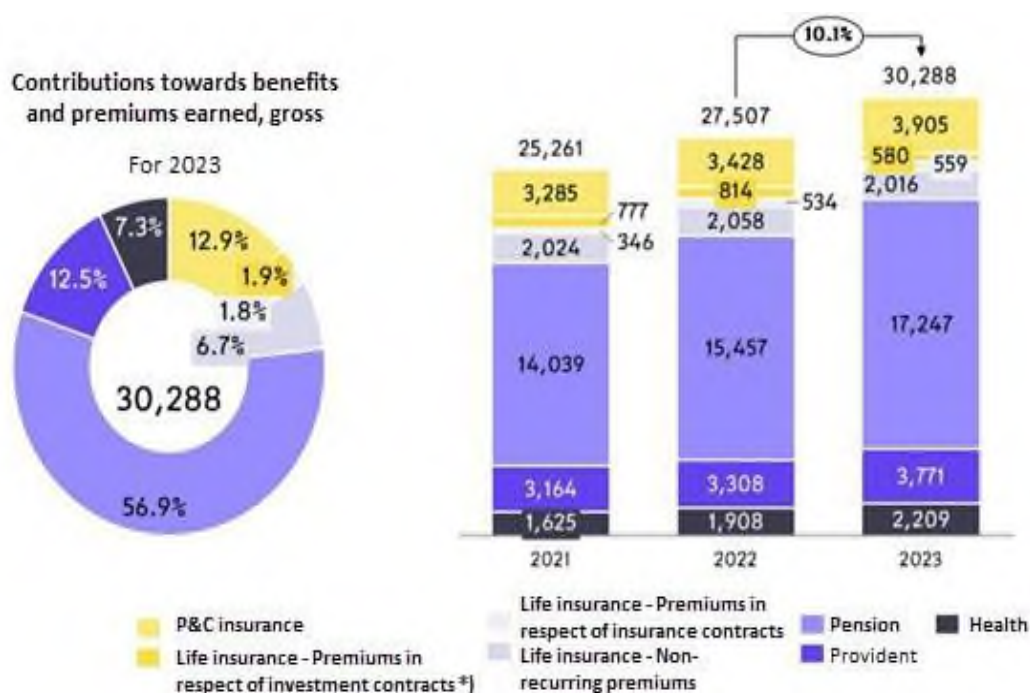
4. Assets under management and premiums earned

4.1 Assets under management (in NIS million)

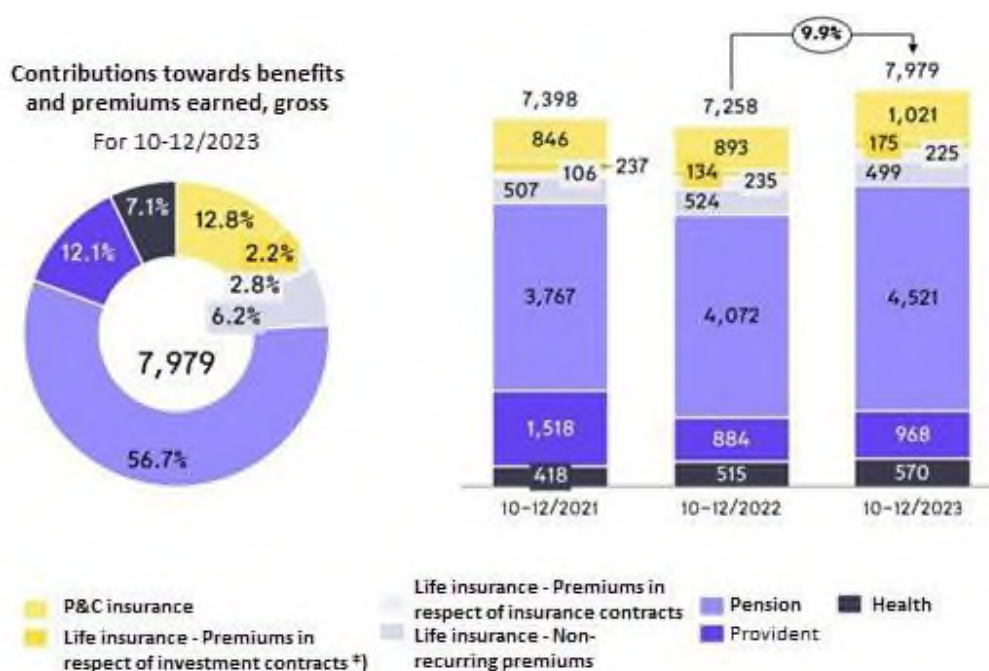


*) The consolidated financial statements do not include the assets under management in the pension funds and provident funds (except for guaranteed return provident fund tracks).

4.2 Contributions towards benefits and insurance premiums earned in the Reporting Period (in NIS million)



4.3 Contributions towards benefits and insurance premiums earned, gross in the quarter (in NIS million)



*) Proceeds in respect of investment contracts are recognized directly in insurance liabilities, and not recognized as premiums in the financial statements.

4.4 Key data from the consolidated balance sheets



Some of the liabilities in respect of yield-dependent insurance contracts are presented in the "other liabilities" and "financial liabilities" line items.

The increase in assets (approx. NIS 2.5 billion) and in liabilities (approx. NIS 1.9 billion) in the Reporting Period stemmed mainly from positive return on the assets and growth in the business. Accordingly, the equity attributable to the shareholders increased by approx. NIS 534 million.

4.5 Changes in the shareholders' equity

The equity attributable to the Company's shareholders amounted to approx. NIS 6,431 million as of December 31, 2023, compared to approx. NIS 5,897 million as of December 31, 2022. The increase in equity stems mainly from comprehensive income attributable to the shareholders in the reporting year of approx. NIS 709 million, and on the other hand from dividends of approx. NIS 175 million.

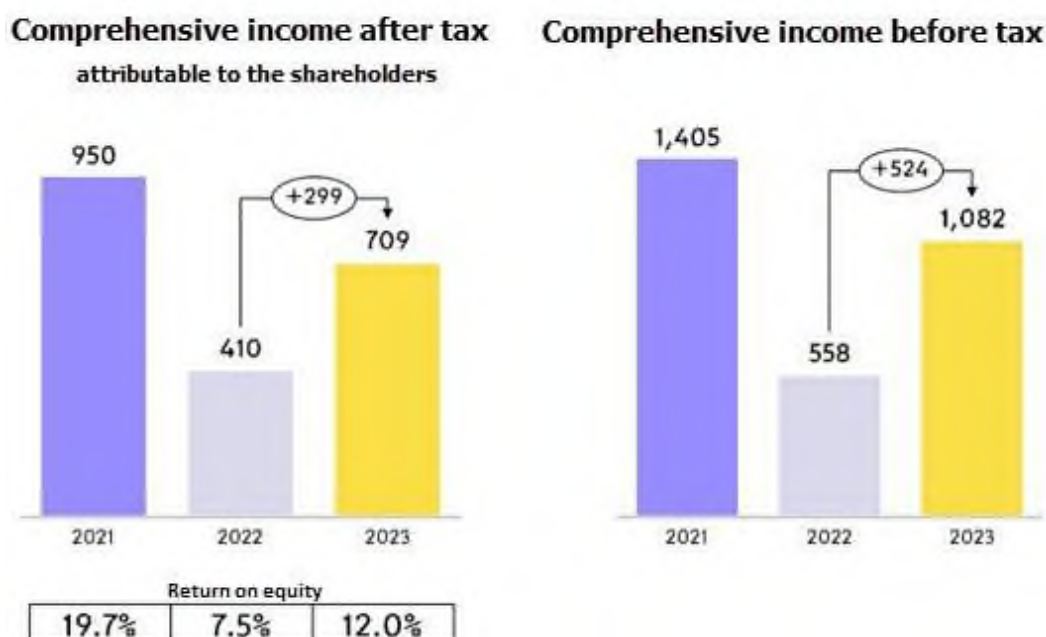
5. Operating results

In the Reporting Period and in the fourth quarter there was an improvement in investment income compared to corresponding periods last year; in 2023 and in the fourth quarter there was a positive real return on nostro assets. At the same time, the interest rate curve - which increased significantly last year - increased at a moderate rate in the Reporting Period, and in the short-term there was even a decline.

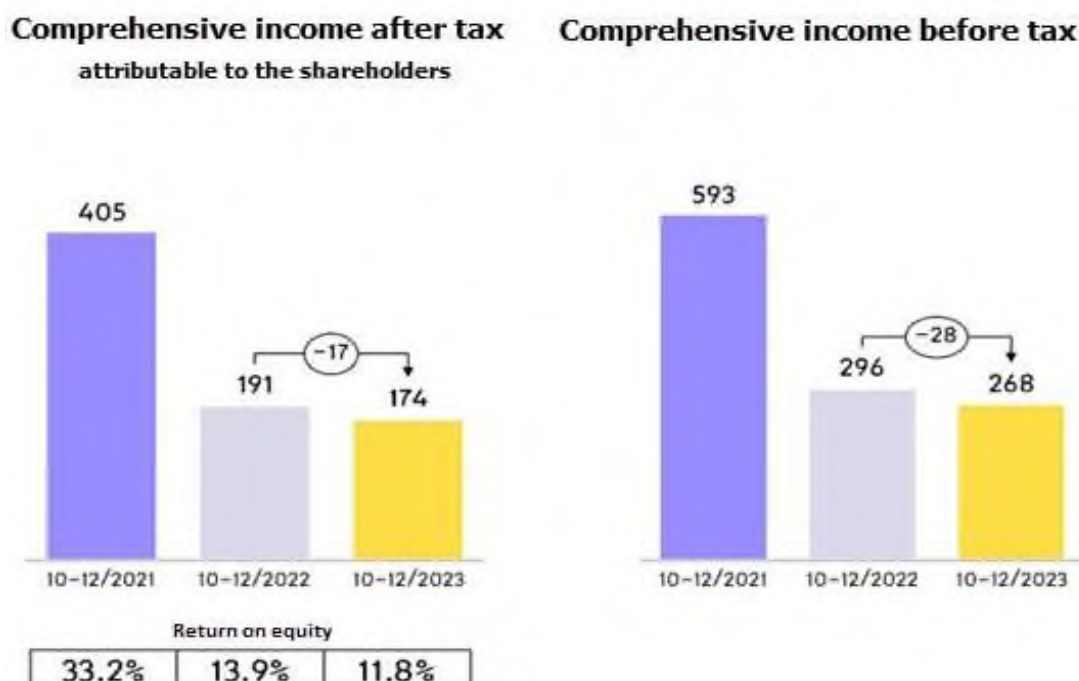
The Company recorded a significant improvement in underwriting income in property and casualty insurance, which arises mainly from the motor property and other liability subsegments, and continued growth in the pension funds and provident funds activity, alongside a decrease in underwriting income in the life and health insurance subsegments. The decrease in underwriting income in life insurance arises mainly from the savings products, and was partially offset by an improvement in the results of individual insurance, and the decrease in health insurance arises mainly from collectives in the medical expenses and long-term care subsegments. Furthermore, the results of the Reporting Period and the fourth quarter were affected by special items (as defined in Section 5.2 below); for details see Sections 5.2.2 and 5.2.4 below.

5.1 Data from the Consolidated statements of income data

5.1.1 Comprehensive income before tax and comprehensive income after tax in the Reporting Period (NIS million)



5.1.2 Comprehensive income before tax and comprehensive income after tax for the quarter (NIS million)



5.2 Comprehensive income (loss) from operating segments during the Reporting Period

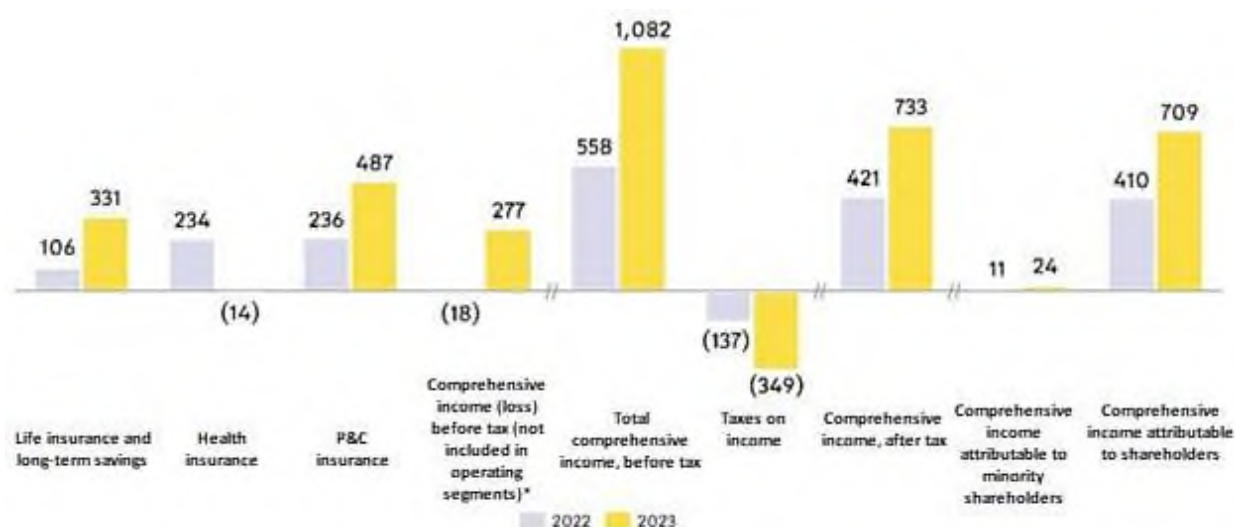
The Group assesses the results of the insurance business while separating the operating results of underwriting activities from those of the financial activities. When measuring the underwriting operating results,¹ the Company charges a real normative return of 3%² (annualized) in respect of the liability component that is not backed by Hetz bonds, and also for the purpose of calculating variable management fees (hereinafter- **“underwriting income”**)³. The difference between the actual return and the above-mentioned normative return is presented as financial income (hereinafter - **“investment income”**). Also detailed are the effects of changes in the risk-free interest rate curve adapted to the illiquid nature of the insurance liabilities, and changes in the fair value of the illiquid assets compared to their amortized cost as per the books of accounts against health and P&C insurance liabilities (hereinafter - the **“change in the interest rate curve”**), special items - which include model revisions and actuarial assumptions, and non-recurring effects due to regulation and other significant events outside the ordinary course of business, at management’s discretion (hereinafter jointly - **“special items”**).

¹Including regarding current business activity of pension and provident funds.

² Except for a liability in respect of unearned premium reserve, in respect of which a return was credited at a nominal rate of 3%.

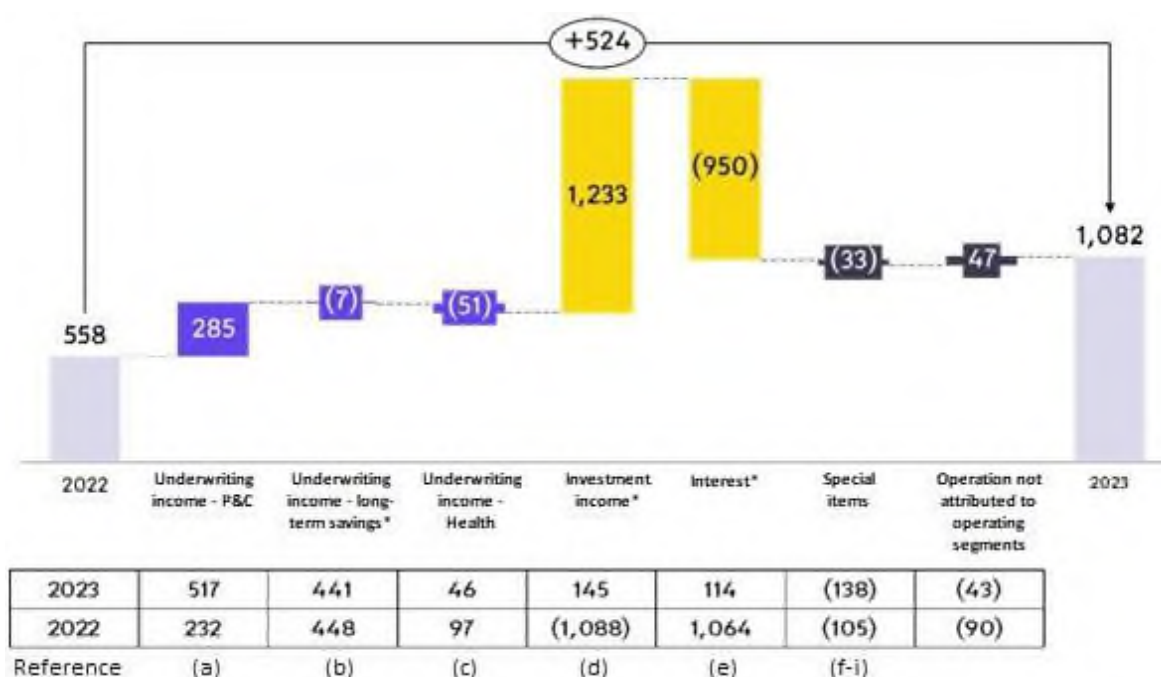
³ Without adjustment of expenses in respect of changes in return and interest.

5.2.1 Comprehensive income (loss) from operating segments during the Reporting Period (NIS million)



*) Mainly includes the results of an operation which is not defined as an operating segment, and investment income which is not allocated to a defined operating segment, net of finance expenses.

5.2.2 Changes in the operating results during the Reporting Period (NIS million)



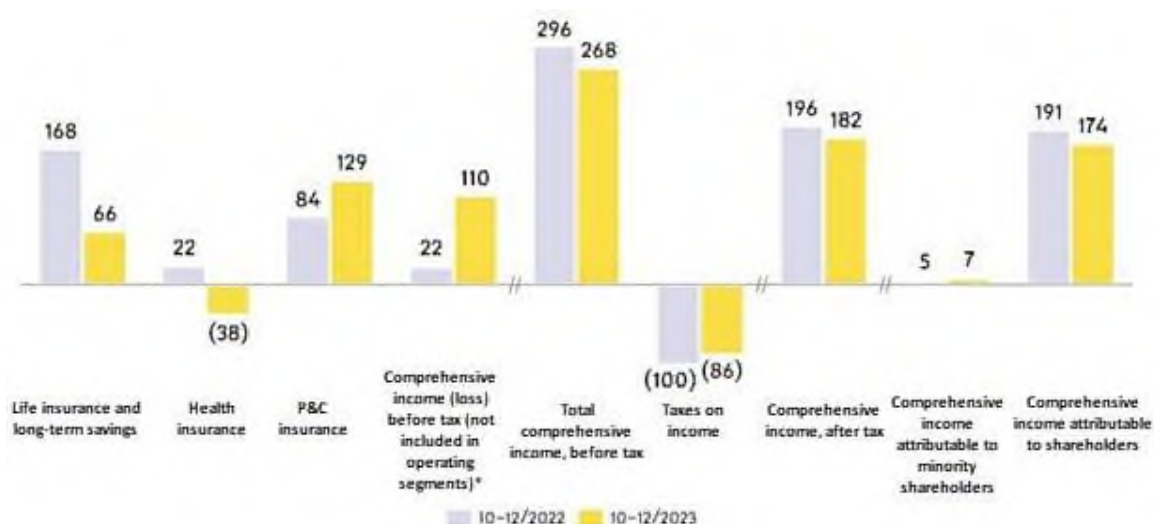
*) The data for the corresponding period last year included immaterial changes in order to better reflect the interest rate effect, investment income, and special items which were previously recorded in the underwriting income line item.

Financial effects and other special items in the Reporting Period:

- A. **Underwriting income in property and casualty insurance:** The increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from a significant improvement in the results of the motor property segment, and from an improvement in other liability subsegments alongside a decrease in underwriting income in other property subsegments and compulsory motor insurance. For further details, see Section 5.6.3 below.
- B. **Underwriting income in long-term savings:** The decrease in underwriting income in the Reporting Period arises mainly from a decrease in profitability of the savings products in life insurance, alongside an increase in underwriting income in individual insurance policies and an increase in income in the pension funds activity. For further details, see Sections 5.3.7, 5.4.1 and 5.5.1 below.
- C. **Underwriting income in health insurance:** The decrease in underwriting income in the Reporting Period arises mainly from losses in the collective insurance activity in the long-term care and medical expenses subsegments, and a decrease in underwriting income in the individual long-term care subsegment, which were partially offset by growth in the business and an improvement in some of the individual insurance subsegments. For further details, see Section 5.7.1 below.
- D. **Investment income/losses** (as defined in Section 5.2 above): During the Reporting Period, the real return was positive and higher than the normative return as stated in Section 5.2 above, while the corresponding period last year saw declines in the capital market and a real return, which is lower than the normative return. During the Reporting Period investment income amounted to approx. NIS 145 million compared to investment losses of approx. NIS 1,088 million in the corresponding period last year.
- E. **Interest rate effect:** The interest rate effect in the Reporting Period triggered an approx. NIS 114 million decrease in insurance liabilities. The interest rate effect last year reduced the insurance liabilities by approx. NIS 1,062 million.
- F. **Revision of actuarial assumptions and other special items:** During the Reporting Period, the Company revised the morbidity, cancellation and other assumptions in the health and life insurance segments. As a result, the Company increased its insurance liabilities in health insurance by approx. NIS 89 million (of which a total of approx. NIS 77 million in the individual long-term care subsegment) and in life insurance totaling approx. NIS 7 million. In a corresponding period last year, demographic assumptions were updated in accordance with the circular **“Amendment to the provisions of the Consolidated Circular regarding Measurement of Liabilities - Updating the Demographic Assumptions System in Life Insurance and Pension Funds”**, and so were assumptions regarding morbidity, cancellations and expenses. As a result, in the corresponding period last year, the Company increased its insurance liabilities in health insurance by approx. NIS 76 million and in life insurance, by approx. NIS 98 million. In addition, in the corresponding period last year, a special provision for class actions was recorded in the amount of approx. NIS 64 million.

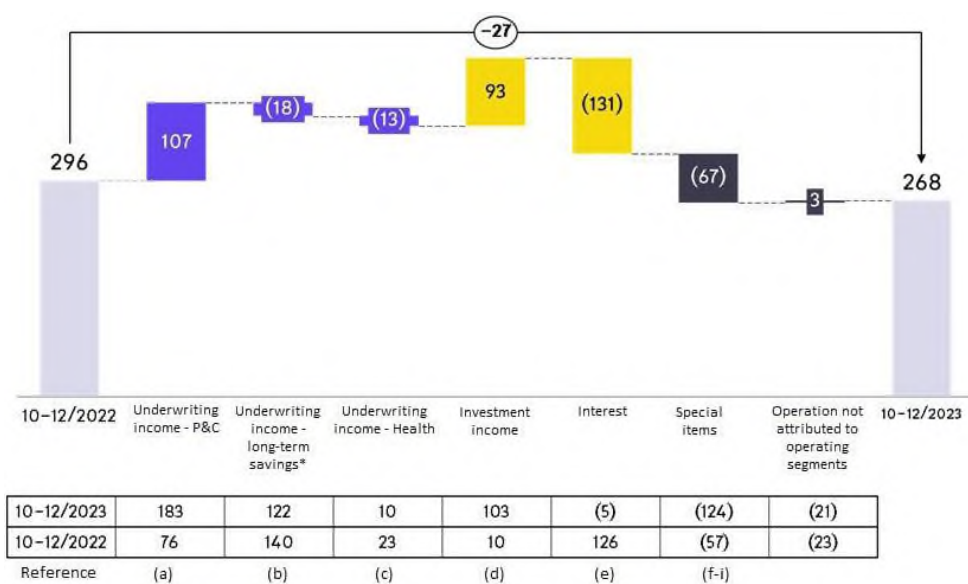
- G. **Improvement of actuarial model in the Sale Law guarantees subsegment:** In the corresponding period last year, the Company improved the actuarial model in the Sale Law guarantees subsegment. Consequently, the Company reduced the insurance liabilities in the property and casualty insurance segment by approx. NIS 25 million.
- H. **Effect of the Iron Swords War:** The War has affected the life insurance segment's results by approx. NIS 42 million with respect to risk (death) policies. For further details, see Section 2.1 above.
- I. **Investment in ERN and Mimun Click:** In the corresponding period last year, the ERN and Mimun Click transactions were completed, in respect of which one-off earning was recorded of approx. NIS 88 million and approx. NIS 19 million, respectively.

5.2.3 Comprehensive income (loss) from operating segments during the quarter (NIS million)



*) Mainly includes the results of an operation which is not defined as an operating segment, and investment income which is not allocated to a defined operating segment, net of finance expenses.

5.2.4 Changes in the operating results in the quarter (NIS million)



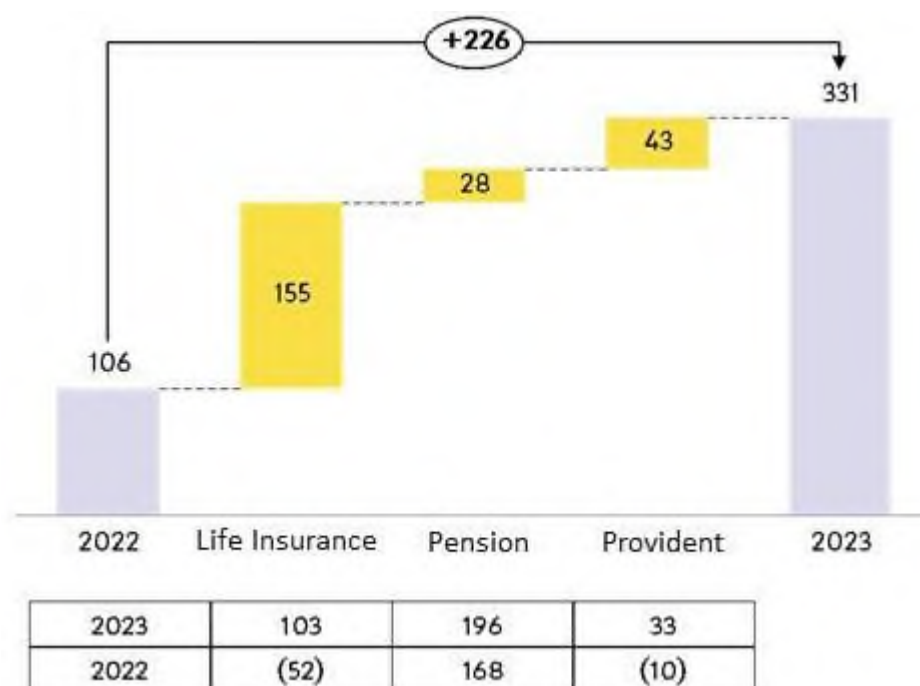
Financial effects and other special items in the quarter:

- A. **Underwriting income in property and casualty insurance:** The increase in underwriting income in the fourth quarter compared to the corresponding period last year arises mainly from a significant improvement in the underwriting income of the motor property subsegment, alongside a decrease in underwriting income in compulsory motor insurance. For further details, see Section 5.6.7 below.
- B. **Underwriting income in long-term savings:** The decrease in underwriting income in the fourth quarter compared to the corresponding period last year arises mainly from a decrease in profitability of the savings products in life insurance, and from a decrease in underwriting income in individual insurance policies, alongside an increase in the operating income from pension funds. For further details, see Sections 5.4.2 and 5.5.2 below.
- C. **Underwriting income in health insurance:** The decrease in underwriting income in the fourth quarter arises mainly from losses in the collective insurance activity in the long-term care and medical expenses subsegments, which were partially offset by growth in the business and an improvement in some of the individual insurance subsegments. For further details, see Section 5.7.1 below.
- D. **Investment income/losses** (as defined in Section 5.2 above): In the fourth quarter and corresponding quarter last year, the real return was positive and higher than the normative return as stated in Section 5.2 above. Investment income in the fourth quarter amounted to approx. NIS 103 million compared to investment income of approx. NIS 10 million during the corresponding quarter last year.
- E. **Interest rate effect:** The interest rate effect in the fourth quarter triggered an approx. NIS 1 million decrease in insurance liabilities. The interest rate effect last year reduced the insurance liabilities by approx. NIS 126 million.
- F. **Revision of actuarial assumptions and other special items:** During the fourth quarter, the Company revised the morbidity, cancellation and other assumptions in the health and life insurance segments. As a result, the Company increased its insurance liabilities in health insurance in the amount of approx. NIS 75 million (of which a total of approx. NIS 77 million in the individual long-term care subsegment) and in life insurance totaling approx. NIS 7 million. In the corresponding quarter last year demographic assumptions were revised in the morbidity, cancellations and expenses assumptions. As a result, in the corresponding period last year, the Company decreased its insurance liabilities in life insurance by approx. NIS 39 million and increased its insurance liabilities in health insurance by approx. NIS 48 million. In addition, in the corresponding quarter last year, a special provision for class actions was recorded in the amount of approx. NIS 48 million.
- G. **Effect of the Iron Swords War:** The War affected the life insurance segment's results by approx. NIS 42 million with respect to risk (death) policies. For further details, see Section 2.1 above.

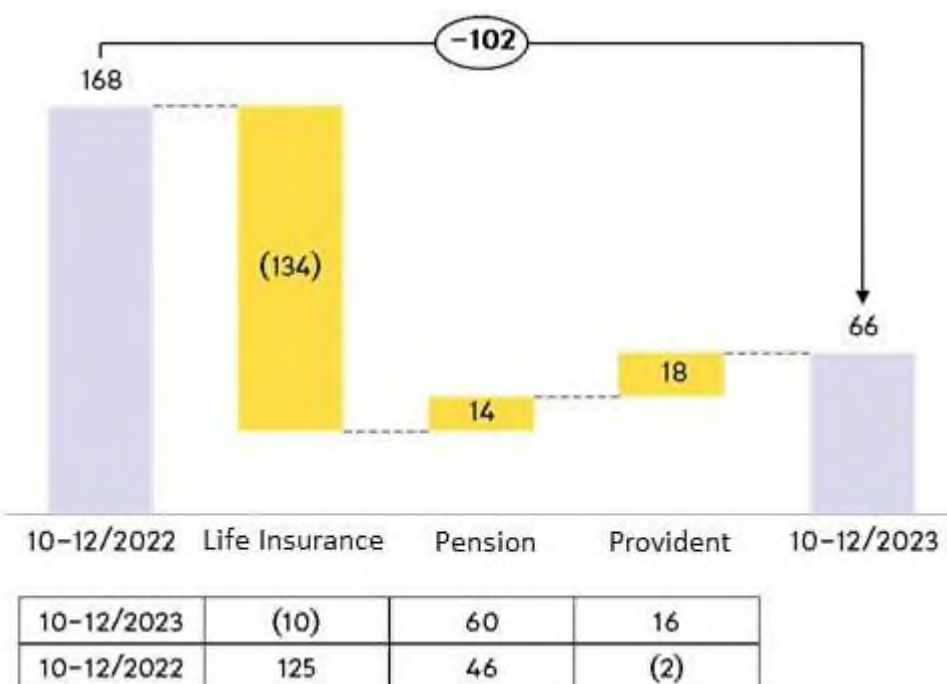
5.3 Financial information by area of activity

5.3.1 Life insurance and long-term savings (in NIS million)

5.3.2 Key results of the life insurance and long-term savings segment in the Reporting Period



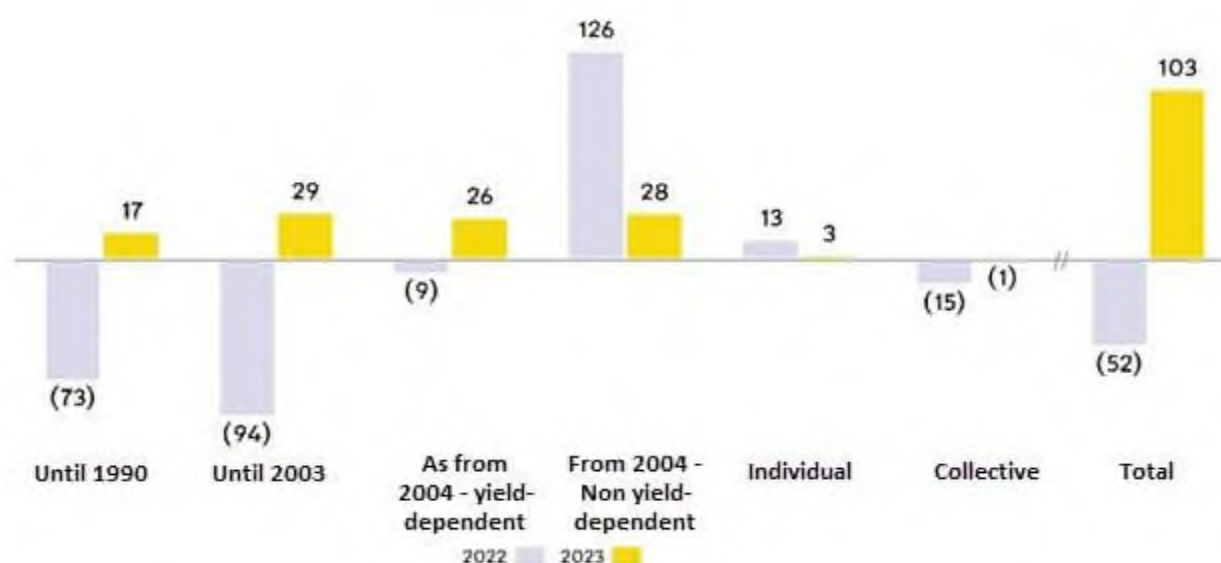
5.3.3 Key results of the life insurance and long-term savings subsegments in the quarter (in NIS million)



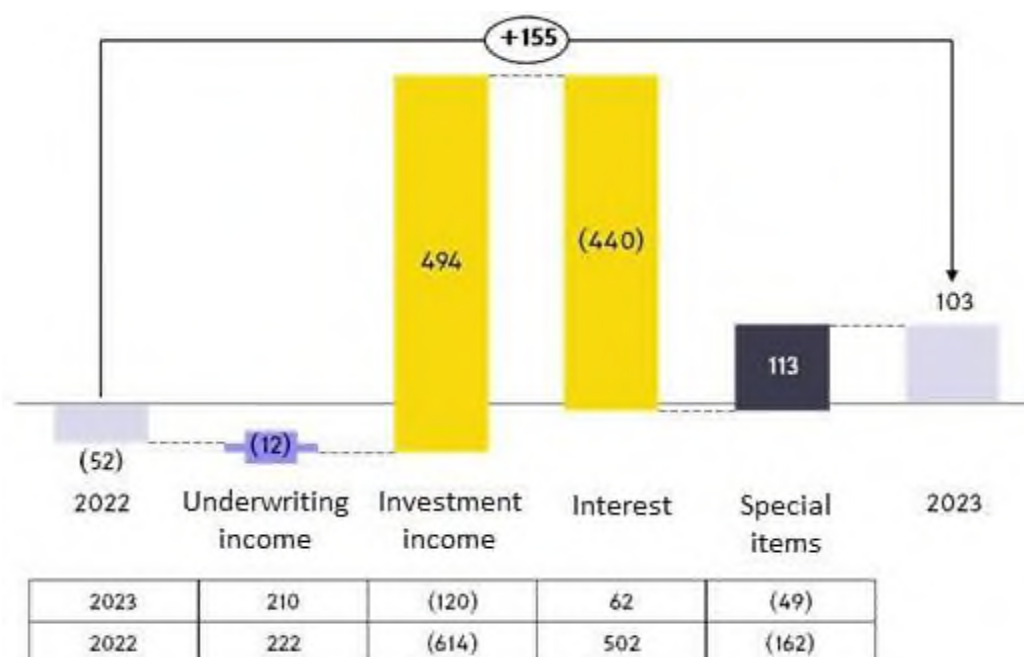
5.3.4 Operating results of the life insurance and long-term savings subsegments (pre-tax)

The profitability of the long-term savings subsegment is affected by the changes in the capital market, which impact the guaranteed-return policies (which are backed mainly by designated bonds) and the variable management fees in respect of yield-dependent policies which were issued in 1991-2003. In addition, since the segment is characterized with high insurance reserves, changes in estimates of assumptions and actuarial assessments, and changes in interest rates and investment income/losses, had a marked effect on the segment's results.

5.3.5 Comprehensive income (loss) in life insurance during the Reporting Period (before tax) (in NIS million)



5.3.6 Changes in the results of the life insurance subsegment during the Reporting Period (in NIS million)



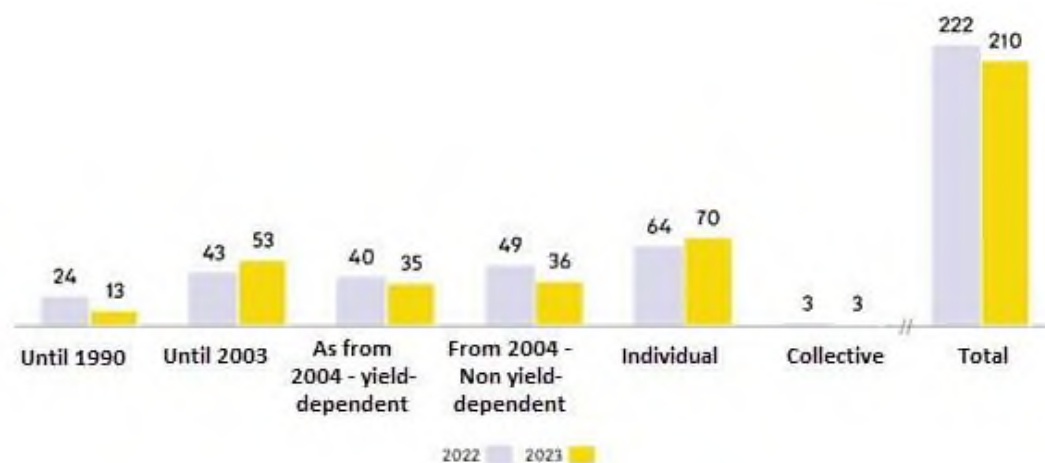
The increase in comprehensive income in the life insurance and long-term savings segment in the Reporting Period compared to the corresponding period last year stems mainly from a decrease in investment losses compared to last year (after charging a normative return to the underwriting income as stated in Section 5.2 above), which triggered an approx. NIS 120 million in investment losses in the Reporting Period compared to approx. NIS 614 million in investment losses in the corresponding period last year.

On the other hand, the interest rate effect in the Reporting Period reduced the insurance liabilities by approx. NIS 62 million, compared to an approx. NIS 502 million decrease in the corresponding period last year.

In addition, in the Reporting Period - due to the events of the War - there was a negative effect of approx. NIS 42 million (retention) on the Company's results. In addition, the Company increased the insurance liabilities by approx. NIS 7 million due to special items (revision of actuarial assumptions), compared to an approx. NIS 162 million increase in the corresponding period last year due to special items (revision of actuarial assumptions, and revision of reserves in respect of class actions).

Furthermore, during the Reporting Period, the underwriting income decreased by approx. NIS 12 million compared to the corresponding period last year. The decrease in underwriting income arises mainly from a decrease in management fees on accrual and from an increase in claims in the life insurance product, which was moderated as a result of the increase in the activity in the life insurance product.

5.3.7 Results of the underwriting income in the various life insurance subsegments during the Reporting Period (pre-tax) (in NIS million)



Policies issued by 1990 - the decrease in underwriting income in the Reporting Period compared to the corresponding period last year arises from a negative development in life insurance claims as part of the annuity reserve, and from an increase in disability insurance claims.

Participating policies issued by 2003 - the increase in underwriting income in the Reporting Period arises mainly from a decrease in disability insurance claims alongside a decrease in management fees on accrual.

Policies issued as from 2004 yield dependent - the decrease in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from an increase in maintenance expenses, from an increase in disability insurance claims, and from a decrease in management fees on accrual, and on the other hand a decrease in marketing expenses and deferred acquisition costs, and a positive development in life insurance claims as part of the annuity reserve.

Policies issued as from 2004 non-yield-dependent - the decrease in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from negative development in life insurance claims as part of the annuity reserve.

Individual policies without a savings component - the increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from an improvement in permanent health insurance and disability insurance claims, and on the other hand from an increase in life insurance claims.

5.3.8 Gross insurance premiums and redemptions in the Reporting Period (in NIS million)

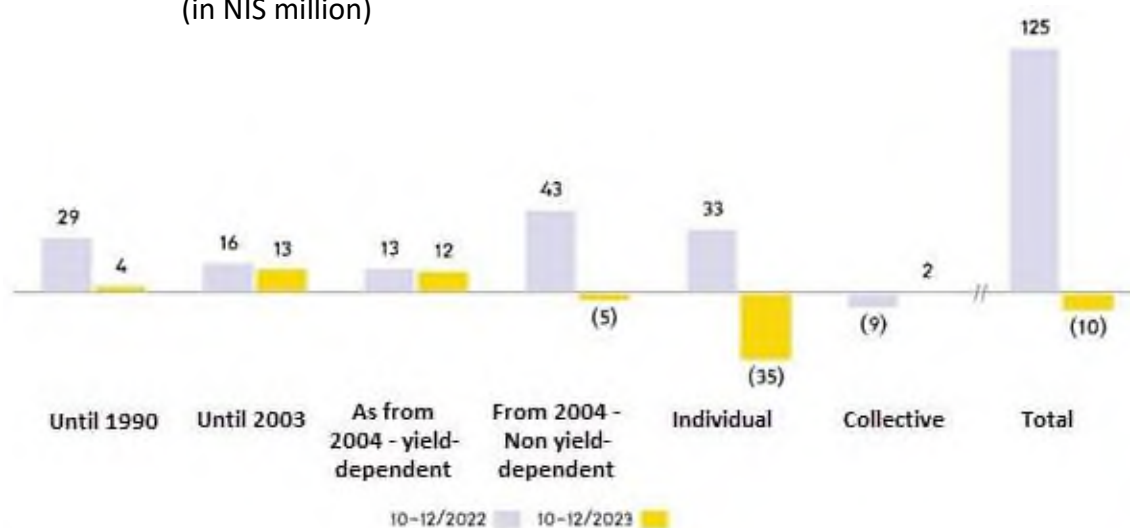


*) Premiums in respect of investment contracts are recognized directly in insurance liabilities, and not recognized as premiums in the financial statements.

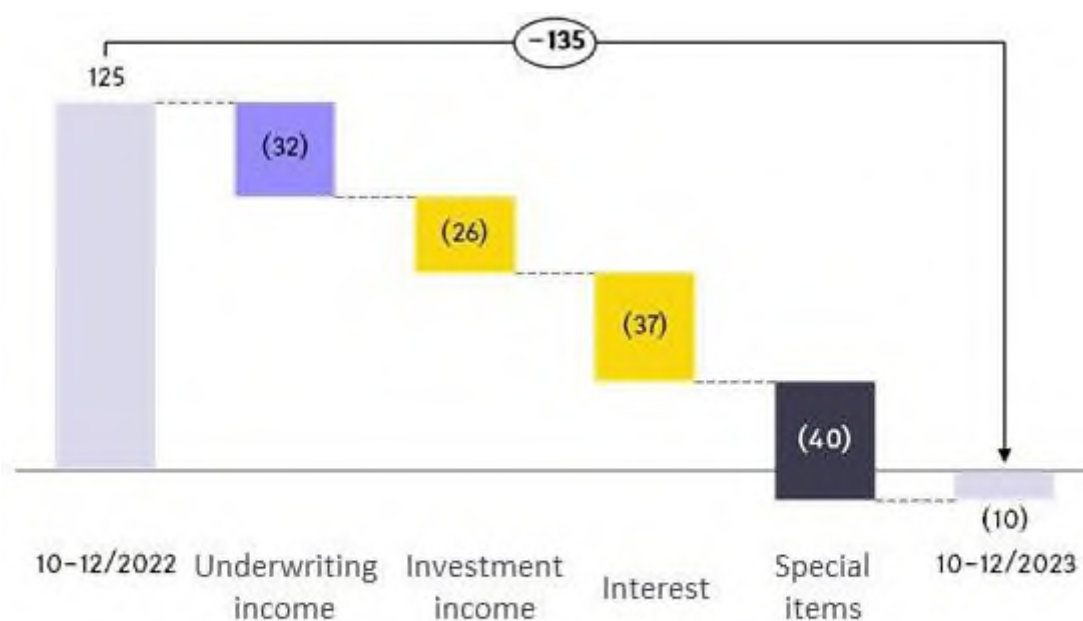
The policies which were redeemed during the Reporting Period amounted to approx. NIS 1,892 million, compared to approx. NIS 1,733 million in the corresponding period last year. The rate of redemptions out of the average reserve in the Reporting Period was approx. 5.89% compared to approx. 5.23% in the corresponding period last year.

Redemptions in respect of policies where premiums were charged directly to liabilities in respect of insurance contracts (without a significant insurance risk component) amounted to approx. NIS 967 million in the Reporting Period, compared to approx. NIS 806 million in the corresponding period last year.

5.3.9 Comprehensive income (loss) in life insurance during the quarter (before tax) (in NIS million)



5.3.10 Changes in the results of life insurance and long-term savings in the quarter (in NIS million)



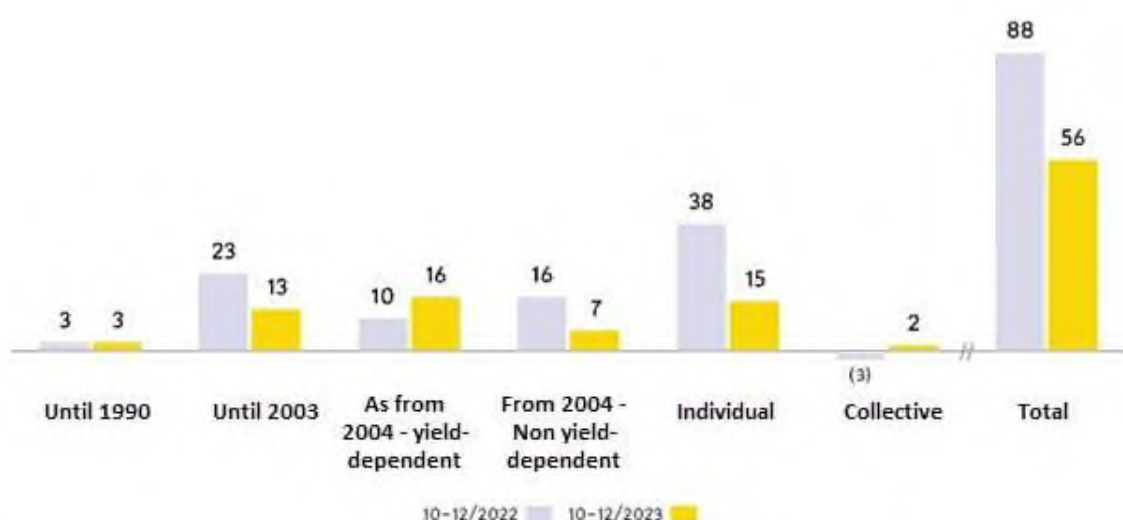
10-12/2023	56	(35)	18	(49)
10-12/2022	88	(9)	55	(9)

The decrease in comprehensive income from life insurance and long-term savings activity in the fourth quarter compared to the corresponding quarter last year arises from special items due to the War at the total amount of approx. NIS 42 million, and as a result of an approx. NIS 7 million increase in liabilities due to revision to actuarial assumptions, compared to an approx. NIS 9 million increase in insurance liabilities in the corresponding period last year due to special items (revision of actuarial assumptions, and revision of reserves in respect of class actions).

In addition, the interest effect in the fourth quarter led to a decrease of approx. NIS 18 million in the insurance liabilities compared to a decrease of approx. NIS 55 million in the corresponding period last year. In addition, investment losses increased (after charging a normative return to the underwriting income as stated in Section 5.2 above), compared to last year, which resulted in approx. NIS 35 million in investment losses in the fourth quarter compared to approx. NIS 9 million in investment losses in the corresponding period last year.

In addition, in the fourth quarter there was a decrease in the underwriting income of approx. NIS 32 million compared to the corresponding period last year. The decrease in underwriting income arises mainly from an increase in claims in life insurance products, which was moderated as a result of the increase in the activity and from a decrease in disability insurance claims.

5.3.11 Results of the underwriting income in the various life insurance subsegments during the quarter (before tax) (in NIS million)



Policies issued by 1990 - underwriting income did not change materially in the Reporting Period compared to the corresponding period last year.

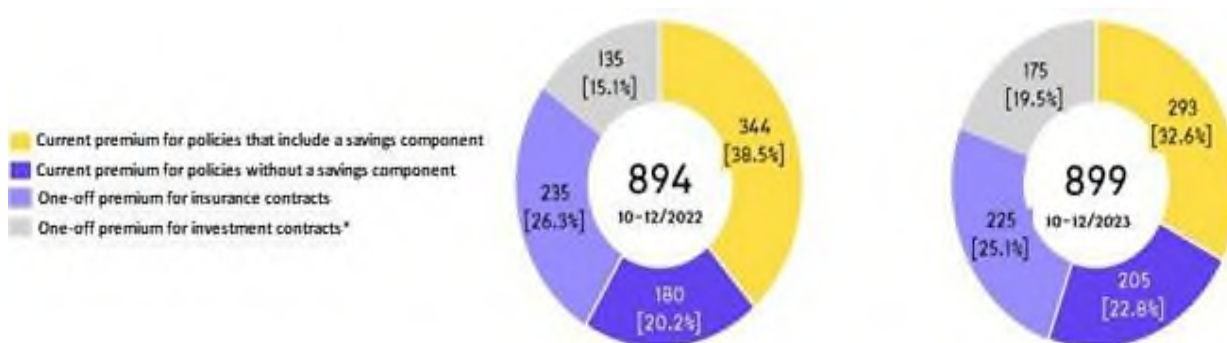
Participating policies issued by 2003 - the decrease in underwriting income in the fourth quarter compared to the corresponding quarter last year arises from an increase in permanent health insurance and disability insurance claims.

Policies issued as from 2004 yield dependent - the increase in underwriting income in the fourth quarter compared to the corresponding quarter last year arises mainly from a positive development in life insurance claims as part of the annuity reserve, compared to an increase in disability insurance claims.

Policies issued as from 2004 non-yield-dependent - the decrease in underwriting income in the fourth quarter compared to the corresponding quarter last year arises mainly from negative development in life insurance claims as part of the annuity reserve.

Individual policies without a savings component - the decrease in underwriting income in the fourth quarter compared to the corresponding quarter last year arises mainly from an increase in life insurance claims, and on the other hand from an improvement in permanent health insurance and disability insurance claims.

5.3.12 Gross insurance premiums and redemptions in the quarter (in NIS million)



*) Premiums in respect of investment contracts are recognized directly in insurance liabilities, and not recognized as premiums in the financial statements.

In the fourth quarter of the year, redemptions amounted to approx. NIS 479 million, compared to approx. NIS 422 million in the corresponding quarter last year. The rate of redemptions out of the average reserve in the fourth quarter is approx. 5.91% compared to approx. 5.37% in the corresponding quarter last year.

Redemptions in respect of policies where premiums were charged directly to liabilities in respect of insurance contracts (without a significant insurance risk component) amounted to approx. NIS 201 million, compared to approx. NIS 206 million in the corresponding quarter last year.

Yield-dependent policies

Insurance reserves funds which accumulate in yield-dependent policies are invested in accordance with the Supervision of Financial Services (Insurance) Law, 1981 and the regulations promulgated thereunder. This investment income is charged to the policyholders net of management fees.

The liabilities arising from yield-dependent policies as of December 31, 2023 amounted to approx. NIS 31,258 million, compared to approx. NIS 30,321 million as of December 31, 2022, an increase of approx. 3.1%.

In yield-dependent insurance policies issued from 1991 to 2003, an insurer may collect fixed management fees and variable management fees at the rates set in the regulations and derived from the real return of the investment portfolio. The variable management fees are collected only in respect of positive real return. If a negative real return was achieved, the insurer can only collect the variable management fees once the return which is achieved covers the accumulated real loss. During the course of 2022, a negative real return was achieved, and consequently, the Company is prevented from collecting variable management fees until a cumulative positive return is achieved. As of the report date, the potential loss of income from management fees amounted to approx. NIS 198 million. Immediately prior to the report publication date, the potential loss of income from management fees is estimated at approx. NIS 126 million. It should be noted that in connection with yield-dependent insurance policies issued as from 2004, only fixed management fees are collected, and therefore real investment losses do not have a direct effect on the collection of those management fees as stated above.

In the Reporting Period, income from management fees in yield-dependent life insurance policies amounted to approx. NIS 229 million, compared to approx. NIS 243 million in the corresponding period last year. In the fourth quarter of the year, income from management fees amounted to approx. NIS 57 million, compared to approx. NIS 58 million in the corresponding quarter last year.

Details regarding the rates of return in yield-dependent insurance policies:

Policies issued in 1991-2003 (Fund J)

	1-12/2023	1-12/2022	1-12/2021
Real return before payment of management fees	4.70%	(12.72%)	11.54%
Real return after payment of management fees	4.08%	(13.24%)	9.24%
Nominal return before payment of management fees	8.20%	(8.11%)	14.21%
Nominal return after payment of management fees	7.55%	(8.66%)	11.86%

Policies issued from 2004 and thereafter (the New Fund J)

	1-12/2023	1-12/2022	1-12/2021
Real return before payment of management fees	4.70%	(12.72%)	11.54%
Real return after payment of management fees	3.81%	(13.62%)	10.57%
Nominal return before payment of management fees	8.20%	(8.11%)	14.21%
Nominal return after payment of management fees	7.28%	(9.06%)	13.22%

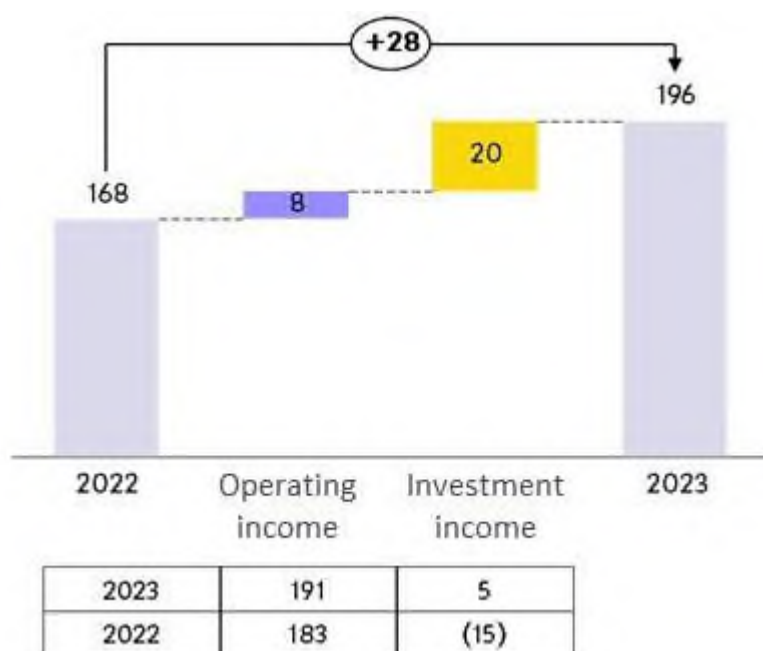
Details regarding the investment income which was charged to policyholders in participating policies and the management fees:

In NIS million	1-12/2023	1-12/2022	1-12/2021
Nominal investment income (losses) credited to policyholders net of management fees	2,357	(3,063)	3,682
Fixed management fees	229	243	256
Variable management fees	-	-	223
Total management fees	229	243	479

5.4 The pension subsegment

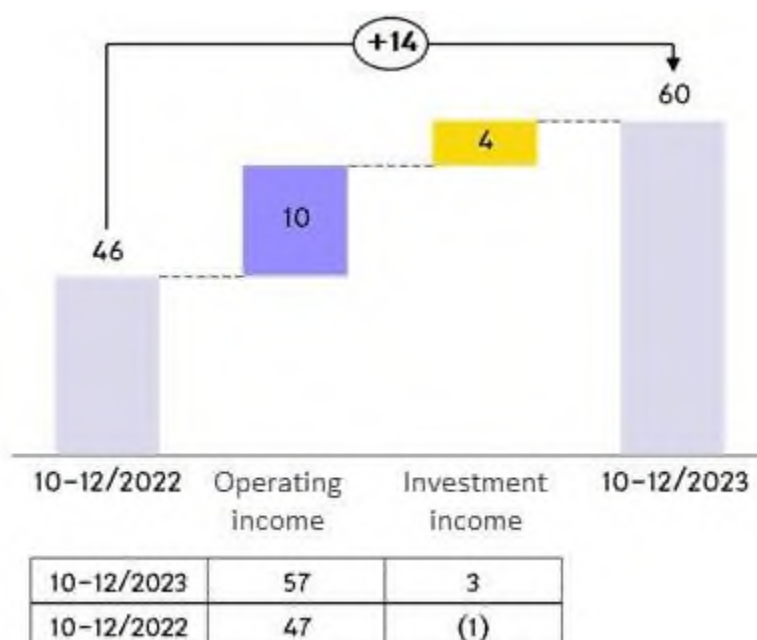
The operating results in the pension funds subsegment relate to the results of a consolidated management company - Menora Mivtachim Pension and Provident Funds

5.4.1 Changes in the pension funds operating results during the Reporting Period (NIS million)



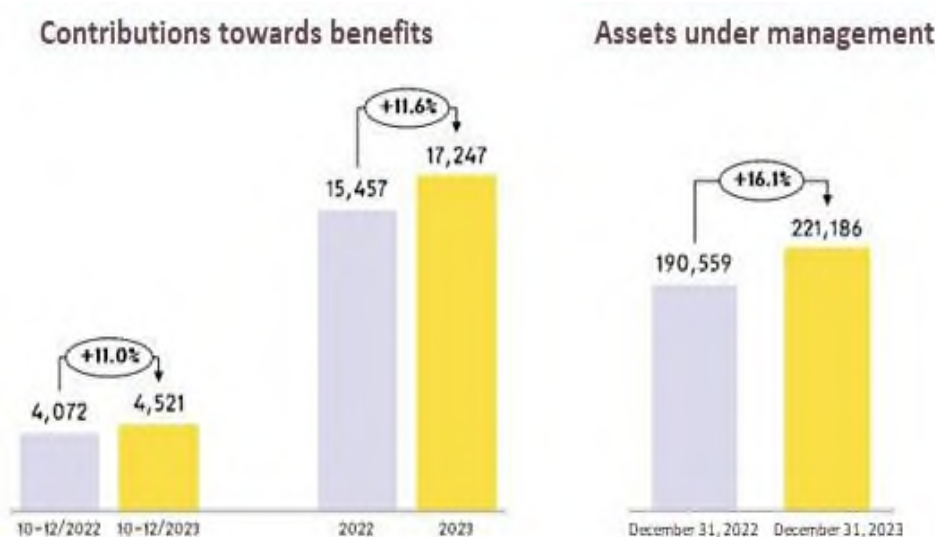
In the Reporting Period, the income amounted to approx. NIS 196 million, compared to income of approx. NIS 168 million in the corresponding period last year. During the Reporting Period, the increase in income compared to the corresponding period last year stemmed from an approx. NIS 20 million increase in investment income (after stating of the normative return under operating income, as outlined in Section 5.2). In addition, there was a NIS 8 million increase in operating income, which stems mainly from an increase in income from management fees (net) due to the increase in total assets under management and the increase in collection, after discounts to planholders, at the total amount of approx. NIS 54 million; on the other hand, there was an increase in general and administrative expenses, fees and commissions and marketing expenses, and a change in deferred acquisition costs and finance expenses totaling approx. NIS 46 million.

5.4.2 Changes in the pension funds operating results in the quarter (NIS million)



The income in the fourth quarter of the year amounted to approx. NIS 60 million compared to income of approx. NIS 46 million during the corresponding quarter last year. The increase in income in the quarter compared to the corresponding quarter last year stems from an approx. NIS 4 million increase in investment income (after stating normative return to operating income, as stated in Section 5.2 above) and from an approx. NIS 10 million increase in operating income as a result of an increase in income from management fees (net) due to the increase in total assets under management and increase in collection, after discounts to planholders, at the total amount of approx. NIS 18 million, and on the other hand - an increase in general and administrative expenses, fees and commissions and marketing expenses, and a change in deferred acquisition expenses totaling NIS 8 million.

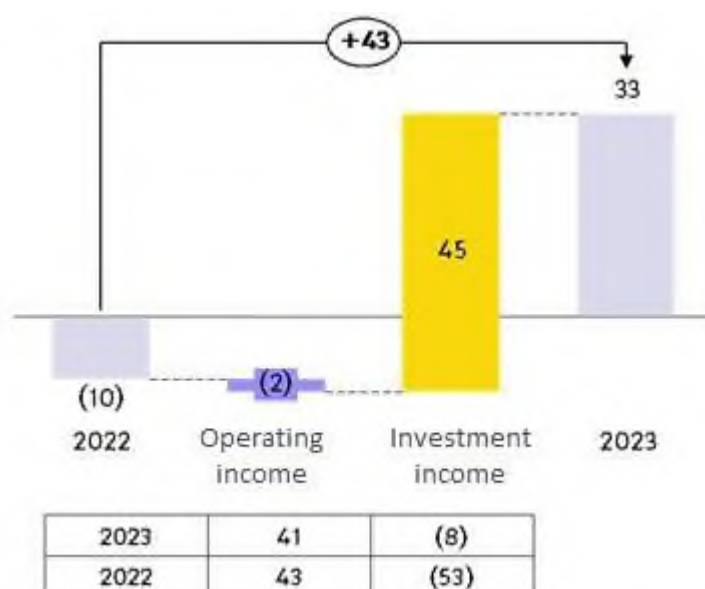
5.4.3 Assets under management and contributions towards benefits (in NIS million)



5.5 Provident funds

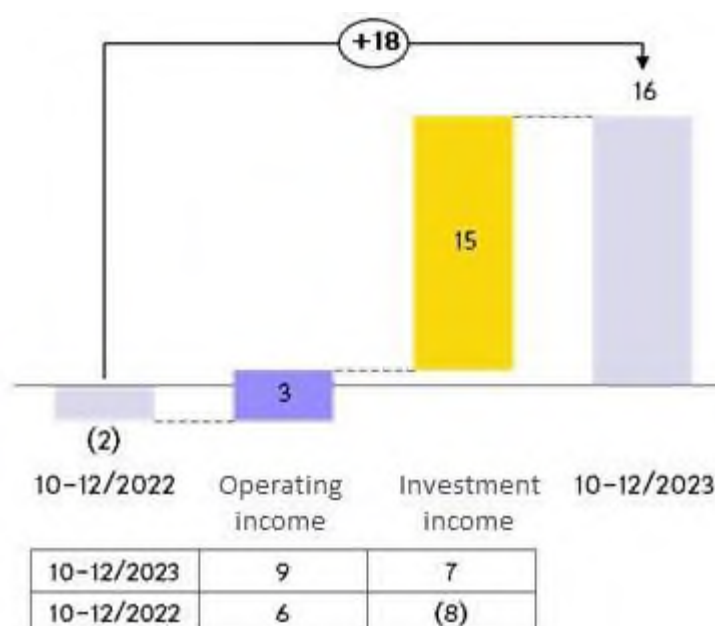
The activity in the provident funds subsegment is carried out in consolidated companies, Menora Mivtachim Pension and Provident Funds and Menora Mivtachim Engineers:

5.5.1 Changes in the operating results of the provident funds subsegment during the Reporting Period (in NIS million)



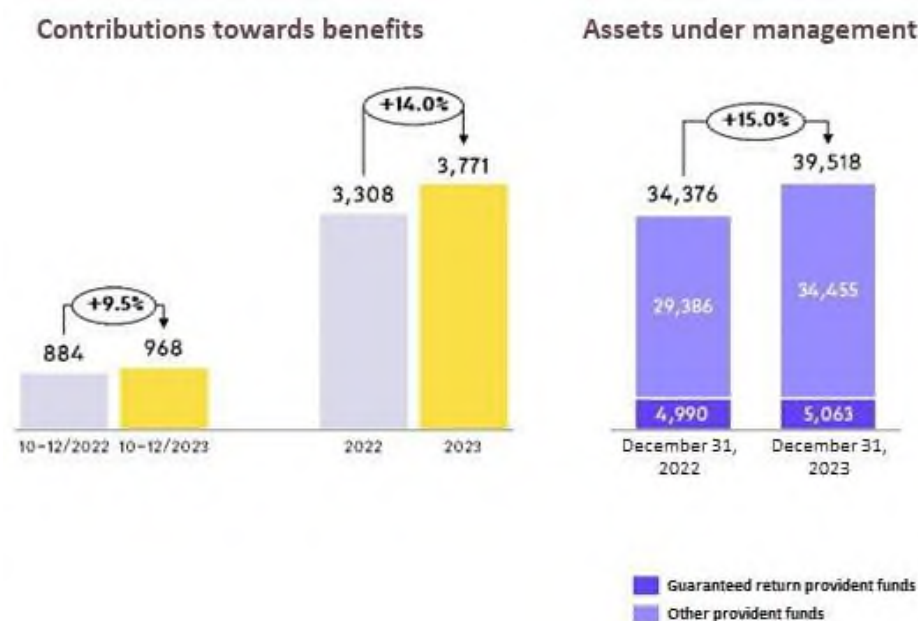
In the Reporting Period, the income amounted to approx. NIS 33 million, compared to a loss of approx. NIS 10 million in the corresponding period last year. During the Reporting Period, the increase in income compared to the corresponding period last year stems mainly from an approx. NIS 45 million decline in investment losses in guaranteed return provident funds and nostro. On the other hand, there was a decrease of NIS 2 million in operating income, arising mainly from an increase in general and administrative expenses, which was mostly offset by an increase in management fees.

5.5.2 Changes in the operating results of the provident funds subsegment during the quarter (in NIS million)



The income in the fourth quarter of the year amounted to approx. NIS 16 million compared to loss of approx. NIS 2 million during the corresponding quarter last year. The increase in income in the quarter compared to the corresponding quarter last year stems mainly from an increase in investment income in guaranteed return provident funds and the nostro portfolio at the total amount of approx. NIS 15 million, and from an increase of approx. NIS 3 million in operating income, which arises mainly from a decrease in fees and commissions expenses, marketing expenses and deferred acquisition costs at the total amount of approx. NIS 2 million.

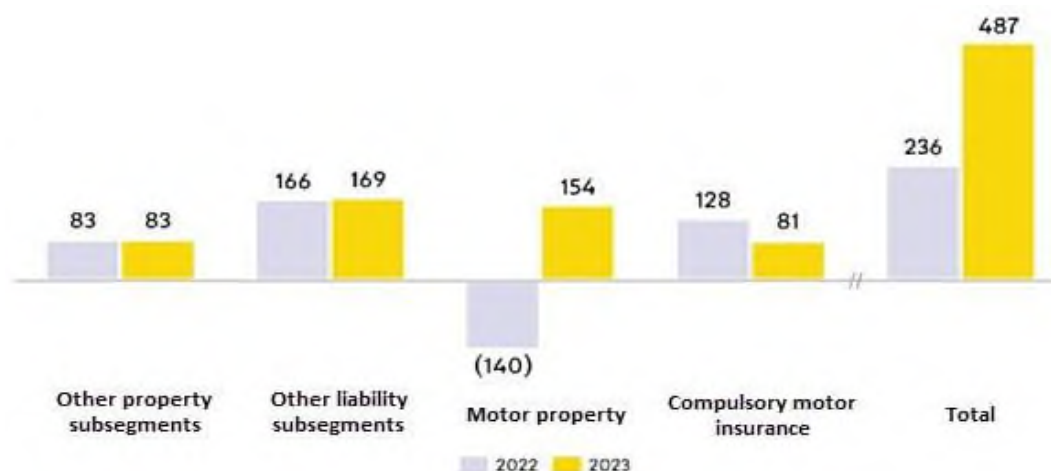
5.5.3 Assets under management and contributions towards benefits (in NIS million)



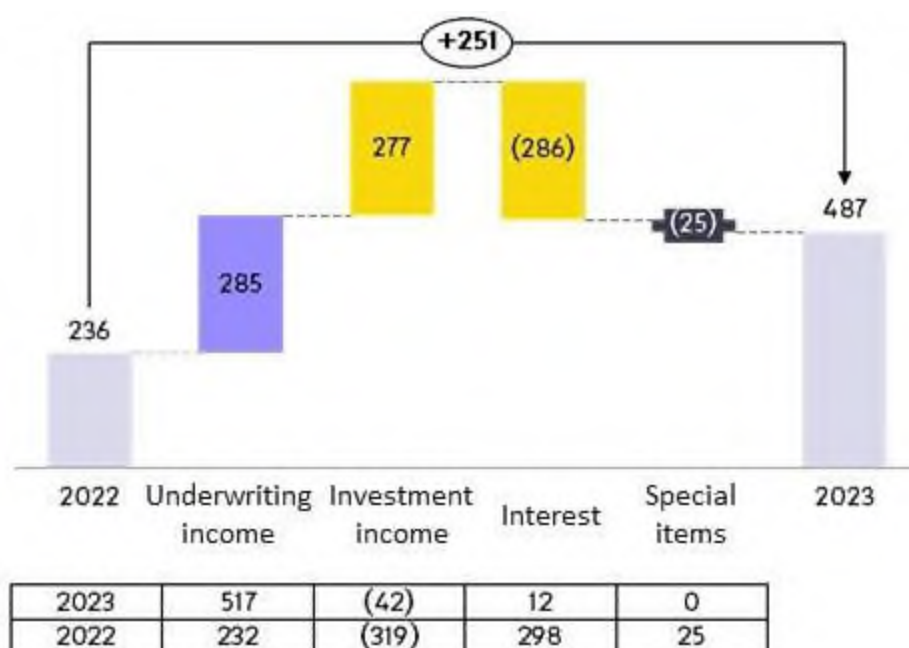
5.6 Operating results of property and casualty insurance

The property and casualty insurance businesses comprise four subsegments: Motor property, compulsory motor, property and other insurance, and other liability insurance.

5.6.1 Comprehensive income (loss) in property and casualty insurance during the Reporting Period (in NIS million)



5.6.2 Analysis of key changes in pre-tax comprehensive income during the Reporting Period, compared to the corresponding period last year (in NIS million)

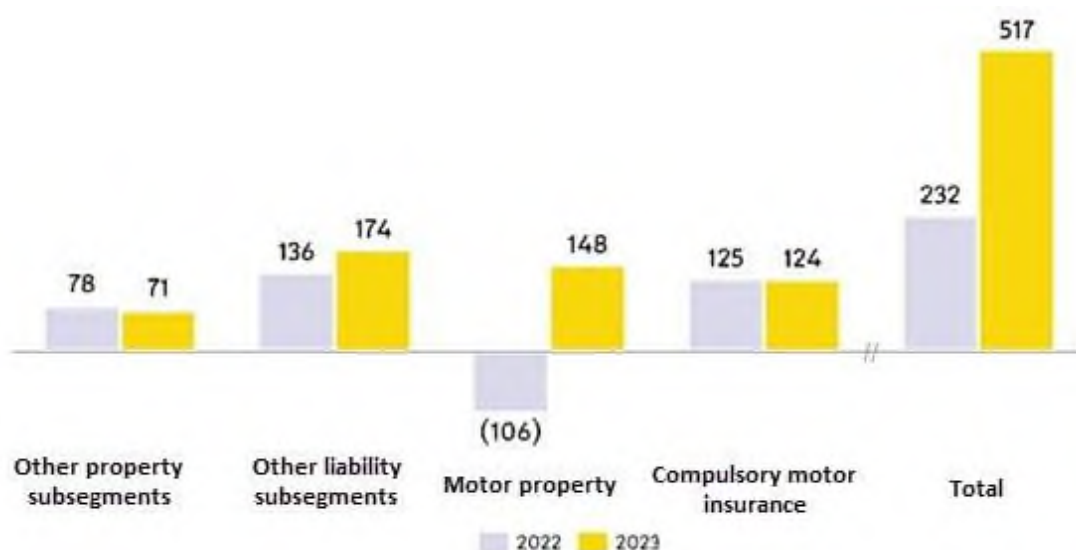


The increase in comprehensive income in the Reporting Period compared to the corresponding period last year stems from an approx. NIS 285 million increase in underwriting income, an approx. NIS 277 million decline in investment losses (after charging a normative return as stated in Section 5.2 above), compared to the corresponding period last year (of which approx. NIS 169 million in compulsory motor insurance, approx. NIS 42 million in motor property insurance, approx. NIS 59 million in other liability subsegments, and approx. NIS 7 million in other property and subsegments).

On the other hand, in the Reporting Period, the interest rate effect reduced the insurance liabilities by approx. NIS 12 million, compared to an approx. NIS 298 million decrease in the corresponding period last year. The Effect of Interest in the Reporting Period includes a positive effect of approx. NIS 8 million in compulsory motor insurance, approx. NIS 1 million in other liability subsegments, approx. NIS 2 million in the motor property insurance, and approx. NIS 1 million in other property subsegments (in the corresponding period last year - a positive effect of approx. NIS 224 million in compulsory motor insurance, approx. NIS 70 million in other liability subsegments, and approx. NIS 3 million in motor property insurance).

Furthermore, Special Items in the corresponding period last year are in respect of improvement of actuarial model at the total amount of approx. NIS 25 million in the Sale Law guarantees subsegment.

5.6.3 Results of underwriting income (pre-tax) by operating segments in the Reporting Period (in NIS million)



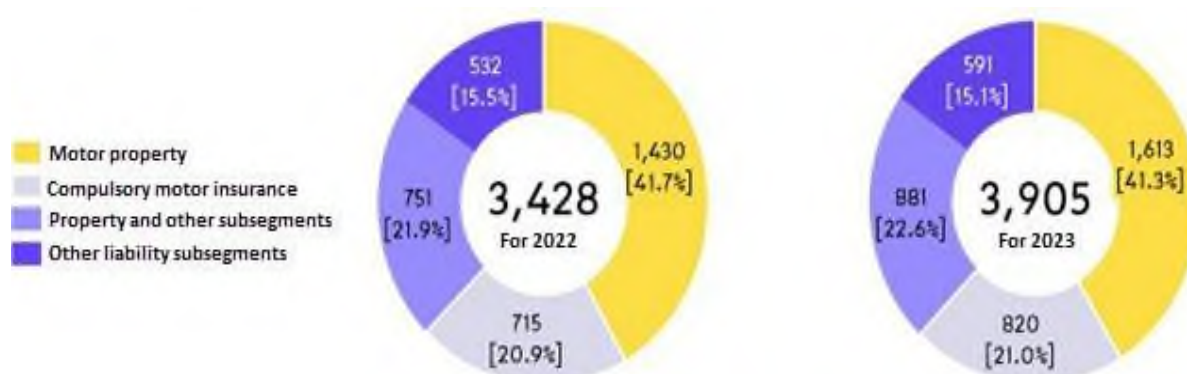
Compulsory motor insurance - the decrease in underwriting income in the Reporting Period compared to the corresponding period last year is mainly due to a decrease in positive developments in respect of prior years, and on the other hand there was an improvement in the results of the current year.

Motor property insurance - the transition to underwriting income in the Reporting Period compared to a loss in the corresponding period last year arises from an improvement in the results of the current year due to higher tariffs, which led, among other things to a decrease in the premium deficiency as well as an increase in positive developments with respect to previous years. See also Section 2.1 regarding the effects of the Iron Swords War.

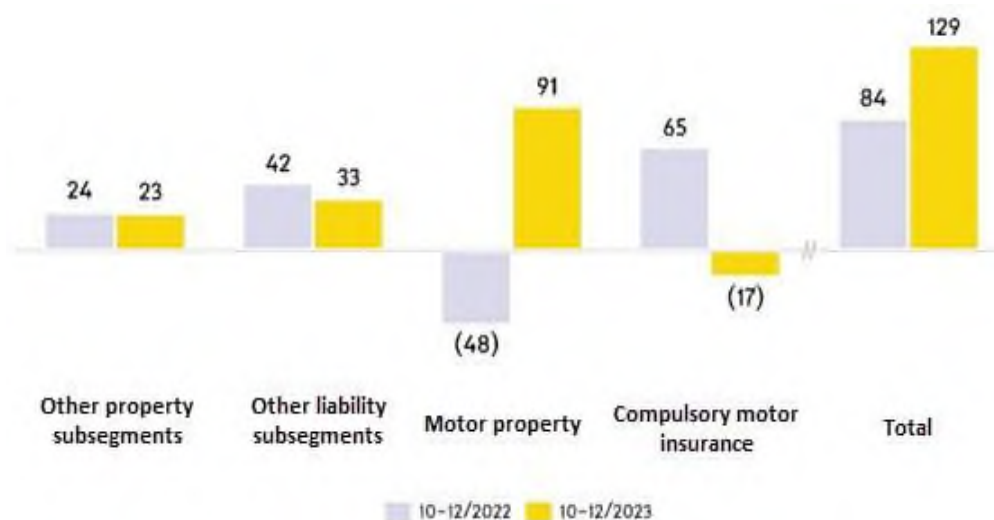
Other liability subsegments - the increase in the underwriting income in the Reporting Period compared to the corresponding period last year is due to an improvement in the ratio of claims which led to an improvement in the current year and a decrease in premium deficiency. On the other hand, there was a decrease in positive developments in respect of prior years.

Other property subsegments - the decrease in underwriting income in the Reporting Period compared to the corresponding period last year stems mainly from negative developments in respect of previous years.

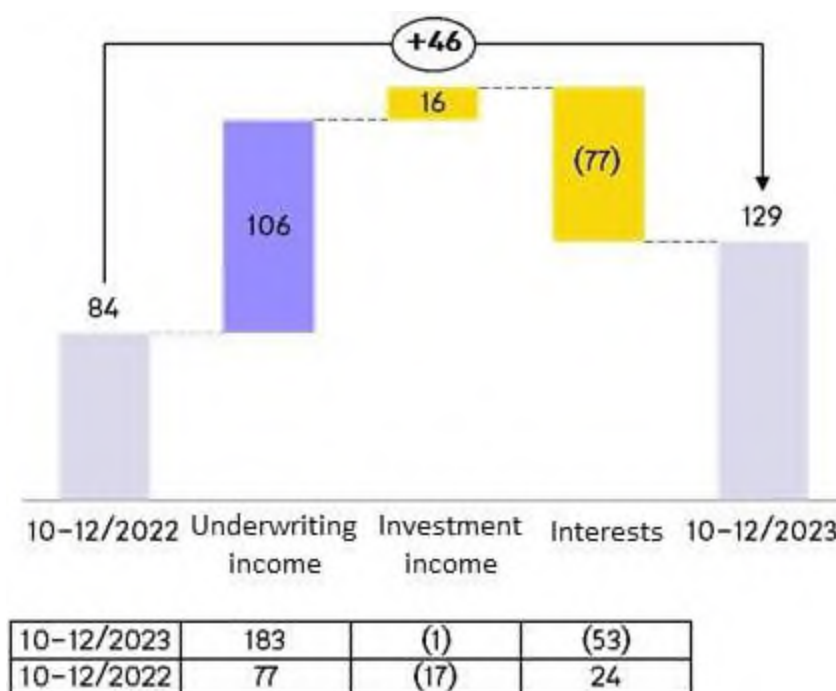
5.6.4 Gross premiums earned during the Reporting Period and corresponding period last year (in NIS million)



5.6.5 Comprehensive income (loss) in property and casualty insurance during the quarter (in NIS million)



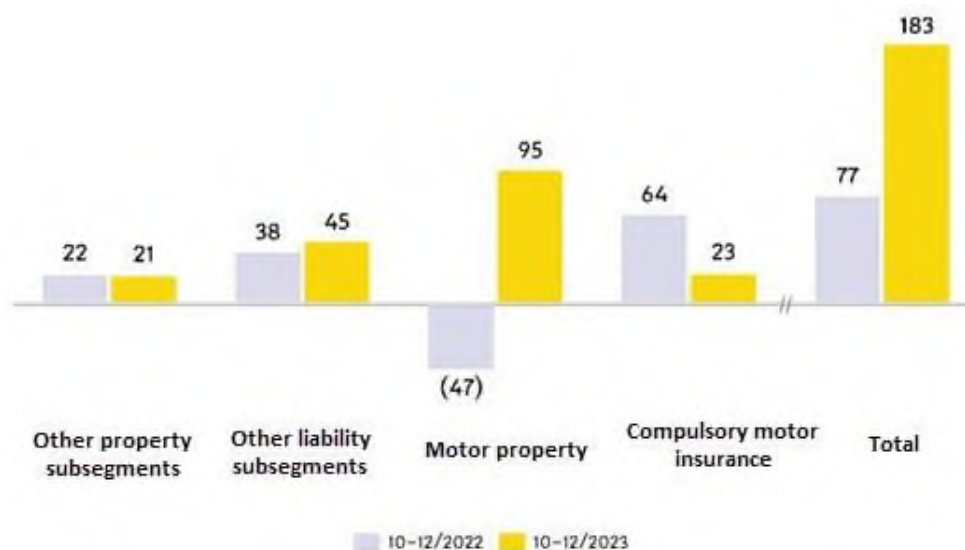
5.6.6 Analysis of key changes in pre-tax comprehensive income during the quarter, compared to the corresponding quarter last year (in NIS million)



The increase in comprehensive income in the fourth quarter compared to the corresponding quarter last year stems from an approx. NIS 106 million increase in underwriting income, an approx. NIS 16 million decline in investment losses compared to the corresponding period last year (of which approx. NIS 14 million in compulsory motor insurance, approx. NIS 1 million in motor property insurance, and on the other hand - higher losses of approx. NIS 1 million in other liability subsegments).

On the other hand, in the quarter, the interest rate effect increased the insurance liabilities by approx. NIS 53 million, compared to an approx. NIS 24 million decrease in the corresponding quarter last year. The interest rate effect in the quarter includes a negative effect of approx. NIS 36 million in compulsory motor insurance, approx. NIS 11 million in other liability subsegments, approx. NIS 6 million in the motor property insurance (in the corresponding quarter last year - a positive effect of approx. NIS 18 million in compulsory motor insurance and approx. NIS 6 million in other liability subsegments).

5.6.7 Results of pre-tax underwriting income by operating segment in the quarter (NIS million)



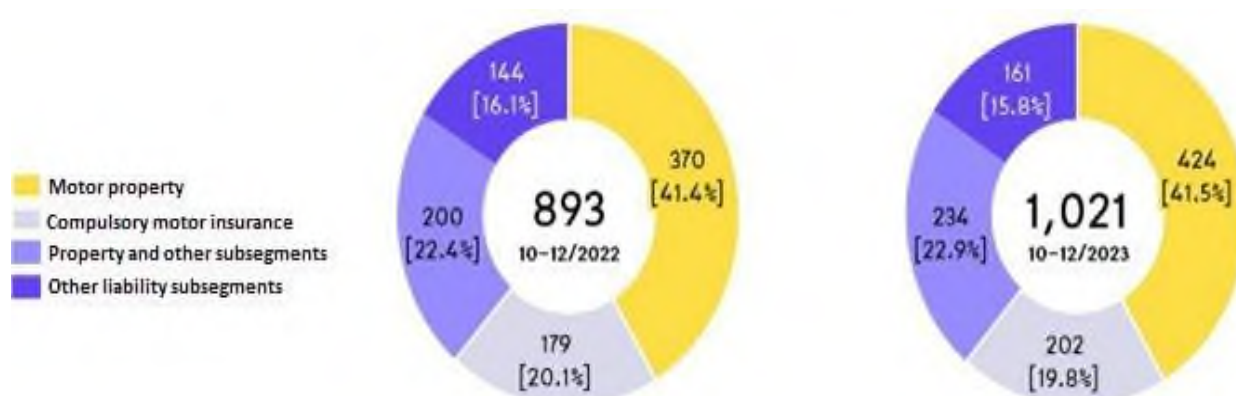
Compulsory motor insurance - the decrease in underwriting income in the quarter compared to the corresponding quarter last year is mainly due to a decrease in positive developments in respect of prior years, and from a deterioration in the results of the current year.

Motor property insurance - the transition to underwriting income in the Reporting Period compared to a loss in the corresponding period last year arises from an improvement in the results of the current year due to higher tariffs, which led, among other things to a decrease in the premium deficiency as well as an increase in positive developments with respect to previous years. See also Section 2.1 regarding the effects of the Iron Swords War.

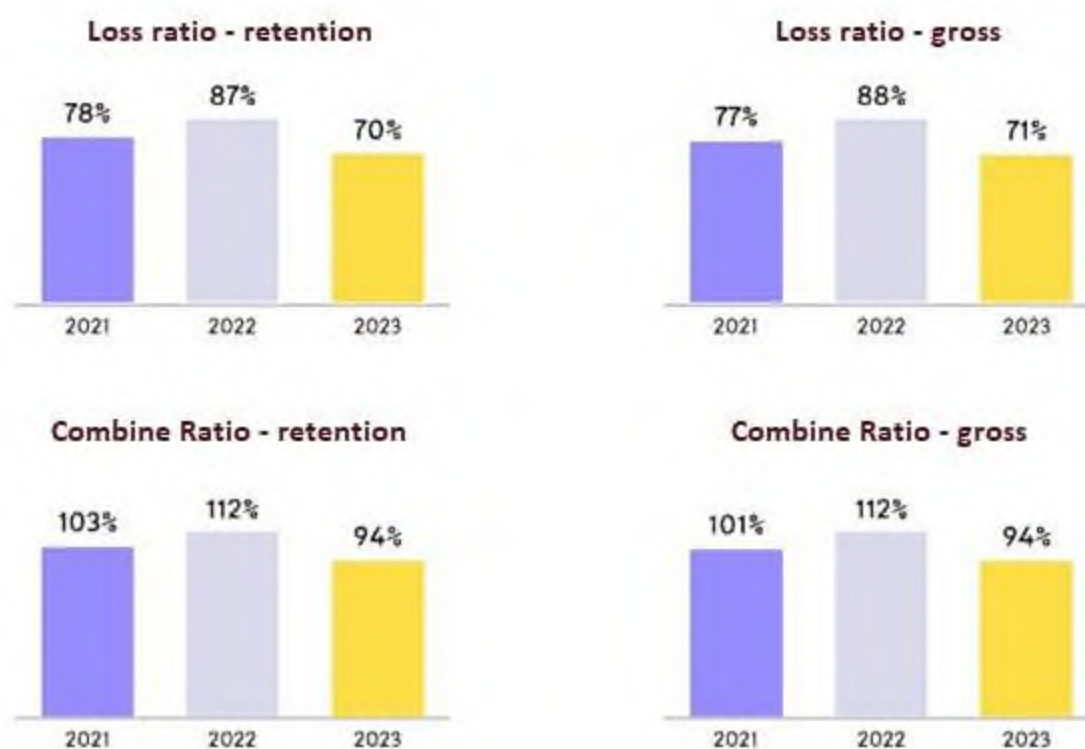
Other liability subsegments - the increase in underwriting income in the quarter compared to the corresponding quarter last year is due to an improvement in the results of the current year, which led, among other things, to a decrease premium deficiency, and on the other hand a decrease in positive developments in respect of prior years.

Other property subsegments - there was no material change in underwriting income in the quarter compared to the corresponding quarter last year due to negative developments in prior years, and on the other hand an improvement in the results of the current year, which led, among other things, to a decrease in premium deficiency.

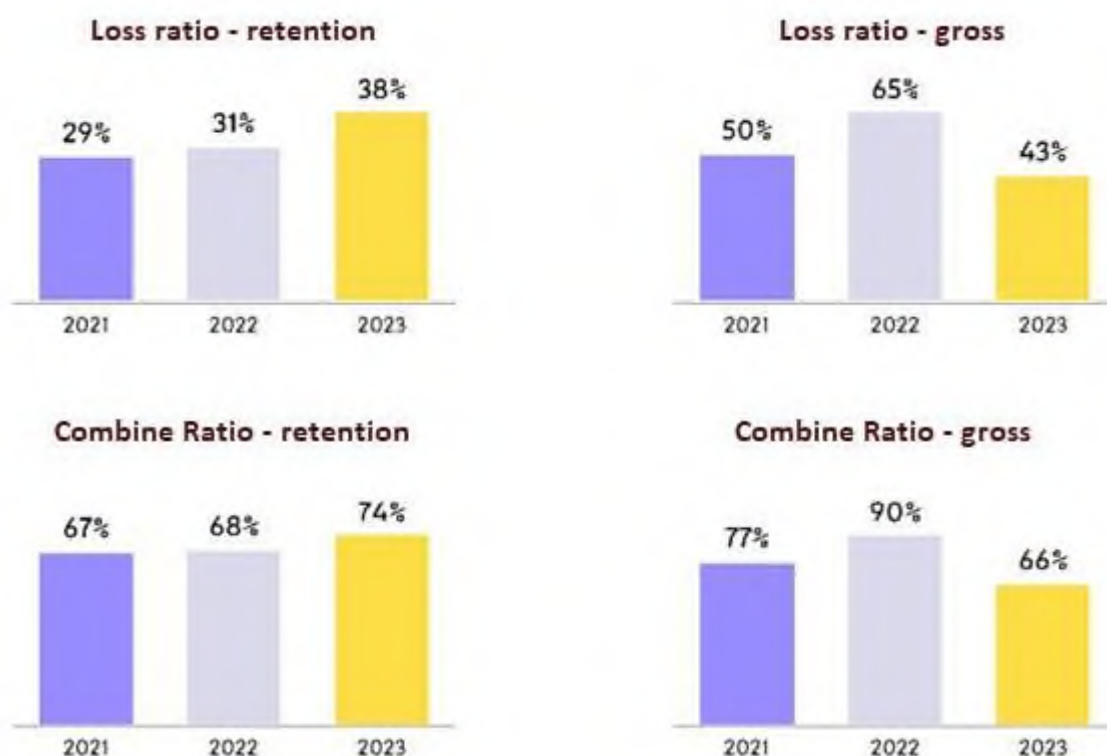
5.6.8 Gross premiums earned in the quarter and corresponding quarter last year (in NIS million)



Following is the loss ratio and combined loss ratio - gross and retention - in the motor property subsegments and in motor property subsegments:

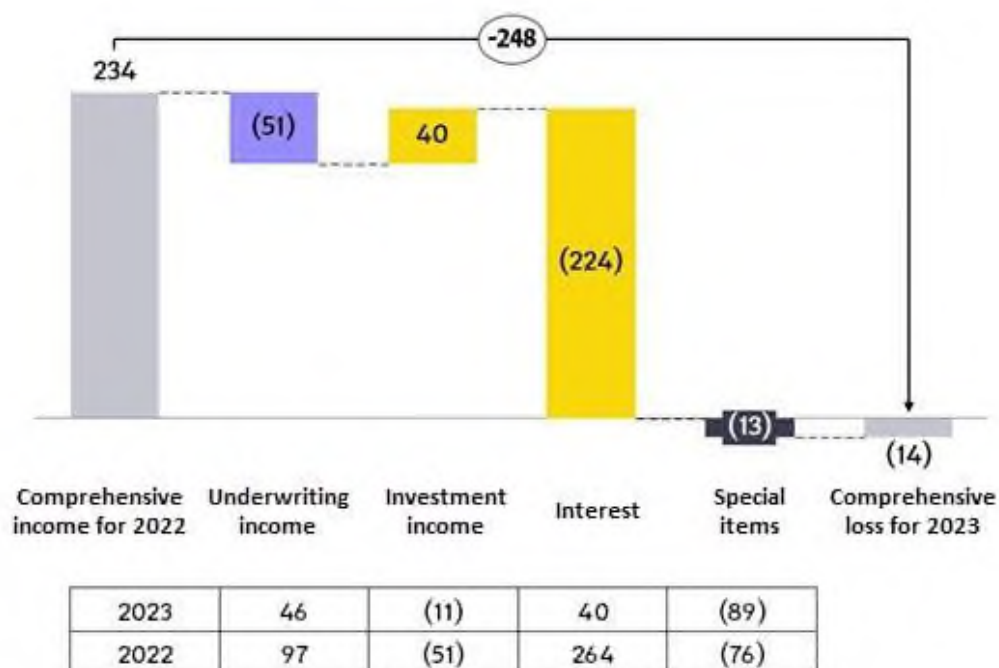


Following is the loss ratio and combined loss ratio - gross and retention - in the other property subsegments:



5.7 Operating results of health insurance

5.7.1 Changes in the results of the health insurance segment during the Reporting Period (in NIS million)

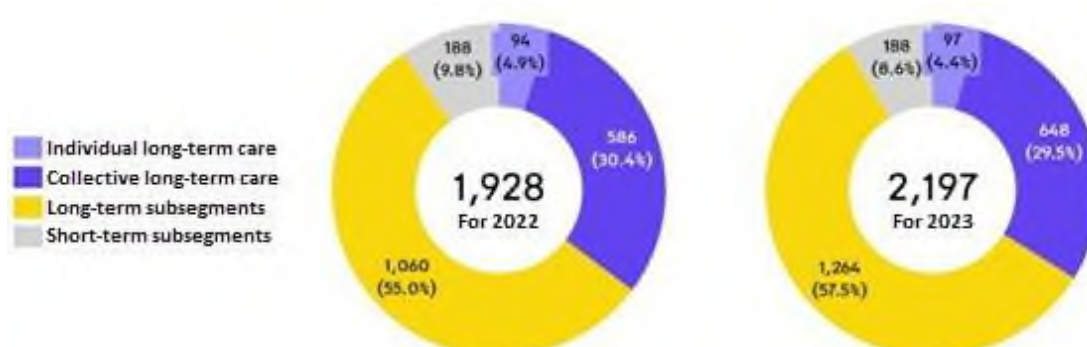


The decrease in underwriting income in the Reporting Period compared with the corresponding period last year stems mainly from a deterioration in the claims ratio, mainly in collective insurance, which was partially offset by an increase in activity, a decrease in expenses, and an increase in income in the personal accidents and foreign workers subsegments. The decrease in investment losses is attributable to a higher real return in the Reporting Period.

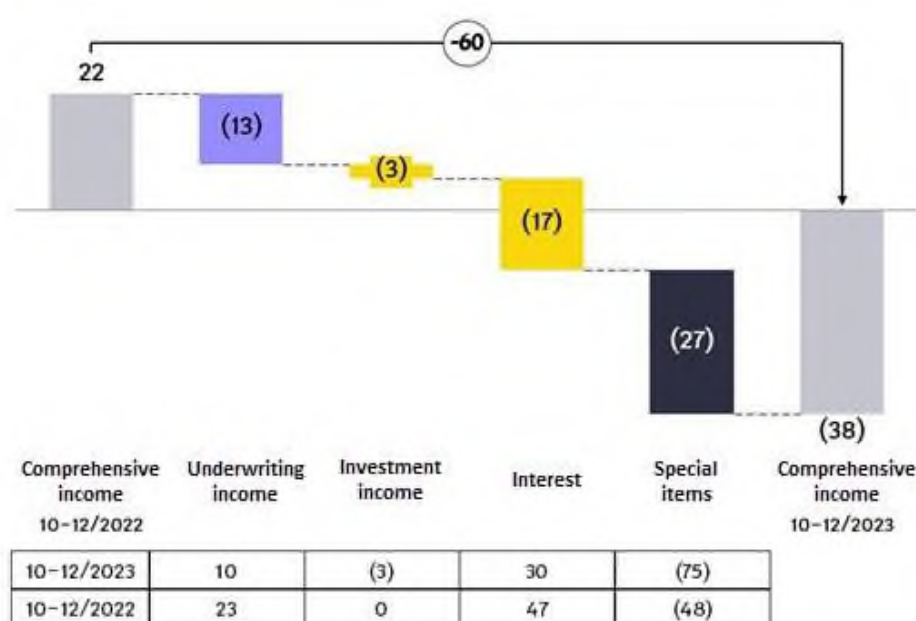
In the Reporting Period, the interest rate effect reduced the insurance liabilities by approx. NIS 40 million, compared to an approx. NIS 264 million decrease in the corresponding period last year.

The Special Items in the Reporting Period stem from revision of morbidity and cancellation assumptions, which led to an approx. NIS 89 million increase in the reserve (mostly in an individual long-term care product), and from a revision of assumptions regarding mortality, morbidity, cancellations and expenses in the corresponding period last year, which led to an approx. NIS 76 million increase in the reserve (mostly in the individual long-term care product).

5.7.2 Gross premiums during the Reporting Period and corresponding period last year (in NIS million)



5.7.3 Changes in the results of the health insurance segment during the quarter (in NIS million)

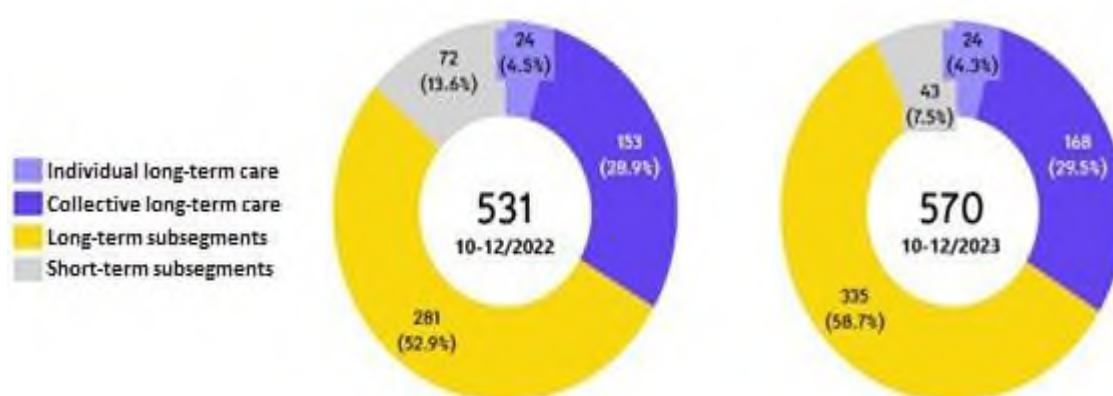


The decrease in underwriting income in the fourth quarter compared to the corresponding period last year stems mainly from a deterioration in the results of the collective long-term care insurance, which was partially offset by an increase in activity and a decrease in expenses. The decrease in investment income is attributable to a lower real return in the Reporting Period.

The interest rate effect reduced the insurance liabilities in the fourth quarter by approx. NIS 30 million, compared to an approx. NIS 47 million decrease in the corresponding period last year.

The Special Items in the fourth quarter stem from revision of morbidity and cancellation assumptions, which led to an approx. NIS 75 million increase in the reserve (mostly in an individual long-term care product), and from a revision of assumptions regarding mortality, morbidity, cancellations and expenses in the corresponding period last year, which led to an approx. NIS 48 million increase in the reserve (mostly in the individual long-term care product).

5.7.4 Gross premiums in the quarter and corresponding quarter last year (in NIS million)



6. Cash flow

In NIS million	1-12/2023	% of change	1-12/2022	% of change	1-12/2021
Net cash provided by (used for) activity:					
Operating	(325)	(49.1%)	(638)		1,239
Investment	(269)	6.2%	(253)	5.2%	(241)
Financing	104	(45.3%)	190		(542)
Exchange rate differences in respect of cash and cash equivalent balances	10	(88.7%)	90		(14)
Increase (decrease) in the cash balance	(480)	(21.5%)	(611)		442
Cash balance at end of period	3,405	(12.3%)	3,884	(13.6%)	4,496

7. Financing resources

The balance of the financial liabilities as of December 31, 2023 is approx. NIS 4,507 million compared to NIS 4,114 million as of December 31, 2022.

As of the report date, the Company's separate financial liabilities amount to approx. NIS 324 million, originating in Bonds (Series C), whose repayment is spread over 3 years according to the amortization schedules, and in an option to non-controlling interests. The Company considers it important to maintain available financial assets at the amounts required to repay bonds and to cover its operating activities and those of its investees. In this regard, it should be noted that as of the report date the Company has liquid financial assets at the total amount of approx. NIS 356 million. As part of the rating of the bonds it raised, the Company declared that it intends to maintain liquid assets and lines of credit at a rate of 100% of debt repayments (principal and interest) one year in advance, in accordance with the bonds' amortization schedule.

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

8.1 General

The following report regarding risk management relates to the investments of the Company and its consolidated companies, except for the Group's insurers (Menora Mivtachim Insurance, Menora Mivtachim Pension and Provident Funds and Shomera), in accordance with the Securities Regulations.

Regarding the risk management in Mivtachim (description of the risk factors) in accordance with the Commissioner's Directives, see Section 7.15 in the Description of the Corporation's Business chapter and in Note 38 to the Financial Statements.

8.2 The person in charge of market risk management in the corporation

As from 2014, Ms. Ruty Cohen-Yehudayoff has been serving as the Chief Risk Officer in the Group's institutional entities, and as the officer in charge of assessing the Company's market risks.

8.3 General description of the market risks

The market risk arises from fluctuations in the fair value of financial instruments as a result of changes in interest rates, exchange rates, share indices in Israel and abroad, real estate risks, etc. The Company (and its subsidiaries) are exposed to market risks in their nostro portfolios and in guaranteed return provident funds. As part of its business activity, the Company acquires financial and non-financial assets against its equity capital and bonds it raised from the public. Accordingly, the Company is exposed to the market and credit risks in respect of its assets and in respect of its liabilities.

Menora Mivtachim Underwriters and Management also serves as an underwriter and distributor in offerings in the local stock exchange. As part of its activity the Company acquires liquid assets, and therefore it is exposed to changes in the prices of the assets it acquired. As of the report date, the exposure to market risks of Menora Mivtachim Underwriting Management is immaterial.

Assets under management as part of the activity of the subsidiary Menora Mivtachim Real Estate, which include, among other things, investments and loans to companies investing in real estate properties abroad, are exposed to market risks, mainly as a result of changes in exchange rates, prices of real estate properties, and interest rates.

The subsidiary ERN Ltd. is engaged in the provision of undertakings for repayment of means of payment and bringing forward of payment dates, and in the provision of consumer credit as part of the activity of its subsidiary - Mimun Click Ltd., and is therefore exposed to market risks, and specifically to interest rate risks, linkage and liquidity risks due to differences in average duration and linkage between the assets and the liabilities.

8.4 The Company's market risk management policy and supervision thereof

Most of the Group's activities, and consequently most of the key risks to which it is exposed, involve its key activity, which is the activity of the Group's insurers. For a description of those risks, and the way by which they are mitigated and monitored, see Note 38 to the Financial Statements. With regard to the activity, which is the subject matter of this chapter, the principal market risk management policies are determined by the relevant competent organs of the Company and the subsidiaries. The relevant boards of directors receive periodic reports and updates, and hold, from time to time, discussions with regard to those exposures.

The Company's policy for investing its nostro funds stipulates that the funds will be invested mainly in liquid and marketable assets and in assets with medium-term average duration. Most of the investments will be made in securities. The Company holds derivatives designated to hedge the exposure to foreign currency as a result of the foreign activity of the subsidiary Menora Mivtachim Real Estate. The derivatives are forwards in respect of the exchange rate of the USD and EUR.

The investment policy of the subsidiaries' nostro funds is determined and supervised by the board of directors of each of the companies and in accordance with the nature of its activity.

The policy for management of the nostro funds of the underwriting company stipulates that surplus cash will be invested in government bonds and corporate bonds rated A or higher.

The management of the Company's nostro funds is carried out through the Investments Department of Menora Mivtachim Insurance, which implements control procedures to ensure compliance with the Company's investment policy through the Menora Invest Operation unit.

8.5 Linkage bases balance sheet

NIS million	In NIS - non- linked	In NIS - CPI- linked	In foreign currency or linked thereto *)	Non- financial and other items	Insurance companies	Total
Intangible assets	-	-	-	538	1,257	1,795
Deferred tax assets	-	-	-	18	6	24
Deferred acquisition costs	-	-	-	-	2,188	2,188
Property, plant & equipment	-	-	-	26	991	1,017
Investments in associates	368	-	28	-	92	488
Yield-dependent investment property	-	-	-	-	103	103
Investment property - other	-	-	-	122	530	652
Reinsurance assets	-	-	-	-	3,629	3,629
Current tax assets	-	6	-	-	127	133
Receivables and debit balances	41	4	3	4	473	525
Premiums collectible	-	-	-	-	1,030	1,030
Financial investments in respect of yield-dependent contracts	-	-	-	-	31,077	31,077
Other financial investments:						
Liquid debt assets	119	170	-	-	4,548	4,837
Illiquid debt assets	2,179	31	34	-	12,446	14,690
Shares	24	-	4	-	1,185	1,213
Other	58	-	14	-	3,155	3,227
Total financial investments	2,380	201	52	-	21,334	23,967
Cash and cash equivalents for contracts						
Yield-dependent	-	-	-	-	2,081	2,081
Other cash and cash equivalents	186	-	9	-	1,129	1,324
Total assets	2,975	211	92	708	66,047	70,033
Total equity	-	-	-	1,762	4,856	6,618
Liabilities						
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	-	-	-	-	22,397	22,397
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	33,059	33,059
Deferred tax liabilities	-	-	-	25	456	481
Liability for employee benefits, net	27	-	-	-	100	127
Liability for current taxes	-	3	-	-	5	8
Payables and credit balances	61	-	4	-	2,505	2,570
Financial liabilities	2,323	8	8	-	2,434	4,773
Total liabilities	2,411	11	12	25	60,956	63,415
Total capital and liabilities	2,411	11	12	1,787	65,812	70,033
Total balance sheet exposure	564	200	80	(1,079)	235	-
Exposure to underlying assets through derivatives in delta terms	47	-	(47)	-	-	-
Total exposure	611	200	33	(1,079)	235	-

(*) Mostly USD and EUR.

The Company's equity is invested in assets linked to the CPI and to the exchange rate of foreign currencies. The exposure to foreign currencies arises from investment in real estate properties in Russia, which are affected by the value of the Ruble. Furthermore, if the extreme market conditions, which were created due to the international sanctions imposed on Russia, will persist, it is likely that the real value of the real estate properties will be adversely affected, as well as the ability to dispose of the properties. In addition, the Company has an exposure in respect of currency derivatives (EUR and USD forwards), most of which was closed subsequent to the report date.

8.6 Sensitivity tests

As part of sensitivity analyses for the Company's financial assets and liabilities, a calculation was carried out of the effect of the changes in various market metrics on their fair value.⁴

The sensitivity tests performed are as follows: Relative increase and decrease of the interest rate curves (CPI-linked, NIS, foreign currencies) by 5% and 10%, an absolute increase and decrease of the interest rate curves (CPI-linked, NIS, foreign currencies) by 2%, increase and decrease in the exchange rates of the EUR and USD by 5% and 10%, and increase and decrease in share prices by 5% and 10%.

Furthermore, a maximum daily rate of change in the past 10 years was checked in respect of the exchange rates of the EUR and the USD and the TA 125, MSCI ACWI, S&P500 and NASDAQ 100 share indices.

For foreign shares - the stress scenario which was selected is 12.6% based on the maximum change in the NASDAQ 100 share index on October 2, 2023. Changes in the MSCI ACWI index and the S&P500 index stood at approx. 9.5% and 12.3%, respectively.

For Israeli shares - the highest daily extreme change in the TA 125 share index which was observed was approx. 7.5%, and therefore the stress scenario was set at 10%.

The Company has set a materiality threshold of an amount that exceeds NIS 15 million in order to present the result of the sensitivity tests for each of the risk factors.

The results of the sensitivity tests which were received for each of the risk factors (except as set out in the following tables) are below the materiality threshold which was set.

⁴ For further details regarding sensitivity tests in respect of the effects of inflation and interest rates, see Note 38(2)(b) to the Financial Statements.

8.6.1 Sensitivity tests to risk factor - real interest

As of December 31, 2023							
Risk factor - real interest							
(In NIS thousand)	2% increase in real interest rate	A relative increase of 10% in the real interest rate curve	A relative increase of 5% in the real interest rate curve	Fair value	A relative decrease of 5% in the real interest rate curve	A relative decrease of 10% in the real interest rate curve	2% decrease in real interest rate
Liquid debt assets	(12,881)	(906)	(454)	168,465	456	914	14,605
Illiquid debt assets	(281)	(19)	(10)	16,586	10	20	323
Total	(13,162)	(925)	(464)	185,051	466	934	14,928

As of December 31 2022							
Risk factor - real interest							
(In NIS thousand)	2% increase in real interest rate	A relative increase of 10% in the real interest rate curve	A relative increase of 5% in the real interest rate curve	Fair value	A relative decrease of 5% in the real interest rate curve	A relative decrease of 10% in the real interest rate curve	2% decrease in real interest rate
Liquid debt assets	(17,764)	(760)	(380)	246,676	381	763	19,919
Illiquid debt assets	(23)	(1)	(1)	4,791	-	1	24
Total	(17,787)	(761)	(381)	251,467	381	764	19,943

8.6.2 Sensitivity tests to risk factor - NIS-based interest

As of December 31, 2023

Risk factor - NIS-based interest

(In NIS thousand)	2% increase in NIS interest rate	A relative increase of 10% in the NIS interest rate curve	A relative increase of 5% in the NIS interest rate curve	Fair value	A relative decrease of 5% in the NIS interest rate curve	A relative decrease of 10% in the NIS interest rate curve	2% decrease in NIS interest rate
Liquid debt assets	(6,622)	(1,362)	(686)	120,674	695	1,401	7,572
Illiquid debt assets	(6,776)	(2,790)	(1,400)	1,445,326	1,411	2,832	7,030
Liquid bond issued	5,022	950	476	(158,048)	(479)	(961)	(5,329)
Liability in respect of a financial guarantee contract in a subsidiary	66	15	7	(13,239)	7	15	(66)
Liability in respect of direct debit in a subsidiary	9,057	1,889	945	(603,804)	945	1,889	(9,057)
Bank credit in subsidiary	6,904	1,525	762	(1,380,853)	762	1,525	(6,904)
Liability in respect of a put option for non-controlling interests in a consolidated company	8,258	1,683	845	(161,761)	(851)	(1,707)	(8,876)
Loan from an affiliate	1,196	238	119	(61,108)	(120)	(240)	(1,251)
Total	17,106	2,148	1,069	(812,812)	2,371	4,753	(16,882)

As of December 31 2022

Risk factor - NIS-based interest

(In NIS thousand)	2% increase in NIS interest rate	A relative increase of 10% in the NIS interest rate curve	A relative increase of 5% in the NIS interest rate curve	Fair value	A relative decrease of 5% in the NIS interest rate curve	A relative decrease of 10% in the NIS interest rate curve	2% decrease in NIS interest rate
Liquid debt assets	(5,386)	(1,062)	(535)	69,918	544	1,097	6,425
Illiquid debt assets	(8,298)	(2,684)	(1,346)	1,431,738	1,356	2,720	8,657
Liquid bond issued	8,394	1,578	791	(209,463)	(797)	(1,599)	(9,019)
Liability in respect of a financial guarantee contract in a subsidiary	80	14	7	(15,910)	7	14	(80)
Liability in respect of direct debit in a subsidiary	7,707	1,420	710	(513,772)	710	1,420	(7,707)
Loan from non-controlling interests	30	5	3	(6,020)	3	5	(30)
Bank credit in subsidiary	6,718	1,177	589	(1,343,609)	589	1,177	(6,718)
Liability in respect of a put option for non-controlling interests in a consolidated company.	10,731	2,203	1,107	(155,597)	(1,117)	(2,244)	(11,757)
Loan from an affiliate	2,166	411	206	(61,388)	(207)	(416)	(2,302)
Total	22,141	3,063	1,530	(804,103)	1,087	2,175	(22,531)

9. Corporate Governance Aspects

9.1 Reporting on directors with accounting and financial expertise

See Section 14 to Chapter E - to the Additional Details Report and Sections 1 and 9 in the Corporate Governance Questionnaire attached thereto.

9.2 Disclosure regarding the percentage of independent directors in the corporation

The Company's Articles of Association do not include a provision regarding the percentage of independent directors in the Company, as the term is defined by the Companies Law. However, as of the report date, 2 independent directors serve in the Company (including external directors). For details about the independent directors in the Company, see Section 14 to Chapter E - Additional Details Report and Section 2 in the Corporate Governance Questionnaire attached thereto.

9.3 Independent signatories

As of the report date, the Company does not have independent signatories, as defined in Section 37(D) to the Securities Law, 1967.

9.4 Donations

Group companies donate, from time to time, to various social causes, at their discretion. The Company does not have a regulated policy regarding this matter.

In 2023, the Group's donations amounted to approx. NIS 1,784 thousand.

No donations exceeding NIS 50 thousand were made to institutions, which have special relations with the Company, a director, a CEO or a controlling shareholder.

9.5 Disclosure regarding a corporation's chief internal auditor

For details regarding the Group's internal auditors and the board of directors' handling of this matter, see Section 8.2 of the Report on the Corporation's Business.

9.6 Disclosure regarding the independent auditors' fees

For details regarding the Group's independent auditor and the board of directors' handling of this matter, see Section 8.3 of the Report on the Corporation's Business.

9.7 Disclosure on the financial statements' approval procedure in the Company

See Sections 25 to 27 to the Corporate Governance Questionnaire, which is attached to the Additional Details chapter below.

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

10.1 Reporting critical accounting estimates

There were no material changes in critical accounting estimates compared to the corresponding period last year.

11. Dedicated disclosure for bondholders

For details regarding the corporation's Notes, see Note **25** to the Financial Statements.

Subsequent to the Reporting Period, there were no significant events and changes in relation to the notes.

11.1 The Trustee and the Deed of Trust

Series C

The trustee for the Bonds (Series C) is Mishmeret Trust Company Ltd. (hereinafter - "**Mishmeret**"), whose key occupation is the performance of trust duties (hereinafter in this subsection - the "**Trustee for Series C**"). The person in charge on the Company's bonds on behalf of the Trustee is Mr. Rami Sebtly (CPA), VP.

Following are the Trustee's contact details: 46-48 Menachem Begin Road, Tel Aviv 6618001, Tel: 03-6374354. Fax: 03-6374344; email: Office@mtrust.co.il.

The full text of the deed of trust, which was signed between the Company and the trustee to Bonds (Series C) on September 26, 2016, is available for perusal by appointment at the Company's registered office on any business day during normal working hours.

To the best of the Company's knowledge, through the date of this report it complies with all the provisions of the Deed of Trust, the conditions for establishing grounds for immediate repayment of the Subordinated Notes (Series C) were not fulfilled, and the Company did not receive any notices from the Trustee regarding non-compliance with the terms of the Deed of Trust in connection with a demand for immediate repayment of the Subordinated Notes (Series C). In addition, no requests were received from the Trustee to convene meetings of holders of the Subordinated Notes (Series C), or to execute various actions in connection with the Subordinated Notes (Series C).

11.2 Further details in accordance with the Eighth Addendum to the Securities Regulations

Series	Bonds (Series C)
Listing date/ issuance date	September 29, 2016
Par value as of issuance date (in NIS thousand)	NIS 230,225 thousand p.v. in September 2016. In May 2020, an expansion of approx. NIS 142,850 thousand p.v. was conducted
Par value as of report date (NIS thousand)	160,422
CPI-linked par value as of the report date (NIS thousand)	160,422
Amount of interest accrued as of the report date (NIS thousand)	1,181
Fair value in the financial statements as of the report date (NIS thousand)	158,048
Value on the stock exchange as of the report date (NIS thousand)	158,048
Interest type	Fixed - 2.94%
Principal payment dates	The principal will be repaid in seven (7) installments as detailed below: (a) Six (6) equal installments of 14.25% each out of the principal of the bonds will be paid once a year, or September 30, starting on September 30, 2020 and through September 30, 2025 (inclusive); (b) a further installment of 14.5% out the principal of the bonds will be paid on September 30, 2026.
Interest payment dates	Annual payments on September 30 of each of the years 2017 through 2026 (inclusive), excluding the first interest payment which was paid on September 30, 2017 in respect of the period starting on the first trading day following the tender, and ending on the last day before the first interest payment date (i.e., - September 29, 2017) (hereinafter - the "First Interest Period"), calculated in accordance with the number of days in this period on the basis of 365 days per year. The last interest payment will be made on September 30, 2026, on the payment date of the outstanding principal of the Bonds (Series C), or through the early redemption date, the earlier of the two as detailed below.
Linkage base and terms	Non-linked.
Are the notes convertible	No
The series is material to the Company	Yes
Early redemption initiated by the Company	The Company has an early redemption option starting 60 days from the date of listing of Bonds

Series	Bonds (Series C)
	(Series C) for trading, according to the terms and conditions outlined in the deed of trust.
Key conditions for calling for immediate repayment	Minimum equity capital - the Company's equity as per its latest audited or reviewed published separate financial statements will not be less than NIS 1.5 billion over two consecutive calendar quarters. For details, see Section 5.6.1 to the Deed of Trust. Net financial debt to total assets ratio - the ratio between the Company's net financial debt and its total assets shall not exceed 50% over two consecutive calendar quarters. For details, see Section 5.6.2 to the Deed of Trust. It is noted that in the Deed of Trust also includes the conditions detailed in Series B.
Were conditions fulfilled which constitute grounds for calling for immediate repayment	No
Restriction on the creation of charges and/or in connection with the Company's authority to issue additional bonds	There is an undertaking not to create a floating charge on all of the Company's assets. For details, see Section 5.5 to the Deed of Trust. ⁵
Miscellaneous	Restrictions on dividend distribution: The Company undertakes that if its equity capital will fall below NIS 1.8 billion as per its audited or reviewed separate financial statements, as the case may be, known on the date of the decision, or if the ratio between the Company's net financial debt and its total assets will exceed 45%, and so long as one of those conditions was fulfilled, the Company will refrain from making a distribution (as defined in the Companies Law, 1999) to its shareholders, until such time when its equity will exceed the said amount or the ratio between the net financial debt and total assets as stated above shall fall below the said rate, in accordance with the Company's financial statements known on the date on which the decision will be made. For details, see Section 5.4 to the Deed of Trust.

⁵ Regarding the deed of trust, see the Company's immediate report dated September 27, 2016 (Ref. No. 2016-01-055443).

11.3 Rating of the bonds

For details regarding the bond rating history, see the Company's immediate report dated January 10, 2024, Ref. No. 2024-01-004998.

	Bonds (Series C)
Rating agency	Midroog
Rating on issuance date	Aa3
Current rating	Aa2 (stable outlook)

12. Business targets and strategy

The information presented below is forward-looking information, and as such it is uncertain and might not materialize, in whole or in part. Forward-looking information is based on information available to the Group as of the report date, and includes assessments or intentions of the Group as of the report publication date. Actual results may be materially different from the results assessed or implied by this information, including, among other things, due to regulatory provisions, the behavior of the market and other market players, customers' needs and preferences, and changes in the risk factors detailed in Section 7.15 to the Report on the Corporation's Business.

Strategy - General

In October 2022, at the recommendation of the Strategy Committee, the Board of Directors approved a strategic plan for the Group for 2023-2026, whose main goal is to develop capabilities and means for dealing with the quick changes which take place and are expected to take place in the next future years in the business environment in which the Group operates in the long-term savings subsegment, and in the other insurance segments, with an emphasis, among other things, on detecting growth engines and sources of profitability in the Company in areas related to the Group's core activities, profit-focused growth, personal pricing, maximization of the Group's assets, driving for innovation and improving the customer experience while maintaining technological and operational flexibility, streamlining (procurement, general and administrative expenses, and acquisition costs), and external and internal branding. The Group will act to expand and reinforce its distribution channels, and its product offering; its key and central distribution channel shall continue to be the insurance agents channel. In addition, the Group will work to focus its marketing efforts on the various risk products. It is noted that as part of the plan, profitability, growth, and capital development targets were set.

The Group's profitability depends mainly on returns in the capital market. This is reflected in its yield dependent property and casualty and life insurance businesses (regarding policies issued through 2003), and in guaranteed return policies and provident funds. In order to moderate the said dependency, the Group develops additional business focal points which are not dependent - at least not in a significant and direct manner - on returns in the capital market. Accordingly, the Group will aspire to enhance and develop sources of income other than the insurance and long-term savings activity, through investees. Over the past few years, the Group started developing activities which are not significantly affected by fluctuations in the capital market, by investing in Ampa Capital Ltd. and in ERN Ltd. (while assuming control therein in 2022, see Section 7.16.3 to the Report on the Corporation's Business), which are engaged in the provision of credit to SMEs and in securing payments, respectively.

Furthermore, the Group expanded its distribution arm by purchasing various insurance agencies, and in particular the Alifim Ltd. agency (see Section 7.16.5 to the Report on the Corporation's Business above).

Strategy in life insurance and long-term savings

■ Life insurance

The Group's strategy in life insurance: Improving the service and maintaining a fair relationship with the Group's customers; maintaining the profitability of the life insurance activity while focusing on the sale of products with adequate profit rates, such as life insurance policies and other coverages; retaining the Group's customers while reducing the number of policy cancellations redemptions and outgoing transfers; increasing the Group's market share in insurance products and long-term savings, and the Top Finance products, while generating return and value to policyholders in the various investment tracks based on their selection;⁶ developing new products and solutions in the life insurance subsegment, while providing advanced response to competition in the market and to policyholders' needs; maintaining the Group's position regarding insurance products related to mortgages.

The actions taken by the Group in order to achieve those goals are:

Improving the service and the relationships with the Group's agents and customers by implementing controls and measuring the service processes; assessing and streamlining the work processes, and effectively implementing automation and digitization processes; maximizing the synergy between the Group's various units to leverage new sales in this area, while utilizing the Group's advantages in the areas of pension and asset management; expanding the sales of life insurance; executing moves to retain the customers, while addressing the handling of funds at the end of the insurance and savings period.

■ Pension and provident

The Group's long-term strategic goal is to remain a leading market player in the long-term savings market, which stands out for the quality of the service it provides to its customers and its expertise, while striving to achieve adequate profitability. As part of this strategic goal, the Group works to expand the number of planholders in the pension funds, and the number of planholders in the provident funds and advanced education funds, retain its existing pension and provident funds' portfolios, enter into new businesses while maintaining profitability, creating a joint, profitable activity with the various distribution channels, and leveraging the synergy with Group companies.

The Group's strategic map is based on four main tiers: A financial tier, the customers tier, the processes tier and the learning and innovation tier, as detailed below:

The financial tier relates to targets of profitability, value of the pension portfolio, value of the provident funds and advanced education funds' portfolio, market share in assets, market share in collection, and the Group's share in the distribution channels.

The customers tier relates to the Group's main five types of interested parties: The policyholders, the employers, the workers unions, the agents and the pension advisors. The goals relevant to this tier include: The level of service, returns on assets, generating

⁶For details regarding the investments function and its management, see Section 7.4 to the Report of the Corporation's Business.

added value beyond what other market players generate, reliability in the management of the customers' funds, advanced ICT, etc. As part of this activity, the Group invests in advertising in order to increase awareness of the advantages of the Group's products and the importance of selecting them.

The processes tier relates to the following aspects: Technology, service, marketing and sales, products and regulation. The goals relating to this tier include: A product mix which addresses customer's needs, creating and implementing an overall marketing concept, innovative and digital sales processes, development of sale and marketing platforms which engage the end customer directly, service adapted to the distribution channels in order to retain customers and increase their satisfaction, improving the service provided through digital tools, intra-organizational service which supports synergy, operational systems which support streamlining and reliability.

The learning and innovation tier relates to expertise, a culture of excellence in service, development of solutions and execution of actions through digital tools, improving control processes, increasing organizational efficiency, etc.

In order to achieve the said goals, the Group will act, among other things, to expand the provision of comprehensive solutions which meet customers' needs and realize the Group's potential synergy, in particular in order to increase the number of policyholders or planholders, who purchase the Group's products. Furthermore, the Group will assess the results of the advertising activity in the various media channels, whose purpose is to emphasize the importance of selecting the Group's products. The Group will continue holding professional training sessions to the relevant groups, in order to develop its pension and provident funds businesses, policyholders or planholders while maintaining a continuous relationship with its customers.

Property and casualty strategy

In the property and casualty insurance segment, the Group will focus on further improvement of profitability, alongside operational streamlining. In addition, an emphasis will be placed on improving the diversification of the insurance portfolio between the various subsegments.

■ **Compulsory motor insurance**

In this subsegment, the Group focuses on profitable market segments, while eliminating sources of loss. The Group's tariff model aims to achieve this goal. Furthermore, the Group will continue maintaining its underwriting conservatism, which is reflected in refraining from entering into high-risk activities, such as insurance for motorcycles, all-terrain vehicles, etc.

■ **Compulsory motor insurance**

The Group's market share in the motor property insurance segment is relatively high compared to other insurance groups, and the Group's strategy for future years is to retain this market share, while improving underwriting results.

■ **Property and casualty insurance**

The property insurance subsegment - the Group's market share in this segment is relatively low compared to other insurance groups, and the Group's strategy is to increase its market share at a moderate rate, focusing on shelf products and on businesses with high degree of complexity, with high potential profitability.

The liability insurance segment - professional liability insurance and officers insurance shall continue as key products in the Group's liability insurance portfolio, while leveraging the Group's expertise in specific market segments in these subsegments. As to the other liability subsegments, the Group will focus on further improvement of the underwriting results, including by screening policyholders, reducing the activity in specific market segments, and increasing tariffs.

Health insurance strategy

In view of the reforms and the many changes in the health insurance segment, the Group's goal is to maintain adequate profitability, while streamlining and retaining existing customers. The actions taken by the Group in order to achieve this goal are: Increasing sales to private customers, and further development of competitive and dedicated products in the health insurance segment, which address customers' needs; improving the service to customers and agents, and strengthening relationships with agents; maintaining and improving agents and employees' professionalism and expertise through professional training sessions, in particular in the wake of the many reforms in this segment; expanding the sales function by recruiting new agents and diversifying the sales channels; developing technological tools for agents and positioning the segment as a digital and innovative segment. In addition, the Company aims to expand its activity in the travel insurance subsegment, through its various distribution channels and collaborations.

13. Events subsequent to the balance sheet date

13.1 Rating reiteration

In January 2024, Midroog announced that it reiterates the rating of the Company's Bonds (Series C) at Aa2 with a stable outlook. For further details, see the Company's immediate report dated January 10, 2024 (Ref. No. 2024-01-004998).

13.2 Dividend distribution

In March 2024, and in accordance with the dividend distribution policy, the Company declared the distribution of approx. NIS 175 million in dividend.

13.3 Dividend distribution by subsidiaries

In March 2024, Menora Insurance declared a dividend distribution for the Company of NIS 200 million. Furthermore, Shomera distributed a NIS 50 million dividend to the Company.

13.4 Investment in Ampa Capital

In March 2024, the Company's Board of Directors approved an investment in Ampa Capital in the amount of approx. NIS 50 million. The investment will be made in two stages, half in April 2024 and the other half on December 31, 2024. The purpose of the investment is to increase the shareholders' equity to support the growth of Ampa Capital's activities. It should be noted that the above investment will not materially change the Company's holding rate in Ampa.

The Board of Directors wishes to extend its sincere appreciation to the Group's employees, its management and agents, for their work and contribution to the Group's achievements.

Eran Griffel
Chairman of the Board

Ari Kalman
CEO

Ramat Gan, March 28, 2024

Chapter C

Financial Statements

Menora Mivtachim Holdings Ltd.
Consolidated Financial Statements

As of December 31, 2023

Menora Mivtachim Holdings Ltd.

Consolidated Financial Statements as of December 31, 2023

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Report of the Independent Auditor to the Shareholders of Menora Mivtachim Holdings Ltd. regarding Audit of the Components of the Internal Control over Financial Reporting

In accordance with Section 9B(c) to the Securities Regulations (Periodic and Immediate Reports), 1970.

We have audited components of internal control over financial reporting of Menora Mivtachim Holdings Ltd. and its subsidiaries (hereinafter - the "**Company**") as of December 31, 2023. These control components were set as explained in the following paragraph. The Company's Board of Directors and management are responsible for maintaining effective internal control over financial reporting, and for assessing the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for the said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

Components of internal control over financial reporting were audited by us according to Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of the Components of the Internal Control over Financial Reporting" (hereinafter - "**Audit Standard (Israel) 911**").

These components are: 1) entity-level controls, including controls on the preparation process and close-end period controls of the financial reporting and information technology general controls; 2) controls over processes which are very material for the financial reporting and disclosure of a consolidated company - Menora Mivtachim Insurance Ltd. and other material consolidated companies (hereinafter - the "**Audited Control Components**").

We conducted our audits in accordance with Auditing Standard (Israel) 911. This standard requires that we plan and perform the audit to identify the audited control components and to obtain reasonable assurance whether these control components have been maintained effectively in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists in the audited control components, as well as reviewing and evaluating the effectiveness of the planning and maintenance of these control components based on the assessed risk. Our audit of these control components included performing such other procedures as we considered necessary under the circumstances. Our audit focused only on the audited control components, unlike internal control of all material processes relating to financial reporting, and therefore our opinion refers only to the audited control components. In addition, our audit did not take into account the mutual effects between the audited control components and those which are not audited, and therefore our opinion does not take into account such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Due to inherent limitations, internal control over financial reporting in general, and components of internal controls in particular, may not prevent or detect a misstatement. In addition, making projections on the basis of any evaluation of effectiveness is subject to the risk that controls may become inadequate due to changes in circumstances, or that the degree of compliance with the policies or procedures may be adversely affected.

In our opinion, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2023.

We also audited, in accordance with the generally accepted auditing standards in Israel, the Company's Consolidated Financial Statements as of December 31, 2023 and 2022 and for each of the years ended on December 31, 2023, 2022, and 2021 and our report, of March 28, 2024, included an unqualified opinion on these Consolidated Financial Statements, based on our audit and the reports of the other auditors, as well as an emphasis of matter to that which is stated in Note 40(a) to the Consolidated Financial Statements regarding exposure to contingent liabilities.

Tel Aviv,
March 28, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Report of Independent Auditors to the Shareholders of Menora Mivtachim Holdings Ltd.

We have audited the consolidated statements of financial position of Menora Mivtachim Holdings Ltd. and its subsidiaries (hereinafter – the “**Company**”) as of December 31, 2023 and 2022 and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years ended December 31, 2023, 2022, and 2021. These Financial Statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion of these Financial Statements based on our audit.

We did not audit the financial statements of certain consolidated companies, the assets of which have been consolidated and which constitute approximately approx. 3.5% and approx. 3.4% of total consolidated assets as of December 31, 2023 and 2022, respectively, and the income of which are consolidated and constitute approximately approx. 2.8% and approx. 1.3% of total consolidated income for the years ended December 31, 2023 and 2022, respectively, and are not material in terms of total consolidated income for the year ended December 31, 2021. Furthermore, we did not audit the financial statements of equity-accounted companies, the investment in which as of December 31, 2023 and December 31, 2022 amounted to NIS 338,131 thousand and NIS 47,201 thousand, respectively, and the Company's share in the profits of which amounted to NIS 34,837 thousand, NIS 5,364 thousand and 19,200 thousand for each of the years ended December 31, 2023, 2022 and 2021, respectively. The financial statements of the above companies were audited by other independent auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other independent auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those set forth in the Certified Public Accountants (Modus Operandi of Certified Public Accountant) Regulations, 1973. These standards require that we plan and perform the audit in order to obtain reasonable assurance that the Financial Statements do not contain material misstatement. An audit involves examining, on a sample basis, evidence supporting the amounts and information included in the Financial Statements. An audit also involves assessing the accounting principles used, and significant estimates made, by the Board of Directors and management of the Company, as well as evaluating the overall presentation of the Financial Statements. We believe that our audits and the reports of other independent auditors provide an adequate basis for our opinion.

In our opinion, based on our audit and the reports of other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position as of December 31, 2023 and 2022 and the consolidated results of operations, changes in equity and cash flows for each of the years ended on December 31, 2023, 2022 and 2021 in accordance with the provisions of The Securities Regulations (Annual Financial Statements), 2010, which pertain to holding companies of insurers, as described in Note 2.

Without qualifying our opinion, we would like to draw attention to that which is stated in Note 40(a) to the Consolidated Financial Statements regarding exposure to contingent liabilities.

Key audit matters

The key audit matters listed below are those matters that were communicated or should have been communicated to the Company's Board of Directors, and which in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters include, among other things, any matter that: (1) Relates, or may relate to material line items or disclosures on the Consolidated Financial Statements; and (2) our judgment in connection therewith was particularly challenging, subjective or complex. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon. Communicating these matters, as set forth below, does not alter our opinion on the Consolidated Financial Statements as a whole, and we do not use their communication to provide a separate opinion on these matters, nor on the line items or disclosures to which they relate.

Measurement of liabilities in respect of insurance contracts in property and casualty insurance:

Issue's description

The Consolidated Financial Statements as of December 31, 2023 include material liabilities in respect of property and casualty insurance contracts, gross at the total amount of NIS 7,492,646 thousand, as described in Note 16 to the Consolidated Financial Statements.

As described in Notes 2(f)(2) and 38(6)(b) to the Consolidated Financial Statements, these liabilities are measured in accordance with the estimated cost of settling the insurance claims, and include the expected cost of the incurred but not yet reported claims (IBNR) and the incurred but not reported reserves (IBNER), provision for unearned premium reserve, provision for premium deficiency and direct and indirect expenses incurred in the settlement of claims.

The measurement of the liabilities in respect of insurance contracts in property and casualty insurance is mainly based on actuarial estimates. The actuarial assessment is based on statistical estimates that include a component of uncertainty. The statistical estimates are based on various assumptions, which will not necessarily materialize. The assumptions used in the actuarial forecast affect the measurement of the reserve. The actual cost of claims may be higher or lower than the statistical estimates.

In some of the insurance subsegments the inherent uncertainty is higher, especially in claims in the compulsory motor and liability subsegments that are characterized by a "long tail", which means that often a long-time elapses from the date of the incident until the claim's final settlement date. Note 18 to the Consolidated Financial Statements presents the development of the liabilities in the compulsory motor and liability subsegments.

Due to the inherent uncertainty of the estimates used to measure the liability in respect of property and casualty insurance contracts, we reached the conclusion that the measurement of the liability in respect of property and casualty insurance contracts is a key audit matter.

How the issue was addressed in our review

The audit procedures we implemented to the measurement of the liabilities in respect of property and casualty insurance contracts included the following procedures:

- We assessed the planning and implementation of internal controls relating to the measurement of liabilities in respect of property and casualty insurance contracts, and conducted procedures to test the effectiveness of those internal controls, including the controls applied to the IT environment used for data processing and the flow of information for financial reporting purposes.
- We checked that the methodology used to measure the liabilities in respect of property and casualty insurance contracts is implemented in accordance with the requirements of IFRS 4 regarding "Insurance Contracts", and the requirements set by the Commissioner of the Capital Market, Insurance and Savings.
- We checked, with the assistance of actuarial experts on our behalf and based on a sample and our risk assessment, the reasonableness of the significant assumptions and data used as the basis for the models implemented to estimate the future cash flows used by the consolidated insurance companies to measure the liabilities in respect of property and casualty insurance contracts.
- We implemented analytical procedures in order to identify and analyze extraordinary material changes.

Furthermore, we assessed the appropriateness of the key disclosures regarding liabilities in respect of property and casualty insurance contracts in the consolidated financial statements.

Measurement of Liabilities in respect of life and health insurance contracts:

Issue's description

The Consolidated Financial Statements as of December 31, 2023 include material liabilities in respect of non-yield-dependent life and health insurance contracts, gross, at the total amount of NIS 9,838,401 thousand, and material liabilities in respect of yield-dependent life and health insurance contracts at the total amount of NIS 28,222,547 thousand, as described in Notes 16 and 17 to the Consolidated Financial Statements.

As described in Notes 2(f)(1) and 38(6)(a) to the Consolidated Financial Statements, the liabilities in respect of yield-dependent and non-yield-dependent life and health insurance contracts are measured in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (regulations and circulars) and generally accepted actuarial methods. The liabilities in respect of life insurance contracts are measured, among other things, based on an actuarial valuation, executed by the supervisor actuary in a consolidated company according to the relevant coverage data, such as: the age and gender of the policyholder, number of years of coverage and type and amount of insurance, etc.

A significant part of the reserves in respect of life and health insurance contracts is based on actuarial estimates and various assumptions, and therefore involve inherent uncertainty. These reserves mainly include:

- Supplementary reserve for pension.
- Liability Adequacy Testing (LAT) reserve.
- Reserve in respect of paid pension and ongoing claims being paid in long-term care insurance and disability insurance.

The key assumptions used in the measurement of the above liabilities pertain to rebates, cancellations, operating expenses, return, interest rates, illiquidity premium, mortality, disability, pension uptake rates, and morbidity rates. The assumptions are assessed by the consolidated company's supervisor actuary each year on the basis tests, past experience and other relevant studies.

Due to the inherent uncertainty of the estimates used to measure the liability in respect of life and health insurance contracts, we reached the conclusion that the measurement of the liability in respect of life and health insurance contracts is a key audit matter.

How the issue was addressed in our review

The audit procedures we implemented to the measurement of the liabilities in respect of life and health insurance contracts included the following procedures:

- We assessed the planning and implementation of internal controls relating to the measurement of liabilities in respect of life and health insurance contracts, and conducted procedures to test the effectiveness of those internal controls, including the key controls applied to the IT environment used for data processing and the flow of information for financial reporting purposes.
- We checked that the methodology used to measure the liabilities in respect of life and health insurance contracts is implemented in accordance with the requirements of IFRS 4 regarding "Insurance Contracts", and the requirements set by the Commissioner of the Capital Market, Insurance and Savings.
- We checked, with the assistance of actuarial experts on our behalf and based on a sample and our risk assessment, the reasonableness of the significant assumptions and data used as the basis for the models implemented to estimate the future cash flows used by the consolidated company to measure the liabilities in respect of life and health insurance contracts.
- We implemented analytical procedures in order to identify and analyze extraordinary material changes.

- We checked, with the assistance of actuarial experts on our behalf and based on a sample and our risk assessment, material studies conducted by the consolidated company during the reporting period, and their implementation in the calculation of the reserves.
Furthermore, we assessed the appropriateness of the key disclosures regarding liabilities in respect of life and health insurance contracts in the Consolidated Financial Statements.

Fair value measurement of illiquid investments:

Issue's description

As described in Notes 12, 13 and 9 to the Consolidated Financial Statements, the balance of illiquid investments and the balance of the investment property as of December 31, 2023 amount to NIS 28,236,115 thousand and NIS 754.823 thousand, respectively.

The fair value of illiquid debt assets, which are measured at fair value, and the fair value of illiquid debt assets, for which fair value information is provided solely for disclosure purposes, is determined by discounting the estimated future cash flows from those assets. The interest rates used to discount the cash flows are set by Fair Spread Ltd.

The fair value of investments in illiquid shares is based mainly on external appraisals, and in investment and hedge funds it is mainly based on the fair value of the underlying assets or appraisals, and is set in accordance with the fund manager's reports. Valuation techniques are subjective in nature, rely on various assumptions, and use estimates that have a significant effect on the fair value.

The fair value of investment property is based on appraisals conducted by external appraisers, and include estimates and assumptions such as estimated rent and discount rates.

In some of the illiquid investments, especially those classified to Level 3 of the fair value hierarchy in accordance with IFRS 13, such as illiquid shares, investment funds and investment property, the inherent uncertainty in the fair value measurement is high, since this measurement includes data, which are not based on observable market inputs.

Changes in estimates, assumptions or valuations that were used as part of the appraisals may have a significant influence on the measurement of the fair value of the illiquid assets.

Furthermore, fair value measurement affects the allocation of the difference between the carrying amount and the fair value of the assets that are not measured at fair value in the statement of financial position (unrealized accounting holding gains and losses, hereinafter - "UGL"), for the purpose of calculating the liability adequacy (LAT).

Due to the inherent uncertainty of estimates, assumptions and assessments as stated above, we concluded that the measurement of the fair value of the illiquid investments is a key audit matter.

How the issue was addressed in our review

The audit procedures we conducted regarding the assessment of fair value measurement of illiquid investments included the following procedures:

- We assessed the planning and implementation of internal controls relating to the process of determining the fair value of illiquid investments, and conducted procedures to test the effectiveness of those internal controls, including the controls regarding the appropriateness of the data and the assumptions used in appraisals and the reasonableness of the appraisals.
- We have assessed the methodology employed by the Group companies to measure the fair value of illiquid investments.
- We have made inquiries with Finance Department personnel and employees of the Group's investments department in order to obtain an understanding in connection with transactions, developments and material revaluations for the reporting period, and regarding material changes, if any, in data, assumptions and models compared to those used in the previous year.
- For certain appraisals, we examined, with the assistance of experts acting on our behalf, the reasonableness of the estimates and key underlying assumptions of the appraisals.

- We conducted a sample testing of the fair value of illiquid investments in the consolidated financial statements compared with the appraisals obtained from external experts, against the rates of Fair Spread Ltd., and against the consolidated financial statements and the reports by investment fund managers, as the case may be.
- We conducted a sample testing of the database used to receive a quotation from Fair Spread Ltd. against loan agreements.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel “Audit of the Components of the Internal Control over Financial Reporting”, components of internal control over financial reporting of the Company as of December 31, 2023, and our report of March 28, 2024 included an unqualified opinion on the effectiveness of these components.

Tel Aviv,
March 28, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statements of Financial Position

Assets

	Note	As of December 31	
		2023	2022
		NIS thousand	
Intangible assets	5	1,795,069	1,736,065
Deferred tax assets	22	24,348	32,978
Deferred acquisition costs	6	2,188,426	2,002,620
Property, plant & equipment	7	1,017,318	988,089
Investments in associates	8	487,665	432,714
Investment property in respect of yield-dependent contracts	9	102,961	93,958
Investment property - other	9	651,862	509,198
Reinsurance assets	16,17	3,628,513	3,436,993
Current tax assets		133,349	120,648
Receivables and debit balances	10	524,638	705,576
Premiums collectible	11	1,030,293	1,048,370
Financial investments in respect of yield-dependent contracts	12	31,077,288	29,344,230
Other financial investments:	13, 13A		
Liquid debt assets		4,836,998	4,808,702
Illiquid debt assets		14,689,854	14,340,317
Shares		1,212,717	1,366,262
Other		3,226,868	2,728,380
Total other financial investments		23,966,437	23,243,661
Cash and cash equivalents in respect of yield-dependent contracts	14A	2,080,711	2,590,568
Other cash and cash equivalents	14B	1,324,214	1,293,931
Total assets		<u>70,033,092</u>	<u>67,579,599</u>
Total assets for yield-dependent contracts	12	<u>33,559,357</u>	<u>32,501,199</u>

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Financial Position

Equity and liabilities

	Note	As of December 31	
		2023	2022
		NIS thousand	
Equity	15		
Share capital		99,429	99,429
Share premium		332,985	332,985
Treasury shares		(100,200)	(100,200)
Capital reserves		828,474	635,156
Retained earnings		5,270,149	4,929,631
Total equity attributable to the Company's shareholders		6,430,837	5,897,001
Non-controlling interests		187,165	182,144
Total equity		6,618,002	6,079,145
Liabilities			
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	16,18-21	22,396,649	21,833,154
Liabilities in respect of insurance contracts and yield-dependent investment contracts	17,19-21	33,059,486	31,794,930
Liabilities in respect of deferred taxes	22	480,601	357,806
Liability for employee benefits	23	127,019	127,442
Liability for current taxes		8,500	7,126
Payables and credit balances	24	2,569,694	2,730,626
Financial liabilities	25	4,773,141	4,649,370
Total liabilities		63,415,090	61,500,454
Total equity and liabilities		70,033,092	67,579,599

The accompanying notes are an integral part of the consolidated financial statements.

March 28, 2024

Approval date of the financial statements

Eran Griffel
Chairman of the Board

Ari Kalman
CEO

Ran Kalmi
CFO

Consolidated Statements of Income

		For the year ended December 31		
		2023	2022	2021
		NIS thousand [excluding earnings per share data]		
Note				
	Premiums earned, gross	8,689,531	7,928,217	7,280,934
	Premiums earned by reinsurers	1,520,328	1,426,542	1,299,277
26	Premiums earned - retention	7,169,203	6,501,675	5,981,657
27	Investment income (losses), net and finance income	4,037,631	(1,929,410)	5,508,091
28	Income from management fees	1,091,635	1,042,598	1,241,281
29	Income from fees and commissions	264,166	265,007	252,021
30	Other income	6,985	94,234	8,141
	Total income	12,569,620	5,974,104	12,991,191
	Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	9,931,645	3,816,342	10,657,275
	Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(1,127,980)	(1,217,812)	(1,037,786)
31	Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	8,803,665	2,598,530	9,619,489
32	Fees and commissions, marketing expenses and other purchase expenses	1,752,181	1,590,085	1,505,988
33	General and administrative expenses	988,319	855,677	779,537
35	Other expenses	39,196	37,022	29,532
36	Finance expenses	210,371	145,712	102,449
	Total expenses	11,793,732	5,227,026	12,036,995
8	Share in profits of associates	13,740	11,889	11,470
	Income before taxes on income	789,628	758,967	965,666
22	Taxes on income	251,231	214,504	300,842
	Net income	538,397	544,463	664,824
	Attributable to:			
	Company's shareholders	514,380	533,789	655,679
	Non-controlling interests	24,017	10,674	9,145
	Net income	538,397	544,463	664,824
37	<u>Basic earnings per share attributable to the Company's shareholders (in NIS)</u>	8.31	8.53	10.36
37	<u>Diluted net earnings per share attributable to the Company's shareholders (in NIS)</u>	8.08	8.53	10.36

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Net income	538,397	544,463	664,824
Other comprehensive income (loss):			
<u>Other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss</u>			
Adjustments arising from translation of financial statements of foreign operations	(2,631)	9,919	67
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	109,505	(550,186)	573,906
Gains and losses, net from disposal of financial assets classified as available for sale, carried to the income statement	110,858	168,375	(187,379)
Impairment loss of financial assets classified as available for sale, carried to the income statement	30,891	70,403	17,815
	(13,616)		
Share in other comprehensive income (loss), net of associates	_____)	2,086	16
Total other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss	235,007	(299,403)	404,425
Taxes on income (tax benefit) related to available-for-sale financial assets	83,599	(107,394)	138,400
Income tax (tax benefit) relating to other items of other comprehensive loss	743	5,605	(1,588)
Total other comprehensive income (loss) items, net, that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss	150,665	(197,614)	267,613
<u>Items of other comprehensive income not transferred to profit and loss</u>			
Revaluation of property, plant and equipment	54,694	82,473	32,310
Gain on remeasurement of defined benefit plans	2,716	16,203	2,919
Total other comprehensive income items that, subsequent to initial recognition in comprehensive income, will not be carried to profit and loss	57,410	98,676	35,229
Taxes on income	13,518	24,489	8,520
Items of other comprehensive income not transferred to profit and loss	43,892	74,187	26,709
Total other comprehensive income (loss), net	194,557	(123,427)	294,322
Total comprehensive income	732,954	421,036	959,146
Attributable to:			
Company's shareholders	708,858	410,308	950,341
Non-controlling interests	24,096	10,728	8,805
	732,954	421,036	959,146

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders										Non-controlling interests	Total shareholders' equity
	Share capital	Share premium	Treasury shares	Capital reserve for share-based payment transaction	Capital reserve in respect of available-for-sale financial assets	Adjustments arising from translation of financial statements of foreign operations	Revaluation capital reserve	Other capital reserves	Retained earnings	Total		
	NIS thousand											
Balance as of January 1, 2023	99,429	332,985	(100,200)	51,390	343,695	(22,707)	234,623	28,155	4,929,631	5,897,001	182,144	6,079,145
Effect of first-time application of IFRS 9 – See Note X1	-	-	-	-	-	-	-	-	(686)	(686)	-	(686)
Balance as of January 1, 2023 after first-time application of IFRS 9	99,429	332,985	(100,200)	51,390	343,695	(22,707)	234,623	28,155	4,928,945	5,896,315	182,144	6,078,459
Net income	-	-	-	-	-	-	-	-	514,380	514,380	24,017	538,397
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	(2,757)	-	-	-	(2,757)	126	(2,631)
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	-	-	-	-	109,505	-	-	-	-	109,505	-	109,505
Gains and losses, net from disposal of financial assets classified as available for sale, carried to the income statement	-	-	-	-	110,858	-	-	-	-	110,858	-	110,858
Impairment loss of financial assets classified as available for sale, carried to the income statement	-	-	-	-	30,891	-	-	-	-	30,891	-	30,891
Revaluation of property, plant and equipment	-	-	-	-	-	-	54,694	-	-	54,694	-	54,694
Gain (loss) due to remeasurement of defined benefit plans	-	-	-	-	-	-	-	-	2,775	2,775	(59)	2,716
Share in other comprehensive loss, net of associates	-	-	-	-	-	(13,616)	-	-	-	(13,616)	-	(13,616)
Tax benefit (taxes on income) relating to components of other comprehensive income (loss)	-	-	-	-	(83,599)	(743)	(12,579)	-	(951)	(97,872)	12	(97,860)
Total other comprehensive income (loss)	-	-	-	-	167,655	(17,116)	42,115	-	1,824	194,478	79	194,557
Total comprehensive income (loss)	-	-	-	-	167,655	(17,116)	42,115	-	516,204	708,858	24,096	732,954
Non-controlling interests arising in companies consolidated for the first time - see Note 4, Subsections b and c	-	-	-	-	-	-	-	-	-	-	7,549	7,549
Cost of share-based payment - see Note 34	-	-	-	11,834	-	-	-	-	-	11,834	260	12,094
Change in non-controlling interests in respect of a put option - see Note 4	-	-	-	-	-	-	-	(11,170)	-	(11,170)	(6,687)	(17,857)
Dividend distributed - see Note 15D	-	-	-	-	-	-	-	-	(175,000)	(175,000)	(20,197)	(195,197)
									6,430,837			
Balance as of December 31, 2023	99,429	332,985	(100,200)	63,224	511,350	(39,823)	276,738	16,985	5,270,149	7	187,165	6,618,002

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders										Non-controlling interests	Total shareholders' equity
	Share capital	Share premium	Treasury shares	Capital reserve for share-based payment transaction	Capital reserve in respect of available-for-sale financial assets	Adjustments arising from translation of financial statements of foreign operations	Revaluation capital reserve	Other capital reserves	Retained earnings	Total		
	NIS thousand											
<u>Balance as of January 1, 2022</u>	99,429	332,985	-	40,161	547,709	(28,899)	172,218	4,049	4,334,006	5,501,658	69,901	5,571,559
Net income	-	-	-	-	-	-	-	-	533,789	533,789	10,674	544,463
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	9,711	-	-	-	9,711	208	9,919
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	-	-	-	-	(550,186)	-	-	-	-	(550,186)	-	(550,186)
Gains and losses, net from disposal of financial assets classified as available for sale, carried to the income statement	-	-	-	-	168,375	-	-	-	-	168,375	-	168,375
Impairment loss of financial assets classified as available for sale, carried to the income statement	-	-	-	-	70,403	-	-	-	-	70,403	-	70,403
Revaluation of property, plant and equipment	-	-	-	-	-	-	82,473	-	-	82,473	-	82,473
Gain on remeasurement of defined benefit plans	-	-	-	-	-	-	-	-	16,402	16,402	(199)	16,203
Share in other comprehensive income, net of associates	-	-	-	-	-	2,086	-	-	-	2,086	-	2,086
Tax benefit (taxes on income) relating to components of other comprehensive income (loss)	-	-	-	-	107,394	(5,605)	(18,969)	-	(5,565)	77,255	45	77,300
Total other comprehensive income (loss)	-	-	-	-	(204,014)	6,192	63,504	-	10,837	(123,481)	54	(123,427)
Total comprehensive income (loss)	-	-	-	-	(204,014)	6,192	63,504	-	544,626	410,308	10,728	421,036
Share buyback by the Company - see Note 15C	-	-	(100,200)	-	-	-	-	-	-	(100,200)	-	(100,200)
Cost of share-based payment - see Note 34	-	-	-	11,229	-	-	-	-	-	11,229	-	11,229
Issuance of shares to non-controlling interests - see Note 8F	-	-	-	-	-	-	-	-	99,900	99,900	50,728	150,628
Company consolidated for the first time - see Note 4A	-	-	-	-	-	-	-	-	-	-	245,000	245,000
Change in non-controlling interests in respect of a put option - see Note 4A	-	-	-	-	-	-	-	24,106	-	24,106	(179,703)	(155,597)
Transfer from revaluation reserve in respect of disposal of property, plant, and equipment	-	-	-	-	-	-	(1,099)	-	1,099	-	-	-
Dividend distributed - see Note 15D	-	-	-	-	-	-	-	-	(50,000)	(50,000)	(14,510)	(64,510)
									5,897,00			
<u>Balance as of December 31, 2022</u>	99,429	332,985	(100,200)	51,390	343,695	(22,707)	234,623	28,155	4,929,631	5,897,001	182,144	6,079,145

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders										
	Share capital	Share premium	Capital reserve for share-based payment transaction	Capital reserve in respect of available-for-sale financial assets	Adjustments arising from translation of financial statements of foreign operations	Revaluation capital reserve	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total shareholders' equity
	NIS thousand										
Balance as of January 1, 2021	99,429	332,985	40,320	281,767	(30,927)	147,340	6,657	3,958,512	4,836,083	9,753	4,845,836
Net income	-	-	-	-	-	-	-	655,679	655,679	9,145	664,824
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	424	-	-	-	424	(357)	67
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	-	-	-	573,906	-	-	-	-	573,906	-	573,906
Gains and losses, net from disposal of financial assets classified as available for sale, carried to the income statement	-	-	-	(187,379)	-	-	-	-	(187,379)	-	(187,379)
Impairment loss of financial assets classified as available for sale, carried to the income statement	-	-	-	17,815	-	-	-	-	17,815	-	17,815
Revaluation of property, plant and equipment	-	-	-	-	-	32,310	-	-	32,310	-	32,310
Gain on remeasurement of defined benefit plans	-	-	-	-	-	-	-	2,893	2,893	26	2,919
Share in other comprehensive income, net of associates	-	-	-	-	16	-	-	-	16	-	16
Tax benefit (taxes on income) relating to items of other comprehensive income (loss)	-	-	-	(138,400)	1,588	(7,432)	-	(1,079)	(145,323)	(9)	(145,332)
Total other comprehensive income (loss)	-	-	-	265,942	2,028	24,878	-	1,814	294,662	(340)	294,322
Total comprehensive income	-	-	-	265,942	2,028	24,878	-	657,493	950,341	8,805	959,146
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	67,805	67,805	60,878	128,683
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(8,941)	(8,941)	(1,102)	(10,043)
Acquisition of a company consolidated for the first time	-	-	-	-	-	-	(2,608)	-	(2,608)	3,139	531
Cost of share-based payment	-	-	948	-	-	-	-	-	948	-	948
Distribution of shares of a consolidated company as dividend in kind	-	-	(1,107)	-	-	-	-	(240,863)	(241,970)	-	(241,970)
Dividend distributed - see Note 15D	-	-	-	-	-	-	-	(100,000)	(100,000)	(11,572)	(111,572)
Balance as of December 31, 2021	99,429	332,985	40,161	547,709	(28,899)	172,218	4,049	4,334,006	5,501,658	69,901	5,571,559

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

		For the year ended December 31		
		2023	2022	2021
	Appendix	NIS thousand		
<u>Cash flows provided by (used for) operating activities</u>	(a)	(324,600)	(637,711)	1,238,592
<u>Cash flows provided by investing activities</u>				
Investments in associates		(81,358)	(65,193)	(7,397)
Cash derecognized due to acquisition of consolidated companies consolidated for the first time	(d)	(9,787)	(2,920)	(3,376)
Increase (decrease) in cash due to increase in ownership stake in an associate that became a consolidated company	(e)	-	73,533	(563)
Proceeds from disposal of an associate		14,958	17,018	11,272
Investment in property, plant and equipment		(26,610)	(30,377)	(57,832)
Investment in intangible assets		(227,210)	(204,142)	(186,503)
Proceeds from disposal (purchases), net of financial investments by Group companies, which are not insurance companies, net		60,779	(50,045)	(16,573)
Loans granted to associates		(3,676)	(5,072)	(199)
Dividend received from associates		3,179	13,223	18,514
Proceeds from disposal of property, plant and equipment		603	506	1,714
Net cash used for investing activities		(269,122)	(253,469)	(240,943)
<u>Cash flows provided by financing activities</u>				
Assumption of financial liabilities (less issuance expenses)		396,172	389,023	-
Repayment of financial liabilities		(96,976)	(184,494)	(395,332)
Share buyback by the Company		-	(100,200)	-
Issuance of shares to non-controlling interests		-	150,156	128,683
Distribution of shares of a consolidated company as dividend in kind	(f)	-	-	(163,600)
Dividend paid to the Company's shareholders		(175,000)	(50,000)	(100,000)
Dividend paid to non-controlling interests		(20,197)	(14,510)	(11,572)
Net cash provided by (used for) financing activities		103,999	189,975	(541,821)
Exchange differences in respect of cash and cash equivalent balances		10,149	90,204	(14,173)
Increase (decrease) in cash and cash equivalents		(479,574)	(611,001)	441,655
Balance of cash and cash equivalents at beginning of year	(b)	3,884,499	4,495,500	4,053,845
Balance of cash and cash equivalents at end of year	(c)	3,404,925	3,884,499	4,495,500

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
(a) <u>Cash flows from operating activities</u>			
Net income	538,397	544,463	664,824
Adjustments to profit and loss line items:			
Company's share in associates' losses	(13,740)	(11,889)	(11,470)
Investment losses (income), net on financial investments in respect of insurance contracts and yield-dependent investment contracts	(2,552,798)	3,014,376	(4,218,559)
Losses (gains), net on other financial investments:			
Liquid debt assets	32,638	140,818	(233,886)
Illiquid debt assets	(816,364)	(1,108,951)	(649,909)
Shares	(267,597)	(96,756)	(175,774)
Other	91,732	238,392	(171,880)
	(959,591)	(826,497)	(1,231,449)
Finance expenses in respect of financial liabilities	188,447	106,546	83,520
Gain on disposal of property, plant & equipment	(126)	(348)	(385)
Gain on reversal of impairment of property, plant and equipment	-	-	(860)
Decrease (increase) in fair value of investment property in respect of insurance contracts and yield-dependent investment contracts	6,284	(1,363)	(4,050)
Increase in fair value of other investment property	(114,737)	(35,130)	(44,332)
Gain from business combination - see Note 4A	-	(88,370)	-
Impairment of intangible assets	5,070	-	5,584
Depreciation and amortization:			
Property, plant & equipment	84,091	77,056	84,971
Intangible assets	191,492	169,303	149,481

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
(a) Cash flows from operating activities (cont.)			
Change in liabilities in respect of insurance contracts and yield-dependent investment contracts	1,264,556	(3,375,594)	3,182,321
Change in liabilities in respect of insurance contracts and non-yield-dependent investment contracts	563,495	548,523	1,041,873
Share-based payment	10,202	10,468	900
Change in reinsurance assets	(191,520)	(468,716)	(483,312)
Change in deferred acquisition costs	(185,806)	(244,504)	(105,066)
Taxes on income	251,231	214,504	300,842
Changes in other balance sheet line items:			
Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts:			
Acquisitions and appreciations of investment property	(15,287)	(10,413)	(7,216)
Proceeds of disposal (acquisition) of financial investments, net	(192,197)	(407,673)	530,644
Financial investments and other investment property:			
Acquisitions and appreciations of investment property	(27,927)	(10,334)	(6,320)
Proceeds from disposal of investment property	-	9,817	-
Proceeds of disposal (acquisition) of financial investments, net	(543,442)	(629,183)	155,275
Premiums collectible	18,077	(187,494)	(22,775)
Receivables and debit balances	152,621	(301,437)	(108,974)
Payables and credit balances	(74,905)	236,576	155,487
Liabilities for employee benefits	1,577	(617)	114
Total adjustments required to present cash flows from operating activities	(2,134,933)	(2,212,393)	(553,756)
Cash paid and received during the year for:			
Interest paid	(165,736)	(75,703)	(70,783)
Interest received	1,202,771	948,545	1,070,151
Taxes paid	(308,613)	(358,250)	(367,914)
Taxes received	70,081	31,961	48,076
Dividend received	473,433	483,666	447,994
	<u>1,271,936</u>	<u>1,030,219</u>	<u>1,127,524</u>
Total cash flows provided by (used for) operating activities	<u>(324,600)</u>	<u>(637,711)</u>	<u>1,238,592</u>

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

		For the year ended December 31		
		2023	2022	2021
		NIS thousand		
(b)	<u>Cash and cash equivalents at the beginning of the year</u>			
	Cash and cash equivalents in respect of yield-dependent contracts	2,590,568	3,142,638	2,819,712
	Other cash and cash equivalents	1,293,931	1,352,862	1,234,133
	Balance of cash and cash equivalents at beginning of year	<u>3,884,499</u>	<u>4,495,500</u>	<u>4,053,845</u>
(c)	<u>Cash and cash equivalents at end of the year</u>			
	Cash and cash equivalents in respect of yield-dependent contracts	2,080,711	2,590,568	3,142,638
	Other cash and cash equivalents	1,324,214	1,293,931	1,352,862
	Balance of cash and cash equivalents at end of year	<u>3,404,925</u>	<u>3,884,499</u>	<u>4,495,500</u>
(d)	<u>Cash derecognized due to acquisition of consolidated companies consolidated for the first time - see Note 4 Subsegments b and c</u>			
	Intangible assets	28,356	4,499	8,883
	Property, plant & equipment	764	15	523
	Receivables and debit balances	4,675	217	278
	Deferred taxes	(1,849)	-	-
	Liabilities for employee benefits	(716)	(4)	(35)
	Payables and credit balances	(690)	(1,335)	(2,819)
	Financial liabilities	(13,204)	-	(315)
	Non-controlling interests	(7,549)	(472)	(3,139)
		<u>9,787</u>	<u>2,920</u>	<u>3,376</u>
(e)	<u>Increase (decrease) in cash due to increase in ownership stake in an associate that became a consolidated company - see Note 4A</u>			
	Intangible assets	-	(508,621)	-
	Property, plant & equipment	-	(9,340)	(25,255)
	Associate	-	-	4,782
	Current taxes, net	-	3,041	-
	Receivables and debit balances	-	(24,541)	(60)
	Deferred tax assets, net	-	28,877	(290)
	Illiquid debt assets	-	(1,933,954)	-
	Payables and credit balances	-	47,504	5,919
	Liabilities for employee benefits	-	2,403	-
	Financial liabilities	-	1,994,926	14,341
		<u>-</u>	<u>(399,705)</u>	<u>(563)</u>
	<u>Non-cash activities in a business combination:</u>			
	Value of existing investment on the date on which control was assumed		222,409	
	Conversion of shareholder loan into equity		5,829	
	Non-controlling interests		245,000	
			<u>73,533</u>	

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

		For the year ended December 31		
		2023	2022	2021
		NIS thousand		
	<u>Cash derecognized due to distribution of shares of a consolidated company as dividend in kind</u>			
(f)	Deferred tax assets, net	-	-	(2,818)
	Property, plant & equipment	-	-	(64,423)
	Investment in associates	-	-	(20,262)
	Current taxes	-	-	(8)
	Receivables and debit balances	-	-	(6,142)
	Illiquid debt assets	-	-	(226)
	Shares	-	-	(11,348)
	Other financial investments	-	-	(163)
	Payables and credit balances	-	-	10,036
	Financial liabilities	-	-	17,651
	Net assets	-	-	(77,703)
	Dividend in kind	-	-	241,303
	Total	-	-	163,600
(g)	<u>Noncash activity</u>			
	Classification of a loan given to an associate for investment	-	-	7,220
	Acquisition of non-controlling interests against payables	-	-	10,043
	Investment in an associate against payables and financial liabilities	-	78,569	-

The accompanying notes are an integral part of the consolidated financial statements.

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NOTE 1 – GENERAL

A. General description of the Group and its activity

Menora Mivtachim Holdings Ltd. (hereinafter - the “**Company**”) is a publicly-traded company, whose shares are listed on the Tel Aviv Stock Exchange. The Company’s principal shareholders are Najaden Establishment and Palamas Establishment (foreign corporations), which are held in trust for Mssrs. Niva Gurevitch and Tali Griffel, and which (jointly) hold approx. 63.25% of the Company’s shares. The Company operates through companies under its control in all of the main insurance subsegments, including life insurance and long-term savings (life insurance, pension and provident funds), health insurance and property and casualty insurance. The Company is also engaged, through companies under its control, in the provision of securities distribution services and an underwriting obligation, the provision of an undertaking for repayment of means of payment, and in solar activity. In addition, the Company is engaged in real estate investments abroad, and in the provision of financing and credit to SMEs through subsidiaries and associates.

The Company is an Israeli resident company incorporated in Israel, and its official address is 23 Jabotinsky St., Ramat Gan.

B. The Iron Swords War

On October 7, 2023, a surprise attack was launched on the State of Israel from the Gaza Strip, following which the Israeli government declared a state of war (hereinafter - the “**Iron Swords War**” or the “**War**”). In view of the above and further to the letters issued on October 17 and November 8, 2023 by the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the “**Commissioner**”) to the Group’s institutional entities regarding “Guidelines to Institutional Entities in View of the Iron Swords War” and “The Effects of the Iron Swords War on the Financial Statements, respectively, and further to points of emphasis published by the Israel Securities Authority to reporting corporations regarding a disclosure in connection with the Iron Swords War, the boards of directors of the companies and the Group’s institutional entities held meetings in which, among other things, they analyzed the potential exposure to the effects of the War, and discussed the business continuity plan, the Company’s preparedness to emergency scenarios, and the tools through which the Group can mitigate the risk, including from a financial perspective.

Following are the details of the main effects:

On the operational level

Upon the outbreak of the War, Group companies took action to facilitate remote work for most of their employees, with an emphasis on continuous provision of services to customers and employers in connection with essential process, specifically those listed in the Commissioner’s letter, while monitoring different business parameters through relevant reporting mechanisms; enhancing the capability to provide services through digital channels - all, to the extent possible, while ensuring work safety, and mitigating the risks of remote working, including cyber and information security risks, and refreshing the business continuity procedures. Towards the end of 2023, and during the first quarter of 2024, a gradual process of returning to work full time at the Group’s offices has started, aiming to return to the work format that was in place prior to the outbreak of the War.

NOTE 1 – GENERAL (cont.)**B. The Iron Swords War (cont.)**At the business level

Life insurance and long-term savings - most of the exposure in this subsegment stems from life insurance, permanent health insurance, and disability insurance. The Group has in place reinsurance coverage for catastrophe events, which is supposed to absorb some of the exposure; in the opinion of the Group, based on the information available to date, the effect in retention due to the impact of the war amounts to approx. NIS 42 million before tax. It is noted that following the war in Ukraine and the Iron Swords War, the reinsurers excluded war risks from catastrophe coverage in life and health insurance. Furthermore, due to potential adverse effects of the War on the labor market, and specifically an increase in unemployment rate, there may be a decline in contributions and an increase in withdrawals from pension savings in the future.

Health insurance (including long-term care insurance) - the exposure as a result of the War on the health and long-term care insurance subsegment is not expected to be material.

Property and casualty insurance - generally, damage to property due to the War is not covered by property insurance policies, and therefore, the exposure due to the War is not expected to be material. Furthermore, in this subsegment, there is an immaterial positive effect which is not quantifiable.

Non-banking credit - the credit granting activity in the Group is carried out mostly by the subsidiary ERN and the sub-subsidiary (Mimun Click). Most of the effects of the War were felt in October and November 2023, and were reflected in a decline in transaction turnover and in income, and in an increase in default rates. During December 2023 the effects of the War moderated. The exposure in the credit granting activity is an increase in credit losses; furthermore, the direct effect of the War on the current expected credit losses is immaterial.

On the financial level

Assets under management - the Iron Swords War triggered declines in capital markets in Israel (both in share prices and in bond prices), which moderated in November 2023 and even changed course to hikes during December 2023. As a result of the above, the value of the Group's nostro assets and assets under management increased.

Changes in the risk-free interest and the illiquidity premium - as a result of the War there was an increase in the risk-free interest and the illiquidity premium, and as from November, the trend changed and the risk-free interest decreased, and in the short term the decrease was even higher than the said increase.

C. Market volatility

In 2022, there were declines in the financial markets due to the increase in the interest rate curve and due to the conflict between Russia and Ukraine. In view of the above, the declines in financial markets increased, specifically due to the hikes in interest rates across the world and in the USA, and the concern that a global recession will occur. Further to the above, the participating life insurance policies marketed through 2004 achieved negative real returns. Therefore, Menora Mivtachim Insurance did not record variable management fees since the beginning of 2022; rather, it only recorded fixed management fees. In 2023, there was a positive return, which partially offset the negative real return as stated above. Accordingly, the estimated management fees that will not be collected due to the negative real return until a cumulative positive return is achieved amounted, as of the report date, to approx. NIS 198 million before tax. Immediately prior to the financial statements publication date the management fees that will not be collected due to the negative real return were estimated at approx. NIS 126 million.

NOTE 1 – GENERAL (cont.)**D. Definitions**

In these financial statements –

Company	- Menora Mivtachim Holdings Ltd.
Consolidated companies	- Companies or partnerships whose financial statements are consolidated, directly or indirectly, with the Financial Statements of the Company.
Associates	- Companies and partnerships over the financial and operating policies of which the Company has significant influence, but not control, and the Company's investment in which is presented in the Company's Consolidated Financial Statements based on the equity method.
Investees	- Consolidated companies and associates.
The Group	- The Company and its investees.
Related parties	- As defined in IAS 24.
Interested parties and controlling shareholder	- As defined in the Securities Regulations (Annual Financial Statements), 2010.
The Supervisor or Commissioner	- Commissioner of the Capital Market, Insurance and Savings Authority.
The Supervision Law	- Financial Services Supervision Law (Insurance), 1981.
Solvency Circular	- Implementation of Solvency II-Based Economic Solvency Regime for Insurance Companies.
Investment rules	- Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012, and the circular entitled Investment Rules Applicable to Institutional Entities, published by the Commissioner.
Insurance contracts	- A contract under which one party (the insurer) assumes a significant insurance risk from another party (the policyholder) by agreeing to compensate or indemnify the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Investment contracts	- Policies that do not constitute insurance contracts, including contributions to guaranteed return provident funds.
Yield-dependent contracts	- Insurance contracts and investment contracts in the life insurance and long-term savings segment and in the health segment in which the liabilities are linked to the returns on the investment portfolio (participating policies).
Assets for yield-dependent contracts	- Total assets against liabilities arising from yield-dependent contracts.
Total liabilities in respect of insurance contracts	- Insurance reserves and contingent claims in life insurance and long-term savings operating segments, health insurance, and P&C insurance.
Reinsurance assets	- Reinsurers' share in liabilities in respect of insurance contracts.
Premiums	- Premiums including fees.
Premiums earned	- Premiums relating to the reporting period.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation of the Consolidated Financial Statements

1. Measurement basis

The financial consolidated statements of the Company have been prepared on a cost basis, except for investment property, own-use real estate, available-for-sale financial assets, financial assets and liabilities measured at fair value through profit and loss, insurance liabilities and reinsurance assets, deferred tax assets and deferred tax liabilities, investments in associates, assets and liabilities for employee benefits, and share-based payment.

2. Preparation format of the Financial Statements

Through December 31, 2022, the Group's consolidated financial statements were drawn up in accordance with IFRS, including in connection with the data relating to insurer consolidated subsidiaries, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010.

As from January 1, 2023, the consolidated financial statements of the Company have been drawn up in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 2010. In accordance with these provisions, those financial statements data that relate to a consolidated subsidiary, which falls within the scope of the definition of insurer, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, are drawn up in accordance with the requirements set by the Commissioner in accordance with the Financial Services Supervision Law (Insurance), 1981.

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

In addition, with regard to the other issues, including in relation to financial statements data, which do not relate to the said subsidiary, the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS").

In addition, the financial statements were prepared in accordance with the provisions of the Securities Regulations (Annual Reports), 2010, insofar as these regulations apply to a corporation consolidating an insurance company.

3. The operating cycle

The Group's operating cycle generally exceeds one year, in particular for the life insurance and long-term savings business, long-term care business, illness and hospitalization insurance business, and long tail property and casualty insurance business.

4. Consistent accounting policy and first-time application of IFRS

The accounting policies was applied to the Financial Statements consistently across all the periods presented, unless stated otherwise.

5. Current reporting structure

The statements of financial position, which include mainly the assets and liabilities of the consolidated institutional entities, were presented according to liquidity, with no distinction made between current and non-current assets. This presentation, which provides more reliable and relevant information, is in compliance with the provisions of IAS 1 and the Commissioner's directives.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**B. Functional currency and foreign currency****Functional currency and presentation currency**

The Company's functional currency is NIS, which represents the primary economic environment in which the Company operates. The presentation currency of the financial statements is NIS.

The Group determines the functional currency of each Group company, including companies accounted for using the equity method.

The assets and liabilities of an investee that is a foreign operation, including excess cost generated, are translated at the closing exchange rate at each reporting date. Income statement line items are translated at average exchange rates for the presented periods. Translation differences generated are charged to other comprehensive income (loss).

Intracompany loans in the Group, for which settlement is neither planned nor likely to occur in the foreseeable future, are a part of the investment in the foreign operation; therefore exchange rate differences arising from these loans (net of the tax effect) are recognized in other comprehensive income (loss).

When a foreign operation is fully or partially disposed of, such that control is lost, the cumulative profit (loss) relating to that operation, that was recognized as other comprehensive income or loss, is carried to profit or loss. When a foreign operation is partially disposed of, while retaining control in the consolidated company, a proportionate part of the amount that was recognized in other comprehensive income is re-attributed to non-controlling interests.

C. Consolidated Financial Statements

The Consolidated Financial Statements include the statements of companies that are controlled by the Company (subsidiaries).

D. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost is measured at the fair value of the proceeds transferred at acquisition date, plus any non-controlling interests in the acquiree. In any business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value at acquisition date or in accordance with the proportionate share in the fair value of the net identified assets of the acquiree.

Direct acquisition costs are carried to the income statement as incurred.

In a business combination carried out in stages, the acquirer's equity interests held in the acquiree prior to obtaining control is measured at fair value as of acquisition date, and any revaluation of the previous investment is recognized in the income statement at the date of assuming control.

Goodwill is initially measured at cost, which represents the difference between the acquisition proceeds and the amount of non-controlling interests and net identified assets acquired and liabilities assumed. If the resulting amount of goodwill is negative, the acquirer will recognize the resulting gain on acquisition date.

E. Investments in associates

Associates are companies over which the Group has significant influence over the monetary and operating policies, but over which no control has been assumed.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Investments in associates (cont.)

Investments in companies/partnerships in which the Group has significant influence, which were made in the investment portfolios of insurance contracts and yield-dependent investment contracts, were accounted for as financial investments and measured at fair value (see also Section G.3.a) below).

Goodwill in respect of the acquisition of an associate is presented as part of the investment in the associate, measured at cost and is not systematically amortized. Goodwill is tested for impairment as part of the investment in the associate as a whole.

Other original differences identified when acquiring the investment in the associate are amortized over the economic life of those assets.

In the case of an acquisition of an associate that is achieved in stages, when the previous investment in the acquired company was accounted for using the provisions of IAS 39, the Group applies IFRS 3 to business combination achieved in stages. As a result, equity interests in the acquiree that are held by the Group prior to the attainment of significant influence or joint control, are measured at fair value at the acquisition date and are included in the acquisition proceeds while recognition in profit or loss in accordance with the fair value measurement, as aforesaid.

In foreign associates in which losses were incurred in amounts exceeding their equity, the Company recognized its share in the losses of the associates up to the amount of its investment in them.

F. Insurance contracts and investment contracts

IFRS 4, Insurance Contracts, allows an insurer to continue applying the accounting policy it applied prior to the transition date to IFRS reporting in respect of insurance contracts that it issues (including related acquisition costs and related intangible assets) and reinsurance contracts that it acquires. Following is a summary of the accounting policy applied to insurance contracts:

1. Life insurance and long-term savings

a) Revenue recognition - see Section P below.

b) Liabilities for life insurance contracts:

Liabilities for life insurance contracts are calculated according to the Commissioner's Directives (regulations and circulars), generally accepted accounting principles and standard actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage and type and amount of insurance, etc.

Liabilities for life insurance contracts are determined on the basis of an actuarial valuation performed by the supervisor actuary at Menora Insurance for life insurance, Kate Reznik F.I.L.A. The reinsurers' share in liabilities for life insurance contracts is based on the terms and conditions of the relevant contracts.

c) Liabilities for CPI-linked life insurance business and CPI-linked investments used to cover these liabilities were included in the Financial Statements according to the last CPI published prior to the reporting date, including liabilities for life insurance contracts for policies with semi-annual linkage.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Insurance contracts and investment contracts (cont.)

1. Life insurance and long-term savings (cont.)

d) Guidelines of the Commissioner regarding liabilities for payment of annuities:

Circulars issued by the Commissioner, regarding the calculation of the liabilities for annuities in life insurance policies, set instructions on how to calculate the provisions as a result of the increase rate in life expectancy requiring monitoring the adequacy of the liabilities for life insurance contracts to ensure that annuities are received and properly supplemented (see also Note 38(6)A(4)(a) below).

e) Deferred acquisition costs:

- (1) Deferred acquisition costs (hereinafter - “DAC”) for life insurance policies include fees and commissions to agents and purchasing supervisors and general and administrative expenses relating to the purchase of new policies. DAC for life insurance policies defined as investment contracts include fees and commissions to agents and purchasing supervisors. DAC is amortized at equal annual rates over the term of the policy but no longer than 15 years. DAC for canceled or settled policies are derecognized at the cancellation or settlement date.

Deferred acquisition costs for investment contracts for pension and provident businesses, including fees and commissions for resellers, employees of Mivtachim Pension and Provident, fees and commissions for agents, and purchasing supervisors regarding the creation of new contractual rights. DAC for the pension and provident business is amortized at equal annual rates over the estimated period for receiving income from management fees, taking into account cancellations as the case may be.

- (2) In accordance with the Commissioner’s Directives, the supervisor actuary at Menora Insurance reviews, at each reporting period, the recoverable DAC in life insurance. This assessment verifies that the liabilities for insurance contracts and investment contracts, net of the DAC, is sufficient, and that the policies are expected to generate future income to cover the DAC deduction and the insurance liabilities, operating expenses and fees and commissions for these policies.

The assumptions used for this assessment, including assumptions regarding cancellations, operating expenses, return on assets, expected management fees, mortality and morbidity rates, are determined by the Menora Insurance's supervisor actuary annually on the basis of past experience and relevant current studies.

- (3) Regarding the recoverable DAC for pension and provident businesses, the supervisor actuary at Menora Mivtachim Pension and Provident Funds performs a review to verify that the asset management contracts are expected to generate future income that will cover the amortized DAC and the operating expenses and fees for those contracts.

f) Liability adequacy testing for life insurance contracts:

The supervisor actuary verifies every year that the total amount of the reserve, net of deferred acquisition costs, is sufficient to cover the future anticipated cash flows for claims, fees and commissions, and expenses, net of premiums and investment income. Individual policies and collective policies are tested separately.

In checking individual policies, the test is performed at the product level or for the policies (including their coverage) issued in different periods based on types of participation, and separately for basic life insurance policies, and in the case of collective policies, the test is performed at the level of the individual collective.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Insurance contracts and investment contracts (cont.)

1. Life insurance and long-term savings (cont.)

f) Liability adequacy testing for life insurance contracts: (cont.)

The assumptions used in these tests include assumptions for cancellations, operating expenses, return on assets, real interest rates, illiquidity premium, mortality, pension uptake rates and morbidity rates, taking into account the amount by which the fair value of illiquid assets exceeds their carrying amounts. These assumptions are determined by the supervisor actuary of Menora Insurance each year on the basis of past experience and other relevant studies. For collective policies, the testing is performed according to the claims history of the individual collective and subject to the statistical reliability of that experience.

g) Contingent claims:

Contingent claims are calculated individually according to the valuation of the experts of Menora Insurance, based on the notifications regarding the insured events and insurance amounts and in view of expected development factors based on the past experience determined by the supervisor actuary. The share of reinsurers in the contingent claims is calculated in accordance with the agreements signed with them. The indirect expenses for the settlement of these claims were calculated by the supervisor actuary.

The provisions for pension payments, ongoing payable claims for disability insurance, the direct and indirect expenses arising therefrom, as well as the provisions for incurred but not yet reported claims (IBNR) were calculated by the supervisor actuary and included under the liabilities for insurance contracts and investment contracts.

h) Investment contracts:

Proceeds in respect of investment contracts are not included in the premiums earned line item but rather carried directly to liabilities in respect of insurance contracts and investment contracts. Redemptions and maturities of these contracts are not included in the income statement but rather deducted directly from liabilities in respect of insurance contracts and investment contracts.

Investment income, management fees collected from policyholders, payments and change in liabilities for insurance contracts and investment contracts for policyholders' share in investment income, fees and commissions to agents, and general and administrative expenses are charged to the income statement in respect of these contracts.

i) Provision for profit participation of policyholders in collective insurance:

The provision is included under the payables and credit balances line item. In addition, the change in the provision is recognized under the premiums earned line item in the statement of income.

2. Property and casualty insurance

a) Revenue recognition - see Section P below.

b) The line-item payments and changes in liabilities for insurance contracts, gross and in retention, include, among other things, settlement and direct handling costs in respect of claims paid, indirect expenses for settling claims, outstanding claims in the reporting year, as well as adjustment of the provision for contingent claims (including a provision for direct and indirect costs for handling claims) recorded in previous years.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Insurance contracts and investment contracts (cont.)

2. Property and casualty insurance (cont.)

c) Liabilities for insurance contracts and deferred acquisition costs:

The insurance reserves and outstanding claims included in the liabilities in respect of insurance contracts line item, and the reinsurers' share in the reserve and in the contingent claims included under the reinsurance assets line item, are calculated in accordance with the Supervision of Financial Services Regulations (Insurance) (Calculation of Property and Casualty Insurance Reserves), 2013 (hereinafter - the "**Calculation of Reserves Regulations**"), the Commissioner's Directives, and standard actuarial methods for calculating contingent claims, applied at the discretion of the supervisor actuaries.

d) The liabilities for insurance contracts line item is composed of insurance reserves and contingent claims, as follows:

- 1) The provision for unearned premium reserve reflects the insurance premium for the insurance period subsequent to reporting date and is calculated on a daily basis.
- 2) The provision for premium deficiency is recognized if the unearned premium (less deferred acquisition costs) does not cover the expected cost for the insurance contracts.
- 3) Contingent claims calculated according to the methods set out below:

- A. Contingent claims and the reinsurers' share therein are included on the basis of an actuarial valuation, except for the subsegments listed in Section 3.2 below. Indirect expenses to settle claims are included on the basis of an actuarial valuation. The actuarial calculation for Menora Insurance was performed by the supervisor actuary for P&C insurance, Mr. Jacob Mauser, and for the insurance liabilities (except for the compulsory motor subsegment) of Shomera Insurance, by Mr. Nir Haramati, who is an officer in Shomera Insurance. The actuarial calculation in the compulsory motor subsegment at Shomera Insurance is performed by Mr. Jacob Mauser.
- B. In insurance subsegments representing less than 0.1% of the contingent claims on retention, for which the actuary determined that an actuarial model cannot be applied, due to lack of statistically significant data, the known contingent claims were included based on a case-by-case valuation according to an opinion received from counsel, the experts of the consolidated insurance companies, and external experts dealing with claims. The valuations include an adequate provision for settlement and handling expenses unpaid as of the date of the Financial Statements, plus IBNER, if required.
- C. Subrogation and salvage recoveries are taken into consideration in the underlying data by which the actuarial valuations of the contingent claims are calculated. In non-statistical subsegments, the subrogation is taken into account on a specific basis when assessing the risk in the claims portfolio.

e) Liability adequacy testing in property and casualty insurance

The consolidated insurance companies test the adequacy of P&C liabilities in accordance with the best practice principles as set out in Note 38(6)b(2) below.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Insurance contracts and investment contracts (cont.)

2. Property and casualty insurance (cont.)

- f) Deferred acquisition costs in property and casualty insurance include fees and commissions to agents and general and administrative expenses attributable to the purchase of policies, relating to unearned premiums. The acquisition expenses are calculated separately for each subsegment, on the basis of the actual rates of expenses or according to standard rates as determined in the Supervision Regulations, as a percentage of the unearned premium, whichever is lower.
- g) Business received from the Israeli compulsory motor insurance Pool of the Israeli Insurance Companies Association Ltd. (hereinafter - the “**Pool**”), from other insurance companies (including co-insurance) is reported according to the reports received up to the reporting date with the addition of the relevant provisions, based on the rate of consolidated insurance companies’ participation rate therein.

3. Health insurance

- a) Revenue recognition - see Section P below.
- b) Liabilities for health insurance contracts:

Liabilities for health insurance contracts are calculated according to the Commissioner’s Directives (regulations and circulars), generally accepted accounting principles and generally accepted actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage and type and amount of insurance, etc.

Liabilities in respect of health insurance contracts and the share of reinsurers therein are determined on the basis of an actuarial valuation carried out by the supervisor actuary of Menora Insurance (Ms. Anna Semenova, F.I.L.AA; last year - Ms. Kate Reznik, F.I.L.A).

The liabilities include, if necessary, a provision for an expected gross loss on retention (premium deficiency), calculated on the basis of an actuarial valuation based on a cash flow estimate for the coverage.

- c) Deferred acquisition costs:

Deferred acquisition costs in health insurance include fees and commissions to agents and purchasing supervisors and general and administrative expenses related to the purchase of new policies. DAC in health insurance (illness and hospitalization) are calculated on policies sold from 2005 and amortized in equal annual rates over the policy period, but no more than 6 years, and in long-term care insurance (long-term care and critical illness), no more than 15 years. DAC for canceled policies are derecognized at the cancellation date.

The supervisor actuaries assess the recoverability of the DAC each year. The assessment verifies that the liabilities for insurance contracts, net of DAC for policies sold, are sufficient, and that the policies are expected to generate future income to cover the DAC’s amortization and the insurance liabilities, operating expenses as well as fees and commissions for those policies.

The assumptions used in this assessment, which include assumptions regarding cancellations, operating expenses, mortality and morbidity rates, are determined by the supervisor actuaries every year on the basis of past experience and other relevant studies.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Insurance contracts and investment contracts (cont.)

3. Health Insurance (cont.)

d) Liability adequacy testing for health insurance contracts:

The supervisor actuary reviews every year that the total amount of the reserve, net of DAC, is sufficient to cover the future anticipated cash flows for claims, fees and commissions, and expenses, net of premiums. The cash flow is reviewed after deduction of expected cancellations and is discounted at interest in non-financial terms under reasonable assumptions. The review is performed at the product level in accordance with the Commissioner's directives. If the test indicates that the premiums received are insufficient to cover the expected claims, a special provision is recorded for the shortfall.

The assumptions used for the above tests include assumptions for cancellations, operating expenses, mortality, and morbidity rates and are determined by the supervisor actuary of Menora Insurance each year, based on tests, past experience and other relevant studies. For collective policies, the testing is performed according to the claims history of the individual collective and subject to the statistical reliability of that experience. For further details, including updating the illiquidity premium in the reporting year, see Note 38(6)a(4) below.

e) Contingent claims

The provisions for ongoing payment claims in long term care (LTC) insurance, the direct and indirect expenses arising therefrom, as well as provisions for incurred but not yet reported claims (IBNR), are included under liabilities in respect of insurance contracts and investment contracts.

In health subsegments, for which the actuary determined that an actuarial model is inapplicable, due to lack of statistically significant data, the contingent claims were included based on a case-by-case evaluation according to assessments of the business sector, with the addition of IBNR and reserves where necessary.

f) Provision for policyholders' profit participation in collective insurance

The provision is included under the payables and credit balances line item. In addition, the change in the provision is offset against the premiums earned line item.

g) The insurance liabilities include, if necessary, a provision for expected loss (premium deficiency), calculated on the basis of an actuarial valuation based on a cash flow estimate for the contract.

G. Financial Instruments

The accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer is in accordance with IAS 39 (from 2017). The accounting policy applied by the Company in respect of the remaining financial instruments is in accordance with IFRS 9.

Following are the accounting policies applied by the Company in respect of financial instruments of insurer consolidated subsidiaries:

1. Non-derivative financial instruments

Loans and receivables

Loans and receivables are investments with fixed or determinable payments that are not traded in an active market. Subsequent to initial recognition, loans are presented at cost, plus direct transaction costs, using the effective interest method, less provision for impairment. Short-term receivables are recognized according to their terms and conditions, at their nominal value.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Financial instruments (cont.)

Following are the accounting policies applied by the Company in respect of financial instruments of insurer consolidated subsidiaries: (cont.)

2. Derivative financial instruments

Financial derivatives are initially recognized at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are carried to the income statement.

3. Designation of the financial assets

The Group decided to designate assets as follows:

a) Assets of consolidated insurance companies included in investment portfolios of yield-dependent insurance policies

Most of these assets, which include liquid financial instruments and illiquid financial instruments (including investments in associates), were designated at fair value through profit and loss, for the following reasons: These are discretionary portfolios - separate and identifiable, whose presentation at fair value prevents accounting mismatch of reporting financial assets and financial liabilities at different bases of measurement; furthermore, their management is based on fair value, and the portfolio's performance is measured at fair value, in accordance with a documented risk management strategy. The information about the financial instruments is reported to management (and the relevant investments committee) internally, at fair value.

Some of the illiquid debt instruments, which are included in investment portfolios of yield-dependent insurance policies, were classified as loans and receivables and are measured using the effective interest method, as permitted under the Commissioner's Directives.

b) Assets of consolidated insurance companies not included in investment portfolios against yield-dependent insurance policies (nostro)

1) Illiquid assets, which do not include embedded derivatives or do not constitute derivatives

Illiquid debt assets, which include designated bonds, (Hetz bonds), other illiquid bonds, commercial certificates, bank deposits, and loans, were classified as loans and receivables. Illiquid shares were classified as available-for-sale financial assets.

2) Liquid assets, which do not include embedded derivatives or do not constitute derivatives

Liquid debt assets and shares were classified to available-for-sale financial assets, except for short-term government loans, which were designated to fair value through profit and loss.

3) Derivatives and financial instruments that include embedded derivatives requiring bifurcation

These assets - both liquid and illiquid - are designated to the class of fair value through profit and loss.

4) Financial assets transferred to a consolidated insurance company from a non-insurance consolidated company

Financial assets as set out in Sections 1) and 2) above, which were transferred to a consolidated insurance company from a non-insurance consolidated company, are classified in the consolidated insurance company under fair value through profit and loss, in accordance with their original classification in the transferring company as set out in Section c) below.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Financial instruments (cont.)

Following are the accounting policies applied by the Company in respect of financial instruments of insurer consolidated subsidiaries: (cont.)

4. Financial liabilities

A. Financial liabilities at amortized cost

Letters of commitment, bonds, and interest-bearing credit are initially recognized at fair value less directly attributable transaction costs (for example, costs of raising loans). Subsequent to initial recognition, interest-bearing loans and credit are recognized at amortized cost, using the effective interest method, which takes into account the directly attributable transaction costs.

B. Financial liabilities measured at fair value through profit and loss

Financial liabilities measured at fair value through profit and loss refer to derivatives designated, upon initial recognition, to be presented at fair value through profit and loss.

C. Netting of financial instruments

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

D. Derecognition of financial instruments

Financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full to a third party, without material delay, or effectively transfers all the risks and benefits of the asset, or neither transfers nor effectively retains all the risks and rewards relating to the asset, but transfers control of the asset.

Financial liabilities

A financial liability is derecognized when it is extinguished, that is to say, when the liability is discharged, canceled or expires. A financial liability is extinguished when the Group repays the liability by a cash payment, other financial assets, goods or services, or is legally released from the liability.

E. For information about impairment of financial assets, see Section L.1 below.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Financial instruments (cont.)

Following are the accounting policies applied by the Company in respect of the remaining financial instruments:

1. Financial assets

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

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

- A. The Company's business model for managing financial assets, and
- B. Contractual cash flow characteristics of the financial asset.

1a) The Company measures debt instruments at amortized cost when:

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

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

In addition, an entity may irrevocably designate a debt instrument for measurement at fair value through profit or loss at the initial recognition date, if such designation eliminates or significantly reduces a measurement or recognition inconsistency, for example, when the underlying financial liabilities are also measured at fair value through profit or loss.

1b) The Company measures debt instruments at fair value through other comprehensive income when:

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

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

1c) The Company measures debt instruments at fair value through profit or loss when:

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

1d) Equity instruments

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Financial instruments (cont.)

Following are the accounting policies applied by the Company in respect of the remaining financial instruments: (cont.)

2. Impairment of financial assets

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

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

- a) Debt instruments with no significant impairment in credit quality since 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 current expected credit losses - over the balance of the useful life of the instrument. The Company applies the relief provided in the standard, according to which it assumes 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.

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

3. Derecognition of financial assets

The Company derecognizes a financial asset if and only if:

- (a) The contractual rights to the cash flows from the financial asset have expired, or
- (b) The Company transfers substantially all the risks and rewards arising from the contractual rights to receive the cash flows from the financial asset or when some of the risks and rewards upon the transfer of the financial asset remain in the hands of the entity but the Company can be said to have transferred control over the asset.
- (c) The Company retains the contractual rights to receive the cash flows arising from the financial asset, but assumes a contractual obligation to pay these cash flows in full to a third party, without any substantial delay.

Transactions for the sale of financial assets are accounted for as derecognition when the terms and conditions set out above are fulfilled.

If the Company transfers its rights to receive cash flows from an asset but neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, a new asset is recognized to the extent of the Company's continuing involvement in the asset. When continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay (the guarantee amount).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Financial instruments (cont.)

Following are the accounting policies applied by the Company in respect of the remaining financial instruments: (cont.)

3. Derecognition of financial assets (cont.)

When the Company continues to recognize an asset to the extent of its continuing involvement, the entity also recognizes an associated liability. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

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

4. Financial liabilities

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

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

Subsequent to initial recognition, the Company measures all financial liabilities at amortized cost, except for:

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

5. Financial guarantees

A financial guarantee contract is a contract requiring the issuer to make specific payments in order to indemnify the holder in respect of a loss it incurred since a specific borrower failed to make the payment when it was due in accordance with the terms and conditions of a debt instrument.

Financial guarantee contracts that were issued by the Company are initially measured at fair value in accordance with the amount of the consideration received at initial recognition date. Subsequent to initial recognition, if a financial guarantee contract is not designated to the fair value through profit or loss category, and does not arise from a transfer of a financial asset, the contract is measured according to the higher of:

- The amount of provision for loss that was set in accordance with the provisions of IFRS 9; and
- The amount that was recognized initially, net of the accumulated amount of a revenue recognized in accordance with the revenue recognition policy.

Any changes in a liability in accordance with the above is recognized in profit and loss.

The Company recognizes the service of an undertaking in respect of post-dated checks as a financial guarantee.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Financial instruments (cont.)

Following are the accounting policies applied by the Company in respect of the remaining financial instruments: (cont.)

6. Derecognition of financial liabilities

The Company derecognizes a financial liability if and only if it is extinguished - that is to say, when the obligation established in a contract is repaid or canceled or expires.

A financial liability is extinguished when the debtor repays the liability by a cash payment, other financial assets, goods or services, or is legally released from the liability.

If the terms of an existing financial liability change, the Company assesses whether the terms of the liability are materially different than the existing terms.

When a material change has been made to the terms of an existing financial liability, the change is accounted for as a derecognition of the original liability and a recognition of a new liability. The difference between the balance of the above two liabilities in the financial statements is recognized in profit or loss.

In the event that the change is immaterial, the Company is required to update the liability amount, that is to say, to discount the new cash flows at the original effective interest rate, and the differences will be recognized in profit or loss.

When determining whether a change has occurred in the substantive terms and conditions of an existing liability, the Company takes qualitative and quantitative considerations into account.

7. Netting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set-off the recognized amounts, and when there is an intention to settle the asset and the liability on a net basis or realize the asset and settle the liability simultaneously. The right to offset must be legally enforceable not only in the ordinary course of business of the parties to the contract but also in the case of bankruptcy or insolvency of one of the parties. In order for the right of offset to be immediately available, it cannot be contingent on a future event, there must be no periods during which the right is not available, or there must be no events that will cause the right to expire.

8. Compound financial instruments

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

9. Issuance of a package of securities

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

10. Put option granted to non-controlling interests

When the Group grants a put option to non-controlling interests to sell part or all of their rights in a subsidiary in a certain period, on the grant date, the Company recognizes a financial liability in the amount of the estimated present value of the consideration that will be transferred when exercising the put option.

This liability is remeasured at the end of each reporting period.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Financial instruments (cont.)

Following are the accounting policies applied by the Company in respect of the remaining financial instruments: (cont.)

10. Put option granted to non-controlling interests (cont.)

If the Group has present ownership of non-controlling interests, these non-controlling interests are accounted for as if they are shares held by the Group and changes in the amount of the liability are recognized in profit and loss. If the Group does not have any present ownership interest, the interests are accounted for using the partial recognition method. Therefore, the Group grants non-controlling interests their share of profits in each period, however, at the end of the reporting period, derecognizes the non-controlling interests against the financial liability at the end of the reporting period, and the difference is recognized in capital reserve. If the option is exercised in subsequent periods, the consideration paid upon exercise will be accounted for as extinguishment of the liability. If the option expires, the liability is derecognized against the recognition of non-controlling interests and the difference is recognized in capital reserve.

11. Settlement of financial liabilities through equity instruments

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

12. Embedded derivatives

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

The need to bifurcate an embedded derivative is only reassessed if there is a change in the terms and conditions of the contract that significantly modifies the cash flows from the contract.

H. Property, plant & equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost plus direct acquisition costs, less accumulated depreciation and impairment losses, except for self-use real-estate properties as set out in Section 4 below.

2. Depreciation

Amortization is recognized in the statement of income on a straight-line basis over the estimated useful life of each part of the property, plant and equipment items.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. Property, plant & equipment (cont.)

2. Depreciation (cont.)

The depreciation rates used in the current period and in the comparative periods are as follows:

Buildings (except for the land component)	- 2%-4%
Leasehold improvements	- Throughout the expected lease term
Motor vehicles	- 15%
Computers and peripheral equipment	- 25%-33%
Office furniture and equipment	- 6%-15%

The useful life, depreciation method and residual value are reviewed at least once a year, and changes are accounted for prospectively as a change in accounting estimate from the date on which the change took place. Depreciation of assets ceases at the earlier of the date on which the asset is classified as held for sale and the date on which the asset is derecognized.

3. Revaluation of self-use real estate

The Group applies the revaluation model to measure self-use real-estate. Using this model, the real estate is measured at its fair value and the effect of the revaluation, net of the tax effect, is recognized in capital reserve from revaluation.

The appraisals were performed by an independent external appraiser with recognized professional qualifications and extensive experience in the location and type of real estate underlying the valuation. The fair value is determined in accordance with a number of revaluation methodologies, including the cost approach, the comparison approach, and discounting appropriate rents from similar assets.

A revaluation reserve is transferred directly to retained earnings when the asset is derecognized.

I. Investment property

Investment property is initially measured at cost, with the addition of direct acquisition costs. In subsequent periods, investment property is measured at fair value, which reflects market conditions at the reporting date, net of future levies. Gains or losses arising from changes in the fair value of investment property are recognized in profit or loss as incurred. Investment property is not systematically depreciated.

The Group determines the fair value of investment property on the basis of a valuation by external independent appraisers who are experts in the valuation of real estate properties and have the appropriate expertise and experience. For further details, see Note 9B below.

J. Leases

The Group accounts for a contract as a lease contract when the right to control an identifiable asset is transferred, as provided therein, for a period of time, for a consideration.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**J. Leases (cont.)****1. The Group as lessee**

For transactions in which the Group is the lessee, it recognizes at effective date a right-of-use asset against a lease liability, excluding transactions for periods of up to 12 months and transactions in which the underlying asset is of low value, in which the Group opted to recognize the lease payments as an expense in profit or loss on a straight line basis over the lease term. When measuring the lease liability, the Group opted to apply the expedient available under IFRS 16, and did not separate between lease components and non-lease components, included in the same transaction.

On effective date, the lease liability includes all unpaid lease payments, capitalized at the lease's implicit interest rate, when it can be readily determined, or at the Group companies' incremental interest rate. After effective date, the Group measures the lease liability using the effective interest method.

At effective date, the right-of-use asset is recognized at the amount of the lease liability plus lease payments paid on or before effective date, plus transaction costs incurred.

A right-of-use asset is measured using the cost model and amortized over the shorter of its useful life or the lease term.

Following are data regarding the number of years of depreciation of the relevant right-of-use assets by class:

	<u>No. of years</u>	<u>Mostly</u>
Real estate	5-20	10
Motor vehicles	3	3
Solar fields	18	18

2. The Group as lessor

The tests for classifying a lease as a finance or operating lease depend on the nature of the transaction, rather than on the format of the contract, and are assessed at the inception date, in accordance with the principles set forth in IFRS 16:

A. Finance lease

A lease transaction in which substantially all risks and rewards of ownership of the asset are transferred to the lessee, is classified as a finance lease.

B. Operating lease

A lease transaction in which all risks and rewards of ownership of the asset are not transferred to the lessee, is classified as an operating lease. Lease proceeds are recognized as income in profit or loss on a straight line over the lease term. Direct initial costs incurred in respect of the lease agreement are added to the cost of the leased asset and recognized as an expense over the lease term on the same basis.

K. Intangible assets

Separately acquired intangible assets are measured on initial recognition at cost plus direct acquisition costs. Intangible assets acquired in business combinations are recorded at fair value at acquisition date. Subsequent to initial recognition, intangible assets are presented at their cost net of any accumulated amortization and net of any accumulated impairment losses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

K. Intangible assets (cont.)

Intangible assets with a definite useful life are amortized over their useful life on a straight-line basis and tested for impairment when there are indications of impairment. The amortization period and method applied to an intangible asset with a definite useful life are reviewed at each year end at the very least.

Intangible assets with indefinite useful life are not systematically amortized and are tested for impairment annually or whenever there is an indication that an impairment has taken place (see also Section L.4 below). The useful life of these assets is reviewed annually to determine whether their indefinite useful life assessment continues to be supportable. If events and circumstances do not continue to support such assessment, the change in the useful life assessment from indefinite to definite is accounted for as a change in accounting estimate, the asset is also tested for impairment on that date and the asset is methodically amortized throughout its useful life.

1. Software development costs

Software development expenses are capitalized only if: the development costs can be reliably measured; the software is technically and commercially feasible; future economic benefits are expected from the development; and the Group intends to complete the development and use the software and has sufficient resources to do so. A capitalized expense includes the cost of labor directly attributable to preparation of the asset for its intended use. Other development expenses are carried to profit and loss as incurred. Capitalized development expenses are measured at cost less any amortization and accumulated impairment losses.

Amortization of the asset commences once the development has been completed and the asset is available for use. The asset is amortized over its useful life. The asset is tested for impairment once a year over the development period.

When it is impossible to recognize an internally-generated intangible asset, development costs are carried to profit or loss as incurred. Development costs previously recognized as an expense are not recognized as an asset in a later period.

2. Subsequent costs

Subsequent costs are recognized as an intangible asset only when it increases the future economic benefits embodied in the specific asset to which it relates. All other costs, including costs related to goodwill or internally generated brands, are carried to the income statement as incurred.

3. Amortization

The estimated useful life for the current and comparative periods is as follows:

- a) Excess cost attributable to an acquired insurance portfolio is amortized over 5 years, excess cost attributable to agent relations and agreements of a consolidated insurance agency is amortized over 10-20 years, and excess cost attributable to a trade name is amortized over 6 years.
- b) Excess cost arising on acquisition of Mivtachim Pension attributable to the customer portfolio is amortized over 20 years.
- c) Excess cost arising on acquisition of management rights in provident funds attributable to customer portfolios are amortized over a period of 5 to 12 years (see Note 5 below).
- d) Excess cost arising on acquisition of the consolidated company ERN, and which are attributable to customer portfolios are amortized over a period of 14 to 15 years. Excess cost attributable to a brand are amortized over 6 years.
- e) Software – amortized on a straight-line basis over 8 years.

Estimates as to the depreciation method and useful life are reviewed at least at the end of each reporting year.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**L. Impairment and provisions for doubtful debts**

The Group assesses at each reporting date whether there is impairment as detailed below:

1. Financial investments**A. Financial assets presented at amortized cost**

Objective evidence of impairment is present when one or more events had a negative effect on the estimated future cash flows from the asset after initial recognition.

The Group considers evidence of impairment for debt assets classified as loans and receivables on the level of the specific asset.

If there is objective evidence of expected impairment loss for loans for loans and receivables recognized at their amortized cost, the amount of the loss recognized in the statement of income is measured as the difference between the asset's balance in the Financial Statements and the present value of estimated future cash flows, capitalized at the original effective interest rate of the financial asset.

In subsequent periods, impairment losses are reversed when the recovery of the asset's value can be objectively attributed to an event that has occurred after the recognition of the loss. The amount of the reversal is carried to profit and loss up to the amount of any previously recognized impairment loss.

B. Available-for-sale financial assets

The evidence for impairment of equity instruments classified as available-for-sale financial assets includes a significant or prolonged decline in the fair value of the asset below its cost and assessment of changes in the technological, economic or legal environment in which the issuer of the instrument operates. The testing for significant impairment or prolonged impairment depends on the circumstances at each reporting date; the testing takes into account the historical volatility in fair value and the existence of impairment in fair value at a total rate of 20% or more, or impairment continuing for more than one year. Where there is evidence of impairment, the aggregate loss, which was carried to other comprehensive income, is reclassified to profit and loss. In subsequent periods, reversal of impairment loss is not carried to profit and loss but rather recognized in other comprehensive income.

Evidence of impairment of debt instruments classified as available-for-sale financial assets includes one or more events that had an adverse effect on the estimated future cash flows from the asset subsequent to the investment date. Where there is evidence of impairment, the accumulated loss that was recognized in other comprehensive income, and measured as the difference between the acquisition cost (net of principal payments, amortization according to the effective interest method and previous impairment losses) and the fair value, is recognized as an impairment loss in the statement of income. In subsequent periods, the amount of the impairment loss attributable to a debt instrument is reversed if the increase in fair value can be objectively attributed to an event occurring after the impairment loss was recognized. The amount of the reversal is carried to profit and loss up to the amount of any previously recognized impairment loss.

2. Reinsurance**A. The liabilities of reinsurers towards the consolidated insurance companies do not exempt them from their liabilities to policyholders according to the insurance policies.**

If a reinsurer fails to fulfill its liabilities under the contracts, the consolidated insurance companies may incur losses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

L. Impairment and provisions for doubtful debts (cont.)

2. Reinsurance (cont.)

- B. The consolidated insurance companies make a provision for doubtful debts for reinsurers' debts whose collection is doubtful on the basis of specific risk estimates and on the basis of the extent of the debt.

In addition, when determining the reinsurers' share in insurance liabilities, the consolidated insurance companies also take into account the likelihood of collection from the reinsurers. When the reinsurers' share as aforesaid is calculated on an actuarial basis, the share of those reinsurers who are in financial difficulties is calculated in accordance with the actuary's recommendation, which takes all risk factors into account. In addition, when preparing the provisions, the consolidated insurance companies take into account, among other things, the willingness of the parties to reach cut off agreements (termination of agreements by final repayment of debts) to reduce exposure.

3. Collectible premiums

The provision for doubtful debts for premiums collectible is calculated in accordance with the age of the debt and is also determined specifically for debts which the management believes are unlikely to be collected.

4. Non-financial assets

The Group tests for the probability of impairment of non-financial assets (except for deferred acquisition costs, investment property, and deferred tax assets) whenever events or changes in circumstances indicate that the balance of the assets in the Financial Statements is irrecoverable. When the balance of the non-financial assets in the books of accounts exceeds their recoverable amount, the assets are amortized to their recoverable value. The recoverable amount is the higher of the sale price, net and the value in use.

The following criteria are applied in impairment testing the following specific assets:

a) Goodwill

For impairment testing, goodwill acquired in a business combination is allocated at the acquisition date to each cash-generating unit of the Group, which is expected to benefit from the business combination.

The Group reviews goodwill impairment at the end of each year, or more frequently if events or changes in circumstances indicate that there is impairment.

Each cash-generating unit to which goodwill was allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and in no case is it larger than an operating segment.

Goodwill impairment is determined by testing the recoverable amount of a cash generating unit (or a group of cash generating units) to which the relates belongs. An impairment loss is recognized if the recoverable amount of the cash generating unit (or group of cash generating units) to which goodwill has been allocated is less than the book balance of the cash generating unit (or group of cash generating units). Impairment losses from goodwill cannot be reversed in subsequent periods.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

L. Impairment and provisions for doubtful debts (cont.)

4. Non-financial assets (cont.)

b) Associates

After implementing the equity method, the Group determines whether it is necessary to recognize a further impairment loss in respect of impairment of the investment in associates. At each reporting date, the Group determines whether there is objective evidence of impairment of an investment in an associate. If necessary, the impairment loss is recognized in the amount of the difference between the recoverable amount of the investment in the associate and its value in the Financial Statements. The recoverable amount is the higher of the fair value and the value in use, calculated on the basis of the valuation of the net cash flows generated by the associate. The impairment loss is recognized in the statement of income under the Company's share in the line-item profits of associates, net.

In the Group's opinion, the collective impairment testing of the assets set out above is not expected to have a material effect on the Financial Statements, since the testing on the level of the single asset identifies the absolute majority of the losses that were incurred.

M. Fair value measurement

The fair value of an asset or liability is based on assumptions to be used by market participants to price the asset or liability, assuming that market participants act in their economic interests.

Fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through the highest and best use of the asset, or by selling it to another market participant who will make optimal use of the asset.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observable data and minimizing the use of non-observable inputs.

The fair value of financial instruments traded in an active market is determined by market prices on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using transactions that were recently made at fair market value, reference to the current market value of another instrument which is substantially the same, discounted cash flows, or other valuation methods. The value of illiquid bonds, loans and deposits is based on the cash flow discount method; see Note 13G.

All assets and liabilities measured at fair value, or the fair value of which was disclosed, are categorized within the fair value hierarchy, based on the lowest level of the data, which is significant to fair value measurement as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data (assessment techniques not using observable market input).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**N. Liabilities for employee benefits****1. Short-term benefits**

Short-term employee benefits are benefits that are expected to be settled in full within one year after the end of the annual reporting period, in which the employees rendered the service, and they include salaries, paid leave, recreation pay, and employer's National Insurance contributions and are recognized as expenses as the services are rendered. A liability for a cash bonus or a profit participation plan is recognized when the Group has a legal or constructive obligation to make such payment in respect of a service rendered by an employee and the amount can be measured reliably. The liability for short-term employee benefits in the statement of financial position represents the undiscounted value of the liability.

2. Post-employment benefits

The Group has several post-employment benefit plans. The plans are usually funded by contributions in insurance companies and pension funds (hereinafter - the **"plan assets"**).

Defined contribution plans

In accordance with Section 14 of the Israeli Severance Pay Law, the Group regularly pays contributions without having a legal or constructive obligation to pay further contributions even if the fund does not have sufficient amounts to pay all employee benefits related to the employee's service in the current and prior periods. The Group's contributions in defined contribution plans are recognized as an expense in profit and loss when the services are rendered by the employee.

In addition, the Group has a defined benefit plan in respect of severance pay under the Severance Pay Law, which stipulates that employees are entitled to receive compensation upon their dismissal or retirement. The liability for severance pay is measured on the basis of the actuarial value of the projected unit credit. The actuarial calculation takes into account future pay raises and rates of employee turnover based on the estimated timing of payment. The amounts are presented on the basis of discounting the future cash flows using the interest rates based on the return at the reporting date on CPI-linked high-quality corporate bonds with maturity dates approximating the period for the Group's severance pay liability.

The Group makes contributions to pension funds and insurance companies on an ongoing basis in respect of its severance pay liability to some of its employees (hereinafter - the **"plan assets"**). The plan assets are assets held by the employee benefits fund in the long term or in qualifying insurance policies. The plan assets are not available for the use of the Group's creditors, and cannot be paid directly to the Group.

The severance pay component in policies issued by a consolidated insurance company does not constitute plan assets in the Financial Statements and is offset from liabilities in respect of insurance contracts.

The liability for employee benefits in the statement of financial position presents the present value of the defined benefit liability less the fair value of the plan assets.

Remeasurements of the net liability are carried to other comprehensive income during the period in which they were incurred.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

N. Liabilities for employee benefits (cont.)

3. Other long-term employee benefits

The Group's net liability for other long-term employee benefits, other than post-employment benefit plans, is in respect of the amount of future benefit payable to employees for their services rendered in current and prior periods. The amount of these benefits is discounted to its present value. The discount rate is determined in accordance with the return, as of the reporting date, on high-quality CPI-linked corporate bonds, with maturity dates similar to the terms and conditions of the Group's liabilities.

O. Provisions

A provision under IAS 37 is recognized when the Group has a present legal or constructive obligation as a result of a past event, which can be reliably estimated, and when it is likely that financial resources will be required to settle the obligation.

Types of provisions included in the Financial Statements:

Legal claims - A provision for legal claims is recognized if, as a result of a past event, the Company has a present (legal or constructive) obligation and it is more likely than not that the Group will require an outflow of economic resources to extinguish the obligation and the amount of obligation can be reliably estimated. As to motions and class actions, see Note 40A.

Onerous contracts - A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group under it. The provision is measured at the lower of the present value of the expected cost of terminating the contract and the present value of the expected net cost of continuing to fulfil the contract.

P. Revenue recognition

1. Premiums:

- a) Premiums in life insurance and health insurance, including savings premiums and excluding proceeds in respect of investment contracts, are recorded as income on collection date.

Cancellations are recorded when a notification is received from the policyholder or when initiated due to arrears in payments, subject to the provisions of the law. Participation of policyholders in earnings of policies is deducted from the premiums earned.

- b) Property and casualty insurance premiums are recorded as income based on monthly output reports. The premiums usually relate to an insurance period of one year. Gross income from premiums and changes in unearned premium are recorded under the line-item premiums earned, gross.

Premiums in the compulsory motor insurance subsegment are recognized in profit and loss when the premium is paid, but not before the beginning of the insurance period, since the insurance coverage is contingent upon payment of the premium.

Premiums in the home insurance subsegment for collateral for a mortgage are recognized as income on their collection date (monthly).

Premiums from policies whose insurance begins subsequent to the reporting date are recognized in profit and loss as premiums in advance.

The income included in the Consolidated Financial Statements is after cancellations requested by policyholders and net of cancellations and provisions due to non-payment of premiums, subject to the provisions of the law, and net of the policyholder's participation in profits, based on valid agreements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**P. Revenue recognition (cont.)****2. Management fees:****a) Management fees in respect of insurance contracts and yield-dependent investment contracts:**

The management fees are calculated in accordance with the Commissioner's Directives on the basis of the return and the aggregate savings of the policyholders in the yield-dependent portfolio.

Management fees include the following components:

For policies sold as from January 1, 2004 - fixed management fees only.

For policies sold through December 31, 2003 - fixed and variable management fees.

The fixed management fees are calculated at fixed percentages out of the aggregate savings and recorded on an accrual basis.

The variable management fees are calculated as a percentage of the annual real profit (as from January 1 through December 31), less the fixed management fees. Only positive variable management fees can be collected, net of negative amounts accumulated in previous years.

During the year, the variable management fees are recorded on an accrual basis in accordance with the real monthly return to the extent that such return is positive. In months when the real return is negative, the variable management fees are reduced to the amount of the aggregate variable management fees collected year to date. Negative return for which a reduction of the management fees was not made during a current year, will be deducted for the purpose of calculating the variable management fees from positive return in the subsequent year.

Management fees for investment contracts also include management fees for the ongoing collection.

b) Management fees from pension funds and provident funds:

Income from the management of pension funds and provident funds is recognized on the basis of the balances of the assets under management and on the basis of the proceeds from planholders, in accordance with the Commissioner's Directives.

3. Fees and commissions:

Income from fees and commissions in consolidated insurance agencies are recognized as incurred.

Income from fees and commissions from reinsurers is recognized at the date of the eligibility for their receipt, in accordance with the agreements with the reinsurers.

Income from underwriting and management fees and commissions, which are subject to the actual execution of the issuance, are recognized in the statement of income only after the issuance of the securities or at the date the liabilities of the issuers and buyers are formed, whichever is earlier, and at the same time, the expenses incurred in their execution are recognized.

4. Income from electricity generation:

Income from electricity production in consolidated companies is recognized when the electricity is produced.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**Q. General and administrative expenses**

General and administrative expenses are classified as indirect expenses to settle claims included under the line-item payments and changes in the liabilities for insurance contracts and investment contracts, acquisition-related costs - included under the line item fees and commissions, marketing expenses and other acquisition expenses - and the balance of general and administrative and other purchase expenses included in this line item. Classification is in accordance with the Group's internal models, in accordance with the Company's activity, based on direct expenses charged and indirect expenses attributed.

In each reporting period, the Group verifies the models for optimal attribution of the expenses between the various operating segments and between the expenses classified as indirect expenses for attribution to claims, expenses related to acquisition, and other general and administrative expenses.

R. Equity-settled share-based payment transactions

The Company's employees are entitled to benefits by way of equity-settled share-based payment.

Cash-settled transactions in equity instruments

The cost of transactions with employees settled in equity instruments is measured according to the fair value of the equity instruments at the award date. The fair value is determined using an accepted option pricing model.

The cost of transactions settled in equity instruments is recognized in profit or loss in addition to a corresponding increase in capital over the period in which the conditions of performance and/or service are met and ends on the date on which the relevant employees are entitled to the compensation (hereinafter - the "**Vesting Period**"). The recognized cumulative expense in respect of transactions settled in equity instruments as of the end of each reporting date up to the vesting date reflects the extent to which the vesting period has elapsed and the Group's best estimate of the number of equity instruments that will eventually vest.

No expense is recognized for grants that do not ultimately vest, except for grants whose vesting is conditional upon a market conditions, which are accounted for as vesting irrespective of whether the market condition is satisfied, assuming that all the other vesting conditions (service and/or performance) are satisfied.

If the Company modifies the conditions on which equity instruments were granted, an additional expense is recognized beyond the original expense calculated for any modification that increases the total fair value of the compensation granted or is otherwise beneficial to the employee at fair value at the modification date.

If a grant of an equity-settled instrument is canceled, it is accounted for as if it had vested on the cancellation date, and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the canceled grant and is identified as a replacement grant on the grant date, the canceled and new grants are both treated as a modification of the original grant, as described above.

S. Taxes on income

When calculating deferred taxes, taxes applicable in the event of a disposal of investments in investees are not taken into account, if the sale of such investments is not expected in the foreseeable future. In addition, deferred taxes that would apply in the event of the profit distribution by investees as dividends have not been taken into account, since the distribution does not give rise to an additional tax liability, or due to the Company's policy not to distribute a dividend by a consolidated company that triggers an additional tax liability.

Deferred taxes are offset if there is a legally-enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

T. Change in accounting policies - First-time application of amendments to new IFRSs

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

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

The New Standard is applied for the first time in these financial statements to the financial instruments that are not owned by insurer consolidated subsidiaries.

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

The New Standard's effect on the Company's financial statements is as follows:

Impairment

The Company tested the provision for loss in respect of financial debt instruments not measured at fair value through profit or loss. After it assessed the effect on its financial assets of the new model for recognizing credit losses, the Company reached the conclusion that the balance of the provision for impairment in respect of financial debt instruments as of December 31, 2022 should be increased by NIS 912 thousand, and that the balance of deferred tax assets should be increased by NIS 226 thousand against a NIS 686 thousand decrease in the balance of the Company's income as of that date.

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

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

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

The Amendment is applied prospectively to annual periods beginning on January 1, 2023 and shall apply to changes in accounting policies and accounting estimates that occur at the beginning of that period or thereafter.

The above Amendment has no material effect on the Financial Statements.

3. Amendment to IAS 12 - Income Taxes

- a) In May 2021, the IASB issued an amendment to IAS 12, Taxes on Income (hereinafter - "**IAS 12**" or the "**Standard**"), which narrows the scope of the "initial recognition exemption" for deferred taxes set forth in Sections 15 and 24 to IAS 12 (hereinafter - the "**Amendment**"). Under the guidelines for recognition of deferred tax assets and liabilities, IAS 12 exempts recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from initial recognition of assets and liabilities in certain transactions. This exemption is termed the 'initial recognition exemption' (IRE). The Amendment narrows the scope of the 'initial recognition exemption' and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from a transaction that is not a business combination and for which equal temporary differences are generated in debit and credit, even if they meet the other terms and conditions of the IRE.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

T. Change in accounting policies - First-time application of amendments to new IFRSs (cont.)

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

a) (cont.)

The Amendment was applied as from annual periods beginning on January 1, 2023. Regarding lease transactions and recognition of a liability for decommissioning and restoration - the Amendment will be applied as of the beginning of the earliest reporting period presented in the financial statements in which the Amendment was first applied, imputing the cumulative effect of the first-time application to the opening balance of the retained earnings (or other capital component, as applicable) as of that date.

As a result of the implementation of the Amendment, the Company provided a disclosure regarding the deferred tax assets and liabilities relating to lease transactions on a gross basis, and as part of the disclosure of the composition of the deferred taxes in the Company's consolidated annual financial statements.

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

The Amendment:

- (1) A mandatory temporary exemption from the implementation of the provisions of the standard in respect of accounting for and disclosing deferred tax assets and liabilities arising from the adoption of the Pillar 2 rules (hereinafter - "**Temporary Exemption**"; and
- (2) Focused disclosure requirements for multinational entities affected by the International Tax Reform.

The Temporary Exemption referred to in Section (a) above – the implementation of which is required to be disclosed – applies immediately. The remaining focused disclosure requirements referred to in Section (b) above apply to annual reporting periods beginning on or after January 1, 2023.

The Company applies the Temporary Exemption, and therefore no disclosure was given and deferred tax assets and liabilities arising from the adoption of the Pillar 2 rules were not recognized. Furthermore, the Company is assessing the effects of the International Tax Reform on its financial statements. For further details, see Note 22A4 regarding taxes on income.

4. Amendment to IAS 1, *Disclosure of Accounting Policies*

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

The Amendment was applied as from annual periods beginning on January 1, 2023. The above Amendment did not have a significant effect on the consolidated financial statements of the Company.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

U. Disclosure regarding a new IFRS in the period prior to its implementation

IFRS 17 - Insurance Contracts

In May 2017, the International Accounting Standards Board (IASB) published IFRS 17 - Insurance Contracts (hereinafter - the "**New Standard**"). An amendment to the New Standard was published in June 2020.

The New Standard sets rules for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes the current guidance on this issue. The New Standard is expected to cause significant changes in the financial reporting of insurance companies.

According to the New Standard, the insurance liability should be measured as the present value of the expected cash flows from insurance contracts, taking into account the uncertainty inherent in these forecasts (the risk margin). In addition, the income expected from the insurance contracts arising from the said calculations will be recognized over the coverage period, and the effect of changes in the assumptions (excluding interest) will also be spread over the coverage period. A loss will be recognized as incurred if a group of insurance contracts is not expected to be profitable or incurs losses.

For certain insurance contracts (usually property and casualty insurance contracts with insurance coverage of up to one year), a simpler measurement model that is not very different from the current measurement may be applied.

The New Standard will be applied retrospectively if retrospective application is impracticable, one of the following approaches may be selected:

1. The modified retrospective approach.
2. The fair value approach.

On June 1, 2023, the Capital Market, Insurance and Savings Authority published a third revision to the "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts" (hereinafter - the "**Third Revision**"), which includes several revisions regarding the "Roadmap - Second Revision", which was published on December 14, 2022.

As part of the Third Revision the first-time application date of IFRS 17 and IFRS 9 in Israel was postponed to the quarterly and annual periods beginning on January 1, 2025; (accordingly, the transition date shall be January 1, 2024).

In accordance with the Third Revision, in 2024, as part of the financial statements for the third quarter, the companies will be required to include, as part of a dedicated note in the financial statements, only a pro forma statement of financial position as of January 1, 2024 (opening balances data as of the transition date, without comparative figures), drawn up in accordance with the provisions of IFRS 17 and IFRS 9. In their 2024 Annual Financial Statements, companies will be required to include key proforma statements (statement of financial position as of January 1, 2024 and selected line items from the statement of comprehensive income for 2024 at the very least, and without comparative figures), that will be prepared in accordance with the provisions of IFRS 17 and IFRS 9 according to the disclosure format attached to the Third Revision. Furthermore, as part of the Third Revision, the milestones for the implementation of the standards in 2023 and 2024 were amended in line with the postponement of the first-time application date of IFRS 17 and IFRS 9, and in order to ensure the preparedness of Israeli insurance companies for high-quality, fair and reliable application of the standards. The key amendments pertain to the reporting requirements to the Capital Markets, Insurance and Savings Authority before the first-time application date, the time table for adapting the IT systems, the completion of the formulation of the accounting policy, the preparations for the calculation of the risk adjustment for a non-financial risk, the involvement of the independent auditors, and the disclosure of high-quality supplementary information for the dedicated note as from the financial statements for the first quarter of 2024.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**U. Disclosure regarding a new IFRS in the period prior to its implementation (cont.)****IFRS 17 - Insurance Contracts (cont.)**

The Company continues to assess the effects of the adoption of the said standards on its financial statements, and is preparing for their implementation according to said schedule.

As part of the standard's adoption process, the Company is implementing and integrating IT systems that are necessary for the implementation of the standard's provisions. In addition, the Company is testing and mapping the required controls and the flow of information to the financial statements. Furthermore, in accordance with the Third Revision, by August 31, 2023 the Company reported to the Authority the results of the first Quantitative Impact Study (hereinafter - "QIS") for assessing the effect of the first-time application of IFRS 17. As part of the first QIS, the Company conducted quantitative tests in order to check the methodology employed to calculate the balances, based on the opening balances as of January 1, 2023 of certain insurance contracts set in the Third Revision.

V. Following are the change rates of the CPI and USD exchange rate:

	CPI		USD representative exchange rate
	In lieu CPI	Known CPI	
	%	%	%
For the year ended December 31, 2023	3.0	3.4	3.1
For the year ended December 31, 2022	5.3	5.3	13.2
For the year ended December 31, 2021	2.8	2.4	(3.3)

NOTE 2A – SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS**The considerations**

In applying the Group's significant accounting policies, management took into account the following issues, which have the most material effect on the amounts recognized in the Consolidated Financial Statements:

1. Classification of insurance contracts and investment contracts

Insurance contracts are contracts in which the insurer assumes a significant insurance risk from another party. For each contract with a policyholder or with a group of policyholders with a common interest, management considers whether it involves taking a material insurance risk to classify it as an insurance contract, or alternatively, as an investment contract.

2. Classification and designation of financial investments

The Group management exercised judgment in classifying and designating the financial investments into the following classes:

- Financial assets at fair value through profit and loss.
- Held-to-maturity investments.
- Loans and receivables.
- Available-for-sale financial assets.

NOTE 2A – SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (cont.)

The considerations (cont.)

3. Effective control

The Company assesses whether it has control in a company in which it holds less than the majority of the voting rights, among other things, according to its proportionate share in the voting rights compared with the share held by other holders of voting rights, voting agreements between the Group companies, and the distribution of other holdings and voting patterns at earlier general meetings of the shareholders. In addition, the Company assesses whether it has significant influence in companies in which it holds less than 20%.

Estimates and assumptions

Preparation of the Financial Statements requires the Group management to exercise judgment and use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and their underlying assumptions are reviewed on an ongoing basis. Changes in the accounting estimates are charged in the period in which the change in estimate is made.

When formulating accounting and actuarial estimates used in the preparation of the Group's Financial Statements, the Group management is required to make assumptions regarding circumstances and events involving considerable uncertainty. When exercising its judgment to determine the estimates, the Group management relies on past experience, various facts, external circumstances, and reasonable assumptions, including expectations as to the future, where it is possible to formulate such expectations, according to the relevant circumstances of each estimate. It is clarified that actual results may differ from these estimates, inter alia due to regulatory changes published or expected to be published in the insurance, pension, and provident funds segments, and there is uncertainty as to the manner of their materialization and implications.

Following are the main assumptions used in the Consolidated Financial Statements concerning uncertainties as of the reporting date, and critical estimates calculated by the Group; significant changes in those estimates and assumptions may change the value of assets and liabilities in the Consolidated Financial Statements in the subsequent year:

1. Impairment of non-financial assets, including goodwill

The Group assesses, at each reporting date, whether there have been any events or changes in circumstances which would indicate impairment of one or more non-financial assets. When there are indications of impairment, it is assessed whether the recoverable amount is higher than the carrying amount of the asset, and if necessary, a provision for impairment is recorded up to the recoverable amount. The discounted cash flows are calculated according to the discount rate, which reflect the market assessments for the time value of money and the risks specific to the asset. The estimates of the cash flows are based on past experience of this asset or similar assets, and on the best estimate of the Group for the economic conditions prevailing in the course of the remaining useful life of the asset. In addition, the Group measures impairment of goodwill at least once a year. This requires management to estimate the expected future cash flows from continued use of the cash-generating unit to which goodwill has been allocated. Management is also required to estimate the appropriate discount rate for these cash flows. The potential consequence is the recognition of impairment losses in profit or loss in the period in which they were incurred.

2. Determining fair value of illiquid financial instruments

The fair value of illiquid bonds, loans and deposits is calculated on the basis of a discounted cash flow model; the discount rates are determined by a company providing price and interest rate quotes for institutional entities.

The fair value of investment funds is determined by net asset value (NAV) based on the Financial Statements of the funds and on reports received from the funds. The fair value of illiquid shares is based on the valuation of an expert. The fair value of options is based on the B&S model and the fair value of complex instruments is based on a quote from the manager of the complex instrument.

NOTE 2A – SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (cont.)

Estimates and assumptions (cont.)

3. Impairment of financial investments

When there is objective evidence of impairment loss in respect of loans and receivables presented at amortized cost, or for financial assets classified as available for sale, the amount of the loss is recognized in the income statement. See Section L.1 below. At each reporting date, the Group assesses whether there is objective evidence as aforesaid.

4. Measurement of current expected credit losses

Current expected credit losses constitute a probability-weighted estimate of credit losses. Credit losses are measured based on the present value of the difference between the cash flows to which the Group is entitled in accordance with the contract, and the cash flows that the Group expects to receive. The expected cash flow takes into account the probability of the borrower's default, and the expected debt recovery rate in the event of default. The probability of default and the expected debt recovery rate in the event of a default are based on the Company's historical collection data, assessments of various experts and professional bodies in the fields of statistics and collection, taking into account macroeconomic data that supplement the estimate in respect of unexplained variables, such as: expected consumption and the GDP.

5. Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost have become credit-impaired. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset has occurred. Evidence that a financial asset is impaired includes, among other things, the following events:

- A significant financial difficulty of the issuer or the borrower
- A breach of a contract such as a failure event, or a payment delay of more than 90 days and dealing with collection through legal channels.
- It is expected that the borrower will become bankrupt or undergo other financial restructuring.

In the case of series of payments using checks and/or direct debits, refusal to honor one of the payments in the series increases the current expected credit losses in respect of the entire series of payments.

6. Investment property and self-use real estate

Investment property and self-use real estate are presented at fair value at the reporting date, with fair value changes recognized in profit and loss and to other comprehensive income, respectively. The fair value is determined by external and independent appraisers based on economic valuations, which include the use of valuation techniques and assumptions as to estimates of projected future cash flows from the property and an estimated discount rate adequate for these cash flows. Where possible, fair value is determined in relation to recent real estate transactions involving properties with characteristics and locations similar to those of the assessed property.

When measuring the fair value of investment property and own-use properties, the appraisers and Group management use certain assumptions as to rates of return required in respect of the Group's properties, future rental prices, occupancy rates, contract renewals, rezonings, probability of leasing vacant spaces, operating expenses for the properties, the tenants' financial strength and the consequences arising from investments requiring future development, in order to assess the future cash flows from the real estate properties. Changes in assumptions used to measure investment property and own-used real estate properties may result in a change in fair value.

NOTE 2A – SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (cont.)

Estimates and assumptions (cont.)

7. Determining recoverability of deferred acquisition costs

The recoverability of deferred acquisition costs is reviewed once a year using the assumptions set out in Sections G.1.e), subsections 2 and 3 below. If the costs are unrecoverable under these assumptions, the Group may need to accelerate the amortization or even write-off the deferred acquisition costs.

8. Total liabilities in respect of insurance contracts

Liabilities for insurance contracts are based on actuarial assessment methods and on the assumptions described in Note 38(6)(a) below for life insurance and health insurance and in Note 38(6)(b) for P&C insurance.

The various actuarial valuations and the assumptions are mainly derived from past experience and are based on the fact that past behavior patterns and claims represent what will happen in the future. Changes in risk factors, prevalence or severity of events, as well as changes in the legal situation could have a material effect on the amounts of liabilities in respect of insurance contracts.

9. Legal claims

Several lawsuits and motions to certify lawsuits as class actions are pending against the Group. When assessing the chances of lawsuits filed against the Group, the Group relied on the opinions of its legal counsel. These opinions are issued based on the best of the legal counsels' professional judgment, and take into account the current stage of the proceedings as well as legal experience gained on various matters. Since the outcomes of the lawsuits will ultimately be determined in the courts, the outcomes may differ from the assessments provided by legal counsel. For further information, see Section O and Note 40(a) below.

In addition to the aforesaid claims, the Group is exposed to allegations or lawsuits that have not yet been argued or filed, where, among other things, there is doubt as to the interpretation of an agreement and/or provisions of the law and/or the manner of their implementation. This exposure is brought to the attention of the Group in several ways, including through customers' contacting the Group's functions, in particular the Group's ombudsman, through customers' complaints to the Public Enquiries Unit in the Commissioner's office, and through lawsuits (other than class action lawsuits) filed with the courts.

These issues are brought to the attention of the Group management to the extent the relevant functions identify that the claims might have wide-ranging implications. When assessing the risk arising from claims/lawsuits that have not yet been filed, the Group relies on internal assessments of the relevant parties and management, which assess the chances that a lawsuit will be filed and the prospects of its success if filed. The assessment is based on experience gained with respect to the filing of lawsuits and an analysis of each claim on its merits. In view of the preliminary stage of the legal proceedings, the actual outcome could differ from the assessment made before the lawsuit was filed. The potential consequences are changes to the amount of the provision in respect of the lawsuit, or making no provision for the lawsuit.

10. Post-employment employee benefits

Liability in respect of post-employment defined benefit plans is set using actuarial valuation techniques. The calculation of the liability involves making assumptions regarding, among other things, discount rates, expected rates of return on assets, pay rise rates, and the rates of employee turnover. The balance of the liability may be significantly affected by changes in those estimates.

NOTE 2A – SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (cont.)

Estimates and assumptions (cont.)

11. Deferred tax assets

Deferred tax assets are recognized in respect of carryforward losses for tax purposes and temporary differences which have not yet been utilized, provided that a future taxable income is expected against which they can be utilized. Management is required to estimate in order to determine whether a deferred tax asset should be recognized and the amount of such deferred tax asset that may be recognized, based on the assumption that a taxable income will arise, and the timing and the amount of the expected taxable income. In accordance with the changes in these assumptions, the Company will recognize a deferred tax asset or reverse such recognition.

12. Determining the fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition, using an accepted option pricing model. The model is based on share price and exercise price inputs and on assumptions regarding expected volatility, expected life and expected dividend.

NOTE 3 – OPERATING SEGMENTS

The operating segments were determined based on the information assessed by the chief operating decision maker for the purpose of making decisions regarding the allocation of resources and the assessment of performance.

The assets and liabilities of each segment include items that are directly attributable to the segment, and items that may be attributed on a reasonable basis. Insofar as a segment's assets are managed separately from those of another segment, and there is no regulatory restriction, then the assets and results are presented according to the specific accounts managed for that segment; otherwise, the results are attributed according to the rate of insurance liabilities.

The accounting principles applied in segment reporting correspond to the generally accepted accounting principles applied in the preparation and presentation of the Group's consolidated financial statements.

Inter-company movements take place between the segments, which include, among other things, imputation of interest calculated in accordance with the provisions of the law.

Subordinated bonds that serve Menora Insurance's capital requirements and finance expenses in respect thereof are presented in the "not attributable to the operating segments" column.

1. Life insurance and long-term savings segment

The life insurance and long-term savings segment includes the life insurance, pension and provident funds subsegments and focuses mainly on long-term savings (in the framework of various types of insurance policies, pension funds and provident funds including advanced education funds), as well as insurance coverage for various risks such as: death, disability, occupational disability, etc.

In accordance with the Commissioner's Directives, the life insurance and long-term savings segment is broken down into life insurance, pension funds and provident funds.

2. Health insurance segment

The health insurance segment includes long-term care, medical expenses, critical illness, surgery and transplants, dental, foreign workers insurance and more.

3. Property and casualty insurance segment

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

NOTE 3 – OPERATING SEGMENTS (cont.)

3. Property and casualty insurance segment (cont.)

- 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.
 - Property and other subsegments
Property subsegments other than motor and liability as well as other insurance subsegments.
 - Other liability subsegments
The liability subsegments provide coverage in respect of the policyholder's liability for any third-party damage he/she may cause. These subsegments include: third-party liability, employer liability, professional liability and product liability insurance, and other subsegments such as vessels, aircrafts, and Sale Law guarantee insurance.
4. The activity, which is not attributed to operating segments, includes investments in real estate, solar activity, the provision of underwriting obligations, insurance brokerage, financing and credit to SMEs, and provision of an undertakings for repayment of means of payment, and investment income and finance expenses that were not attributed to the other operating segments.

The accounting policies of the operating segments as stated above is identical to the one presented in Note 2. The performances of the segments are assessed based on profit (loss), as presented in the financial statements. The results of the segments, which are reported to the chief operating decision maker, include items that are attributable directly to the segment and items that may be reasonably attributable.

Seasonality

1. Life and health insurance

Income from life insurance and health insurance premiums are not affected by seasonality.

2. P&C insurance

Gross income from premiums in property and casualty insurance is characterized by seasonality, mainly due to renewal of motor insurance policies of various groups of employees and businesses' car fleets, whose renewal dates normally fall in January; seasonality is also caused by renewal of business insurance policies, which are typically renewed in January or April. The effect of this seasonality on the reported income is neutralized through the provision for unearned premium. Other expenses components, such as claims, and other income components, such as investment income, do not have significant seasonality, and therefore there is no significant seasonality in the income. However, it should be noted that a severe winter may trigger an increase in claims, mainly in the motor property subsegments, in the first and fourth quarters of the year, and as a consequence, a decrease in the reported income.

NOTE 3 – OPERATING SEGMENTS (cont.)

	For the year ended December 31, 2023					Total
	Life insurance and long-term savings	Health insurance	P&C insurance	Not attributed to operating segments	Adjustments and offsets	
	NIS thousand					
Premiums earned, gross	2,575,678	2,208,725	3,905,128	-	-	8,689,531
Premiums earned by reinsurers	104,917	253,670	1,161,741	-	-	1,520,328
Premiums earned - retention	2,470,761	1,955,055	2,743,387	-	-	7,169,203
Investment income, net and finance income	3,081,141	205,809	212,023	555,322	(16,664)	4,037,631
Income from management fees	1,090,206	-	-	3,168	(1,739)	1,091,635
Income from fees and commissions	17,154	13,865	178,002	102,179	(47,034)	264,166
Other income	5	-	-	9,009	(2,029)	6,985
Total income	6,659,267	2,174,729	3,133,412	669,678	(67,466)	12,569,620
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	5,390,158	1,976,765	2,566,751	-	(2,029)	9,931,645
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(90,615)	(377,317)	(660,048)	-	-	(1,127,980)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	5,299,543	1,599,448	1,906,703	-	(2,029)	8,803,665
Fees and commissions, marketing expenses and other purchase expenses	571,856	507,268	684,239	35,852	(47,034)	1,752,181
General and administrative expenses	625,315	92,274	101,014	182,912	(13,196)	988,319
Other expenses	13,739	98	-	25,359	-	39,196
Finance expenses	14,681	12,165	266	189,498	(6,239)	210,371
Total expenses	6,525,134	2,211,253	2,692,222	433,621	(68,498)	11,793,732
Share in the profits (losses) of associates	8,173	792	(7,540)	12,315	-	13,740
Profit (loss) before taxes on income	142,306	(35,732)	433,650	248,372	1,032	789,628
Other comprehensive income before taxes on income	189,059	22,095	53,664	27,600	-	292,418

Notes to the Consolidated Financial Statements

Total comprehensive income (loss) before income tax	<u>331,365</u>	<u>(13,637)</u>	<u>487,314</u>	<u>275,972</u>	<u>1,032</u>	<u>1,082,046</u>

NOTE 3 – OPERATING SEGMENTS (cont.)

	For the year ended December 31, 2022					
	Life insurance and long-term savings	Health insurance	P&C insurance	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousand					
Premiums earned, gross	2,591,671	1,908,315	3,428,231	-	-	7,928,217
Premiums earned by reinsurers	103,429	229,655	1,093,458	-	-	1,426,542
Premiums earned - retention	2,488,242	1,678,660	2,334,773	-	-	6,501,675
Investment income (losses), net and finance income	(2,024,526)	(44,846)	91,150	65,026	(16,214)	(1,929,410)
Income from management fees	1,040,566	-	-	3,693	(1,661)	1,042,598
Income from fees and commissions	22,929	18,387	181,908	80,495	(38,712)	265,007
Other income	6	-	-	95,736	(1,508)	94,234
Total income	1,527,217	1,652,201	2,607,831	244,950	(58,095)	5,974,104
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	181,953	1,324,418	2,311,479	-	(1,508)	3,816,342
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(73,837)	(462,423)	(681,552)	-	-	(1,217,812)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	108,116	861,995	1,629,927	-	(1,508)	2,598,530
Fees and commissions, marketing expenses and other purchase expenses	544,169	437,418	617,495	29,715	(38,712)	1,590,085
General and administrative expenses	581,417	94,348	95,296	97,194	(12,578)	855,677
Other expenses	22,919	820	4,937	8,346	-	37,022
Finance expenses	24,009	12,971	2,990	110,698	(4,956)	145,712
Total expenses	1,280,630	1,407,552	2,350,645	245,953	(57,754)	5,227,026
Share in the profits (losses) of associates	(7,484)	(785)	(7,809)	27,967	-	11,889
Profit before taxes on income	239,103	243,864	249,377	26,964	(341)	758,967
Other comprehensive loss before taxes on income	(133,427)	(9,801)	(12,975)	(44,524)	-	(200,727)
Total comprehensive income (loss) before income tax	105,676	234,063	236,402	(17,560)	(341)	558,240

NOTE 3 – OPERATING SEGMENTS (cont.)

For the year ended December 31, 2021						
	Life insurance and long- term savings	Health insurance	P&C insurance	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousand					
Premiums earned, gross	2,370,437	1,625,080	3,285,417	-	-	7,280,934
Premiums earned by reinsurers	108,090	208,728	982,459	-	-	1,299,277
Premiums earned - retention	2,262,347	1,416,352	2,302,958	-	-	5,981,657
Investment income, net and finance income	4,766,485	198,394	268,724	290,199	(15,711)	5,508,091
Income from management fees	1,238,215	-	-	4,848	(1,782)	1,241,281
Income from fees and commissions	21,299	23,860	169,258	76,132	(38,528)	252,021
Other income	6	-	-	9,671	(1,536)	8,141
Total income	8,288,352	1,638,606	2,740,940	380,850	(57,557)	12,991,191
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	6,792,849	1,301,181	2,564,781	-	(1,536)	10,657,275
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(73,935)	(247,150)	(716,701)	-	-	(1,037,786)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	6,718,914	1,054,031	1,848,080	-	(1,536)	9,619,489
Fees and commissions, marketing expenses and other purchase expenses	532,276	372,958	613,285	25,997	(38,528)	1,505,988
General and administrative expenses	547,162	81,708	92,263	70,674	(12,270)	779,537
Other expenses	16,527	-	-	13,005	-	29,532
Finance expenses	17,037	5,698	2,192	83,986	(6,464)	102,449
Total expenses	7,831,916	1,514,395	2,555,820	193,662	(58,798)	12,036,995
Share in profits of associates	2,037	166	2,193	7,074	-	11,470
Profit before taxes on income	458,473	124,377	187,313	194,262	1,241	965,666
Other comprehensive income before taxes on income	126,354	10,713	103,895	198,692	-	439,654
Total comprehensive income before income tax	584,827	135,090	291,208	392,954	1,241	1,405,320

NOTE 3 – OPERATING SEGMENTS (cont.)

	As of December 31, 2023					
	Life insurance and long-term savings	Health insurance	P&C insurance	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousand					
<u>Assets</u>						
Intangible assets	845,052	146,289	199,484	604,244	-	1,795,069
Deferred acquisition costs	1,275,134	612,250	301,042	-	-	2,188,426
Investments in associates	62,918	7,106	19,560	398,081	-	487,665
Investment property in respect of yield-dependent contracts	102,961	-	-	-	-	102,961
Investment property - other	186,844	-	-	465,018	-	651,862
Financial investments in respect of yield-dependent contracts	29,311,281	1,766,007	-	-	-	31,077,288
Other financial investments:						
Liquid debt assets	1,906,404	156,163	939,760	1,834,671	-	4,836,998
Illiquid debt assets	8,561,956	1,027,115	2,200,442	3,021,267	(120,926)	14,689,854
Shares	235,139	25,687	157,271	794,620	-	1,212,717
Other	1,405,292	151,424	1,002,379	667,773	-	3,226,868
Total other financial investments	12,108,791	1,360,389	4,299,852	6,318,331	(120,926)	23,966,437
Cash and cash equivalents in respect of yield-dependent contracts	2,073,477	7,234	-	-	-	2,080,711
Other cash and cash equivalents	361,117	25,658	397,240	540,199	-	1,324,214
Reinsurance assets	202,692	925,235	2,500,586	-	-	3,628,513
Premiums collectible	172,288	108,805	749,200	-	-	1,030,293
Other assets	953,123	188,670	975,876	752,554	(1,170,570)	1,699,653
Total assets	47,655,678	5,147,643	9,442,840	9,078,427	(1,291,496)	70,033,092
Total assets for yield-dependent contracts	31,694,487	1,864,870	-	-	-	33,559,357
<u>Liabilities</u>						
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,417,800	2,486,203	7,492,646	-	-	22,396,649
Liabilities in respect of insurance contracts and yield-dependent investment contracts	31,257,883	1,801,603	-	-	-	33,059,486
Financial liabilities	475,406	-	4,723	4,624,619	(331,607)	4,773,141
Other liabilities	1,248,269	348,488	1,234,538	1,319,866	(965,347)	3,185,814
Total liabilities	45,399,358	4,636,294	8,731,907	5,944,485	(1,296,954)	63,415,090

NOTE 3 – OPERATING SEGMENTS (cont.)

	As of December 31, 2022					
	Life insurance and long-term savings	Health insurance	P&C insurance	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousand					
<u>Assets</u>						
Intangible assets	859,910	132,308	162,378	581,469	-	1,736,065
Deferred acquisition costs	1,146,117	567,489	289,014	-	-	2,002,620
Investments in associates	49,372	10,658	27,835	344,849	-	432,714
Investment property in respect of yield-dependent contracts	93,958	-	-	-	-	93,958
Investment property - other	150,161	-	-	359,037	-	509,198
						29,344,23
Financial investments in respect of yield-dependent contracts	27,893,050	1,451,180	-	-	-	0
Other financial investments:						
Liquid debt assets	1,940,979	345,768	1,251,097	1,270,858	-	4,808,702
						14,340,31
Illiquid debt assets	8,730,469	933,582	2,113,594	2,687,530	(124,858)	7
Shares	306,973	62,968	152,304	844,017	-	1,366,262
Other	1,005,400	211,568	943,586	567,826	-	2,728,380
						23,243,66
Total other financial investments	11,983,821	1,553,886	4,460,581	5,370,231	(124,858)	1
Cash and cash equivalents in respect of yield-dependent contracts	2,581,942	8,626	-	-	-	2,590,568
Other cash and cash equivalents	203,400	21,135	436,906	632,490	-	1,293,931
Reinsurance assets	196,836	784,680	2,455,477	-	-	3,436,993
Premiums collectible	169,710	131,524	747,136	-	-	1,048,370
Other assets	1,113,676	175,376	768,190	897,992	(1,107,943)	1,847,291
						67,579,59
Total assets	<u>46,441,953</u>	<u>4,836,862</u>	<u>9,347,517</u>	<u>8,186,068</u>	<u>(1,232,801)</u>	<u>9</u>
						32,501,19
Total assets for yield-dependent contracts	<u>30,968,848</u>	<u>1,532,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>
<u>Liabilities</u>						
Liabilities in respect of insurance contracts						21,833,15
and non-yield-dependent investment contracts	12,200,519	2,112,279	7,520,356	-	-	4

Notes to the Consolidated Financial Statements

Liabilities in respect of insurance contracts and yield-dependent investment contracts	30,321,377	1,473,553	-	-	-	31,794,930
Financial liabilities	727,556	-	34,890	4,241,520	(354,596)	4,649,370
Other liabilities	<u>1,030,208</u>	<u>849,854</u>	<u>1,311,224</u>	<u>914,700</u>	<u>(882,986)</u>	<u>3,223,000</u>
						61,500,45
Total liabilities	<u>44,279,660</u>	<u>4,435,686</u>	<u>8,866,470</u>	<u>5,156,220</u>	<u>(1,237,582)</u>	<u>4</u>

NOTE 3 – OPERATING SEGMENTS (cont.)**A. Additional data regarding the property and casualty insurance segment**

	For the year ended December 31, 2023				
	Com- pulsory motor insurance	Motor property	Property and other subseg- ments *)	Other liability subseg- ments **)	Total
	NIS thousand				
Gross premiums	737,271	1,691,381	909,624	580,919	3,919,195
Reinsurance premiums	31,136	24,844	652,881	359,550	1,068,411
Premiums - retention	706,135	1,666,537	256,743	221,369	2,850,784
Change in unearned premium balance, retention	23,894	(99,052)	(19,068)	(13,171)	(107,397)
Premiums earned - retention	730,029	1,567,485	237,675	208,198	2,743,387
Investment income, net and finance income	92,676	53,990	20,300	45,057	212,023
Income from fees and commissions	17,625	4,407	119,752	36,218	178,002
Total income	840,330	1,625,882	377,727	289,473	3,133,412
Payments and change in liabilities in respect of insurance contracts, gross	728,948	1,143,375	380,236	314,192	2,566,751
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(59,323)	(42,317)	(288,734)	(269,674)	(660,048)
Payments and change in liabilities for insurance contracts - retention	669,625	1,101,058	91,502	44,518	1,906,703
Fees and commissions, marketing expenses and other					
purchase expenses	90,021	343,281	179,881	71,056	684,239
General and administrative expenses	26,023	37,461	24,758	12,772	101,014
Finance expenses	(752)	(728)	674	1,072	266
Total expenses	784,917	1,481,072	296,815	129,418	2,692,222
Share in losses of associates	(3,992)	(1,371)	(263)	(1,914)	(7,540)
Profit before taxes on income	51,421	143,439	80,649	158,141	433,650
Other comprehensive income before taxes on income	29,286	10,836	2,226	11,316	53,664
Total comprehensive income before taxes on income	80,707	154,275	82,875	169,457	487,314
Liabilities in respect of insurance contracts, gross, as of					
December 31, 2023	3,279,005	1,190,793	999,912	2,022,936	7,492,646
Liabilities in respect of insurance contracts - retention –					
as of December 31, 2023	2,764,609	1,149,804	201,611	876,036	4,992,060

*) Property and other subsegments mainly include results from the property loss, business and home insurance subsegments, whose activity constitutes 70% of total premiums in these subsegments.

**) Other liability subsegments mainly include results of the following segments: employers' liability insurance, third-party insurance, and professional liability insurance, the activity of which constitutes 86% of total premiums in these subsegments.

NOTE 3 – OPERATING SEGMENTS (cont.)**A. Additional data regarding the property and casualty insurance segment (cont.)**

	For the year ended December 31, 2022				
	Com- pulsory motor insurance	Motor property	Property and other sub- segments *)	Other liability subseg- ments **)	Total
	NIS thousand				
Gross premiums	790,457	1,473,111	866,429	581,794	3,711,791
Reinsurance premiums	142,799	73,850	631,210	401,851	1,249,710
Premiums - retention	647,658	1,399,261	235,219	179,943	2,462,081
Change in unearned premium balance, retention	(63,668)	(41,631)	(19,559)	(2,450)	(127,308)
Premiums earned - retention	583,990	1,357,630	215,660	177,493	2,334,773
Investment income, net and finance income	33,659	26,448	13,698	17,345	91,150
Income from fees and commissions	32,124	5,579	107,588	36,617	181,908
Total income	649,773	1,389,657	336,946	231,455	2,607,831
Payments and change in liabilities in respect of insurance contracts, gross	425,350	1,257,152	486,205	142,772	2,311,479
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(32,788)	(77,529)	(418,642)	(152,593)	(681,552)
Payments and change in liabilities for insurance contracts - retention	392,562	1,179,623	67,563	(9,821)	1,629,927
Fees and commissions, marketing expenses and other					
purchase expenses	80,714	311,757	162,299	62,725	617,495
General and					
administrative expenses	27,989	32,117	21,929	13,261	95,296
Other expenses	463	794	2,477	1,203	4,937
Finance expenses	1,368	508	597	517	2,990
Total expenses	503,096	1,524,799	254,865	67,885	2,350,645
Share in losses of associates	(4,263)	(1,150)	(249)	(2,147)	(7,809)
Profit (loss) before taxes on income	142,414	(136,292)	81,832	161,423	249,377
Other comprehensive income (loss) before taxes on income	(14,839)	(3,903)	872	4,895	(12,975)
Total comprehensive income (loss) before taxes on income	127,575	(140,195)	82,704	166,318	236,402
Liabilities in respect of insurance contracts, gross, as of December 31, 2022	3,450,300	1,196,944	953,362	1,919,750	7,520,356
Liabilities in respect of insurance contracts - retention – as of December 31, 2022	2,830,128	1,118,948	171,909	943,894	5,064,879

*) Property and other subsegments mainly include results from the property loss, business and home insurance subsegments, whose activity constitutes 69% of total premiums in these subsegments.

**) Other liability subsegments mainly include results of the following segments: employers' liability insurance, third-party insurance, and professional liability insurance, the activity of which constitutes 86% of total premiums in these subsegments.

NOTE 3 – OPERATING SEGMENTS (cont.)**A. Additional data regarding the property and casualty insurance segment (cont.)**

	For the year ended December 31, 2021				
	Compulsory motor insurance	Motor property	Property and other subseg- ments *)	Other liability subseg- ments **)	Total
	NIS thousand				
Gross premiums	726,602	1,407,959	735,589	520,851	3,391,001
Reinsurance premiums	130,716	71,493	534,700	337,668	1,074,577
Premiums - retention	595,886	1,336,466	200,889	183,183	2,316,424
Change in unearned premium balance, retention	(6,723)	16,635	(14,041)	(9,337)	(13,466)
Premiums earned - retention	589,163	1,353,101	186,848	173,846	2,302,958
Investment income, net and finance income	139,570	57,262	17,840	54,052	268,724
Income from fees and commissions	31,212	7,714	99,539	30,793	169,258
Total income	759,945	1,418,077	304,227	258,691	2,740,940
Payments and change in liabilities in respect of insurance contracts, gross	806,057	1,097,432	325,993	335,299	2,564,781
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(158,007)	(42,304)	(271,062)	(245,328)	(716,701)
Payments and change in liabilities for insurance contracts - retention	648,050	1,055,128	54,931	89,971	1,848,080
Fees and commissions, marketing expenses and other purchase expenses	85,427	313,269	150,490	64,099	613,285
General and administrative expenses	27,451	32,028	20,197	12,587	92,263
Finance expenses	852	524	459	357	2,192
Total expenses	761,780	1,400,949	226,077	167,014	2,555,820
Share in profits of associates	1,175	316	70	632	2,193
Profit (loss) before taxes on income	(660)	17,444	78,220	92,309	187,313
Other comprehensive income before taxes on income	60,466	17,881	3,697	21,851	103,895
Total comprehensive income before taxes on income	59,806	35,325	81,917	114,160	291,208
Liabilities in respect of insurance contracts, gross, as of December 31, 2021	3,601,356	1,047,983	848,398	1,904,354	7,402,091
Liabilities in respect of insurance contracts - retention - as of December 31, 2021	2,947,331	982,737	154,387	1,063,496	5,147,951

*) Property and other subsegments mainly include results from the property loss, business and home insurance subsegments, whose activity constitutes 70% of total premiums in these subsegments.

**) Other liability subsegments mainly include results of the following segments: employers' liability insurance, third-party insurance, and professional liability insurance, the activity of which constitutes 88% of total premiums in these subsegments.

NOTE 3 – OPERATING SEGMENTS (cont.)**B. Additional data regarding the life insurance and long-term savings segment**

	For the year ended December 31, 2023			
	Provident	Pension	Life insurance	Total
	NIS thousand			
Premiums earned, gross	-	-	2,575,678	2,575,678
Premiums earned by reinsurers	-	-	104,917	104,917
Premiums earned - retention	-	-	2,470,761	2,470,761
Investment income, net and finance income	401,228	10,553	2,669,360	3,081,141
Income from management fees	168,089	692,684	229,433	1,090,206
Income from fees and commissions	-	-	17,154	17,154
Other income	-	-	5	5
Total income	569,317	703,237	5,386,713	6,659,267
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	401,039	-	4,989,119	5,390,158
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	-	-	(90,615)	(90,615)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	401,039	-	4,898,504	5,299,543
Fees and commissions, marketing expenses and other purchase expenses	46,493	162,606	362,757	571,856
General and administrative expenses	85,680	323,684	215,951	625,315
Other expenses	2,469	11,210	60	13,739
Finance expenses	634	10,283	3,764	14,681
Total expenses	536,315	507,783	5,481,036	6,525,134
Share in profits of associates	-	-	8,173	8,173
Profit (loss) before taxes on income	33,002	195,454	(86,150)	142,306
Other comprehensive income (loss) before taxes on income	(91)	268	188,882	189,059
Total comprehensive income before income tax	32,911	195,722	102,732	331,365

NOTE 3 – OPERATING SEGMENTS (cont.)**B. Additional data regarding the life insurance and long-term savings segment (cont.)**

	For the year ended December 31, 2022			
	Provident	Pension	Life insurance	Total
	NIS thousand			
Premiums earned, gross	-	-	2,591,671	2,591,671
Premiums earned by reinsurers	-	-	103,429	103,429
Premiums earned - retention	-	-	2,488,242	2,488,242
Investment income (losses), net and finance income	436,987	(9,897)	(2,451,616)	(2,024,526)
Income from management fees	159,142	638,772	242,652	1,040,566
Income from fees and commissions	-	-	22,929	22,929
Other income	-	-	6	6
Total income	596,129	628,875	302,213	1,527,217
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	476,238	-	(294,285)	181,953
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	-	-	(73,837)	(73,837)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	476,238	-	(368,122)	108,116
Fees and commissions, marketing expenses and other purchase expenses	46,960	145,882	351,327	544,169
General and administrative expenses	78,099	297,722	205,596	581,417
Other expenses	4,281	11,013	7,625	22,919
Finance expenses	427	6,974	16,608	24,009
Total expenses	606,005	461,591	213,034	1,280,630
Share in losses of associates	-	-	(7,484)	(7,484)
Profit (loss) before taxes on income	(9,876)	167,284	81,695	239,103
Other comprehensive income (loss) before taxes on income	28	231	(133,686)	(133,427)
Total comprehensive income (loss) before income tax	(9,848)	167,515	(51,991)	105,676

NOTE 3 – OPERATING SEGMENTS (cont.)**B. Additional data regarding the life insurance and long-term savings segment (cont.)**

	For the year ended December 31, 2021			
	Provident	Pension	Life insurance	Total
	NIS thousand			
Premiums earned, gross	-	-	2,370,437	2,370,437
Premiums earned by reinsurers	-	-	108,090	108,090
Premiums earned - retention	-	-	2,262,347	2,262,347
Investment income, net and finance income	344,170	13,138	4,409,177	4,766,485
Income from management fees	157,595	601,335	479,285	1,238,215
Income from fees and commissions	-	-	21,299	21,299
Other income	-	-	6	6
Total income	501,765	614,473	7,172,114	8,288,352
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	333,933	-	6,458,916	6,792,849
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	-	-	(73,935)	(73,935)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	333,933	-	6,384,981	6,718,914
Fees and commissions, marketing expenses and other purchase expenses	43,371	141,514	347,391	532,276
General and administrative expenses	76,228	262,481	208,453	547,162
Other expenses	4,771	11,756	-	16,527
Finance expenses	881	6,951	9,205	17,037
Total expenses	459,184	422,702	6,950,030	7,831,916
Share in profits of associates	-	-	2,037	2,037
Profit before taxes on income	42,581	191,771	224,121	458,473
Other comprehensive income before taxes on income	123	446	125,785	126,354
Total comprehensive income before income tax	42,704	192,217	349,906	584,827

NOTE 4 – BUSINESS COMBINATIONS**A. Assuming control over an associate - ERN**

On September 11, 2022, the Company signed an agreement with S.A.B. Ltd. (hereinafter - the "**Seller**"), which is ERN's parent company, and with ERN, which replaced the existing agreements between the Company and the Seller and ERN, pertaining to the acquisition of ERN shares by the Company from the Seller and relating to the Company's investment in ERN (hereinafter - the "**Agreement**").

On September 30, 2022, after the conditions precedent in the Agreement were fulfilled, the Company realized the call option available to it to purchase 10% of ERN shares in consideration for a total of NIS 38.5 million. Furthermore, the Company acquired from the Seller an additional 15% of ERN shares for an additional consideration of NIS 90 million. Concomitantly with the share acquisition, the Company invested an additional NIS 60 million in ERN in return for the allocation of an additional 10% of ERN shares. The Company and the Seller converted existing shareholder loans totaling approx. NIS 32.6 million into ERN share capital. On completion of the aforementioned transactions, the Company holds 70% of ERN shares while the Seller holds 30% of ERN shares.

As part of the Agreement, provisions were established regarding the arrangements between the parties in relation to the overall legal relations between them with the status of the Company and the Seller as shareholders in ERN subsequent to the completion date of the transaction, including with regard to: (a) The parties' undertaking to work towards the issuance of ERN for a value of no less than NIS 600 million; (b) Arrangements relating to decision making at ERN following completion of the Agreement (both prior to the issuance of ERN and thereafter); (c) Arrangements in relation to future sales of ERN shares by any of the parties (including: first right of refusal that was granted to the Company in the sale of shares by the Seller, tag-along right that was granted to the Seller in the sale of shares by the Company, etc.); and (d) The Company's undertaking to provide funding for ERN for certain objectives defined in the Agreement alone. In addition, if and insofar as the issuance is not carried out by the date set forth in the Agreement, the Seller shall be entitled to exercise a put option for a 12-month period, to sell its shares in ERN to the Company in accordance with the valuation mechanism set forth in the Agreement, but in any event for a value not exceeding NIS 600 million.

Subsequent to the aforementioned, the Company has increased its holding in ERN from 40% to 70%.

NOTE 4 – BUSINESS COMBINATIONS (cont.)**A. Assuming control over an associate - ERN (cont.)**

Following is the fair value of the identified assets and identifiable liabilities of ERN at acquisition date:

	Fair value NIS thousand
Intangible assets	154,677
Deferred tax assets	6,214
Property, plant & equipment	9,340
Accounts receivable and debit balances	24,541
Illiquid debt assets	1,933,954
Cash and cash equivalents	265,295
	<u>2,394,021</u>
Liabilities in respect of deferred taxes	35,091
Liabilities for employee benefits	2,403
Liability for current taxes	3,041
Payables and credit balances	47,504
Financial liabilities	1,994,926
	<u>2,082,965</u>
Net identifiable assets	311,056
Goodwill arising from the acquisition *)	353,944
Non-controlling interests **)	(245,000)
Total acquisition cost	<u>420,000</u>

*) The goodwill arising from the acquisition is attributed to the expected benefits from the synergy arising from combining the operations of the Company with those of ERN. No deferred taxes were imputed in respect of goodwill as it is not recognized for tax purposes.

**) The Company measured the non-controlling interests in ERN in accordance with their fair value, based on the transaction price under the assumption that it does not include a control premium component. The discount rates that were used in determining the fair value are 13.5% in relation to the non-controlling interests in ERN's subsidiary - Mimun Click and 14.3% in relation to the non-controlling interests in ERN.

Acquisition cost

	NIS thousand
Cash paid	191,762
Conversion of shareholder loan into equity	5,829
Fair value of the investment as of the acquisition date	<u>222,409</u>
Total acquisition cost	<u>420,000</u>
<u>Cash arising from the acquisition:</u>	
Cash and cash equivalents in ERN as of acquisition date	265,295
Cash paid as acquisition proceeds	191,762
	<u>73,533</u>

The fair value of ERN's assets and liabilities was determined by an independent external appraiser. In accordance with the valuation, excess cost was attributed to the various assets and liabilities purchased and the useful life for the amortization of the excess costs was determined as detailed below:

NOTE 4 – BUSINESS COMBINATIONS (cont.)**A. Assuming control over an associate - ERN (cont.)**

	<u>Amortization period</u>	<u>Amortization method</u>
ERN customer relations net of deferred tax	2022-2036	Straight line
ERN brand net of deferred tax	2022-2028	Straight line
Mimun Click customer relations net of deferred tax	2022-2037	Straight line

As a result of the said business combination, the Company recorded in 2022 a gain of approx. NIS 88,370 thousand.

- B. In September 2022, a consolidated company - A.T.G.R Insurance Agency Ltd. (hereinafter - **"A.T.G.R"**) - signed an agreement for the acquisition of Ziv Yifrach Pension Insurance Agency (2022) Ltd. (hereinafter - **"Ziv Yifrach"**) in consideration for NIS 3,000 thousand. According to the above, on January 1, 2023, 51% of the shares of Ziv Yifrach were transferred to A.T.G.R.

	<u>Fair value</u>
	<u>NIS thousand</u>
Fair value of net identifiable assets	2,230
Goodwill arising from the acquisition *)	1,862
Non-controlling interests **)	(1,092)
Total acquisition cost	<u>3,000</u>

*) The goodwill arising from the acquisition is attributed to the expected benefits from the synergy arising from combining A.T.G.R's activities with those of Ziv Yifrach.

**) The non-controlling interests in Ziv Yifrach were measured in accordance with their proportionate share in the fair value of the net identifiable assets.

	<u>NIS thousand</u>
Cash paid as acquisition proceeds	3,000
Cash in Ziv Yifrach	24
Net cash used in acquisition	<u>2,976</u>

- C. In March 2023, a consolidated company - Shomera Agencies Ltd. (hereinafter - **"Shomera Agencies"**) - signed an agreement for the purchase of 60% of the shares of Ishai Agencies Ltd. (hereinafter - **"Ishai Agencies"**) in consideration for NIS 15,907 thousand. The transaction was completed in July 2023.

	<u>Fair value</u>
	<u>NIS thousand</u>
Fair value of net identifiable assets	16,017
Goodwill arising from the acquisition *)	6,347
Non-controlling interests **)	(6,457)
Total acquisition cost	<u>15,907</u>

*) The goodwill arising from the acquisition is attributed to the expected benefits from the synergy arising from combining Shomera Agencies' activities with those of Ishai Agencies.

**) The non-controlling interests in Ishai Agencies were measured in accordance with their proportionate share in the fair value of the net identifiable assets.

	<u>NIS thousand</u>
Cash paid as acquisition proceeds	15,907
Cash in Ishai Agencies	9,096
Net cash used in acquisition	<u>6,811</u>

The agreement includes an undertaking to purchase 40% of the balance of Ishai Agencies' shares and consequently to attain a 100% ownership stake in the Ishai Agencies' shares. Accordingly, Shomera Agencies created an undertaking to purchase shares in respect of the acquisition option.

NOTE 5 – INTANGIBLE ASSETS**A. Composition of and movement:**

	Good- will	Ins- urance port- folios and engage- ment agree- ments	Cus- tomer port- folios and agent relations	Brands and trade names	Computer software	Other	Total
	NIS thousand						
<u>Cost</u>							
Balance as of January 1, 2022	472,881	54,276	384,664	11,849	2,116,922	1,413	3,042,005
Consolidated company consolidated for the first time	356,278	2,390	111,662	21,438	57,391	-	549,159
Additions *)	-	10,190	-	-	193,952	-	204,142
Balance as of December 31, 2022	829,159	66,856	496,326	33,287	2,368,265	1,413	3,795,306
Consolidated company consolidated for the first time	8,209	20,372	-	-	-	-	28,581
Derecognitions	-	-	-	-	(5,070)	-	(5,070)
Additions *)	-	4,075	-	-	223,135	-	227,210
Balance as of December 31, 2023	837,368	91,303	496,326	33,287	2,586,330	1,413	4,046,027
<u>Accumulated amortization and impairment losses</u>							
Balance as of January 1, 2022	25,453	26,804	349,378	11,849	1,439,199	1,216	1,853,899
Consolidated company consolidated for the first time	-	225	-	-	35,814	-	36,039
Amortization recognized during the year	-	4,462	15,820	894	148,127	-	169,303
Balance as of December 31, 2022	25,453	31,491	365,198	12,743	1,623,140	1,216	2,059,241
Consolidated company consolidated for the first time	-	225	-	-	-	-	225
Derecognitions	-	-	-	-	(5,070)	-	(5,070)
Impairment	-	-	-	-	5,070	-	5,070
Amortization recognized during the year	-	6,247	19,814	3,573	161,858	-	191,492
Balance as of December 31, 2023	25,453	37,963	385,012	16,316	1,784,998	1,216	2,250,958
<u>Net carrying value</u>							
As of December 31, 2023	811,915	53,340	111,314	16,971	801,332	197	1,795,069
As of December 31, 2022	803,706	35,365	131,128	20,544	745,125	197	1,736,065

*) Additions in respect of computer software include additions in respect of internal-use software: in 2023 - NIS 199,788 thousand and in 2022 - NIS 183,112 thousand.

NOTE 5 – INTANGIBLE ASSETS (cont.)**A. Composition of and movement: (cont.)****Investments in computer software**

The Group invests considerable amounts in the IT systems it uses for the routine operation and management of its business affairs. Regulatory requirements and business enhancements require the Group to upgrade its computer systems and to adapt them to the ongoing management of its business.

The Group has a central IT system for management and operation of some of its life insurance and long-term savings, and health insurance products. The Group continues to develop the system and invested a total of approx. NIS 26 million in 2023 compared with approx. NIS 21 million in 2022.

For details on the said system development agreement, see Note 40.C.1.

B. Impairment of goodwill

For the purpose of goodwill impairment testing, the goodwill was allocated to the following cash-generating units:

1. The pension segment is included in the life insurance and long-term savings segment.
2. P&C insurance.
3. Provident is included in the life insurance and long-term savings segment.
4. The financial services segment that is included in those activities is not attributed to the operating segment.
5. The insurance agencies that are included in those activities are not attributed to the operating segment.

Following is the goodwill balance in the Financial Statements:

		December 31	
		2023	2022
		NIS thousand	
Cash-generating unit:			
Pension segment	(1)	384,929	384,929
Property and casualty insurance segment	(2)	26,549	26,549
Provident funds management	(3)	24,241	24,241
Financial services	(4)	353,944	353,944
Insurance agencies	(5)	12,581	4,372
Total goodwill recognized in business combinations		802,244	794,035
Other	(6)	9,671	9,671
		811,915	803,706

For the purpose of goodwill impairment testing, the value of the smallest cash-generating unit within the operating segment to which the goodwill is attributed compared with its recoverable amount, should be tested. If the cash-generating unit's recoverable amount exceeds its value in the Financial Statements, then the unit and the goodwill allocated to it shall not be considered to have been impaired. If the unit's value in the Financial Statements exceeds its recoverable amount, then the Company recognizes the impairment loss.

- 1) The pension segment's recoverable amount, which constitutes part of the life insurance and long-term savings segment, is determined based on the embedded value calculation principles, using an appropriate discount rate. Based on this calculation for the report date, the Group believes that there is no need to reduce the goodwill value in respect of Mivtachim Pension and Provident.

NOTE 5 – INTANGIBLE ASSETS (cont.)**B. Impairment of goodwill (cont.)**

- 2) Shomera Insurance's recoverable amount as a cash-generating unit, which constitutes part of P&C insurance business, is determined based on the value in use calculated according to the estimated future cash flows, using an appropriate discount rate (10% throughout all the report periods).

As of the report date, as the estimated cash flows are expected to be substantially greater than the asset's value in the Financial Statements, the Group believes that there is no need for goodwill impairment in respect of Shomera Insurance.

- 3) The recoverable amount of the provident funds' activity as a cash-generating unit, which constitutes part of the long-term savings segment, is determined based on the value in use calculated according to the estimated future cash flows. As of the reporting date, valuations were carried out by external appraisers, and according to them the recoverable amount exceeded the carrying amount by a substantial margin.

The key assumptions used in testing value in use are:

In Menora Mivtachim Pension and Provident Funds -

Post-tax discount rate - 9.2% (last year - 9.7%).

The expected growth rate - 1.0% (last year - identical).

In Menora Engineers -

Post-tax discount rate - 10.2% (last year - 11.7%).

The expected negative rate - 3% (last year - identical).

As the estimated cash flows are expected to be greater than the asset's value in the Financial Statements, there is no need to record a goodwill impairment.

- 4) An appraisal for the reporting date was conducted by an external appraiser, according to which ERN 's recoverable amount exceeded its carrying amount. The key assumptions used in testing value in use are:
Post-tax discount rate - 15%
The expected annual growth rate - 2.5%
- 5) An appraisal of the consolidated insurance agencies' activity was conducted by an external appraiser for the reporting date, which was calculated on the basis of the estimated future cash flows from fees and commissions less the agencies' expenses, according to which the insurance agencies' recoverable amount exceeded their carrying amount. The post-tax discount rate used in calculating the value is 15.5% (last year - it was identical).
- 6) The recoverable amount of other goodwill, which was created at the time of an increase in the Company's ownership stakes in Menora Insurance, is attributed to Menora Insurance's cash-generating units, which include the P&C insurance segment and the life insurance segment.

NOTE 6 – DEFERRED ACQUISITION COSTS**A. Composition:**

	As of December 31	
	2023	2022
	NIS thousand	
Life insurance and long-term savings:		
Life insurance	645,669	629,329
Pension and provident funds	629,465	516,788
	1,275,134	1,146,117
Health Insurance	612,250	567,489
P&C insurance	301,042	289,014
	2,188,426	2,002,620

NOTE 6 – DEFERRED ACQUISITION COSTS (cont.)

- B. Movement in deferred acquisition costs in life insurance and long-term savings and in health insurance:

	Life insurance and long-term savings			Health Insurance	Total
	Life insurance	Pension and provident funds	Total		
	NIS thousand				
<u>Balance as of January 1, 2022</u>	<u>600,330</u>	<u>402,658</u>	<u>1,002,988</u>	<u>495,810</u>	<u>1,498,798</u>
Additions:					
Purchase fees	100,558	86,628	187,186	147,285	334,471
Other purchase expenses	88,636	84,402	173,038	88,840	261,878
Total additions	189,194	171,030	360,224	236,125	596,349
Amortization:					
Current amortization	(57,584)	(56,900)	(114,484)	(88,493)	(202,977)
Deduction for cancellations	(102,611)	-	(102,611)	(75,953)	(178,564)
	(160,195)	(56,900)	(217,095)	(164,446)	(381,541)
<u>Balance as of December 31, 2022</u>	<u>629,329</u>	<u>516,788</u>	<u>1,146,117</u>	<u>567,489</u>	<u>1,713,606</u>
Additions:					
Purchase fees	87,810	102,557	190,367	140,490	330,857
Other purchase expenses	98,873	78,519	177,392	97,915	275,307
Total additions	186,683	181,076	367,759	238,405	606,164
Amortization:					
Current amortization	(58,223)	(68,399)	(126,622)	(98,699)	(225,321)
Deduction for cancellations	(112,120)	-	(112,120)	(94,945)	(207,065)
	(170,343)	(68,399)	(238,742)	(193,644)	(432,386)
<u>Balance as of December 31, 2023</u>	<u>645,669</u>	<u>629,465</u>	<u>1,275,134</u>	<u>612,250</u>	<u>1,887,384</u>

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT**A. Composition and movement:****2023**

	Land and office build- ings	Solar fields	Com- puters and peripheral equip- ment	Motor vehicles	Office furniture and equip- ment	Lease- hold improve- ments	Total
	NIS thousand						
<u>Cost</u>							
Balance as of							
January 1, 2023	870,560	29,324	424,984	84,090	130,258	42,868	1,582,084
Additions during the year *)	2,848	-	15,322	36,876	2,857	1,589	59,492
Revisions to right-of-use assets for CPI linkages	929	-	-	1,180	-	-	2,109
Companies consolidated for the first time	-	-	257	60	421	1,313	2,051
Adjustments arising from translation of financial statements of foreign operations	-	2,020	-	-	-	-	2,020
Revaluation recognized in other comprehensive income	34,292	-	-	-	-	-	34,292
Derecognitions during the year	-	-	(2)	(16,954)	(277)	-	(17,233)
Balance as of							
December 31, 2023	<u>908,629</u>	<u>31,344</u>	<u>440,561</u>	<u>105,252</u>	<u>133,259</u>	<u>45,770</u>	<u>1,664,815</u>
<u>Accumulated depreciation</u>							
Balance as of							
January 1, 2023	22,096	15,527	382,427	52,769	87,888	33,288	593,995
Additions during the year *)	27,051	1,037	19,857	25,841	8,360	1,945	84,091
Companies consolidated for the first time	-	-	192	-	283	812	1,287
Adjustments arising from translation of financial statements of foreign operations	-	1,157	-	-	-	-	1,157
Revaluation recognized in other comprehensive income	(20,402)	-	-	-	-	-	(20,402)
Derecognitions during the year	-	-	(1)	(12,353)	(277)	-	(12,631)
Balance as of							
December 31, 2023	<u>28,745</u>	<u>17,721</u>	<u>402,475</u>	<u>66,257</u>	<u>96,254</u>	<u>36,045</u>	<u>647,497</u>
<u>Balance of amortized cost as of December 31, 2023 *)</u>	<u>879,884</u>	<u>13,623</u>	<u>38,086</u>	<u>38,995</u>	<u>37,005</u>	<u>9,725</u>	<u>1,017,318</u>
<u>*) Of which for right- of-use assets</u>							
Additions to cost during the year	900	-	-	37,003	-	-	37,903
Annual depreciation	7,063	1,037	-	25,255	-	-	33,355
Balance as of							
December 31, 2023	<u>25,098</u>	<u>13,623</u>	<u>-</u>	<u>32,024</u>	<u>-</u>	<u>-</u>	<u>70,745</u>

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (cont.)**A. Composition and movement: (cont.)**2022

	Land and office buildings	Solar fields	Com- puters and peri- pheral equip- ment	Motor vehicles	Office furniture and equip- ment	Lease- hold improve- ments	Total
	NIS thousand						
<u>Cost</u>							
Balance as of January 1, 2022	791,531	27,488	402,893	66,926	125,102	40,563	1,454,503
Additions during the year *)	5,619	-	19,891	27,296	3,121	901	56,828
Revisions to right-of-use assets for CPI linkages	1,425	-	-	978	-	-	2,403
Companies consolidated for the first time	8,852	-	2,278	7,024	2,120	1,404	21,678
Adjustments arising from translation of financial statements of foreign operations	-	1,836	-	-	-	-	1,836
Revaluation recognized in other comprehensive income	63,133	-	-	-	-	-	63,133
Derecognitions during the year	-	-	(78)	(18,134)	(85)	-	(18,297)
Balance as of December 31, 2022	<u>870,560</u>	<u>29,324</u>	<u>424,984</u>	<u>84,090</u>	<u>130,258</u>	<u>42,868</u>	<u>1,582,084</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2022	11,807	13,554	361,161	41,890	78,779	30,720	537,911
Additions during the year *)	23,993	999	19,957	22,477	7,926	1,704	77,056
Companies consolidated for the first time	5,636	-	1,387	3,168	1,268	864	12,323
Adjustments arising from translation of financial statements of foreign operations	-	974	-	-	-	-	974
Revaluation recognized in other comprehensive income	(19,340)	-	-	-	-	-	(19,340)
Derecognitions during the year	-	-	(78)	(14,766)	(85)	-	(14,929)
Balance as of December 31, 2022	<u>22,096</u>	<u>15,527</u>	<u>382,427</u>	<u>52,769</u>	<u>87,888</u>	<u>33,288</u>	<u>593,995</u>
<u>Balance of amortized cost as of December 31, 2022 *)</u>	<u>848,464</u>	<u>13,797</u>	<u>42,557</u>	<u>31,321</u>	<u>42,370</u>	<u>9,580</u>	<u>988,089</u>
<u>*) Of which for right-of-use assets</u>							
Additions to cost during the year	<u>3,310</u>	<u>-</u>	<u>-</u>	<u>27,103</u>	<u>-</u>	<u>-</u>	<u>30,413</u>
Annual depreciation	<u>5,068</u>	<u>999</u>	<u>-</u>	<u>21,882</u>	<u>-</u>	<u>-</u>	<u>27,949</u>
Balance as of December 31, 2022	<u>29,034</u>	<u>13,797</u>	<u>-</u>	<u>25,186</u>	<u>-</u>	<u>-</u>	<u>68,017</u>

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (cont.)

- B. The Group's offices are located at Menora Mivtachim House at 23 Jabotinsky Street in Ramat Gan.

The Group also has offices it also uses in Petach Tikva. In addition, the Group leases additional office space for its own use.

- C. Revaluation of land and office buildings

The Group contracted with an independent qualified appraiser to determine fair value of the land and the office buildings in its possession. The fair value was determined using market-based evidence.

Due to the use of the revaluation model, a revaluation reserve has been created with a pre-tax balance as of December 31, 2023, of approx. NIS 350,195 thousand, net of tax (as of December 31, 2022 - NIS 295,501 thousand).

Had the land and buildings been measured using the cost model, their value in the Consolidated Financial Statements would have been as follows:

	As of December 31	
	2023	2022
	NIS thousand	
Cost	708,708	706,026
Accumulated depreciation	114,788	97,427
Amortized cost	<u>593,920</u>	<u>608,599</u>

The fair value of the land and the buildings was determined using the comparison method for similar properties on the market. The valuation performed by the appraiser is based on active market prices, adjusted for differences in the nature, location or conditions of the specific asset.

As of the valuation date, the fair value of the land and the office buildings was determined by an external qualified expert, and is considered Level 3 of the fair value hierarchy.

- D. Adjustments for fair value measurement of land and office buildings

	Office buildings
	NIS thousand
Balance as of January 1, 2022	779,724
Remeasurement recognized in other comprehensive income	82,473
Acquisitions and additions to existing properties	7,044
Companies consolidated for the first time	3,216
Depreciation	(23,993)
Balance as of December 31, 2022	848,464
Remeasurement recognized in other comprehensive income	54,694
Acquisitions and additions to existing properties	3,777
Depreciation	(27,051)
Balance as of December 31, 2023	<u>879,884</u>

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (cont.)**E. Disclosures regarding lease transactions in which the Group is the lessee**

The Group has lease agreements including the lease of buildings, equipment for solar fields and vehicles, which serve to facilitate the implementation of the Group's ongoing activity. The lease agreements for the buildings are for periods ranging between 5 to 20 years, the lease agreements for the solar fields are for periods of up to 18 years, while the vehicle lease agreements are for a period of 3 years. Some of the lease agreements that the Group entered into include extension and termination options.

1. Details regarding lease transactions

	For the year ended December 31	
	2023	2022
	NIS thousand	
Interest expenses for lease liabilities	1,437	2,612
Expenses for short-term leases	583	541
Repayment of lease liabilities	59,013	57,191
Rental income from lease of a right-of-use asset by way of a sublease	(295)	(295)
Total cash outflow for leases	<u>60,738</u>	<u>60,049</u>

For a disclosure regarding the Company's finance expenses in respect of lease liabilities, see Note 36.

2. Extension and termination options

The Group has lease agreements that include both extension and termination options. These options provide the Group with flexibility in managing lease transactions and adapting them to the Group's business needs. The Group exercises significant judgment when assessing whether it is reasonably certain that the extension and termination options will be exercised.

In lease agreements including non-terminable lease terms, the Group also included the exercising of the existing extension options in the agreements as part of the lease term. In these lease agreements, the Group tends to exercise the extension options, as if an alternative asset is not immediately available on the date of conclusion of the non-terminable lease term, this would cause significant damage to the Group's routine operating activities.

In addition, the Group did not include extension options in its vehicle lease agreements, since normally the Group does not exercise these options, and does not lease the vehicles for periods longer than 3 years (excluding the extension option).

Furthermore, the lease terms that are under the lease termination option were included as part of the lease term when it is reasonably certain that these options will not be exercised.

3. For analysis of lease liability repayment dates - see Note 25b3.**4. The Group has lease agreements of vehicles and offices for periods less than 12 months. For these leases, the Group applies the expedient available under the Standard and recognizes the lease costs as a straight-line expense spread out over the lease term.**

NOTE 8 – INVESTMENTS IN INVESTEESAssociatesA. Composition of investment in equity-accounted associates

	As of December 31	
	2023	2022
	NIS thousand	
Shares	352,146	361,143
Long-term loans	224,597	54,168
The Company's share in retained earnings as from acquisition date, net	(51,496)	29,218
Adjustments arising from translation of financial statements of foreign operations	(40,236)	(12,576)
Share-based payment	2,654	761
	<u>487,665</u>	<u>432,714</u>
Goodwill included in the investment	<u>161,772</u>	<u>64,787</u>

The Group also extended loans to associates amounting on the reporting date to NIS 235,027 thousand (as of December 31, 2022, in an amount of NIS 262,900 thousand), presented in the Other Financial Investments Section as illiquid debt assets. For further details, see Note 39A below.

B. Summary of financial data from the financial statements of equity-accounted associates, according to holding rates by the Group:

	As of December 31	
	2023	2022
	NIS thousand	
Group's share of net assets of associates according to its holding rate therein:		
Assets	1,318,694	1,061,423
Liabilities	(1,022,684)	(825,875)
Net assets	296,010	235,548
Goodwill and attributed excess costs	190,436	196,251
Additional acquisition costs	1,219	915
	<u>487,665</u>	<u>432,714</u>

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Group's share in the results of operations of the associates according to the holding rate therein:			
Income	160,389	163,528	145,333
Profit	13,740	11,889	11,470
Other comprehensive income (loss)	(13,616)	2,086	16
Comprehensive income	<u>124</u>	<u>13,975</u>	<u>11,486</u>

NOTE 8 – INVESTMENTS IN INVESTEES (cont.)Associates (cont.)C. Holding rates and additional details

Associates of Menora Mivtachim Real Estate Ltd. (hereinafter - “Menora Real Estate”):

	<u>Comment</u>	<u>In issued share capital, profits and voting rights</u>	
		<u>As of December 31</u>	
		<u>2023</u>	<u>2022</u>
		<u>In percentage</u>	
Belltrend Menora Enterprises Ltd.	1)	50	50
Yatelsis Development Ltd.	2)	60	60
Yatelsis River Development Ltd.	3)	60	60
Mxr Development Ltd.	4)	50	50
Easy Solar SA	5)	35	35
RNA Power SA	5)	35	35
D.H.E. SA	5)	35	35

The other shareholders in Yatelsis River and Yatelsis Development have voting rights on material resolutions pertaining to the companies' activity, such as: veto rights on the entry into new projects, appointing managers and determining the terms of their work, approval of the current budget, etc. In light of the aforementioned circumstances, Menora Real Estate was prevented from exercising actual control over Yatelsis River and Yatelsis Development, and consequently the investments in these companies were presented in Menora Real Estate's Financial Statements according to the equity method.

- 1) Belltrend Menora Enterprises Ltd. (hereinafter - “**Belltrend**”) was incorporated in Cyprus in 2005. In 2015, Belltrend sold income-generating real estate it owned in Cologne, Germany. Belltrend has ceased to be active since 2016.
- 2) Yatelsis Development Ltd. (hereinafter - “**Yatelsis Development**”) was incorporated in Cyprus in 2007. In October 2007, Yatelsis together with additional investors, purchased land in St. Petersburg, Russia, covering an area of approx. 35,500 sq.m for industrial use, storage depots and offices.
In February 2016, subsidiaries of Yatelsis Development and MXR signed combination agreements in Russia with a local contractor, which established, among other things, a consideration of 25% of the scope of the construction in return for the land. The subsidiaries undertook to invest a further sum of approx. USD 5.6 million in order to obtain the requisite authorization for the commencement of construction work within 24 months of the date of signing the agreement. In April 2016, Menora Real Estate transferred a total of approx. USD 2.5 million in respect of its share in the investment. In late 2017, construction work began on the land together with sale of the apartments. Construction of the project is due to continue until 2023. To date, all the Stage A and Stage B apartments have been handed over. The renovation works on the building for preservation located in the complex are forecast to be completed during the second quarter of 2024.

NOTE 8 – INVESTMENTS IN INVESTEES (cont.)Associates (cont.)C. Holding rates and additional details (cont.)Associates of Menora Real Estate: (cont.)

- 3) In June 2008, Yatelsis River Development Ltd. (hereinafter - **"Yatelsis River"**), acquired shares in a Russian company owning approx. 11 acres of land in central St. Petersburg in Russia, in equal shares with a company incorporated and traded in Poland (hereinafter - the **"Partner"**), with the intention of launching a project for the development of the acquired land and to establish office buildings there.

In September 2016, Yatelsis River (hereinafter - the **"Buyer"**) signed an agreement for the purchase of the Partner's shares and rights (hereinafter - the **"Seller"**), which jointly owns, together with the subsidiaries of Yatelsis River, 50% of the project. The agreement provides that the consideration for the shares and rights will amount to approx. EUR 3.85 million, of which a sum of EUR 0.6 million will be paid immediately and without right of refund to the Buyer and the balance is to be divided equally into quarterly installments. In September 2018, the last installment was transferred to the Seller and the Seller's shares and rights in the project were transferred in full to the Purchaser.

In September 2017, Yatelsis River acquired an additional 10% of the project in consideration for a sum of approx. EUR 625 thousand.

- 4) MXR Development Ltd. (hereinafter - **"MXR"**) was incorporated in Cyprus in 2007. MXR provides management services, via a Russian subsidiary, for assets acquired by Yatelsis Development and Yatelsis River as stated in Sections 2, 3 above and it is also engaged in development activity. In March 2015, the court approved a proposal submitted by MXR for the procurement of 16% out of 20% that were owned by its Partner in the land that Yatelsis Development had purchased as stated in Section 2 above, as part of the Partner's liquidation proceedings. According to the proposal, MXR paid a sum of NIS 4 million in consideration for the acquired rights, and the sellers of the rights shall be entitled to receive an additional NIS 6 million from the current cash flow issuing from the land.

- 5) Companies operating in Greece that are in possession of solar fields.

Associates of Menora Mivtachim Insurance Ltd. (hereinafter - **"Menora Insurance"**):

		In issued share capital and profits	
		As of December 31	
		2023	2022
	Comment	In percentage	
Surrey Street, LP	1)	28.1	28.1
Gaia Journal Square Holdings, LLC	2)	38.3	38.3
Boulder Texas Holdings, LLC	3)	30.1	30.1
120 Wall Holdings, LLC	4)	20.1	20.1
Fenwick, LLC MM	5)	21.6	21.6
MMZ Properties B.V. *)	6)	18.5	18.5
Michelson Real Estate Fund IV, LLC	7)	22.5	22.5
MMZ Properties Alaska Haarlem B.V. *)	8)	21.9	21.9
City Center Mengot sp. Z o.o *)	9)	17.6	17.6

*) Menora Insurance's voting rights also include the voting rights of Shomera, which were allocated to Menora Insurance.

NOTE 8 – INVESTMENTS IN INVESTEES (cont.)

Associates (cont.)

C. Holding rates and additional details (cont.)

Associates of Menora insurance: (cont.)

The ownership stakes set forth in the table above relate to Menora Insurance's stakes both via the nostro investment portfolio and via the investment portfolios of yield-dependent insurance policies. The investments made via the investment portfolios of yield-dependent insurance policies were treated as financial investments and measured in accordance with fair value.

- 1) In December 2009, Menora Insurance together with the Menora Mivtachim Pension Fund, via designated companies abroad, acquired 48% of the rights in a partnership owning an office building in England, leased for a period of 20 years to Aviva Central Services UK Ltd. Menora Insurance's ownership stake in the partnership, through the nostro portfolio, is 7.95%.
- 2) In August 2011, Menora Insurance together with the Menora Mivtachim Pension Fund, acquired 48.2% of the rights in a partnership owning an office building in New Jersey, USA. Menora Insurance's ownership stake in the partnership, through the nostro portfolio, is 18.3%.
- 3) In September 2011, Menora Insurance together with the Menora Mivtachim Pension Fund, acquired 40% of the rights in a partnership owning a residential complex in Texas, USA. Menora Insurance's ownership stake in the partnership, through the nostro portfolio, is 10.1%.
- 4) In September 2012, Menora Insurance together with the Menora Mivtachim Pension Fund, acquired 30% of the rights in a partnership owning an office building in New York, USA. Menora Insurance's ownership stake in the partnership, through the nostro portfolio, is 7%.
- 5) In March 2014, Menora Insurance together with the Menora Mivtachim Pension Fund, acquired 41.6% of the rights in a partnership owning a residential complex in Kentucky, USA. Menora Insurance's ownership stake in the partnership, through the nostro portfolio, is 7.19%.
- 6) In May 2014, Menora Insurance together with the Menora Mivtachim Pension Fund and Shomera Insurance, acquired 85% of the rights in a partnership owning an office block in Utrecht, the Netherlands. Menora Insurance's ownership stake in this company via the nostro portfolio is 4.5%.
- 7) In May 2014, Menora Insurance together with the Menora Mivtachim Pension Fund, acquired 42.5% of the rights in a partnership owning two residential complexes in Texas, USA. Menora Insurance's ownership stake in the partnership, through the nostro portfolio, is 7.5%. In May 2021, one of the assets was sold for a consideration of USD 48.5 million.
- 8) In October and November 2014, Menora Insurance together with the Menora Mivtachim Pension Fund and Shomera Insurance, acquired approx. 99.3% of the rights in a partnership owning two office blocks in The Hague and Haarlem, the Netherlands. Menora Insurance's ownership stake in this company, through the nostro portfolio, is approx. 5.6%.
- 9) In July 2018, Menora Insurance together with the Menora Mivtachim Pension Fund and Shomera Insurance, acquired 94% of the rights in a partnership owning an office building in Warsaw, Poland. Menora Insurance's ownership stake in this company, through the nostro portfolio, is 4.4%. The consent of Menora Insurance is required in order to pass material resolutions on this transaction. In light of the aforementioned, and notwithstanding the fact that the Company's ownership stake is less than 20%, the Company has a material effect, and accordingly it presented its investment in accordance with the equity method.

NOTE 8 – INVESTMENTS IN INVESTEES (cont.)Associates (cont.)C. Holding rates and additional details (cont.)Investments of Shomera Insurance Company Ltd.:

		In issued share capital and profits	
		As of December 31	
		2023	2022
	Comment	In percentage	
MMZ Properties B.V.	6) Above.	2.5	2.5
MMZ Properties Alaska Haarlem B.V.	8) Above.	2.9	2.9
City Center Mengot sp. Z o.o	9) Above.	2.2	2.2

The Company's associates:

		In issued share capital and profits	
		As of December 31	
		2023	2022
	Comment	In percentage	
Ampa Capital Ltd	(1), (2), (3), (4)	47.65	47.65
Ampa Credit, Limited Partnership	(4)	-	47.65

- (1) In January 2016, the Company signed an agreement with Ampa Capital Ltd. (hereinafter - **"Ampa Capital"**) and its parent company, the Investment Company for the Development of Industry for Israel Ltd. (hereinafter - the **"Seller"**) regarding the acquisition and allocation of 30% of Ampa Capital shares from the Seller in consideration for a sum of approx. NIS 63.5 million, as well as options for the acquisition and allocation of an additional 10% of Ampa Capital shares under the terms and conditions as set forth in the agreement (hereinafter - the **"Agreement"**). The call options shall remain valid for the duration of a period of 180 days commencing after 3 years have elapsed from the completion date, subject to the Company's right to bring forward the exercise of the call options in certain cases as set forth in the Agreement. The exercise money in respect of the option was determined in accordance with the net income product of Ampa Capital in 2018. In February 2016, and subsequent to receipt of approval from the Antitrust Commissioner as required, the said transaction was concluded. As of the acquisition date, a valuation was conducted by an independent appraiser.
- (2) On February 5, 2018, the Company signed an agreement with the Seller as stated in Section (1) above and the CEO of Ampa Capital (hereinafter - the **"CEO"**), in respect of a transaction for the acquisition of an additional part of the Ampa Capital shares that was concluded on that date (hereinafter - the **"Agreement"**). Among other things, the following provisions were included in the Agreement:
- a) On the date of signing the Agreement, the Company purchased from the Seller and the CEO shares in Ampa Capital totaling approx. 17.63% of Ampa Capital's share capital, in consideration for a sum of approx. NIS 48.2 million (hereinafter - the **"Consideration Amount"**). The Consideration Amount is mainly based on the value of Ampa Capital amounting to a sum of NIS 270 million and is subject to the modification of a certain price (based on Ampa Capital's financial results for 2018), as is set forth in the Agreement. The option to purchase 10% that belonged to the Company prior to the Agreement was canceled.

NOTE 8 – INVESTMENTS IN INVESTEES (cont.)

Associates (cont.)

C. Holding rates and additional details (cont.)

The Company's associates: (cont.)

(2) (cont.)

- b) The Company granted the CEO of Ampa Capital a put option (hereinafter - the "**Put Option**") to sell the Company additional shares in Ampa Capital amounting to approx. 0.75% of Ampa Capital's share capital during a 12 month period commencing on January 1, 2020 (whereby this period could be brought forward subject to the occurrence of certain events as set forth in the Agreement), in consideration for the exercise price based on Ampa Capital's value as derived from its financial results as they shall be in the year preceding the exercise date of the Put Option, and which shall be no less than a sum of NIS 1.7 million (subject to certain adjustments). In January 2020, the CEO exercised the option right and the Company's ownership stake in Ampa Capital rose to 48.38%.
 - c) Furthermore, as part of the Agreement, provisions were determined regarding the provision of funding for Ampa Capital by the Company and/or elements on its behalf during the period commencing on the date of signing the Agreement until December 31, 2025, amounting to a cumulative total of approx. NIS 200 million, by way of issuing subordinated bonds and providing loans, and all under certain terms and conditions as set forth in the Agreement. During 2019, the redemption date of the subordinated bonds totaling NIS 70 million was postponed to December 31, 2028, under the same terms and conditions.
 - (3) In November, 2022, shares constituting 1.5% of Ampa Capital's share capital were allocated to Ampa Capital's Chairman of the Board, subsequent to the allocation. As a result of the said allocation, the Company's ownership stake decreased from 48.38% to 47.65%, and the Company recorded a loss totaling NIS 1,769 thousand.
 - (4) For details regarding additional investment in Ampa Capital following the reporting date, see Note 41G.
 - (5) The Partnership was established in order to address the issue of granting credit to private individuals. In 2021, the Group invested approx. NIS 1.9 million in the Partnership's capital. In the reporting year, the said investment was returned in view of the decision not to operate the Partnership.

NOTE 8 – INVESTMENTS IN INVESTEES (cont.)Associates (cont.)C. Holding rates and additional details (cont.)Associates of Menora Mivtachim Agencies Ltd. (hereinafter - “Menora Agencies”):

	Comment	In issued share capital, profits and voting rights	
		As of December 31	
		2023	2022
		In percentage	
Pango P&C Insurance Agency (2019) Ltd.	(1)	-	50
Resources Pension Insurance Agencies (2018) Ltd.	(2)	25	25
Easy Digital Ltd.	(2)	25	25
HSO Group Ltd.	(3)	25	25
Bestie Price Ltd.	(4)	50	50
Meteor AA Pension Insurance Agency (2020) Ltd.	(5)	25	25
Alifim Insurance Agency (2002) Ltd.	(6)	50	50
Office Y.R.A. Ltd.	(7)	33	-

(1) In February 2019, Menora Agencies established Pango P&C Insurance Agency (2019) Ltd. (hereinafter - “**Pango**”) in equal parts with Pango Pay & Go Ltd. Pango brokers insurance to customers via cellphone and a call-center as part of agreements with the insurance companies. As part of the agreements, Pango is entitled to fees and commissions of a percentage from the policyholders premiums. In February 2023, an agreement was signed for the sale of Pango shares to IDI Insurance Company Ltd. in consideration for NIS 1.25 million. The transaction was completed in June 2023.

(2) In May 2019, Menora Agencies signed an agreement with the owners of Resources and Easy Digital (hereinafter - the “**Sellers**”) for the acquisition of 25% of the issued and paid-up share capital and the voting rights of the two companies, Resources and Easy Digital. Pursuant to the agreement, the Sellers granted Menora Agencies the right to require the Sellers to sell and transfer shares to Menora Agencies (hereinafter - the “**Initial Call Option**”), which together with the shares in Resources and Easy Digital owned by Menora Agencies on the Initial Call Option exercise date, shall constitute 51% of the issued and paid up share capital and the voting rights of each of the companies. In consideration, Menora Agencies shall pay an amount to be determined based on the average net income of Resources and Easy Digital during 2023-2025, in accordance with and subject to the provisions set forth in the agreement.

Should Menora Agencies exercise its right to the Initial Call Option, the Sellers shall then grant Menora Agencies the right to require the Sellers to sell and transfer shares to Menora Agencies (hereinafter - the “**Second Call Option**”), which together with the shares in Resources and Easy Digital owned by Menora Agencies on the Second Call Option exercise date, shall constitute 75% of the issued and paid up share capital and the voting rights of each of the companies. In consideration, Menora Agencies shall pay an amount to be determined based on the average net income of Resources and Easy Digital during 2026-2028, in accordance with and subject to the provisions set forth in the agreement.

If and insofar as Menora Agencies shall exercise the Initial Call Option and the Second Call Option, then in such a case alone, Menora Agencies shall grant the Sellers a put option to require Menora Agencies to purchase the remaining shares in Resources and Easy Digital. The consideration amount for the shares will be determined based on the average net income of Resources and Easy Digital during 2032-2034, in accordance with and subject to the provisions set forth in the agreement.

NOTE 8 – INVESTMENTS IN INVESTEES (cont.)

Associates (cont.)

C. Holding rates and additional details (cont.)

Associates of Menora Mivtachim Agencies Ltd. (hereinafter - “Menora Agencies”): (cont.)

- (3) In September 2019, Menora Agencies acquired 25% of the shares of HSO. Pursuant to the acquisition agreement, Menora Agencies was granted the right to acquire ordinary shares (hereinafter - the “**Call Option**”), which together with the HSO shares owned by Menora Agencies on the Call Option exercise date, shall constitute 49.9% of the issued and paid up share capital of HSO. During the reporting period, Menora Agencies recorded a provision for impairment in the full amount of its investment and the loans it extended to HSO.
- (4) Bestie Price Ltd. was founded in 2019 and began to operate in July 2020. The company provides a digital platform for comparing prices in the insurance industry. For further details of the loans extended to Bestie Price, see Note 39B. For further details of the guarantee provided, see Note 40b3.
- (5) In November 2020, Menora Agencies signed an agreement for the investment of 25% of Meteor shares. For further details of the loans extended to Meteor, see Note 39A.
- (6) On April 13, 2022, a binding agreement was signed between Mr. Alexander Chernomordik and Best Capital 54 Ltd. (hereinafter - the “**Sellers**”) and Menora Mivtachim Agencies Ltd. (hereinafter - “**Menora Agencies**”), a wholly-owned and controlled subsidiary of the Company, for the purchase of 50% of the issued and paid up share capital (fully diluted) of Alifim Insurance Agency (2002) Ltd. (hereinafter - the “**Agency**”) in consideration for NIS 140 million plus a future consideration of NIS 10 million, subject to the fulfillment of conditions as set out in the agreement (hereinafter - the “**Agreement**”).

The Agreement stipulates that Menora Mivtachim will provide the Agency with a credit facility for the purpose of its operating activities, including for the purpose of expanding its activity by way of purchasing other agencies and agents’ portfolios, and a condition whereby Mr. Chernomordik will continue to serve as the CEO of the Agency and will be subject to a non-compete stipulation for the periods and under the conditions set out in the Agreement.

Furthermore, the agreement includes generally accepted representations in relation to the Agency and the parties to the engagement, and generally accepted arrangements between the parties in their capacity as shareholders in the Agency as from the completion date, including with regard to the transfer of shares to a third party and the Agency’s dividend distribution policy, subject to the provisions of any law and to the Commissioner’s Directives, conditions regarding put and call options to the parties, and provisions regarding the appointment of directors and indemnity in the event of breach of representations, tax liability or any other matter that took place prior to the completion date.

The transaction was completed in December 2022. As of the acquisition date, a valuation was conducted by an independent appraiser. Pursuant to this appraisal, an amount of approx. NIS 44.6 million (net of tax effect) was attributed to customer portfolios, which shall be depreciated over 10-11 years and an amount of approx. NIS 93.4 million for goodwill.

NOTE 8 – INVESTMENTS IN INVESTEES (cont.)Associates (cont.)C. Holding rates and additional details (cont.)Associates of Menora Mivtachim Agencies Ltd. (hereinafter - “Menora Agencies”): (cont.)

(7) In March 2023, Menora Agencies entered into an agreement for the procurement of 33.33% of the issued and paid up share capital of Office Y.R.A. Ltd. (hereinafter - “Office”), from Office’s existing shareholders (hereinafter - the “Transaction”), Office is a privately-held company which was incorporated in 2022 and provides operating services for insurance agents, among other things, via technological systems (hereinafter - the “Technological Systems”). Pursuant to the provisions of the sale agreement, the amount of the Transaction’s consideration is to be determined based on Office’s average net income over the three years of 2023, 2024 and 2025 multiplied by seven (hereinafter - the “Share Consideration”). On the Transaction completion date, the existing shareholders were paid NIS 4 million on account of the amount of the Share Consideration, and this amount is to be adjusted (either upwards or downwards) immediately after determining Office’s value as set forth above. Pursuant to the provisions of the sale agreement, by the Transaction completion date, an irrevocable deed of assignment will be signed assigning to Office all the intellectual property rights in the Technological Systems which are the property of the Technological Systems developers (a related party of one of the existing shareholders). The Transaction is subject to receipt of approval for the merger from the Competition Commissioner. On the Transaction completion date, among other things, a shareholders’ agreement (hereinafter - the “Shareholders’ Agreement”) in Office will enter into force, stipulating mutual rights and liabilities of the parties as shareholders in Office, including a mutual right of first refusal, a mutual tag-along right, a preemptive right, a right to appoint directors, resolutions requiring consent of a special majority of 75% of the Board of Directors and a general meeting of Office, together with a dividend policy. In addition, the Shareholders’ Agreement establishes a separation mechanism among the Office shareholders by virtue of which, during a 3-year period commencing on the account settling date for determining the value of Office in order to pay the Share Consideration, Menora Agencies shall have the right to a put option obligating the existing shareholders to purchase from it all its shares in Office for a consideration to be determined based on independent appraisals to be conducted at that time for Office. Insofar as Menora Agencies does not exercise the separation right granted to it during the said 3-year period, then commencing from the end of the said 3-year period, each of the shareholders in Office (including Menora Agencies) shall have the right to a put option obligating the other shareholders to purchase its shares in Office for a consideration to be determined based on independent appraisals. On August 24, 2023, a sum of NIS 2 million was transferred and on October 12, 2023, an additional sum of NIS 2 million was transferred.

D. The amount of the dividend received from the associates in the reporting year amounted to NIS 3,179 thousand (last year this was NIS 13,223 thousand).

E. Immaterial joint ventures

	Balance as of December 31		
	2023	2022	
	NIS thousand		
Share in the equity of joint ventures	148,059	127,546	
	For the year		
	2023	2022	2021
	NIS thousand		
Share in the income (loss) of joint ventures	1,881	8,687	11,714

NOTE 8 – INVESTMENTS IN INVESTEES (cont.)Consolidated companiesF. Details regarding consolidated companies of the Company

	As of December 31, 2023					
	Shares con- ferring voting rights Holding rate	Shares con- ferring rights to profits rate	Country of incor- poration	Total investment		
				In equity	Loans	In capital notes
<u>Consolidated companies of the Company</u>						
Menora Mivtachim Insurance Ltd.	100.00%	100.00%	Israel	3,089,470	-	300,544
Menora Mivtachim Pension and Provident Funds Ltd. - management company	90.00%	90.00%	Israel	982,863	-	-
Shomera Insurance Company Ltd.	100.00%	100.00%	Israel	697,330	-	-
Menora Mivtachim Finance Ltd.	100.00%	100.00%	Israel	162,117	7,128	-
Menora Mivtachim Real Estate Ltd.	100.00%	100.00%	Israel	49,994	25,020	-
Nachalat Menora Housing and Development Company (1950) Ltd.	100.00%	100.00%	Israel	14,309	-	-
Menora Mivtachim Paying Ltd.	100.00%	100.00%	Israel	407	-	-
Estimates for You Ltd.	100.00%	100.00%	Israel	38	213	-
Menora Mivtachim Agencies Ltd.	100.00%	100.00%	Israel	143,029	-	8,973
ERN Israel Ltd.	70.00%	70.00%	Israel	601,446	56,161	-

NOTE 8 – INVESTMENTS IN INVESTEES (cont.)Consolidated companies (cont.)F. Details regarding consolidated companies of the Company (cont.)

	As of December 31, 2022					
	Shares	Shares	Country of incor- poration	Total investment		
	con- ferring voting rights	con- ferring rights to profits		In equity	Loans	In capital notes
	Holding rate					
<u>Consolidated companies of the Company</u>						
Menora Mivtachim Insurance Ltd.	100.00%	100.00%	Israel	2,637,438	-	290,836
Menora Mivtachim Pension and Provident Funds Ltd. - management company 1)	90.00%	90.00%	Israel	943,276	-	-
Shomera Insurance Company Ltd.	100.00%	100.00%	Israel	610,026	-	-
Menora Mivtachim Finance Ltd.	100.00%	100.00%	Israel	75,142	26,041	69,021
Menora Mivtachim Real Estate Ltd.	100.00%	100.00%	Israel	(90,488)	190,469	-
Nachalat Menora Housing and Development Company (1950) Ltd.	100.00%	100.00%	Israel	15,887	-	-
Menora Mivtachim Paying Ltd.	100.00%	100.00%	Israel	1,244	-	-
Estimates for You Ltd.	100.00%	100.00%	Israel	(20)	207	-
Menora Mivtachim Agencies Ltd.	100.00%	100.00%	Israel	136,393	(3,486)	8,802
ERN Israel Ltd. 2), 3)	70.00%	70.00%	Israel	599,010	60,114	

- 1) On May 30, 2022, an addendum was signed to the fundamental agreement, where under, further to the serving of a revised exercise notice by Allied, Menora Pension and Provident Funds allotted to Allied the option shares as well as additional shares (hereinafter - the **"Additional Shares"**), such that subsequent to the exercise of the option shares and the purchase of the Additional Shares, Allied's overall holding stands at 9.999% of Menora Pension and Provident Funds' issued and paid up share capital, fully diluted. In consideration for the allotment of the option shares and the Additional Shares, Allied paid a total of approx. NIS 150 million for Menora Pension and Provident Funds. It is noted that Allied has received approval from the Commissioner of the Capital Market, Insurance and Savings to hold up to 10% of Menora Pension and Provident Funds' shares.

- 2) See Note 4A.

- 3) On September 29, 2022, a transaction was completed between ERN, Mimun Click (a consolidated company of ERN) and Bank Leumi le-Israel B.M., according to which 20% of Mimun Click's shares were allocated to Bank Leumi in consideration for NIS 65 million. As a result of the issuance, the Company recognized in the reporting period a gain of approx. NIS 20 million.

- G. The amount of the dividend received from the consolidated companies in the reporting year amounted to NIS 100,339 thousand (last year this was NIS 291,048 thousand), for further details see Note 15G.

NOTE 9 – INVESTMENT PROPERTY - INCLUDING INVESTMENT PROPERTY FOR YIELD-DEPENDENT CONTRACTS

A. Movement:

	For yield-dependent contracts		Other	
	2023	2022	2023	2022
	NIS thousand			
Balance as of January 1	93,958	82,182	509,198	473,551
<u>Additions during the year</u>				
Acquisitions and additions to existing properties	15,287	10,413	27,927	10,334
<u>Derecognitions during the year</u>				
Disposals	-	-	-	9,817
<u>Fair value adjustment</u>	(6,284)	1,363	114,737	35,130
Balance as of December 31	102,961	93,958	651,862	509,198

B. Fair value measurement of investment property

Investment property is measured at fair value as determined by an appraisal performed by external independent appraisers, whose skills and ample experience regarding the location and type of property appraised is widely acknowledged. The fair value is determined based on recent market transactions involving similar real estate properties in a location similar to that of the Group's real estate properties, and based on the estimated inflow of future cash flows from the property. In estimating cash flows, their inherent risk was taken into account, and they are capitalized at a rate of return that reflects the risks inherent in the cash flows, which was determined taking into account the accepted return in the land market, with adjustments to the specific characteristics of the property and the risk level of the expected income from it.

1) Following are details of the assumptions, factors and considerations used in the valuation

a) of the properties valued according to the comparison approach

The property's location, age and physical condition, its area, the level of development in the area where it is located, its designation, the real estate market prices and the level of demand in that area for properties of a similar type, the state of rights and the property's planning status, the legal background and in commercial properties also the gross to net ratio method.

b) In assets valued according to the income approach

	Based on weighted averages	
	As of December 31	
	2023	2022
Average monthly rent per sq.m in NIS	140	110
Return on the asset in %	7.15	7.10
Space available for rent in %	4.12	2.96

NOTE 9 – INVESTMENT PROPERTY - INCLUDING INVESTMENT PROPERTY FOR YIELD-DEPENDENT CONTRACTS (cont.)

B. Fair value measurement of investment property (cont.)

2) Following is the fair value hierarchy of the investment property:

December 31, 2023	
Level 3	Total
NIS thousand	
754,823	754,823
December 31, 2022	
Level 3	Total
NIS thousand	
603,156	603,156

3) Adjustment for fair value measurement of investment property (Level 3 in the fair value hierarchy)

	Vacant land	Shoppin g centers	Offices and trade	Hotel **)	Total
	NIS thousand				
Balance as of January 1, 2022	114,206	119,905	199,381	122,241	555,733
Remeasurement recognized in profit or loss *)	9,382	2,279	17,373	7,459	36,493
Acquisitions and additions to existing properties	218	10,938	9,179	412	20,747
Disposals	-	-	(9,817)	-	(9,817)
Balance as of December 31, 2022	123,806	133,122	216,116	130,112	603,156
Remeasurement recognized in profit or loss *)	(1,950)	(9,233)	64,327	55,309	108,453
Acquisitions and additions to existing properties	-	15,627	27,097	490	43,214
Balance as of December 31, 2023	<u>121,856</u>	<u>139,516</u>	<u>307,540</u>	<u>185,911</u>	<u>754,823</u>
*) Of which - total income (loss) for the period, which was not disposed of and was recognized in profit or loss for investment property held at the end of the reporting period:					
For 2022	<u>9,382</u>	<u>2,279</u>	<u>17,373</u>	<u>7,459</u>	<u>36,493</u>
For 2023	<u>(1,950)</u>	<u>(9,233)</u>	<u>64,327</u>	<u>55,309</u>	<u>108,453</u>

**) In July 2018, one of the Company's sub-subsidiaries signed a lease agreement with Rothschild Yavne Boutique Hotels Ltd. (hereinafter - the "Lessee") for lease of the premises owned by the sub-subsidiary at 115 Allenby St. in Tel Aviv, which in the past served as the offices of Menora Insurance, for the purpose of establishing a hotel. The lease term is for a period of ten years with an extension option for an additional three lease terms of five years each.

NOTE 9 – INVESTMENT PROPERTY - INCLUDING INVESTMENT PROPERTY FOR YIELD-DEPENDENT CONTRACTS (cont.)

B. Fair value measurement of investment property (cont.)

4) Adjustment to the book balance

Following is the adjustment between the appraisals received and the book balance of the investment property:

	2023	2022
	NIS thousand	
Fair value according to a valuation made by an external appraiser	762,029	610,595
Less amounts credited to accrued income for rent on a straight-line basis	(7,206)	(7,439)
Book balance	<u>754,823</u>	<u>603,156</u>

5) Sensitivity analysis

The discount rate constitutes a critical estimate in determining the fair value, since a change in the discount rate will have a material effect on the investment property's fair value. Change in fair value of investment property in respect of yield-dependent contracts does not fully affect the Company's profit and loss. The following sensitivity analysis reflects the effect of a change in the discount rate by the rates listed below:

	Increase (decrease) in the fair value as of December 31		Increase (decrease) in profit and loss before tax for	
	2023	2022	2023	2022
	NIS thousand			
0.5% increase	(18,644)	(22,836)	(13,544)	(17,725)
Decrease of 0.5%	20,388	25,911	14,457	19,862

C. For further details regarding contractual engagements relating to the lease of investment property, see Note 40D.

NOTE 10 – RECEIVABLES AND DEBIT BALANCES**A. Composition:**

	As of December 31	
	2023	2022
	NIS thousand	
Accrued income	90,904	131,502
Government institutions and authorities	14,152	43,541
Receivables for financial transactions	133,828	317,511
Prepaid expenses	84,661	76,327
Insurance companies and insurance brokers	149,020	77,920
Insurance agents	9,998	10,627
Affiliates	1,241	6,653
Pension funds	19,887	22,619
Other	30,575	24,464
Provision for doubtful debts	(9,628)	(5,588)
Total receivables and debit balances	524,638	705,576

B. Following is the change in provision for doubtful debts:

	2023	2022
	NIS thousand	
Balance as of January 1	5,588	6,260
Commencement of consolidation	-	2,677
Change in provision - stated in profit or loss	4,040	(3,349)
Balance as of December 31	9,628	5,588

NOTE 11 – PREMIUMS COLLECTIBLE**A. Composition:**

	As of December 31	
	2023	2022
	NIS thousand	
Premiums collectible *)	1,057,477	1,069,169
Provision for doubtful debts	(27,184)	(20,799)
Total premiums collectible	<u>1,030,293</u>	<u>1,048,370</u>
*) Including checks collectible and direct debits	<u>332,543</u>	<u>250,492</u>

For a disclosure regarding linkage terms of premiums collectible, see Note 38(2)D.

B. Aging:

	As of December 31	
	2023	2022
	NIS thousand	
Unimpaired premiums collectible		
No arrears	903,151	926,614
In arrears: *)		
Under 90 days	56,840	55,103
Between 90 and 180 days	30,978	36,804
Over 180 days	<u>4,255</u>	<u>14,148</u>
Total unimpaired premiums collectible	995,224	1,032,669
Impaired premiums collectible	<u>35,069</u>	<u>15,701</u>
Total premiums collectible	<u>1,030,293</u>	<u>1,048,370</u>

*) Includes an amount of NIS 39,682 thousand (December 31, 2022 - NIS 54,634 thousand) debts in arrears in the life insurance segment. These debts are mainly backed by the redemption value of the policy.

C. Following is the change in provision for doubtful debts in respect of premiums collectible:

	2023	2022
	NIS thousand	
Balance as of January 1	20,799	16,764
Change in provision - stated in profit or loss	<u>6,385</u>	<u>4,035</u>
Balance as of December 31	<u>27,184</u>	<u>20,799</u>

NOTE 12 – FINANCIAL INVESTMENTS IN RESPECT OF YIELD-DEPENDENT CONTRACTS**A. Following is a breakdown of the assets:**

	As of December 31	
	2023	2022
	NIS thousand	
Investment property	102,961	93,958
Financial investments:		
Liquid debt assets	9,024,947	8,936,016
Illiquid debt assets *)	4,280,403	4,419,438
Shares	8,839,155	7,561,228
Other financial investments **)	8,932,783	8,427,548
Total financial investments	31,077,288	29,344,230
Cash and cash equivalents	2,080,711	2,590,568
Other	298,397	472,443
Total assets for yield-dependent contracts	33,559,357	32,501,199
*) Including assets measured based on amortized cost	309,642	338,055
Fair value of said debt assets	307,221	328,234

For further details on financial investments for yield-dependent contracts, see Note 38(7), Risk Management.

**) Other financial investments mainly include investments in ETFs, participation certificates in mutual funds, investment funds, financial derivatives, futures, options and structured products.

B. Fair value of financial assets by level

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Financial investments:				
Liquid debt assets	7,888,216	1,136,731	-	9,024,947
Illiquid debt assets	-	3,934,533	36,228	3,970,761
Shares	8,300,031	21,385	517,739	8,839,155
			4,304,28	
Other financial investments	3,248,353	1,380,147	3	8,932,783
			4,858,25	
Total	19,436,600	6,472,796	0	30,767,646
Illiquid debt assets disclosed at fair value	-	307,221	-	307,221
As of December 31, 2022				
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Financial investments:				
Liquid debt assets	7,696,753	1,239,263	-	8,936,016
Illiquid debt assets	-	4,075,667	5,716	4,081,383
Shares	7,029,294	20,610	511,324	7,561,228
			3,725,30	
Other financial investments	3,652,396	1,049,851	1	8,427,548
			4,242,34	
Total	18,378,443	6,385,391	1	29,006,175
Illiquid debt assets	-	328,234	-	328,234

disclosed at fair value

NOTE 12 – FINANCIAL INVESTMENTS IN RESPECT OF YIELD-DEPENDENT CONTRACTS (cont.)

C. Changes in financial assets measured at fair value and classified to Level 3

	Fair value measurement at the reporting date			
	Financial assets at fair value through profit and loss			
	NIS thousand			
	Illiquid debt assets	Shares	Other financial investments	Total
Balance as of January 1, 2023	5,716	511,324	3,725,301	4,242,341
Total gains (losses) recognized in profit and loss *)	2,332	(1,564)	(29,029)	(28,261)
Purchases	-	36,630	889,311	925,941
Sales	-	(28,651)	(281,300)	(309,951)
Redemptions	(9,590)	-	-	(9,590)
Transfers to Level 3	37,770	-	-	37,770
Balance as of December 31, 2023	<u>36,228</u>	<u>517,739</u>	<u>4,304,283</u>	<u>4,858,250</u>
*) Of which: Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of December 31, 2023	<u>2,332</u>	<u>(7,748)</u>	<u>(28,462)</u>	<u>(33,878)</u>

Transfers to Level 3 result from changes in securities valuation techniques.

	Fair value measurement at the reporting date			
	Financial assets at fair value through profit and loss			
	NIS thousand			
	Illiquid debt assets	Shares	Other financial investments	Total
Balance as of January 1, 2022	6,335	289,135	2,662,580	2,958,050
Total gains recognized in profit and loss *)	1,190	48,083	397,702	446,975
Purchases	-	229,164	916,443	1,145,607
Sales	-	(55,058)	(251,424)	(306,482)
Redemptions	(1,809)	-	-	(1,809)
Balance as of December 31, 2022	<u>5,716</u>	<u>511,324</u>	<u>3,725,301</u>	<u>4,242,341</u>
*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of December 31, 2022	<u>1,190</u>	<u>46,643</u>	<u>373,980</u>	<u>421,813</u>

NOTE 13 – OTHER FINANCIAL INVESTMENTS**A. Composition**

		As of December 31, 2023			
	Details in section	Measured at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
NIS thousand					
Liquid debt assets	B	508,695	4,039,165	-	4,547,860
				12,444,931	
Illiquid debt assets	C	-	-	1	12,444,931
Shares	E	8,684	1,176,047	-	1,184,731
Other	F	100,454	3,054,584	-	3,155,038
				12,444,931	
Total		617,833	8,269,796	1	21,332,560

		As of December 31, 2022			
	Details in section	Measured at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
NIS thousand					
Liquid debt assets	B	792,287	4,016,415	-	4,808,702
				14,340,317	14,340,317
Illiquid debt assets	C	-	-	7	7
Shares	E	122,778	1,243,484	-	1,366,262
Other	F	83,937	2,644,443	-	2,728,380
				14,340,317	23,243,667
Total		999,002	7,904,342	7	1

B. Liquid debt assets

		As of December 31	
		2023	2022
NIS thousand			
<u>Government bonds</u>			
Measured at fair value through profit and loss, designated upon initial recognition		52,329	293,354
Available for sale		2,017,061	1,863,108
Total government bonds		2,069,390	2,156,462
<u>Other non-convertible debt assets</u>			
Measured at fair value through profit and loss, designated upon initial recognition		430,194	459,851
Available-for-sale		2,022,104	2,153,307
Total other non-convertible debt assets		2,452,298	2,613,158

Convertible

Measured at fair value through profit and loss, designated
upon initial recognition

Total liquid debt assets

Regular impairments carried to profit and loss (cumulative)

26,172	39,082
4,547,860	4,808,702
29,769	38,550

NOTE 13 – OTHER FINANCIAL INVESTMENTS (cont.)**C. Illiquid debt assets**

		As of December 31, 2023	
		Carrying amount	Fair value *)
		NIS thousand	
<u>Government bonds</u>			
Presented as loans and receivables:			
Hetz bonds and Accountant General deposits **)		7,015,565	8,568,217
<u>Other non-convertible debt assets</u>			
Presented as loans and receivables, excluding deposits with banks		4,903,617	4,820,352
Deposits with banks		525,749	535,839
Total other non-convertible debt assets		5,429,366	5,356,191
Total illiquid debt assets		12,444,931	13,924,408
Regular impairments carried to profit and loss (cumulative)		90,468	
		As of December 31, 2022	
		Carrying amount	Fair value *)
		NIS thousand	
<u>Government bonds</u>			
Presented as loans and receivables:			
Hetz bonds and Accountant General deposits **)		7,117,176	8,915,973
<u>Other non-convertible debt assets</u>			
Presented as loans and receivables, excluding deposits with banks		6,471,867	6,369,420
Deposits with banks		751,274	777,450
Total other non-convertible debt assets		7,223,141	7,146,870
Total illiquid debt assets		14,340,317	16,062,843
Regular impairments carried to profit and loss (cumulative)		337,590	

*) Regarding the interest rates used in determining fair value, see Section G below.

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

D. Details on paid interest and linkage in respect of debt assets

		As of December 31	
		2023	2022
		Percentage	
<u>Liquid debt assets</u>			
Linkage basis:			
CPI-linked		2.18	1.78
NIS		5.17	4.86
Linked to foreign currency		11.51	9.53
<u>Illiquid debt assets</u>			
Linkage basis:			
CPI-linked		4.62	4.46
NIS		5.98	5.74
Linked to foreign currency		6.94	6.32

NOTE 13 – OTHER FINANCIAL INVESTMENTS (cont.)**E. Shares**

	As of December 31	
	2023	2022
	NIS thousand	
<u>Liquid</u>		
Measured at fair value through profit and loss, designated upon initial recognition	2,684	116,778
Available for sale	774,515	846,263
Total liquid shares	777,199	963,041
<u>Illiquid</u>		
Measured at fair value through profit and loss, designated upon initial recognition	6,000	6,000
Available for sale	401,532	397,221
Total illiquid shares	407,532	403,221
Total shares	1,184,731	1,366,262
Regular impairments carried to profit and loss (cumulative)	55,362	99,443

F. Other

	As of December 31	
	2023	2022
	NIS thousand	
<u>Liquid</u>		
Measured at fair value through profit and loss, designated upon initial recognition	31,807	67,123
Available for sale	199,183	271,750
Derivative instruments *)	1,245	883
Total other liquid financial investments	232,235	339,756
<u>Illiquid</u>		
Measured at fair value through profit and loss, designated upon initial recognition	-	11,718
Available for sale	2,855,401	2,372,693
Derivative instruments *)	67,402	4,213
Total other illiquid financial investments	2,922,803	2,388,624
Total other financial investments	3,155,038	2,728,380
Regular impairments carried to profit and loss (cumulative)	112,921	84,605

Financial investments classified as "other" mainly include investments in ETFs, participation certificates in mutual funds, investment funds, financial derivatives, futures, options and structured products.

For details on commitments to invest in investment funds, see Note 40C(2) below.

*) Set forth below is the amount of net exposure to the underlying asset, presented in delta terms of financial transactions carried as of the financial report date:

	As of December 31	
	2023	2022
	NIS thousand	
Shares	380	(9,791)
Foreign currency	(2,252,279)	-
Stock indices	84,112	31,187
CPI	-	136,189

NOTE 13 – OTHER FINANCIAL INVESTMENTS (cont.)**G. The methods and assumptions used to determine fair value****1) Illiquid debt assets**

The fair value of investments traded actively in regulated financial markets is determined based on market prices as of the reporting date. The value of investments that are not traded in an active market is determined as follows:

The fair value of illiquid debt assets, which are measured at fair value through profit and loss, and the fair value of illiquid financial debt assets, for which fair value information is provided solely for disclosure purposes, is determined by discounting the estimated future cash flows from those assets. The discount rates are based primarily on yields on government bonds and spreads of corporate bonds as measured on the TASE.

The quoted prices and interest rates used for discounting purposes are determined by a company which won the tender, published by the Ministry of Finance, for the setting up and operating a database of quoted prices and interest rates for institutional entities.

Following are interest rates for illiquid debt assets:

	As of December 31	
	2023	2022
	In percentage	
For illiquid debt assets - in Israel, by local rating:		
*)		
AA and above	1.6	1.2
BBB to A	6.1	5.5
Unrated	5.6	6.3

*) The sources for the ratings in Israel are rating agencies Maalot and Midroog. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: A rating includes A- up to A+.

2) Illiquid shares

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

NOTE 13 – OTHER FINANCIAL INVESTMENTS (cont.)**G. The methods and assumptions used to determine fair value (cont.)****3) Derivatives**

The fair value of forward contracts was estimated based on discounting the difference between the forward price specified in the contract and the present forward price, using appropriate interest rates. The fair value of option warrants is determined in accordance with the Black-Scholes model or according to valuation. The fair value of interest rate and currency swap contracts is estimated on the basis of an economic model based on capitalization of estimated future cash flows using interest rates that are determined by a company providing interest rate quotes. The fair value of complex instruments is based on a quote from the manager of the complex instrument.

4) Investment funds

The fair value of investment funds is determined by net asset value (NAV) based on the Financial Statements of the funds and on reports received from the fund managers.

H. Fair value of financial assets by level

The balance in the Financial Statements of cash, collectible premiums, accounts receivables, receivables and debit balances, and current tax assets, equals or approximates their fair value.

As of December 31, 2023				
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Liquid debt assets	4,270,625	277,235	-	4,547,860
Shares	776,384	815	407,532	1,184,731
Other	232,234	67,403	2,855,401	3,155,038
Total	<u>5,279,243</u>	<u>345,453</u>	<u>3,262,933</u>	<u>8,887,629</u>
Illiquid debt assets the fair value of which is disclosed (Section C above)	<u>-</u>	<u>13,857,003</u>	<u>67,404</u>	<u>13,924,408</u>
As of December 31, 2022				
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Liquid debt assets	4,413,920	394,782	-	4,808,702
Shares	960,574	2,467	403,221	1,366,262
Other	316,748	27,223	2,384,409	2,728,380
Total	<u>5,691,242</u>	<u>424,472</u>	<u>2,787,630</u>	<u>8,903,344</u>
Illiquid debt assets the fair value of which is disclosed (Section C above)	<u>-</u>	<u>15,953,025</u>	<u>109,818</u>	<u>16,062,843</u>

NOTE 13 – OTHER FINANCIAL INVESTMENTS (cont.)**H. Fair value of financial assets by level (cont.)**Changes in financial assets measured at fair value and classified to Level 3

	Fair value measurement at the reporting date		
	Financial assets at fair value through profit and loss and available-for-sale financial assets		
	Shares	Other	Total
	NIS thousand		
Balance as of January 1, 2023	403,221	2,357,731	2,760,952
Gains (losses) recognized:			
In profit and loss *)	(28,460)	(136,719)	(165,179)
In other comprehensive income	37,956	225,916	263,872
Purchases	14,700	602,583	617,283
Sales	(19,885)	(194,110)	(213,995)
Balance as of December 31, 2023	<u>407,532</u>	<u>2,855,401</u>	<u>3,262,933</u>
*) Of which - Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of December 31, 2023	<u>(37,072)</u>	<u>(146,401)</u>	<u>(183,473)</u>

	Fair value measurement at the reporting date		
	Financial assets at fair value through profit and loss and available-for-sale financial assets		
	Shares	Other	Total
	NIS thousand		
Balance as of January 1, 2022	260,727	1,524,293	1,785,020
Gains (losses) recognized:			
In profit and loss *)	3,973	(277)	3,696
In other comprehensive income	30,896	239,746	270,642
Purchases	140,080	799,456	939,536
Sales	(32,455)	(161,791)	(194,246)
Redemptions	-	(17,018)	(17,018)
Balance as of December 31, 2022	<u>403,221</u>	<u>2,384,409</u>	<u>2,787,630</u>
*) Of which: Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of December 31, 2022	<u>3,473</u>	<u>(6,913)</u>	<u>(3,440)</u>

NOTE 13 – OTHER FINANCIAL INVESTMENTS (cont.)**I. Aging of investments in illiquid financial debt assets:**

	As of December 31	
	2023	2022
	NIS thousand	
Unimpaired debt assets:		
Government bonds	7,015,565	7,117,176
No arrears	5,350,692	7,010,778
In arrears: (*):		
Under 90 days	10,951	91,863
Between 90 and 180 days	65	1,103
Over 180 days	254	9,579
Total unimpaired debt assets	<u>12,377,527</u>	<u>14,230,499</u>
Impaired debt assets:		
Impaired assets, gross	157,872	447,408
Provision for loss	<u>(90,468)</u>	<u>(337,590)</u>
Total impaired debt assets, net	<u>67,404</u>	<u>109,818</u>
Total illiquid debt assets	<u><u>12,444,931</u></u>	<u><u>14,340,317</u></u>

*) Including loans on policies and mortgage loans against which there are full redemption values.

It should be noted that the above amounts do not constitute the actual amount in arrears, but rather the portion of the outstanding debt involved in arrears.

J. Disclosure required in connection with the provisional exemption from the implementation of IFRS 9 for financial investments of consolidated subsidiaries meeting the definition of an insurer

The following table presents the fair value of the financial assets divided into two classes:

- Assets that are subject to the principal and interest test only (excluding assets that are held-for-trading or managed on a fair value basis (hereinafter - “**Class A**”)).
- All other financial assets (hereinafter - “**Class B**”).

	As of December 31, 2023	
	Class A	Class B
	NIS thousand	
Financial investments in respect of yield-dependent contracts	-	31,077,288
Cash and cash equivalents in respect of yield-dependent contracts	-	2,080,711
Other financial investments - shares	-	1,184,731
Other financial investments - other	-	3,155,038
Other financial investments - liquid debt assets	4,327,614	220,245
Other financial investments - illiquid debt assets	13,793,503	88,714
Loans granted to associates	-	42,191
Cash and cash equivalents	1,142,397	-

NOTE 13 – OTHER FINANCIAL INVESTMENTS (cont.)

- J. Disclosure required in connection with the provisional exemption from the implementation of IFRS 9 for financial investments of consolidated subsidiaries meeting the definition of an insurer (cont.)

	As of December 31, 2022	
	Class A	Class B
	NIS thousand	
Financial investments in respect of yield-dependent contracts	-	29,344,230
Cash and cash equivalents in respect of yield-dependent contracts	-	2,590,568
Other financial investments - shares	-	1,284,408
Other financial investments - other	-	2,680,940
Other financial investments - liquid debt assets	4,180,051	310,131
Other financial investments - illiquid debt assets	13,745,271	107,206
Loans granted to associates	-	45,770
Cash and cash equivalents	1,000,657	-

NOTE 13A – OTHER FINANCIAL INVESTMENTS UNRELATED TO INSURER SUBSIDIARIES

- A. Financial assets

	December 31
	2023
	NIS thousand
<u>Financial assets at fair value through profit or loss:</u>	
Liquid debt assets	289,138
Shares	27,986
Other	71,831
Total financial assets at fair value through profit or loss	388,955
<u>Financial assets at amortized cost</u>	
Illiquid debt assets	2,244,922
Total financial assets at amortized cost	2,244,922
Total financial assets	2,633,877

NOTE 13A – OTHER FINANCIAL INVESTMENTS UNRELATED TO INSURER SUBSIDIARIES (cont.)

B. Fair value

The following table compares between the book balance and the fair value of the Company's financial instruments presented in the Financial Statements not according to their fair value (apart from those whose amortized cost constitutes a reasonable approximation of their fair value):

	Book balance	Fair value		
	December 31 2023	December 31 2023		
		NIS thousand		
		Level 1	Level 2	Level 3
Financial assets				
Illiquid debt assets	2,244,922	-	2,240,740	9,765

The following table presents the fair value measurement ranking for other financial investments unrelated to consolidated subsidiaries that meet the definition of an insurer:

	Fair value hierarchy			
	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Financial assets				
<u>designated at fair value</u>				
<u>and changes therein are</u>				
<u>carried to profit or loss</u>				
Liquid debt assets	289,139	-	-	289,139
Shares	24,557	-	3,430	27,987
Other	54,465	2,049	15,317	71,831
Total	368,161	2,049	18,747	388,957

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

Adjustment in respect of fair value measurements of financial instruments classified as Level 3 in the fair value hierarchy:

	Shares	Other financial investments	Total
	NIS thousand	NIS thousand	NIS thousand
Balance as of January 1, 2023	-	26,679	26,679
Total losses in profit and loss *)	-	(1,784)	(1,784)
Purchases	3,430	5,388	8,818
Sales	-	(4)	(4)
Redemptions	-	(14,962)	(14,962)
Balance as of December 31, 2023	3,430	15,317	18,747
*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of December 31, 2023	-	265	265

NOTE 13A – OTHER FINANCIAL INVESTMENTS UNRELATED TO INSURER SUBSIDIARIES (cont.)

C. Current expected credit losses

Changes in provision for impairment in respect of investments in debt instruments:

	Credit losses for 12 months	Credit losses – remain- ing life	Impaired assets	Total
	NIS thousand			
<u>Balance as of January 1, 2023</u>	-	-	44,211	44,211
Effect of first-time application of IFRS 9	912	-	-	912
Provision during the year	13,453	9,087	103,286	125,826 **)
Derecognized financial assets	-	-	(65,176)	(65,176)
Balance as of December 31, 2023	<u>14,365</u>	<u>9,087</u>	<u>82,321</u>	<u>105,774</u>
Balance of investments in debt instruments before provision for impairment	<u>1,990,804</u>	<u>136,699</u>	<u>223,193</u>	<u>2,350,697 *)</u>

*) The scope of the loans secured by the pledge and mortgage of vehicles as of December 31, 2023, is NIS 1,083,990 thousand, and the collateral for debt repayment in the event of default amount to a rate of approx. 78% of the asset's value.

**) The majority of the credit losses are in respect of consolidated companies engaged in the field of credit provision.

NOTE 14 – CASH AND CASH EQUIVALENTS

A. For yield-dependent contracts:

	As of December 31	
	2023	2022
	NIS thousand	
Cash and deposits available for immediate withdrawal	2,010,312	2,258,626
Short-term deposits	70,399	331,942
Cash and cash equivalents	<u>2,080,711</u>	<u>2,590,568</u>

As of the reporting date, the cash with the banking corporations bears interest at a rate of 4.3% (as of December 31, 2022 - 2.9%).

Short-term deposits deposited with banking corporations are for periods of up to three months. The deposits bear interest at an average rate of 4.2% (as of December 31, 2022 - 2.8%).

NOTE 14 – CASH AND CASH EQUIVALENTS (cont.)**B. Other:**

	As of December 31	
	2023	2022
	NIS thousand	
Cash and deposits available for immediate withdrawal:		
In NIS	685,548	704,003
In USD	293,294	237,891
In other currency	36,694	48,999
	1,015,536	990,893
Short-term deposits - in NIS	308,678	303,038
Cash and cash equivalents	1,324,214	1,293,931

As of the reporting date, the cash with the banking corporations bears interest at a rate of 4.3% (as of December 31, 2022 - 2.9%).

Short-term deposits deposited with banking corporations are for periods of up to three months. The deposits bear interest at an average rate of 4.2% (as of December 31, 2022 - 3%).

For a disclosure regarding linkage terms of cash and cash equivalents, see Note 38(2)D.

NOTE 15 – EQUITY AND CAPITAL REQUIREMENTS**A. Composition of share capital**

	As of December 31, 2022 and 2023	
	Authorized	Issued and paid up
	No. of shares (in thousand)	
Ordinary shares of NIS 1 p.v. each	440,000	63,272

B. Rights attached to shares

1. Voting rights in the general meeting, rights to receive dividends, rights upon liquidation of the company, and rights to appoint directors in the Company.
2. Traded on the Tel Aviv Stock Exchange.

C. Treasury shares

In January 2022, and after the Company Board of Directors conducted the tests regarding dividend distribution pursuant to the provisions of Section 302 of the Companies Law, 1999, the Company Board of Directors adopted a share buyback plan for a period of one year and for a scope of up to NIS 100 million. The Company contracted with a TASE member, which operated on the basis of an irrevocable power of appointment pursuant to the provisions of the buyback plan. The Company Board of Directors stated among its arguments for approving the plan that the shares to be purchased pursuant to the buyback plan, might be used, among others, for implementation of the options plan for the employees. In addition, the Board of Directors established that the share buyback would be conducted beyond and in addition to the dividend distribution in accordance with the policy adopted on this matter by the Company. In November 2022, the share buyback was completed in accordance with the plan, with 1,388,921 shares being brought by the Company; the shares became dormant shares, representing 2.19% of the Company's issued and paid-up share capital.

It is noted that in February 2024, some of the options allocated to the offerees under said option plan vested; as a result, some of the dormant shares were and will be allocated in accordance with the exercises made by the offerees and become liquid shares.

NOTE 15 – EQUITY AND CAPITAL REQUIREMENTS (cont.)**D. Dividend**

On February 14, 2021, the Company's Board of Directors declared the distribution of a dividend to the Company's shareholders on February 22, 2021 (the ex-date) at the total amount of NIS 100 million, which constitute NIS 1.58 per each share of NIS 1 p.v. The dividend was paid on March 1, 2021.

On November 28, 2022, the Company's Board of Directors declared the distribution of a dividend to the Company's shareholders on December 6, 2022 (the ex-date) at the total amount of NIS 50 million, which constitute NIS 0.81 per each share of NIS 1 p.v.. The dividend was paid on December 14, 2022.

On March 29, 2023, the Company's Board of Directors declared the distribution of a dividend to the Company's shareholders on April 10, 2023 (the ex-date) at the total amount of NIS 100 million, which constitute NIS 1.62 per each share of NIS 1 par value. The dividend was paid on April 20, 2023.

On August 29, 2023, the Company's Board of Directors declared the distribution of a dividend on September 6, 2023 (the ex-date) at the total amount of NIS 75 million, which constitute NIS 1.21 per each share of NIS 1 par value. The dividend was paid on September 14, 2023.

For further details regarding the dividend distributed subsequent to the reporting date, see Note 41E.

Dividend Distribution Policy

On December 19, 2021, the Company Board of Directors approved adopting the dividend distribution policy as detailed below:

Commencing from 2022, the Company shall distribute a dividend to its shareholders at a rate of no less than 35% of the annual distributable income, subject to compliance with the distribution tests set forth in the Companies Law, 1999, subject to the financial constraints and covenants that either have been or will be established from time to time in the Company's financing agreements, including under the terms of the bonds issued by the Company or which shall be issued by it in the future, and as long as the dividend distribution has no adverse effect on the Company's cash flow needs, as they shall be from time to time, such as for the purpose of: (a) Fulfillment of the provisions of any law applying to it (b) Fulfilling the capital requirements of the institutional entities under its control (c) Meeting its commitments (including the Company's financial covenants) as well as (d) The development of its business operations, among others, in accordance with the budget plan and/or its business plan.

A decision on dividend distribution in accordance with the aforementioned distribution policy, may be made once a year or at any other time as determined by the Board of Directors, based on the Company's reviewed or audited Financial Statements and at the Board of Directors' discretion. Furthermore, the Company Board of Directors may, at any time, change the rate of the dividend distributed or decide not to distribute it at all, when taking into account business and financial considerations, cash flow needs, investment plans, business plans, rating considerations, etc.

It is clarified that, from time to time, the Company Board of Directors may review the said dividend distribution policy, and this policy should not be viewed as an undertaking by the Company to distribute dividends, and that any actual distribution shall be individually subject to the Board of Directors' approval, at its sole discretion and subject to the aforementioned criteria.

NOTE 15 – EQUITY AND CAPITAL REQUIREMENTS (cont.)**E. Other capital reserves**Composition - Attributable to the Company's shareholders:

	As of December 31	
	2023	2022
	NIS thousand	
Tax benefit in respect of granting shares to the Company's former CEO	5,961	5,961
Transaction with controlling shareholder	696	696
Put option for non-controlling interests	12,936	24,106
Undertaking to purchase shares	(2,608)	(2,608)
	<u>16,985</u>	<u>28,155</u>

Capital reserve in respect of a transaction with a controlling shareholder - the capital reserve refers to a transaction conducted between consolidated companies belonging to the Company. The difference between the fair value and the transaction's consideration is carried to the capital reserve.

Put option for non-controlling interests - see Note 4, subsections a and c.

F. Non-controlling interests

Composition of non-controlling interests in the Consolidated Statements of Financial Position:

	As of December 31	
	2023	2022
	NIS thousand	
Share in total assets	136,379	131,007
Share in excess cost *)	50,786	51,137
	<u>187,165</u>	<u>182,144</u>

G. Capital policy and requirements

- It is management's policy to maintain a strong capital base in order to retain Group's ability to continue its activities such that it will be able to generate returns to its shareholders and support future business activities. Menora Insurance and Shomera Insurance (hereinafter - the "**Consolidated Insurance Companies**") are subject to the capital requirements set by the Commissioner.

As part of the implementation of the solvency regime, the Consolidated Insurance Companies are required to conduct own risk assessment. The Boards of Directors of the Consolidated Insurance Companies are required to set a capital target that will reflect what is in their opinion an adequate solvency ratio for the purpose of dividend distribution.

NOTE 15 – EQUITY AND CAPITAL REQUIREMENTS (cont.)G. Capital policy and requirements (cont.)

1. (cont.)

The capital target that was set by the Consolidated Insurance Companies for the purpose of dividend distribution shall be created gradually (plus an annual increase of approx. 0.7% in Menora Insurance and approx. 0.86% in Shomera Insurance by the end of 2024 (the adjustment period of the solvency provisions for Shomera Insurance)). From this date onwards, the target capital will stand at a rate of 115% and 108% of the required solvency ratio, respectively. In October 2020, Shomera Insurance updated the target capital for the purpose of dividend distribution, such that it will increase gradually until reaching 110% at the end of the adjustment period in 2024 (instead of 108%), and in November 2021, Shomera Insurance updated the target capital once again to 113% instead of 110%, such that it will increase every year by 2.1% through the end of the adjustment period in 2024. In November 2023, Menora Insurance updated the target capital, such that as from the end of 2024 the target capital will increase linearly from 115% as stated above to 130% in 2032. As of December 31, 2022, the target capital stands at approx. 113.6% and approx. 108.8% in Menora Insurance and Shomera Insurance, respectively, and as of December 31, 2023 (according to the gradual increase as stated above) the capital target stands at approx. 114.3% and approx. 110.9%, respectively. It is hereby clarified that there is no certainty that the Consolidated Insurance Companies will meet this solvency ratio at each point in time.

Menora Mivtachim Pension and Provident Funds Ltd. (hereinafter - “**Mivtachim Pension and Provident**”) and Menora Mivtachim and The Association of Engineers Provident Funds Management Ltd. (hereinafter - “**Menora Engineers**”) are required to comply with the Supervision of Financial Services Supervision Regulations (Provident Funds) (Minimum Capital Required from a Provident Fund or a Pension Fund’s Management Company), 2012, and the Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment No. 2), 2012.

2. Solvency II-based economic solvency regime applicable to the Consolidated Insurance Companies

The Consolidated Insurance Companies are 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 “**Solvency Circular**”).

Risk-based solvency ratio

A risk-based solvency ratio is calculated as the ratio between the economic shareholders’ equity of the insurance company and the solvency capital requirement. The economic shareholders’ equity is determined as the sum of the economic balance sheet (see below) and debt instruments that include loss absorption mechanisms (Additional Tier 1 capital and a 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 shareholders’ equity’s exposure to a series of scenarios set out in the Solvency Circular, and which reflect insurance risks, market risks and credit risks as well as operating risks.

The Solvency Circular includes, among other things, Transitional Provisions in connection with compliance with capital requirements, as follows:

NOTE 15 – EQUITY AND CAPITAL REQUIREMENTS (cont.)

- G. Capital policy and requirements (cont.)
2. Solvency II-based economic solvency regime applicable to the Consolidated Insurance Companies (cont.)
- a) Selecting one of the following alternatives as from the Solvency Ratio Report as of December 31, 2019:
- 1) Gradual transition to the required capital until 2024, such that the required capital shall increase gradually by 5% per year, starting with 60% of the SCR up to the full SCR amount. The required capital as of December 31, 2023 - 95% of the SCR amount (as of December 31, 2022 - 90%); it should be noted that this was the only alternative through the Solvency Ratio Report as of December 31, 2019.
 - 2) Increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the Solvency Circular (hereinafter - the "**Deduction**"). The Deduction will decrease gradually until 2032 (hereinafter - the "**Transitional Period**").
- Shomera Insurance selected the first alternative.
- The calculation method of the second alternative in the calculation as of December 31, 2022 replaces the first alternative for the Transitional Period, that was implemented in the calculation of Menora Insurance's solvency ratio in previous periods, after receiving the Commissioner's approval.
- 3) A reduced capital requirement, that will increase gradually until 2023, in respect of certain investment types.

Disclosure and Reporting Provisions in connection with Economic Solvency Ratio Report for 2019 and Thereafter

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. The consolidated insurance companies published the Solvency Ratio Report as of June 30, 2023 along with the publication of the Consolidated Interim Financial Statements as of September 30, 2023.

NOTE 15 – EQUITY AND CAPITAL REQUIREMENTS (cont.)

G. Capital policy and requirements (cont.)

2. Solvency II-based economic solvency regime applicable to the Consolidated Insurance Companies (cont.)

Solvency ratio of the Consolidated Insurance Companies

According to the Solvency Ratio Reports as of June 30, 2023, which were published on November 29, 2023, Menora Insurance and Shomera Insurance (hereinafter - the "**Consolidated Insurance Companies**") have excess capital without applying the Transitional Provisions.

The calculation carried out by Consolidated Insurance Companies as stated above was reviewed by the Consolidated Insurance Companies' independent auditors in accordance with the principles of International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard is relevant for the execution of the engagement to assess whether the Consolidated Insurance Companies' solvency calculations as of June 30, 2023, comply, in all material respects, with the Commissioner's Directives, and are not part of the auditing or review standards that apply to financial statements. It should be emphasized that the projections and assumptions on the basis of which the Economic Solvency Ratio Report was prepared are based mainly on past experience as arising from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The calculation is sometimes based on assumptions regarding future events, steps taken by management, and the pattern of the future development of the risk margin, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the calculation. Furthermore, actual results may substantively 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 Amount During the Transitional Period as of June 30, 2023, except for implementing all the work procedures specified in the report regarding the Deduction amount does not exceed the expected discounted amount of the risk margin and the solvency capital requirement in respect of life and health insurance risks arising from existing businesses during the Transitional Period in accordance with the pattern of future development of the required capital, which affects both the calculation of the expected capital release and the release of the expected risk margin as described in the provisions on calculation of risk margin.

Furthermore, attention is drawn to what is stated in the economic solvency ratio reports 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 3 to the Report of the Board of Directors.

3. Solvency ratio for the purpose of dividend distribution by the Consolidated Insurance Companies

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 Solvency Circular) of at least 100%, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors. In addition, the letter set out provisions for reporting to the Commissioner.

The Consolidated Insurance Companies' calculation as of June 30, 2023, which is based on the investments mix and the insurance liabilities as of the calculation date, and taking into account equity transactions after the calculation date, reflects an economic solvency ratio, which is higher than the solvency ratio required according to the Letter.

NOTE 15 – EQUITY AND CAPITAL REQUIREMENTS (cont.)**G. Capital policy and requirements (cont.)****4. Own Risk and Solvency Assessment of an Insurance Company (ORSA)**

According to the provisions of the Consolidated Circular - "Reporting to the Commissioner of Capital Market" - Own Risk and Solvency Assessment of an Insurance Company (ORSA) (hereinafter - the "**Circular**"), 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 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. Following the outbreak of the Swords of Iron War, on October 23, 2023, the Commissioner published the Commissioner of the Capital Market, Insurance and Savings Authority's Emergency Directives (hereinafter - the "**Emergency Directives**"). As part of the Emergency Directives, the Commissioner postponed the report in respect of forward-looking valuation, scenarios and sensitivity analyses to January 1, 2025. In addition, in accordance with the Consolidated Insurance Companies' circular, they delivered the requisite report in respect of a summary of results, status of business and interactions, risk exposure, assessment of solvency and capital requirement to the Commissioner by the end of February 2024.

5. Following are data regarding Mivtachim Pension and Provident's required and existing capital in accordance with the Supervision of Financial Services Regulations (Provident Funds) (Minimum Capital Required from a Provident Fund or a Pension Fund's Management Company), 2012, and the Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment No. 2), 2012 (hereinafter - the "**Capital Regulations**") and the Commissioner's directives:

	As of December 31	
	2023	2022
	NIS thousand	
The amount required according with the Capital Regulations of management companies	275,154	247,351
Existing shareholders' equity	699,805	646,019
Surplus	424,651	398,668
The required amount includes capital requirements in respect of:		
Total assets under management	138,305	120,152
Annual expenses	137,609	127,949
Expedients according to the Commissioner's circular	(760)	(750)
	275,154	247,351

NOTE 15 – EQUITY AND CAPITAL REQUIREMENTS (cont.)G. Capital policy and requirements (cont.)

5. (cont.)

In March 2021, the Mivtachim Pension and Provident Board of Directors decided to adopt a dividend distribution policy as follows: subject to the provisions of any law, including compliance with the distribution tests set forth in the Companies Law, and provisions issued from time to time by the Commissioner: (i) Mivtachim Pension and Provident shall distribute a dividend in each of the years 2021 and 2022 in an amount that shall be no less than the amount distributed by it during 2020, subject to the fact that on the distribution date liquid assets shall remain in the Company in the amount of at least NIS 20 million beyond the amount required from Mivtachim Pension and Provident according to the capital requirements rules applying to it, and (ii) commencing from 2023, each calendar year, Mivtachim Pension and Provident shall distribute a dividend amounting to at least 70% of Mivtachim Pension and Provident's annual distributable income, subject to the fact that on the distribution date liquid assets shall remain in the Company in the amount of: (a) In 2023, at least NIS 20 million beyond the amount required from Mivtachim Pension and Provident according to the capital requirements rules applying to it and (b) commencing from 2024 and thereafter, at least NIS 30 million beyond the amount required from Mivtachim Pension and Provident according to the capital requirements rules applying to it, and all (both in relation to what is set forth in paragraph (i) and in paragraph (ii)) subject to the needs of Mivtachim Pension and Provident as they shall be from time to time, such as (a) In order to comply with the provisions of any law applying to Mivtachim Pension and Provident, (b) For the purpose of Mivtachim Pension and Provident's ability to meet its commitments (including financial covenants of Mivtachim Pension and Provident) as they shall be from time to time and also (c) For the development of Mivtachim Pension and Provident's business operations, among others, pursuant to the budget plan and/or the business plan of Mivtachim Pension and Provident.

6. The capital requirement in Menora Engineers stands at NIS 10 million. As of December 31, 2023, the shareholders' equity of Menora Engineers amounts to approx. NIS 11.3 million, and the surplus capital amounts to approx. NIS 1.3 million. Subsequent to the reporting date, on March 19, 2024, the Board of Directors of Menora Engineers declared the distribution of approx. NIS 0.8 million in dividend to the shareholders. The dividend was paid on March 20, 2024.
7. ERN and Mimun Click, which hold an expanded license for the provision of credit from the Capital Markets Authority, have minimum equity requirements amounting to approx. NIS 4 million. As of the report date, the companies have complied with the requirements. Furthermore, in August 2023, the Capital Market, Insurance and Savings Authority published a circular on the subject of additional equity and liquidity requirements for financial service providers. As of the report date, ERN has complied with the requirements of this circular.
8. On May 29, 2023, the Board of Directors of Mivtachim Pension and Provident declared the distribution of a NIS 50 million dividend (of which NIS 45 million for the Company). The dividend was paid on April May 30, 2023.
9. On November 28, 2023, the Board of Directors of Mivtachim Pension and Provident declared the distribution of a NIS 50 million dividend (of which NIS 45 million for the Company). The dividend was paid on November 29, 2023.
10. During the course of the reporting year, ERN distributed a dividend amounting to NIS 13 million, approx. NIS 9 million of which were distributed to the Company.
11. For further details regarding dividends distributed to the Company by the consolidated companies subsequent to the reporting date, see Note 41F.

NOTE 16 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND NON-YIELD-DEPENDENT INVESTMENT CONTRACTS

	December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
			NIS thousand			
Life insurance and long-term savings:						
Insurance contracts	7,358,751	7,214,506	165,667	160,291	7,193,084	7,054,215
Investment contracts	<u>5,065,602</u>	<u>4,992,631</u>	<u>-</u>	<u>-</u>	<u>5,065,602</u>	<u>4,992,631</u>
	12,424,353	12,207,137	165,667	160,291	12,258,686	12,046,846
Less amounts deposited to the Company as part of a defined benefit plan for the Group's employees	<u>(6,553)</u>	<u>(6,618)</u>	<u>-</u>	<u>-</u>	<u>(6,553)</u>	<u>(6,618)</u>
Total life insurance and long-term savings	12,417,800	12,200,519	165,667	160,291	12,252,133	12,040,228
Insurance contracts included in the health insurance segment	2,486,203	2,112,279	864,641	740,662	1,621,562	1,371,617
Insurance contracts included in the property and casualty subsegment	<u>7,492,646</u>	<u>7,520,356</u>	<u>2,500,586</u>	<u>2,455,477</u>	<u>4,992,060</u>	<u>5,064,879</u>
Total liabilities in respect of insurance contracts and non-yield-dependent investment contracts	<u>22,396,649</u>	<u>21,833,154</u>	<u>3,530,894</u>	<u>3,356,430</u>	<u>18,865,755</u>	<u>18,476,724</u>

NOTE 17 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND YIELD-DEPENDENT INVESTMENT CONTRACTS

	December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
			In NIS thousand			
Life insurance and long-term savings:						
Insurance contracts	26,482,418	25,507,779	37,025	36,545	26,445,393	25,471,234
Investment contracts	4,836,939	4,874,450	-	-	4,836,939	4,874,450
	31,319,357	30,382,229	37,025	36,545	31,282,332	30,345,684
Less amounts deposited to the Company as part of a defined benefit plan for the Group's employees	(61,474)	(60,852)	-	-	(61,474)	(60,852)
Total life insurance and long-term savings	31,257,883	30,321,377	37,025	36,545	31,220,858	30,284,832
Insurance contracts included in the health segment	1,801,603	1,473,553	60,594	44,018	1,741,009	1,429,535
Total liabilities in respect of insurance contracts and yield-dependent investment contracts	33,059,486	31,794,930	97,619	80,563	32,961,867	31,714,367

In yield-dependent insurance and investment contracts, the insurance benefits payable to the beneficiary are dependent on or linked to the yield on certain investments of Menora Insurance, net of management fees. These contracts include, among other things, bonus-malus insurance plans in which the policyholder is credited/debited in accordance with the investment results of Menora Insurance's yield-dependent policies portfolio. In non-yield-dependent insurance contracts, the insurance benefits to which the policyholder is entitled are not dependent on the profit or loss from investments made by Menora Insurance.

The distinction between yield-dependent contracts and non-yield-dependent contracts is made at the individual coverage level, such that there are insurance policies with several coverages, some of which are yield-dependent contracts and some are non-yield-dependent contracts.

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT

A1. Liabilities in respect of insurance contracts included in the property and casualty segment by type:

	December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
	NIS thousand					
<u>Compulsory motor subsegment</u>						
Provision for unearned premium reserve	298,056	380,779	3,745	62,575	294,311	318,204
Contingent claims	2,980,949	3,069,521	510,651	557,596	2,470,298	2,511,925
Total compulsory motor subsegment (see C3 and C4 below)	3,279,005	3,450,300	514,396	620,171	2,764,609	2,830,129
<u>Liability subsegments</u>						
Provision for unearned premium reserve	316,544	326,935	213,341	236,898	103,203	90,037
Provision for premium deficiency	8,840	20,020	2,047	4,867	6,793	15,153
Contingent claims	1,697,551	1,572,796	931,515	734,091	766,036	838,705
Total for liability subsegments	2,022,935	1,919,751	1,146,903	975,856	876,032	943,895
Total compulsory motor and liability subsegments (see C1 and C2 below)	5,301,940	5,370,051	1,661,299	1,596,027	3,640,641	3,774,024
<u>Property and other subsegments</u>						
Provision for unearned premium reserve	1,246,556	1,139,376	412,860	423,795	833,696	715,581
Provision for premium deficiency	3,311	86,034	-	(123)	3,311	86,157
Contingent claims	940,839	924,895	426,427	435,778	514,412	489,117
Total property and other subsegments (see B below)	2,190,706	2,150,305	839,287	859,450	1,351,419	1,290,855
Total liabilities in respect of insurance contracts included in the property and casualty insurance segment	7,492,646	7,520,356	2,500,586	2,455,477	4,992,060	5,064,879
<u>Deferred acquisition costs:</u>						
Compulsory motor subsegments	31,443	41,011	748	15,038	30,695	25,973
Liability subsegments	37,296	34,040	17,045	14,773	20,251	19,267
Property and other subsegments	232,303	213,963	56,451	50,793	175,852	163,170
Total deferred acquisition costs	301,042	289,014	74,244	80,604	226,798	208,410
Liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs:						
Compulsory motor subsegments	3,247,562	3,409,289	513,648	605,133	2,733,914	2,804,156
Liability subsegments	1,985,639	1,885,711	1,129,858	961,083	855,781	924,628
Property and other subsegments	1,958,403	1,936,342	782,836	808,657	1,175,567	1,127,685
	7,191,604	7,231,342	2,426,342	2,374,873	4,765,262	4,856,469

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

A2. Insurance liabilities in respect of insurance contracts included in the property and casualty segment by calculation methods:

	December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
	NIS thousand					
<u>Actuarial assessments:</u>						
Mr. Jacob Mauser	5,258,831	5,317,493	1,802,319	1,660,326	3,456,512	3,657,16
Ms. Anna Semenova	38,143	-	30,680	-	7,463	7
Ms. Katerina Resnik	-	40,386	-	32,910	-	-
Mr. Nir Haramati	334,516	315,682	37,641	39,207	296,875	7,476
						276,475
						3,941,11
Total actuarial assessments	5,631,490	5,673,561	1,870,640	1,732,443	3,760,850	8
<u>Provisions based</u>						
<u>on other estimates:</u>						
Claims Department's estimates in respect of known contingent claims	-	(294)	-	(238)	-	(56)
Provision for unearned premium reserve	1,861,156	1,847,089	629,946	723,272	1,231,210	1,123,81
						7
	1,861,156	1,846,795	629,946	723,034	1,231,210	1,123,76
						1
Total liabilities in respect of insurance contracts included in the property and casualty insurance segment	7,492,646	7,520,356	2,500,586	2,455,477	4,992,060	5,064,87
						9

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

B. Change in liabilities in respect of insurance contracts included in the property and casualty segment, net of deferred acquisition costs:

1. Compulsory motor and liability subsegments

	For the year ended December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
	NIS thousand					
Balance at beginning of year	5,295,000	5,441,840	1,566,216	1,469,079	3,728,784	3,972,761
Ultimate cost of claims in respect of current underwriting year	1,105,729	1,224,771	301,530	417,303	804,199	807,468
Change in balances at beginning of year as a result of linkage to the CPI and investment income in accordance with the discount assumption implicit in the liabilities	148,669	38,582	27,661	(13,666)	121,008	52,248
Change in the estimated cumulative cost of claims in respect of previous underwriting years	(298,059)	(581,725)	(70,563)	(163,692)	(227,496)	(418,033)
Total change in ultimate cost of claims	956,339	681,628	258,628	239,945	697,711	441,683
Payments to settle claims during the year:						
In respect of current underwriting year	6,587	6,404	1,313	1,504	5,274	4,900
In respect of previous underwriting years	1,011,551	822,064	180,025	141,304	831,526	680,760
Total payments for the period	1,018,138	828,468	181,338	142,808	836,800	685,660
Balance at end of year	5,233,201	5,295,000	1,643,506	1,566,216	3,589,695	3,728,784

1. The opening and closing balances include: contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims is: the balance of contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs plus total payments in respect of claims including direct and indirect expenses associated with the settlement of claims.
3. The payments include indirect costs associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the relevant underwriting year.
4. The change in the estimated cost of claims in respect of previous underwriting years includes the effect of the Discounting Regulations (see Note 6.38)B4.
5. The change in the balances at the beginning of the year includes the effect of the change in the discounting of insurance liabilities and the change in the fair value of assets backing the insurance liabilities.

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

B. Movement in liabilities in respect of insurance contracts included in the property and casualty subsegment, net of deferred acquisition costs: (cont.)

2. Property and other subsegments

	December 31					
	2023	2022	2023	2022	2023	2022
	Gross		Reinsurance		Retention	
	NIS thousand					
Balance at beginning of year	1,936,34	1,700,93				
	2	6	808,657	714,964	1,127,685	985,972
Ultimate cost of claims in respect of events in the reporting year	1,587,33	1,765,83				
	0	0	275,745	451,641	1,311,585	1,314,189
Change in the ultimate cost of claims in respect of events prior to the reporting year	(16,346)	(20,230)	55,173	41,736	(71,519)	(61,966)
	1,570,98	1,745,60				
	4	0	330,918	493,377	1,240,066	1,252,223
Payments to settle claims during the year:						
In respect of events in the reporting year	1,016,32	1,081,24				
	8	5	115,798	210,807	900,530	870,438
In respect of events prior to the reporting year	574,063	567,200	224,468	282,990	349,595	284,210
	1,590,39	1,648,44				
Total payments	1	5	340,266	493,797	1,250,125	1,154,648
Change in provision for unearned premium reserve reserve, net of deferred acquisition costs	88,847	140,498	(16,594)	91,320	105,441	49,178
Change in provision for premium deficiency	(47,379)	(2,247)	121	2,793	(47,500)	(5,040)
	1,958,40	1,936,34				
Balance at end of year	3	2	782,836	808,657	1,175,567	1,127,685

1. The opening and closing balances include: contingent claims, with the addition of a provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims in respect of events in the reporting year includes the balance of contingent claims as of the end of the reported year plus total payments in respect of claims in the reporting period, including direct and indirect expenses associated with the settlement of claims.
3. Payments to settle claims during the year include payments in respect of events prior to the reporting year plus the change in the balance of contingent claims in respect of events prior to the reporting year.
4. Payments to settle claims include direct and indirect expenses associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the damage years.

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C1. Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor and liability insurance subsegments as of December 31, 2023

Underwriting year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
NIS thousand, adjusted to the November 2023 CPI *)											
Claims paid (cumulative) as of the end of the year:											
After the first year	11,760	9,810	10,505	8,968	9,992	10,324	4,678	7,215	6,591	6,587	
After two years	78,716	76,372	75,331	70,779	67,035	69,315	62,298	57,356	59,040		
After three years	213,096	218,956	231,339	228,451	190,029	194,483	174,647	185,312			
After four years	379,835	384,553	384,475	384,961	318,815	327,759	298,703				
After five years	510,674	531,964	555,872	511,782	418,722	459,238					
After six years	602,200	643,255	658,002	601,646	528,917						
After seven years	688,963	739,144	748,593	732,102							
After eight years	778,601	861,787	896,222								
After nine years	840,365	927,550									
After ten years	889,588										
Estimated cumulative claims (including payments) as of the end of the year: **)											
After the first year	1,148,345	1,070,429	1,233,869	1,172,532	1,135,581	1,152,039	1,201,064	1,281,894	1,221,627	1,063,276	
After two years	1,095,976	1,170,089	1,212,010	1,155,422	1,078,543	1,093,295	1,166,654	1,108,608	1,160,575		
After three years	1,132,557	1,201,167	1,240,895	1,128,277	1,046,238	1,119,119	1,008,543	1,030,936			
After four years	1,093,887	1,151,922	1,155,442	1,043,835	983,298	992,886	1,025,656				
After five years	1,075,475	1,105,442	1,140,504	1,025,804	890,400	936,457					
After six years	1,025,310	1,082,578	1,132,205	959,669	838,502						
After seven years	1,002,234	1,064,912	1,078,764	945,966							
After eight years	989,342	1,043,352	1,080,129								
After nine years	973,711	1,042,441									
After ten years	966,875										
Surplus (deficit) relating to the first year that does not involve accrual ***)	129,101	27,988	153,740	226,566	297,079	215,582	175,408	250,958	61,052	-	1,537,474
Deviation rate in respect of the first year that does not involve accrual, in %	11.78%	2.61%	12.46%	19.32%	26.16%	18.71%	14.60%	19.58%	5.00%	-	14.41%
Cumulative cost of claims, as of December 31, 2023, before the effect of changes in reserves	966,875	1,042,441	1,080,129	945,966	838,502	936,457	1,025,656	1,030,936	1,160,575	1,063,276	10,090,813
Aggregate payments through December 31, 2023	889,588	927,550	896,222	732,102	528,917	459,238	298,703	185,312	59,040	6,587	4,983,259
Total insurance liabilities	77,287	114,891	183,907	213,864	309,585	477,219	726,953	845,624	1,101,535	1,056,689	5,107,554
Contingent claims for the years up to and including 2013											125,647
Total insurance liabilities as of December 31, 2023											5,233,201

*) The estimated ultimate claims include the reserve for unearned premium net of deferred acquisition costs.

**) Accrual was calculated up to and including December 2014. The gap between the assessed ultimate claims as of the first year, which does not include the accrual, and the assessed ultimate claims, arises mainly from changes in insurance reserves in property and casualty.

***) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C2. Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, own retention, in the compulsory motor and liability insurance subsegments as of December 31, 2023:

Underwriting year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
NIS thousand, adjusted to the November 2023 CPI *)											
Claims paid (cumulative) as of the end of the year:											
After the first year	10,903	8,756	9,608	7,566	5,660	9,071	3,527	4,926	5,057	5,274	
After two years	75,982	73,632	72,687	61,034	48,971	53,893	39,885	43,638	45,254		
After three years	209,603	214,895	226,897	193,823	145,682	153,451	126,635	145,083			
After four years	367,262	377,159	377,398	323,054	244,598	255,558	217,131				
After five years	498,113	511,282	541,251	426,575	322,629	357,857					
After six years	588,206	620,972	642,204	499,504	409,620						
After seven years	669,939	712,894	729,676	611,672							
After eight years	755,732	829,337	872,383								
After nine years	815,270	894,315									
After ten years	858,677										
Estimated cumulative claims (including payments) as of the end of the year: **)											
After the first year	1,032,270	971,963	1,132,204	939,994	847,051	834,916	784,231	842,999	806,265	775,651	
After two years	995,161	1,064,005	1,097,752	917,326	800,999	779,352	748,238	723,447	757,873		
After three years	1,019,768	1,102,839	1,137,497	902,844	765,617	794,670	671,362	702,118			
After four years	1,021,863	1,077,615	1,101,971	859,385	731,041	714,322	666,351				
After five years	1,014,575	1,047,351	1,082,413	845,494	657,170	668,267					
After six years	977,457	1,033,368	1,069,189	796,073	618,142						
After seven years	958,316	1,018,482	1,018,137	777,798							
After eight years	947,279	1,001,084	1,014,530								
After nine years	934,134	1,001,085									
After ten years	929,783										
Surplus (deficit) relating to the first year that does not involve accrual ***)	65,378	(29,122)	117,674	162,196	228,909	166,649	117,880	140,881	48,392	-	1,018,837
Deviation rate in respect of the first year that does not involve accrual, in %	6.57%	(3.00%)	10.39%	17.26%	27.02%	19.96%	15.03%	16.71%	6.00%	-	12.31%
Cumulative cost of claims, as of December 31, 2023, before the effect of changes in reserves	929,783	1,001,085	1,014,530	777,798	618,142	668,267	666,351	702,118	757,873	775,651	7,911,598
Aggregate payments through December 31, 2023	858,677	894,315	872,383	611,672	409,620	357,857	217,131	145,083	45,254	5,274	4,417,266
Total insurance liabilities	71,106	106,770	142,147	166,126	208,522	310,410	449,220	557,035	712,619	770,377	3,494,332
Contingent claims for the years up to and including 2013											95,363
Total insurance liabilities as of December 31, 2023											3,589,695

*) The estimated ultimate claims include the reserve for unearned premium net of deferred acquisition costs.

**) Accrual was calculated up to and including December 2014. The gap between the assessed ultimate claims as of the first year, which does not include the accrual, and the assessed ultimate claims, arises mainly from changes in insurance reserves in property and casualty.

***) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C3. Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor insurance subsegments as of December 31, 2023:

Underwriting year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	NIS thousand, adjusted to the November 2023 CPI *)										
Claims paid (cumulative) as of the end of the year:											
After the first year	7,845	5,507	5,670	5,065	6,089	6,202	2,864	4,039	3,793	3,982	
After two years	63,834	59,255	61,241	52,629	50,688	55,178	38,838	44,630	45,098		
After three years	177,458	184,862	201,804	186,965	158,141	164,909	133,972	156,878			
After four years	310,953	328,538	336,289	321,535	268,672	279,700	232,750				
After five years	414,604	45,819	474,505	418,379	351,265	393,389					
After six years	485,029	535,506	557,362	492,237	444,084	-					
After seven years	550,808	607,921	635,447	599,628							
After eight years	620,503	711,246	767,248								
After nine years	664,775	765,466									
After ten years	696,177										
Estimated cumulative claims (including payments) as of the end of the year:											
After the first year **)	810,851	770,730	915,788	857,468	839,665	806,191	776,469	820,519	767,471	654,665	
After two years	771,979	854,075	901,600	847,656	786,836	746,384	759,797	721,922	749,062		
After three years	804,520	875,103	937,695	819,738	764,430	790,151	675,526	705,427			
After four years	800,997	872,024	913,304	801,795	742,682	706,834	664,823				
After five years	787,077	837,610	898,091	779,756	666,882	665,230					
After six years	758,082	833,384	896,612	743,543	630,222						
After seven years	745,839	830,836	873,170	745,679							
After eight years	749,311	827,197	880,447								
After nine years	743,529	833,231									
After ten years	744,097										
Surplus (deficit) relating to the first year that does not involve accrual ***)	27,882	(62,501)	35,341	111,789	209,443	140,961	111,646	115,092	18,409	-	708,062
Deviation rate in respect of the first year that does not involve accrual, in %	3.61%	(8.11%)	3.86%	13.04%	24.94%	17.48%	14.38%	14.03%	2.40%	-	9.51%
Cumulative cost of claims, as of December 31, 2023, before the effect of changes in reserves	744,097	833,231	880,447	745,679	630,222	665,230	664,823	705,427	749,062	654,665	7,272,883
Aggregate payments through December 31, 2023	696,177	765,466	767,248	599,628	444,084	393,389	232,750	156,878	45,098	3,982	4,104,700
Total insurance liabilities	47,920	67,765	113,199	146,051	186,138	271,841	432,073	548,549	703,964	650,683	3,168,183
Contingent claims for the years up to and including 2013											79,379
Total insurance liabilities as of December 31, 2023											3,247,562

*) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

**) Accrual was calculated up to and including December 2014. The gap between the assessed ultimate claims as of the first year, which does not include the accrual, and the assessed ultimate claims, arises mainly from changes in insurance reserves in property and casualty.

***) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C4. Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, own retention, in the compulsory motor insurance subsegments as of December 31, 2023:

Underwriting year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	NIS thousand, adjusted to the November 2023 CPI *)										
Claims paid (cumulative) as of the end of the year:											
After the first year	7,845	5,507	5,670	4,711	5,652	5,654	2,518	3,467	3,246	3,971	
After two years	63,834	59,255	61,101	47,660	43,372	45,770	33,886	37,805	38,771		
After three years	177,458	184,862	201,242	167,331	130,685	136,749	113,661	31,610			
After four years	305,709	328,136	335,540	282,250	218,348	228,351	193,837				
After five years	411,394	441,998	473,711	365,643	285,125	319,154					
After six years	481,819	531,552	556,203	428,803	361,185	-					
After seven years	547,596	603,967	632,279	524,718							
After eight years	617,291	704,220	760,703								
After nine years	660,133	758,440									
After ten years	690,419										
Estimated cumulative claims (including payments) as of the end of the year:											
After the first year **)	795,156	759,233	897,745	719,792	654,973	629,250	604,728	665,601	640,337	631,602	
After two years	754,061	829,752	869,726	703,024	613,181	579,214	584,635	590,740	621,237		
After three years	779,040	852,957	909,369	687,296	590,698	608,162	537,170	578,991			
After four years	777,518	845,763	896,596	674,027	568,992	556,573	533,047				
After five years	771,127	823,147	881,781	661,290	518,634	529,958					
After six years	749,275	822,381	877,503	641,139	495,598						
After seven years	736,877	822,534	856,391	637,659							
After eight years	740,737	820,167	860,386								
After nine years	736,830	826,204									
After ten years	737,964										
Surplus (deficit) relating to the first year that does not involve accrual ***)	16,097	(66,971)	37,359	82,133	159,375	99,292	71,681	86,610	19,100	-	504,676
Deviation rate in respect of the first year that does not involve accrual, in %	2.13%	(8.82%)	4.16%	11.41%	24.33%	15.78%	11.85%	13.01%	2.98%	-	7.87%
Cumulative cost of claims, as of December 31, 2023, before the effect of changes in reserves	737,964	826,204	860,386	637,659	495,598	529,958	533,047	578,991	621,237	631,602	6,452,646
Aggregate payments through December 31, 2023	690,419	758,440	760,703	524,718	361,185	319,154	193,837	131,610	38,771	3,971	3,782,808
Total insurance liabilities	47,545	67,764	99,683	112,941	134,413	210,804	339,210	447,381	582,466	627,631	2,669,838
Contingent claims for the years up to and including 2013											64,076
Total insurance liabilities as of December 31, 2023											2,733,914

*) The estimated ultimate claims include the unearned reserve net of deferred acquisition costs.

**) Accrual was calculated up to and including December 2014. The gap between the assessed ultimate claims as of the first year, which does not include the accrual, and the assessed ultimate claims, arises mainly from changes in insurance reserves in property and casualty.

***) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C5. Aggregate data regarding underwriting years in the compulsory motor insurance subsegment:

For the year ended December 31, 2023:

	Underwriting year						
	2023	2022	2021	2020	2019	2018	2017
	NIS thousand						
Gross premiums	<u>750,508</u>	<u>792,462</u>	<u>727,471</u>	<u>722,184</u>	<u>743,505</u>	<u>775,385</u>	<u>815,256</u>
Comprehensive income (loss) - retention - in respect of the underwriting year *)	<u>5,798</u>	<u>(27,758)</u>	<u>(21,229)</u>	<u>36,904</u>	<u>73,369</u>	<u>116,090</u>	<u>76,672</u>
Effect of investment income on accumulated comprehensive income - retention - in respect of underwriting year	<u>13,773</u>	<u>29,158</u>	<u>42,278</u>	<u>58,595</u>	<u>62,405</u>	<u>64,080</u>	<u>80,452</u>

C6. Aggregate data regarding underwriting years in the other liability insurance subsegment:

For the year ended December 31, 2023:

	Underwriting year						
	2023	2022	2021	2020	2019	2018	2017
	NIS thousand						
Gross premiums	<u>558,694</u>	<u>580,998</u>	<u>522,435</u>	<u>459,870</u>	<u>367,786</u>	<u>322,439</u>	<u>329,800</u>
Comprehensive income - retention - in respect of the underwriting year *)	<u>39,390</u>	<u>21,108</u>	<u>23,839</u>	<u>15,237</u>	<u>34,849</u>	<u>40,794</u>	<u>37,937</u>
Effect of investment income on accumulated comprehensive income - retention - in respect of underwriting year	<u>20,625</u>	<u>13,155</u>	<u>19,507</u>	<u>18,700</u>	<u>21,198</u>	<u>25,112</u>	<u>29,853</u>

*) The accumulated profit (loss) for the underwriting years includes the profit (loss) for operation not included in the reserves' calculation.

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C7. Composition of income (loss) - retention - in the compulsory motor insurance subsegment:

	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income in respect of previous underwriting years	Comprehensive income (loss) in respect of current underwriting year	Comprehensiv e income in respect of previous underwriting years
	Gross		Retention	
	NIS thousand			
For the year ended December 31:				
2023	7,478	87,538	5,689	75,014
2022	(43,300)	237,925	(35,659)	163,234
2021	(102,675)	110,629	(73,580)	133,386

C8. Composition of comprehensive income (loss) - retention - in the other liability insurance subsegment:

	Comprehensive income (loss) in respect of current underwriting year	Comprehensive income in respect of previous underwriting years	Comprehensive income (loss) in respect of current underwriting year	Comprehensiv e income in respect of previous underwriting years
	Gross		Retention	
	NIS thousand			
For the year ended December 31:				
2023	82,872	163,300	39,343	130,116
2022	47,003	285,293	(7,204)	173,522
2021	(3,898)	157,390	(21,906)	136,066

NOTE 19 – ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG-TERM SAVINGS SEGMENTS

A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposure

Data as at December 31, 2023		Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component		Liabilities for planholders of guaranteed return provident fund tracks	Total
		Until 1990 *)	Until 2003	from 2004		Risk insurance sold as a single policy			
				Non-yield-dependent	Yield-dependent	Individual	Collective		
(a)	By insurance exposure:								
	Liabilities in respect of insurance contracts:								
	Annuity without guaranteed coefficients	-	-	-	2,318,511	-	-	-	2,318,511
	Annuity with guaranteed coefficients:								
	Until May 2001	2,107,008	7,111,693	-	-	-	-	-	9,218,701
	From June 2001	-	1,798,444	-	8,039,104	-	-	-	9,837,548
	Annuity paid	956,629	1,143,074	1,162,672	1,973,069	-	-	-	5,235,444
	Equity (without an option for annuity)	1,327,934	2,619,028	-	636,678	-	-	-	4,583,640
	Supplementary reserve for pension **)	310,164	607,421	-	2,968	-	-	-	920,553
	Other risk-weighted components	47,776	329,682	-	472,148	742,404	134,762	-	1,726,772
	Total in respect of insurance contracts	4,749,511	13,609,342	1,162,672	13,442,478	742,404	134,762	-	33,841,169
	Liabilities in respect of investment contracts:								
	In life insurance	2,301	1,779	-	4,835,160	-	-	-	4,839,240
	For planholders of guaranteed return provident funds tracks	-	-	-	-	-	-	5,063,301	5,063,301
	Total in respect of investment contracts	2,301	1,779	-	4,835,160	-	-	5,063,301	9,902,541
	Total	4,751,812	13,611,121	1,162,672	18,277,638	742,404	134,762	5,063,301	43,743,710
(b)	By financial exposure:								
	Non-yield-dependent	4,692,820	193,444	1,162,672	460,917	716,437	134,762	5,063,301	12,424,353
	Yield-dependent	58,992	13,417,677	-	17,816,721	25,967	-	-	31,319,357
	Total	4,751,812	13,611,121	1,162,672	18,277,638	742,404	134,762	5,063,301	43,743,710

*) Products issued until 1990 (including increases in respect thereof) which are mainly guaranteed-return policies and guaranteed-return provident funds are mainly backed by designated bonds and by Accountant General deposits.

**) In addition to the supplementary retirement pension reserve, which is included in the liabilities in respect of insurance contracts, there is a NIS 226,757 million reserve that will be carried to profit and loss over the remaining life of the policy until policyholders reach retirement age. For further details, see Note 38(6)(a)(1)(d).

NOTE 19 – ADDITIONAL DATA REGARDING THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENTS (cont.)

A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposures (cont.)

Data as at December 31, 2022		Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component		Liabilities for planholders of guaranteed return provident fund tracks	Total
						Risk insurance sold as a single policy			
		Until 1990 *)	Until 2003	Non-yield-dependent	Yield-dependent	Individual	Collective		
In NIS thousand									
(a)	By insurance exposure:								
	Liabilities in respect of insurance contracts:								
	Annuity without guaranteed coefficients	-	-	-	2,248,071	-	-	-	2,248,071
	Annuity with guaranteed coefficients:								
	Until May 2001	2,058,255	6,735,788	-	-	-	-	-	8,794,043
	From June 2001	-	1,753,581	-	7,959,472	-	-	-	9,713,053
	Annuity paid	872,882	992,444	1,191,663	1,652,446	-	-	-	4,709,435
	Equity (without an option for annuity)	1,366,405	2,708,486	-	633,967	-	-	-	4,708,858
	Supplementary reserve for pension **)	334,146	586,016	-	2,649	-	-	-	922,811
	Other risk-weighted components	51,800	316,906	-	464,519	660,832	131,956	-	1,626,013
			13,093,22						32,722,28
	Total in respect of insurance contracts	4,683,488	1	1,191,663	12,961,124	660,832	131,956	-	4
	Liabilities in respect of investment contracts:								
	In life insurance	2,129	1,849	189	4,872,602	-	-	-	4,876,769
	For planholders of guaranteed return provident funds tracks	-	-	-	-	-	-	4,990,313	4,990,313
	Total in respect of investment contracts	2,129	1,849	189	4,872,602	-	-	4,990,313	9,867,082
			13,095,07						42,589,36
	Total	4,685,617	0	1,191,852	17,833,726	660,832	131,956	4,990,313	6
(b)	By financial exposure:								
									12,207,137
	Non-yield-dependent	4,623,837	179,103	1,191,852	456,209	633,867	131,956	4,990,313	7
			12,915,96						30,382,229
	Yield-dependent	61,780	7	-	17,377,517	26,965	-	-	9
			13,095,07						42,589,36
	Total	4,685,617	0	1,191,852	17,833,726	660,832	131,956	4,990,313	6

- *) Products issued until 1990 (including increases in respect thereof) which are mainly guaranteed-return policies and guaranteed-return provident funds are mainly backed by designated bonds and by Accountant General deposits.
- **) In addition to the supplementary retirement pension reserve, which is included in the liabilities in respect of insurance contracts, there is a NIS 224,116 million reserve that will be carried to profit and loss over the remaining life of the policy until policyholders reach retirement age. For further details, see Note 38(6)(a)(1)(d).

NOTE 19 – ADDITIONAL DATA REGARDING THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENTS (cont.)

B. Breakdown of results by type of policy

Data for the year ended As of December 31, 2023	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component		Guarantee d return provident funds	Total
	Until 1990 (1)	Until 2003	from 2004		Risk insurance sold as a single policy			
			Non-yield- dependent	Yield- dependent	Individual	Collective		
			NIS thousand					
Gross premiums:								
Traditional/ mixed	7,498	12,821	-	-	-	-		20,319
Savings component	22,178	334,470	72,829	1,146,495	-	-		1,575,972
Other	3,108	78,035	-	134,974	722,005	41,265		979,387
Total	32,784	425,326	72,829	1,281,469	722,005	41,265		2,575,678
Financial margin including management fees (3)	(11,945)	80,206	57,918	149,226	-	-	(3,645)	271,760
Payments and change in liabilities in respect of insurance contracts, gross	329,340	1,464,998	104,248	2,225,734	429,926	44,767		4,599,013
Payments and change in liabilities for investment contracts	180	170	(156)	389,912	-	-	401,039	791,145
Profit (loss) from life insurance business	(75,651)	23,345	(28,414)	9,743	(9,329)	(5,301)		(85,607)
Offsets and adjustments	-	(543)	-	-	-	-		(543)
Profit (loss) from life insurance business after offsets and adjustments	(75,651)	22,802	(28,414)	9,743	(9,329)	(5,301)		(86,150)
Other comprehensive income (loss) from life insurance business	92,890	5,652	56,863	16,083	12,698	4,696		188,882
Comprehensive income (loss) from life insurance business	17,239	28,454	28,449	25,826	3,369	(605)		102,732
Comprehensive income from pension and provident								228,633
Total comprehensive income from life insurance and long-term savings								331,365
Proceeds in respect of investment contracts credited directly to insurance reserves	-	14	-	580,036	-	-		580,050
Annualized premium for insurance contracts - new business (2)	-	-	-	8,092	103,458	-		111,550
One-off premium for insurance contracts	148	2,197	72,829	484,010	-	-		559,184
Annualized premium for investment contracts - new business	-	-	-	8,866	-	-		8,866
One-off premium for investment contracts	-	-	-	446,538	-	-		446,538
Transfers to the Company in respect of insurance contracts and investment contracts (d)	-	-	-	119,325	-	-		119,325
Transfers from the Company in respect of insurance contracts and investment contracts (d)	23,884	377,799	-	1,165,421	-	-		1,567,104

NOTE 19 – ADDITIONAL DATA REGARDING THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENTS (cont.)

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

Data for the year ended

As of December 31, 2022

As of December 31, 2022	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component		Guaranteed return provident funds	Total
	Until 1990 (1)	Until 2003	from 2004		Risk insurance sold as a single policy			
			Non-yield-dependent	Yield-dependent	Individual	Collective		
Gross premiums:								
Traditional/ mixed	7,636	13,503	-	-	-	-		21,139
Savings component	23,175	345,563	165,474	1,121,605	-	-		1,655,817
Other	5,065	81,163	-	144,206	644,675	39,606		914,715
Total	35,876	440,229	165,474	1,265,811	644,675	39,606		2,591,671
Financial margin including management fees (3)	(224,817)	82,441	(114,496)	160,211	-	-	(36,042)	(132,703)
Payments and change in liabilities in respect of insurance contracts, gross	284,334	(639,694)	(14,688)	143,015	333,245	49,121		155,333
Payments and change in liabilities for investment contracts	180	(176)	53	(449,675)	-	-	476,238	26,620
Profit (loss) from life insurance business	(5,736)	(91,699)	170,113	1,488	19,186	(12,243)		81,109
Offsets and adjustments	-	586	-	-	-	-		586
Profit (loss) from life insurance business after offsets and adjustments	(5,736)	(91,113)	170,113	1,488	19,186	(12,243)		81,695
Other comprehensive loss from life insurance business	(67,228)	(2,996)	(43,889)	(10,086)	(6,278)	(3,209)		(133,686)
Comprehensive income (loss) from life insurance business	(72,964)	(94,109)	126,224	(8,598)	12,908	(15,452)		(51,991)
Comprehensive income from pension and provident								157,667
Total comprehensive income from life insurance and long-term savings								105,676
Proceeds in respect of investment contracts credited directly to insurance reserves	-	5	-	814,054	-	-		814,059
Annualized premium for insurance contracts - new business (2)	-	-	-	11,407	104,570	-		115,977
One-off premium for insurance contracts	170	1,403	165,474	366,477	-	-		533,524
Annualized premium for investment contracts - new business	-	-	-	8,228	-	-		8,228
One-off premium for investment contracts	-	-	-	664,572	-	-		664,572
Transfers to the Company in respect of insurance contracts and investment contracts (d)	-	-	-	154,080	-	-		154,080
Transfers from the Company in respect of insurance contracts and investment contracts (d)	25,293	348,673	-	1,034,616	-	-		1,408,582

NOTE 19 – ADDITIONAL DATA REGARDING THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENTS (cont.)

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

Data for the year ended December 31, 2021	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component		Guaranteed return provident funds	Total
	Until 1990 (1)	Until 2003	from 2004		Risk insurance sold as a single policy			
			Non-yield-dependent	Yield-dependent	Individual	Collective		
Gross premiums:								
Traditional/ mixed	9,889	14,841	-	-	-	-		24,730
Savings component	23,376	345,550	130,976	1,011,669	-	-		1,511,571
Other	4,995	85,343	-	144,677	564,764	34,357		834,136
Total	38,260	445,734	130,976	1,156,346	564,764	34,357		2,370,437
Financial margin including management fees (3)	52,115	303,690	33,090	175,595	-	-	7,509	571,999
Payments and change in liabilities in respect of insurance contracts, gross	322,969	2,269,841	197,808	2,725,476	307,401	51,008		5,874,503
Payments and change in liabilities for investment contracts	128	299	(924)	584,910	-	-	333,933	918,346
Profit (loss) from life insurance business	(11,056)	240,107	(11,964)	(3,123)	26,419	(15,211)		225,172
Offsets and adjustments	-	(1,051)	-	-	-	-		(1,051)
Profit (loss) from life insurance business after offsets and adjustments	(11,056)	239,056	(11,964)	(3,123)	26,419	(15,211)		224,121
Other comprehensive income (loss) from life insurance business	58,815	3,926	41,179	11,490	7,624	2,751		125,785
Comprehensive income (loss) from life insurance business	47,759	242,982	29,215	8,367	34,043	(12,460)		349,906
Comprehensive income from pension and provident								234,921
Total comprehensive income from life insurance and long-term savings								584,827
Proceeds in respect of investment contracts credited directly to insurance reserves	-	12	-	776,677	-	-		776,689
Annualized premium for insurance contracts - new business (2)	-	-	-	14,017	81,213	-		95,230
One-off premium for insurance contracts	46	2,436	130,976	212,984	-	-		346,442
Annualized premium for investment contracts - new business	-	-	-	13,075	-	-		13,075
One-off premium for investment contracts	-	-	-	610,823	-	-		610,823
Transfers to the Company in respect of insurance contracts and investment contracts (d)	-	-	-	125,492	-	-		125,492
Transfers from the Company in respect of insurance contracts and investment contracts (d)	127,743	256,823	-	962,095	-	-		1,346,661

NOTE 19 – ADDITIONAL DATA REGARDING THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENTS (cont.)**B. Breakdown of results by type of policy (cont.)**

Comments:

- (1) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
- (2) Enlargements of existing policies are not included as part of the annualized premium in respect of new business, but as part of the operating results of the original policy.
- (3) The financial margin does not include additional income of Menora Insurance collected as a percentage of the premium and is calculated before deducting investment management expenses.
The financial margin in guaranteed return policies and guaranteed return provident funds is based on actual investment income (including other comprehensive income) for the reporting year, the product of the guaranteed rate of return for the year, multiplied by the average reserve for the period in the various insurance reserves and guaranteed return provident funds.
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.
- (4) The line item "payments and changes in liabilities in respect of investment contracts" includes only the investment income (losses) amount in respect of investment contracts.

NOTE 20 – ADDITIONAL DATA REGARDING THE HEALTH INSURANCE SEGMENT**A. Breakdown of liabilities in respect of insurance contracts by financial exposure**

The data included in each of the columns in the following tables are for the main policy and its riders.

	Data as at December 31, 2023				
	Long-term care		Other *)		
	Individual	Collective	Long-term	Short-term	Total
	NIS thousand				
Yield-dependent	96,486	1,705,117	-	-	1,801,603
Non-yield-dependent	1,220,327	282,608	938,501	44,767	2,486,203
Total	1,316,813	1,987,725	938,501	44,767	4,287,806

	Data as at December 31, 2022				
	Long-term care		Other *)		
	Individual	Collective	Long-term	Short-term	Total
	NIS thousand				
Yield-dependent	92,048	1,381,505	-	-	1,473,553
Non-yield-dependent	1,077,936	218,267	759,606	56,470	2,112,279
Total	1,169,984	1,599,772	759,606	56,470	3,585,832

*) The most material coverage included in other long-term health insurance is medical expenses (last year - identical); in short-term - foreign workers (last year - identical).

B. Breakdown of liabilities in respect of insurance contracts by insurance exposure

	Data as at December 31, 2023				
	Long-term care		Other *)		
	Individual	Collective	Long-term	Short-term	Total
	NIS thousand				
Annuity paid	211,163	1,071,759	1,306	-	1,284,228
Other risk-weighted components	1,105,650	915,966	937,195	44,767	3,003,578
Total	1,316,813	1,987,725	938,501	44,767	4,287,806

	Data as at December 31, 2022				
	Long-term care		Other *)		
	Individual	Collective	Long-term	Short-term	Total
	NIS thousand				
Annuity paid	168,640	790,994	1,136	-	960,770
Other risk-weighted components	1,001,344	808,778	758,470	56,470	2,625,062
Total	1,169,984	1,599,772	759,606	56,470	3,585,832

*) The most material coverage included in other long-term health insurance is medical expenses (last year - identical); in short-term - foreign workers (last year - identical).

NOTE 20 – ADDITIONAL DATA REGARDING THE HEALTH INSURANCE SEGMENT (cont.)C. Breakdown of results by policy

	Data for the year ended December 31, 2023				
	Long-term care		Other		Total
	Individual	Collective	Long-term	Short-term	
	NIS thousand				
Gross premiums	<u>96,877</u>	<u>647,643</u>	<u>1,264,066 *)</u>	<u>188,088 *)</u>	<u>2,196,674</u>
Payments and change in liabilities in respect of insurance contracts, gross	<u>210,652</u>	<u>799,062</u>	<u>811,680</u>	<u>155,371</u>	<u>1,976,765</u>
Profit (loss) from health insurance business	(37,121)	(25,838)	7,460	19,767	(35,732)
Other comprehensive income (loss) from health insurance business	<u>14</u>	<u>7,955</u>	<u>13,442</u>	<u>684</u>	<u>22,095</u>
Total comprehensive income (loss) from health insurance business	<u>(37,107)</u>	<u>(17,883)</u>	<u>20,902</u>	<u>20,451</u>	<u>(13,637)</u>
Annualized premium - new business	-	-	155,569	-	155,569

*) Of which, long-term individual premiums in the amount of NIS 1,033,162 thousand and collective premiums in the amount of NIS 230,904 thousand and for the short-term - all premiums are individual premiums.

	Data for the year ended December 31, 2022				
	Long-term care		Other		
	Individual	Collective	Long-term	Short-term	Total
	NIS thousand				
					1,928,164
Gross premiums	93,638	586,410	1,059,870 *)	188,246 *)	4
Payments and change in liabilities in respect of insurance contracts, gross	91,533	424,113	681,686	127,086	1,324,418
Profit (loss) from health insurance business	217,634	(2,606)	11,875	16,961	243,864
Other comprehensive income (loss) from health insurance business	84	(3,445)	(6,603)	163	(9,801)
Total comprehensive income (loss) from health insurance business	217,718	(6,051)	5,272	17,124	234,063
Annualized premium - new business	-	-	146,174	-	146,174

*) Of which, long-term individual premiums in the amount of NIS 880,994 thousand and collective premiums in the amount of NIS 178,876 thousand and for the short-term - all premiums are individual premiums.

NOTE 20 – ADDITIONAL DATA REGARDING THE HEALTH INSURANCE SEGMENT (cont.)C. Breakdown of results by policy (cont.)

	Data for the year ended December 31, 2021				
	Long-term care		Other		Total
	Individual	Collective	Long-term	Short-term	
	NIS thousand				
Gross premiums	90,453	536,139	914,445 *)	86,161 *)	1,627,198
Payments and change in liabilities in respect of insurance contracts, gross	169,528	633,566	439,355	58,732	1,301,181
Profit (loss) from health insurance business	26,025	(16,524)	106,923	7,953	124,377
Other comprehensive income (loss) from health insurance business	23	3,235	7,339	116	10,713
Total comprehensive income (loss) from health insurance business	26,048	(13,289)	114,262	8,069	135,090
Annualized premium - new business	-	-	126,728	-	126,728

*) Of which, long-term individual premiums in the amount of NIS 763,690 thousand and collective premiums in the amount of NIS 150,755 thousand and for the short-term - all premiums are individual premiums.

NOTE 21 – CHANGE IN LIABILITIES FOR LIFE INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND HEALTH INSURANCE CONTRACTS

	Life insurance and long-term savings (*)			Reinsurance assets in health insurance	
	Insurance contracts	Investment contracts	Total	Health Insurance	
	NIS thousand				
				3,193,31	
Balance as of January 1, 2022	35,663,061	10,196,692	45,859,753	1	515,804
Interest, linkage differences and investment gains (1)	(1,681,790)	26,148	(1,655,642)	(46,313)	2,704
Increase in premiums charged to liabilities (2)	1,716,984	820,749	2,537,733	615,100	(1,728)
Decrease in respect of management fees on accruals	(199,508)	(42,672)	(242,180)	-	-
Decrease in respect of claims, redemptions and end of term	(2,122,110)	(1,133,835)	(3,255,945)	(199,414)	-
Changes due to change in assumptions (4)	(403,491)	-	(403,491)	7,164	198,474
Other changes (3)	(318,332)	-	(318,332)	15,984	69,426
				3,585,83	
Balance as of December 31, 2022	32,654,814	9,867,082	42,521,896	2	784,680
Interest, linkage differences and investment gains (1)	2,143,094	790,726	2,933,820	187,901	6,302
Increase in premiums charged to liabilities (2)	1,613,752	584,469	2,198,221	676,922	10,521
Decrease in respect of management fees on accruals	(189,350)	(39,664)	(229,014)	-	-
Decrease in respect of claims, redemptions and end of term	(2,351,423)	(1,300,072)	(3,651,495)	(315,920)	-
Changes due to change in assumptions (4)	(70,753)	-	(70,753)	91,464	36,047
Other changes (3)	(26,992)	-	(26,992)	61,607	87,685
				4,287,80	
Balance as of December 31, 2023	<u>33,773,142</u>	<u>9,902,541</u>	<u>43,675,683</u>	<u>6</u>	<u>925,235</u>

	As of December 31	
	2023	2022
	NIS thousand	
(*) Composition (gross):		
Insurance contracts and non-yield-dependent investment contracts	12,417,800	12,200,519
Insurance contracts and yield-dependent investment contracts	31,257,883	30,321,377
	<u>43,675,683</u>	<u>42,521,896</u>

1. Interest, linkage differences and investment income - this line item includes interest, linkage differences and investment income (losses) in respect of the balance as of the beginning of the year, plus interest, linkage differences and investment income (losses) in respect of premiums paid solely for savings, which were recorded in the reporting period.
2. Increase in respect of premiums recorded under liabilities - this premium does not include all premiums recognized as income. The premium includes the premiums in respect of savings and some of the premiums in fixed-premium products, net of management fees collected as a percentage of the premium.
3. Other changes - the line item includes changes in reserve in respect of contingent claims, reserve for time-based claims, IBNR, paid allowances, and so on (according to the assumptions that were used at the end of the previous year); it also includes the effect of interest, linkage differences and investment income not included under the "linkage differences and investment income" line item, such as: interest, linkage differences and investment income on claim payments and premiums not paid for savings.
4. Regarding the main assumptions used to calculate the insurance liabilities, see Note 38(6)A(2) below.

The change in the liabilities in respect of insurance contracts and investment contracts does not include coverage of policies that were issued and canceled during the reporting year.

NOTE 22 – TAXES ON INCOME

A. Tax laws applicable to the Group companies

1. General

The income of the Company and all Group companies is subject to corporate tax in accordance with the Income Tax Ordinance, 1961 (New Version) (hereinafter - the "Ordinance"). Furthermore, the income of Group companies classified as "Financial Institutions" as defined in the Value Added Tax Law, 1975 is subject to profit tax and payroll tax. It should be noted that the operations of companies classified as financial institutions in the insurance, pension and provident subsegments constitute most of the Group's operations.

2. Income Tax Law (Inflationary Adjustments), 1985

The Income Tax Law (Inflationary Adjustments), 1985 (hereinafter - the "Law") applies to the Company and its investees that are not investees located abroad, until the end of 2007. According to the law, the results for tax purposes were measured having regard to the changes in the CPI.

In February 2008, an amendment to the Law was passed in the Knesset, providing that the Adjustments Law would cease to apply during the 2007 tax year, and that from the 2008 tax year the provisions of the Law would cease to apply, apart from the transitional provisions that are designed to prevent errors in the tax calculations. As of 2008, results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the CPI in the period up to December 31, 2007. The amendment to the Law includes, among other things, cancellation of the adjustment of the supplement and the deduction due to inflation and the additional deduction for depreciation of depreciable assets purchased after the 2007 tax year.

3. Tax arrangements unique to the insurance industry

a) Agreement with the tax authorities

Israel Insurance Association and the tax authorities have in place sectoral agreements which address tax issues unique to the industry. The latest sectoral agreement signed is in respect of tax years 2020-2022. The sectoral agreements address, among other things, the following issues:

- Deferred acquisition costs (DAC) - direct expenses incurred by insurance companies to purchase life insurance contracts in respect of underwriting years through 2014 shall be deductible for tax purposes in equal shares over four years, and in respect of underwriting years 2015 through 2020 - over ten years. Such expenses relating to canceled life insurance contracts shall be deductible for tax purposes in the cancellation year.

Purchase expenses of pension and provident contracts (as defined in the agreement) in respect of underwriting years 2015 through 2020 inclusive, shall be deductible for tax purposes in equal shares over ten years or in accordance with the amortization rate in the financial statements, as decided by the Company. The expense in respect of pension and provident contracts cannot be brought forward.

Deferred acquisition costs relating to critical illnesses and hospitalization insurance are amortized for tax purposes over a six-year period, in accordance with their amortization period as per the financial statements.

- Attribution of expenses to preferred income - expenses will be attributed to income subject to reduced tax rates and to tax-exempt income earned by insurance companies (hereinafter - "Preferred Income"), which will result with some of the Preferred Income becoming taxable at the full tax rate in accordance with the attribution rate. The attribution rate set in the agreement depends on the source of funds generating the Preferred Income.

NOTE 22 – TAXES ON INCOME (cont.)**A. Tax laws applicable to the Group companies (cont.)****3. Tax arrangements unique to the insurance industry (cont.)****a) Agreement with the tax authorities (cont.)**

- The method employed to tax income from assets held as investments matches yield-dependent liabilities.
- Provision for indirect expenses for settling claims - in respect of each underwriting year from 2013 to 2020, part of the provision for indirect expenses for settling claims in property and casualty insurance and health insurance shall be adjusted. The adjustment amount shall be recognized for tax purposes over three years, starting in the year following the year of adjustment.
- The last agreement signed in December 2023 extends the validity of the last agreement relating to the tax years 2017-2019 by three additional years such that it will also apply to tax years 2020-2022 with the exception of the tax applicable to the cancellation of the reserve to extraordinary risks in life insurance - see Section B below.

The provisions for taxes in the 2023 financial statements is made in accordance with the principles of the above-mentioned agreement. The agreement had no material effect on taxes in respect of previous years (see Section E below).

b) The tax applying to cancellation of the reserve for extraordinary risks in life insurance

The Economic Arrangements Law (Legislative Amendments for the Implementation of the Budgetary Targets and Economic Policy for the 2007 Fiscal Year), 2007 of January 11, 2007 sets out rules regarding the tax that applies to the cancellation of the reserve for extraordinary risks in life insurance, which was included in the financial statements through December 31, 2006. According to the rules, a portion of the reserve, which is calculated at 0.17% of the amount of the insurance at risk (own retention) in life insurance, and respect of which the capital requirement was defined, shall be tax-exempt. The sectoral taxation agreement indicates that the basis for the exemption is the capital requirement, which is reflected as stated above; it is further indicated that if the capital requirement will be canceled or reduced, the parties shall discuss the tax consequences of such a change, if any.

In accordance with the sectoral taxation agreement for tax years 2020-2022 as stated above, it was agreed that:

- A. In the 2020 tax report, income for corporate tax purposes will be recorded as will profit tax at a rate of 0.01% of the insured amount at risk - own retention - as calculated as of December 31, 2006.
- B. If the new capital regulations regarding components relating to special risks in life insurance are cancelled or reduced, the parties will discuss the resulting tax implications, if any.

Due to the above arrangement, in the reporting year the Company recognized a tax expense in its books of accounts in the amount of approx. NIS 2.8 million.

NOTE 22 – TAXES ON INCOME (cont.)

A. Tax laws applicable to the Group companies (cont.)

4. The OECD's International Tax Reform (hereinafter - "Pillar 2")

Background

The Pillar Two Rules, which were published on December 20, 2021, are part of the solution to deal with the tax challenges arising from the digital economy, which have been agreed upon by 142 countries worldwide. The Pillar Two Rules are intended to ensure that large multinational groups pay a minimum level of tax on the income within each country in which they operate. The Pillar Two provisions apply to multinational groups whose turnover in the consolidated report of the consolidated parent company equals or exceeds EUR 750 million in at least two of the four years preceding the tax year under examination.

According to the Pillar Two provisions, the effective tax rate is calculated for each country in which the group operates, and accordingly, a decision is made as to whether a top-up tax liability applies to the group due to the difference between the effective rate of that country and the minimum tax rate set in the Pillar Two provisions (15%).

Any top-up tax obtained will be charged according to an adjusted system of combined rules introduced into the Pillar Two Rules to ensure that the top-up tax is collected.

Temporary relief from the effective tax rate calculation under the Pillar Two provisions was granted for a jurisdiction in which the multinational group operates, upon compliance with the Transitional CbCR Safe Harbor (hereinafter - "TCSH") tests, which are based on CbCR data and other financial data of the multinational group, during the Transitional Period (between 2024 and 2026).

- (a) The De Minimis Test - will be met when the income and gains of a specific country are lower than the threshold that was set.
- (b) The Simplified Effective tax rate test - will be met when the simplified effective tax rate of a specific country is equal to or higher than the rate that was set (2024 - 15%, 2025 - 16%, and 2026 - 17%).
- (c) Routine profit test - will be met when according to the Pillar Two definition, the activity in that country is routine.

It should be clarified that if a specific country fails to meet any of the safe harbor tests in any year during the Transitional Period, it cannot benefit from the said relief in the following years.

In May 2023, the International Accounting Standards Board (IASB) published the International Tax Reform - Pillar Two Model Rules - Amendment to IAS 12 (hereinafter - the "**Amendment**"). The Amendment clarifies that IAS 12 applies to income taxes arising from the tax laws enacted or substantively enacted for the implementation of the OECD's Pillar Two Model Rules, including the tax laws that implement minimum local taxes (minimum top-up tax).

The Amendment:

- (a) The mandatory temporary exemption from the implementation of the provisions of the standard for recognition and disclosure of deferred tax assets and liabilities arising from the adoption of the Pillar 2 rules; as well as
- (b) Focused disclosure requirements for multinational entities affected by the International Tax Reform.

The transitional exemption presented in Section (a) above applies immediately and disclosure is required on its implementation; the remaining focused disclosure requirements referred to in Section (b) above apply to annual reporting periods beginning on January 1, 2023 or thereafter. It should be noted that the Group is examining the effects of the International Tax Reform on its financial statements. In addition, the Group applies the Temporary Exemption, and therefore no disclosure was given and deferred tax assets and liabilities arising from the adoption of the Pillar Two rules were not recognized.

The Group's exposure due to the Pillar Two legislation

The Pillar Two legislation has been completed in certain jurisdictions where the Group operates (Luxembourg, Cyprus, Italy, USA and Jersey). The legislation will become effective in the financial year starting on January 1, 2024. The Group is in the process of conducting a full assessment of the effect of the legislation in those countries on the potential tax exposures of the Group as of December 31, 2024.

NOTE 22 – TAXES ON INCOME (cont.)**A. Tax laws applicable to the Group companies (cont.)****4. The OECD's International Tax Reform (hereinafter - "Pillar 2") (cont.)**

The Group does not expect any tax exposures in 2024 as a result of the Pillar Two legislative effort in the countries in which it operates, because according to the test performed by the Group based on the CbCR data for 2022 and the most up-to-date financial information, all the countries in which the Group operates are expected to receive protection as a result of their compliance with the TCSH test.

B. Tax rates applicable to the income of the Group companies

1. The statutory tax applicable to financial institutions, which constitutes most of the Group's activities, is composed of corporate tax and profit tax.
2. The statutory tax rates applicable to financial institutions as of 2018 are as follows:

<u>Corporate tax rate</u>	<u>Profit tax rate</u>	<u>Total tax rate in financial institutions</u>
	<u>%</u>	
23.0	17.00	34.19

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

The deferred tax balances included in the financial statements as of December 31, 2023 are calculated according to the tax rates in effect as of reporting date, and do not take into account the effects that might arise due to the increase in tax rates as described above. The said effects will be included in the financial statements that will be published as from the date on which the Order was effectively completed, that is to say - in the first quarter of 2024.

The Company estimates that the effect of the change in tax rates will lead to an increase in the balances of deferred tax liability as of March 31, 2024, in the amount of approx. NIS 5,676 thousand, of which an amount of approx. NIS 1,791 thousand will be recognized in profit or loss and approx. NIS 3,885 thousand to other comprehensive income.

C. Tax Assessments**Final tax assessments**

The Company and Menora Mivtachim Pension were issued with final tax assessments through tax year 2018. Menora Insurance has final tax assessments up to and including 2016. Shomera Insurance has tax assessments that are considered final up to and including the 2015. Menora Finance was issued with final tax assessments through tax year 2017. Sinai Insurance Agency has tax assessments that are considered final up to and including the 2013 tax year. Shomera Real Estate was issued with final tax assessments through tax year 2010. Menora Real Estate was issued with final tax assessments through tax year 2017. The tax assessments of the other consolidated companies for the tax years until the 2018 tax year inclusive, are considered to be final.

NOTE 22 – TAXES ON INCOME (cont.)**D. Carryforward losses and other temporary differences**

The consolidated companies have carry forward business losses for tax purposes totaling approx. NIS 4,330 thousand and carryforward capital losses totaling approx. NIS 87,840 thousand as of December 31, 2023. The Company has a carryforward capital loss in the amount of approx. NIS 43,221 thousand. In respect of these balances and other deductible temporary differences, deferred tax assets were listed in the Financial Statements as set forth in Section G below.

A deferred tax asset in respect of carry forward business losses totaling approx. NIS 5,633 thousand and in respect of capital losses totaling approx. NIS 30,534 thousand was not recognized due to the lack of their expected utilization in the foreseeable future.

E. Taxes on income included in the income statements

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Current taxes	218,527	248,440	285,545
Deferred taxes in respect of the creation and reversal of temporary differences, see also Section G below	29,630	(34,287)	13,092
Income taxes for previous years (current and deferred)	3,074	351	2,205
	<u>251,231</u>	<u>214,504</u>	<u>300,842</u>

F. Income tax (tax benefit) relating to other comprehensive income (loss) items

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Available-for-sale financial assets	83,599	(107,393)	138,400
Remeasurement of defined benefit plans	939	5,520	1,089
Adjustments arising from translation of financial statements of foreign operations	743	5,604	(1,588)
Revaluation of property, plant and equipment	12,579	18,969	7,431
	<u>97,860</u>	<u>(77,300)</u>	<u>145,332</u>

NOTE 22 – TAXES ON INCOME (cont.)

G. Deferred taxes

Composition:

	Deferred acquisition costs in life insurance	Losses for tax purposes	Property, plant & equipment and investment property	Financial Instruments	Provisions for doubtful debts NIS thousand	Employee benefits	Attributed excess cost	Lease liabilities	Other	Total
Balance of deferred tax asset (liability) as of January 1, 2022	(78,348)	1,671	(221,815)	(207,023)	29,407	44,041	(5,838)	18,100	13,765	(406,040)
Company consolidated for the first time	-	-	-	-	382	3,436	(35,091)	-	2,396	(28,877)
Adjustments arising from translation of financial statements of foreign operations	-	-	(5)	-	-	-	(7)	-	71	59
Changes carried to profit and loss	2,258	5,343	(19,369)	26,976	7,457	770	2,413	1,539	5,343	32,730
Changes carried to comprehensive income and equity	-	-	(18,969)	107,393	-	(5,520)	-	-	(5,604)	77,300
Balance of deferred tax asset (liability) as of December 31, 2022	(76,090)	7,014	(260,158)	(72,654)	37,246	42,727	(38,523)	19,639	15,971	(324,828)
Company consolidated for the first time	-	-	-	-	-	-	(1,849)	-	-	(1,849)
Adjustments arising from translation of financial statements of foreign operations	-	-	(6)	-	-	-	(9)	-	79	64
Changes carried to profit and loss	705	3,923	(30,612)	(11,135)	(3,926)	2,699	5,486	495	359	(32,006)
Changes carried to comprehensive income and equity	-	-	(12,579)	(83,373)	-	(939)	-	-	(743)	(97,634)
Balance of deferred tax asset (liability) as of December 31, 2023	(75,385)	10,937	(303,355)	(167,162)	33,320	44,487	(34,895)	20,134	15,666	(456,253)

NOTE 22 – TAXES ON INCOME (cont.)

G. Deferred taxes (cont.)

The deferred taxes are presented in the consolidated statements of financial position as follows:

	December 31	
	2023	2022
	NIS thousand	
Deferred tax assets	24,348	32,978
Liabilities in respect of deferred taxes	(480,601)	(357,806)
	<u>(456,253)</u>	<u>(324,828)</u>

H. Theoretical tax

Following is a reconciliation between the tax amount that would have applied had all income and expenses, profits and losses in the income statement been taxed at the statutory tax rate, and the taxes on income amount recognized in the income statement:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Profit before taxes on income	<u>789,628</u>	<u>758,967</u>	<u>965,666</u>
Statutory tax rate applicable to financial institutions (see Section B above)	<u>34.19%</u>	<u>34.19%</u>	<u>34.19%</u>
Tax calculated according to total statutory tax rate	269,974	259,491	330,161
Deduction due to non-application of profit tax to Group companies which are not financial institutions	(17,230)	(14,893)	(12,914)
Increase (decrease) in taxes on income resulting from the following factors:			
Non-deductible expenses	7,612	8,712	5,153
Income subject to special tax rates	(8,214)	(26,262)	(13,292)
Group's share in associates' profits	(2,917)	(6,696)	(2,393)
Measurement basis differences	(2,271)	(3,370)	(2,725)
Temporary differences for which deferred taxes were not recognized	23	(423)	(239)
Increase in losses for tax purposes in respect of which no deferred taxes were recognized	1,133	753	(581)
Utilization of losses for tax purposes from previous years, for which deferred taxes were not credited in the past	(350)	(3,170)	(4,239)
Taxes for previous years (current and deferred)	3,074	351	2,205
Other	397	11	(294)
Taxes on income	<u>251,231</u>	<u>214,504</u>	<u>300,842</u>
Average effective tax rate	<u>31.82%</u>	<u>28.26%</u>	<u>31.15%</u>

NOTE 23 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS

Employee benefits include short-term benefits, post-employment benefits, other long-term benefits and termination benefits. The Note does not include share-based employee benefits; for information about share-based payment, see Note 34.

For further information about benefits to key management personnel, see Note 39 regarding related parties and interested parties.

Post-employment benefits

Under labor laws in Israel and the Israeli Severance Pay Law, the Group is required to pay severance pay to employees upon dismissal or retirement, or to make regular contributions to a defined contribution plan in accordance with Section 14 of the Severance Pay Law, as described below. The Group's subsequent liabilities are accounted for as post-employment benefits.

The Group's liability in respect of employee benefits is calculated based on employment agreements in force and the employee's salary and employment period that give rise to the right to receive severance pay.

Post-employment employee benefits are normally funded by contributions classified as a defined benefit plan or as a defined contribution plan as detailed below:

1. Defined contribution plans

The provisions of Section 14 to the Severance Pay Law, 1963 apply to some of the severance pay payments; pursuant to that section, the Group's regular contributions to pension funds and/or insurance companies' policies exempt it from any further obligation to the employees in respect of whom the amounts were deposited as described above. These contributions and contributions in respect of retirement benefits constitute defined contribution plans.

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Expenses in respect of defined contribution plans	76,940	68,072	60,908

2. Defined benefit plans

The portion of the severance pay payments which is not covered by contributions to defined contribution plans as described above is accounted for by the Group as a defined benefit plan under which a liability is recognized in respect of employee benefits, and the Group deposits amounts with central severance pay funds and qualifying insurance policies in respect of that liability.

NOTE 23 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

Post-employment benefits (cont.)

2. Defined benefit plans (cont.)

a) Changes in defined benefit obligation and fair value of plan assets

2023

	Expenses charged to profit or loss						Gain (loss) in respect of remeasurement in other comprehensive income								
	Balance as of January 1, 2023	Current service cost	Interest expenses, net	Past service cost and effect of discharges	Total expenses charged to profit or loss	Payments from plan	Return on plan assets, excluding amounts recognized in net interest expenses	Actuarial gain due to changes in the demographic assumptions	Actuarial gain due to changes in the financial assumptions	Actuarial gain (loss) in respect of deviations in experience	Total effect on other comprehensive income	Contributions by the employer	Company consolidated for the first time	Balance as of December 31, 2023	
	NIS thousand														
Defined benefit liability	202,082	7,266	9,046	242	16,554	(10,992)	-	1,577	1,536	(760)	2,353	-	822	206,113	
Fair value of plan assets	74,640	122	3,474	-	3,352	(4,123)	47	(326)	(403)	1,045	363	4,564	298	79,094	
Net defined benefit asset (liability)	127,442	7,388	5,572	242	13,202	(6,869)	47	1,251	1,133	285	2,716	(4,564)	524	127,019	

NOTE 23 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

Post-employment benefits (cont.)

2. Defined benefit plans (cont.)

a) Changes in defined benefit liability and fair value of plan assets (cont.)

2022

	<u>Expenses charged to profit or loss</u>					<u>Gain (loss) in respect of remeasurement in other comprehensive income</u>							
	Balance as of January 1, 2022	Current service cost	Interest expenses, net	Past service cost and effect of discharges	Total expenses charged to profit or loss	Payments from plan	Return on plan assets, excluding amounts recognized in net interest expenses	Actuarial gain due to changes in the financial assumptions	Actuarial gain (loss) in respect of deviations in experience	Total effect on other comprehensive income	Contributions by the employer	Company consolidated for the first time	Balance as of December 31, 2022
	NIS thousand												
Defined benefit liability	210,051	6,137	4,900	157	11,194	(11,351)	-	22,172	(1,683)	20,489	-	12,677	202,082
Fair value of plan assets	68,196	(46)	1,788	(197)	2,031	(4,935)	(1,888)	(2,384)	(14)	(4,286)	3,656	9,978	74,640
Net defined benefit asset (liability)	141,855	6,091	3,112	354	9,163	(6,416)	(1,888)	19,788	(1,697)	16,203	(3,656)	2,699	127,442

NOTE 23 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)Post-employment benefits (cont.)2. Defined benefit plans (cont.)b) Key assumptions in respect of defined benefit plan

	As of December 31	
	2023	2022
	%	
Discount rate *)	5.4	4.9
Expected rate of wage increase	3.4	3.4

*) The discount rate is based on high-quality CPI-linked corporate bonds.

c) Amounts, timing and uncertainties of future cash flows

Following are potential changes that are considered to be reasonable as of the end of the reporting period for each actuarial assumption, assuming that all other actuarial assumptions remain unchanged:

	The change in the defined benefit obligation	
	As of December 31	
	2023	2022
	NIS thousand	
<u>Sensitivity test to the change in the rate of expected real wage increase beyond the actuarial assumptions</u>		
The change is the result of:		
Increase in salary of 1%	5,142	7,121
Decrease in salary of 1%	(4,110)	(5,526)
<u>Sensitivity test to changes in the liability discount rate and plan assets beyond the actuarial assumptions</u>		
The change is the result of:		
1% increase in the discount rate	(4,773)	(6,188)
1% decrease in the discount rate	5,912	7,960

NOTE 24 – PAYABLES AND CREDIT BALANCES

	As of December 31	
	2023	2022
	NIS thousand	
Employees and other liabilities in respect of compensation and salaries	202,676	174,206
Accrued expenses	139,216	142,657
Trade payables	192,721	227,257
Government institutions and authorities	39,906	50,268
Deferred acquisition costs in respect of reinsurance	74,934	82,402
Insurance companies and insurance brokers:		
Deposits by reinsurers	881,081	855,357
Other accounts	256,751	394,164
Total insurance companies and insurance brokers	1,137,832	1,249,521
Insurance agents	319,601	345,062
Policyholders and planholders	254,595	204,652
Provision for policyholders' share in profits	19,256	41,970
Prepaid premium	114,267	90,381
Pension funds	6,568	16,966
Liabilities for acquisition agreements	10,495	60,364
Payables for financial transactions	12,589	12,045
Other	45,038	32,875
Total payables and credit balances	2,569,694	2,730,626

See the breakdown of assets and liabilities by linkage base under Note 38(2)(d).

NOTE 25 – FINANCIAL LIABILITIES

This note provides information regarding the contractual terms of financial liabilities. Additional information regarding the Group's exposure to interest, foreign currency and liquidity risks is provided in Note 38 regarding risk management.

A. Breakdown of financial liabilities

	December 31			
	2023	2022	2023	2022
	Carrying amount		Fair value **)	
	NIS thousand			
1. <u>Financial liabilities presented at amortized cost:</u>				
Loans from banking corporations	1,380,927	1,343,722	1,380,927	1,343,722
Bonds *)	2,263,189	2,007,198	2,190,441	1,914,673
Liabilities in respect of financial guarantee contracts	13,239	15,910	13,239	15,910
Liabilities to pay direct debits	603,804	513,772	603,804	513,772
Loan from non-controlling interests - see Note 4A	-	6,020	-	6,020
Lease liabilities ***)	71,666	71,016		
	<u>4,332,825</u>	<u>3,957,638</u>	<u>4,188,411</u>	<u>3,794,097</u>
2. <u>Financial liabilities presented at fair value:</u>				
Derivatives held for yield-dependent contracts	214,473	415,480	214,473	415,480
Derivatives held for non-yield-dependent contracts	51,297	120,255	51,297	120,255
Liabilities in respect of options granted to non-controlling interests	174,546	155,997	174,546	155,997
	<u>440,316</u>	<u>691,732</u>	<u>440,316</u>	<u>691,732</u>
Total financial liabilities	<u>4,773,141</u>	<u>4,649,370</u>	<u>4,628,727</u>	<u>4,485,829</u>
*) Of which subordinated notes that constitute capital for solvency purposes	<u>2,098,802</u>	<u>1,789,173</u>	<u>2,032,393</u>	<u>1,704,826</u>

**) The fair value of the notes listed on the Tel Aviv Stock Exchange is based on their price on the stock exchange as of the reporting date. The fair value of the non-traded notes is calculated using the DFC model, at the discount rate that reflects the interest rate of the issuer at the end of the reporting period. The carrying amount of liabilities for financial guarantee contracts, liabilities to pay direct debits and a loan from non-controlling interests constitute an approximation of their fair value.

***) Disclosure of fair value was not required.

Notes to the Consolidated Financial Statements

NOTE 25 – FINANCIAL LIABILITIES (cont.)

B. Financial liabilities presented at amortized cost

1) Additional details

Type of liability	Issuance date	Original loan amount In NIS thousand	Issuer	The debt rating at issuance date and the rating agency	Linkage terms	Liquid	Capital according to the solvency regime	Fixed annual interest In %	Carrying amount		Fair value		Frequency of principal and interest payment	Payment dates of principal	Interest payment dates	Right to early redemption	Comments
									December 31								
									2023	2022	2023	2022					
									NIS thousand								
Subordinated notes	September 2023	300,000	Menora Capital Raising	Midroog - Aa3	In NIS	Liquid	Tier 2 Capital	5.28	301,937	-	303,600	-	Semi-annual interest	7/2036	2024-2036	(a)	(b)
Subordinated notes	February, December 2022	392,542	Menora Capital Raising	Midroog - A1	In NIS	Liquid	Tier 2 Capital	2.98	377,391	381,081	348,656	342,611	Semi-annual interest	12/2033	2022-2033	(c)	(b), (d)
Subordinated notes	April 2014	203,000	Menora Capital Raising	Midroog - A1	CPI-linked	Illiquid	Tier 2 Capital	3.30	229,287	221,856	246,503	243,316	Semi-annual interest	10/2030	2014-2030	(e)	(b), (f)
Subordinated notes	June, December 2015	300,000	Menora Capital Raising	Midroog - Aa3	In NIS	Liquid	Tier 2 Capital	4.10	306,047	305,840	298,470	299,100	Semi-annual interest	7/2027	2016-2027	(g)	(b), (h)
Subordinated note	November 2016	100,000	Menora Insurance	Midroog - A1	CPI-linked	Illiquid	Tier 2 Capital	2.78	113,760	110,062	115,240	116,020	Annual interest	7/2034	2017-2034	(i)	(r)
Subordinated notes	February 2018: December 2020	303,880	Menora Capital Raising	Midroog - A1	In NIS	Liquid	Tier 2 Capital	3.43	305,460	310,958	286,559	280,299	Semi-annual interest	6/2032	2018-2032	(j)	(b), (k)
Subordinated notes	September 2019	300,000	Menora Capital Raising	Midroog - A1	In NIS	Liquid	Tier 2 Capital	1.84	300,246	299,838	284,670	276,570	Semi-annual interest	9/2030	2020-2030	(l)	(q)
Subordinated notes	November 2019	150,000	Menora Insurance	Midroog - A1	CPI-linked	Illiquid	Tier 2 Capital	1.34	166,532	161,135	148,695	146,910	Annual	7/2034	2020-2034	(m)	(q)
Bonds	September 2016, May 2020	373,075	Company	Midroog - Aa3	In NIS	Liquid		2.94	162,529	216,428	158,048	209,847	Annual	2020-2026	2017-2026	(n)	(o)
Loan from a banking corporation	April 2021		Banking corporation		In NIS	Illiquid		3.10	74	122	74	122					
Loans from banking corporations	December 2022		Banking corporation		In NIS	Illiquid		P+0.25% - P+0.4%	1,380,853	1,343,600	1,380,853	1,343,600		1/2023	1/2023		
Liabilities in respect of financial guarantee contracts									13,239	15,910	13,239	15,910					(s)
Liabilities to pay direct debits									603,804	513,772	603,804	513,772					(r)
Loan from non-controlling interests	January 2022				In NIS	Illiquid		P + 2%	-	6,020	-	6,020		1/2023	1/2023		
Lease liabilities					Denominated in EUR	Illiquid			7,484	8,146							
Lease liabilities					CPI-linked	Illiquid			64,182	62,870							
									4,332,825	3,957,638	4,188,411	3,794,097					

NOTE 25 – FINANCIAL LIABILITIES (cont.)

B. Financial liabilities presented at amortized cost (cont.)

1) Additional details (cont.)

- (a) Menora Capital Raising may execute early redemption on any interest payment date, and the first early redemption date will be July 1, 2033. To the extent that Menora Capital Raising does not exercise its right to execute early redemption, additional interest will be paid to holders of the subordinated notes in addition to the interest which the subordinated notes bear at that time in respect of the remaining period (from the early repayment date on which the early redemption right was not exercised through the actual repayment date); the additional interest rate will be equal to 50% of the original risk margin set in the issuance. The rate of additional interest as stated above shall be 0.7%.
- (b) The proceeds of the issuance of notes raised by Menora Mivtachim Capital Raising Ltd. (hereinafter - "Menora Capital Raising"), a wholly-owned consolidated company of Menora Insurance, were deposited in Menora Insurance for use at its discretion and responsibility. Menora Insurance undertook to pay the note holders the principal, linkage and interest according to the terms of the notes.
- (c) Menora Capital Raising may execute early redemption on any interest payment date, and the first early redemption date will be December 31, 2030. To the extent that Menora Capital Raising does not exercise its right to execute early redemption, additional interest will be paid to holders of the subordinated notes in addition to the interest which the subordinated notes bear at that time in respect of the remaining period (from the early repayment date on which the early redemption right was not exercised through the actual repayment date); the additional interest rate will be equal to 50% of the original risk margin set in the issuance. The rate of additional interest as stated above shall be 0.74%.
- (d) In May 2022, the notes were rated by Midroog at a rating of Aa3, with a stable outlook. In December 2022, May, August and September 2023, Midroog published a tracking report, in which it reiterated the said rating.
- (e) Menora Capital Raising has the option of early redemption in 2027 on fulfillment of one of the following conditions: (1) concomitantly with the early redemption of the subordinated notes, Menora Capital Raising shall issue a capital instrument with the same or better quality; or (2) subject to prior approval of the Commissioner and the terms and conditions he shall determine. To the extent that Menora Capital Raising does not exercise its right to execute early redemption, additional interest will be paid to holders of the subordinated notes in addition to the interest which the subordinated notes bear at that time in respect of the remaining period (from the early repayment date on which the early redemption right was not exercised through the actual redemption date); the additional interest rate will be equal to 50% of the original risk margin set in the issuance. The rate of additional interest as stated above shall be 0.94%. Furthermore, principal and/or interest payments in respect of the subordinated notes will be deferred, which on their payment date will be subject to "suspending circumstances", as defined in the Solvency Circular and the Commissioner's position.
- (f) In March and December 2015, November 2016, February and June 2018, June 2019, June 2020, May 2021 and January 2022, Midroog published a tracking report in which it affirmed the rating issued in April 2014, leaving it unchanged. In May and December 2022, Midroog published reports which raised the rating to Aa3. In May, August and September 2023, Midroog published a tracking report, in which it reiterated the said rating.

NOTE 25 – FINANCIAL LIABILITIES (cont.)

B. Financial liabilities presented at amortized cost (cont.)

1) Additional details (cont.)

- (g) Menora Capital Raising may execute early redemption on July 1, 2024. To the extent that Menora Capital Raising does not exercise its right to execute early redemption, additional interest will be paid to holders of the subordinated notes in addition to the interest which the subordinated notes bear at that time in respect of the remaining period (from the early repayment date on which the early redemption right was not exercised through the actual repayment date); the additional interest rate will be equal to 30% of the original risk margin set in the issuance. The rate of additional interest as stated above shall be 0.522%. Furthermore, principal payments will be deferred, which on their payment effective date, will be subject to "suspending circumstances", as defined in the Solvency Circular and the Commissioner's position.
- (h) In December 2015, November 2016, February and June 2018, June 2019, June 2020, May 2021 and January 2022, Midroog published a tracking report in which it affirmed the rating issued on the issuance date, leaving it unchanged. In May and December 2022, Midroog published reports in which it raised the Notes' rating to Aa2. In May, August and September 2023, Midroog published a tracking report, in which it reiterated the said rating.
- (i) Menora Insurance has the right to execute early redemption on July 1, 2031. The early redemption will be possible on fulfillment of one of the following conditions: (1) the issue of a capital instrument (as per its meaning in the Solvency Circular and the Commissioner's position) with the same or better quality; or (2) subject to prior approval of the Commissioner and the terms and conditions he shall determine. Insofar as the Company does not exercise its right to early redemption, supplementary interest shall be paid to the lender at a rate of 0.95%.
- (j) Menora Capital Raising may execute early redemption on any interest payment date, and the first early redemption date will be June 30, 2029. To the extent that Menora Capital Raising does not exercise its right to execute early redemption, additional interest will be paid to holders of the subordinated notes in addition to the interest which the subordinated notes bear at that time in respect of the remaining period (from the early repayment date on which the early redemption right was not exercised through the actual repayment date); the additional interest rate will be equal to 50% of the original risk margin set in the issuance. The rate of additional interest shall be 0.681%.
- (k) In June 2018, June 2019, June 2020, December 2020, May 2021 and January 2022, Midroog published a tracking report in which it reiterated the February 2018 rating. In May and December 2022, Midroog published reports which raised the rating to Aa3. In May, August and September 2023, Midroog published a tracking report, in which it reiterated the said rating.
- (l) Menora Capital Raising may execute early redemption on any interest payment date, and the first early redemption date will be September 30, 2026. To the extent that Menora Capital Raising does not exercise its right to execute early redemption, additional interest will be paid to holders of the subordinated notes in addition to the interest which the subordinated notes bear at that time in respect of the remaining period (from the early repayment date on which the early redemption right was not exercised through the actual repayment date); the additional interest rate will be equal to 50% of the original risk margin set in the issuance. The rate of additional interest shall be 0.479%.

NOTE 25 – FINANCIAL LIABILITIES (cont.)

B. Financial liabilities presented at amortized cost (cont.)

1) Additional details (cont.)

- (m) Menora Insurance has the right to execute early redemption in 2031. To the extent that the Company does not exercise its right to execute early redemption, additional interest will be paid to holders of the subordinated notes in addition to the interest which the subordinated notes bear at that time in respect of the remaining period (from the early repayment date on which the early redemption right was not exercised through the actual repayment date); the additional interest rate will be equal to 50% of the original risk margin set in the issuance (a spread of 1.58% over government bonds with an average duration similar to the average duration of the notes).
- (n) The Company has an early redemption option starting 60 days from the date of listing of Bonds (Series C) for trading.
- (o) In June 2017 and June 2018, Midroog published a tracking report, in which it reiterated the said rating. In January 2019, Midroog published a rating report upgrading the Bonds to an Aa2 rating, and in January 2020, May 2021, January 2021, January 2022, January 2023, and January 2024, Midroog published a rating report leaving that rating unchanged.
- (p) In June 2020, May 2021 and January 2022, Midroog published a tracking report in which it reiterated the rating given at the issuance date. In May and December 2022, Midroog published reports which raised the rating to Aa3. In May, August and September 2023, Midroog published a tracking report, in which it reiterated the said rating.
- (q) In February and June 2018, June 2019, June 2020, May 2021 and January 2022, Midroog published a tracking report in which it affirmed the rating issued on the issuance date, leaving it unchanged. In May and December 2022, Midroog published reports which raised the rating to Aa3. In May, August and September 2023, Midroog published a tracking report, in which it reiterated the said rating.
- (r) As part of the direct debit service, consolidated company ERN provides merchants with a service of undertaking to pay direct debits of the merchant's customers. On the date of entering into a transaction with the merchant, ERN recognizes in its financial statements a financial asset in respect of the debt of the merchant's customer, against a financial liability in respect of the undertaking to pay the merchant.
- (s) Consolidated company ERN guarantees to pay checks received as part of transactions between the end customer and the merchants. As of the report date, ERN has liability to pay checks whose due date is subsequent to the report date, in the amount of NIS 788,506 thousand (as of December 31, 2022 - NIS 1,011,751 thousand).

NOTE 25 – FINANCIAL LIABILITIES (cont.)**B. Financial liabilities presented at amortized cost (cont.)****2) Details on paid interest and linkage**

	December 31	
	2023	2022
	Effective interest rate	
	Percentage	
Linkage basis:		
CPI-linked	2.53	2.53
In NIS	4.77	4.00
EUR	2.57	2.57

3) Repayment dates **)

	December 31	
	2023	2022
	NIS thousand	
First year	2,198,345	1,811,743
Second year	221,330	498,617
Third year	405,593	96,698
Fourth year	231,947	359,322
Fifth year and onwards	1,275,610	1,191,258
Total	4,332,825	3,957,638

*) Of which - lease liabilities pursuant to IFRS 16:

	December 31	
	2023	2022
	NIS thousand	
First year	27,297	24,471
Second year	20,088	16,975
Third year	9,373	9,765
Fourth year	5,785	6,205
Fifth year and onwards	9,123	13,600
Total	71,666	71,016

**) Assuming the right to early redemption is exercised.

For further information regarding the repayment dates of undiscounted financial liabilities, see Note 38(3)C.

4) Unamortized issuance expenses

Unamortized deferred issuance expenses as of December 31, 2023, are approx. NIS 9,526 thousand (as of December 31, 2022 - NIS 8,280 thousand). Deferred issuance expenses are amortized using the effective interest method.

NOTE 25 – FINANCIAL LIABILITIES (cont.)**C. Financial liabilities presented at fair value**

- 1) The fair value of financial liabilities traded actively in regulated financial markets is determined based on market prices as of the reporting date. The fair value of illiquid financial liabilities, which are measured at fair value through profit and loss, and the fair value of illiquid financial liabilities, for which fair value information is provided solely for disclosure purposes, is determined by discounting the estimated future cash flows in respect of them. The interest rates used to discount the cash flows are set by Fair Spread.
- 2) Following are the interest rates used in determining fair value:

	December 31	
	2023	2022
	Effective interest rate	
	Percentage	
For illiquid financial liabilities:		
Bonds	4.29	4.18
Subordinated notes	4.78	4.55

- 3) Fair value of financial liabilities by level:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Derivatives *)	13,003	252,767	-	265,770
Liability in respect of option granted to non-controlling interests	-	174,546	-	174,546
	<u>13,003</u>	<u>427,313</u>	<u>-</u>	<u>440,316</u>
<u>Liabilities presented at amortized cost the fair value of which is disclosed:</u>				
Bonds	158,048	-	-	158,048
				2,032,39
Subordinated notes	1,521,955	510,438	-	3
				1,380,92
Loans from banking corporations	-	1,380,927	-	7
Liabilities in respect of financial guarantee contracts	-	13,239	-	13,239
Liabilities to pay direct debits	-	603,804	-	603,804
				4,188,41
	<u>1,680,003</u>	<u>2,508,408</u>	<u>-</u>	<u>1</u>

In the reporting period, there were no material transfers from level to level.

NOTE 25 – FINANCIAL LIABILITIES (cont.)C. Financial liabilities presented at fair value: (cont.)

3) Fair value of financial liabilities by level: (cont.)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	NIS thousand			
Derivatives *)	42,435	493,300	-	535,735
Liability in respect of option granted to non-controlling interests	-	155,997	-	155,997
	<u>42,435</u>	<u>649,297</u>	<u>-</u>	<u>691,732</u>
<u>Liabilities presented at amortized cost the fair value of which is disclosed:</u>				
Bonds	209,847	-	-	209,847
Subordinated notes	1,198,580	506,246	-	1,704,826
Loans from banking corporations	-	1,343,722	-	1,343,722
Liabilities in respect of financial guarantee contracts	-	15,910	-	15,910
Liabilities to pay direct debits	-	513,772	-	513,772
Loan from non-controlling interests	-	6,020	-	6,020
	<u>1,408,427</u>	<u>2,385,670</u>	<u>-</u>	<u>3,794,097</u>

In 2022, there were no material transfers from level to level.

*) Following is the amount of net exposure to the underlying asset, presented in delta terms of financial liabilities carried as of the financial report date:

	As of December 31	
	2023	2022
	NIS thousand	
Shares	<u>131</u>	<u>(16,882)</u>
Foreign currency	<u>(1,259,162)</u>	<u>(3,244,860)</u>
Interest	<u>(150,002)</u>	<u>(349,938)</u>
Stock indices	<u>15,474</u>	<u>40,672</u>
CPI	<u>548,795</u>	<u>-</u>

NOTE 25 – FINANCIAL LIABILITIES (cont.)**D. Changes in liabilities provided by financing activity**

	Balance as of January 1, 2023	Commence- ment of conso- lidation	Cash flow	Effect of changes in ex- change rates	Recognitio n of lease liabilities	Other change s	Balance as of Decembe r 31, 2023
	NIS thousand						
Bonds	2,007,198	-	173,133	-	-	82,858	2,263,189
Loans from banking corporations	1,343,722	24,897	(74,204)	-	-	86,512	1,380,927
Liabilities in respect of financial guarantee contracts	15,910	-	(2,671)	-	-	-	13,239
Liabilities to pay direct debits	513,772	-	73,192	-	-	16,840	603,804
Loan from non- controlling interests	6,020	-	(5,944)	-	-	(76)	-
Lease liabilities	71,016	-	(30,688)	463	36,267	(5,392)	71,666
	<u>3,957,638</u>	<u>24,897</u>	<u>132,818</u>	<u>463</u>	<u>36,267</u>	<u>180,742</u>	<u>4,332,825</u>
	Balance as of January 1, 2022	Commence- ment of consoli- dation	Cash flow	Effect of changes in ex- change rates	Recog- nition of lease liabilities	Other changes	Balance as of Decembe r 31, 2022
	NIS thousand						
Bonds	1,751,978	-	168,608	-	-	86,612	2,007,198
Loans from banking corporations	169	1,384,656	(57,055)	-	-	15,952	1,343,722
Liabilities in respect of financial guarantee contracts	-	15,566	344	-	-	-	15,910
Liabilities to pay direct debits	-	457,364	53,970	-	-	2,438	513,772
Loan from non- controlling interests	-	6,184	(78)	-	-	(86)	6,020
Lease liabilities	65,101	6,467	(28,282)	510	30,697	(3,477)	71,016
	<u>1,817,248</u>	<u>1,870,237</u>	<u>137,507</u>	<u>510</u>	<u>30,697</u>	<u>101,439</u>	<u>3,957,638</u>

NOTE 25 – FINANCIAL LIABILITIES (cont.)**D. Changes in liabilities provided by financing activity (cont.)**

	Balance as of January 1, 2021	Commence- ment of consolidation	Deconsoli- -dation	Cash flow	Effect of changes in ex- change rates	Re- cognition of lease liabilities	Other change s	Balance as of December 31, 2021
	NIS thousand							
Bonds	2,101,660	-	-	(431,128)	-	-	81,446	1,751,978
Loan from a banking corporatio n	-	315	-	(146)	-	-	-	169
Lease liabilities	57,800	14,342	(17,651)	(32,206)	(1,080)	16,116	27,780	65,101
	2,159,460	14,657	(17,651)	(463,480)	(1,080)	16,116	109,226	1,817,248

- E. As of the report date, the consolidated companies ERN and Mimun Click have unused credit facilities of approx. NIS 565 million.

NOTE 26 – PREMIUMS EARNED - RETENTION

For the year ended December 31, 2023			
	Gross	Reinsurance	Retention
	NIS thousand		
Life insurance premiums	2,575,678	104,917	2,470,761
Health insurance premiums	2,196,674	253,670	1,943,004
Property and casualty insurance premiums	3,919,195	1,068,411	2,850,784
Total premiums	8,691,547	1,426,998	7,264,549
Change in unearned premium balance *)	(2,016)	93,330	(95,346)
Total premiums earned	<u>8,689,531</u>	<u>1,520,328</u>	<u>7,169,203</u>

For the year ended December 31, 2022			
	Gross	Reinsurance	Retention
	NIS thousand		
Life insurance premiums	2,591,671	103,429	2,488,242
Health insurance premiums	1,928,164	229,655	1,698,509
Property and casualty insurance premiums	3,711,791	1,249,710	2,462,081
Total premiums	8,231,626	1,582,794	6,648,832
Change in unearned premium balance *)	(303,409)	(156,252)	(147,157)
Total premiums earned	<u>7,928,217</u>	<u>1,426,542</u>	<u>6,501,675</u>

For the year ended December 31, 2021			
	Gross	Reinsurance	Retention
	NIS thousand		
Life insurance premiums	2,370,437	108,090	2,262,347
Health insurance premiums	1,627,198	208,728	1,418,470
Property and casualty insurance premiums	3,391,001	1,074,577	2,316,424
Total premiums	7,388,636	1,391,395	5,997,241
Change in unearned premium balance *)	(107,702)	(92,118)	(15,584)
Total premiums earned	<u>7,280,934</u>	<u>1,299,277</u>	<u>5,981,657</u>

*) The change is mainly from premiums in the P&C insurance subsegments.

NOTE 27 – INVESTMENT INCOME, NET AND FINANCE INCOME

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
<u>Gains (losses) on assets held against yield-dependent liabilities</u>			
Investment property	(1,582)	5,921	7,864
Financial investments:			
Liquid debt assets	641,551	(807,988)	390,127
Illiquid debt assets	94,358	(25,172)	131,472
Shares	2,000,756	(1,518,380)	2,847,708
Other	(182,843)	(556,788)	785,212
Cash and cash equivalents	35,475	68,435	(4,799)
Total gains (losses) on assets held against yield-dependent liabilities, net	<u>2,587,715</u>	<u>(2,833,972)</u>	<u>4,157,584</u>
<u>Gains (losses) on assets held against non-yield-dependent liabilities, capital and other</u>			
Income from investment property:			
Revaluation of investment property	114,737	35,130	44,332
Current income in respect of investment property	25,976	21,315	20,028
Total income from investment property	<u>140,713</u>	<u>56,445</u>	<u>64,360</u>
Gains (losses) on financial investments, excluding interest, linkage differences, exchange rate differences and dividend in respect of:			
Available-for-sale financial assets (a)	(26,804)	(74,352)	121,477
Assets measured at fair value through profit and loss (b)	(116,304)	(458,507)	214,649
Assets presented as loans and receivables (c)	104,153	527,342	156,584
	<u>(38,955)</u>	<u>(5,517)</u>	<u>492,710</u>
Interest income *) and linkage differences on financial assets not measured at fair value through profit and loss	1,206,032	724,259	706,747
Interest income and linkage differences on financial assets measured at fair value through profit and loss	5,897	6,893	11,618
Gain (loss) on exchange rate differences on investments not accounted for at fair value through profit and loss and on other assets	6,711	17,676	(5,520)
Dividend income	<u>129,518</u>	<u>104,806</u>	<u>80,592</u>
Total investment income (losses), net and finance income	<u>4,037,631</u>	<u>(1,929,410)</u>	<u>5,508,091</u>
*) The above income includes interest in respect of impaired financial assets which are not presented at fair value through profit and loss	<u>11,284</u>	<u>6,372</u>	<u>5,287</u>

NOTE 27 – INVESTMENT INCOME, NET AND FINANCE INCOME (cont.)**A. Net investment income (losses) in available-for-sale financial assets**

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Net gains (losses) on realized securities	(51,351)	(33,430)	108,261
Reversal of impairments (impairments), net carried to profit and loss	24,547	(40,922)	13,216
Total gains (losses) on investments for assets presented as available-for-sale assets	<u>(26,804)</u>	<u>(74,352)</u>	<u>121,477</u>

B. Investment income (losses) on assets measured at fair value through profit or loss

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Changes in net fair value, including realization gains:			
For assets	<u>(116,304)</u>	<u>(458,507)</u>	<u>214,649</u>

C. Gains (losses) on investments for assets presented as loans and receivables:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Net gains on realization of assets presented as loans and receivables	131,030	749,569	173,574
Net impairments carried to profit and loss	<u>(26,877)</u>	<u>(222,227)</u>	<u>(16,990)</u>
Total investment income for assets presented as loans and debit balances	<u>104,153</u>	<u>527,342</u>	<u>156,584</u>

D. Data regarding leases of the Company as a lessor:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
<u>For operating leases:</u>			
Lease income, excluding variable lease proceeds	<u>30,135</u>	<u>25,527</u>	<u>23,387</u>

NOTE 28 – INCOME FROM MANAGEMENT FEES

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Management fees in the pension and provident subsegments	860,773	797,914	758,930
Variable management fees for life insurance contracts (*)	-	-	223,433
Fixed management fees for life insurance contracts	189,350	199,508	210,109
Management fees for investment contracts	40,083	43,144	45,743
Other management fees	1,429	2,032	3,066
Total income from management fees	<u>1,091,635</u>	<u>1,042,598</u>	<u>1,241,281</u>

*) For information about non-collection of variable management fees in the reporting period, see Note 1C below.

NOTE 29 – INCOME FROM FEES AND COMMISSIONS

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Fees and commissions of insurance agencies	44,396	34,314	23,320
Reinsurance fees and commissions, net of change in deferred acquisition costs in respect of reinsurers	209,021	223,224	214,417
Other fees and commissions	10,749	7,469	14,284
Total income from fees and commissions	<u>264,166</u>	<u>265,007</u>	<u>252,021</u>

NOTE 30 – OTHER INCOME

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Income from royalties (see Note 40C1)	777	265	588
Gain from business combination (see Note 4A)	-	88,370	-
Capital gain from sale of property, plant & equipment	126	483	767
Rental income	984	286	397
Income from development fees	-	-	503
Income from electricity generation	2,701	3,380	3,417
Gain on reversal of impairment of property, plant and equipment	-	-	860
Other	2,397	1,450	1,609
Total other income	<u>6,985</u>	<u>94,234</u>	<u>8,141</u>

NOTE 31 – PAYMENTS AND CHANGE IN LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND INVESTMENT CONTRACTS - RETENTION

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
For life insurance contracts:			
Paid and contingent claims - death, disability and other	715,361	603,106	551,957
Less - reinsurance	(81,940)	(73,335)	(65,340)
	633,421	529,771	486,617
	1,888,39		1,628,14
Redeemed policies	1	1,729,810	7
Expired policies	345,475	284,931	345,694
Pension	421,017	377,810	347,661
	3,288,30		2,808,11
Total claims	4	2,922,322	9
Increase in liabilities in respect of life insurance contracts (except for a change in contingencies) - retention	1,220,09		2,992,44
	4	(2,840,826)	9
Increase in liabilities in respect of investment contracts due to the yield component	791,145	26,620	918,346
Total payments and change in liabilities in respect of insurance contracts and investment contracts - retention - for life insurance contracts	5,299,54		6,718,91
	3	108,116	4
Total payments and change in liabilities in respect of property and casualty insurance contracts:			
	2,564,72		2,563,24
Gross	2	2,309,971	5
Reinsurance	(660,048)	(681,552)	(716,701)
	1,904,67		1,846,54
Retention	4	1,628,419	4
Total payments and change in liabilities in respect of health insurance contracts:			
	1,976,76		1,301,18
Gross	5	1,324,418	1
Reinsurance	(377,317)	(462,423)	(247,150)
	1,599,44		1,054,03
Retention	8	861,995	1
Total payments and change in liability in respect of insurance contracts and investment contracts - retention	8,803,66		9,619,48
	5	2,598,530	9

NOTE 32 – FEES AND COMMISSIONS, MARKETING EXPENSES AND OTHER PURCHASE EXPENSES

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Purchase expenses:			
Purchase fees	741,659	696,714	612,780
Other purchase expenses	347,451	327,392	291,975
Change in deferred acquisition costs	(185,806)	(244,504)	(105,066)
Total purchase expenses	903,304	779,602	799,689
Other fees and commissions	545,807	511,090	437,799
Other marketing expenses	303,070	299,393	268,500
Total fees and commissions, marketing expenses and other purchase expenses	<u>1,752,181</u>	<u>1,590,085</u>	<u>1,505,988</u>

NOTE 33 – GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Salaries and related expenses	1,047,503	940,724	857,036
Depreciation and amortization	244,126	224,183	209,547
Office maintenance and communications	72,689	66,807	60,753
Legal and professional advice	86,811	72,475	59,732
Machinery (net of depreciation and salaries)	140,663	137,438	123,341
Bank	41,288	40,847	39,006
Vehicle maintenance	20,617	17,159	14,134
Fines	-	2,625	45
Marketing	22,544	28,110	21,981
Reports and processing	34,345	28,473	27,564
Other	81,928	57,100	68,958
Total (*)	<u>1,792,514</u>	<u>1,615,941</u>	<u>1,482,097</u>
Less:			
Amounts classified under change in liabilities and payments in respect of insurance contracts	(177,768)	(162,303)	(165,905)
Amounts classified under fees and commissions, marketing expenses and other purchase expenses	(626,427)	(597,961)	(536,655)
General and administrative expenses	<u>988,319</u>	<u>855,677</u>	<u>779,537</u>
(*) General and administrative expenses include automation expenses totaling	<u>371,699</u>	<u>349,010</u>	<u>328,081</u>
After participation of other companies in the total	<u>481</u>	<u>469</u>	<u>614</u>

NOTE 34 – SHARE-BASED PAYMENT

In January 2022, further to the approval of the Company's Compensation Committee and Board of Directors, the Company's General Meeting approved an amendment to the Company's compensation policy. The revised provisions of the compensation policy allow, inter alia, the award - to officers, executives and employees of the Group (hereinafter - "Employees") - of a share-based compensation, including options exercisable into the Company's shares. In December 2021, the Company's Board of Directors approved a compensation plan, subject to the approval of the change in the compensation policy by the General Meeting as described above, which was given on January 3, 2022. Further to what is stated above, the Company's Board of Directors approved the publication of an outline for the allotment of securities to Employees. As part of the compensation plan, the Company allotted - without consideration - up to 2,900,000 illiquid and non-transferable options to offerees, which are exercisable into up to 2,900,000 ordinary shares of the Company (subject to adjustments and other provisions of the option plan (hereinafter - the "Plan"). At the first stage, the number of options allotted includes a "bank" for future allotments to eligible employees. The options allotted according to the Plan were allotted under the capital gains track and deposited with a trustee, who will hold them in trust for the Employees over the period set for that purpose in the Ordinance and in the regulations promulgated thereunder. It is noted that in view of the fact that under the provisions of the Plan the allotment of shares (as part of the exercise) is carried out on a cashless basis, the maximum number of shares that may be allotted (assuming full exercise and maximum price) shall constitute approx. 1.99% of the Company's issued and paid up share capital and voting rights (fully diluted).

Following are the data used in measuring the fair value of the options at the grant date, according to the binomial options pricing model, in connection with the above plan:

	Award date			
	<u>January 30, 2022</u>	<u>May 29, 2022</u>	<u>April 20, 2023</u>	<u>August 29, 2023</u>
Exercise premium per option in NIS	74.3	77.8	72.1	78.3
Expected volatility of share prices	29.97%-33.73%	33.08%-36.51%	34.58%-38.1%	34.95%-38.52%
Risk-free interest rate	0.75%-1.05%	2.13%-2.26%	3.78%-3.86%	3.78%-3.84%
Expected life of the options	4-6 years	4-6 years	4-6 years	4-6 years
Weighted average of the share prices (in NIS)	14.38-14.71	14.94-15.13	15.35-15.44	16.36-16.43
Fair value per option in NIS	14.55	15.05	15.38	16.4
Total value of options allocated in NIS million	31.9	0.6	3.49	0.3

For the above, the Company recognized in its consolidated financial statements for the reporting period, an expense in the amount of NIS 9,942 thousand (last year - NIS 10,468 thousand).

Subsequent to the reporting date, 66,323 options were converted to shares.

NOTE 35 – OTHER EXPENSES

	As of December 31		
	2023	2022	2021
	NIS thousand		
Amortization of intangible assets	29,325	20,865	17,010
Impairment of intangible assets	5,070	-	5,584
Electricity generation cost	1,381	1,208	1,967
Expenses for class actions	158	13,382	-
Other	3,262	1,567	4,971
	<u>39,196</u>	<u>37,022</u>	<u>29,532</u>

NOTE 36 – FINANCE EXPENSES

	As of December 31		
	2023	2022	2021
	NIS thousand		
Interest expenses, linkage differences and exchange rate differences for:			
Liabilities to banks	85,010	16,233	386
Subordinated notes	77,054	76,244	67,436
Bonds	5,608	10,176	14,408
Interest for reinsurers	25,111	25,865	14,063
Leases	4,835	2,747	1,291
Liabilities for direct debits	16,840	2,438	-
Other	(4,087)	12,009	4,865
Total finance expenses	<u>210,371</u>	<u>145,712</u>	<u>102,449</u>

NOTE 37 – EARNINGS PER SHARE

The calculation of basic earnings per share for 2023 was based on the earnings attributed to ordinary shareholders in the amount of NIS 514,380 thousand (in 2022 - earnings in the amount of NIS 533,789 thousand, in 2021 - earnings in the amount of NIS 665,679 thousand), divided by the weighted average number of outstanding ordinary shares amounting to 61,883 thousand shares (in 2022 - 62,589 thousand shares and in 2021 - 63,272 thousand shares).

The calculation of diluted earnings per share for 2023 was based on the earnings attributable to the ordinary shareholders of NIS 514,380 thousand divided by the weighted average number of outstanding ordinary shares totaling 63,697 thousand shares, as follows:

The calculation of diluted earnings per share did not include potential shares amounting to 256 thousand shares in 2023 and 2,070 thousand shares in 2022.

NOTE 38 – RISK MANAGEMENT

1. General

A. Operating segments

The Group operates in the following main operating segments: Life insurance and long-term savings (life insurance, pension and provident funds), health insurance and property and casualty insurance. The Group also operates in the following sectors: real estate, financing and credit activity, solar energy, mutual funds, and underwriting of securities.

The Group is exposed to the following risks as part of its activity:

- Financial risks (market, liquidity and credit).
- Insurance risks.
- Operational risks.

B. Description of risk management procedures and methods

The Group's risk management policy is aimed at ensuring a controlled exposure to those risks, while complying with regulatory requirements and maintaining the Group's business goals and financial strength. The board of directors provides principles for managing the overall risk, which include, among other things, a clear definition of assignment of responsibility regarding risk taking, maintaining an appropriate internal control environment, defining risk limits and exposure ceilings, setting a capital management plan that include a target capital that serves as a safety cushion in addition to the capital requirement for dividend distribution purposes, and corporate governance for risk management, which is based on the following three lines of defense as follows:

- The business parties that take the risk - those parties are charged with identifying, assessing, monitoring, and reporting the risks inherent in their activity and of the systems they use, including defining controls in internal processes and procedures. The control activity is carried out, among other things, through internal control departments and functions and/or the various control functions in each department or company. In addition, the business parties are supported by support functions, which include: actuarial sciences, reinsurance, finance, IT systems and risk management.
- The risk management function - a department, which is in charge of the formulation of a risk management framework, development of tools and methods for assessing the risks relating to existing and potential exposures, and in particular assessing the overall risk to which the Group's insurance companies are exposed. The risk management function is a unit which is independent of the business parties that take the risk. The function collaborates with the actuarial sciences, finance (including SOX processes) and compliance units, which are part of this line of defense. Furthermore, a separate risk assessment is conducted for material transactions and new products launched by the companies, which is relevant to the risks associated with those products/transactions.
- The internal audit department that conducts independent audits with regard to internal processes, and monitors the rectification of deficiencies that were identified.

The Company convenes professional forums, headed by the CEOs, which discuss, among other things, analyses of exposures, operating segments' profitability, risk aspects of the various operating segments and the overall risk level and economic capital.

The Boards of Directors of the insurance companies appointed dedicated risk management committees on their behalf, whose role is to direct and monitor various aspects of risk management, and specifically the implementation process, the effects and consequences of the solvency regime (hereinafter - "Solvency"), according to which the capital and capital requirements applicable to the Group's insurance companies are calculated.

The Group's insurance companies assess their capital adequacy against the overall risk, as it is estimated according to the solvency regime, and assess the effect of the changes in certain risk factors on its regulatory capital and the capital adequacy derived therefrom. Accordingly, among other things, they set the target capital as required under regulatory provisions. The subsidiaries' internal control units are in charge of risk management in the financial services subsegments, and take action to that effect.

NOTE 38 – RISK MANAGEMENT (cont.)1. General (cont.)B. Description of risk management procedures and methods (cont.)1. Financial risk management (market, liquidity and credit)

The Group's various organs are in charge of the management of the financial risks. Starting with the boards of directors of the subsidiaries, through the investment committees, credit committee and investments division of the subsidiary Menora Insurance, which provides services to all of the Group's institutional entities, the risk management function, the research and rating department and the reporting and control unit (Menora Invest Operation).

Group companies have separate investment committees for dealing with nostro funds and planholders' funds, and their role - among other things - is to monitor the exposure limits and risk management limits approved by the boards of directors.

The reporting and control unit in the Finance Department (Menora Invest Operation) monitors the exposure limits on a regular basis, alerts any deviations, and reports, as applicable, to the investment committees. The risk management function quantifies the exposure to market risks through, among other things, risk indicators and scenarios in a dedicated system, and reports to the investment committees and boards of directors of the various companies in accordance with the provisions of the law. For further details regarding the types of financial risks, the exposures thereto and sensitivity tests to changes in risk factors, see Sections 2-5 below.

The companies' boards of directors set the policy for the management of financial risks of the Group companies. The policy includes principles and restrictions, whose aim is to retain a risk appetite that reflects a reasonable proportionality regarding risk taking.

The financial risks are managed, among other things, by setting allowed investment ranges for the various asset types, with reference to diversification, among other things, by issuers, linkage basis and economic sectors. The principles applied in the management of market risks in the insurance companies' nostro reserves (assets against reserves in non-yield-dependent property and casualty insurance, life and health insurance and shareholders equity) are based on asset and liability management (ALM): The allocation of the assets is derived from the adjustment of the linkage bases, and from the timing of the expected proceeds and payments of the assets and liabilities, respectively. Effective management of the assets against the liabilities is conducted by limiting the exposure to the interest rate risk (average duration gaps). The market risk is measured mainly through sensitivity tests. Furthermore, the capital requirement, which is calculated in accordance with the solvency risks-based regulatory capital model includes, among other things, a calculation of the potential loss from stress events, with a probability of once every two hundred years in respect of the market risk factors and the credit risk factors. The Group also assesses periodically the sensitivity of the regulatory capital surplus through, among other things, sensitivity tests and stress scenarios. It is noted that the measurement of market risks based on the standard model of the solvency regime is carried out semi-annually and every quarter, where possible, in order to monitor changes in the risk profile or the external environment.

In portfolios under management (yield-dependent life insurance, pension and provident funds), the Group conducts active risk management by assessing strategic asset allocation for each portfolio under management against a benchmark portfolio, by measuring absolute and relative risks (compared to a benchmark portfolio), calculating risk-weighted performance indicators, and analyzing the effect of stress scenarios and sensitivity tests.

The principles of the liquidity risk management policy are mainly based on maintaining a minimum level of illiquid assets and cash in the asset portfolio.

NOTE 38 – RISK MANAGEMENT (cont.)1. General (cont.)B. Description of risk management procedures and methods (cont.)1. Financial risk management (market, liquidity and credit) (cont.)

The credit activity is carried out subject to the Investment Regulations and the Commissioner's circulars, which lay down the infrastructure for managerial, professional and operational support, in order to ensure that control and monitoring mechanisms are in place for the management of the credit risks. The activity is carried out in accordance with the investments policy, the credit policy and the financial risk management policy, which are approved every year by the Group's various boards of directors. The policy papers include principles for the management of credit risks in the assets portfolio according to various characteristics, such as exposure to a corporation and a group of corporations, distribution by economic sectors, and cross sections by rating. Customized loans and other illiquid credit are granted in accordance with the illiquid credit policy that was approved by the Board of Directors. Each customized Group loan is brought for approval of the relevant organ, according to an internal credit powers procedure, which is based on the risk level (translated into rating) and the transaction amount. The approval powers range from an internal credit committee to a credit sub-committee, an investment committee and all the way up to the board of directors.

The Group has an internal credit committee and a credit sub-committee, which were appointed by the investment committees and approved by the Group's different board of directors. The roles of those committees include, among other things, discussing and approving, according to an authorization hierarchy, transactions involving illiquid credit, subject to the policy papers and the Commissioner's circulars. At the level of the individual transaction, the risk assessment is based, among other things, on analyses and ratings. Where an external rating is not available, the Company uses, to the extent possible, an internal rating model, that was approved by boards of directors; for information about the approval of the model, see Section 4(c) below. In transactions carried out in collaboration with a bank, the key points of the bank's rating may be relied on, under certain conditions, as ordered by the Commissioner. The execution of non-rated transactions or transactions with a rating lower than investment grade is allowed under certain conditions as defined in the Commissioner's Directives and subject to the Company's procedures. Generally, for amounts higher than those set in a customized loan brought for the approval of a credit sub-committee, the risk management function submits an opinion in accordance with the Company's procedures.

The control unit, Menora Investment Operation, in Menora Insurance performs regular controls to monitor compliance with the different restrictions (under policies, Articles of Association, the Commissioner's restrictions and more), and reports to the investment committee that ensures an appropriate diversification in the portfolio of debt assets, including exposure limits, that are derived from investment regulations and/or the policy.

Furthermore, Menora Insurance implements a process for identifying and classifying troubled debt, and problem debt centers (liquid and illiquid) were appointed, in accordance with the Commissioner's requirements. A periodic report about troubled debts is delivered to the different committees.

The principles of the credit risk management policy arising from exposure to reinsurers, based on maintaining the quality of the portfolio and its distribution, are detailed in Section 4(f) below.

NOTE 38 – RISK MANAGEMENT (cont.)

1. General (cont.)

B. Description of risk management procedures and methods (cont.)

2. Insurance risk management

Following are the guiding principles in insurance risk management:

Exposure limits (retention): In each subsegment, a maximum exposure limit (retention) is set at the portfolio, policy and event level. The limit reflects the exposure to the insurance risk that the Group is willing to undertake. The risk above that level are transferred to foreign reinsurers, in accordance with the reinsurance policy of the Group's insurance companies. The Group's insurance companies purchased protection against the accumulation of multiple damages from a single event, both in property and casualty insurance and in life insurance.

Setting a tariff: The insurance tariff is set such that it will address all the future insurance liabilities that will arise from the materialization of the insurance risks inherent in each policy, including expenses and desired profit rates. The duration and type of the insurance coverage sets the type of future liabilities ("short tail" versus "long tail").

The process of launching new products and entering into a significant transaction: The procedure includes the identification and comprehensive assessment of the risks associated with the product or the transaction, setting the ways to manage and control those risks, and the wording of a policy that accurately reflects the risks that the Group's insurance companies are willing to undertake in their dealings with policyholders. When there is a concern that underwriting results have deteriorated other than due to random fluctuations, in-depth checks are conducted, among other things, to assess the inherent risk, and where necessary, the reserves assessments are adjusted. Similar checks are carried out upon renewal of transactions.

Underwriting: The system of underwriting rules includes restrictions, with dual purpose: a) creating a hierarchy in the risk-taking decision-making process (from the level of the agent, through the head of the region, all the way up to the head of the department); b) restricting the exposure to insurance risks. The enforcement of the underwriting rules is automated (for example, an automated underwriter in life insurance or capping the coverage level in property and casualty insurance), or manual - by a professional.

Catastrophe: The Group's insurance companies implement a policy whereby the exposure to catastrophes is limited by setting maximum coverage amounts in certain contracts, and by purchasing appropriate reinsurance coverage as far as possible. The purpose of the underwriting and reinsurance policy is to match the maximum loss derived from exposure to catastrophes to the risk that was priced in the tariff.

Quantification of the risk: For insurance companies, the quantification of the risk is carried out, among other things, as part of the calculation of the regulatory capital, which is based on risk-weighted capital calculated according to the standard model of the Solvency II Directive, and through sensitivity tests regarding key risk factors that affect the companies' solvency ratio. Following are the key points of the model in the insurance activity:

For the property and casualty insurance and health insurance (short-term) subsegments - the model is based on exposure (retention), amount of premiums, amount of reserves (calculated based on best assumptions - non-conservative), the loss ratios, standard deviations of classes of products with similar characteristics. In addition, the model assumes the effect of a stress event (an earthquake or a man-made event) on the Company's capital, which is measured based on predetermined parameters.

NOTE 38 – RISK MANAGEMENT (cont.)

1. General (cont.)

B. Description of risk management procedures and methods (cont.)

2. Insurance risk management (cont.)

For life insurance and health insurance (long-term) subsegments - the model is based on carrying amount changes in the risk factors that affect the fair value of the insurance liabilities (on a best estimate basis). For example, an extreme change in the mortality rates that were assumed, or in the cancellation rates that were assumed for the purpose of calculating the insurance liabilities. In addition, the model assumes the effect of a stress event (a catastrophe) on the amount of the liabilities based on predetermined parameters (increase in mortality and morbidity).

Finally, the measurement of the overall risk according to the model takes into consideration the fact that not all risks materialize at the same time in all subsegments, and therefore, there are correlations between the different insurance subsegments, which mitigate the overall risk.

Furthermore, the actuarial sciences function conducts studies and comprehensive periodic checks to assess the Company's exposure to different risks, and specifically in relation to risks such as mortality, morbidity, cancellations, etc., in the life and health insurance segment.

For further details regarding the types of insurance risks, the exposures to those risks, tools and methods used to estimate them and sensitivity tests pertaining thereto, see Section 6 below.

3. Operational risk management

The operational risk is the risk of loss as a result of failure or lack of effective control originating in processes, people, systems or an event that is external to the organization. A material part of the Group's activity relies on various IT systems. Therefore, the lack of sufficient infrastructures, including in the field of information security and cybersecurity, might expose the Group, its policyholders and planholders to the risk that sensitive information will leak, and to the risk of operational failure in the availability of the systems, and thereby disrupt the Group's processes, cause it to fail to comply with regulations, etc.

The day-to-day responsibility for the management of operational risks lies with the managers of the subsidiaries at all levels, including through dedicated control units and functions in the business departments. Furthermore, some of the operational risks are managed by other organs in charge of regulatory aspects, such as SOX, enforcement and compliance, information security, and the officer in charge of business continuity. The operational risk management unit, which is independent of the business units, provides professional support, while cooperating with the business units and the organs in charge of regulatory aspects. The Group's internal audit function performs additional controls on a variety of operating segments and, among other things, examines the existence and effectiveness of controls against operational risks while making recommendations for enhancing and improving controls.

The Group's insurance and pension companies have a comprehensive and organization-wide operational risk management policy in place, that sets principles, guidelines and areas of responsibility for the management of operational risks in each company.

The companies have different forums to address operational and fraud and embezzlement risks and in accordance with the guidance of the Capital Markets Authority, the board of directors' risk management committee discusses, among other things, operational risks.

NOTE 38 – RISK MANAGEMENT (cont.)

1. General (cont.)

B. Description of risk management procedures and methods (cont.)

3. Operational risk management (cont.)

The Group's business units have a number of control units and dedicated control functions, which report to the business units, and whose goal is, among other things, to mitigate the operational risk. Their activity includes compliance with restrictions and procedures, and implementing controls regarding various issues, such as fraud and embezzlement, controls that were implemented following a SOX audit and/or an internal audit, dealing with customers' queries, and more. In addition, their role is to identify, monitor and report to the operational risks management unit about risks that were identified or might materialize in their unit.

Furthermore, some of the operational risks are managed by other control organs, with professional collaboration with the risk management department for the Group's insurance and pension companies:

- **Information security and cybersecurity function -**

The business activity of the Company and Group companies relies - to a great extent - on IT systems that support the business processes. The availability of the systems, the reliability of the data, and maintaining the confidentiality of the data are essential for an orderly business activity. As technology advances, the frequency of threats changes and consequently, the level of risk to the Company and its customers increases. The incorporation of new technologies into the Company's business core, its end systems and among its customers increases the risk that cyber attacks will occur.

As part of its activities, the Group is exposed to a cyber risk, which may arise from unauthorized use of identity, disruption of activity by impairing network activity or shutdown of services, damage to systems, theft of digital assets, infecting systems with malicious codes or malware, penetrating systems or disclosure of information. The Company and the Group's insurance and pension companies' approach for defense against cyber and information security risks comprises three tiers: A technological defense tier, a tier focusing on dealing with events, and a regulatory, organization and methods tier.

In addition to operational preparations, the Group purchased an insurance coverage against computer crimes, including cyber incidents, for the Company and the Group's insurance and pension companies.

The Company makes regular preparations for dealing with cyber threats and invests many resources in this issue. The Company's monitoring and control mechanisms include management and board of directors committees, which discuss cyber risks and monitor the annual work plan in this area. Furthermore, the Company has a policy for the management of cyber risks, which is validated and approved by the Board of Directors on an annual basis, as well as a wide range of work procedures and instructions derived therefrom.

The Company has an orderly but flexible work plan that is revised from time to time in accordance with the development of the ever-changing threats. The plan is based, among other things, on an analysis of the threats and risks that are relevant to the Company, and includes actions, whose goal is to reduce the probability that those risks and threats will materialize. In order to assess the risk level, the Company conducts - on a regular basis - risk surveys and penetration tests to systems, and also holds drills to assess its preparedness for cyber attacks, both in technological terms and in business terms.

In recent years there has been a significant increase in global cyber threats. There have been many attacks - globally and in Israel - against national infrastructures, government entities and a wide range of corporations.

NOTE 38 – RISK MANAGEMENT (cont.)

1. General (cont.)

B. Description of risk management procedures and methods (cont.)

3. Operational risk management (cont.)

Furthermore, as a result of the Iron Swords War, there has been a substantial increase in the scope and number of cyber attacks against Israel's infrastructure, including financial institutions and insurance companies. As part of the Company's overall preparations, significant steps were taken to protect the Company, both in terms of infrastructure, and in terms of cyber threats.

- Officer in charge of preparations for times of crisis - a disaster recovery plan (DRP) is in place for re-starting the automated systems in the event of a catastrophe event that will damage the Company's offices; in addition, preparations are made regarding the Company's preparedness for times of emergency (business continuity planning (BCP)) - which is carried out at the intervals set in the Commissioner's circulars. The business continuity policy is validated and revised on an annual basis.
- The officer in charge of fraud and embezzlement - the Group operates in accordance with the Commissioner's circular and the policy approved in the boards of directors regarding the embezzlement and fraud risk. Menora Insurance and Menora Mivtachim Pension and Provident Funds have forums for operational risk management and the management of the fraud and embezzlement risk, and an officer in charge was appointed. In addition, a digital banking authentication system was incorporated into some of the activities of the insurance and pension company, to authenticate data before making claims and redemptions payments according to the risk level, whose aim is to verify the adequacy of payments.
- SOX manager - as part of the implementation of the provisions of Section 404 to the Sarbanes-Oxley law in the Group's institutional entities, and according to the Capital Markets Authority's guidance, the Group conducted a risk assessment of the risks associated with financial reporting and fair disclosure, set controls, whose aim is to prevent or mitigate the risks detected, and analyzed control gaps. In this framework, the Group adopted the COSO's internal control module, which constitutes a defined and recognized framework for assessing internal controls.
- The Enforcement and Compliance Officer - the Group has a mechanism in place to assess enforcement and compliance with rules and regulations applicable to the Group and each of its companies; as part of the mechanism, Group companies' boards of directors approved an internal compliance program, and appointed officers in charge of enforcement and compliance;
- Money laundering risks - a policy is in place regarding this issue and an officer was appointed, who is in charge of fulfilling the regulatory requirements. A survey was conducted to identify and assess money laundering risks.
- Outsourcing risks - a policy is in place in accordance with regulatory requirements.
- Quantitative assessment of the exposure to operational risks - is carried out for the Group's insurance companies as part of the calculations of the capital requirements in accordance with the Solvency II Directive.

NOTE 38 – RISK MANAGEMENT (cont.)

1. General (cont.)

C. Legal requirements

The Group's risk management process is guided by the regulatory requirements that are relevant to the different operating segments, as published in recent years, and consolidated in the Consolidated Circular Chapter 10 (Codex), which include the requirement to appoint a risk manager, whose key responsibilities are:

- To ensure that processes are in place, that are aimed to identify material insurance and financial risks embodied in the assets held against planholders and policyholders' savings, and in other assets of the insurance company, and in the liabilities of the insurance company and are inherent in the liabilities of the pension fund, which may have a material effect on planholders and policyholders' benefits and the financial resilience of the institutional entity.
- To quantify the exposure and assess the potential effect of the material risks that were identified, among other things, through scenarios, including stress scenarios.
- To assess the capital requirement (economic capital) for insurance companies in order to bear the material risks, while referring to the correlation between the various risks.

The regulatory requirements regarding risk management include, among other things:

- A requirement to set a risk exposure policy, exposure limits, and procedures and tools to measure and control the risks.
- Provisions regarding the management of investment assets as part of Chapter 4 to the Consolidated Circular, including provisions regarding the management of credit risks.
- Provisions regarding the management of exposure to reinsurers.
- Provisions regarding specific issues regarding operational risks: Embezzlement and fraud, information technology, data protection and cyber, and control over financial reporting (SOX), business continuity plan, disaster recovery plan (DRP), compliance risks, and more.
- Provisions regarding the implementation of risks-based solvency regime according to the Solvency II Directive.

2. Market risks

A. Definition of market risks

Market risk is the risk that the fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market risk factors. Market risk factors include, among other things, changes in the interest rate curves, share prices, consumer price index, foreign currency exchange rates, credit spreads and real estate prices.

The risks embodied in assets and liabilities for yield-dependent contracts (in Menora Insurance only)

Yield-dependent liabilities are liabilities for contracts in which the insurance benefits to which the policyholder is entitled depend on the return generated by certain investments of the Company, net of management fees as detailed below:

- Regarding policies that were issued until 2004, fixed management fees and variable management fees at a rate of 15% of the real return net of the fixed management fees.
- In policies issued from 2004 and thereafter - only fixed management fees as set in the terms and conditions of the policy.

Regarding the assets and liabilities in respect of yield-dependent contracts, the Group has an exposure in respect of changes in market factors, mainly as a result of changes in the variable management fees for policies that were issued through 2004, and as a result of the overall amount of the liability from which the Company's fixed management fees are derived with regard of all yield-dependent products.

NOTE 38 – RISK MANAGEMENT (cont.)

2. Market risks (cont.)

A. Definition of market risks (cont.)

In view of the above, the sensitivity tests and repayment dates of the liabilities listed in the sections below do not include yield-dependent contracts.

The following is a sensitivity test for yield-dependent contracts and the manner by which profit (loss) is affected by any change in yields:

Any 1% change in the real return on investments (net of the fixed management fees) under yield-dependent contracts in respect of policies issued until 2004, the liability amount of which as of December 31, 2023 is approx. NIS 13.4 billion, affects the management fees income by approx. NIS 20.1 million (as of December 31, 2022 - a total of approx. NIS 12.9 billion affects the management fees income by approx. NIS 19.4 million). The effect of such a change on policies issued from 2004 onwards is immaterial to Menora Insurance. In policies issued until 2004, when the return in these contracts is negative, the Company may not charge variable management fees as long as a positive return has not been achieved that will cover the losses that accumulated in the investments portfolio due to the negative return.

In 2022, there were slumps in the capital markets. Subsequently, the participating life insurance policies marketed through 2004 achieved negative real returns. Therefore, the Company did not record variable management fees since the beginning of 2022 and until the current report date; rather, it only recorded fixed management fees. So long as the policies do not achieve a positive real return that will cover the investment losses accrued by the policyholders, the Company will not be able to collect variable management fees. The estimated management fees that will not be collected due to the negative real return until an aggregate positive return is achieved, amounted, as of the report date, to approx. NIS 198 million and immediately prior to the publication date of the report, approx. NIS 126 million, before tax.

B. Sensitivity tests relating to market risks

The following are sensitivity tests to assess the effect of the changes in interest rates, the value of investments in equity instruments, the consumer price index and the exchange rate on the income (loss) and comprehensive income (capital) for financial assets, financial liabilities and liabilities in respect of insurance contracts and investment contracts, for the relevant risk variable at each reporting date.

The measurement basis is a change in one variable, with all other variables remaining constant. For example, the change in interest rate is taken into account assuming that all other parameters remain constant.

The results of the sensitivity tests are based on the following assumptions:

- As mentioned above, the sensitivity tests do not include the effect of yield-dependent contracts.
- It has been assumed that the aforementioned changes do not reflect a permanent impairment of assets presented at amortized cost or of available-for-sale assets and, therefore, in the below sensitivity tests, no impairment losses were included for these assets.
- Sensitivity tests reflect only direct effects; they do not reflect secondary effects.
- It should also be noted that the sensitivities are not linear, such that greater or more minor changes relative to the changes described below are not necessarily a straightforward extrapolation of the effect of these changes.
- The results of the sensitivity tests are presented on a net basis, after the deduction of the tax effect.

NOTE 38 – RISK MANAGEMENT (cont.)2. Market risks (cont.)B. Sensitivity tests relating to market risks (cont.)As of December 31, 2023:

	<u>Interest rates *)</u>		<u>Investments in equity instruments **)</u>		<u>% of change in the CPI</u>		<u>% of change in foreign currency exchange rates ****)</u>	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS thousand							
Profit (loss)	240,222	(362,563)	15,922	(15,940)	(29,185)	29,185	(183,560)	183,560
Comprehensive income (loss) ***)	78,497	(175,724)	294,455	(294,474)	(29,185)	29,185	46,482	(46,482)

As of December 31, 2022:

	<u>Interest rates *)</u>		<u>Investments in equity instruments **)</u>		<u>% of change in the CPI *****)</u>		<u>% of change in foreign currency exchange rates ****)</u>	
	+1%	-1%	+10%	-10%	+1%	-1%	+10%	-10%
	NIS thousand							
Profit (loss)	210,805	(361,717)	16,471	(17,061)	(25,223)	25,223	(168,771)	168,771
Comprehensive income (loss) ***)	61,111	(192,142)	271,481	(272,070)	(25,223)	25,223	41,582	(41,582)

*) The sensitivity analysis included liquid debt assets at fixed and variable interest, illiquid assets presented in the books of accounts at fair value, and illiquid debt assets that are held against non-yield-dependent insurance liabilities, but whose fair value is reflected in the assessment of the insurance liabilities. Out of the assets and liabilities that are presented in the table in Section C below as assets or liabilities with "direct interest rate risk" the following assets were not included in the interest risk: cash and cash equivalents, undiscounted liabilities in respect of insurance contracts, financial liabilities measured at amortized cost, and deposits and current balances with reinsurers.

According to the provisions of the Liability Adequacy Test (LAT) circular, the interest rate curves that were used in the sensitivity calculation are based on a risk-free interest rate curve as of the report date. This curve is based on returns to maturity of liquid government bonds, which are published by Fair Spread, that won the price quotation tender. The interest rate curves are identical to those published by the above-mentioned company, until the last liquid point (LLP) in the 25th year. Beyond that point, the interest rate curves are extrapolated according to the Smith Wilson method, until the ultimate forward rate (UFR), that was set at 60 years. From that point onwards, the future interest rate is fixed.

The assets to which the sensitivity analysis was applied constitute 21% of total assets (20% as of December 31, 2022).

The sensitivity analysis includes liabilities in respect of the provision that stems from the liability adequacy testing (LAT) of the insurance liabilities in life and health insurance, the liabilities to supplement pension and paid pensions in life insurance, and the insurance liabilities in property and casualty insurance following the transition to best practice.

NOTE 38 – RISK MANAGEMENT (cont.)

2. Market risks (cont.)

B. Sensitivity tests relating to market risks (cont.)

*) (cont.)

The effect of a 1% increase in the interest rate on the post-tax income in respect of insurance liabilities included in the sensitivity analysis is estimated at a profit of approx. NIS 244 million, and a 1% decrease will lead to a loss of approx. NIS 367 million (in 2022 - approx. NIS 217 million and approx. NIS 369 million, respectively). It is noted that the effect on the liabilities also includes the effect on the revaluation of the illiquid assets held against the said liabilities.

It should be noted that the Company also has a sensitivity to interest, which is not included in the above table, due to the discounting of the National Insurance allowances that will be paid of those injured in workplace accidents and due to dedicated committees that discussed this matter.

**) Investments in instruments with no fixed cash flows, or alternatively, where the Group has no information about this cash flow. According to the definitions in IFRS 7 do not include investments in associates. ETNs that track bond indexes and bond funds were also included.

***) The sensitivity analyses in relation to the comprehensive income also reflect the effect on the income (loss) for the period.

****) As part of the sensitivity tests in connection with exchange rates non-financial and other items amounting to approx. NIS 14.7 million were also taken into consideration.

*****) As part of the sensitivity tests in connection with CPI, non-financial and other items amounting to approx. NIS 57.1 million were also taken into account.

C. Direct Market Risk

Direct interest rate risk is the risk that a change in the market interest rate will cause a change in the fair value or cash flow resulting from the asset or liability. This risk relates to assets that are settled in cash.

It should be noted that there are assets with direct interest rate risk, whose fair value is affected from changes in interest rates in the market, but the Group does not record them at fair value in the Financial Statements, and they are not offset against the liabilities in the property and casualty insurance subsegments, as stated above, and therefore they are not included in the sensitivity tests described in the previous section.

The addition of the word "direct" highlights the fact that the change in interest rates can also affect other types of assets, but not directly, such as the effect of the change in interest rates on stock prices.

NOTE 38 – RISK MANAGEMENT (cont.)2. Market risks (cont.)C. Direct Market Risk (cont.)

	As of December 31, 2023		
	Non-yield- dependent	Yield- dependent	Total
	NIS thousand		
Assets with direct interest rate risk:			
Liquid debt assets	4,836,998	9,024,947	13,861,945
Illiquid debt assets:			
Hetz bonds and Accountant General deposits	7,015,565	155,342	7,170,907
Other	7,674,289	4,125,061	11,799,350
Other financial investments	70,697	684,384	755,081
Cash and cash equivalents	1,324,214	2,080,711	3,404,925
Reinsurance assets	3,628,513	-	3,628,513
	24,550,27		
Total assets with direct interest rate risk	6	16,070,445	40,620,721
	11,923,46		
Assets without direct interest rate risk *)	0	17,488,911	29,412,371
	36,473,73		
Total assets	6	33,559,356	70,033,092
Liabilities with direct interest rate risk:			
Financial liabilities	4,558,668	214,473	4,773,141
Liabilities in respect to insurance contracts and investment contracts	22,396,64		
	9	33,059,486	55,456,135
Other	256,751	-	256,751
	27,212,06		
Total liabilities with direct interest rate risk	8	33,273,959	60,486,027
Liabilities without direct interest rate risk **)	2,923,735	5,329	2,929,064
Equity	6,618,002	-	6,618,002
	36,753,80		
Total capital and liabilities	4	33,279,288	70,033,092
Total assets less liabilities	(280,068)	280,068	-

*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment, investment property, deferred tax assets, deferred acquisition costs, other property, as well as on-balance sheet classes of financial assets, the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low (receivables and debit balances, premiums collectible and current account balances).

**) Liabilities that do not have a direct interest rate risk include: a deferred tax liability various types of debt balances, etc.

NOTE 38 – RISK MANAGEMENT (cont.)

2. Market risks (cont.)

C. Direct Market Risk (cont.)

	As of December 31, 2022		
	Non-yield- dependent	Yield- dependent	Total
	NIS thousand		
Assets with direct interest rate risk:			
Liquid debt assets	4,808,702	8,936,016	13,744,718
Illiquid debt assets:			
Hetz bonds and Accountant General deposits	7,117,176	179,618	7,296,794
Other	7,223,141	4,239,820	11,462,961
Other financial investments	5,096	343,347	348,443
Cash and cash equivalents	1,293,931	2,590,568	3,884,499
Reinsurance assets	3,436,993	-	3,436,993
			40,174,40
Total assets with direct interest rate risk	23,885,039	16,289,369	827,405,19
Assets without direct interest rate risk *)	11,193,361	16,211,830	167,579,59
Total assets	35,078,400	32,501,199	967,579,59
Liabilities with direct interest rate risk:			
Financial liabilities	4,233,890	415,480	4,649,370
Liabilities in respect to insurance contracts and investment contracts	21,833,154	31,794,930	53,628,084
Other	394,164	-	394,164
			58,671,61
Total liabilities with direct interest rate risk	26,461,208	32,210,410	858,671,61
Liabilities without direct interest rate risk **)	2,539,608	289,228	2,828,836
Equity	6,079,145	-	6,079,145
			67,579,59
Total capital and liabilities	35,079,961	32,499,638	967,579,59
Total assets less liabilities	(1,561)	1,561	-

*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment, investment property, deferred tax assets, deferred acquisition costs, other property, as well as balance sheet classes of financial assets, the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low (receivables and debit balances, premiums collectible and current account balances).

**) Liabilities that do not have a direct interest rate risk include: deferred tax liabilities, various types of debt balances, etc.

NOTE 38 – RISK MANAGEMENT (cont.)2. Market risks (cont.)C. Direct Market Risk (cont.)Comments:

In non-yield-dependent life insurance policies - most of the liabilities are in respect of guaranteed return policies, which are partially backed by designated bonds (Hetz) issued by the Bank of Israel throughout the policy period. Therefore, the Group has overlapping financial coverage in respect of some of its interest and linkage liabilities for the entire life of the policies. As of December 31, 2023, the designated bonds covered approx. 55.5% of total non-yield-dependent liabilities in life insurance, that were issued through 1990 (in 2022 - approx. 57.7%). For other investments made by the Company in the life insurance business, there is exposure to interest rates that will prevail upon recycling the investments whose duration may be less than the average duration of insurance liabilities.

For these products, as well as for ongoing payment claims, long-term care insurance and income protection insurance, the calculation of the insurance liability is mostly based on the policy's calculative interest rate (for further details see Section 6A(2) below).

Regarding the discount rates, and the way they are determined for insurance liabilities, both in life and health insurance and in property and casualty insurance, see Section 6 to this note, in the part referring to the key assumptions used in the calculation of the insurance liabilities.

Some of the liabilities in respect of insurance contracts include liabilities in respect of guaranteed return provident fund tracks, which are mostly backed by Accountant General deposits, which are issued by the Accountant General; therefore, the Company has overlapping financial coverage in respect of most of its interest and linkage liabilities. As of December 31, 2023, the Accountant General deposits covered approx. 87.7% of the total liabilities in these provident fund tracks (in 2022- 89.8%).

NOTE 38 – RISK MANAGEMENT (cont.)2. Market risks (cont.)D. Breakdown of assets and liabilities by linkage base

	As of December 31, 2023					
	In NIS - non- linked	In NIS - CPI- linked	In foreign currency or linked thereto *)	Non- financial and other items	Assets for yield- dependent contracts	Total
	NIS thousand					
Intangible assets	-	-	-	1,795,069	-	1,795,069
Deferred tax assets	-	-	-	24,348	-	24,348
Deferred acquisition costs	-	-	-	2,187,635	791	2,188,426
Property, plant & equipment	-	-	-	1,017,318	-	1,017,318
Investments in associates	368,434	-	119,231	-	-	487,665
Investment property in respect of yield-dependent contracts	-	-	-	-	102,961	102,961
Investment property - other	-	-	-	651,862	-	651,862
Reinsurance assets	629,951	2,886,960	15,121	-	96,481	3,628,513
Current tax assets	-	133,349	-	-	-	133,349
Receivables and debit balances	152,940	77,203	76,146	84,661	133,688	524,638
Premiums collectible	-	830,967	131,889	-	67,437	1,030,293
Financial investments in respect of yield-dependent contracts	-	-	-	-	31,077,288	31,077,288
Other financial investments:						
Liquid debt assets	1,326,085	3,284,109	226,804	-	-	4,836,998
Illiquid debt assets	4,569,513	9,614,559	505,782	-	-	14,689,854
Shares **)	653,793	-	558,924	-	-	1,212,717
Other	617,625	3,322	2,605,921	-	-	3,226,868
Total other financial investments	<u>7,167,016</u>	<u>12,901,990</u>	<u>3,897,431</u>	<u>-</u>	<u>-</u>	<u>23,966,437</u>
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	2,080,711	2,080,711
Other cash and cash equivalents	<u>994,226</u>	<u>-</u>	<u>329,988</u>	<u>-</u>	<u>-</u>	<u>1,324,214</u>
Total assets	<u>9,312,567</u>	<u>16,830,469</u>	<u>4,569,806</u>	<u>5,760,893</u>	<u>33,559,357</u>	<u>70,033,092</u>

*) Most of the exposure to foreign currency refers to the USD.

**) The relevant currency for the exposure of shares is set in accordance with the registered currency.

NOTE 38 – RISK MANAGEMENT (cont.)2. Market risks (cont.)D. Breakdown of assets and liabilities by linkage base (cont.)

	As of December 31, 2023					
	In NIS - non- linked	In NIS - CPI-linked	In foreign currency or linked thereto *)	Non- financial and other items	Liabilities for yield- dependent contracts	Total
	NIS thousand					
Total equity	-	-	-	6,618,002	-	6,618,002
<u>Liabilities</u>						
Liabilities in respect of insurance contracts and non- yield-dependent investment contracts	1,892,430	20,486,069	18,150	-	-	22,396,649
Liabilities in respect of insurance contracts and yield- dependent investment contracts	-	-	-	-	33,059,486	33,059,486
Liabilities in respect of deferred taxes	-	-	-	480,601	-	480,601
Liabilities for employee benefits	127,019	-	-	-	-	127,019
Liability for current taxes	-	8,500	-	-	-	8,500
Payables and credit balances	1,185,486	891,365	298,312	189,202	5,329	2,569,694
Financial liabilities	3,928,518	573,764	56,386	-	214,473	4,773,141
Total liabilities	7,133,453	21,959,698	372,848	669,803	33,279,288	63,415,090
Total equity and liabilities	7,133,453	21,959,698	372,848	7,287,805	33,279,288	70,033,092
Total balance sheet exposure	2,179,114	(5,242,836)	4,196,958	(1,526,912)	393,676	-
Exposure to underlying assets through derivatives in delta terms	2,964,674	548,795	(3,513,469)	-	-	-
Total exposure	5,143,788	(4,694,041)	683,489	(1,526,912)	393,676	-

*) Most of the exposure to foreign currency refers to the USD.

NOTE 38 – RISK MANAGEMENT (cont.)2. Market risks (cont.)D. Breakdown of assets and liabilities by linkage base (cont.)

As of December 31, 2022						
	In NIS - non-linked	In NIS - CPI- linked	In foreign currency or linked thereto *)	Non- financial and other items	Assets for yield- dependent contracts	Total
	NIS thousand					
Intangible assets	-	-	-	1,736,065	-	1,736,065
Deferred tax assets	-	-	-	32,978	-	32,978
Deferred acquisition costs	-	-	-	2,001,824	796	2,002,620
Property, plant & equipment	-	-	-	988,089	-	988,089
Investments in associates	336,920	-	95,794	-	-	432,714
Investment property in respect of yield-dependent contracts	-	-	-	-	93,958	93,958
Investment property - other	-	-	-	509,198	-	509,198
Reinsurance assets	722,946	2,545,774	88,215	-	80,058	3,436,993
Current tax assets	-	120,648	-	-	-	120,648
Receivables and debit balances	136,336	105,541	63,544	76,327	323,828	705,576
Premiums collectible	-	835,210	145,399	-	67,761	1,048,370
Financial investments in respect of yield-dependent contracts	-	-	-	-	29,344,230	29,344,230
Other financial investments:						
Liquid debt assets	880,769	3,706,341	221,592	-	-	4,808,702
Illiquid debt assets	4,103,385	9,713,283	523,649	-	-	14,340,317
Shares **)	724,874	-	641,388	-	-	1,366,262
Other	421,861	13,955	2,292,564	-	-	2,728,380
Total other financial investments	6,130,889	13,433,579	3,679,193	-	-	23,243,661
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	2,590,568	2,590,568
Other cash and cash equivalents	1,007,041	-	286,890	-	-	1,293,931
Total assets	8,334,132	17,040,752	4,359,035	5,344,481	32,501,199	67,579,599

*) Most of the exposure to foreign currency refers to the USD.

**) The relevant currency for the exposure of shares is set in accordance with the registered currency or the functional currency.

NOTE 38 – RISK MANAGEMENT (cont.)2. Market risks (cont.)D. Breakdown of assets and liabilities by linkage base (cont.)

	As of December 31, 2022					
	In NIS - non- linked	In NIS - CPI- linked	In foreign currency or linked thereto *)	Non- financial and other items	Liabilities for yield- dependent contracts	Total
	NIS thousand					
Total equity	-	-	-	6,079,145	-	6,079,145
<u>Liabilities</u>						
Liabilities in respect of insurance contracts and non-yield- dependent investment contracts	1,902,095	19,837,558	93,501	-	-	21,833,154
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	31,794,930	31,794,930
Liabilities in respect of deferred taxes	-	-	-	357,806	-	357,806
Liabilities for employee benefits	127,442	-	-	-	-	127,442
Liability for current taxes	-	7,126	-	-	-	7,126
Payables and credit balances	1,292,968	855,011	392,993	172,783	16,871	2,730,626
Financial liabilities	<u>3,558,582</u>	<u>555,923</u>	<u>119,385</u>	<u>-</u>	<u>415,480</u>	<u>4,649,370</u>
Total liabilities	<u>6,881,087</u>	<u>21,255,618</u>	<u>605,879</u>	<u>530,589</u>	<u>32,227,281</u>	<u>61,500,454</u>
Total equity and liabilities	<u>6,881,087</u>	<u>21,255,618</u>	<u>605,879</u>	<u>6,609,734</u>	<u>32,227,281</u>	<u>67,579,599</u>
Total balance sheet exposure	<u>1,453,045</u>	<u>(4,214,866)</u>	<u>3,753,156</u>	<u>(1,265,253)</u>	<u>273,918</u>	<u>-</u>
Exposure to underlying assets through derivatives in delta terms	<u>2,908,522</u>	<u>232,962</u>	<u>(3,141,484)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total exposure	<u>4,361,567</u>	<u>(3,981,904)</u>	<u>611,672</u>	<u>(1,265,253)</u>	<u>273,918</u>	<u>-</u>

*) Most of the exposure to foreign currency refers to the USD.

NOTE 38 – RISK MANAGEMENT (cont.)

2. Market risks (cont.)

E. Details of exposure to economic sectors for investments in equity instruments

As of December 31, 2023						
<u>Economic sector</u>	Traded on the TA 125 Index	Traded in the Growth Share Index	Illiquid	Traded abroad	Total	%
	NIS thousand					
Manufacturing	41,008	-	116,552	30,058	187,618	15.47
Real estate and construction	107,138	18,758	51,908	-	177,804	14.66
Trade and products	50,231	27,112	57,578	7,726	142,647	11.76
Investment and holdings	10,630	-	-	-	10,630	0.88
Technology	180,935	4,194	177,193	41,246	403,568	33.28
Banks	195,290	-	1,731	4,964	201,985	16.66
Insurance	11,707	-	6,000	-	17,707	1.46
Biomed	28,096	-	-	4,621	32,717	2.70
Oil and gas exploration	35,517	-	-	2,524	38,041	3.14
Total	660,552	50,064	410,962	91,139	1,212,717	100.00

As of December 31, 2022						
<u>Economic sector</u>	Traded on the TA 125 Index	Traded in the Growth Share Index	Illiquid	Traded abroad	Total	%
	NIS thousand					
Manufacturing	73,880	11,605	122,727	74,812	283,024	20.72
Real estate and construction	114,946	26,024	77,638	2,857	221,465	16.21
Trade and products	80,393	40,379	24,713	17,793	163,278	11.95
Investment and holdings	23,965	-	-	-	23,965	1.75
Technology	122,912	20,638	170,089	63,402	377,041	27.60
Banks	167,711	-	2,054	3,670	173,435	12.69
Insurance	19,374	-	6,000	-	25,374	1.86
Biomed	38,029	324	-	21,691	60,044	4.39
Oil and gas exploration	38,636	-	-	-	38,636	2.83
Total	679,846	98,970	403,221	184,225	1,366,262	100.00

NOTE 38 – RISK MANAGEMENT (cont.)

3. Liquidity risks

A. Definition of liquidity risks

A liquidity risk is the risk that the Group will be required to dispose of its assets at an inferior price in order to meet its liabilities.

The Group is exposed to risks arising from uncertainty as to when the Group will be required to pay claims and other benefits to policyholders and planholders in relation to the amount of funds available for that purpose at that date.

It is noted, however, that a possible need for unexpected short-term borrowing - due to the materialization of a catastrophe event in property and casualty insurance or an event that will simultaneously have an adverse effect in life insurance and will cause a sharp and unexpected increase in claims - may require the disposal of assets with very short notice at prices that will not necessarily reflect their market value. Mainly since the Group might be required to pay claims before receiving the reinsurers' participation.

However, in much of its insurance liabilities in the life insurance and long-term savings segment, the policyholders bear the risk, or the risk is very low, due to the nature of the insurance contracts as described below:

- **Yield-dependent contracts in life insurance** - under the terms and conditions of the contracts, policyholders are entitled to receive a return according to the investment results net of management fees. Therefore, if investments are impaired for any reason, there would be a corresponding decline in the Group's liabilities.
- **Non-yield-dependent contracts in life insurance** - under the terms and conditions of the contracts, policyholders are entitled to receive a guaranteed return. As of December 31, 2023, the liability in respect of those contracts amounts to NIS 5,802 million, which constitutes approx. 15% of the life insurance portfolio (last year - NIS 5,760 million, which constitutes approx. 15.3% of the life insurance portfolio). Contracts that were issued before 1991 are mainly backed by designated bonds (Hetz) issued by the Bank of Israel. Menora Insurance is entitled to sell these bonds when the said policies are redeemed, and when an annuity is paid out of the policies' values and according to the policies' terms and conditions.
- **Guaranteed return provident fund tracks** - according to the fund's terms and conditions, planholders are entitled to an agreed return. As of December 31, 2023, the liability in respect of those tracks amounts to NIS 5,063 million (last year - NIS 4,990 million). These liabilities are mainly backed by Accountant General deposits. The Group is entitled to sell those deposits when funds are redeemed by planholders.

The liquidity risk of the Group stems therefore mainly from the balance of assets other than designated bonds or Accountant General deposits and not against yield-dependent contracts. As of December 31, 2023, the balance of those assets is NIS 29.5 billion (last year - NIS 28 billion).

Out of the said balance of assets, as of December 31, 2023, a total of approx. NIS 5.9 billion represent liquid assets (as of December 31, 2022 - approx. NIS 6.1 billion), which may be disposed of within a relatively short time, according to the liquidity terms of the capital markets.

NOTE 38 – RISK MANAGEMENT (cont.)3. Liquidity risks (cont.)B. Asset and Liability Management (ALM)

The Group manages the insurance companies' assets and liabilities in accordance with the requirements of the Supervision Law and the regulations promulgated thereunder.

The tables below summarize the estimated repayment dates of the Company's uncanceled insurance and financial liabilities (except those defined as "without a repayment date"), and do not include the difference between the fair value and the adjusted cost in respect of the illiquid debt assets that are held against the liabilities. Therefore, there is no adjustment between them and the balance of insurance and financial liabilities as per the statement of financial position.

(1) The estimated repayment dates for life and health insurance liabilities are included in the tables as follows:

- Saving funds - contractual repayment dates (mostly retirement age), assuming that all savings will be withdrawn as capital rather than as an annuity.
- Paid pension includes supplementary pension, paid disability, and paid long-term care - based on an actuarial estimate.
- Contingent claims and reserve for premium deficiency, active disability insurance and active long-term care insurance - without a defined repayment date.

(2) The estimated repayment dates of the liabilities for property and casualty insurance contracts are included in the tables as follows:

- Insurance liabilities that were estimated by the actuary - based on an actuary's estimate.
- Subsegments that are not estimated by the actuary were spread according to the Group's experts.
- The "without a defined repayment date" column comprises the amounts that constitute margins of conservatism beyond the estimate of the contingent claims in insurance subsegments that were not estimated by the actuary.

(3) The repayment dates of financial liabilities and liabilities in respect of investment contracts were included based on the contractual repayment dates. In contracts where the counterparty may select the timing of payment, the liability is included on the earliest date on which the Group may be required to pay the liability.

C. An analysis of the repayment dates of the gross amounts of financial and insurance liabilitiesLiabilities in respect of life and health insurance contracts *)

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	More than 15 years	No defined repay- ment date	Total
	NIS thousand						
As of December 31, 2023	<u>2,914,504</u>	<u>2,561,606</u>	<u>1,217,567</u>	<u>579,599</u>	<u>869,512</u>	<u>2,673,579</u>	<u>10,816,367</u>
As of December 31, 2022	<u>2,263,315</u>	<u>2,647,515</u>	<u>1,592,555</u>	<u>624,084</u>	<u>854,349</u>	<u>2,355,020</u>	<u>10,336,839</u>

*) Excluding yield-dependent contracts.

NOTE 38 – RISK MANAGEMENT (cont.)3. Liquidity risks (cont.)C. An analysis of the repayment dates of the gross amounts of financial and insurance liabilities (cont.)Liabilities in respect of property and casualty insurance contracts

	Up to 3 years	Over 3 years and up to 5 years	More than 5 years	No defined repayment date	Total
As of December 31, 2023	<u>5,523,133</u>	<u>1,275,594</u>	<u>995,338</u>	-	<u>7,794,065</u>
As of December 31, 2022	<u>5,611,208</u>	<u>1,288,936</u>	<u>883,474</u>	-	<u>7,783,618</u>

Financial liabilities and liabilities in respect of investment contracts

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	More than 15 years	Total
	NIS thousand					
<u>As of</u>						
<u>December 31, 2023</u>						
Financial liabilities, excluding for lease	<u>2,226,095</u>	<u>1,042,156</u>	<u>1,398,039</u>	-	-	<u>4,666,289</u>
Lease liabilities	<u>28,440</u>	<u>41,215</u>	<u>5,645</u>	-	-	<u>75,300</u>
Liabilities in respect of investment contracts	<u>5,059,602</u>	<u>1,077</u>	<u>733</u>	<u>4,190</u>	-	<u>5,065,602</u>
Liabilities in respect of yield-dependent investment contracts	<u>4,836,939</u>	-	-	-	-	<u>4,836,939</u>
<u>As of</u>						
<u>December 31, 2022</u>						
Financial liabilities, excluding for lease	<u>1,823,700</u>	<u>1,324,656</u>	<u>1,036,661</u>	-	-	<u>4,185,017</u>
Lease liabilities	<u>30,584</u>	<u>50,202</u>	<u>10,301</u>	-	-	<u>91,088</u>
Liabilities in respect of investment contracts	<u>4,986,677</u>	<u>1,349</u>	<u>731</u>	<u>3,874</u>	-	<u>4,992,631</u>
Liabilities in respect of yield-dependent investment contracts	<u>4,874,450</u>	-	-	-	-	<u>4,874,450</u>

NOTE 38 – RISK MANAGEMENT (cont.)4. Credit RisksA. Distribution of debt assets by location

	As of December 31, 2023		
	Liquid *)	Illiquid	Total
	NIS thousand		
In Israel	4,759,469	14,331,246	19,090,715
Overseas	77,529	358,608	436,137
Total debt assets	<u>4,836,998</u>	<u>14,689,854</u>	<u>19,526,852</u>

	As of December 31, 2022		
	Liquid *)	Illiquid	Total
	NIS thousand		
In Israel	4,623,858	13,957,271	18,581,129
Overseas	184,844	383,046	567,890
Total debt assets	<u>4,808,702</u>	<u>14,340,317</u>	<u>19,149,019</u>

*) Liquid debt assets are mainly classified into the available-for-sale category and measured at fair value.

See also breakdown of assets by rating below.

NOTE 38 – RISK MANAGEMENT (cont.)4. Credit risks (cont.)B. Breakdown of assets by rating of debt assets1. Debt assets

	Local rating *)				
	As of December 31, 2023				
	AA and above	BBB to A	Less than BBB	Unrated	Total
	NIS thousand				
<u>Debt assets in Israel</u>					
Liquid debt assets					
Government bonds	2,227,888	-	-	-	2,227,888
Corporate bonds	<u>1,907,315</u>	<u>498,926</u>	<u>10,172</u>	<u>115,168</u>	<u>2,531,581</u>
Total liquid debt assets in Israel	<u>4,135,203</u>	<u>498,926</u>	<u>10,172</u>	<u>115,168</u>	<u>4,759,469</u>
Illiquid debt assets					
Government bonds	7,015,565	-	-	-	7,015,565
Corporate bonds	479,049	52,900	-	695	532,644
Deposits with banks and financial institutions	525,749	-	-	-	525,749
Other debt assets by collateral:					
Mortgages	-	-	-	631,890	631,890
Loans against policies	-	-	-	3,287	3,287
Loans secured by real estate properties	223,989	446,665	-	155,105	825,759
Other collateral	612,456	1,295,879	-	2,682,753	4,591,088
Secured by shares conferring control	-	37,170	-	-	37,170
Unsecured	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,094</u>	<u>168,094</u>
Total illiquid debt assets in Israel	<u>8,856,808</u>	<u>1,832,614</u>	<u>-</u>	<u>3,641,824</u>	<u>14,331,246</u>
Total debt assets in Israel	<u>12,992,011</u>	<u>2,331,540</u>	<u>10,172</u>	<u>3,756,992</u>	<u>19,090,715</u>
Of which - internally rated debt assets (**)	147,562	997,516	-	-	1,145,078

*) Each rating includes all ranges, for example: rating A includes from A- to A+.

**) All amounts presented in this line represent assets that were not rated by an external rating agency, but rather according to the Group's internal rating model.

NOTE 38 – RISK MANAGEMENT (cont.)4. Credit risks (cont.)B. Breakdown of assets by rating (cont.)1. Debt Assets (cont.)

	International ratings *)				
	As of December 31, 2023				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
<u>Debt assets abroad</u>					
Liquid debt assets					
Corporate bonds	-	-	52,900	24,629	77,529
Illiquid debt assets					358,60
Other collateral	37,473	41,511	72,511	207,113	8
Total debt assets abroad	37,473	41,511	125,411	231,742	436,13 7

*) Each rating includes all ranges, for example: rating A includes from A- to A+.

NOTE 38 – RISK MANAGEMENT (cont.)4. Credit risks (cont.)B. Breakdown of assets by rating (cont.)1. Debt Assets (cont.)

	Local rating *)				
	As of December 31, 2022				
	AA and above	BBB to A	Less than BBB	Unrated	Total
	NIS thousand				
<u>Debt assets in Israel</u>					
Liquid debt assets					
Government bonds	2,156,462	-	-	-	2,156,462
Corporate bonds	1,881,819	496,390	4,993	84,194	2,467,396
Total liquid debt assets in Israel	4,038,281	496,390	4,993	84,194	4,623,858
Illiquid debt assets					
Government bonds	7,117,176	-	-	-	7,117,176
Corporate bonds	572,934	61,286	-	4,753	638,973
Deposits with banks and financial institutions	751,274	-	-	-	751,274
Other debt assets by collateral:					
Mortgages	-	-	-	555,318	555,318
Loans against policies	-	-	-	2,951	2,951
Loans secured by real estate properties	187,590	245,601	-	46,761	479,952
Other collateral	640,507	1,060,310	15,111	2,457,954	4,173,882
Secured by shares conferring control	-	13,521	-	-	13,521
Unsecured	-	-	-	224,224	224,224
Total illiquid debt assets in Israel	9,269,481	1,380,718	15,111	3,291,961	13,957,27
Total debt assets in Israel	13,307,76	1,877,108	20,104	3,376,155	18,581,12
Of which - internally rated debt assets **)	131,123	564,864	15,111	-	711,098

*) Each rating includes all ranges, for example: rating A includes from A- to A+.

**) All amounts presented in this line represent assets that were not rated by an external rating agency, but rather according to the Group's internal rating model.

NOTE 38 – RISK MANAGEMENT (CONT.)4. Credit risks (cont.)B. Breakdown of assets by rating (cont.)1. Debt Assets (cont.)

	International ratings *)				
	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
<u>Debt assets abroad</u>					
Liquid debt assets					
Corporate bonds	11,149	25,820	123,689	24,186	184,844
Illiquid debt assets					
Other collateral	10,138	39,283	81,961	251,664	383,046
Total debt assets abroad	21,287	65,103	205,650	275,850	567,890

*) Each rating includes all ranges, for example: rating A includes from A- to A+.

NOTE 38 – RISK MANAGEMENT (CONT.)4. Credit risks (cont.)B. Breakdown of assets by rating (cont.)2. Other assets (in Israel)

	Local rating *)				
	As of December 31, 2023				
	AA and above	BBB to A	Less than BBB	Unrate d	Total
	NIS thousand				
Receivables and debit balances, excluding balances for reinsurers	-	-	-	243,575	243,575
Deferred tax assets	24,348	-	-	-	24,348
Other financial investments	-	-	-	67,831	67,831
	1,274,28				
Cash and cash equivalents	4	-	-	-	1,274,284
Total credit exposure to other assets	1,298,63			311,40	
	2	-	-	6	1,610,038

	Local rating *)				
	As of December 31, 2022				
	AA and above	BBB to A	Less than BBB	Unrated	Total
	NIS thousand				
Receivables and debit balances, excluding balances for reinsurers	-	-	-	304,158	304,158
Deferred tax assets	38,032	-	-	-	38,032
Other financial investments	-	-	-	2,976	2,976
					1,248,88
Cash and cash equivalents	1,248,881	-	-	-	1
Total credit exposure to other assets	1,286,913	-	-	307,134	1,594,047

*) Each rating includes all ranges, for example: rating A includes from A- to A+.

NOTE 38 – RISK MANAGEMENT (CONT.)4. Credit risks (cont.)B. Breakdown of assets by rating (cont.)3. Other assets (abroad)

	International ratings *)				
	As of December 31, 2023				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Receivables and debit balances, excluding balances for reinsurers	-	-	-	48	48
Other financial investments	1,621	-	-	2,762	4,383
Cash and cash equivalents	49,929	-	-	-	49,929
Total credit exposure to other assets	51,550	-	-	2,810	54,360

	International ratings *)				
	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrate d	Total
	NIS thousand				
Receivables and debit balances, excluding balances for reinsurers	-	-	-	150	150
Other financial investments	1,195	-	-	1,237	2,432
Cash and cash equivalents	45,050	-	-	-	45,050
Total credit exposure to other assets	46,245	-	-	1,387	47,632

*) Each rating includes all ranges, for example: rating A includes from A- to A+.

4. Credit risks for off-balance sheet instruments

Unutilized credit facilities	Local rating *)				
	As of December 31, 2023				
	AA and above	BBB to A	Less than BBB	Unrated	Total
	NIS thousand				
	771,80				
	16,047	1	-	410,578	1,198,426
Unutilized credit facilities	Local rating *)				
	As of December 31, 2022				
	AA and above	BBB to A	Less than BBB	Unrated	Total
	NIS thousand				
	40,490	499,072	-	302,799	842,361

*) Each rating includes all ranges, for example: rating A includes from A- to A+.

NOTE 38 – RISK MANAGEMENT (cont.)4. Credit risks (cont.)C. Additional information about credit risks

- 1) The Group calculates the credit rating of illiquid debt assets, that are not rated by external rating agencies, according to an internal model that was created and approved by a credit sub-committee that was authorized to deal with this issue by the various boards of directors of Group companies. The said approval allows the Group to use the ratings when calculating the capital requirements under the solvency regime, and subject to the conditions listed in the solvency regime directives.
The model that was approved is not valid for the rating of illiquid credit for holding companies, projects that do not involve construction financing, infrastructures, financial institutions, banks and insurance companies and/or for structured products and derivatives.
- 2) The rating scale used for debt assets in Israel varies from that used for debt assets abroad. It is noted that according to the capital market circular 1-2008-6, regarding the publication of a conversion scale between the Israeli rating scale and the international rating scale, in 2009, the rating agencies published a conversion scale for converting the local rating scale to the international one.
- 3) The information regarding credit risks in this section does not include the assets for yield-dependent contracts presented in Section 7 below.
- 4) Regarding an exposure to reinsurers as of December 31, 2023, at the total amount of approx. NIS 2,611 million (last year - approx. NIS 2,236 million). For further details, see Section 4F.
- 5) Regarding collectible premium balances as of December 31, 2023, at the total amount of approx. NIS 1,030 million (last year - approx. NIS 1.048 million). For further details, see Note 11.

D. Information required in connection with the provisional exemption from the implementation of IFRS 9Credit risk disclosure:

The table below shows the carrying amount of the financial assets that meet the solely principal and interest (SPPI) criteria (excluding assets held for trading or managed on a fair value basis), by credit risk levels. The carrying amount is measured in accordance with IAS 39 but before provision for impairment.

NOTE 38 – RISK MANAGEMENT (cont.)

4. Credit risks (cont.)

D. Information required in connection with the provisional exemption from the implementation of IFRS 9 (cont.)

Credit risk disclosure (cont.)

Assets in Israel

	As of December 31, 2023				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
	1,092,46				
Cash and cash equivalents	8	-	-	-	1,092,468
	3,734,98				
Liquid debt assets	6	452,535	10,172	112,878	4,310,571
	8,856,80	1,822,23			
Illiquid debt assets	8	6	-	1,594,647	12,273,691

Foreign assets

	As of December 31, 2023				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Cash and cash equivalents	49,929	-	-	-	49,929
Liquid debt assets	-	-	17,044	-	17,044
Illiquid debt assets	37,473	41,511	72,511	48,218	199,713

Assets in Israel

	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Cash and cash equivalents	955,607	-	-	-	955,607
	3,554,42				
Liquid debt assets	6	454,816	4,993	79,436	4,093,671
	9,229,34	1,380,16			12,015,63
Illiquid debt assets	5	4	15,111	1,391,012	2

NOTE 38 – RISK MANAGEMENT (cont.)4. Credit risks (cont.)D. Information required in connection with the provisional exemption from the implementation of IFRS 9 (cont.)Credit risk disclosure (cont.)**Foreign assets**

	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
Cash and cash equivalents	45,050	-	-	-	45,050
Liquid debt assets	11,149	25,820	49,411	-	86,380
Illiquid debt assets	10,692	39,283	81,961	47,255	179,191

The following table presents a comparison between the fair value and the carrying amount of assets in Group A above that do not have a low credit risk. The carrying amount is measured in accordance with IAS 39 but before provision for impairment.

	As of December 31, 2023	
	Carrying amount	Fair value
	NIS thousand	
Liquid debt assets	4,327,614	4,327,614
Illiquid debt assets	12,473,403	13,793,503

	As of December 31 2022	
	Carrying amount	Fair value
	NIS thousand	
Liquid debt assets	4,180,051	4,180,051
Illiquid debt assets	12,194,823	13,745,271

NOTE 38 – RISK MANAGEMENT (cont.)

4. Credit risks (cont.)

E. Details of exposure to economic sectors in respect of investments in liquid and illiquid financial debt assets

	As of December 31, 2023		
	On-balance-sheet credit risk		Off-balance-sheet credit risk
	NIS thousand	% of total	NIS thousand
<u>Economic sector</u>			
Manufacturing	868,722	4.45	52,403
Real estate and construction	2,913,264	14.92	617,650
Trade and products	1,501,911	7.69	393,631
Investment and holdings	203,313	1.04	37,500
Technology	177,228	0.91	90,821
Banks	1,452,230	7.44	-
Insurance	159,653	0.82	-
Biomed	3,802	0.02	-
Oil and gas exploration	19,898	0.09	6,421
Private individuals	2,983,378	15.28	-
	10,283,399	52.66	1,198,426
Government bonds / Accountant			
General deposits	9,243,453	47.34	-
Total	19,526,852	100.00	1,198,426

	As of December 31, 2022		
	On-balance-sheet credit risk		Off-balance-sheet credit risk
	NIS thousand	% of total	NIS thousand
<u>Economic sector</u>			
Manufacturing	520,522	2.72	56,441
Real estate and construction	2,460,156	12.85	599,147
Trade and products	1,729,131	9.03	144,472
Investment and holdings	214,785	1.12	-
Technology	155,065	0.81	15,336
Banks	1,692,995	8.84	6,404
Insurance	287,741	1.50	-
Biomed	32,033	0.17	-
Oil and gas exploration	30,220	0.15	20,561
Private individuals	2,752,733	14.38	-
	9,875,381	51.57	842,361
Government bonds / Accountant			
General deposits	9,273,638	48.43	-
Total	19,149,019	100.00	842,361

NOTE 38 – RISK MANAGEMENT (cont.)4. Credit risks (cont.)F. Reinsurance1. Description of the management of credit risks arising from exposure to reinsurers

The Group reinsures part of its business - mostly through foreign reinsurers. However, reinsurance does not release the Group from its obligation to its policyholders under the insurance policies.

The Group is exposed to risks arising from uncertainty about the ability of reinsurers to pay their share of liabilities in respect of insurance contracts (reinsurance assets) and their debts in respect of claims paid.

The Group is exposed to concentration of credit risk in respect of a single reinsurer due to the structure of the reinsurance market and the limited number of reinsurers with satisfactory rating.

In accordance with the Commissioner's directive, the boards of directors of the Group's insurance companies determine, once a year, maximum exposure limits for reinsurers, which the Group has contracted and/or will contract, based on their international rating.

The exposure limits are managed at the reinsurance contract type level. That is to say, for each contract type a maximum exposure limit is set per a single reinsurer, and in addition - a maximum exposure is set for rating groups.

The Group monitors on an ongoing basis the reinsurer's position in the global market, any changes in its credit rating, as well as the fulfillment of its financial commitments.

NOTE 38 – RISK MANAGEMENT (cont.)

4. Credit risks (cont.)

F. Reinsurance (cont.)

2. Information on exposure to credit risks of reinsurers

As of December 31, 2023:		Reinsurance assets								Delinquent debt	
Rating group *)	Total pre- miums to re- insurers for 2023	Net receivable (payable) balances (b)	In life in- surance	In health in- surance	Property and casualty insurance		Deposits by reinsurers	Amount of letters of credit received from reinsurers	Total ex- posure (a)	Between six months and one year	Over one year
					In pro- perty in- surance	In liability insu- rance					
In NIS thousand											
AA and above											
Swiss											
Reinsurance	270,760	(52,840)	109,649	602,330	49,018	110,593	176,037	26,050	616,779	-	(6)
Other	285,694	(32,194)	88,088	196,086	143,486	280,032	215,007	-	460,491	334	2,910
	556,454	(85,035)	197,737	798,416	192,504	390,625	391,044	26,050	1,077,271	334	2,904
A											
Lloyd's	121,911	26,336	-	-	79,231	215,058	1,014	-	319,611	9,524	(64)
Other	725,386	(43,629)	4,954	126,819	550,115	1,014,860	462,658	-	1,190,460	8,155	4,904
	847,297	(17,294)	4,954	126,819	629,346	1,229,918	463,672	-	1,510,071	17,679	4,840
BBB	13,368	880	-	-	11,272	18,698	15,626	-	15,224	74	1,299
Less than BBB- or unrated											
	9,878	12	-	-	6,221	22,004	10,740	-	17,495	-	(92)
Total	1,426,998	(101,437)	202,692	925,235	839,342	1,661,244	881,081	26,050	2,620,060	18,087	8,951

(*) Each rating group includes all ranges, for example: rating A includes from A- to A+.

NOTE 38 – RISK MANAGEMENT (cont.)4. Credit risks (cont.)F. Reinsurance (cont.)2. Information regarding exposure to credit risks of reinsurers (cont.)

As of
December 31
2022:

2022:		Reinsurance assets								Delinquent debt	
Rating group *)	Total pre- miums to re- insurers for 2022	Net receivable (payable) balances (b)	In life in- surance	Property and casualty insurance				Amount of letters of credit received from reinsurers	Total ex- posure (a)	Between six months and one year	Over one year
				In health in- surance	In pro- perty in- surance	In liability insu- rance	Deposits by reinsurers				
In NIS thousand											
AA and above											
Swiss											
Reinsurance	260,069	(35,772)	106,647	502,508	55,347	157,610	162,006	34,157	590,177	-	(6)
Other	298,735	(64,869)	85,829	182,107	155,129	241,939	198,592	-	401,543	4,672	1,168
	558,804	(100,641)	192,476	684,615	210,476	399,549	360,598	34,157	991,720	4,672	1,162
A											
Lloyd's	143,003	(29,240)	-	-	66,515	212,316	1,014	-	248,577	-	(62)
Other	869,392	(171,112)	4,360	100,065	576,471	958,582	477,061	-	991,305	6,037	2,299
	1,012,395	(200,352)	4,360	100,065	642,986	1,170,898	478,075	-	1,239,882	6,037	2,237
BBB	9,993	539	-	-	9,722	20,810	16,684	-	14,388	843	724
Less than BBB- or unrated											
	1,602	(359)	-	-	(2)	1,038	-	-	677	-	179
Total	1,582,794	(300,813)	196,836	784,680	863,182	1,592,295	855,357	34,157	2,246,667	11,552	4,302

(*) Each rating group includes all ranges, for example: rating A includes from A- to A+.

NOTE 38 – RISK MANAGEMENT (cont.)

4. Credit risks (cont.)

F. Reinsurance (cont.)

2. Information regarding exposure to credit risks of reinsurers (cont.)

- (a) Total exposure to reinsurers is: net receivable (payable) balances plus reinsurance assets, net of deposits and letters of credit received from the reinsurers as guarantee for their liabilities.
- (b) In 2023, the allowance for doubtful accounts was increased by approx. NIS 1213 thousand (in the previous year the allowance was increased by approx. 74 thousand).
- (c) Total provisions for doubtful accounts, plus (less) reinsurers' share in the liabilities in respect of insurance contracts, amounted to approx. NIS 1,693 thousand, which constitute approx. 0.06% of the total exposure.
- (d) The balances do not include insurance companies' balances in respect of co-insurance.
- (e) Reinsurers' rating is set based on ratings of the rating agencies S&P and AM Best.
- (f) The total amount of reinsurers' exposure to an earthquake event with a maximum possible loss (MPL) of 2%-2.24% (based on an average annual exposure or as of December 31, 2023) is approx. NIS 8,342 million (compared with approx. NIS 7,991 million last year), of which the share of the most significant reinsurer - Swiss Reinsurance Co which has an AA- rating - amounted to approx. NIS 1,827 million (compared with approx. NIS 1,378 million in the previous year).
- (g) In 2023, there are no additional reinsurers in addition to those listed in the above table the exposure to which exceeds 10% of total reinsurance exposure or the premium in respect of which exceeds 10% of total reinsurance premiums.

NOTE 38 – RISK MANAGEMENT (cont.)

5. Geographic risks (*)

The geographic exposure in accordance with the final risk location, country, or geographic region, as applicable. Where the final location of the exposure cannot be identified, the exposure is recorded in accordance with the location where the asset or corporation is traded.

	As of December 31, 2023									
	Government bonds	Corporate bonds	Shares	ETFs	Mutual funds	Investment property	Other investments (**)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS thousand									
Israel	9,243,453	3,032,159	908,201	119,878	-	651,861	8,662,018	22,617,570	-	22,617,570
USA	-	60,493	110,440	90,233	-	-	2,251,750	2,512,916	57,184	2,570,100
UK	-	1,544	41,745	626	2,271	-	718,922	765,108	-	765,108
Germany	-	-	560	-	771	-	535,886	537,217	-	537,217
France	-	-	1,471	-	-	-	361,972	363,443	-	363,443
Switzerland	-	-	-	-	-	-	1,062,210	1,062,210	-	1,062,210
Other	-	47,558	150,300	44,870	26,804	-	1,876,296	2,145,828	33,060	2,178,888
Total	9,243,453	3,141,754	1,212,717	255,607	29,846	651,861	15,469,054	30,004,292	90,244	30,094,536

*) Excluding assets for yield-dependent contracts.

**) Other investments include reinsurance assets, investments in associates, cash and other financial investments that were not included in the other columns.

NOTE 38 – RISK MANAGEMENT (cont.)

5. Geographic risks (*) (cont.)

The geographic exposure in accordance with the final risk location, country, or geographic region, as applicable. Where the final location of the exposure cannot be identified, the exposure is recorded in accordance with the location where the asset or corporation is traded.

	As of December 31, 2022									
	Government bonds	Corporate bonds	Shares	ETFs	Mutual funds	Investment property	Other investments (**)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS thousand									
Israel	9,273,638	3,159,726	984,813	33,083	-	509,198	8,038,525	21,998,983	-	21,998,983
USA	-	50,462	158,379	163,044	3,887	-	1,908,855	2,284,627	49,120	2,333,747
UK	-	11,873	52,411	9,659	2,831	-	644,096	720,870	-	720,870
Germany	-	7,230	6,257	1,202	645	-	542,095	557,429	-	557,429
France	-	14,053	2,041	-	-	-	302,073	318,167	-	318,167
Switzerland	-	-	-	-	-	-	1,013,256	1,013,256	-	1,013,256
Other	-	47,872	162,361	52,551	71,972	-	1,568,157	1,902,913	9,673	1,912,586
Total	9,273,638	3,291,216	1,366,262	259,539	79,335	509,198	14,017,057	28,796,245	58,793	28,855,038

*) Excluding assets for yield-dependent contracts.

(**) Other investments include reinsurance assets, investments in associates, cash and other financial investments that were not included in the other columns.

NOTE 38 – RISK MANAGEMENT (cont.)

6. Insurance risks

Description of key insurance risks

Among other things, insurance risks include:

Underwriting risks: The risk of using incorrect prices due to deficiencies in the underwriting process and the gap between the risk assessed when pricing and setting the premium, and the actual materialization, such that the premiums collected are insufficient to cover future claims and expenses. The discrepancies may be due to accidental changes in business results and changes in average claim costs and/or the incidence of claims as a result of various factors.

Reserve risks: The risk of inadequate assessment of insurance liabilities which may result in actuarial reserves being insufficient to cover the liabilities and claims. The actuarial models according to which, among other things, the Group assesses its insurance liabilities, are based on the fact that the pattern of behavior in the past represents that which is to happen in the future. The Group's exposure to under-estimation is composed of the following risks:

- a) Model risk - the risk of selecting the wrong model for assessing the insurance liabilities.
- b) Parameter risk - the risk of using incorrect parameters, including the risk that the amount to be paid for the settlement of the Group's insurance liabilities or the date of settlement of the insurance liabilities will be different than expected.

Catastrophe risk: Exposure to the risk that a single event of major impact (catastrophe) such as natural disaster, war, terror, or pandemic will result in significant damage.

The amount of the maximum expected loss in the property and casualty insurance business as a result of the exposure to a single large damage event or accumulated damages due to a particularly large event with an average maximum possible loss (MPL) over one year of approx. 2% is approx. NIS 8,422 million (gross) and approx. NIS 80 million (own retention) (last year - gross exposure of approx. NIS 8,068 million and approx. NIS 77 million (own retention)).

In life insurance, the Group insures the exposure (retention) through a Cat Cover contract, in respect of life, total permanent health and disability insurance coverages. The coverage of the reinsurance treatment in the reporting period is approx. NIS 573 million, of which NIS 32 million is in respect of own retention. It is noted that the contract excludes pandemics and has limited coverage for war.

For data regarding the different insurance products in respect of which the insurer accrues an exposure to the insurance risks, see further details regarding insurance liabilities by insurance risks in Note 3. Additional data about the property and casualty insurance segment, in Note 18(a)(1), additional data about the life insurance and long-term savings segment, in Note 19, additional data about the health insurance segment, in Note 20(a,b).

A. Life and health insurance

The following is a description of the various insurance products, the risks embodied, the manner of risk measurement, and the methods and assumptions used to calculate the liabilities in respect thereof according to the product type.

According to the Commissioner's Directives, the insurance liabilities are calculated by an actuary according to generally accepted actuarial methods. The liabilities are calculated according to the relevant coverage data, such as: age and gender of the policyholder, the insurance term, the policy commencement date, type of insurance, periodic premium and insurance amount.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)A. Life and health insurance (cont.)1. Description of the actuarial methods for calculating insurance liabilities:a) "Adif" and "Status" type of insurance plans

There is an identified savings component in "Adif" and "Status" type insurance plans. The basic and principal reserve is the amount of savings accrued plus the return according to the policy's terms and conditions as follows:

- Principal linked to investment portfolio's yield (for yield-dependent contracts).
- Principal linked to the CPI plus a guaranteed fixed interest rate or guaranteed return against adjusted assets (for guaranteed return contracts).

For insurance components attached to these policies (income protection, life, long-term care, etc.), an insurance liability is calculated separately, as stated below.

b) "Mixed" and similar ("Traditional") insurance plans

"Mixed" insurance plans and the like combine a component of a savings amount in the event that the policyholder is alive at the end of the term of the plan with a mortality risk insurance component during the term of the plan. For these products, an insurance liability is calculated for each cover as discount of the cash flow in respect of the expected claims, including payment at the end of the period, less expected future premiums. This calculation is based on the assumptions on which the products are priced, including interest rates (hereinafter - "calculative interest rate"), mortality or morbidity table. The calculation is done using a method known as net premium reserve, which does not include in the expected proceeds the component included in the premium rate to cover fees and expenses, but on the other hand - does not deduct the expected expenses, fees and commissions. For traditional yield-dependent products, the reserve is calculated in accordance with the actual yield minus management fees and net of the calculative interest rate.

c) Liabilities for pensions are calculated in accordance with the expected life expectancy on the basis of revised mortality tables published by the Capital Market, Insurance and Savings Authority.d) Liabilities for retirement benefits in respect of which the payment of the annuity has not yet started, or where the policyholders reached retirement age, and actual payment in respect of valid policies (for which premiums are paid or which are redeemed)) has not yet commenced, include a basic reserve that reflects the cash surrender value accrued in favor of the policyholder and a supplementary retirement reserve.

The supplementary retirement pension reserve is calculated on the basis of estimates, which are based on Company's experience, including the probability of pension withdrawal, expected annuity tracks that will be selected by the policyholders, and according to the expected life expectancy based on revised mortality tables. The higher the gap between the revised mortality tables and the mortality tables on the basis of which the policies were priced (longer life expectancy) and/or the higher the probability of pension uptake, the higher the supplementary retirement reserve will be.

From time to time, the Company conducts studies, whose objective is to assess the rate of policyholders, who are expected to exercise their entitlement to an annuity, the annuity tracks mix, and other parameters that affect the amount of this supplementary retirement liability.

NOTE 38 – RISK MANAGEMENT (cont.)

6. Insurance risks (cont.)

A. Life and health insurance (cont.)

1. Description of the actuarial methods for calculating insurance liabilities (cont.)

d) Liabilities for retirement benefits in respect of which the payment of the annuity has not yet started (cont.)

The supplementary retirement pension reserve is accrued gradually using the K discounting factor, which is set such that the reserve will accrue gradually until the expected retirement date.

This factor is capped at the expected future income from management fees or a financial margin arising from the investments held against the insurance reserve in respect of the policy or from premium payments less expenses relating to the policy. A gradual provision will be calculated in a similar manner also for premiums that will be paid in the future as part of the policies, as from the premiums receipt date.

As from 2013, following a circular published by the Commissioner, the Company started the process of setting two K values, one in respect of policies, whose savings component is yield-dependent (hereinafter - "yield-dependent policies"), and another in respect of policies, whose savings component includes a guaranteed return (hereinafter - non-yield-dependent policies"), compared with the previous calculation that was based on a single K value. The Company has set a value of 0.36% in respect of yield-dependent policies, and 0% in respect of non-yield-dependent policies.

In addition, changes in assumptions regarding the discount rate, the cancellation rates, and/or other changes, will also affect the above-mentioned liabilities. These estimates are calculated according to the Company's experience, in combination with data published by the Commissioner or market input.

For further details about the total supplementary retirement pension reserve and the balance of provisions that will be carried to profit and loss by using the discounting factors K as mentioned above, on a gradual basis until the policyholders reach retirement age, see Note 18A above.

It is noted that the data in connection with the supplementary retirement pension reserve and in connection with the balance of the provisions that will be carried in the future relate to funds accrued in the policies until the end of each of the reporting periods, and do not include a liability in respect of additional future accrual.

e) Other individual life and health insurance plans - pure risk products (disability, life, long-term care, critical illness, disability, etc.) that are sold as standalone policies or are attached to policies with a base plan such as "Adif", "Status" "Traditional" or pure risk policy.

For some of these plans, the calculation is done using the gross premium reserve method, which includes in the expected proceeds all the components of the premiums and deducts the expected expenses, fees and commissions. In other plans, the actuarial liabilities are calculated based on a net premium reserve.

In respect of ongoing claims, in the long-term care insurance subsegments and the disability insurance subsegment an insurance liability is calculated in accordance with the expected payment period, discounted by the calculative interest rate of the product, and the expected period of the claim according with the policyholder's age and the time that passed since the claim was submitted.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)A. Life and health insurance (cont.)1. Description of the actuarial methods for calculating insurance liabilities (cont.)e) Other individual life and health insurance plans (cont.)

Liability in respect of contingent claims includes provisions for claims that have not yet been paid, including IBNR. Reserves are based on the assessment of the claims departments and an actuarial estimate based on an analysis of a real development according to the opening year, as needed. The development is assessed using the traditional incurred claims triangle. The IBNR reserve in respect of claims incurred but not reported is calculated based on past claims in the Company using the incurred claims triangle according to the damage year and the difference between the reported event and the average claim in the insurance subsegment.

f) The insurance liability for collective insurance consists of a liability in respect of a reserve for known one-off or ongoing contingent claims and IBNR (claims incurred but not reported) and indirect claims settlement expenses, a reserve for continuity and a reserve for future losses, as required. Furthermore, it should be clarified that in transactions involving collective long-term care insurance, Menora Insurance will bear 20% of the total insurance benefits, and a policyholders' fund will bear 80% of the insurance benefits. Accordingly, the premium amount to which Menora Insurance is entitled is the risk premium that was set in tenders plus management fees for the operation of the insurance policy. If the policyholders' fund will have no funds left, Menora Insurance will be required to add funds from own sources. In such a case, and in other situations as defined in the above-mentioned transactions, Menora Insurance shall be entitled to contact the Commissioner and request a tariff increase.

g) The reserve for indirect expenses for the settlement of claims is calculated based on expenses data, according to the expenses model which is updated according to the changes taking place in the Company.

h) Liability adequacy testing (LAT):

The Company performs liability adequacy testing (LAT) 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.

2. The main assumptions used to calculate the insurance liabilities:A. Discount rate

For "Mixed" and the like ("Traditional") insurance plans and pure risk products with fixed premium, the interest rate used for discounting purposes is as follows:

- (1) In insurance plans that are mainly backed by designated bonds - interest at the rate of 2.5% to 4.8% (linked to the CPI); in the calculation of the supplementation of annuity payment reserve, the part that is not backed by designated bonds - at risk-free interest, taking into account the illiquidity premium.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)A. Life and health insurance (cont.)2. The main assumptions used to calculate the insurance liabilities: (cont.)A. Discount Rate (cont.)

- (2) In guaranteed return and guaranteed annuity conversion factor plans, and in insurance plans that are not backed by designated bonds - interest at the rate of 2.5% (linked to the CPI); in the calculation of the supplementation of annuity payment reserve - at risk-free interest, taking into account the illiquidity premium.
- (3) In yield-dependent insurance plans (issued as from 1991) - an interest rate of 2.5% (linked to the CPI). According to the policy terms and conditions, changes in interest rates will be credited to policyholders.
- (4) In the calculation of the supplementation of annuity payment reserve - for participating policies that are not backed by designated bonds, the discount rate is between 2.5% to 3.5%, depending on the policy type and the management fees set therein.
- (5) In policies that pay amounts in respect of individual and collective long-term care policies and individual and collective disability insurance policies, the real interest rate used for discounting purposes is as follows:
 - For non-yield-dependent damages, the rate is 1%-2.5%.
 - Yield-dependent damages are discounted at a rate of 2.5%-3.1% before the calculation of management fees.
- (6) The annual real discount rate is 2.5% (linked to the CPI).

Decrease in the long-term interest rate might cause an increase in insurance reserves in respect of the free component (not backed by designated bonds) of policies whose saving component includes a guaranteed return that is higher than the discount rate, due to the need to provide additional reserves as part of liability adequacy test (LAT). Furthermore, a decrease in the risk-free interest and/or the illiquidity premium might increase the supplementary retirement reserve. For details regarding the effect of the change, see Section 4 below, "Substantial changes made in the assumptions and estimates used in the calculation of the insurance liabilities".

B. Mortality rates

The mortality rates used to calculate insurance liabilities in mixed-type policies "classic") in respect of policyholders who die before they reach retirement age (excluding the death of policyholders receiving pension annuities and of recipients of monthly income protection or long-term care compensation) are generally identical to the rates used in determining the rate.

The liability for lifetime annuities (other than in the long-term care subsegment) is calculated in accordance with up-to-date mortality tables published by the Commissioner. An increase in the mortality rate assumption, following an increase in the actual mortality rate to a level that is higher than the current level, will cause an increase in insurance liabilities in respect of policyholders' death before reaching retirement age in coverages with a life insurance component and a decrease in the liability for lifetime annuities. It is noted that in recent decades, life expectancy has increased and mortality rates have declined. The mortality assumption that is used to calculate the liability for annuity takes into account an assumption of a future increase in life expectancy.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)A. Life and health insurance (cont.)2. The main assumptions used to calculate the insurance liabilities: (cont.)C. Morbidity rates

Morbidity rates refer to the prevalence and cost of claims in critical illnesses, disability insurance, long-term care, medical expenses, accidental disability, etc. These rates and the annuities payment period (regarding long-term care and disability insurance) were determined based on the Company's experience and/or studies by reinsurers. The higher the morbidity rate assumption, the higher the insurance liability for the abovementioned subsegments. For details regarding the effect of the change, see Section 4 below, "Substantial changes made in the assumptions and estimates used in the calculation of the insurance liabilities".

D. The pension uptake rates and the annuity tracks mix

In respect of funds contributed since 2000 through the end of 2007, life insurance contracts, which include a savings component, were managed under two potential tracks: equity track or annuity track with a guaranteed annuity conversion factor. Regarding premiums that were contributed through May 2000, the policyholder may select, on retirement date, his/her preferred track. Since the insurance liability amount differs in each of these two tracks, the Company is required to estimate the rate of policies in which the policyholders will select the annuity track due to the effect on the reserve required in respect of such liabilities. This rate was set based on Menora Insurance's past experience in accordance with the Commissioner's Directives, in view of the reliability of the Company's past experience. It is noted that as from 2008, most provident funds plans and contributions towards the old plans are designated to annuity. Furthermore, the Company updates - according to past experience - the mix of the annuity tracks to be selected by the policyholders. The pension uptake rate is calculated separately for yield-dependent policies and non-yield-dependent policies. For details regarding the effect of the change, see Section 4 below, "Substantial changes made in the assumptions and estimates used in the calculation of the insurance liabilities".

E. Cancellation rates

The cancellation rate affects the estimate of insurance liabilities in respect of some health insurance policies and disability insurance, as well as lifetime annuities in the period before the commencement of payments. Cancellation of insurance contracts may stem from the cancellation of policies initiated by Menora Insurance due to termination of premium payments or policy redemption at the request of the policyholders. The cancellation rates assumptions are based on the Company's experience, the product type, and the period that elapsed since the insurance inception date through the reporting date. The cancellation rate also affects the liability adequacy testing across all subsegments, and the assessment of the recoverability of the deferred acquisition costs. For details regarding the effect of the change, see Section 4 below, "Substantial changes made in the assumptions and estimates used in the calculation of the insurance liabilities".

NOTE 38 – RISK MANAGEMENT (cont.)

6. Insurance risks (cont.)

A. Life and health insurance (cont.)

2. The main assumptions used to calculate the insurance liabilities: (cont.)

F. Rates of premium discounts given to policyholders

As part of the calculation of the various provisions, Menora Insurance assumes collection of a premium while taking into account the discount rates in respect of those premiums. These rates are based on assumptions that were given in practice, and assessments regarding the sale trends.

G. Expense rates

Menora Insurance allocates expenses based on an expenses allocation model, which is updated according to the changes taking place in the Company.

H. Continuity rates in collective policies

In health and life insurance, and collective long-term care insurance (except for health maintenance organizations), policyholders are entitled to continue the insurance coverage at terms that were set for that purpose in the terms and conditions of the individual insurance policy when the collective insurance policy ends and is not renewed by any of the insurance companies.

At this stage, Menora Insurance retains a continuity reserve only in respect of health and life insurance policies, according to techniques generally accepted in the Company.

In the case of collective long-term care insurance of health maintenance organizations, in accordance with the Supervision of Financial Services Directives (Insurance) (Collective Long-Term Care Insurance to Members of Health Maintenance Organizations), 2015, Section 11A, the Company is required to continue the insurance to its existing policyholders in the format of a mutual fund without bearing an insurance risk. Therefore, no reserve is made in respect of this continuity option.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)A. Life and health insurance (cont.)2. Life and health insurance sensitivity tests *)As of December 31, 2023:

	Cancellation rate (redemptions, settlements, and reductions)		Morbidity rate		Mortality rate		Annuity uptake rate	
	+10%	-10%	+10%	-10%	+10%	-10%	+5%	-5%
	NIS thousand							
Profit								
(loss)	6,743	(7,421)	(110,064)	2,765	172,989	(250,473)	(34,061)	34,790

As of December 31 2022:

	Cancellation rate (redemptions, settlements, and reductions)		Morbidity rate		Mortality rate		Annuity uptake rate	
	+10%	-10%	+10%	-10%	+10%	-10%	+5%	-5%
	NIS thousand							
Profit								
(loss)	7,423	(8,350)	(89,957)	10,301	138,021	(234,129)	(34,674)	35,500

*) For the amount of the supplementary retirement pension reserve, see Note 19A.

3. Substantial changes made in the assumptions and estimates used in the calculation of the insurance liabilities:A. Liability adequacy testing (LAT)1) Health insurance

The Company periodically performs liability adequacy testing (LAT) especially for long-term care insurance in accordance with the LAT Circular. See the effect in the table below.

2) Updating of the illiquidity premium:

On February 17, 2022, the Commissioner published an amendment to the provisions of the consolidated circular, regarding liability measurements – the illiquidity premium (hereinafter - the "Amendment"). The Amendment's objective is to revise the method of estimating the illiquidity premium added to the risk-free interest used in calculating the LAT reserve in accordance with IFRS 4. In accordance with the updated formula, the illiquidity premium as of December 31 2021, as calculated by the Authority, is approx. 0.54%, compared with an illiquidity premium of approx. 0.26% before the Rectification. First-time application of the Rectification took place starting with the Financial Statements as of December 31, 2021 by way of an accounting estimate change in accordance with IAS 8. The effect of the update resulted in a decrease in insurance liabilities for 2021 in the amount of approx. NIS 87 million in life insurance and approx. NIS 97 million in health insurance. In the reporting year and the prior year, there were no other regulatory updates.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)A. Life and health insurance (cont.)3. Substantial changes made in the assumptions and estimates used in the calculation of the insurance liabilities: (cont.)A. Liability adequacy testing (LAT) (cont.)3) Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT:

A revision of the consolidated circular was published on February 9, 2023, which included a clarification regarding the allocation of assets not measured at fair value when calculating LAT. According to the Circular, one may take into account UGL (the excess value, i.e., the positive difference between the fair value of assets and their carrying amounts) when calculating a property and casualty insurance reserve employing methods other than best practice. In accordance with the Circular, the Company may take UGL into account even when it calculates the reserve employing methods other than best practice, provided that the balance of the reserve after deducting the UGL does not fall below the best estimate of the liability. The update of the circular does not affect the Company.

In the reporting period, the insurance liabilities in health insurance declined as a result of the difference between the fair value of the assets and their amortized cost; however, the decline is significantly lower than that recorded last year as described in the table below.

4) Assumptions regarding mortality rates

In June 2022, the Commissioner published the Circular “Amendment of the Provisions of the Consolidated Circular regarding Measurement of Liabilities - Updating the Demographic Assumptions System in Life Insurance and Pension Funds” (hereinafter - the “Circular”).

The Circular lists updated default assumptions on the basis of which insurance companies will calculate the liabilities in respect of life insurance policies, which allow them to receive an annuity according to guaranteed conversion rates based on up-to-date demographic assumptions.

The Circular refers, among other things, to a change in life expectancy, including future improvements, and the resulting consequences for the level of reserves. In addition, the circular includes a new life table for retirees of insurance companies, which is based, among other things, on past experience regarding mortality of retirees of insurance companies.

The Company has updated its estimates of pension liabilities based on the new mortality table and future life expectancy improvements included in the Circular.

As a result, in 2022, the Company increased the provision for the paid pension reserve and the supplementary retirement pension reserve, and reduced the comprehensive income as set out in the table below.

5) Assumptions regarding the annuity uptake factor

In 2022, the Company revised the assumptions in life insurance regarding the annuity uptake factor. This revision reduced the insurance reserves, and accordingly, therefore there was an increase in income as set out in the table below.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)A. Life and health insurance (cont.)3. Substantial changes made in the assumptions and estimates used in the calculation of the insurance liabilities: (cont.)A. Liability adequacy testing (LAT) (cont.)6) Assumptions regarding mortality rates, cancellations, and expenses

Assumptions regarding morbidity rates, cancellations, and expenses are largely based on studies performed by the Company from time to time, the Company's experience, or studies performed by reinsurers. The effect of the revisions is set out in the table below.

Below is the effect of material changes in the assumptions and estimates applied in the calculation of the insurance liabilities and the effect of additional assumptions applied in the calculation of the Company's insurance liabilities (retention) on the financial results:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
<u>Life insurance</u>			
Revision to the supplementary retirement pension reserve due to the change in the discount rate and the illiquidity premium	62,107	501,581	(61,495)
Claims assumption update	(9,578)	26,997	-
Annuity uptake assumption update	-	21,467	-
Cancellations assumption update	3,826	(4,041)	-
Expenses assumption update	(1,370)	(11,622)	(30,423)
Morbidity assumption update	-	-	(36,481)
Mortality tables update	-	(130,891)	-
Total effect on the life insurance segment	54,986	403,491	(128,399)
<u>Health insurance</u>			
<u>Individual long-term care</u>			
Risk-free interest rate and illiquidity premium	82,421	452,818	(13,325)
Fair value of illiquid debt assets	(42,733)	(188,310)	38,040
Total interest effect	39,688	264,508	24,715
Mortality assumption update	-	(6,787)	-
Morbidity assumption update	(75,842)	(48,692)	(29,148)
Cancellations assumption update	(1,520)	(12,259)	-
Expenses assumption update	-	14,255	19,167
Total update of individual long-term care assumptions	(77,363)	(53,483)	(9,981)
Total individual long-term care	(37,675)	211,025	14,734
<u>All other health insurance subsegments</u>			
Morbidity assumption update	(24,218)	(22,212)	(11,400)
Cancellations assumption update	(1,050)	(12,306)	-
Expenses assumption update	-	11,783	-
Other updates	13,470	-	-
Total update of assumptions in all other health insurance subsegments	(11,798)	(22,735)	(11,400)
Total effect on the health insurance segment	(49,473)	188,290	3,334
Total before tax	5,513	591,781	(125,065)
Total after tax	3,628	389,451	(82,305)

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)B. Property and casualty insurance1. Summary description of the main insurance subsegments in which the Company operates, and the risks embodied therein:

A compulsory motor insurance policy covers the policyholder and driver for any liability they may incur under the Road Accident Victims Compensation Law, 1975 for bodily harm caused by the use of a motor vehicle to the driver, passengers or pedestrians injured by the vehicle. Compulsory motor claims are characterized by a "long tail", which means that sometimes a long-time elapses from the date of the incident until the claim's final settlement date.

Liability insurance is intended to cover a policyholder's liability for damage that he/she may cause to a third party. The main types of insurance are: third party liability insurance, employer liability insurance, other liability insurance such as professional liability, product liability and directors' and officers' liability. The timing of claims' filing and settlement is influenced by a number of factors, such as the type of coverage, policy terms and conditions, as well as legislation and legal precedents. Liability claims are typically characterized by a "long tail", that is, sometimes a long-time elapses from the date of the incident to the final settlement date of the claim.

Motor damage insurance policies and motor property damage third-party policies provide policyholders with coverage for property damage. Coverage is usually limited to the value of the damaged vehicle. The motor property insurance rate and the policy as a whole require approval by the Insurance Commissioner and is an actuarial rate, which is partially differential (non-uniform for all policyholders and risk-adjusted). The said rate is based on a number of parameters, both those related to the vehicle insured under the policy (such as vehicle type, year of manufacture, etc.) and those related to characteristics of the policyholder (driver's age, claim history, etc.). The underwriting process is carried out partly through the rate itself and partly through a system of procedures designed to review the policyholder's claims history, including presenting a no claims certificate for the past three years from the previous insurer, presenting evidence of up-to-date protection, etc, the procedures are incorporated automatically into the policies' production process. In most cases, motor property insurance policies are issued for a one-year period. In addition, in most cases, claims in respect of these policies are investigated close to the date of the insured event (short tail).

Property insurance is intended to provide policyholders with coverage against physical damage to his/her property and loss of income due to damage to the property. The main risks covered by property policies are fire, explosion, burglary, earthquake and natural disasters. Property insurance often includes loss of income damage due to the physical damage caused to the property. Property insurance is an important part of home insurance, business insurance, engineering insurance, cargo in transit (maritime, land and air), etc. In most cases, claims for these policies are investigated as of the date of the insured event (short tail).

2. Principles of calculating actuarial assessment in property and casualty insurance

- (1) Liabilities in respect of property and casualty insurance contracts include the following main components:
- Provision for unearned premium reserve.
 - Contingent claims, including a separate provision for indirect expenses and risk margin.
 - Provision for the difference between the reserve for unexpired risks as calculated by the actuary and the unearned premium at the retention level (premium deficiency).
 - Net of deferred acquisition costs.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)B. Property and casualty insurance (cont.)2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)

(1) (cont.)

The provision for unearned premiums and deferred acquisition costs are calculated in a way that does not depend on any assumptions and is therefore not exposed to reserve risk. With regard to the method employed to calculate these reserves, see Note 2(f)(2)(d).

- (2) In accordance with the Commissioner's Directives, contingent claims are calculated by an actuary, using generally accepted actuarial methods that are consistent with the previous year. The choice of the appropriate actuarial method for each insurance subsegment and for each event year is determined by exercising judgment on the degree of the method's suitability to the subsegment, and sometimes the various methods are combined. The assessments are mainly based on past experience in the development of claim payments and/or development of the amount of specific payments and estimates. The assessments include assumptions about the average claim cost, claims handling costs, prevalence of claims, and the severity of the claims in the relevant risk group. Additional assumptions may take into account changes in interest rates, exchange rates and timing and severity of payments. Claim payments include direct and indirect expenses to settle claims, less subrogation and deductibles.
- (3) The use of actuarial methods based on the development of claims is particularly appropriate when there is concrete and satisfactory information on claims payments and/or individual assessments to estimate the total expected cost of claims. When the information available in the actual claims history is insufficient, the actuary sometimes uses a calculation that weights a known estimate (in the Company and/or industry) such as a priori LR and the actual claims development. Greater weight can be estimated based on experience as time goes on and more information about the claims accumulates.
- (4) In addition, qualitative assessments are included with regard to change in trends in the future after exercising judgment, when changes were not fully reflected in past experience. The actuary updates the models and/or makes specific provisions based on statistical and/or legal assessments, as applicable.
- (5) In large claims of a non-statistical nature, the reserve is determined (gross and retention) based on the opinion of the Company's experts and in accordance with the recommendations of their legal counsel.
- (6) In subsegments with no suitable statistical model, the insurance liability is determined on a gross basis based on the opinion of the Company's experts, and in accordance with the recommendations of their legal counsels.
- (7) The share of reinsurers in the contingent claims is estimated taking into account the type of agreement (proportional or non-proportional) and the actual claims data.
- (8) The estimate of the contingent claims in the compulsory motor subsegment for the Company's share in the Pool is based on a calculation that was carried out by the Pool's actuary.
- (9) The Group's insurance companies implement the Commissioner's position regarding the best practice for calculating insurance reserves in property and casualty insurance, which includes, among other things, the following:

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)B. Property and casualty insurance (cont.)2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)

(9) (cont.)

- “Prudence” means, that with regard to a reserve that was calculated by an actuary “an adequate reserve to cover the insurer’s obligations” implies that it is fairly likely that the insurance liability that was set will suffice to cover the insurer’s liabilities. In the case of contingent claims in the compulsory motor and liability subsegments, the estimate of “fairly likely” shall mean a probability at least 75%. For random risk - examining several actuarial methods and using discretion in determining the estimate in relation to the results of the methods. For systemic risk - identifying significant systemic (internal and external) effects, and using discretion in how to incorporate them. In addition, the Group took into account the effect of the use of the fair value of the illiquid assets held against those insurance liabilities.
- The discount rate applied to cash flow - according to the risk-free interest rate curve, while adjusting it to the illiquid nature of the insurance liabilities.
- Aggregation - for the purpose of calculating spreads for uncertainty in statistical subsegments (as defined in the circular), each subsegment must be treated separately, but the risks from all underwriting years (or damage) in the subsegment may be aggregated. In non-statistical subsegments, all subsegments may be treated as a single one. Furthermore, the prudence margin was reduced in accordance with the Commissioner’s position in respect of lack of full correlation between the subsegments.
- Determining the amount of insurance liabilities in respect of policies that were sold close to the balance sheet date, and unexpired risks.

3. Details of actuarial methods in the major insurance subsegments

For the purpose of calculating the contingent claims, the following actuarial models were used in combination with the various assumptions:

The chain ladder method

This method is based on the development of historical claims from various perspectives (development of the payments and/or the cost of claims and/or development in the number of claims and more). The use of this method is best suited after a sufficient period has elapsed since an event has occurred, where sufficient information is available from past claims in order to estimate the total expected claims.

The Bornhuetter-Ferguson (BF) method

This method combines an early (a priori) estimate with an additional estimate based on the development of the claims themselves. The a priori estimate in the Company is based mainly on the severity and number of expected claims and/or expected claims ratio. As part of this method, the combined claims estimate weights the two estimates. The weights are a function of the development factors, where normally greater weight is assigned to an estimate based on claims history as time goes on and more information about the claims accumulates. The use of this method is suitable mainly in instances where there is no sufficient information from the claims, or when the business in question is new or does not have sufficient historical information. It is noted that the expected loss ratio is based on the BF method as described above, without the incorporation of the additional estimate.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)B. Property and casualty insurance (cont.)3. Details of actuarial methods in the major insurance subsegments (cont.)**The averages method and/or the embedded claim model**

Sometimes, such as in the case of the BF method, where the claims history in recent periods are insufficient, historical averaging is used. In this method, the cost of claims is determined based on the embedded claim cost per policy in the early years and the number of policies in later years. Similarly, the cost of claims is calculated based on a forecast of the number of claims (the chain ladder method); this model is based on the calculation of an average amount for an open or closed claim (the severity of the claim), and the average historical claim.

In the motor property subsegment - the payments development model and the development of monthly payments and contingent claims and for the last months of damage in respect of which there are insufficient data, the average method is used to determine the cost per claim in respect of the policy (the embedded claim model).

In the compulsory motor and liability insurance subsegments, semi-annual models were used for the development of payments, and the development of payments and contingent claims (chain ladder). For periods, in respect of which there are insufficient data, other means were also used, including, among other things, the BF method and the expected loss ratio method.

In the comprehensive home insurance, other property, personal accidents and engineering insurance subsegments - a quarterly model was implemented of payment development and gross contingent claims (chain ladder), and in periods in respect of which there are insufficient data, the averages method and the BF method are used while exercising judgment.

In the guarantees subsegment - for Sale Law policies an assessment was made based on credit risk assessment models. The credit risk reflects the Company's exposure in respect of the policies that it issued to risks in a construction project, while weighting the probability that the executing contractor will enter default and the resulting damage, as well as the project's expected life.

Subrogation and salvage recoveries are taken into consideration in the underlying data by which the actuarial valuations of the contingent claims are calculated.

The share of reinsurers in the contingent claims in the proportional and facultative agreements in accordance with the expected reinsurance rate, which is largely based on the actual rate in contingent claims. In the compulsory motor and liability insurance subsegments, in periods in respect of which there are insufficient data, an estimate for facultative and excess reinsurance contracts is mainly based on a combination of actual large claims, and in years in respect of which there are insufficient data - according to the LR rate and/or the averages method.

4. Main assumptions and information regarding a material change made in the estimates and actuarial assumptions

The assessment of the liability in property and casualty insurance is implemented according to the best practice principles, as from 2015, and accordingly, the Group's insurance companies discount the future claim payments. The discount is according to the risk-free interest rate curve, while adjusting to the illiquid nature of the insurance liabilities and taking into account the manner in which the assets against these liabilities are revalued. Furthermore, the insurance companies include in liabilities a risk margin according to the above principles as described above.

In the reporting year, the Company changed some of the estimates and assumptions used in the calculation of the insurance liabilities. Those changes had an identical effect on the profit and on Company's liabilities as detailed below:

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)B. Property and casualty insurance (cont.)4. Main assumptions and information regarding a material change made in the estimates and actuarial assumptions (cont.)A. Margin of safety in the implementation of the “best practice method”

The Commissioner’s position regarding “best practice”, as published in 2015, required the use of a model to determine the amount of the margin required to estimate the probability of a safety level of at least 75%. The Company implemented and is implementing the model prudently in order to establish the safety level, such that it will stand at 75% at the very least. This year, the Company reassessed the application of the model having gained experience and having assessed the stability of its results; following the experience that was gained in estimating the random risk, while assessing the overall level of uncertainty in respect of reserves in general, the manner of the implementation of the model was revised, and consequently the margin amount declined by approx. NIS 17 million (retention) (pre-tax).

B. As from 2022, the Group’s insurance companies also started to discount the insurance liabilities in the Pool component in the compulsory motor insurance subsegment, and the subsidiary Shomera started to discount the compulsory motor subsegment by way of retrospective application.C. Updating of the illiquidity premium

On February 17, 2022, the Commissioner published an amendment to the provisions of the consolidated circular, regarding liability measurements – the illiquidity premium, as detailed in Section 6A4A2. The revision of the rate of the illiquidity premium, reduced the liability in property and casualty insurance as of December 31, 2021 by approx. NIS 27 million. In 2022 and 2023 there were no further methodological regulatory revisions.

D. The allocation of assets not recognized at fair value

The circular regarding the “Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT” was published in June 2020, and on February 9, 2023, a revision of this circular was published further to what is described in Section 6A(4) above.

In 2022, the consolidated insurance companies updated the assets allocation model, as detailed below:

Menora Insurance

In 2022, Menora Insurance updated the assets allocation procedure, such that the allocation of assets with excess fair value shall also take into account the liabilities in respect of property and casualty insurance for which the “The Commissioner of the Capital Market, Insurance and Savings’ Position - Best Practice for Calculating Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes” is implemented.

The effect of the implementation of the new allocation procedure in 2022 was a decrease of approx. NIS 22 million in the insurance liabilities in property and casualty insurance.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)B. Property and casualty insurance (cont.)4. Main assumptions and information regarding a material change made in the estimates and actuarial assumptions (cont.)D. The allocation of assets not recognized at fair value (cont.)Shomera Insurance

In 2022, Shomera Insurance updated the assets allocation procedure, such that assets with excess fair value shall first be allocated to the liability insurance subsegments, and then to all other property insurance subsegments. It was determined that the allocation of assets shall be carried out according to UGL in respect of illiquid assets - from the highest to the lowest - up to the amount of the insurance liability (retention) in subsegments in which the “Commissioner of the Capital Market, Insurance and Savings’ Position - Best Practice for Calculating Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes” is implemented.

The effect of the implementation of the new allocation procedure in 2022 was a decrease of approx. NIS 12 million in the insurance liabilities in property and casualty insurance.

Revision to the allocation model in the consolidated companies was accounted for - according to the circular’s provisions - as a change in estimate according to IAS 8.

E. Total financial effects in calculating the liabilities

As a result of the changes in the interest rate curve and the illiquidity premium, and their effect on the fair value of the assets held against insurance liabilities, in the reporting year, the Company reduced its insurance liabilities by approx. NIS 230 million before tax (last year, the Company reduced its insurance liabilities by approx. NIS 193 million before tax).

F. Arrangement with the National Insurance Institute regarding compensation by virtue of the National Insurance Law:

In November 2021, The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021 was published in the Official Gazette, which revoked the requirement to pay a global amount as set in The Economic Efficiency Law (Legislative Amendments for the Implementation of Budgetary Targets for Budget Year 2019), 2018, in respect of road accidents that took place in 2014 to 2018. The law sets a fixed rate of the insurance premium, which the insurance companies are required to transfer to the NII in respect of road accidents as from 2023 and thereafter, in lieu of the individual subrogation right. The law prescribes that the rates of the insurance premium, which will be transferred to the NII will be as follows: In 2023 and 2024 - 10% of the insurance premium that will be collected by the Company in each year, and from 2025 and thereafter - 10.95% of the insurance premium.

It is noted that in 2023, agreements were signed between Menora and the National Insurance Institute, which prescribe Menora’s exposure to subrogation claims by the National Insurance Institute in the compulsory motor subsegment in respect of 2016-2022 was essentially extinguished.

NOTE 38 – RISK MANAGEMENT (cont.)6. Insurance risks (cont.)B. Property and casualty insurance (cont.)4. Main assumptions and information regarding a material change made in the estimates and actuarial assumptions (cont.)

G. The Sale Law guarantee policies subsegment - in respect of the activity of Menora Insurance in the field of issuance of policies according to The Sale Law (Apartments) (Securing the Investments of Home Buyers), in 2022, the Company updated the estimate of the insurance liability, such that it will reflect the credit risks, in respect of which those guarantees are issued to home buyers. This replaces a previous estimate that was based on assessments of the Company's claims department, plus excess of income over expenses over three years. The credit risk reflects the Company's exposure to a construction project, while weighting the probability that the executing contractor will enter into insolvency, the damage incurred as a result, as well as the project's expected life. The total revision resulted in an approx. NIS 25 million decrease in insurance liabilities (retention) in respect of this activity as of December 31, 2022. In 2023, there were no revisions to the assessment model in this subsegment.

H. Provisions' sensitivity to changes in assumptions - the actuarial assessment is subject to significant uncertainty. The actuarial estimates for predicting contingent claims relate to the claims' expected value. Due to the stochastic nature of claims payments, there may be deviations around the expected value. In addition, the statistical estimate is based on various assumptions, which will not necessarily materialize. If there is a change in the manner in which the claims are settled and their severity or, alternatively, the total claim amount reported, a difference may arise between the actuarial assessment and actual outcome. In addition, a change in the return may cause discrepancies between the estimates and the actual outcome. Since the actuarial model is based on past experience, an unexpected change in the model's assumptions or the claims' settlement behavior may result in a change in the reserve.

7. Information on financial investments for yield-dependent contracts1. Breakdown of investments by linkage bases

	As of December 31, 2023			
	In NIS - non-linked	In NIS - CPI-linked	In foreign currency or linked thereto	Total
	NIS thousand			
Cash and cash equivalents	1,157,355	-	923,356	2,080,711
Liquid assets	7,548,933	4,450,302	9,353,520	21,352,755
Illiquid assets	1,978,772	2,381,287	5,364,474	9,724,533
Total Assets	<u>10,685,060</u>	<u>6,831,589</u>	<u>15,641,350</u>	<u>33,157,999</u>
	As of December 31, 2022			
	In NIS - non-linked	In NIS - CPI-linked	In foreign currency or linked thereto	Total
	NIS thousand			
Cash and cash equivalents	1,307,715	-	1,282,853	2,590,568
Liquid assets	7,986,464	4,263,185	8,136,627	20,386,276
Illiquid assets	1,821,572	2,446,453	4,689,929	8,957,954
Total Assets	<u>11,115,751</u>	<u>6,709,638</u>	<u>14,109,409</u>	<u>31,934,798</u>

NOTE 38 – RISK MANAGEMENT (cont.)7. Information on financial investments for yield-dependent contracts (cont.)2. Credit risk for assets in Israel

	Local rating *)				
	As of December 31, 2023				
	AA and above	BBB to A	Less than BBB	Unrated	Total **)
	NIS thousand				
<u>Debt assets in Israel:</u>					
Government bonds	4,345,608	-	-	-	4,345,608
Other debt assets - liquid	2,867,167	862,622	-	27,456	3,757,245
Other debt assets - illiquid	1,342,261	1,579,056	-	695,788	3,617,105
					11,719,95
Total debt assets in Israel	8,555,036	2,441,678	-	723,244	8
Of which - internally rated debt assets ***)	178,567	621,829	-	-	800,396

*) The sources for the ratings in Israel are rating agencies Maalot and Midroog. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: A rating includes A- up to A+.

**) The carrying amount is an approximation of the maximum credit risk. Thus, the total column represents maximum credit risk.

***) All amounts presented in this line represent assets that were not rated by an external rating agency, but rather according to the Company's internal rating model.

	Local rating *)				
	As of December 31, 2022				
	AA and above	BBB to A	Less than BBB	Unrated	Total **)
	NIS thousand				
<u>Debt assets in Israel:</u>					
Government bonds	4,414,140	-	-	-	4,414,140
Other debt assets - liquid	2,745,430	709,951	-	40,805	3,496,186
Other debt assets - illiquid		1,306,80			
	1,517,139	7	20,148	925,232	3,769,326
		2,016,75			11,679,65
Total debt assets in Israel	8,676,709	8	20,148	966,037	2
Of which - internally rated debt assets ***)	190,455	363,644	20,148	-	574,247

*) The sources for the ratings in Israel are rating agencies Maalot and Midroog. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: A rating includes A- up to A+.

**) The carrying amount is an approximation of the maximum credit risk. Thus, the total column represents maximum credit risk.

***) All amounts presented in this line represent assets that were not rated by an external rating agency, but rather according to the Company's internal rating model.

NOTE 38 – RISK MANAGEMENT (cont.)7. Information on financial investments for yield-dependent contracts (cont.)3. Credit risk for assets abroad

International ratings (*)				
As of December 31, 2023				
A and above	BBB	Less than BBB	Unrated	Total **)
NIS thousand				
				1,585,39
Total debt assets abroad	289,034	373,805	581,786	340,767
				2

*) The sources for the ratings abroad are the rating agencies approved by the Commissioner: S&P, Moody's and Fitch.

**) The carrying amount is an approximation of the maximum credit risk. Thus, the total column represents maximum credit risk.

International ratings (*)				
As of December 31, 2022				
A and above	BBB	Less than BBB	Unrated	Total **)
NIS thousand				
				1,675,80
Total debt assets abroad	137,078	416,979	746,077	375,668
				2

*) The sources for the ratings abroad are the rating agencies approved by the Commissioner: S&P, Moody's and Fitch.

**) The carrying amount is an approximation of the maximum credit risk. Thus, the total column represents maximum credit risk.

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

A. Balances with interested parties and related parties

Composition:

As of December 31, 2023

	Associates (*)	Interested parties and other related parties
	NIS thousand	
<u>Assets</u>		
Illiquid debt assets	235,027	
Receivables and debit balances	1,241	-
<u>Liabilities</u>		
Payables and credit balances	518	27,885

As of December 31, 2022

	Associates (*)	Interested parties and other related parties
	NIS thousand	
<u>Assets</u>		
Illiquid debt assets	262,900	-
Receivables and debit balances	6,653	-
<u>Liabilities</u>		
Payables and credit balances	444	25,584

(*) Following is the composition of loans granted to associates:

Company	Currency of the loan	% of nominal annual interest rate	Repayment date	As of December 31	
				2023	2022
				NIS thousand	
Ampa Capital Ltd	NIS	7.08%	2027	1,084	-
Ampa Capital Ltd	NIS	7.08%	2028	4,567	-
Ampa Capital Ltd	NIS	5.25%	2028	70,926	70,916
Ampa Capital Ltd	NIS	6.61%	2024	34,184	30,104
Resources Pension Insurance Agencies (2018) Ltd.	NIS	5%	2024	22,880	22,880
Resources Pension Insurance Agencies (2018) Ltd.	NIS	13%	2024	1,208	1,258
HSO Group Ltd.	NIS	2.5%	2024	3,059	2,985
HSO Group Ltd.	NIS	4%	2026	1,635	1,572
Pango P&C Insurance Agency (2019) Ltd.	NIS	2.42%	None	-	759
Pango P&C Insurance Agency (2019) Ltd.	NIS	At no interest	September 2024	-	350
Bestie Price Ltd.	NIS	2.42%	None	9,106	5,439
Meteor AA Ltd.	NIS	2.42%	None	2,057	1,014
Yatelsis River Development Ltd.	EUR	Euribor + 3%	4-6 years	-	23,429
Yatelsis Development Ltd.	USD	3% (last year - 6%)	3-5 years	32,679	49,391
Surrey Street Limited Partnership	GBP	5.423%	December 2029	13,965	14,902
Surrey Street Limited Partnership	GBP	12%	December 2029	16,633	16,637
.MMZ Properties B.V	EUR	10%	May 2024	1,844	2,000
.MMZ Properties Haarlem B.V	EUR	10%	September, November 2024	9,750	11,405
City Center Mengot sp. Z o.o	EUR	4.17%	December 2026	9,450	7,859
				<u>235,027</u>	<u>262,900</u>

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Transactions with interested parties and related parties

For the year ended December 31, 2023

	Associates	Interested parties and other related parties
	NIS thousand	
Investment income and finance income	19,822	-
Income from management fees	1,429	849,673
Fees and commissions, marketing expenses and other purchase expenses	14,181	-
Finance expenses	-	2,086
	<u>7,070</u>	<u>847,587</u>

For the year ended December 31, 2022

	Associates	Interested parties and other related parties
	NIS thousand	
Investment income and finance income	30,252	-
Income from management fees	2,032	785,577
Fees and commissions, marketing expenses and other purchase expenses	8,203	-
Finance expenses	-	3,901
	<u>24,081</u>	<u>781,676</u>

For the year ended December 31, 2021

	Associates	Interested parties and other related parties
	NIS thousand	
Investment income and finance income	3,142	-
Income from management fees	3,066	745,371
Fees and commissions, marketing expenses and other purchase expenses	8,200	-
Finance expenses	-	242
	<u>(1,992)</u>	<u>745,129</u>

Interested parties and officers in the Group may from time to time acquire insurance contracts, investment contracts or other financial products issued by the Group, under market conditions and during the ordinary course of business. If those transactions are “negligible transactions”, details about them are not presented in the financial statements.

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Benefits to key management personnel

For the year ended December 31					
2023		2022		2021	
No. of people	Amount	No. of people	Amount	No. of people	Amount
	NIS thousand		NIS thousand		NIS thousand
Short-term benefits	8 21,765	8 19,714	8 20,906		
Share-based payments (see Note 34)	- 1,425	- 1,256	- -		
	<u>23,190</u>	<u>20,970</u>	<u>20,906</u>		

- 1) The service and employment terms of Mr. Eran Griffel, who serves as the Company's Chairman of the Board (transaction with the controlling shareholder according to Section 270(4) to the Companies Law

On October 17, 2023, the Company's General Meeting approved - according to the provisions of Section 275(a1)(1) to the Companies Law (and after obtaining the approval of the Compensation Committee and the Board of Directors of September 10 and 11, 2023, respectively), the extension of the validity of the terms of service and employment of Mr. Eran Griffel, one of the Company's controlling shareholders, as a full-time Executive Chairman of the Board, in effect as from December 1, 2023, for a 3-year period. In respect of his service as the Company's full-time Executive Chairman of the Board, Mr. Griffel is entitled to 13 monthly salaries of NIS 125 thousand (gross), linked to the Consumer Price Index published on August 15, 2020. Mr. Griffel is also entitled to pension contributions and social benefits as is generally accepted (including advanced education fund and disability insurance), and to per diem and hospitality expenses, use and maintenance of landlines at his home, a car and car maintenance expenses, mobile phone, 24 days of annual leave, 30 days of sick leave and convalescence pay. The tax payable for hospitality, per diem and landlines expenses shall be grossed-up by the Company. In addition, Mr. Griffel is entitled to other related benefits, as is generally accepted in the Group, including subscription to newspapers, professional literature, parking, medical screening test, etc. Furthermore, Mr. Griffel was awarded exemption letters and indemnity undertaking in the Company and in the subsidiaries in which he serves, as part of the granting of exemption and indemnity letters to the Company's officers, and he was also included in directors and officers insurance policies as is generally accepted in the Company. The terms of employment of Mr. Griffel are in accordance with Company's Compensation Policy. It should be noted that Mr. Griffel does not receive an additional compensation in respect of his service as a director in other Group companies, and will continue to serve in the said roles concurrently with his service as the Company's Chairman of the Board.

The salary of the Chairman of the Board was NIS 2,198 thousand, NIS 2,294 thousand and NIS 2,476 thousand in 2023, 2022 and 2021, respectively.

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Benefits to key management personnel (cont.)

2) Terms of office and employment of Mr. Ari Kalman, CEO of the Company

On August 27, 2003, the board of directors and general meeting of the Company approved the terms of office and employment of the Company's CEO, Mr. Ari Kalman, for a period of 15 years beginning in August 2003. After that period, the agreement is renewed automatically for one year each time, unless either party gives notice of non-renewal. The terms of employment of the Company's CEO are consistent with the compensation policy of the Company, subject to immaterial deviations, all as detailed below: pursuant to the employment agreement in effect, the CEO is entitled to a monthly salary in the amount of NIS 163 thousand, a guaranteed annual bonus in the amount of NIS 591 thousand (linked to the CPI for June 2003), without contributions to benefits, and to related benefits according to the common practice for executives of his rank. The salary is linked to the CPI, with a real addition of 1% per annum, and includes no variable compensation of any kind. In the event of termination of employment, the CEO is entitled to 12 months' advance notice. In addition, in the event of termination of the employee-employer relationship (except in the case of exempting circumstances), the serving CEO shall be entitled to a 50% addition to the severance-pay component owed to him by law, plus the severance-pay component accrued to his benefit in his executive insurance policy. Further, in the event of the termination of the employee-employer relationship due to dismissal, the serving CEO shall be entitled to continued payment of the salary and the related benefits for an additional period of 12 months (beyond the aforesaid specified notice period), in return for his commitment to non-compete for a period of two years, for as long as there is no employee-employer relationship between the employee and any third party. The terms of employment of the CEO are in accordance with the compensation policy of the Company, except with regard to the fixed bonus (instead of a variable bonus), the real increase in salary (instead of CPI linkage only), and payment for advance notice and in the event of dismissal (due to a non-compete commitment) for a cumulative period of 24 months (instead of a cumulative advance notice and adjustment period of 16 months).

Concurrently, and in addition to the employment agreement, an equity plan was approved for the CEO, primarily the allocation of 4% of the shares of Menora Insurance, which were converted, over the years, into shares of the Company. Note that the shares in accordance with the aforesaid plan vested in full in August 2013. At this time, Mr. Kalman holds 1,719,034 shares of the Company, through a trustee, which constitute 2.77%¹ of the Company's issued and paid-up share capital.

¹Fully diluted, after deduction of the dormant shares acquired within the share buyback plan (as described in Note 15C below).

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Benefits to key management personnel (cont.)

2) Terms of office and employment of Mr. Ari Kalman, CEO of the Company (cont.)

In August 2016, the general meeting of the Company approved an update of its compensation policy (hereinafter - the **"Compensation Policy"**). As stated in the summons to the Company's meeting, the CEO of the Company shall be entitled to the terms of office established in his employment agreement, as detailed above, which shall apply subject to the cogent restrictions set in the Financial Corporations Officer Compensation Law (Special Approval and Non-Deduction of Expenses for Tax Purposes due to Exceptional Compensation), 2016 (hereinafter - the **"Compensation Law"**). In this context, **"cogent restrictions"** – compensation limits and ceilings that cannot be lawfully approved pursuant to the provisions of the Compensation Law. It was also clarified within the Compensation Policy that if and inasmuch as the overall total compensation (according to the Compensation Policy and the bonus plan, as it shall be from time to time), including under existing agreements, exceeds the cogent restrictions, a "capping" mechanism will first be applied to surplus and/or variable compensation components, if and as any. Further to the foregoing, a notice was sent to the Company's CEO stating that in light of the fact that the existing employment agreement with him may deviate, under certain circumstances, from the cogent restrictions, under such circumstances a "capping" mechanism would be applied, such that the compensation paid to him, after the inception of the Compensation Law on October 12, 2016 (hereinafter - the **"Record Date"**), does not exceed the aforesaid ceiling. It is noted that the Company conducted an examination with regard to its obligations in respect of its employment agreements, prior to the inception of the Compensation Law, and made provisions accordingly to the extent necessary.

In July 2019, the general meeting of the Company approved an update of the Compensation Policy, including with regard to ceilings on the annual cost of employment of officers, as detailed in Section C(4) below. In accordance with the foregoing, and given the increase in the cost of employment of the employee with the lowest salary, the annual employment cost ceiling for officers, including the CEO, will rise, with the reduction, in this context, of the "capping mechanism" applied to the CEO, as noted, respectively, provided that the cost of employment does not exceed, in any event, NIS 3.5 million, including contributions to benefits.

The cost of the salary to Mr. Kalman, who serves as the Company CEO, was NIS 3,500 thousand, NIS 3,498 thousand and NIS 3,464 thousand in 2023, 2022 and 2021, respectively.

3) Terms of office of a relative of key management personnel

In April 2023, Mr. Michael Kalman took up office as CEO of the subsidiary, Menora Insurance. In March 2023, the Audit Committee and Board of Directors of Menora approved his terms of office, addressing continuity of rights in respect of his service as Deputy CEO of Menora Insurance for the above appointment, and as follows: According to his employment agreement, the CEO is entitled to a monthly salary of NIS 210.6 thousand, CPI-linked, continuation of the validity of the retention bonus of 2.5 salaries until 2024 without contribution to benefits, fringe benefits as is customary for directors of his rank, and variable performance-based compensation of 4 to 6 monthly salaries (hereinafter - **"Target Bonus"**) for 100% compliance with targets, in accordance with the annual compensation plan and subject to approval by the competent organs, and options as specified below.

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Benefits to key management personnel (cont.)

3) Terms of office of a relative of key management personnel (cont.)

Each party has the right to terminate the agreement at any time by six-months written notice (hereinafter - the "Notice Period"), while the Company has the right to notify that it waives actual work during the Notice Period. Furthermore, in the event of termination of employment for any reason (other than exempt circumstances), the CEO will be entitled to an adjustment period of another six months as from the end of the Notice Period (hereinafter - the "Adjustment Period"). The CEO will not be entitled to work in another company during the Notice Period, even if the Company waives his actual work. During the Adjustment Period, the CEO will be entitled, subject to non-competition provisions, to engage in other occupations, on condition that he notifies the Company in writing in advance, in which case, he will not be entitled to any further payment in respect of the Adjustment Period, from commencement of the said occupation. The Company will be entitled to terminate the CEO's employment and dismiss him without notice under special circumstances (such as breach of trust and/or a court ruling for a flagrant offence against the Company). It should be noted that in the event of termination of employment under such circumstances, the CEO will not be entitled to the Company's contributions and/or share, as defined in the agreement.

It is noted that the CEO's employment terms and conditions shall apply subject to the cogent restrictions set out in the Financial Corporations Officer Compensation Law (Special Approval and Non-Deduction of Expenses for Tax Purposes due to Exceptional Compensation), 2016 (hereinafter - the "Compensation Law"). In this context, "cogent restrictions" – compensation limits and ceilings that cannot be lawfully approved pursuant to the provisions of the Compensation Law. Accordingly, if and inasmuch as the overall total compensation (according to the Compensation Policy and the bonus plan, as it shall be from time to time), including under existing agreements, exceeds the cogent restrictions, a "capping" mechanism will first be applied to surplus and/or variable compensation components, if and as any. Further to the foregoing, a notice was sent to the Company's CEO stating that in light of the fact that the existing employment agreement with him may deviate, under certain circumstances, from the cogent restrictions, under such circumstances a "capping" mechanism would be applied, such that the compensation paid to him, after the inception of the Compensation Law on October 12, 2016 (hereinafter - the "Record Date"), does not exceed the aforesaid ceiling.

In January 2022, the Audit Committee and Board of Directors of Menora Insurance, as well as the Audit Committee of the Company, approved an allocation to Mr. Kalman under the Group's comprehensive option plan, of a total of 76,425 options, to be divided into 3 equal tranches over a period of 3 years in lieu of 2 months variable bonus for 100% compliance with targets.

The terms of employment of Mr. Kalman are in accordance with Menora Insurance's Compensation Policy.

The cost of Mr. Kalman's salary was NIS 3,500 thousand, NIS 2,339 thousand and NIS 2,375 thousand in 2023, 2022 and 2021, respectively.

4) Compensation policies for senior officers in the Company, Menora Insurance, Shomera Insurance and Mivtachim Pension and Provident

The Company's officers, including those serving in the Company and the subsidiary (hereinafter - the "Joint Officers"), are subject to the Company's compensation policy and regarding Joint Officers, also according to the terms of the compensation policy adopted by the subsidiary, which were approved in accordance with the provision of the law and regulations relevant to those companies, including the provisions of the Compensation Law and circulars of the Capital Markets Authority regarding compensation policy of institutional entities, as revised from time to time.

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Benefits to key management personnel (cont.)

4) Compensation policies for senior officers in the Company, Menora Insurance, Shomera Insurance and Mivtachim Pension and Provident (cont.)

In July 2019, the general meeting of the Company approved an update of its compensation policy. The Company's compensation policy includes a provision whereby the total compensation ceiling for officers per calendar year shall be in accordance with Section 2(b) of the Compensation Law, as calculated each year in accordance with the provisions of the Compensation Law (hereinafter - the "**Compensation Ceiling Limit**"), with the implementation of a "capping mechanism" according to the aforesaid limits; in this context, it is noted that the compensation for the purpose of calculating the Compensation Ceiling Limit does not include payroll tax, employer contributions to pensions, and severance pay according to the law (hereinafter - "Contributions"), and that the Company is permitted to bear the cost of the excess tax expense arising from the Compensation Law as a result of such compensation cost. Without prejudice to the foregoing, it was determined that compensation for an officer shall not, in any event, exceed NIS 3.5 million, including Contributions. For further details regarding approval of the Company's compensation policy, see the meeting summons report dated May 27, 2019 (Ref. No. 2019-01-044832).

In May 2023, the general meeting of the Company approved an update of the compensation policy, the main changes of which are as follows: Considering the return to savers under the targets for calculation of the variable compensation (amendment of Section 4.4.1.1) - It was decided that the Company's performance tier as part of the annual metrics for calculating the annual bonuses to executives will include a component that will take into consideration the return to savers, such that if such a return will be negative, a portion of the bonus will be deducted, at a rate that will be set for that purpose in the annual bonus plan, and this in lieu of the threshold conditions that were set in this regard.

For further details regarding approval of the Company's compensation policy, see the meeting summons report dated March 29, 2023 (Ref. No. 2023-01-034605).

Officers at the institutional entities within the Group, including officers who serve both at the Company and at subsidiaries that are institutional entities, are subject to the Compensation Policy adopted at such companies, in accordance with the provisions of the relevant law and regulation, and specifically in accordance with Circular 2014-9-2, which concerns compensation policy at institutional entities, as formalized in Part 1 of Section 5, Chapter 5, entitled "Compensation," in the Consolidated Circular (hereinafter - the "Compensation Circular"). It is noted that the subsidiaries that are institutional entities work to update the Compensation Policy in accordance with the circulars issued on this subject from time to time.

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Benefits to key management personnel (cont.)

4) Compensation policies for senior officers in the Company, Menora Insurance, Shomera Insurance and Mivtachim Pension and Provident (cont.)

The Compensation Policy of the institutional entities establishes, among other matters, the key goals and considerations used in its determination, primarily the prevention of incentives that encourage risk-taking inconsistent with the long-term objectives of the institutional entity, its risk management policy, and the need to prudently manage the monies of those with savings through it; establishes principles for the adjustment of compensation for officers and key position holders (as defined in the circular) and employees in control functions; establishes the desired ratio between the fixed compensation component and the variable component for officers; establishes desired salary ranges for officers; establishes principles for the adjustment of the variable component, among other matters, to material risks at the institutional entities; establishes principles for the specification of an annual bonus program, threshold conditions for distribution, principles to be used to calculate the annual bonus, taking into account, among other matters, the objectives regarding returns for policyholders and planholders, and a deferral mechanism for payment of the variable component; as well as establishes mechanisms for awarding a long-term performance-based bonus and special bonus; establishes mechanisms for awarding equity compensation using a variety of equity instruments and quasi-equity compensation while defining various quantitative and qualitative parameters, such as the minimum plan term, benefit ceiling and vesting periods, updating of the ratio between the total compensation package components for the CEO or senior officer, as well as updating by way of incorporating the considerations into the executive's performance review component as part of the variable compensation portion, through an annual bonus for officers and key employees; establishes principles and ceilings for terms of termination of employment of a key position holder, and rules for clawback and/or reduction of the variable component in certain cases.

The aforesaid Compensation Policy shall apply to compensation to be approved as of the date of adoption of the policy, and shall not prejudice existing contractual engagements.

The full Compensation Policy of the institutional entities is posted on their websites.

D. Benefits to related parties and other interested parties

	For the year ended December 31					
	2023		2022		2021	
	No. of people	Amount	No. of people	Amount	No. of people	Amount
		<u>NIS thousand</u>		<u>NIS thousand</u>		<u>NIS thousand</u>
Management fees for those not employed by or on behalf of the Company	<u>24</u>	<u>8,938</u>	<u>23</u>	<u>4,575</u>	<u>19</u>	<u>3,424</u>

The compensation given to directors at the Company, excluding the compensation for Mr. Eran Griffel, is the maximum compensation according to the Companies Regulations (Rules Regarding Compensation and Expenses for External Directors), 2000, and according to the Company's rank.

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

E. Income and expenses involving interested parties and related parties

Some of the Group's financial and insurance activities are conducted with related parties and interested parties in the ordinary course of business and at market prices. During the course of 2023, various transactions were carried out for officers, including for the controlling shareholder and relatives thereof. All of the aforesaid transactions were performed in the ordinary course of business and at fair market value, and also constitute "negligible transactions" according to the criteria established by the board of directors on this matter. It is noted that in accordance with the provisions of Sections 117(1a) and 117(2a) of the Companies Law, 1999 (hereinafter - the "**Companies Law**"), and in accordance with the articles of the Company, the Audit Committee of Menora Insurance and of the Company affirmed, in December 2022, in effect for 2023, that such transactions, as they are transactions in the ordinary course of business and under "direct" terms (the terms generally granted to employees of Menora Insurance), are in the category of non-extraordinary transactions, which are to be treated according to the procedures for interested party transactions, without the need for individual approval.

It is noted that transactions of various types exist from time to time between the Company and its affiliates, or among affiliates of the Company, including guarantees, agreements for management and the provision of services, loans, and agreements regarding the bearing of expenses. Unsettled year-end balances are unsecured and are settled in cash. The provision for doubtful debts recorded by the Company in respect of loans given to associates of the Group amounted to NIS 22.3 million as of the balance sheet date and NIS 15.6 million as of the end of 2022.

Negligible transactions

Pursuant to the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the "Reporting Regulations"), public companies are subject to a reporting requirement in connection with transactions with a controlling shareholder or transactions with another person in which the controlling shareholder has vested interest (hereinafter - "Controlling Shareholder Transactions"), also with respect to transactions that are not extraordinary transactions, as defined in the Companies Law, except transactions determined in the most recent financial statements to be negligible under Regulation 41 of the Securities Regulations (Annual Financial Statements), 2010. It is noted, with regard to the disclosure duty in financial statements of the insurance companies in the Group, that the Supervision of Insurance Business Regulations (Details of Reports), 1998, apply, regarding which there is no corresponding provision of the law concerning disclosure of negligible transactions.

In December, the Audit Committee ratified (in effect for the year 2023) the rules and tests for setting the negligibility threshold in the context of Controlling Shareholder Transactions, which is common to both the reporting requirement under the relevant provisions of the law and the disclosure requirement in the Financial Statements, as follows - a transaction of the Company and its consolidated and related companies (hereinafter - "Investee") with the controlling shareholder, or a transaction with another person in which the controlling shareholder has a vested interest (hereinafter - "Transaction"), shall be considered a negligible transaction if it meets all of the following conditions:

The Transaction is in the ordinary course of business and is not an extraordinary transaction, as defined in the Companies Law.

The effect of the Transaction on the relevant ratio, as detailed below, is at the rate noted beside it, to be calculated based on the Consolidated Financial Statements of the Company released prior to the Transaction, provided that the effect or value of the Transaction does not exceed a total of NIS 5 million:

Ratio of assets - the total transaction-related assets (acquired or sold assets) divided by total assets - 1 promil;

Ratio of liabilities - the liabilities referenced in the event divided by the total liabilities, including insurance liabilities - 1 promil;

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

E. Income and expenses involving interested parties and related parties (cont.)

Negligible transactions (cont.)

Equity ratio - the increase or decrease in equity divided by the equity capital - 1 promil;

Premium ratio - the total transaction-related premiums divided by the annual premiums in the relevant segment (life insurance and long-term savings, health, property and casualty insurance, financial services etc.) calculated based on the latest 12 quarters for which reviewed or audited financial statements were published - 1%;

Ratio of income from various services - the total transaction-related income divided by the average annual income in the last three years, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published - 1 promil;

Ratio of expenses in respect of various services - the level of expenses referenced in the event divided by the annual general and administrative expenses (before attribution to purchase expenses and indirect expenses to settle claims), calculated based on the last 12 quarters for which reviewed or audited financial statements were published - 1 promil;

Income ratio - the total transaction-related profit or losses attributed to the event divided by the average annual comprehensive income or loss for the period (including changes in capital reserves) in the last three years, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published - 1%.

Without prejudice to the need to assess for each event assessed for negligibility which of the above parameters are relevant, the following parameters shall be considered as relevant for the transactions listed below:

Asset purchase - assets ratio;

Asset sale - income ratio, asset ratio;

Purchase or sale of insurance of reinsurance - premium ratio;

Transaction to provide or receive services - income ratio, expense ratio, profit ratio (according to the expected profit from the transaction), as relevant.

In cases in which, at the discretion of the relevant officer at the Company, all of the aforesaid standards are irrelevant or unfeasible for the examination of the negligibility of a transaction, as stated, the transaction shall be examined according to a relevant standard to be determined by the Company's chief financial officer, provided that the ratio does not exceed a rate of 1%.

If the transaction in question involves an Investee Company, the negligibility shall be examined in reference to parameters relevant to the Investee Company; however, a transaction of an Investee Company that should be classified as a non-negligible transaction at the Investee Company may be classified as a negligible transaction according to the relevant standards at the level of the Company.

The transaction is also negligible in qualitative terms, in relation to the activity of the Group. Such examination of the qualitative considerations in a transaction may lead to the classification of a transaction as non-negligible, despite its being found to be a negligible transaction based on a quantitative examination, as described above; for example (and only as an example), if the transaction involves significant risks, prospects, and/or exposures, or if the transaction is perceived to be a significant event by the Company's management.

For the purposes of immediate reporting, the negligibility of a transaction shall be examined on the basis of the specific individual transaction. For the purposes of reporting within financial statements and prospectuses, the negligibility of a transaction shall be examined on an annual basis, with the summation of all transactions of the same type with the relevant party or with corporations under its control.

Separate transactions that are dependent on one another, such that they are effectively part of the same engagement, shall be examined as a single transaction.

The Audit Committee and the board of directors of the Company shall examine the need to update the aforesaid negligibility tests from time to time, with due attention to transactions of this type in which the Company and/or the Investees engage, and due to changes in relevant provisions of the law.

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

F. Liability insurance for board members and officers

In August 2022, with the approval of the Compensation Committee and the board of directors of the Company, under the Relief Regulations, the engagement in a directors' and officers' insurance policy was approved, including for the controlling shareholder of the Company, and at the subsidiaries in the Group, until August 31, 2023, with a cumulative liability limit for the Menora Mivtachim Group as a whole at a level of USD 100 million, for all Group Companies, in accordance with the policy. It should be emphasized that the insurance terms and conditions to the controlling shareholder are identical to those of the other officers in the Group. For further details, see the immediate report dated August 29 2022 (Ref. No. 2022-01-109828).

In September 2023, with the approval of the Compensation Committee and the board of directors of the Company, under the Relief Regulations, the engagement in a directors' and officers' insurance policy was approved, including for the controlling shareholder of the Company, and at the subsidiaries in the Group, until December 14, 2024, with a cumulative liability limit for the Menora Mivtachim Group as a whole at a level of NIS 340 million, for all Group Companies, in accordance with the policy. It should be emphasized that the insurance terms and conditions to the controlling shareholder are identical to those of the other officers in the Group. For further details, see the Company's immediate report dated September 11 2023 and supplementary report of September 26, 2023 (Ref. Nos. 2023-01-105450 and 2023-01-109752).

G. Granting release of liability and indemnity undertaking towards officers, directors and the controlling shareholder

A. On January 5, 2012, the general meeting of the Company (after receiving the approval of the Audit Committee on November 21, 2011, and the approval of the board of directors on November 24, 2011, and December 29, 2011, and after receiving the approval of the competent organs of Menora Insurance and of Menora Pension and Provident Funds, as relevant) approved the amendment of the Company's articles, on various matters, including with regard to expansion of the liabilities and/or expenses in respect of which the Company is permitted to grant indemnity and/or insurance to directors and officers in connection with various administrative proceedings, in accordance with the Law for Increased Efficiency of Enforcement Procedures at the Israel Securities Authority (Legislative Amendments), 2011, and the Law for Increased Enforcement in the Capital Market (Legislative Amendments), 2011, and accordingly approved:

- 1) Granting a new letter of indemnity by Menora Insurance to Mr. Eran Griffel, a relative of the controlling shareholder of the Company at the time, in respect of his service as a director at Menora Insurance (hereinafter, in this section: the "New Indemnity Letter"). The commitment according to the New Indemnity Letter is limited to a total of USD 25 million per officer and USD 30 million for all indemnity recipients in a single event (hereinafter - the "Indemnity Amounts Limit"). In any event, the amount of the indemnity (net) after deductions of insurance benefits paid in respect of the same event based on executive insurance policies acquired by the Company, at its discretion, if acquired, or due to an indemnity amount paid by the Company in respect of the same event under previous indemnity letters granted to Mr. Griffel, shall not in any case exceed 25% of the shareholders' equity of the Company according to its Financial Report immediately prior to the granting of the indemnity. The New Indemnity Letter is intended to add to, not detract from, any previous indemnity letter granted (if granted) to Mr. Eran Griffel, all as permitted by law; however, the total indemnity commitment of Menora Insurance shall not exceed the amount stated in the New Indemnity Letter;

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

- G. Granting release of liability and indemnity undertaking towards officers, directors and the controlling shareholder (cont.)
- A. (cont.)
- 2) Granting a letter of indemnity to Mr. Eran Griffel, a relative of the controlling shareholder at the time, in respect of his service as chairperson of the board of Mivtachim Pension and Provident Funds. Pursuant to the indemnity letter, the level of indemnity to be given to all officers of Mivtachim Pension and Provident Funds shall not exceed USD 20 million, and in any event shall not exceed 25% of the shareholders' equity of Mivtachim Pension and Provident Funds immediately prior to the granting of the indemnity. The indemnity letter is intended to add to, not detract from, any previous indemnity letter granted (if granted) to Mr. Eran Griffel, all as permitted by law; however, the total indemnity commitment of Mivtachim Pension and Provident Funds shall not exceed the amount stated in the New Indemnity Letter.
- B. On January 4, 2015, as part of the approval of the terms of employment of Mr. Eran Griffel, one of the controlling shareholders of the Company, as the Company's chairperson of the board, the general meeting of the Company (after receiving the approval of the Compensation Committee and the approval of the board of directors, of November 23, 2014, and November 26, 2014, respectively) approved the granting of indemnity commitment letters from the Company and its subsidiaries at which he serves as a director (Menora Insurance, Mivtachim Pension and Provident Funds, Menora Real Estate, and Menora Finance) in the prevalent format for other officers of the companies, as detailed above.
- C. On August 4, 2015, the general meeting of the Company (after receiving the approval of the Compensation Committee and the approval of the board of directors, of June 21, 2015, and June 29, 2015, respectively), approved -
- 1) Granting a letter of exemption to Mr. Eran Griffel, one of the controlling shareholders of the Company, who serves as the Company's chairperson of the board. The letter of exemption is identical to the one granted to other members of the board of directors and officers at the Company. Pursuant to the exemption letter and subject to the provisions of Sections 259 and 263 of the Companies Law, and any provision of the law that may replace them, the Company made a commitment to exempt Mr. Griffel from any responsibility towards it, in full or in part, due to damage as a result of a breach of the duty of care towards it, to the maximum permitted degree, except in respect of a breach of the duty of care in distribution, as defined in the Companies Law. The exemption letter also does not include exemption for Mr. Griffel from his responsibility towards the Company for a decision or transaction in which the controlling shareholder or an officer of the Company has a vested interest;
 - 2) Granting a letter of indemnity to Mr. Eran Griffel, one of the controlling shareholders of the Company, who serves as the Company's chairperson of the board. The letter of indemnity is identical to the one granted to the other members of the board of directors and officers of the Company. Pursuant to the indemnity letter and subject to the provisions of the law, the Company made a commitment to indemnify Mr. Griffel for any liability or expense imposed upon him and/or that he expends as a result of acts he commits (including acts committed before the date on which the indemnity letter was given), as stated above, and/or that he commits in his capacity as an officer of the Company, that are directly or indirectly related to one or more of the types of events specified in the indemnity letter, or any part thereof, or anything related thereto. Note that the total (net) indemnity amount to be paid by the Company to all officers of the Company, cumulatively, in accordance with all indemnity letters issued and to be issued to them by the Company, shall not in any event exceed 25% of the shareholders' equity of the Company under its financial statements immediately prior to the granting of the indemnity;

NOTE 39 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

- G. Granting release of liability and indemnity undertaking towards officers, directors and the controlling shareholder (cont.)
- C. (cont.)
- 3) Granting letters of exemption and indemnity to Mr. Eran Griffel, one of the controlling shareholders of the Company, at the subsidiaries of the Company where Mr. Griffel serves and/or will serve, subject to the approval of the granting of such letters of exemption and indemnity by the competent organs at these subsidiaries.
 - 4) Granting release of liability letter and letter of indemnity to directors serving at the Company;
 - 5) Granting a letter of exemption to Mr. Ari Kalman, who serves as CEO of the Company. The letter of exemption granted is identical to the one granted to other members of the board of directors and officers at the Company. Pursuant to the exemption letter and subject to the provisions of Sections 259 and 263 of the Companies Law, and any provision of the law that may replace them, the Company made a commitment to exempt Mr. Kalman from any responsibility towards it, in full or in part, due to damage as a result of a breach of the duty of care towards it, to the maximum permitted degree, except in respect of a breach of the duty of care in distribution, as defined in the Companies Law. The exemption letter also does not include exemption for Mr. Kalman from his responsibility towards the Company for a decision or transaction in which the controlling shareholder or an officer of the Company has a vested interest;
 - 6) Granting a letter of indemnity to Mr. Ari Kalman, who serves as CEO of the Company. The letter of indemnity granted is identical to the one granted to the members of the board of directors and to the other officers at the Company. According to the letter of indemnity and subject to the provisions of the law, the Company undertook to indemnify Mr. Kalman for any liability or expense imposed on him and/or incurred due to actions performed (including actions performed before the date of issue of the indemnity letter) as aforesaid and/or to be performed, by virtue of being an officer in the Company, directly or indirectly related to one or more of the types of events listed in the letter of indemnity or any part thereof or anything connected to them. Note that the total (net) indemnity amount to be paid by the Company to all officers of the Company, cumulatively, in accordance with all indemnity letters issued and to be issued to them by the Company, shall not in any event exceed 25% of the shareholders' equity of the Company according to its financial statements immediately prior to the granting of the indemnity;
 - 7) Approving the granting of letters of exemption and indemnity to Mr. Ari Kalman at the subsidiaries of the Company where Mr. Kalman serves and/or will serve, subject to the approval of the granting of such letters of exemption and indemnity by the competent organs at these subsidiaries.
- D. On October 17, 2023, as part of the approval of the terms of office and employment of Mr. Eran Griffel, one of the controlling shareholders of the Company, as the Company's chairperson of the board, the general meeting of the Company (after receiving the approval of the Compensation Committee and the approval of the board of directors, of September 10 and 11, 2023, respectively) approved the extension of the validity of exemption letters and indemnity commitment letters from the Company and its subsidiaries at which he serves as a director (chairperson at Mivtachim Pension and Provident Funds, and director at Menora Insurance and Menora Real Estate), in the prevalent formats for other officers of the companies, as detailed above.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS**A. Class actions and motions to certify lawsuits as class actions**

In recent years, there has been a significant increase in the number of motions to certify claims as 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 claims as class actions in general, including against companies engaged in the Group's areas of activity, which stems mainly from the enactment of the Class Actions Law, 2006 (hereinafter - the "**Class Actions Law**"). This trend substantially increases the Group's potential exposure to losses in the event of the lawsuit being certified as a class action against it.

A motion to certify a class action lawsuit may be filed in a lawsuit of a type as set forth in the abovementioned law, or in a matter with respect to which another statutory provision explicitly stipulates that a class action lawsuit may be filed. It should be noted that, since 2006, the definition of a claim in which a class action certification motion may be filed against Group companies has become an extremely broad definition, including any issue arising between a company and a customer, regardless of whether or not the parties have engaged in a transaction. In order for a motion to certify a class action lawsuit to be granted, the lead plaintiff must prove, among other things: (1) the existence of a personal cause of action; (2) that the cause of action is sufficiently well established to give the plaintiff a prima facie chance to win the lawsuit; (3) that the cause of action raises a substantive question of fact or law that is common to all members of the represented class, and there is a reasonable possibility that the common questions would be decided in favor of the class; (4) that the dispute can be fairly and efficiently adjudicated as a class action lawsuit; (5) that the plaintiff and its counsel are suitable representatives of the represented class.

Motions to certify claims as class actions are filed through the hearing procedure mechanism set forth in the Class Actions Law. The hearings procedure for motions to certify claims as class actions is divided into two main stages: The first stage is the motion to certify (hereinafter - the "**motion to certify**" and the "**certification stage**", respectively). If the motion to certify is rejected by the court - the hearing stage at the class action level ends. A ruling at the certification stage may be subject to a motion for leave to 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 also, 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.

For motions to certify claims as class actions in which the Company's and/or the consolidated companies' defense claims are "more likely than not" to be denied and the proceeding is "more likely than not" to be dismissed (on its merits, or – for a class action lawsuit – to not be certified as a class action lawsuit by the court), according to the management's assessment, based (among other things) on legal opinions it has received – no provision was included in the Financial Statements. For proceedings where it is more likely than not that the defense claims of the Company and/or consolidated companies will be dismissed, in whole or in part, the Financial Statements include provisions to cover the exposure estimated by the Company and/or consolidated companies. For proceedings in preliminary stages whose odds cannot be estimated, no provision was included in the financial statements (see Section A1, Subsections 5 and 7-20, Section A2, Subsections 1-24, and Section A3, Subsections 1-2 below). For cases in which the company and/or any of the consolidated companies are willing to settle, a provision has been made according to the willingness to settle, even if it is "more likely than not" that the Company's and/or the consolidated companies' defense claims would be granted, or the proceeding is at a preliminary stage and it is impossible to estimate the proceeding's odds.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)**A. Class actions and motions to certify lawsuits as class actions (cont.)**

With respect to the motions to certify claims as class actions described in Section A1, Subsections 1-4 and 6 below, that the District Court has certified as class action lawsuits – the Financial Statements include provisions to cover the exposure, as estimated by the Company and/or the consolidated companies, unless, according to the management's assessment, that is based, among other things, on legal opinions it has received, it is "more likely than not" that the Company's and/or the consolidated companies' defense claims on the substantive lawsuit would be accepted, and the lawsuit would be denied, even if it is adjudicated as a class action lawsuit.

Note that for the purposes of this note, lawsuits and motions to certify them as class action lawsuits are deemed material if the amounts claimed therein exceed NIS 15 million.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions:

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
1.	01/2008 District Court - Tel Aviv	Life insurance policyholders v. Menora Insurance and additional insurance companies.	The claim is of alleged unlawful overcharging with a payment component in the policies, known as the “sub-annuals” component. Causes of action: breach of the relevant statutory provisions, bad faith, and unjust enrichment. The main remedies being sought: refund of the total sub-annuals that were collected unlawfully, as well as a mandatory injunction ordering the defendants to change their modus operandi.	Any policyholder who has been charged due to the payment component of the policies known as the “sub-annuals,” in circumstances and at an amount that deviate from the provisions of the law.	On July 19, 2016, the District Court ruled in favor of certifying the lawsuit as a class action lawsuit. The main cause of action that has been approved is unjust enrichment, while other asserted causes of action were denied. The sought remedy is a refund of the sums that were collected unlawfully in the seven years preceding the day the lawsuit was filed, and a mandatory injunction ordering the defendant to rectify its conduct. On September 26, 2016, the plaintiff appealed the rejection of the individual claim against some of the respondents (including Menora Insurance) before the Supreme Court, concerning the collection of “sub-annuals” at a rate that is claimed to exceed the lawfully permitted rate. On December 15, 2016, Menora Insurance filed a motion for leave to appeal the decision to certify the lawsuit as a class action lawsuit. On May 31, 2018, a judgment was rendered that granted the motion for leave to appeal and denied the appeal; however, on June 26, 2018, the plaintiff filed a motion for a further hearing on the judgment. On July 2, 2019, the Supreme Court granted the motion for a further hearing. On July 4, 2021, a judgment was rendered in the petition for a further hearing, stating that the ruling that certified the lawsuit as a class action would be reinstated, such that the motion to certify would be granted and the case would be returned to the District Court to hear the class action lawsuit on its merits. The lawsuit is under a mediation procedure.	Approx. NIS 2.3 billion, for the last 7 years. Of which, approx. NIS 229 million are attributed to Menora Insurance.

(1) The date the lawsuits and the motions were filed is the original date on which they were filed. The indicated court is the court before which the proceeding had initially been brought.

(2) Based on the class the plaintiff sought to represent in accordance with the statement of claim, which is the basis for the estimated amount claimed.

(3) The claim amount stated above is the amount the plaintiff had estimated when the lawsuit was filed. The amounts specified in the lawsuits are the plaintiff's estimates, according to the estimated class the plaintiff seeks to represent. There are claims in which the plaintiff did not name the claimed amount, and therefore, it was not specified. To the extent that the plaintiff specified an

amount that was attributed to the Company, this is noted expressly.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
2.	04/2011 District Court - Central	Life insurance policyholder v. Menora Insurance and additional insurance companies.	The collection of funds, without any basis in the agreement between the parties – funds that the plaintiffs assert constitute a substantial portion of the premium the policyholder pays, that are referred to as a “policy factor” and/or as “other management fees”. Causes of action: misleading customers both in the pre-contractual stage and in the contractual stage; breach of the provisions of the law, in particular the Supervision Law and the regulations promulgated thereunder; bad faith; unjust enrichment; breach of an agreement; breach of statutory duty; an unduly disadvantageous condition in a standard contract. The main remedies being sought: payment of an amount equal to the total policy factor members of the represented class were charged in practice, plus 85% of the return they had been deprived of with respect to this amount, because it was deducted from the premium and not invested for them, and in light of the insurance company’s entitlement to 15% of the return, as damages/restitution; issuance of a mandatory injunction ordering the defendants to change their modus operandi in everything related to collecting “other management fees” and/or a “policy factor”.	Anyone who has held combined life insurance and savings policies issued by the respondents between 1982 and 2003, and who was charged any amount as a “policy factor” and/or as “other management fees”.	On June 10, 2015, the parties submitted a settlement agreement for the court’s approval (hereinafter - the “ Settlement Agreement ”). On June 11, 2015, the court ordered the appointment of an examiner for the Settlement Agreement and demanded the Attorney General’s comments on the Settlement Agreement. On October 18, 2015, and following the submission of the examiner’s opinion and the submitted objection to the Settlement Agreement, a hearing was held, in which the court expressed its initial position that it is strongly leaning against approving the Settlement Agreement, as submitted, and advised the parties to substantially enhance its terms. On November 21, 2016, the court dismissed the Settlement Agreement and partially certified the lawsuit as a class action lawsuit. On January 12, 2017, the applicants filed a statement of claim in the class action lawsuit. On May 16, 2017, the respondents filed a motion for leave to appeal the certification decision and the Settlement Agreement’s	Total of approx. NIS 254 million, out of a total of approx. NIS 2.3 billion attributed to all the respondents.

dismissal with the Supreme Court.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
2. (cont.)					On June 12, 2017, the Supreme Court issued its ruling on a motion for a stay of execution, according to which, the proceeding being adjudicated before the District Court would be suspended pending a ruling to the contrary. On February 6, 2019, the respondents announced, further to the Supreme Court's proposal, the withdrawal of the motion for leave to appeal, and therefore, the substantive lawsuit is to be remanded to the District Court, to commence the evidentiary hearings stage. At the same time, with the court's consent, a consensual mediation process is underway. Further to the mediation process and the dialogue between the parties, on June 21, 2023, a motion to approve a settlement agreement was filed.	

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
3.	07/2014 District Court - Central	NGOs and organizations that serve the pensioner population v. Mivtachim Pension and Provident and additional management companies.	Raising the management fees pensioners pay to the maximum management fees permitted by law (0.5% of the accrued balance), while taking advantage of the pensioners' status as a "captive audience" that is barred from moving its accrual to other pension funds, while active colleagues pay significantly lower management fees on average (approx. 0.3% of their accrued balance and approx. 2% of their current contributions). It was further claimed that the respondents do not disclose to their planholders that when they become pensioners, the management fees they pay the defendants would immediately be raised to the maximum management fees. Causes of action: bad faith misuse of a contractual right, the respondents' cartelistic conduct, breach of the fiduciary duties and the duties of care towards the respondents' planholders, breach of the duty of disclosure towards the planholders, an unduly disadvantageous condition in a standard contract, unjust enrichment, breach of statutory duty, and an unlawful failure to notify the planholders of the increased management fees on the eve of their retirement. Main remedies requested: (a) to return the excess management fees unlawfully charged from the class members with interest and linkage; (b) to require the respondents to lower the management fees charged to the pensioners, such that they do not exceed the management fees it charged before each one of them retired; (c) to prohibit the respondents from raising each planholder's management fees immediately before their retirement.	Anyone who is a planholder of a comprehensive new pension fund and is entitled to be paid an old-age pension and/or will be entitled to be paid an old-age pension in the future.	Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. Further to the parties' announcement that the mediation process had failed, the lawsuit was returned to the court for further adjudication. On March 18, 2022, the District Court (Central District) certified the lawsuit as a class action lawsuit. Pursuant to the court's recommendation, the parties entered a mediation proceeding.	Approx. NIS 48 million for all defendants

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
4.	09/2015 District Court - Tel Aviv	A holder of insurance policies v. Menora Insurance	The defendant's (alleged) conscious and deliberate policy of disregard for its duty, as required by law and by decided case law, by paying insurance benefits without the lawful interest. Causes of action: unjust enrichment, breach of contract, deprivation, breach of the Commissioner's Directives, and breach of statutory duty.	Anyone who was paid insurance benefits from the defendants in the 7 years preceding the day the lawsuit had been filed and/or who will be paid insurance benefits by the respondent before a judgment is rendered in the lawsuit, without lawfully adding interest to the insurance benefits.	The lawsuit, as described below, was certified as a class action lawsuit. Note that a judgment has recently been rendered in a similar matter (hereinafter - the " Barr Affair ") against other insurance companies, which stated that "the claim filing date" (within the meaning of Section 28A of the Insurance Contract Law) on which the 30-day race shall commence, and after which linked interest must be added to the insurance benefits, is the date the insurance company or the insurance agent, whichever is earlier, first received a communication indicating that the policyholder (or a third party or beneficiary) wishes to receive insurance benefits, without needing to attach any document. On May 18, 2021, the defendants in the Barr Affair appealed the ruling before the Supreme Court. At the same time, the District Court certified the lawsuit against Menora Insurance and Shomera on May 26, 2021 (Section 9 below) as a class action lawsuit. Menora Insurance filed its statement of defense on December 14, 2021. On March 13, 2022, the District Court stayed the proceedings in the case, pending a decision on the appeal in the Barr Affair. On November 9, 2022, a ruling was rendered on the Barr Affair, pursuant to which the motion for leave to appeal was denied. Accordingly, the adjudication of the lawsuit in the District Court was resumed.	At least approx. NIS 50 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
4. (cont.)			The main sought remedies: to declare and find that the defendant is in breach of its duty to add the lawful interest and linkage to the insurance benefits it pays, and ordering it to rectify its policy immediately and hereafter; to compel the defendant to pay the class members linked interest in accordance with the law, as defined in Section 1 of the Adjudication of Interest and Linkage Law, 1961, or in accordance with the contractual interest rate stipulated in the policy (whichever is higher), for the period commencing on the date of the occurrence of the insured event and ending on the actual insurance benefits payment date, and alternatively, for the period commencing 30 days from the date of delivery of the insurance claim to the defendant and until the actual insurance benefits payment date; to compel the defendant to pay the class members linkage differences and interest due to its underpayment, from the date of underpaying the insurance benefits and until the day the defendant pays the class members the linked interest; in addition and/or alternatively, should the court find that paying the class members damages is impractical – to order the defendant to compensate the general public.			

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (CONT.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
5.	09/2015 District Court - Tel Aviv	A holder of insurance policies v. Menora Insurance and against 4 other management companies	Charging inappropriately excessive management fees, because the defendants share the management fees with the agents and because they allegedly put the agents in a conflict of interest when they pay the agents a portion of the management fees they charge, and thus, they are in breach of their fiduciary duty towards the class members. The causes of action: breach of their fiduciary duty pursuant to the Provident Funds Law; acting in a conflict of interest vis-à-vis the agents; breach of the fund's bylaws; negligence and conversion in accordance with the Torts Ordinance; unjust enrichment and bad faith in the fulfillment of a contract. The main remedies being sought: a declaratory relief that states that the defendants must modify the compensation arrangement between them and the agents and adapt it to the law; determining the suitable management fees and the appropriate commission to be paid to the agents, and compelling the defendants to return the excessive management fees they charged.	Planholders of provident funds managed by the defendants, who were charged management fees from which the agents' commission is derived based on the management fees amount.	The lawsuit is at the stage of motion to certify as a class action. Menora Mivtachim Pension and Provident Funds filed a motion for dismissal in limine due to a lack of privity. The counsel for the plaintiffs announced that the motion was filed against Mivtachim Pension and Provident Funds and not against Menora Insurance "due to a slip of the pen and a scribal error". On April 3, 2017, the court held that the lawsuit against Menora Mivtachim Pension and Provident Funds would be stricken out, and Menora Insurance would take its place. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage. On November 22, 2022, a judgment was issued in favor of denying the motion to certify. On January 19, 2023, the applicants submitted a statement of appeal on the judgment. On February 8, 2023, the Supreme Court ruled that the respondents shall file a written response to the appeal.	According to an assessment, approx. NIS 2 billion for all the defendants

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
6.	10/2015 District Court - Tel Aviv	Insurance policyholders v. Shomera Insurance	A lawsuit in which the subject matter, causes of action, and main sought remedies are similar to the lawsuit described above in Section 4.	Anyone who received insurance benefits from the defendant in the 7 years prior to filing the lawsuit and/or at least during the 3 years prior to filing the lawsuit, and/or who will have received insurance benefits from the defendant by the time a judgment is rendered in the lawsuit, without the lawful interest being added to the insurance benefits.	The lawsuit was certified as a class action. See details in Section 4 above.	At least approx. NIS 20 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
7.	03/2016 District Court - Central	Motor insurance policyholders v. Menora Insurance.	Deduction from insurance benefits of VAT amounts and/or compensation due to impairment, and alleged underpayment of appraiser's fees, in contravention of the law. The causes of action: breach of statutory duty, unjust enrichment, fraud, breach of the Financial Services Supervision Law (Insurance), 1981, breach of the Supervision of Insurance Business Regulations (Motor Insurance Contract Terms), 1986, and the Supervision of Insurance Business Regulations (Home and Belongings Insurance Contract Terms), 1986, breach of contract, and breach of the duty of good faith. The main remedies being sought: to compel the respondent to return the VAT amounts and the impairment amounts that were not paid to the class members, as well as the appraiser's fees reimbursement amounts that were never paid, in real values plus lawful linkage differences and interest; moreover, to find that the deduction method the respondent employs is unlawful and to order the respondent to cease using it.	Any policyholder, beneficiary, or third party who did not repair the damage to the policyholder's property prior to filing a claim for insurance benefits, and who was paid damages, insurance benefits, and/or indemnity, and/or reimbursements for appraiser's fees, out of which amounts are claimed to have been unlawfully deducted, including the VAT and/or the impairment amounts or some of them.	The lawsuit is at the stage of motion to certify as a class action. Menora Insurance has submitted its response to the motion. The case was referred to mediation. On September 6, 2023, a motion was filed to approve a settlement agreement that is subject to the court's approval.	Was not quantified. Estimated at approx. NIS 60 million per year

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
8.	08/2016 - The Tel Aviv Regional Labor Court	A pension fund policyholder v. Menora Mivtachim Pension and Provident Funds.	Charging an “investment management expenses” component (“direct expenses”) out of the total accrual in the savings, in addition to the management fees, in the absence of a contractual provision that allows charging this amount and in contrast with the pension fund bylaws, allegedly. The causes of action: charging the direct expenses in the absence of a contractual right to do so and in violation of the pension fund bylaws, breach of fiduciary duty, breach of the duty of disclosure, and breach of the duty to negotiate in good faith. The main remedies being sought: (a) recovery of the direct expenses the Company had charged; (b) a permanent injunction prohibiting the Company from charging direct expenses as long as the pension fund bylaws are not lawfully modified; and (c) awarding a special annuity to the applicant and their counsels’ legal fees.	Past and present planholders in the pension funds the defendant manages, who have been charged investment management expenses in the seven years before the lawsuit was filed.	The lawsuit is at the stage of motion to certify as a class action. Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. On April 30, 2017, the court held that it did not have jurisdiction over the lawsuit and assigned the adjudication thereof to the Tel Aviv Regional Labor Court. The lawsuit is at the summation stage.	Approx. NIS 478.6 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
9.	01/2017 - The Tel Aviv Regional Labor Court	Executive insurance policyholder v. Menora Insurance.	Charging an “investment management expenses” component (“direct expenses”) in executive insurance policies the defendant markets, that are claimed to exceed the management fees and/or insurance premiums, in the absence of a provision in the policy that permits its collection. The causes of action: breach of the provisions of the policy, breach of fiduciary duty, breach of the duty of disclosure, and breach of the duty to negotiate in good faith, delivery of a misleading description in contravention of the Supervision of Financial Services (Provident Funds) Law, 2005, and the Supervision of Financial Services (Insurance) Law, 1981. The main remedies being sought: (a) to compensate the class members for the damage that was allegedly caused to them while refunding them for the entire amount they were allegedly charged contrary to the policy, as alleged above, and transferring them directly to the accrued balance in the policy; (b) an order prohibiting the defendant from charging such direct expenses from the class members; (c) awarding the representative plaintiff an annuity and legal fees for the lead plaintiff’s counsel.	All holders of executive insurance policies that were issued by the defendant (profit participating, “Merav”, “Status”, etc.), who were charged investment management expenses and/or without the policy including a specific provision permitting to collect these expenses.	The lawsuit is at the stage of motion to certify as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage.	Approx. NIS 185 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
10.	07/2018 District Court - Central	Motor insurance policyholders v. Menora Insurance	Failure to compensate policyholders who purchased “motor insurance policies for non-private vehicles and commercial vehicles weighing up to 3.5 tons” for impairment damage caused to their vehicles due to an insured accident. The main causes of action are: breach of contract, unjust enrichment, misleading, bad faith and exploitation of distress and an unduly disadvantageous condition in a standard contract. The main remedies being sought: to issue a mandatory injunction/declaratory relief and order the defendant to recognize the impairment damage due to an accident as covered damage under the policy; to compensate its policyholders for impairment damage due to an accident, and to award any other remedy that the Honorable Court deems equitable under the circumstances.	All of the respondent’s policyholders who were insured under a ‘motor insurance policy for non-private vehicles and commercial vehicles weighing up to 3.5 tons,’ and whose vehicles had a traffic accident that resulted in their vehicles suffering impairment damage for which the respondent did not compensate them.	The lawsuit is at the stage of motion to certify as a class action. Menora Insurance has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court.	NIS 63 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
11.	12/2018 District Court - Tel Aviv	A private dwelling insurance policyholder v. Menora Insurance et al.	The lawsuit concerns the claim that superfluous and excessive insurance premiums were charged unlawfully for unnecessary insurance policies that had been issued to structure owners who had taken out a mortgage loan and had been required to insure the structure in favor of the lending bank, despite the fact that there was already a policy in place then they were issued, whether with the same insurer or with another insurer, that insured the same structure for the same period; the above – allegedly in breach of the provisions of the law and while misleading the policyholders. The main causes of action according to the motion are, inter alia: deception, breach of the duty of good faith, negligence, unjust enrichment, and breach of statutory duty. The main remedies the plaintiffs are petitioning for are: a refund of the excessive premium amounts they were unlawfully charged, allegedly, as well as a mandatory injunction compelling the respondents to change their modus operandi.	Anyone who took out a mortgage loan from one or more of Respondents 4-7 and was insured by one or more of Respondents 1-3 under a private dwelling insurance policy that is one of two or more policies in connection with the same structure during the same period.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage. On November 24, 2023, the Court approved the motion to certify the lawsuit as a class action lawsuit.	Approx. NIS 280 million for all defendants

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
12.	11/2019 District Court - Tel Aviv	A health insurance policyholder v. Menora Insurance	The motion concerns the claim that the defendant allegedly raises the insurance premiums in contrast with the insurance premiums variation table in the list of terms attached to the policy, and, furthermore, that it changes the insurance premiums during the insurance period, such that fixed insurance premiums become variable insurance premiums, unilaterally and – allegedly – against the law.	All the defendant's policyholders, including in health, long-term care, and life insurance policies of any kind, for whom the defendant raised the insurance premiums, at times and at rates that are not specified in the policy, in the 7 years prior to filing the lawsuit, and/or policyholders for whom the defendant raised the insurance premiums even though their policies are claimed to have clarified that their insurance premiums are fixed.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure. On March 10, 2021, the applicant announced that the mediation process had ended without reaching a consensus, and the case was returned to the court. On August 2, 2021, there was a pre-trial hearing, in which the parties agreed to hold another mediation process. Further to the unsuccessful mediation and conciliation processes, the lawsuit is in the summations stage.	At least NIS 25 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
13.	04/2020 District Court - Haifa	Policyholder v. Menora Insurance et al	The motion concerns the claim that the defendants have been collecting excessive insurance premiums on compulsory motor and property insurance policies, despite the significantly lower risk in light of the dramatic reduction in mileage volumes following the spread of Covid-19.	All compulsory motor insurance or comprehensive or third-party insurance policyholders during the “effective period” or part thereof, i.e., from March 8, 2020, and until the full and absolute revocation of the movement restrictions imposed on the residents of Israel due to Covid-19.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage.	NIS 132 million
14.	04/2020 District Court - Haifa	Policyholder v. Shomera Insurance et al.	The motion concerns the claim that the defendants have been collecting excessive insurance premiums on compulsory motor and property insurance policies, despite the significantly lower risk in light of the dramatic reduction in mileage volumes following the spread of Covid-19.	All compulsory motor insurance or comprehensive or third-party motor insurance policyholders during the “effective period” or part thereof, i.e., from March 8, 2020, and until the full and absolute revocation of the movement restrictions imposed on the residents of Israel due to Covid-19.	The lawsuit is at the certification stage as a class action. Shomera Insurance has yet to submit its response to the motion. The lawsuit is at the summation stage.	NIS 74 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
15.	04/2020 District Court - Central	Policyholder v. Menora Insurance et al.	The motion concerns the claim that the defendants do not reduce and do not refund their compulsory motor insurance and comprehensive and third party motor property insurance policyholders for the allegedly excessive insurance premiums they had paid, in light of the extremely reduced risk level to which the defendants are exposed following the dramatic reduction in economic activity due to Covid-19 outbreak and the reduced volumes of road traffic.	All the defendants' policyholders who held compulsory motor insurance or comprehensive property and third-party motor insurance policies on March 12, 2020, and until the date the lawsuit was filed (hereinafter - the " Relevant Period ") and who did not receive a refund or reduced insurance premiums with respect to this period, at a rate and at an amount that correspond to the reduction in the insurance risk.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage.	NIS 107 million
16.	08/2020 District Court - Central	A planholder v. Menora Insurance et al.	The lawsuit concerns the claim that when stipulating an exclusion in the policy due to the policyholder's medical condition, the defendants allegedly charge an excess premium, because the exclusion is claimed to reduce the insurer's insurance risk, compared with policies with no exclusions.	Anyone who was a policyholder in the period beginning 7 years before the day of filing the claim and ending on the day of its certification as a class action, under an insurance policy for disability, long-term care, life, disability, personal accidents, health (including critical illness, surgeries and transplants in Israel or abroad, medications, ambulatory procedures or any other medical coverage) that contains an exclusion.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion.	Approx. NIS 1.9 billion for all defendants, of which, an estimated 6% are against Menora Insurance.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
17.	12/2020 District Court Central	Policyholder v. Menora - Insurance	The lawsuit concerns the claim that the defendant markets health insurance policies that include riders that are intended to provide the policyholders with medical services, but in practice, allegedly, the medical service is not provided, or it is provided only partially by the defendant or anyone on its behalf. The main causes of action according to the motion are, inter alia: breach of contract, breach of the duty of good faith in fulfilling a contract, unjust enrichment. The main remedies the plaintiffs are petitioning for are: reimbursement of the insurance premiums that were allegedly charged unlawfully, reimbursement of any amount the class members paid for treatment privately, and alternatively, the difference between any amount thus paid and the amount received from the defendant, and reimbursement of deductible amounts; the above – plus linkage differences and interest.	All the defendant's policyholders that have health insurance policies that include riders, to whom the service was not provided by the defendant or anyone on its behalf in practice, in the 3 years prior to filing the lawsuit (regarding payment of insurance benefits), and 7 years prior to filing the lawsuit (regarding the reimbursement of insurance premiums), as applicable.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure.	NIS 46.4 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
18.	07/2021 District Court - Tel Aviv	Policyholder v. Menora Insurance et al.	The lawsuit concerns the claim that when paying pensions, the defendant reduces the accrued monthly return for the “cash surrender value” balance, at a rate of 2.5% (or any other rate), allegedly without a contractual basis in the policy’s terms and in contravention of the law. The main causes of action are, inter alia: breach of contract, breach of statutory duty, breach of duty of disclosure, breach of fiduciary duty and the duty of good faith, and unjust enrichment. The main remedies are, inter alia: to issue a declaratory order stating that deducting the interest from the monthly return is a breach in accordance with the aforementioned causes of action, and to order the recovery of all amounts that were unlawfully withheld, plus linkage differences and interest, as well as to order the defendants to cease deducting interest from the monthly return.	All of the defendant’s policyholders who purchased life insurance policies that include savings accrual from the defendant, issued between the years 1991 and 2004, from whom interest was and/or will be deducted at a rate that is not specified in the policy.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion.	Much higher than NIS 2.5 million
19.	10/21 District Court - Central	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant is conditioning payment of coverage for accidental disability under personal accident policies on the disability arising during the insurance period, and in so doing, the defendant is allegedly denying its policyholders compensation in accordance with the provisions of the policy and the law, and in particular, with respect to individuals who are no longer insured under the insurance (whether they terminated the policy at their own initiative or because the policy was terminated due to their age).	Anyone who purchased a personal accidents insurance policy from the defendant and suffered an insured event in the past 7 years (hereinafter - the “Represented Class”).	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure.	Much higher than NIS 31 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A1. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
20.	09/22 District Court - Tel Aviv	Policyholder v. Menora Insurance and additional insurance companies	The lawsuit concerns the claim that the defendants violate the terms of the insurance contract between the parties by refusing to cover medical cannabis purchase expenses.	All of the defendants' policyholders who had purchased coverage for pharmaceuticals that are excluded from the Healthcare Services Basket, who were not reimbursed for their medical cannabis expenses.	The lawsuit is at the certification stage as a class action. Menora Insurance has yet to submit its response to the motion.	NIS 30 million (at least)

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A2. Other class actions:

In addition to the material lawsuits and motions to certify them as class action lawsuits, as described above, that were certified or that are pending certification, there are other such lawsuits and motions to certify them as class action lawsuits, for which the claim amount in each of them is immaterial, and therefore, no detailed description of them is included in the financial statements:

Serial No.	Date and court	Parties	Main arguments	Details	Claim amount
1.	01/2017 District Court - Central	Policyholder v. Menora Insurance and another company.	Overcharging committed by the defendants, while refraining from treating the policyholders in accordance with the asserted common practice of reducing the insurance premiums when the policyholder crosses a certain age bracket and/or driving experience bracket that entitles the policyholder to reduced insurance premiums.	The lawsuit is at the stage of motion to certify as a class action. Menora Insurance has submitted its response to the motion. The hearing on the lawsuit was consolidated with the hearing on the lawsuit referred to in Section 2 below.	Menora Insurance's relative share was estimated at approx. NIS 12.25 million.
2.	02/2017 District Court - Central	Policyholder v. Shomera Insurance.	The defendant's failure to initiate disclosure to its policyholders who hold compulsory motor insurance, comprehensive motor insurance, and third-party insurance policies, that they are expected to reach the age brackets and/or driving experience brackets that would entitle them to reduced insurance premiums during the insurance period, in contrast with common practice, as asserted by the plaintiff.	The lawsuit is at the certification stage as a class action. Shomera Insurance has submitted its response to the motion. The hearing on the lawsuit was consolidated with the hearing on the lawsuit referred to in Section 1 above.	NIS 12.25 million.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A2. Other class actions: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claim amount
3.	05/2019 Regional Labor Court - Tel Aviv	A pension fund planholder v. Menora Mivtachim Pension and Provident Funds	The lawsuit concerns the claim that the defendant charged members of the general pension fund it manages – who had joined the fund due to a contribution in the comprehensive pension fund that exceeds the permissible statutory contribution ceiling – the maximum management fees, rather than the reduced management fees they pay in the comprehensive fund, without their consent and without notifying them.	The lawsuit is at the certification stage as a class action. Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. On September 29, 2021, the court partially granted the motion. Pursuant to the court's recommendation, the parties entered mediation. On December 20, 2023, the parties submitted a settlement agreement that is subject to the court's approval.	At least NIS 2.5 million.
4.	08/2019 District Court - Central	Israel Consumers Council v. Menora Insurance et al.	The lawsuit concerns the claim that when there is a total loss event following an accident or theft (hereinafter - the " Insured Event "), the defendants do not return the rate of the insurance premiums attributed to the policy's various riders (e.g., roadside repairs, towing, and windshield repair) for the remaining insurance period after the date of the aforementioned Insured Event.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion. On December 5, 2023, the Court certified the lawsuit as a class action. on February 1, 2024, Menora Insurance filed a motion to appeal the decision to the Supreme Court.	Not quantified, in the absence of data (the lead plaintiffs estimate that the damage to all class members is measurable in tens of millions of shekels).

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A2. Other class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments	Details	Claim amount (3)
5.	08/2019 District Court - Central	Israel Consumers Council v. Shomera et al.	A lawsuit in which the subject matter, causes of action, and main sought remedies are similar to the lawsuit described above in Section 4.	The lawsuit is at the certification stage as a class action. Shomera has submitted its response to the motion. On December 5, 2023, the Court certified the lawsuit as a class action. On February 1, 2024, Shomera filed a motion to appeal the decision to the Supreme Court.	Not quantified, in the absence of data (the lead plaintiffs estimate that the damage to all class members is measurable in tens of millions of shekels).
6.	05/2020 District Court - Central	Policyholder v. Shomera et al.	The lawsuit concerns the claim that at the occurrence of insured events, the defendants provide customers who are insured under windshield fracture coverage riders with windshields that do not comply with the Israeli standards mark requirements pursuant to the Standards Law, 1953, in contrast with their alleged undertakings in the rider.	The lawsuit is at the certification stage as a class action. Shomera Insurance has yet to submit its response to the motion. The lawsuit is at the summation stage.	Was not quantified
7.	05/2020 District Court - Tel Aviv	A planholder v. Menora Mivtachim Pension and Provident Funds and Menora Mivtachim Federation of Engineers et al.	The lawsuit concerns the claim that the defendants erroneously record some of the contributions into study funds as contributions that exceed the qualifying contribution ceiling, and therefore, the gains arising from these contributions are taxed with the capital gains tax.	The lawsuit is at the certification stage as a class action. Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. The lawsuit is under a mediation procedure.	Was not quantified

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A2. Other class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments	Details	Claim amount (3)
8.	07/2020 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that when paying insurance benefits, the defendant allegedly violates the terms of the policy and indemnifies the policyholders for the nominal amount specified in the policies, without linking that amount to the consumer price index and, in particular, to the applicable index as of the date of entering the insurance contract.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court.	More than NIS 2.5 million (including non-pecuniary damage).
9.	02/2021 District Court - Lod	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant interprets the provisions of the Supervision of Insurance Business Regulations, according to which only claims submitted by the policyholder and whose amount exceeds 35% of the annual premium paid by the policyholder may be included in the policyholder's claims report, in an arbitrary manner and in bad faith, in that its report also includes cases in which, within the defendant's independent treatment of and investigation into the policyholder's claim, it paid funds to various entities other than the policyholders.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court.	Was not quantified

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A2. Other class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments	Details	Claim amount (3)
10.	04/2021 District Court - Tel Aviv	Policyholder v. Menora Mivtachim Pension and Provident Funds	The lawsuit concerns the claim that when the defendants' customers browsed their personal information section using the digital services on the defendants' website and/or mobile applications, the customers' personal and confidential information was transferred to third parties (without their consent), specifically to Google and its advertising service.	The lawsuit is at the certification stage as a class action. Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court.	More than NIS 2.5 million
11.	04/2022 District Court - Jerusalem	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant does not recognize a surgery that must be performed as an insured event, arguing that it is a preventive surgery that does not fall under the definition of "surgery" according to the policy.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage.	NIS 3 million
12.	09/2022 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant allegedly discriminates against the insured men in its health insurance policies' ambulatory services appendix, by refusing to reimburse men for the cost they had incurred in pregnancy-related, childbirth-related and newborn care-related expenses.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A2. Other class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments	Details	Claim amount (3)
13.	11/2022 District Court - Central	Policyholder v. Shomera	The lawsuit concerns the claim that the defendant markets certain motor property insurance plans to its policyholders that include riders as an inherent part, allegedly without presenting the price of the rider to the customers in the marketing process and after it is complete, and without allowing them to waive the rider and in return, be offered a lower price that would reflect the excluded cost of the service, such that purchasing the riders allegedly becomes a condition for the insurance plan.	The lawsuit is at the certification stage as a class action. Shomera Insurance has yet to submit its response to the motion.	More than NIS 2.5 million
14.	12/2022 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant allegedly reduces the insurance benefits its policyholders are entitled to, for policyholders who are considered to suffer from work disability, by linking their payments from the 25th month and onward, to the consumer price index, which is lower than the investment profitability index, instead of linking them to the investment profitability index, and in so doing, the defendant is allegedly paying its policyholders lower amounts than the amounts it had committed to pay in accordance with the terms of the policy.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million
15.	12/2022 District Court - Central	Policyholder v. Menora Insurance	The lawsuit concerns the claim that when a policyholder who has filed a motor property insurance claim decides to repair their vehicle at an auto-repair shop that is not one of the approved auto repair shops according to the defendant's arrangement, the defendant offsets various amounts out of the insurance benefits, even though it has confirmed the appraiser's assessment, by claiming that the auto-repair shop can purchase the required spare parts for the repair from the defendant's vendor at a lower price than these spare parts' market price, which is claimed to result in the policyholder who has chosen to repair their vehicles at a non-approved auto-repair shop retrospectively being paid insurance benefits that do not cover the real cost of the damage, as determined by the appraiser, or alternatively, in that policyholder being forced to repair their vehicles at approved auto-repair shops.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A2. Other class actions: (cont.)

Serial No.	Date and Court (1)	Parties	Main arguments	Details	Claim amount (3)
16.	01/2023 Regional Labor Court - Tel Aviv	Policyholder v. Menora Mivtachim Pension and Provident Funds	The lawsuit concerns the claim that the defendant sent the plaintiff a text message that is claimed to be considered an advertisement, after the plaintiff had requested to transfer his pension fund to another institutional entity, without the plaintiff consenting to receive advertisements, and therefore (it is claimed), this is a violation of the provisions of Section 30A of the Communications Law (Bezeq and Broadcasting), 1982.	The lawsuit is at the certification stage as a class action. Menora Pension and Provident Funds has submitted its response to the motion.	More than NIS 2.5 million
17.	02/2023 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that in a policy with a variable premium mechanism, the defendant apparently raises the insurance premiums after the date on which the premium becomes fixed and is no longer variable, according to the policyholder's age, in an apparent breach of the policy's terms.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million
18.	03/2023 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the allegation that the defendant has an improper and illegal practice whereby it partially repays the appraiser's fees to the injured parties, without justification, and without explaining why the fees were reduced. According to the applicant, in so doing, the defendant is in violation of the law, the regulator's position, decided case law, and its obligation under the policy.	The lawsuit is at the certification stage as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million
19.	03/2023 District Court - Central	Policyholder v. Shomera	The lawsuit concerns the claim that the defendant only pays partial appraiser's fees to injured parties in motor insurance claims, without justification and without explaining why the fees were reduced. According to the applicant, in so doing, the defendant is in violation of the law, the regulator's position, decided case law, and its obligation under the policy.	The lawsuit is at the certification stage as a class action. Shomera has yet to submit its response to the motion.	More than NIS 2.5 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A2. Other class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments	Details	Claim amount (3)
20.	7/2023 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant does not make adequate representations regarding the professional liability policies for lawyers that it has been marketing since it has won the Israel Bar Association's tender in 2016, and that when a policyholder seeks to realize their coverage under the aforementioned policy and/or under any other policy marketed by Menora Insurance and that covers legal expenses and/or defense expenses – Menora Insurance violates its obligations under the policy and acts unlawfully by impairing the policyholder's ability to be defended by an attorney who is not on Menora Insurance's list of service providers, including by limiting the attorney's fees payable to them.	The lawsuit is at the certification stage as a class action. Menora Insurance has yet to submit its response to the motion.	More than NIS 2.5 million
21.	8/2023 District Court - Central	Policyholder v. Shomera	The lawsuit concerns the claim that the respondent is attempting to "coerce" its policyholders and/or third-party injured parties to choose the respondent's approved auto-repair shops to repair their vehicles, thus infringing on their discretion to choose any auto-repair shop that would repair their vehicle. In addition, according to the applicant, the defendant is attempting to influence its policyholders and/or third-party injured parties to buy spare parts to repair their vehicles from the respondent, thus attempting to influence the purchase of spare parts from a particular source. According to the applicant, in so doing, the respondent is in violation of the law, the regulator's position, and its obligation under the policy.	The lawsuit is at the certification stage as a class action. Shomera has yet to submit its response to the motion.	More than NIS 2.5 million.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A2. Other class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments	Details	Claim amount (3)
22.	11/2023 District Court - Tel Aviv	Policyholder v. Menora Insurance et al.	The lawsuit concerns the claim that following an extreme event, such as the Iron Swords War, the risk declines dramatically, which is expected to result in a substantial and unplanned profit for insurance companies. That at the time of purchasing the policies the respondents and the class members had purchased, the risk and/or odds of a sudden attack, as had occurred in the Iron Swords War, was not taken into account when the premiums had been set, and that not providing the service and/or full or partial insurance coverage is egregious in light of the substantially reduced risk, especially to those who had been conscripted in an emergency call-up of reservists ("Tzav 8").	The lawsuit is at the certification stage as a class action. Menora Insurance has yet to submit its response to the motion.	NIS 10 million
23.	1/2024 Labor Court - Haifa	Policyholder v. Menora Mivtachim Pension and Provident Funds	The action involves the claim that the pension fund managed by the defendant unlawfully collects insurance coverage costs (insurance premiums), which are higher than those it was entitled to collect, while reducing the accumulation amount, for the following reasons: (a) The calculation of the determinative salary is too high in relation to the correct calculation and therefore the collection of insurance coverage costs are higher than the insurance coverage costs that were supposed to be collected; (b) Collection of insurance coverage costs for a full month in relation to the month in which the member joined the pension fund (instead of only partial collection according to the part of the month in which the member was actually a member and received insurance coverage from the pension fund); (c) Collection of insurance coverage costs for a deposit received from the employer retroactively, even though according to the regulations, a retroactive deposit does not grant the member insurance coverage for the period preceding the date of its receipt.	The lawsuit is at the certification stage as a class action. Menora Pension and Provident Funds has yet to submit its response to the motion.	More than NIS 2.5 million.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A2. Other class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments	Details	Claim amount (3)
24.	2/2024 District Court - Tel Aviv	Policyholder v. Shomera	The action involves the claim that the defendant reduces various amounts when paying insurance benefits as part of comprehensive motor insurance policies, based on "reducing variables" or "special variables," which were not specified to policyholders in the pre-contractual phase, contrary to the circular, "Car Insurance (Property) - Insurance Benefits in Case of a Total Loss."	The lawsuit is at the certification stage as a class action. Shomera has yet to submit its response to the motion.	More than NIS 2.5 million.

A3. Concluded claims:

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Details	Claim amount (3)
1.	11/2020 Regional Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that when the Company refunds policyholders following the detection of errors in the collection of premiums on savings policies, the company refunds the overcharged amounts to the policyholder's policies, not directly to the policyholder, and does not even inform the policyholder of transferring the funds to the policy.	On January 11, 2024, the court approved the settlement agreement that was filed in the lawsuit, and thus the lawsuit was concluded.	Was not quantified
2.	12/2022 Bat Yam Magistrate Court	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant violated the provisions of the Communications Law by sending "advertisements" without obtaining the recipients' prior consent, by not including the word "advertisement" in the email header, and by not allowing the recipients to be removed from the mailing list using the method using which the advertisement was sent, but by clicking a link at the bottom of the message.	On February 21, 2024, the court granted a motion to withdraw, and thus the lawsuit was concluded.	More than NIS 2.5 million

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)**A. Class actions and motions to certify lawsuits as class actions (cont.)****A4. 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 litigated as part of the legal proceedings. It is further clarified that the table below does not include proceedings that have been concluded, including proceedings that concluded after a compromise agreement was approved in respect thereof.

	<u>No. of lawsuits</u>	<u>Amount claimed</u> NIS thousand
Certified class actions:		
Stated amount attributed to the Group	4	553,000
The lawsuit pertains to a number of companies and no specific amount was attributed to the Group	1	48,000
The claim amount was not specified	-	-
Pending motions to certify claims as class actions:		
Stated amount attributed to the Group	31	1,363,500
The lawsuit pertains to a number of companies and no specific amount was attributed to the Group	2	2,280,000
The claim amount was not specified	6	-

As of the reporting date, the cumulative provision for lawsuits filed against the Company, as described above, totals approx. NIS 159 million (as of December 31, 2022 – NIS 150 million).

- A5.** From time to time, the Commissioner issues position papers, principles for drafting insurance plans, papers on proper and improper practices and other documents or draft documents that are relevant to the Group's areas of operation and which may have an effect on the rights of the policyholder/s and/or plan holder and may create an exposure for the Group in certain cases with respect to both its period of operation prior to those documents coming into effect and the future.

It is impossible to predict in advance whether and to what extent the Group is exposed to allegations connected to and/or resulting from directives that may arise in part through the procedural mechanism set forth in the Class Actions Law. Similar circulars issued by the Commissioner with a future effective date may have such an effect.

From time to time complaints are filed against the Group, including complaints to the Commissioner with respect to rights of policyholders and/or planholders according to insurance plans and/or funds and/or the law. These complaints are handled regularly by the Group's public complaints department. At times, the Commissioner's decisions (or draft decisions) on these complaints are rendered across the board for a class of policyholders.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)**A. Class actions and motions to certify lawsuits as class actions (cont.)****A5. (cont.)**

Furthermore, from time to time, and also following policyholders' complaints, the Commissioner conducts audits on his behalf at the Group's institutional entities and/or sends requests to them to receive information on various issues of management of the institutional entities and management of the rights of the institutional entities' policyholders and planholders, as well as audits to verify the implementation of regulatory directives and/or lessons from previous audits, wherein, among others, demands are received to make changes in various products and instructions are given for implementing circulars and/or guidelines and/or for rectifying deficiencies or for the taking of actions by the institutional entities, including making refunds to policyholders and planholders. On the basis of the audit findings or the information provided, the Commissioner sometimes imposes monetary sanctions pursuant to the Enforcement Authority Law.

- A6. 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 arrangements 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 expressed mainly in connection with pension savings and long-term insurance products, including health insurance, in which the Group operates, due to them being characterized by a prolonged lifespan and extreme complexity, particularly in view of the legislative arrangements relating both to management of the products and to taxation, including on issues concerning the contributions made by employers and policyholders, separation and attribution of the contributions to the various policy components, investment management, the policyholder's employment status, his contribution payments, etc. These products are managed over years during which there are changes in policy, regulatory requirements and legal trends, including in court rulings. These changes are implemented by automated systems that undergo frequent changes and adjustments. The complexity of these changes and application of changes with respect to many years creates increased operating exposure. Receipt of a new interpretation to insurance policies and long-term pension products may, at times, affect the Group's future profitability with respect to the existing portfolio, in addition to the exposure involved in the demands to compensate customers for past activities. 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.

Furthermore, the insurance domain in which the Group companies operate is high in detail and circumstances, and has an inherent risk that cannot be quantified as to the occurrence of an error or series of mechanical or human errors, in both structured work processes and when handling a specific customer, and which may cause expansive consequences as to both the effect on a large number of customers or cases and the relevant monetary effect concerning an individual customer. The Group's institutional entities regularly improve the rights of policyholders, in all that concerns management of the products at institutional entities, according to gaps that are discovered from time to time.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

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

A6. (cont.)

The Group is exposed to claims and allegations on the level of contract laws and fulfillment of the insurance liabilities in the policy, deficient consultation, breach of fiduciary duty, conflict of interests, duty of care, negligence as part of the professional liability of the professional entities in the Group including the Group's agencies as well as engagements with reinsurers etc., allegations relating to the services provided by the Group companies, and from time to time there are circumstances and events that raise concerns regarding allegations of that type. The Group purchases professional liability insurance policies, including as required by the legislative arrangement, and when necessary it reports to this policy or policies in order to cover an obligation deriving from professional liability that can be protected by purchasing insurance. The amounts of the possible exposure are higher than the amounts covered and there is no certainty that the insurance coverage will actually be received upon the occurrence of an insured event.

B. Guarantees provided

1. Menora Insurance has provided guarantees in favor of the members of the provident funds Yeter and Amir (managed by Mivtachim Pension and Provident Funds), to secure the fund's commitment towards them to a guaranteed rate of return. The level of the guarantees refers, as of the date of the Financial Report, to accrual in a total amount of approx. NIS 5 billion (as of December 31, 2022: NIS 5 billion). It is noted that the Accountant General of the Ministry of Finance has made a commitment to the funds to receive most of the contributions of the aforesaid planholders at a guaranteed return in excess of the rate of return guaranteed to the members. In addition to the foregoing, Menora Insurance has provided similar guarantees to secure the investment principal of the planholders in a non-guaranteed return track, in favor of members who joined the fund up to 1994, with regard to their nominal contributions up to January 2009. The level of the guarantees refers, as of the date of the Financial Report, to accrual in a total amount of approx. NIS 58 million.
2. Guarantees exist in a total amount of approx. NIS 4,290 thousand that were transferred to the Group as a result of the Industrial Development Corporation transaction.
3. Guarantees provided by a consolidated company - Menora Agencies
Menora Agencies provided guarantees in favor of banks for associate Bestie Price Ltd. totaling NIS 4 million.
4. Guarantees provided by a consolidated company - ERN
ERN provided guarantees for various parties in a total amount of 1.2 NIS million.

C. Commitments

1. In 2003, Menora Insurance contracted with Sapiens Israel Software Systems Ltd. (hereinafter - "**Sapiens**") in a project for the development of a comprehensive life insurance management system (hereinafter - "**Topaz Life**"). Following the acquisition of Mivtachim Pension in 2004 and regulatory changes in this area of activity, as well as the business development of the Group, in 2004 and 2005 Menora Insurance contracted with the aforesaid supplier in an additional project for the development of a pension and provident-fund management system ("**Topaz Pension and Provident Funds**") (Topaz Life and Topaz Pension and Provident Funds, jointly, hereinafter - "**Topaz System**"). The Topaz Life system is in a stage that allows the production and operation of the new policies sold by Menora Insurance. The Topaz Pension and Provident Funds system is in a fully operational stage. In addition, routine maintenance activity is conducted on the systems, including necessary updates from time to time.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)C. Commitments (cont.)

1. (cont.)

Further to the foregoing, in October 2011 Menora Insurance entered into an agreement that formalizes and regulates its long-standing engagement with Sapiens in connection with the Topaz System and additional software systems supplied to the Group, among other matters in the life insurance, pension, reinsurance, and health segments (hereinafter - the “**Systems**”), and services provided to the Group in connection with these Systems (hereinafter, in this paragraph - the “**Agreement**”).

The Agreement formalizes the Group's licenses to use the Systems and the Group's rights to use the original software of the Systems, as well as the intellectual property in certain unique components of the Systems developed in the past, and as may be developed in the future, by Sapiens for the Group. In light of the professional knowledge shared by employees of the Group in the course of the development procedures of the Systems, rights to royalties were also formalized in the Agreement for the sale of Topaz and reinsurance to third parties, with no time limit, up to the ceiling of the investment in the products.

In addition, the Agreement creates a framework for the continued supply of various services to the Group in connection with the aforesaid Systems, including development services, testing, malfunction repairs, support, supply of versions and editions, and maintenance services for the Systems, according to agreed-upon annual work plans.

In September 2013, an agreement supplementing the Agreement of October 2011 was signed, following an engagement of Sapiens with an additional client for implementation of a pension-fund management system and associated systems used by the Group. Within the supplementary agreement and a (similar) agreement concerning a third client signed in 2022, Sapiens undertook to pay the Group various royalties, in immaterial amounts, over a period of several years.

In addition, the period of the engagement to which Sapiens is committed with respect to the maintenance and continued development of the Systems for the Group is extended each year, with certain commercial modifications, unless one of the parties to the Agreement gives notice of its cancellation.

Menora Insurance paid Sapiens a total of approx. NIS 33 million and a total of approx. NIS 27 million in 2023 and 2022, respectively, under the aforesaid Agreement.

2. The Group has future commitments, as part of the investment activities, as detailed below:

A. Commitments to invest in investment funds in a total amount, as of December 31, 2023, of NIS 3,346,423 thousand, of which a total of NIS 1,956,604 thousand in respect of yield-dependent contracts (as of December 31, 2022: NIS 3,708,137 thousand, of which a total of NIS 2,049,816 thousand in respect of yield-dependent contracts).

B. Commitments to grant loans to various companies in a total amount, as of December 31, 2023, of NIS 2,079,628 thousand, of which a total of NIS 881,202 thousand in respect of yield-dependent contracts (as of December 31, 2022: NIS 1,182,049 thousand, of which a total of NIS 434,010 thousand in respect of yield-dependent contracts).

3. In the course of its business, Menora Insurance signs agreements with employers for the execution of insurance arrangements and annuity payments in connection with early retirement of their employees. Pursuant to the agreements, the employers transfer a lump sum to Menora Insurance for each retiree, and Menora Insurance pays the retirees monthly amounts, within an insurance policy, as agreed by the parties. The expected profit from these transactions is immaterial.

NOTE 40 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)**C. Commitments (cont.)**

4. In December 2014, the Company signed an agreement for sponsorship and branding of the sports arena in Yad Eliyahu, Tel Aviv, which was renamed Menora Mivtachim Arena following the agreement. The agreement was signed for a period of eight years, beginning January 1, 2015. The total consideration established is approx. NIS 23.6 million (including VAT), paid in 32 quarterly installments. In addition, the agreement includes an option to extend the term of the engagement by eight additional years.

Due to the Covid-19 pandemic, the prohibition on congregating, and the cancellation of events and sports matches, adjustments were made to the aforesaid agreement; among these, the Company gained a reduction of NIS 1 million before VAT (hereinafter - the “Discount”) of the consideration it was to pay to Sport Palaces Tel Aviv Jaffa Ltd. It was agreed that the Discount would be deducted over the course of five years, in twenty consecutive quarterly installments, beginning in the first quarter of 2021. In addition, it was determined that if the term of the engagement was extended by an additional engagement period, the increase in the franchise fee established in the agreement, at a rate of 5% of the up-to-date value of the last franchise fee paid by the Company, would be canceled, such that the consideration for the right to provide sponsorship for the entire additional engagement period would be NIS 20 million, plus VAT.

To ensure the fulfillment of the Company's obligations, a letter of guarantee was deposited in the amount of approx. 1.2 NIS million. In December 2021, the Company notified the sports center of the exercise of the option to extend the engagement period.

D. Leases

1. Disclosures for lease transactions in which the Group is the lessor

The Group leases several buildings (investment properties) via operating leases to external entities. The agreements regarding the leases to external entities are for periods of one year to 9 years, and cannot be canceled. In most of the lease agreements, the renter is provided with the option to extend the term of the contract.

Renewal of the lease contracts at the end of their term is subject to the consent of both parties.

2. Analysis of repayment dates of the lease payments to be received in non-discounted values for operating leases

	2023	2022	2021
	NIS thousand		
First year	23,906	23,830	22,739
From two to five years	74,256	73,619	71,372
More than five years	3,067	12,708	31,330
	<u>101,229</u>	<u>110,157</u>	<u>125,441</u>

NOTE 41 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD AND THEREAFTER

A. Investment in Manor Fund

The Company's Board of Directors approved an investment - through a subsidiary - and alongside other leading financial entities, as an anchor investor in the "Manor" investment fund (hereinafter - the "**Investment Fund**"), to be set up by 3 partners headed by Avi Ortal. The amount of investment undertakings in the fund totals approx. NIS 150 million. It is planned that the fund will operate for an indefinite period (evergreen), and its investment period will span over its entire life. The fund's investment may be made through various types of financial instruments, including shares, loans, convertible securities and more. In its capacity as an anchor investor, the Group will be allowed to redeem its investment after 7 years from the date of the investment undertaking. The general partner will be entitled to management fees and success fees as is generally accepted. The Group and the other anchor investors shall be entitled to a portion of the success fees; such entitlement shall be in place even after the Group redeems its investment as stated above (if it does, indeed, do so). It is noted that the parties signed the investment agreement.

B. Agreement with Maccabi Healthcare Services

In December 2023, an agreement in principle was signed for the operation of long-term care insurance for Maccabi members, as from January 1, 2024, for a period of one year, with an extension option subject to meeting the terms and conditions outlined in the agreement in principle. The agreement in principle shall constitute the basis for a detailed agreement that will be signed between the parties in the forthcoming period, the key points of which are: Operation of the long-term care insurance of Maccabi members without bearing the insurance risk, against a consideration comprising management fees and reimbursement of expenses; dealing with long-term care insurance claims in accordance with the terms and conditions of the policy; management of the investments of the "Policyholders' Fund", all based on the revised legislative arrangement that was published in December 2023 by the Capital Markets Authority regarding collective long-term care insurance to members of health maintenance organizations; and arrangements and agreements regarding other operational and service-related issues, as will be agreed between the parties under the detailed agreement. On December 26, 2023, the Commissioner's approval to operate the health insurance plan was received, thereby fulfilling the conditions precedent for the coming into effect of the agreement in principle.

C. A collective long-term care insurance policy for members of Leumit Health Services

Menora Insurance is the insurer in a collective long-term care insurance policy for members of the Leumit Health Services HMO. According to the agreement with Leumit, the insurance period is expected to end on March 31, 2024. On March 26, 2024, the parties signed an addendum to the agreement such that from April 2024, the agreement with Leumit will be converted to an agreement for the operation of long-term care insurance claims for Leumit members in return for management fees as specified in the addendum to the agreement.

D. QUALITY PURCHASE AGREEMENT

In September 2022, a collaboration agreement was signed for the provision of reverse mortgage loans by Menora Insurance to borrowers located by Quality Credit Holdings Ltd. (hereinafter - "**Quality**" and the "**Original Agreement**"). On March 7, 2024, an agreement was signed between Menora Finance and Quality regarding an addendum to the collaboration agreement in which it was agreed that Menora Finance will exercise the call option granted to it to purchase shares in Quality at a rate not exceeding 27.5% of the issued and paid up share capital of Quality against payment to Quality of an amount based on the value of the Company, to Quality Holdings. The transaction was completed subject to approval by the Israel Competition Authority and the Capital Market, Insurance and Savings Authority.

NOTE 41 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD AND THEREAFTER (cont.)**E. Dividend distributed subsequent to the balance sheet date**

In March 2024, the Company's Board of Directors declared the distribution of a dividend totaling NIS 175 million, which constitutes NIS 2.82 per each share of NIS 1 par value. The dividend will be paid in April 2024.

F. Dividends received from consolidated companies subsequent to the reporting date

In March 2024, the boards of directors of Menora Insurance and Shomera Insurance declared the distribution of dividends to the Company in the amount of NIS 200 million and NIS 50 million, respectively. The dividends will be paid in April 2024.

G. Investment in Ampa Capital

In March 2024, the Company's Board of Directors approved an investment in Ampa Capital in the amount of approx. NIS 50 million. The investment will be made in two stages, half on April 1, 2024 and the other half on December 31, 2024. The purpose of the investment is to increase the shareholders' equity to support the growth of Ampa Capital's activities. It should be noted that the above investment will not materially change the Company's holding rate in Ampa.

Appendix - Details of other financial investments of Consolidated Insurance Companies

A. Liquid debt assets

	As of December 31, 2023	
	Carrying amount	Amortized cost
	NIS thousand	
<u>Government bonds</u>		
Measured at fair value through profit and loss, designated upon initial recognition	1,227	1,284
Available for sale	2,017,060	2,004,283
Total government bonds	2,018,287	2,005,567
<u>Other non-convertible debt assets</u>		
Measured at fair value through profit and loss, designated upon initial recognition	1,391	1,396
Available for sale	2,022,104	2,101,436
Total other non-convertible debt assets	2,023,495	2,102,832
<u>Other convertible debt assets</u>		
Measured at fair value through profit and loss, designated upon initial recognition	26,172	28,236
Total liquid debt assets	4,067,954	4,136,635
Regular impairments carried to profit and loss (cumulative)	29,769	

	As of December 31, 2022	
	Carrying amount	Amortized cost
	NIS thousand	
<u>Government bonds</u>		
Measured at fair value through profit and loss, designated upon initial recognition	1,192	1,284
Available for sale	1,863,110	1,931,251
Total government bonds	1,864,302	1,932,535
<u>Other non-convertible debt assets</u>		
Measured at fair value through profit and loss, designated upon initial recognition	1,492	1,539
Available for sale	2,153,305	2,387,149
Total other non-convertible debt assets	2,154,797	2,388,688
<u>Other convertible debt assets</u>		
Measured at fair value through profit and loss, designated upon initial recognition	39,082	37,379
Total liquid debt assets	4,058,181	4,358,602
Regular impairments carried to profit and loss (cumulative)	38,550	

Appendix - Details of other financial investments of Consolidated Insurance Companies

B. Shares

	As of December 31, 2023	
	Carrying amount	Cost
	NIS thousand	
<u>Liquid</u>		
Measured at fair value through profit and loss, designated upon initial recognition	542	566
Available for sale	774,515	686,541
Total liquid shares	775,057	687,107
<u>Illiquid</u>		
Measured at fair value through profit and loss, designated upon initial recognition	6,000	6,000
Available for sale	401,532	318,680
Total shares	1,182,589	1,011,787
Regular impairments carried to profit and loss (cumulative)	55,362	
	As of December 31, 2022	
	Carrying amount	Cost
	NIS thousand	
<u>Liquid</u>		
Measured at fair value through profit and loss, designated upon initial recognition	13,948	7,489
Available for sale	846,263	735,370
Total liquid shares	860,211	742,859
<u>Illiquid</u>		
Available for sale	397,221	252,995
Total shares	1,257,432	995,854
Regular impairments carried to profit and loss (cumulative)	99,443	

Appendix - Details of other financial investments of Consolidated Insurance Companies

C. Other financial investments

	As of December 31, 2023	
	Carrying amount	Cost
	NIS thousand	
<u>Liquid</u>		
Available for sale	199,182	185,061
Derivative instruments	1,246	-
Total other liquid financial investments	200,428	185,061
<u>Illiquid</u>		
Available for sale	2,855,401	2,523,756
Derivative instruments	67,402	-
Total other illiquid financial investments	2,922,803	2,523,756
Total other financial investments	3,123,231	2,708,817
Regular impairments carried to profit and loss (cumulative)	112,920	
	As of December 31, 2022	
	Carrying amount	Cost
	NIS thousand	
<u>Liquid</u>		
Available for sale	271,750	270,218
Derivative instruments	815	-
Total other liquid financial investments	272,565	270,218
<u>Illiquid</u>		
Available for sale	2,357,731	1,944,086
Derivative instruments	4,213	-
Total other illiquid financial investments	2,361,944	1,944,086
Total other financial investments	2,634,509	2,214,304
Regular impairments carried to profit and loss (cumulative)	84,605	

Chapter D

Financial Data from the Consolidated Financial Statements Attributable to the Company

Menora Mivtachim Holdings Ltd.

Financial Data from the Consolidated Financial Statements
Attributable to the Company

As of December 31, 2023

Regulation 9C

Menora Mivtachim Holdings Ltd.

Financial Data from the Consolidated Financial Statements Attributable to the Company as of December 31, 2023

Regulation 9C

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To:
the Shareholders of Menora Mivtachim Holdings Ltd.

Dear Sir/Madam,

Re: Special report of the independent auditor on separate financial information in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information disclosed in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970 of Menora Mivtachim Holdings Ltd. (hereinafter – "**Menora**") as of December 31 2023 and 2022, and for each of the three years the last of which ended on December 31 2023, 2022 and 2021; this separate financial information is included in the Company's periodic report. The separate financial information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on this separate financial information based on our audit.

We did not audit the financial statements of equity-accounted companies, the investment in which as of December 31, 2023 and December 31, 2022 amounted to NIS 309,848 thousand and NIS 269,312 thousand, respectively, and the Company's share in the income of which amounted to NIS 43,304 thousand, NIS 25,635 thousand and NIS 23,298 thousand for each of the years ended December 31, 2023, 2022 and 2021, respectively. The financial statements of the above companies were audited by other independent auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other independent auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel. These standards require that we plan and perform the audit in order to obtain reasonable assurance that the separate financial information does not contain material misstatement. An audit involves examining, on a sample basis, evidence supporting the amounts and details included in the separate financial information. An audit also involves examining the accounting principles used in preparing the separate financial information and the significant estimates made by the Company's Board of Directors and management, as well as evaluating the presentation of financial information. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other independent auditors, the separate financial information has been prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv
March 28, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Financial data from the consolidated statements of financial position

		As at December 31	
		2023	2022
	Additional Information	NIS thousand	
<u>Current assets</u>			
Cash and cash equivalents	B	15,780	39,635
Financial investments	C	339,730	407,770
Receivables and debit balances		2,501	2,546
Current balances with investees	F (1)	12,704	11,416
Total current assets		370,715	461,367
<u>Non-current assets</u>			
Loans and receivables	C	31,213	54,507
Investments in investees		5,957,611	5,212,769
Loans to investees	F (1)	398,039	642,004
Assets for employee benefits	F (4)	11,565	10,869
Intangible asset		-	56
Property, plant & equipment		1,694	1,992
Deferred taxes		18,022	17,000
Total non-current assets		6,418,144	5,939,197
		6,788,859	6,400,564
<u>Current liabilities</u>			
Current maturities of financial liabilities	D	53,322	53,325
Current tax liabilities		1,805	5,177
Futures		800	7,490
Payables and credit balances	D (1)	9,211	8,244
Current balances with investees	F (1)	1,886	1,405
Total current liabilities		67,024	75,641
<u>Non-current liabilities</u>			
Financial liabilities	D	269,968	317,222
Liabilities for employee benefits	F (4)	21,030	20,192
Excess loss over investments in investees		-	90,508
Total non-current liabilities		290,998	427,922
<u>Equity attributable to the Company's shareholders</u>			
Share capital		99,429	99,429
Share premium		332,985	332,985
Treasury shares		(100,200)	(100,200)
Capital reserves		828,474	635,156
Retained earnings		5,270,149	4,929,631
Total equity capital		6,430,837	5,897,001
		6,788,859	6,400,564

March 28, 2024

Approval date of the
financial statements

Eran Griffel

Chairman of the Board of Directors

Ari Kalman

CEO

Ran Kalmi

CFO

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

Financial data from the consolidated income statements

		For the year ended December 31		
		2023	2022	2021
	Additional Information	NIS thousand		
<u>Revenues</u>				
Income from investees		501,436	565,616	617,824
Investment and financing income (losses)		3,963	(68,941)	52,059
Finance income for loans to investees	F (3)	24,953	43,295	11,450
Other income		-	140	320
Management fees from investees	F (2)	10,896	10,882	18,186
Total income		541,248	550,992	699,839
<u>Expenses</u>				
Finance expenses		5,723	10,177	14,410
General and administrative expenses		18,466	18,124	21,359
Total expenses		24,189	28,301	35,769
Profit before taxes on income		517,059	522,691	664,070
Taxes on income (tax benefit)	E	2,679	(11,098)	8,391
Net income		514,380	533,789	655,679

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

Financial data from the consolidated statements of comprehensive income

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Net income attributable to the Company	514,380	533,789	655,679
<u>Other comprehensive income (loss) that, subsequent to initial recognition in comprehensive income, was or will be carried to profit and loss</u>			
Other comprehensive income (loss) attributable to the investees, net	150,539	(197,822)	267,969
<u>Other comprehensive income (loss) not transferred to profit and loss</u>			
Gain (loss) due to remeasurement of defined benefit plans	(281)	739	(1,147)
Taxes on income (tax benefit)	(65)	170	(264)
	(216)	569	(883)
Other comprehensive income attributable to the investees, net	44,155	73,772	27,576
Total other comprehensive income that will not be charged to profit and loss	43,939	74,341	26,693
Total other comprehensive income (loss), net	194,478	(123,481)	294,662
Total comprehensive income attributable to the Company	708,858	410,308	950,341

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

Financial data from the consolidated statements of cash flows

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
<u>Cash flows from operating activities</u>			
Net income	514,380	533,789	655,679
Adjustments required to present cash flows from operating activities:			
Adjustments to profit and loss line items:			
Losses (income) from investments and financing, net	(7,233)	94,186	(37,490)
Depreciation	550	701	700
Share-based payment	187	1,017	-
Gain on disposal of property, plant & equipment	-	(140)	(220)
Income from investees	(501,436)	(565,616)	(617,824)
Taxes on income (tax benefit)	2,679	(11,098)	8,391
	<u>(505,253)</u>	<u>(480,950)</u>	<u>(646,443)</u>
Changes in assets and liabilities line items:			
Change in liabilities for employee benefits	(139)	56	981
Decrease (increase) in receivables and debit balances	(34,734)	(2,423)	1,012
Decrease in payables and credit balances	<u>(1,633)</u>	<u>(1,880)</u>	<u>(571)</u>
	<u>(36,506)</u>	<u>(4,247)</u>	<u>1,422</u>
Cash paid and received during the year:			
Interest paid	(6,279)	(10,406)	(14,329)
Interest received	16,364	11,644	10,828
Taxes paid	(8,928)	(4,578)	(7,316)
Taxes received	1,813	2,192	-
Dividend received	51,576	162,101	444,326
	<u>54,546</u>	<u>160,953</u>	<u>433,509</u>
Net cash provided by operating activities attributable to the Company as a parent company	27,167	209,545	444,167
Net cash provided by (used for) operating activities for transactions with investees	<u>(8,719)</u>	<u>12,355</u>	<u>(8,870)</u>
Net cash provided by operating activities	<u>18,448</u>	<u>221,900</u>	<u>435,297</u>

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

For the year ended December 31

Financial data from the consolidated statements of cash flows

	2023	2022	2021
	NIS thousand		
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	(9)	(796)	(1,197)
Proceeds from disposal of property, plant and equipment	-	140	220
Proceeds from realization (purchase) of securities measured at fair value through profit and loss, net	150,066	345,216	(36,792)
Provision (repayment) of long-term loans	13,578	(77,504)	(15,983)
Net cash provided by (used for) investing activities attributable to the Company as a parent company	163,635	267,056	(53,752)
Net cash provided by (used for) investing activities for transactions with investees	21,966	(300,755)	(192,050)
Net cash used for investing activities	185,601	(33,699)	(245,802)
<u>Cash flows from financing activities</u>			
Repayment of financial liabilities	(53,346)	110,298	108,019
Share buyback by the Company	-	100,200)	-
Dividend paid to the Company's shareholders	(175,000)	(50,000)	(100,000)
Net cash used for financing activities	(228,346)	(260,498)	(208,019)
<u>Exchange rate differences in respect of cash and cash equivalent balances</u>	442	938	(2)
<u>Decrease in cash and cash equivalents</u>	(23,855)	(71,359)	(18,526)
<u>Balance of cash and cash equivalents at beginning of year</u>	39,635	110,994	129,520
<u>Balance of cash and cash equivalents at end of year</u>	15,780	39,635	110,994
<u>Noncash activity</u>			
Financial liability against a capital reserve and non-controlling interests	-	155,597	-
Conversion of loans given to consolidated companies for capital notes	244,608	-	-
Conversion of shareholder loan into equity	-	9,091	-
Classification of a loan given to an associate for investment	-	-	7,220
Financial investments received as dividend	45,000	146,513	61,829
Distribution of shares of a consolidated company as dividend in kind to Company shareholders	-	-	241,970

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

Additional Information

A. Preparation of the financial data from the Company's Consolidated Financial Statements for 2023

1. Definitions

- The "Company" - Menora Mivtachim Holdings Ltd.
- "Investee companies" - Consolidated companies and companies the Company's investment in which is included, whether directly or indirectly, in the separate financial information based on the equity method.
- Regulation 9C - Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970.

2. Principles for preparation of the financial data

The separate financial information has been prepared in conformity with Regulation 9C, including all the particulars specified in the Tenth Addendum to the said regulations (hereinafter - the "**Addendum**"), and subject to the clarifications specified in "Clarification regarding the Corporation's Separate Financial Statements", which was published on the website of the Israel Securities Authority in 2010, and which addresses the manner of application of the said Regulation and Addendum (hereinafter - the "**ISA Staff Clarification**").

The separate financial information does not constitute financial statements, including separate financial statements, which are prepared and presented in conformity with International Financial Reporting Standards (hereinafter - "**IFRS**") in general, and the provisions of IAS 27 - "Consolidated and Separate Financial Statements" in particular. Nevertheless, the accounting policies specified in Note 2 to the Consolidated Financial Statements was applied for the purpose of presenting the separate financial information, with the necessary changes as stated below.

The additional information presented below also includes disclosures regarding additional material information, in conformity with the disclosure requirements specified in Regulation 9C and as detailed in the Addendum and subject to the ISA Staff Clarification, to the extent that such information was not included in the Consolidated Financial Statements in a way expressly referring to the Company itself.

A. Presentation of the financial data

- 1) Assets and liabilities included in the consolidated statements of financial position attributable to the Company

The separate financial information includes the amounts of the assets and liabilities included in the consolidated financial statements which are attributable to the Company - classified according to types of assets and liabilities. The data were classified according to Regulation 9C. Furthermore, information is presented regarding assets less liabilities attributable to investees, including goodwill. Such presentation results with the equity attributable to shareholders of the Company in the consolidated financial statements being identical to the Company's equity as derived from the separate financial information.

Additional Information

A. Manner of preparing the financial data from the Company's Consolidated Financial Statements for 2023 (cont.)

2. Principles for preparation of the financial data (cont.)

A. Presentation of the financial data (cont.)

2) Income and expenses included in the consolidated statements of other comprehensive income and loss attributable to the Company

The separate financial information includes the amounts of the assets and liabilities included in the consolidated financial statements which are attributable to the Company. The data were classified according to Regulation 9C. In addition, the Company's share in income of investees is also presented. Such presentation results with the total income for the year attributable to Company's owners and the total comprehensive income for the year attributable to Company's owners in the Consolidated Financial Statements, being identical to total income for the year attributable to Company's owners and total comprehensive income for the year attributable to the Company's owners, as derived from the separate financial information.

3) Cash flows included in the consolidated statements of cash flows attributable to the Company

Separate financial information amounts which represent cash flows included in the consolidated financial statements attributable to the Company, derive from the consolidated statements of cash flows; cash flow amounts are classified into cash flows from operating activities, investing activities and financing activities, and their composition is also disclosed. The data were classified according to Regulation 9C.

B. Transactions between the Company and investees

1) Presentation

Intra-group balances and income and expenses arising from intra-group transactions, which were eliminated in the preparation of the Consolidated Financial Statements, were presented separately from the balance in respect of investees and the income in respect of investees, together with similar balances with third parties.

Unrealized gains and losses, arising from transactions between the Company and its investees, were presented as the balance with respect to investees and as the profit with respect to investees.

2) Measurement

Transactions between the Company and its investees were measured in accordance with the recognition and measurement principles set in the relevant IFRSs outlining the accounting treatment applicable to such transactions with third parties.

Additional Information**B. Cash and cash equivalents**As of December 31, 2023

	In foreign currency or linked thereto	Non- linked	Total
	USD		
	NIS thousand		
Cash and cash equivalents	<u>1,263</u>	<u>14,517</u>	<u>15,780</u>

As of December 31, 2022

	In foreign currency or linked thereto	Non- linked	Total
	USD		
	NIS thousand		
Cash and cash equivalents	<u>2,273</u>	<u>37,362</u>	<u>39,635</u>

C. Financial assets**1. Investments by financial asset groups, in accordance with IAS 39:**

	<u>As at December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>NIS thousand</u>	
Financial assets at fair value through profit and loss:		
Shares	24,557	81,656
Bonds	248,730	291,667
ETNs, mutual funds and other investments	<u>66,443</u>	<u>34,447</u>
	339,730	407,770
Loans and receivables - measured at amortized cost	<u>31,213</u>	<u>54,507</u>
	<u>370,943</u>	<u>462,277</u>

Additional Information

C. Financial assets (cont.)

2. Linkage terms of financial assets by financial instrument groups, in accordance with IAS 39:

As of December 31, 2023

	In foreign currency or linked thereto			CPI- linked	Non- linked	Total
	USD	EUR	Other			
	NIS thousand					
Financial assets at fair value through profit and loss	14,964	1,048	64	163,377	160,277	339,730
Loans and receivables - measured at amortized cost	-	-	-	13,206	18,007	31,213
	14,964	1,048	64	176,583	178,284	370,943

As of December 31, 2022

	In foreign currency or linked thereto			CPI- linked	Non- linked	Total
	USD	EUR	Other			
	NIS thousand					
Financial assets at fair value through profit and loss	30,486	4,220	770	240,213	132,081	407,770
Loans and receivables - measured at amortized cost	-	-	-	4,774	49,733	54,507
	30,486	4,220	770	244,987	181,814	462,277

D. Financial liabilities1. Payables and credit balances *)

	As at December 31	
	2023	2022
	NIS thousand	
Expenses payable (including interest payable in respect of bonds)	2,230	1,951
Employees and other liabilities in respect of wages and salaries	5,408	4,830
Government institutions and authorities	1,187	1,073
Suppliers	371	378
Other	15	12
	<u>9,211</u>	<u>8,244</u>

*) Payables are unlinked, except for interest payable in respect of bonds.

Additional Information

D. Financial liabilities (cont.)2. Liquidity risk

The following table presents the repayment dates of the Company's financial liabilities under the contractual terms in non-discounted amounts (including interest payments):

As of December 31,
2023

	Up to one year	One to two years	From two to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total
	NIS thousand						
Payables and credit balances	9,211	-	-	-	-	-	9,211
Lease liabilities	158	139	59	-	-	-	356
Liability in respect of option granted to non-controlling interests	-	-	161,761	-	-	-	161,761
Futures	800	-	-	-	-	-	800
Bonds	57,880	56,317	55,686	-	-	-	169,883
	<u>68,049</u>	<u>56,456</u>	<u>217,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,011</u>

As of December 31,
2022

	Up to one year	One to two years	From two to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total
	NIS thousand						
Payables and credit balances	8,247	-	-	-	-	-	8,247
Lease liabilities	161	115	67	-	-	-	343
Liability in respect of option granted to non-controlling interests	-	-	-	155,597	-	-	155,597
Futures	7,490	-	-	-	-	-	7,490
Bonds	59,443	57,880	56,317	55,686	-	-	229,326
	<u>75,341</u>	<u>57,995</u>	<u>56,384</u>	<u>211,283</u>	<u>-</u>	<u>-</u>	<u>401,003</u>

Additional Information

D. Financial liabilities (cont.)3. Linkage terms of financial liabilities by financial instrument groups in accordance IAS 39As of December 31, 2023

	CPI-linked	Non-linked	Total
Financial liabilities measured at amortized cost	356	332,146	332,502

As of December 31, 2022

	CPI-linked	Non-linked	Total
Financial liabilities measured at amortized cost	343	378,448	378,791

4. Changes in liabilities stemming from financing activity

	Balance as of January 1, 2023	Cash flow	Other changes	Balance as of December 31, 2023
	NIS thousand			
Lease liabilities	343	(182)	195	356
Bonds	214,607	(53,164)	(269)	161,174
	<u>214,950</u>	<u>(53,346)</u>	<u>(74)</u>	<u>161,530</u>

Additional Information**D. Financial liabilities (cont.)****4. Changes in liabilities arising from financing activity (cont.)**

	Balance as at January 1, 2022	Cash flow	Other changes	Balance as of December 31, 2022
	NIS thousand			
Lease liabilities	114	(157)	386	343
Bonds	323,330	(110,141)	1,418	214,607
	<u>323,444</u>	<u>(110,298)</u>	<u>1,804</u>	<u>214,950</u>

5. The Company declared that it intends to maintain liquid assets and lines of credit at a rate of 100% of debt repayments (principal and interest) one year in advance, in accordance with the bonds' amortization schedule.

E. Deferred tax assets and deferred tax liabilities, and taxes on income or tax expenses**Taxes on income****1. The tax rates applicable to the Company**

The Company's income is subject to corporate income tax in accordance with the Income Tax Ordinance [New Version], 1961.

The rate of corporate tax in Israel as of 2018 is 23%.

2. Tax assessments

The Company has final tax assessments up to and including the 2018 tax year.

Additional Information

E. Deferred tax assets and deferred tax liabilities, and taxes on income or tax expenses (cont.)3. Deferred taxes attributable to the CompanyComposition

	Financial data from the consolidated statements of financial position		Financial data from the consolidated income statements		
	As at December 31		For the year ended December 31		
	2023	2022	2023	2022	2021
	NIS thousand				
<u>Deferred tax assets (liabilities)</u>					
Securities at fair value through profit and loss	(1,865)	3,036	(4,901)	14,239	(5,836)
Carryforward losses for tax purposes	9,941	4,953	4,988	4,953	-
Provision for doubtful debts	6,225	5,249	976	851	2,506
Share-based payment	292	292	-	-	-
Loss from call option of an associate	437	437	-	-	-
Right-of-use assets	(82)	(79)	(3)	-	-
Lease liabilities	82	79	3	-	-
Employee benefits	2,924	2,903	21	(165)	579
Loan to subsidiary measured at fair value	68	130	(62)	227	(114)
	<u>18,022</u>	<u>17,000</u>			
Change during the year			1,022	20,105	(2,865)
Initial application of IFRS 9 recognized in equity opening balance			(226)	-	-
Tax expense (benefit) in respect of measurement of loan given to subsidiary at fair value, recognized in investment in subsidiary			-	(60)	378
Deferred taxes on income (tax benefit) in respect of employee benefits recognized in other comprehensive income			(65)	170	(264)
Deferred tax benefit in respect of share-based payment recognized in capital reserve					
Tax benefit (deferred tax expenses)			<u>731</u>	<u>20,215</u>	<u>(2,751)</u>

Additional Information

E. Deferred tax assets and deferred tax liabilities, and taxes on income or tax expenses (cont.)3. Deferred taxes attributable to the Company (cont.)

Deferred taxes are presented in financial data from the consolidated statements of financial position as follows:

	December 31	
	2023	2022
	NIS thousand	
Non-current assets	18,022	17,000

4. Taxes on income included in financial data from the consolidated income statements

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Current taxes	2,919	8,688	5,639
Deferred taxes	(591)	(20,227)	2,744
Taxes for previous years (current and deferred)	350	441	8
	2,679	(11,098)	8,391

5. Income tax (tax benefit) relating to other comprehensive loss items

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Gain (loss) due to remeasurement of defined benefit plans	(65)	170	(264)

Additional Information

E. Deferred tax assets and deferred tax liabilities, and taxes on income or tax expenses (cont.)6. Theoretical tax

Set forth below is a reconciliation between the tax amount that would have applied had all income and expenses, profits and losses in the income statement been taxed at the statutory tax rate, and the taxes on income amount recognized in the financial data from the consolidated income statements:

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Profit before taxes on income	517,059	522,691	664,070
Less income from investees	501,436	565,616	617,824
Profit (loss) before income tax, net of results of investees	15,623	(42,925)	46,246
Statutory tax rate	23.0%	23.0%	23.0%
Tax calculated according to total statutory tax rate	3,593	(9,873)	10,637
Increase (decrease) in taxes on income resulting from the following factors:			
Non-deductible expenses	116	257	85
Exempt income	(219)	(673)	(316)
Measurement basis differences	(1,141)	(811)	(1,574)
Temporary differences for which deferred taxes were not recognized	(20)	(439)	(449)
Taxes for previous years (current and deferred)	350	441	8
Taxes on income (tax benefit)	2,679	(11,098)	8,391
Average effective tax rate	17.15%	25.85%	18.14%

7. Carryforward losses for tax purposes

The Company has carryforward capital losses for tax purposes amounting as of December 31, 2023 to approx. NIS 43,221 thousand. In respect of such losses, deferred tax assets were recognized in the financial statements as detailed in Subsection 3. above.

Additional Information

F. Loans, balances and material commitments with investees1. Balances with investees

	As at December 31	
	2023	2022
	NIS thousand	
<u>Current assets</u>		
Current balances with investee	12,704	11,416
<u>Non-current assets</u>		
Loans to investees - See Section 5 below.	398,039	642,004
<u>Current liabilities</u>		
Current balances with investee	1,886	1,405

2. Transactions with investees

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Management fees from consolidated companies – Section 4A. below.	9,467	8,850	15,120
Management fees from associates - Section 4B. below.	1,429	2,032	3,066
	10,896	10,882	18,186

3. Finance income for loans to investees

	For the year ended December 31		
	2023	2022	2021
	NIS thousand		
Finance income	24,953	43,295	11,450

4. Commitments

- A. The Company entered into agreements with consolidated companies - Menora Insurance and Mivtachim Pension and Provident, under which management services are provided to the consolidated companies by senior managers employed by the Company, in return for management fees according to the cost of the managers' salary (derived from their appointment percentage in the consolidated companies) plus a 20% spread and overhead expenses.

Additional Information

F. Loans, balances and material commitments with investees (cont.)4. Commitments (cont.)

- B. The Company entered into service agreements with associates - Ampa Capital Ltd. (hereinafter - "**Ampa**") and ERN Israel Ltd. (hereinafter - "**ERN**")

The agreement with ERN was signed for a three-year term from January 1, 2017 and was extended for another three years from January 1, 2020, in return for monthly management fees in the amount of NIS 106.6 thousand. Under the agreements signed in September 2022, following which the Company took control of ERN as stated in Note 4A to the consolidated financial statements, the management fee charge was cancelled as from October 2022.

The agreement with Ampa was signed for a five-year term from January 1, 2017, in return for monthly management fees in the amount of NIS 47.5 thousand. On July 1, 2017, a new agreement was signed with Ampa revising the monthly management fees to NIS 75 thousand. As of January 1, 2018, the monthly management fees from Ampa were revised to NIS 124 thousand.

5. Loans and capital notes

- A. Deferred capital notes issued by the consolidated company - Menora Mivtachim Holdings Ltd.

In July 2010, Menora Insurance issued a deferred capital note to the Company in the amount of NIS 170 million p.v. in return for its par value. The capital note was issued for a period of forty-nine years, where Menora Insurance has an option for early repayment after ten years, and subsequently after five years. The terms of the note include interest cancellation mechanisms and under certain conditions, conversion of the principal to share capital. In September 2010, Menora Insurance issued another deferred capital note to the Company in the amount of NIS 80 million par value. The capital note was issued at a premium of approx. NIS 3 million, under identical terms to the capital note issued in July 2010. The deferred capital notes were approved by the Insurance Commissioner as Restricted Tier 1 capital (hybrid capital) in Menora Insurance. The capital notes are CPI-linked and bear annual interest at a rate of 5.3% until June 30, 2020. Since the early repayment option was not exercised, the annual interest rate was updated from July 1, 2020 to 2.42%.

- B. Loans to a consolidated company - Menora Mivtachim Real Estate Ltd. (hereinafter - "**Menora Real Estate**")

		As at December 31	
		2023	2022
Nominal interest rate in the agreement		NIS thousand	
USD	The higher of: LIBOR + 2% or 3%	24,332	78,770
EUR	The higher of: Euribor + 2% or 3%	-	56,513
NIS, non-linked	2.9% (last year - 2.42%)	688	55,186
		<u>25,020</u>	<u>190,469</u>

On January 1, 2023, loans amounting to NIS 160 million were converted to unlinked capital notes, which were issued for a five-year term with automatic renewal for another year every year. The repayment date of the above capital notes is subject to the sole decision of Menora Real Estate.

Additional InformationF. Loans, balances and material commitments with investees (cont.)5. Loans and capital notes (cont.)C. Loans and capital notes to consolidated company - Menora Mivtachim Finance Ltd. (hereinafter - "Menora Finance")

	Nominal interest rate in the agreement	As at December 31	
		2023	2022
		NIS thousand	
Loans:			
Non-linked	4.16%	-	15,289
Non-linked	2.90%	7,128	10,752
Capital notes: *)			
Non-linked	-	-	69,021
		7,128	79,773

*) In July 2023, capital notes were converted to unlinked capital notes, which were issued for a five-year term with automatic renewal for another year every year. The repayment date of the above capital notes is subject to the sole decision of Menora Finance.

D. Loans and capital notes to consolidated company - Menora Mivtachim Agencies Ltd.

	Nominal interest rate in the agreement	As at December 31	
		2023	2022
		NIS thousand	
Loans:			
Non-linked	2.9% (last year - 2.42%)	-	(3,486)
Capital notes:			
Non-linked	-	8,973	8,802
		8,973	5,316

The capital notes are unlinked and were issued for a five-year term with automatic renewal for another year every year.

Additional InformationF. Loans, balances and material commitments with investees (cont.)5. Loans and capital notes (cont.)E. Loans to consolidated company - ERN Israel Ltd. (hereinafter - "ERN")

	<u>Interest rate</u>	<u>Repayment date</u>	<u>As at December 31</u>	
			<u>2023</u>	<u>2022</u>
			<u>NIS thousand</u>	
NIS *)	6.5%	January 2026	25,410	25,405
NIS	10.0%	July 2026	30,751	30,748
NIS	4.3%	January 2023	-	3,961
			<u>56,161</u>	<u>60,114</u>

*) on January 1, 2024, the loan was converted to a capital note. The terms of the capital note are identical to those of the loan, except for (a) the board of directors of ERN may postpone the interest payment date, and (b) the capital notes are renewed automatically every year unless ERN's board of directors decides to redeem the note 30 days prior to the renewal date.

G. Significant events during and subsequent to the reporting period

- 1) For details regarding dividends distributed by the Company to the shareholders in the reporting year and subsequent to the reporting date, and the dividend distribution policy adopted by the Company's board of directors, see Notes 15D and 41E to the consolidated financial statements.
- 2) For details regarding dividends distributed by consolidated companies to the Company in the reporting year and subsequent to the reporting date, see Note 15G, Subsections 8-10, and Note 41F to the consolidated financial statements.
- 3) For details regarding additional investment in the investee Ampa Capital subsequent to the reporting date, see Note 41G to the consolidated financial statements.

Chapter E

Additional Details about the Corporation Report

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1. The Company's condensed statements of comprehensive income for each quarter in 2023 (Regulation 10A)

NIS thousand	January to March	April to June	July to September	October to December	2023
Premiums earned, gross	2,025,931	2,093,612	2,255,212	2,314,776	8,689,531
Premiums earned by reinsurers	374,438	370,360	384,240	391,290	1,520,328
Premiums earned - retention	1,651,493	1,723,252	1,870,972	1,923,486	7,169,203
Investment income, net and finance income	765,295	1,657,687	500,429	1,114,220	4,037,631
Income from management fees	261,427	264,388	282,340	283,480	1,091,635
Income from fees and commissions	69,819	66,663	66,087	61,597	264,166
Other income	2,229	1,225	1,723	1,808	6,985
Total income	2,750,263	3,713,215	2,721,551	3,384,591	12,569,620
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	2,270,595	3,201,710	1,902,856	2,556,484	9,931,645
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(354,097)	(268,985)	(323,124)	(181,774)	(1,127,980)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	1,916,498	2,932,725	1,579,732	2,374,710	8,803,665
Fees and commissions, marketing expenses and other purchase expenses	420,693	427,639	456,208	447,641	1,752,181
General and administrative expenses	247,733	253,739	240,761	246,086	988,319
Other expenses	9,515	8,738	8,471	12,472	39,196
Finance expenses	53,861	57,736	45,590	53,184	210,371
Total expenses	2,648,300	3,680,577	2,330,762	3,134,093	11,793,732
Share in the profits (losses) of associates	(215)	4,322	9,235	398	13,740
Profit before taxes on income	101,748	36,960	400,024	250,896	789,628
Taxes on income	16,622	11,578	134,178	88,853	251,231
Net income	85,126	25,382	265,846	162,043	538,397
Attributable to:					
Company's shareholders	79,237	21,164	259,419	154,560	514,380
Non-controlling interests	5,889	4,218	6,427	7,483	24,017
Net income	85,126	25,382	265,846	162,043	538,397

NIS thousand	January to March	April to June	July to September	October to December	2023
Net income	85,126	25,382	265,846	162,043	538,397
Other comprehensive income (loss): Other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss					
Adjustments arising from translation of financial statements of foreign operations	(2,013)	60	1,047	(1,725)	(2,631)
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	52,398	132,715	14,922	(90,530)	109,505
Gains and losses, net from disposal of financial assets classified as available for sale, carried to the income statement	64,656	10,273	877	35,052	110,858
Impairment loss of financial assets classified as available for sale, carried to the income statement	4,215	5,223	6,485	14,968	30,891
Share in other comprehensive income (loss), net of associates	(5,552)	(6,699)	(5,619)	4,254	(13,616)
Total other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss	113,704	141,572	17,712	(37,981)	235,007
Taxes on income (tax benefit) related to available-for-sale financial assets	40,290	50,010	6,797	(13,498)	83,599
Taxes on income relating to other components of other comprehensive income (loss)	571	902	1,196	(1,926)	743
Total other comprehensive income (loss) items, net, that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss	72,843	90,660	9,719	(22,557)	150,665
Items of other comprehensive income (loss) not transferred to profit and loss					
Revaluation of property, plant and equipment	-	-	-	54,694	54,694
Gain (loss) due to remeasurement of defined benefit plans	2,259	(980)	1,134	303	2,716
Total other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, will not be carried to profit and loss	2,259	(980)	1,134	54,997	57,410
Taxes on income (tax benefit)	766	(304)	393	12,663	13,518
Items of other comprehensive income (loss) not transferred to profit and loss	1,493	(676)	741	42,334	43,892
Other comprehensive income, net	74,336	89,984	10,460	19,777	194,557
Total comprehensive income	159,462	115,366	276,306	181,820	732,954
Attributable to:					
Company's shareholders	153,496	111,087	269,851	174,424	708,858
Non-controlling interests	5,966	4,279	6,455	7,396	24,096
Total comprehensive income	159,462	115,366	276,306	181,820	732,954

2. Investments in material subsidiaries and associates as of the balance sheet date (Regulation 11)

The Company's subsidiaries and associates

(The data in the table are correct as of the statement of financial position date):

The Company	Type of share	No. of shares	Total par value (NIS)	Value in the separate financial statements of the Corporation (NIS thousand)	Ownership stake	Balance of loans (NIS thousand)	Repayment date	Interest rate	Linkage base	Comments
Menora Mivtachim Insurance Ltd.	Ordinary	230,869,539	230,869,539	3,089,470	100%	300,544	June 2059	2.42%	Consumer Price Index	Capital notes
Menora Mivtachim Pension and Provident Funds Ltd.	Ordinary	328,000	328,000	982,863	90.0%	-				
Menora Mivtachim Finance Ltd.	Ordinary	2,855	2,855	162,117	100%	7,128	With no repayment date	2.90%	Non-linked	The interest rate set in the Income Tax Regulations
Shomera Insurance Company Ltd.	Ordinary	73,941,016	73,941,016	697,330	100%	-				
Nachalat Menora Housing and Development Company (1950) Ltd.	Ordinary	1,700	0.17	14,309	100%	-				
Menora Mivtachim Paying Ltd.	Ordinary	1,000	1,000	407	100%	-				

The Company	Type of share	No. of shares	Total par value (NIS)	Value in the separate financial statements of the Corporation (NIS thousand)	Ownership stake	Balance of loans / capital notes in NIS thousand	Repayment date	Interest rate	Linkage basis	Comments
Menora Mivtachim Real Estate Ltd.	Ordinary	1,010	1,010	49,994 (**)	100%	24,332	With no repayment date	The higher of: LIBOR + 2% or 3%	Denominated in USD	
						688	With no repayment date	3%	Non-linked	
Menora Mivtachim Agencies Ltd.	Ordinary	10,000	10,000	143,029	100%	8,973	2027	Zero interest	Non-linked	
Estimates for You Ltd.	Ordinary	10,000	10,000	38	100%	213	With no repayment date	2.90%	Non-linked	The higher of the Prime interest rate + 1% and the interest rate set in the Income Tax Regulations
Ampa Capital Ltd.	Ordinary	12,383,794	1,238,379	211,140	47.65% (*)	-				
ERN Israel Ltd.	Ordinary	55,047,608	-	601,446	70%	25,410	January 2026	6.50%	Non-linked	
						30,751	July 2026	10.00%	Non-linked	

(*) In November, 2022, shares constituting 1.5% of Ampa Capital's share capital were allocated to Ampa Capital's Chairman of the Board, subsequent to the allocation. Consequently, the rate of the Company's holdings in Ampa Capital declined from 48.38% to 47.65%.

(**) Including capital notes

3. Changes in investments in material subsidiaries and associates in the report period (Regulation 12)

Date of change	Nature of change	Company	In NIS thousand
January 2023	Issuance of a perpetual capital note	Menora Mivtachim Finance Ltd.	6,000
June 2023	Issuance of a perpetual capital note	Menora Mivtachim Finance Ltd.	3,648
July 2023	Issuance of perpetual capital notes	Menora Mivtachim Finance Ltd.	70,000
July 2023	Issuance of a perpetual capital note	Menora Mivtachim Finance Ltd.	1,960
During 2023	Repaid loans	Menora Mivtachim Finance Ltd.	19,634
During 2023	Repaid loans	Menora Mivtachim Agencies	3,508
October 2023	Issuance of a perpetual capital note	Menora Mivtachim Agencies	3,000
May 2023	Dividend	Menora Mivtachim Pension Ltd.	45,000
November 2023	Dividend	Menora Mivtachim Pension Ltd.	45,000
January 2023	Issuance of capital notes	Menora Mivtachim Real Estate Ltd.	160,000
During 2023	Repaid loans	Menora Mivtachim Real Estate Ltd.	6,919
August 2023	Dividend	Menora Mivtachim Paying Ltd.	1,200
June 2023	Investment recovery	Ampa Credit Ltd.	1,936
During 2023	Dividend	ERN Israel Ltd.	9,139

4. Revenues of material subsidiaries and associates and revenues therefrom (Regulation 13) (in NIS thousand)

Company	Net income (loss) for the period	Other comprehensive income (loss) for the period	Comprehensive income (loss) for the period	Dividend up to the Report date	Interest received (paid) for the reporting year	Management fees received through the statement of financial position date
Menora Mivtachim Insurance Ltd.	249,426	202,606	452,032	-	17,014	7,727
Shomera Insurance Company Ltd.	82,371	10,670	93,041	-	-	-
Menora Mivtachim Pension and Provident Funds Ltd.	129,490	97	129,587	90,000	-	1,739
Menora Mivtachim Finance Ltd.	5,364	3	5,367	-	1,700	-
Menora Mivtachim Real Estate Ltd.	(972)	(18,546)	(19,518)	-	1,469	-
Nachalat Menora Housing and Development Company (1950) Ltd.	(1,578)	-	(1,578)	-	(33)	-
Menora Mivtachim Paying Ltd.	363	-	363	1,200	-	-
Menora Mivtachim Agencies Ltd.	3,636	-	3,636	-	149	-
Estimates for You Ltd.	58	-	58	-	6	-
ERN Israel Ltd.	10,980	(136)	10,844	9,139	4,641	-
Ampa Capital Ltd.	21,610	-	21,610	-	-	1,429

5. List of groups of balances of loans granted as of the statement of financial position date, if the granting of loans was one of the corporation's main lines of business (Regulation 14)

Amount in NIS		Amount in NIS		No. of borrowers
From	-	To	50,000	5
From	50,001	To	100,000	5
From	100,001	To	250,000	32
From	250,001	To	500,000	8
From	500,001	To	750,000	3
From	750,001	To	1,000,000	-
From	1,000,001	To	1,500,000	-
From	1,500,001	To	2,000,000	1
From	2,000,001	To	3,000,000	-
From	3,000,001	To	9,000,000	4
From	9,000,001	To	10,000,000	1
From	10,000,001	To	15,000,000	-
From	15,000,001	To	40,000,000	3
From	40,000,001	To	70,000,000	-
From	70,000,001	To	150,000,000	-
From	150,000,001	To	999,999,999	1
Total				63

6. Trading on the Stock Exchange (Regulation 20)

In the reporting year, no securities that were issued by the Company were listed on the TASE.

7. Compensation of interested parties and senior officers (Regulation 21(a))

For details regarding the Group's compensation policy (hereinafter - the "**Compensation Policy**"), and regarding the compensation policy for officers in the institutional entities controlled by the Company (hereinafter - the "**Compensation Plan**"), in accordance with the Commissioner's Directives, including regarding its applicability to Company officers, who serve at the same time also in the Group's institutional entities (hereinafter - "**Joint Officers**"), see Note 39 to the financial statements.

Set forth below is a breakdown of the compensation paid to senior officers in the Company and corporations under its control in 2023, as recognized in the 2023 financial statements (in NIS thousand):¹

Recipient of compensation				Compensation for services*							Other compensation			
Name	Title	Appointment percentage	Ownership stake in the corporation's share capital	Salary**	Bonus***	Share-based compensation****	Management fees	Consulting fees	Fee or commission	Other	Interest	Rent	Other	Total
Shai Preminger (1)	CEO of subsidiary	Full-time	None	2,102	286	1,829	-	-	-	-	-	-	-	4,217
Dani Izhaki (2)	CEO of subsidiary	Full-time	None	3,477	155	130	-	-	-	-	-	-	-	3,762
Ari Kalman (3)	CEO	Full-time	2.77%	2,729	771	-	-	-	-	-	-	-	-	3,500
Michael Kalman (4)	CEO of subsidiary	Full-time	None	2,960	-	379	-	-	-	161	-	-	-	3,500
Yehuda Ben Assayag (5)	Chairman of the Board of a subsidiary	Full-time	None	3,273	-	-	-	-	-	-	-	-	-	3,273
Shai Kompel (6)	Executive VP, Strategy and Business Development	Full-time	None	1,627	392	367	-	-	-	205	-	-	-	2,591
Eran Griffel (7)	Company's Chairman of the Board	Full-time	(7)	2,198	-	-	-	-	-	-	-	-	-	2,198

* Compensation amounts in terms of cost to the corporation. The above amounts do not include payroll tax and/or VAT, as applicable.

¹ Unless specifically stated otherwise, the compensation components listed in the table below are consistent with the Company's compensation policy, which is described in Note 39 to the financial statements, or with the compensation policy approved by the institutional entity in which the senior officer listed in the table serves, as applicable. On October 12, 2016 (hereinafter - the "**Effective Date**") the Officer Compensation in Financial Corporations Law (Special Approval and Non-Deductibility of Expenses Due to Extraordinary Compensation), 2016 came into force (hereinafter - the "**Compensation Law**"), which prescribes, among other things, that an engagement of a financial entity, as defined in the Compensation Law, or a controlling corporation of a financial entity (hereinafter - "**Financial Corporation**") with a senior officer or an employee in such a corporation, whether directly or indirectly, regarding his/her service or employment terms, which includes the provision of a compensation, the amount expended in respect of which is expected to exceed NIS 2.5 million per year, requires special approvals, and that such an engagement will be approved if the ratio between the expected expense in respect of the compensation and the expenses in respect of the lowest compensation paid by the Financial Corporation to one of its employees, including a contract worker, that the financial entity is, effectively, his employer, during the year prior to the engagement date, is lower than 35. In its capacity as a financial corporation as defined in the Compensation Law, the Company and its employees, including its senior officers, are subject to the provisions of the Compensation Law. Accordingly, the Compensation Law applies concurrently and together with the Company's Compensation Policy. It was also clarified within the Compensation Policy that if and inasmuch as the overall total compensation (according to the Compensation Policy and the bonus plan, as it shall be from time to time), including under existing agreements, exceeds the cogent restrictions in the Compensation Law, a "capping" mechanism will first be applied to surplus and/or variable compensation components, if and as any (hereinafter - the "**Capping Mechanism**"). In this context, "**cogent restrictions**" – compensation limits and ceilings that cannot be lawfully approved pursuant to the provisions of the Compensation Law. It is noted that prior to the coming into effect of the Compensation Law, the Group conducted an examination with regard to its obligations in respect of its valid employment agreements, and made provisions accordingly to the extent necessary. It should be noted that the annual bonus of some of the Company's officers is based on comparisons to other market players, whose data, by nature, are not disclosed in full as of the Report approval date. Therefore, immediately prior to the Report approval date, the Company assesses and estimates the bonus amount, and this estimate, which is approved by the competent organs, is paid to the officers as an advance on account of the bonus in respect of the reporting year. Once the relevant comparative data is disclosed, the Company will calculate the final bonus amounts, and a netting will be conducted with those officers, to the extent necessary.

** The salary component described above includes the following components (according to the case and circumstances): CPI-linked gross monthly salary (including 13th salary), social benefits (including provisions for termination of employer-employee relations), advanced education fund and disability insurance as is generally accepted, reimbursement of various expenses, including per diem, landline and mobile phone, and paid leave, sick leave, and recreation pay.

*** The bonus amounts listed in the table are based, at this stage, on an estimate.

**** Over 2022, the Company's Board of Directors, in accordance with the applicable compensation policy, authorized an option allotment plan for the Company's and the subsidiaries' managers and employees (hereinafter: the "Share-Based Compensation"); for details, see Section 7.6.9 of the Description of the Corporation's Business chapter.

- (1) Mr. Preminger has been serving - since July 2013 - as CEO of ERN Israel Ltd. (hereinafter - “**ERN**”), and as CEO of Mimun Click Ltd., Welcome Home Realty Ltd. - a subsidiary and a second-tier subsidiary of the Company, respectively. Mr. Preminger’s salary is paid by ERN. According to the employment agreement, in addition to his salary as detailed in the above table, Mr. Preminger is entitled to an annual bonus based on the consolidated pre-tax income (consolidated with said subsidiaries) of ERN in accordance with its audited consolidated financial statements at a rate of: 1.5% of the pre-tax income in each calendar year, where if ERN’s pre-tax income shall exceed by more than 10% its pre-tax income in the previous year, Mr. Preminger will be entitled to a further annual bonus of 2.5% of the surplus accounting profit. The payment of the annual bonus shall be conditional upon reaching a minimum profitability threshold of 75.1% of the profit in the previous year. According to the employment agreement, each party may terminate the employment period by giving a 90-day advance notice. After the end of the specified notice period, Mr. Preminger will be entitled to an adaptation period of 6 months, during which employer-employee relations will continue to exist; at the end of the said period, the employee-employer relations between him and ERN will end. Furthermore, Mr. Preminger is entitled to a “phantom option” share-based compensation at an amount simulating a notional allocation of a number of shares equal to 2% of the issued share capital of ERN multiplied by the increase in the value of ERN since September 30, 2022 through the actual exercise date, spread annually over five years, and subject to the existence of employee-employer relations. The value of the above phantom options is dividend adjusted and grossed up in the corporate tax rate.

- (2) Mr. Izhaki has been serving since February 2010 as the CEO of Shomera Insurance Company Ltd., a Company subsidiary (hereinafter - “**Shomera**”) in accordance with the employment agreement and for an indefinite period. Mr. Izhaki’s salary is paid by Shomera. According to the employment agreement, beyond his salary as detailed in the above table, Mr. Izhaki is entitled to an annual target bonus of 8 monthly salaries for meeting targets (100%), in accordance with the annual bonus plan approved by Shomera, and as part of the Company’s approved option plan - an allocation of 24,739 options at a total value of NIS 360 thousand. In the event of dismissal (other than under exempting circumstances), Mr. Izhaki is entitled to 6 months of advance notice, or to 3 months of advance notice in the event of a resignation. Mr. Izhaki is entitled to the above terms of service subject to the restrictions set out in the Compensation Law. It should be noted that Mr. Izhaki’s terms of compensation are consistent with Shomera’s approved Compensation Policy.

- (3) Mr. Arahron (Ari) Kalman serves as CEO of the Company² and Chairman of the Board of other corporations in the Group. The employment agreement in effect with Mr. Kalman is for a period of 15 years starting August 2003. Subsequent to said date, the agreement is renewed automatically for one year each time, unless either party gives notice of non-renewal. Mr. Kalman’s salary is paid by the Company. For further details regarding the employment agreement, including concerning deviations from the Compensation Policy, see Note 39 to the financial statements. It should be noted that the Company’s CEO will be entitled to the above terms of service subject to the restrictions set out in the Compensation Law, so long as the update to the terms of the agreement is not brought to approval according to and subject to the provisions of the Compensation Law. Further to the foregoing, a notice was sent to the Company’s CEO stating that in light of the fact that the existing employment agreement with him may deviate, under certain circumstances, from the effective ceiling of the total compensation set in the Compensation Law, under such circumstances a “capping”

²Note that, Mr. Kalman has ceased to serve as director and Chairman of the Board of Menora Mivtachim Insurance on January 17, 2023.

mechanism would be applied, such that the compensation paid to him as from the date on which the Compensation Law came into effect, will not exceed the aforesaid ceiling. At the same time and in addition to the employment agreement, a share plan was approved to Mr. Kalman, by virtue of which, as of the report date, Mr. Kalman holds 1,719,034 Company shares, through a trustee, which constitute 2.77%³ of the Company's issued and paid-up share capital.

- (4) Mr. Michael Kalman has been serving since April 2023 as the CEO of Menora Mivtachim Insurance Ltd., in accordance with the employment agreement and for an indefinite period.⁴ According to the employment agreement, beyond his salary as detailed in the above table, Mr. Kalman is entitled to a target bonus of 2.67 monthly salaries for meeting targets (100%), in accordance with the annual bonus plan approved by the Company. In the event of dismissal (other than under exempting circumstances), Mr. Kalman is entitled to 6 months of advance notice, and an adaptation period of further 6 months, except for the circumstances as defined in his employment agreement. Mr. Kalman is entitled to the above terms of service subject to the restrictions set out in the Compensation Law. Further to the foregoing, a notice was sent to the Company's CEO stating that in light of the fact that the existing employment agreement with him may deviate, under certain circumstances, from the effective ceiling of the total compensation set in the Compensation Law, under such circumstances a "capping" mechanism would be applied, such that the compensation paid to him as from the date on which the Compensation Law came into effect, will not exceed the aforesaid ceiling. It should be noted that Mr. Kalman's terms of compensation are consistent with the Company's approved Compensation Policy. In February 2022, and as part of the parent company's approved option plan, the Board of Directors of the Company approved an allocation of 72,056 options at a total value of NIS 1,049 thousand. Note that during 2021, the Company's Board of Directors authorized a long-term target-based bonus to Mr. Kalman (in his previous position), equal to 2.5 annual salaries for 3 years, that has ended in 2023.
- (5) Mr. Ben Assayag served as CEO of Menora Mivtachim Insurance Ltd. from September 2017 to April 1, 2023, a subsidiary of the Company. As of April 2023, Mr. Yehuda Ben Assayag has been serving as Chairman of the Board of Menora Mivtachim Insurance. According to the services agreement, Mr. Ben Assayag is entitled to a monthly payment; moreover, according to the termination of employment agreement with Mr. Yehuda Ben Assayag, that has come into effect in April 2023 due to his removal from his previous position as CEO, Mr. Ben Assayag is entitled to a 6-month prior notice and an adjustment period of 6 months more, as well as due to the non-compete clause, of up to 9 salaries. The payments for the above periods were divided into 42 equal installments that will be paid to the retiring CEO over 42 months, starting from April 2023, subject to his compliance with the non-compete clause (in the event of non-compliance with that clause, the above payments will cease starting from that date). It should be noted that Mr. Ben Assayag's terms of compensation are consistent with Menora Mivtachim Insurance's approved Compensation Policy.
- (6) Mr. Kompel serves as the Company's Deputy CEO and Head of Strategy and Business Development. Furthermore, Mr. Kompel serves as Executive VP in Menora Mivtachim Insurance. The employment agreement with him is in effect since December 2006 for an indefinite period. Mr. Kompel's salary is paid by the Company. According to the employment agreement, beyond his salary as detailed in the above table, Mr. Kompel is entitled to an annual target bonus of 4 monthly salaries for meeting targets (100%), in accordance with the

⁴ Note that prior to the date of his appointment as CEO, Mr. Kalman served as Deputy CEO and as Head of P&C Insurance at Menora Mivtachim Insurance.

approved annual compensation plan. In the event of dismissal (other than under exempting circumstances), Mr. Kompel is entitled to 6 months of advance notice, and in the event of resignation - 3 months. During 2022, the Board of Directors of Menora Mivtachim Insurance approved a long-term target bonus of 2.5 salaries per year to Mr. Kompel over 3 years, and an allocation as part of the Company's approved option plan of 69,878 options at a total value of NIS 1,020 thousand. It should be noted that Mr. Kompel's terms of compensation are consistent with the Company's approved Compensation Policy. It is noted that

- (7) Mr. Griffel serves as the Chairman of the Board of the Company since December 1, 2014. Mr. Griffel is the partner of Ms. Tali Griffel, one of the Company's controlling shareholders, who holds 31.62%⁵ of the Company's shares. Furthermore, Mr. Griffel serves as the Chairman of the Board of Directors of Menora Mivtachim Pension and Provident Funds Ltd. and as a director in Menora Mivtachim Insurance Ltd. and other Group corporations. Mr. Griffel's salary is paid by the Company in accordance with an employment agreement of December 1, 2014, whose term was extended by the General Meeting on October 17, 2023, after obtaining the approval of the Compensation Committee and the Board of Directors of September 10 and 11, 2023, respectively, in effect for 3 years starting on December 1, 2023. For details regarding the employment terms of Mr. Griffel, see Note 39 to the Company's Financial Statements. The terms of employment of Mr. Griffel are in accordance with Company's Compensation Policy. As stated above, Mr. Griffel serves as a director in several Group companies, and he does not receive any additional compensation in respect of his work in these positions.

Directors' compensation

In addition to the above, the total compensation and related expenses received by all Company directors (except for the Chairman, Mr. Eran Griffel) stood in 2023 at approx. NIS 1.333 thousand.

8. Controlling Shareholder of the Company (Regulation 21A)

The Company's principal shareholders are Palamas Establishment and Najaden Establishment (foreign corporations), which hold jointly in trust approx. 63.25%⁶ of the Company's shares for Mss. Niva Gurevitch and Tali Griffel, respectively. The foreign corporations awarded Ms. Tali Griffel and Ms. Niva Gurevitch powers of attorney to vote on behalf of each of them (respectively) at general meetings of the Company, and accordingly Ms. Tali Griffel and Ms. Niva Gurevitch are considered as the Company's controlling shareholders (hereinafter - the **"Controlling Shareholders"**).

9. Transactions with a controlling shareholder (Regulation 22)

For further details of transactions with the controlling shareholder or transactions in which the controlling shareholder has a vested interest, which are listed in Section 270(4) to the Companies Law, and other transactions with the controlling shareholder, see Note 39 to the Financial Statements.

5. Fully diluted, after deduction of the dormant shares acquired within the share buyback plan, as of the report publication date - 31.59%.

6. Fully diluted, after deduction of the dormant shares acquired within the share buyback plan, as of the report publication date - 63.18%.

10. Shares and securities held by interested parties and senior officers in the corporation (Regulation 24)

For a list of the interested parties and senior officers, which to the best of the Company's knowledge hold shares and other securities of the Company as of the Report date, see the latest immediate reports published by the Company on this subject, on January 4, 2023 (Ref. No.: 2024-01-002421).

11. Registered Capital, Issued Capital and Convertible Securities of the Corporation (Regulation 24A)

For details about the Company's registered and issued capital as of December 31, 2023, see Note 15 to the Financial Report. The Company has convertible securities (under an option plan for managers and senior employees); see also Section 7.6.9 of the Additional Details Report.

12. The Company's shareholder register (Regulation 24B)

For the Company's shareholder register, see the immediate report the Company published on February 28, 2024 (Ref. No. 2024-01-020298).

13. Registered address (Regulation 25A)

The corporation's registered address: 23 Jabotinsky St., Ramat Gan

Email: shimoni@menora.co.il

Tel: +972-3-7107801

Fax: +972-3-7107633

14. Directors of the company (Regulation 26)

Name, ID No., date of birth and nationality	Address for serving court documents	Membership in Board of Directors committees (yes/no); External or independent director (yes/no)	Employee of the corporation, subsidiary, affiliate or an interested party - his/her position/s	Date on which the director's term commenced	Education and principal occupation over the past 5 years	Relative of another interested party (Yes/No)	Has accounting and financial expertise or professional qualifications
Mr. Eran Griffel, Chairman of the Board ID No. 058447137 November 20, 1963 Israeli	23 Jabotinsky St., Ramat Gan	Is not an independent or external director	Yes, as detailed below	December 1, 2014	BA in Political Studies and Law from the Tel Aviv University. Serves as the Chairman of the Board of Menora Mivtachim Pension and Provident Funds Ltd. and as a director in Menora Mivtachim Insurance and Menora Mivtachim Real Estate Ltd., Menora Mivtachim Tech Ltd. He also serves as a director of TeraLight Ltd. and Shomron Investments and Insurance Ltd.	He is also the partner of Ms. Tali Griffel (see Section 8 above)	Has accounting and financial expertise.

Name, ID No., date of birth and nationality	Address for serving court documents	Membership in Board of Directors committees (yes/no); External or independent director (yes/no)	Employee of the corporation, subsidiary, affiliate or an interested party - his/her position/s	Date on which the director's term commenced	Education and principal occupation over the past 5 years	Relative of another interested party (Yes/No)	Has accounting and financial expertise or professional qualifications
Dr. Avital Stein, ID No. 056794944 April 14, 1961 Israeli	63 Ha'Tamar St., Kfar Bin Nun	Chairperson of the Audit Committee, Chairperson of the Compensation Committee and the Balance Sheet Committee, ⁷ external director	No	On May 1, 2014 ; ended her term in office on May 5, 2023 .	B.Sc in Mathematics, Operations Research, M.Sc in Applied Mathematics, both from the Tel Aviv University. MBA with specialization in financing, banking, the capital market and financial engineering from the Hebrew University of Jerusalem and a PhD in Science Teaching from the Tel Aviv University. In Ista Lines and Midroog Ltd., and an independent director in Sela Capital Real Estate Ltd. Previously, she served as an external director in Menora Mivtachim Pension and Provident Funds Ltd., CEO of The Council for Higher Education and the Planning & Budgeting Committee) and as the CEO of the Technion.	No	Has accounting and financial expertise

⁷Ms. Stein was appointed as the Chairperson of the Audit Committee and as a member of the Balance Sheet Committee on October 3, 2020, and as a Chairperson of the Compensation Committee on February 27, 2022.

Name, ID No., date of birth and nationality	Address for serving court documents	Membership in Board of Directors committees (yes/no); External or independent director (yes/no)	Employee of the corporation, subsidiary, affiliate or an interested party - his/her position/s	Date on which the director's term commenced	Education and principal occupation over the past 5 years	Relative of another interested party (Yes/No)	Has accounting and financial expertise or professional qualifications
Mr. Yonel Cohen, ID No. 014963268 June 22, 1960 Israeli	Yair 10, Ramat Hasharon	Is not an independent or external director	Yes, the Chairman of the Board of TeraLight – a company owned by the controlling shareholders.	December 1, 2017	B.Sc. in Mathematics and Computer Science from Tel Aviv University. Currently serves as: Chairman of the Board of TeraLight Ltd., director in Israeli subsidiaries; Chairman of private family investment companies. In addition, he is the controlling shareholder in Rimonom Agency Ltd. Previously, he served as the Chairman of the Board of Beit Gil HaZahav, Chairman of the Board of Dor Alon and Ella Investments Ltd.	No	Has accounting and financial expertise.

Name, ID No., date of birth and nationality	Address for serving court documents	Membership in Board of Directors committees (yes/no); External or independent director (yes/no)	Employee of the corporation, subsidiary, affiliate or an interested party - his/her position/s	Date on which the director's term commenced	Education and principal occupation over the past 5 years	Relative of another interested party (Yes/No)	Has accounting and financial expertise or professional qualifications
Yoav Shimon Kramer, Adv. ID No. 039862784 July 18, 1983 Israeli	23 Jabotinsky St., Ramat Gan	Not a member of committees. Is not an independent or external director	Manager in a company owned by one of the Company's controlling shareholders (indirectly)	December 1, 2017	Adv., LL.B. and BA in Accounting, both from the Tel Aviv University, LL.M in Commercial Law from the Tel Aviv University in collaboration with Berkley University, California, supplementary year in Accounting from the Faculty of Management of the Tel Aviv University. Certified to serve in a board of directors on behalf of Lahav - Directors Training Course. In addition, serves as a director in the following companies: TeraLight Ltd., American Consulting Group, Shoval Heichal HaMishpat Ltd., Hamitnadev Asia Holdings and Investments (2019), Maya Far East Holdings and Investments (2019), Aviva Properties Ltd., member of the Executive Board of the Society for the Protection of Nature in Israel, WNML Co Ltd., The Nest Phangan Company Ltd., Hadtien Hills Company Ltd., Follicular Lymphoma Foundation (FLF) Israel (Public Benefit Company), Kalka Trust, and Yoav Kremer Legal Services Ltd. Independent attorney and manager in Menmon Ltd. Previously he served as a salaried attorney.	No	Has professional qualifications

Name, ID No., date of birth and nationality	Address for serving court documents	Membership in Board of Directors committees (yes/no); External or independent director (yes/no)	Employee of the corporation, subsidiary, affiliate or an interested party - his/her position/s	Date on which the director's term commenced	Education and principal occupation over the past 5 years	Relative of another interested party (Yes/No)	Has accounting and financial expertise or professional qualifications
Shai Feldman ID No. 031872245 September 29, 1974 Israeli	17 Ha'Pnanim St. Neve Monson	Member of the Audit Committee, Compensation Committee and Balance Sheet Committee, not an independent or external director	No	January 1, 2021	BA in Economics and Management from The Academic College of Tel Aviv–Yaffo. MBA from Derby University. Has been serving as CEO of Samelet and as a director of Samelet General Insurance Agency (2021) Ltd. since October 2019. 2013-2019 - served as the CEO of AIG Israel Insurance Company Ltd.	No	Has accounting and financial expertise.
Gabriel Perel, ID No. 058249707 July 2, 1963 Israeli	23 Jabotinsky St., Ramat Gan	External Director, Member of the Audit Committee and Compensation Committee and Chairperson of the Balance Sheet Committee	No	February 1, 2022	MBA from the New York Institute of Technology; BA in Political Studies - Tel Aviv University; Director in Menora Tech, senior advisor to the main opportunities group in Europe (Oaktree); founder and Chairman of Bereshit Manof Fund; CEO and Chairman of Altium Capital GCA and director in global GCA; Chairman of Menora Mutual Funds, and director in Altshuler Shaham Mutual Funds (2016-2019); senior advisor to CVC Capital Partners, and partner and founder in a private investment company - SMP;	No	Has accounting and financial expertise.

Name, ID No., date of birth and nationality	Address for serving court documents	Membership in Board of Directors committees (yes/no); External or independent director (yes/no)	Employee of the corporation, subsidiary, affiliate or an interested party - his/her position/s	Date on which the director's term commenced	Education and principal occupation over the past 5 years	Relative of another interested party (Yes/No)	Has accounting and financial expertise or professional qualifications
Orit Stav , ID 028483824 March 1, 1971 Israeli	Harimon 6, Udim 4290500	External Director, Chairperson of the Audit Committee, member of the Compensation Committee and the Balance Sheet Committee.	No	May 3, 2023	Holds an MBA from the University of Hertfordshire in England. Certified as a director by Hamil (the Israeli Management Center) and completed director training courses offered by Reichman University. Holds a Harvard University certificate for serving corporate directors. Serves as a director of Doral Group Renewable Energy Resources Ltd., Camtek Ltd., Innoviz Technologies, Effi Capital Real Estate Ltd., IBI Underwriting and Issuance Ltd. Formerly, served as a director of Home Biogas Ltd., HBL – Hadasit Bio Holdings Ltd., Altshuler Shaham Properties, DNA Group. (TR) Ltd., Ya'acobi Brothers Group (YSB) Ltd.;	No	Has accounting and financial expertise
Orly Yarkoni , ID No. 053664595 January 18, 1956 Israeli	Dov Hoz 2, Tel Aviv	Not a member of committees. Is not an independent or external director.	No	June 1, 2023	Holds a B.Sc. in Mathematics from the Hebrew University of Jerusalem; M.Sc. in Operations Research from Tel Aviv University; Diploma Studies and Actuarial Studies from Haifa University; Serves as a director of Menora Mivtachim Insurance Ltd., Holmes Place International Ltd. Previously, she has served as Chairman of the Board of Shomera Insurance Company Ltd.	No	Has accounting and financial expertise

Directors whose term in office ended during the reporting period:

Dr. Avital Stein

ID No. 056794944

Role in the Company: External director

Start of term: May 1, 2014

Termination of service date: May 5, 2023

15. Senior officers in the Company (Regulation 26A)

Name, ID No. and date of birth	Position in the Company; in a subsidiary or an affiliate of the Company or an interested party therein	Date on which his/her term in office started	Interested party in the Company (yes/no); A family member of another senior officer or of an interested party in the Company (yes/no)	Education and principal occupation over the past 5 years
Mr. Ari Kalman, ID No. 50898501 October 21, 1951	Has been serving as the Company's CEO since September 19, 2010. Has been serving as the Chairman of the Board of Shomera Insurance Company, Menora Mivtachim Finance, Menora Mivtachim Real Estate, and Menora Mivtachim Capital Raising, and director in Menora Mivtachim Pension and Provident Funds, Menora Mivtachim Energy, ERN Israel Ltd. and other Group companies. He also serves as a director of TeraLight Ltd.	January 7, 2008	Also (holds the Company's shares in trust, as detailed in Section 10 above)	Academic education. Previously Chairman of the Board of Menora Mivtachim Insurance Ltd.
Mr. Shai Kompel, ID No. 059696443 July 28, 1965	Deputy CEO and Business Development & Strategy Manager in the Company and Executive VP in Menora Mivtachim Insurance. In addition, he serves as a director in Menora Mivtachim Real Estate, Menora Mivtachim Capital Raising, Menora Mivtachim Finance, Ampa Capital Ltd., ERN Israel Ltd. Shomera Insurance Company and other Group companies.	December 1, 2006	No	CPA. BA in Accounting and Economics from the Hebrew University, MA in Economics from the Hebrew University.
Mr. Ran Kalmi, ID No. 033861758	EVP, Head of the Finance Department. In addition, he also serves as the Head of the	June 1, 2022	No	Certified Public Accountant. BA in Economics and Accounting from the Ben Gurion University.

Name, ID No. and date of birth	Position in the Company; in a subsidiary or an affiliate of the Company or an interested party therein	Date on which his/her term in office started	Interested party in the Company (yes/no); A family member of another senior officer or of an interested party in the Company (yes/no)	Education and principal occupation over the past 5 years
March 22, 1977	Finance Division in Menora Mivtachim Pension and Provident Funds, and as the CFO in Menora Mivtachim and The Association of Engineers Provident Funds Management, CEO of Menora Mivtachim Capital Raising, and a director in Shomera and other affiliates in the Group.			
Mr. Michael Kalman * ID No. 033991498 March 28, 1977	CEO of Menora Mivtachim Insurance Ltd. In addition, serves as a director of Estimates for You Ltd., and as the Chairman of the Board of the Pool of Insurance Companies.	April 1, 2023	Yes	Adv. LL.B. (with honors) from Tel Aviv University. MBA (with honors) from Tel Aviv University. Previously, served as Head of the Company's P&C Division.
Mr. Nir Moroz ID No. 57506909 April 7, 1962	Chief Investment Officer in the Company, Executive VP and Head of the Investments Division in Menora Mivtachim Insurance.	July 1, 2019	No	BA in Accounting and Economics from the Tel Aviv University, MBA (specialization in financing and accounting) from the Tel Aviv University. Previously, served as Head of Planholders' Funds in the Company.
Mr. Shimon Ir-Shai, ID No. 055922918** June 24, 1959	Chief Legal Counsel and Secretary of the Company and subsidiary Menora Mivtachim Insurance.	July 1, 2002	No	Adv. LL.B. from the Hebrew University.
Ms. Eti Hirshman,	Chief Internal Auditor in the Company and	March 1,	No	CPA, BA in Economics and Accounting from Tel Aviv

Name, ID No. and date of birth	Position in the Company; in a subsidiary or an affiliate of the Company or an interested party therein	Date on which his/her term in office started	Interested party in the Company (yes/no); A family member of another senior officer or of an interested party in the Company (yes/no)	Education and principal occupation over the past 5 years
ID No. 22904288 February 1, 1967	in Menora Mivtachim Insurance, Menora Mivtachim Pension and Provident Funds and in subsidiaries and related companies.	2013		University.
Ms. Rona Lerer, ID No. 033727256 February 12, 1977	Chief Internal Enforcement and Compliance Officer in the Company. Holding other positions in the Group, as detailed below.	August 27, 2012	No	LL.B. from Tel Aviv University. MBA, College of Management Academic Studies. Chief Internal Enforcement and Compliance Officer in the Company and in other Group companies. In Menora Mivtachim Insurance - serves as Chief Internal Enforcement and Compliance Officer and CEO Chief of Staff. She also serves as Chief Internal Enforcement and Compliance Officer in Menora Mivtachim Pension and Provident Funds.

* A senior officer of a controlled corporation with a material effect on the corporation, Mr. Michael Kalman was appointed on April 1, 2024, and succeeded Mr. Yehuda Ben Assayag, who was appointed Chairman of the Board of Menora Mivtachim Insurance.

** Defined as a senior officer in the corporation as from March 30, 2009.

16. The corporation's independent auditors (Regulation 27)

Kost Forer Gabbay & Kasierer - CPAs, 144 Menachem Begin Street, Tel Aviv.

17. Change in the Memorandum or Articles of Association of the Corporation (Regulation 28)

In the reporting year, no change was made in the Memorandum or Articles of Association of the Corporation.

18. Recommendations and resolutions of the board of directors (Regulation 29)

- (a) In March and August 2023, and in accordance with the dividend distribution policy, the Company declared the distribution of approx. NIS 100 million in dividend that was distributed in April 2023, and a NIS 75 million dividend that was distributed in September 2023. For details, see the Company's immediate reports of March 29, 2023 (Ref. No.: 2023-01-034203) and August 29, 2023 (Ref. No.: 2023-01-099861).
- (b) In October 2023, Bonds (Series C) were redeemed for a total of approx. NIS 53 million; for further details, see the immediate report dated October 1, 2023 (Ref. No. 2023-01-111297).

Resolutions by extraordinary annual general meeting

- (a) In May 2023, an extraordinary general meeting of the Company was convened, in which the following matters were discussed and authorized: (1) the approval of Ms. Orit Stav's appointment as an external director of the Company and her compensation; (2) the approval of the update to the Company's compensation policy. For further details, see the immediate report dated March 29, 2023 (Ref. No. 2023-01-034605), as well as the report on the outcomes of the meeting dated May 3, 2023 (Ref. No. 2023-01-047682).
- (b) In October 2023, an extraordinary and annual general meeting of the Company was convened, in which the following matters were discussed and approved: (1) a discussion of the periodic report for 2022; (2) the reappointment of the Company's independent auditor, the receipt of a report regarding his wages, and the Board of Directors' authorization to set his wages for 2024; (3) the reappointment of the Company's current directors who are non-external directors; (4) the approval of the extension of the terms of Mr. Eran Griffel's tenure and employment as the Company's Chairman of the Board; for further details, see the immediate report dated September 11, 2023 (Ref. No. 2023-01-105633), as well as a report on the outcomes of the meeting dated October 17, 2023 (Ref. No. 2023-01-116697).

19. Company Resolutions (Regulation 29A)

- (a) For details about the Company's transactions with officers therein, see Note 39 to the Financial Statements.
- (b) For details about letter of exemption and an indemnity undertaking to officers, in effect as of the Report date, including those given to the controlling shareholder, see Note 39 to the Financial Statements, and immediate reports of November 1, 2005, December 12, 2006 and January 22, 2007 (Ref. Nos: 2005-01-080008, 2006-01-161116 and 2007-01-016606, respectively), of December 29, 2011 (Ref. No.: 2011-01-381351), November 27, 2014 (2014-01-206973, 2014-01-207000), of June 29, 2015 (Ref. Nos 2015-01-059109), supplementary reports dated July 29, 2015 and July 30, 2015 (Ref. Nos: 2015-01-084717 and 2015-01-085494, respectively), of August 4, 2015 (Ref. No.: 2015-01-089265), of August 31, 2017 (Ref. No.: 2017-01-088668) and November 27, 2017 (Ref. No.: 2017-01-110274). It should be noted that the Company provides - at the approval of the competent organs, in accordance with the Company's Compensation Policy, and subject to the law - a letter of exemption and an indemnity undertaking to officers who serve in the Company from time to time.
- (c) For details on the insurance granted to directors and officers, as applicable as of the report date, see Note 39 to the financial statements, as well as the immediate report dated September 11, 2023 (Ref. No. 2023-01-105450) and the supplementary report dated September 26, 2023 (Ref. No. 2023-101-109752).

Eran Griffel
Chairman of the Board

Ari Kalman
CEO

Ramat Gan, March 28, 2024

Chapter F

Report on the Effectiveness of Control over Financial Reporting and Disclosure

Annual Report on Effectiveness of Control over Financial Reporting and Disclosure**in accordance with Regulation 9B(a)**

Management, under the supervision of the Board of Directors of Menora Mivtachim 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. Ari Kalman, CEO;
2. The other members of management:

Ran Kalmi, CFO.

Nir Moroz, Chief Investment Officer.

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

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

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

Management, under the supervision of the Board of Directors, performed an examination and assessment of the Corporation's internal control over financial reporting and disclosure and their effectiveness; the assessment of the effectiveness of the internal control over financial reporting and disclosure carried out by management, with the supervision of the board of directors, included the following control components: Entity-level controls; controls over the process of preparing and closing the financial statements; IT general control (ITGC), and controls over processes, which are very material for financial reporting and disclosure, which are carried out mainly by the Group's institutional entities, which coordinate the principal part of its business activity, as detailed below:

Menora Mivtachim Insurance Ltd., Menora Mivtachim Pension and Provident Funds Ltd. and Shomera Insurance Company and Provident Funds Ltd., subsidiaries of the Corporation, are institutional entities which are subject to the directives of the Commissioner of the Capital Market, Insurance and Savings Authority in the Finance Ministry regarding the assessment of the effectiveness of internal controls over financial reporting.

With regard to said subsidiaries, management examined and assessed, with the supervision of the board of directors, the internal control over financial reporting and its effectiveness, based on the following Commissioner's Directives: Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Control over Financial Reporting" and Institutional Entities Circular 2010-9-7, "Internal Control over Financial Reporting - Certifications, Reports and Disclosures", including amendments to said circulars.

Based on this assessment, the corporations' boards of directors and managements have concluded that the institutional entities' internal control over financial reporting as of December 31, 2023 is effective.

Based on the assessment of effectiveness that was performed by management under the supervision of the Board of Directors as detailed above, the Corporation's Board of Directors and management have concluded that the Corporation's internal control over financial reporting and disclosure as of December 31, 2023 is effective.

Certification

Certification by the CEO

I, Ari Kalman, hereby certify as follows:

- (1) I have reviewed periodic report of Menora Mivtachim Holdings Ltd. (hereinafter - the **"Corporation"**) for 2023 (hereinafter – the **"Reports"**);
- (2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, or omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;
- (3) To my knowledge, the financial statements and other financial information included in the Reports represent 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 Corporation's audit and financial statements committees, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation's ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and-
 - (b) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or together with others in the Corporation, state that:
 - (a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), -2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
 - (b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - (c) I have evaluated the effectiveness of internal control over financial reporting and disclosure and have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of the said internal control as of the date of the reports.

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

Ramat Gan, March 28, 2024.

Ari Kalman, CEO

Certification

Certification by the Most Senior Financial Officer

I, Ran Kalmi, hereby certify that as follows:

- (1) I have reviewed the financial statements and other financial information included in the reports of Menora Mivtachim Holdings Ltd. (hereinafter - the **"Corporation"**) for 2023 (hereinafter - the **"Reports"**);
- (2) To my knowledge, the financial statements and financial information do not contain any misrepresentation of a material fact, nor omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;
- (3) To my knowledge, the Financial Statements and other financial information included in the Reports present fairly, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Corporation's audit and financial statements committees, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure insofar as it relates to the financial statements and other financial information included in the Reports, that could reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of the financial statements in accordance with law; and -
 - (b) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or together with others in the Corporation, state that:
 - (a) I designed such controls and procedures, or have ensured that such controls and procedures be designed under my supervision, to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, insofar as it is relevant to the financial statements and other financial information included in the Reports, is made known to me by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
 - (b) I designed such controls and procedures, or have ensured that such controls and procedures be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with provisions of the law, including in accordance with generally accepted accounting principles;
 - (c) My assessment of the effectiveness of internal control over financial reporting and disclosure, insofar as it relates to the financial statements and other financial information included in the Reports as of the Reports' date, my conclusions regarding my aforesaid assessment have been presented to the Board of Directors and management and are included in this report.

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

Ramat Gan, March 28, 2024.

Ran Kalmi, CFO

Corporate Governance Questionnaire

Corporate Governance Questionnaire¹

The Board of Directors' Independence			
		Yes	No
1.	In each reporting year, there were at least two external directors in the corporation.¹ The question may be answered "yes" if the period during which the corporation had less than two external directors did not exceed 90 days, pursuant to Section 363A.(b)(10) to the Companies Law; however, any answer (yes or no) must include the length of the period (number of days) in which there were less than two external directors during the reporting year (including if the tenure was approved retroactively, for each of the different external directors): Director A: Gabriel Perel, <u>has accounting and financial expertise</u>. Director B: <u>Orit Stav, has accounting and financial expertise</u>.² Number of External Directors serving at the corporation as of the publication date of this questionnaire: <u>2</u>.	✓	_____
2.	Proportion of³ Independent Directors⁴ serving at the corporation as of the questionnaire's publication date: <u>2/7</u>. The proportion of Independent Directors in the corporation's⁵ Articles of Association:⁶ _____. ☒ N/A (no provision has been made in the Articles of Association).	_____	_____
3.	In the reporting year, the Bank held checks and found that during the reporting period its external directors (and independent directors) fulfilled the provisions of Section 240(b) and (f) to the Companies Law requiring external	✓	_____

¹ Published on March 16, 2014 as part of legislative proposals for approval of financial statements.

² Was appointed on May 3, 2023 in lieu of Ms. Avital Stein, which ended 9 years in office.

³ In this questionnaire, "**proportion**" is a certain number out of the total. For example - 3/8.

⁴ Including "External Directors" within the meaning thereof in the Companies Law.

⁵ Regarding this question - "Articles of Association" including according to a specific legal provision applicable to the corporation (for example, in case of a banking corporation - directives issued by the Banking Supervision Department).

⁶ Bonds companies are exempt from answering this section.

The Board of Directors' Independence			
		Yes	No
	directors (and independent directors) not to have an interest in the corporation or its controlling shareholder, and the conditions for service as external directors (or independent directors).		
4.	None of the directors who served in the corporation during the reporting year are not subordinate to the Chief Executive Officer,⁷ either directly or indirectly (inapplicable to a director who serves as a representative of the employees, if such representation exists in the corporation). If your answer is "No" (i.e., the director reports to the Chief Executive Officer as aforesaid) - please indicate the proportion of directors who did not meet the said restriction: ____.	✓	_____
5.	None of the directors who have reported having a vested interest in the approval of a transaction on a meeting's agenda were not present at the discussion or participated in the vote as aforesaid (except for a discussion and/or vote under the circumstances outlined in Section 278(b) to the Companies Law): If your answer is "No" - Was this for the purpose of presenting a specific issue by that director in accordance with the provision of Section 278(a): ☐ Yes ☐ No (please check the appropriate box). It should be noted that the proportion of meetings in which such directors were present in a discussion and/or participated in a vote, except for circumstances outlined as aforesaid in Subsection A, was: ____.	✓	_____
6.	The controlling shareholder (including a relative and/or representative thereof) who is not a director or other senior officer in the Corporation was not present in the meetings of the Board of Directors held during the reporting year.	✓	_____

⁷ For the purpose of this question - serving as a director in an investee corporation under the Corporation's control shall not be deemed "subordination"; on the other hand, if a director in the Corporation also serves as an officer (excluding as director) and/or is an employee of an investee corporation under the Corporation's control, they shall be deemed "subordinate" for the purpose of this question.

The Board of Directors' Independence		
	Yes	No
If your answer is "No" (i.e., the controlling shareholder and/or relative and/or representative who is not a member of the Board of Directors and/or a senior officer of the Corporation was present in the Board of Directors' meetings as aforesaid: Name: _____. Role in the Corporation (if any): _____. Information on the relation to the controlling shareholder (if the person present was not the controlling shareholder himself): _____. Was this for the purpose of presenting a specific issue: ☐ Yes ☐ No (please check the appropriate box). The proportion of Board meetings⁸ in which he/she participated during the reporting year for the purpose of presenting a specific issue: ____; otherwise present: ____ ☐ N/A (the Corporation has no controlling shareholder).		

⁸ Specify separately for each of the controlling shareholders, relative and/or representative.

The Directors' Competency and Qualifications			Yes	No
7.	The Corporation's Articles of Association do not contain a provision restricting the possibility of immediately terminating the tenure of all directors of the Corporation who are not External Directors (for this purpose - an ordinary majority does not constitute a restriction).⁹ If your answer is "No" (i.e., if there is a restriction as aforesaid), please indicate -		✓	_____
	A.	The period prescribed for a director's tenure by the Articles of Association: _____.	_____	_____
	B.	The majority required to terminate the tenure of directors by the Articles of Association: _____.	_____	_____
	C.	The legal quorum required by the general meeting to terminate the directors' appointments according to the Articles of Association: _____.	_____	_____
	D.	The majority required to change such provisions in the Articles of Association _____.	_____	_____
8.	The corporation has put in place a training program for new directors; the program addresses issues relating to the corporation's business and the law governing the corporation and the directors; the corporation has also put in place a follow-up training program for serving directors; this program is adapted, among other things, to each director's function in the corporation. If your answer is "Yes" - please indicate if the program was active during the reporting year: ☒ Yes ☐ No (please check the appropriate box)		✓	_____

⁹ Bonds companies are exempt from answering this section.

The Directors' Competency and Qualifications			Yes	No
9.	A.	The Corporation has a minimum number of directors in the Board of Directors who have accounting and financial expertise. If your answer is "Yes" - please indicate the minimum number set: <u>3</u> .	✓	_____
	B.	No. of directors who served in the corporation during the reporting year - who have accounting and financial expertise: ¹⁰ <u>6</u> . Who have professional qualifications: <u>1</u> . In case of changes in the number of said directors during the reporting year, please provide the lowest number (except within a period of 60 days from the change date) of directors of any type who served during the reporting year.		
10.	A.	In each reporting year, the Board of Directors included members of both genders. If your answer is "No" - please indicate the period (number of days) in which the aforesaid was not met: _____. In this question you may answer "Yes" if the period during which the corporation did not have members of both genders serving as directors did not exceed 60 days; however, any answer (Yes/No) must specify the period (number of days) during which the corporation did not have members of both genders serving as directors: _____.	✓	_____
	B.	Number of directors of each gender serving on the Board of Directors as of the publication date of this questionnaire: Male: <u>5</u> , female: <u>2</u> .	_____	_____
Board of Directors Meetings (and Convening of the General Meeting)				

¹⁰ After the Board of Directors' assessment in accordance with the Companies Regulations (Conditions and Criteria for Directors with Accounting and Financial Expertise and Directors with Professional Qualifications), 2005.

The Directors' Competency and Qualifications				
			Yes	No
			Yes	No
11.	A.	Number of board meetings held during each quarter in the reporting year: First quarter (2023): <u> 3 </u> Second quarter: <u> 2 </u> Third quarter: <u> 2 </u> Fourth quarter <u> 3 </u>	_____	_____
	B.	Next to each of the names of the directors who served in the Corporation during the reporting year, please indicate the proportion ¹¹ of board meetings in which he/she participated (in this Subsection - including meetings of Board of Directors' committees in which he/she is a member, and as indicated below), which took place during the reporting year (during his/her tenure period): (Please add lines according to the number of directors).	_____	_____

¹¹ See Footnote 3..

Board of Directors Meetings (and Convening of the General Meeting)								Yes	No
		Director's name	Proportion of the director's participation in board meetings	Proportion of the director's participation in meetings of the Audit and Compensation Committee ¹²	Rate of participation in meetings of the Financial Statements Review Committee	Rate of participation in meetings of the Compensation Committee ¹³	Rate of the director's participation in meetings of additional board committees in which he/she is a member (please indicate which committee)		
	1.	Eran Griffel, Chairman	10/10	_____	_____	_____		_____	_____
	2.	Avital Stein ⁱⁱⁱ	4/10	2/8	2/5	_____	_____	_____	_____
	3.	Yonel Cohen	10/10	_____	_____	_____			
	4.	Yoav Shimon Kramer	10/10	_____	_____	_____			
	5.	Shai Feldman	10/10	7/8	5/5	_____			
	6.	Gabi Perel	10/10	8/8	5/5	_____			
	7.	Orly Yarkoni ^{iv}	5/10	_____	_____	_____			
	8.	Orit Stav ^v	6/10	6/8	3/5	_____			

¹² For a director who is a member of this committee. As of February 27, 2022, the Audit Committee serves as the Compensation Committee.

¹³ For a director who is a member of this committee. As of February 27, 2022, the Audit Committee serves as the Compensation Committee.

Separation between the positions of CFO and chairman of the board			Yes	No
12.		During the reporting year, the Board of Directors held at least one discussion about the management of the corporation's business by the Chief Executive Officer and the officers reporting thereto without their presence and allowed them to express their positions.	✓	
13.		In each reporting year, there was a Chairman of the Board in place. The question may be answered "Yes" if the period during which the corporation had no Chairman of the Board in place did not exceed 60 days, as prescribed by Section 363A.(2) to the Companies Law. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have a Chairman of the Board in place as aforesaid: _____.	✓	_____
14.		In each reporting year, there was a CFO in place. The question may be answered "Yes" if the period during which the corporation had no Chief Executive Officer in place did not exceed 90 days, as prescribed by Section 363A.(6) to the Companies Law. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have a Chief Executive Officer in place as aforesaid: _____.	✓	_____
15.		In a corporation in which the Chairman of the Board also serves as the corporation's Chief Executive Officer and/or has assumed his/her powers, the dual position has been approved in accordance with the provisions of Section 121(c) to the Companies Law.¹⁴ ☒ N/A (insofar as there is no dual position as aforesaid in the corporation).	_____	_____

¹⁴ In a bonds company - approval in accordance with Section 121(d) to the Companies Law.

Separation between the positions of CFO and chairman of the board			Yes	No
16.		The CFO <u>is not</u> a relative of the Chairman of the Board. If your answer is "No" (i.e., the CFO is a relative of the Chairman of the Board) -	✓	_____
	A.	Please indicate the nature of the family relationship between the parties: _____.	_____	_____
	B.	The position was approved in accordance with Section 121(c) of the Companies Law: ¹⁵ ☐ Yes ☐ No (Please check the appropriate box)	_____	_____
17.		A controlling shareholder or his/her relative <u>does not</u> serve as a CFO or senior officer in the corporation, excluding as a director. ☐ N/A (the Corporation has no controlling shareholder).	✓	_____

¹⁵ In a bonds company - approval in accordance with Section 121(d) to the Companies Law.

Audit Committee			Yes	No
18.	During the reporting year, the following <u>did not serve</u> -		_____	_____
A.	The controlling shareholder or his/her relative. ☐ N/A (the Corporation has no controlling shareholder).		✓	_____
B.	Chairman of the Board.		✓	_____
C.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control.		✓	_____
D.	A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis.		✓	_____
E.	A director whose main source of income is the controlling shareholder. ☐ N/A (the Corporation has no controlling shareholder).		✓	_____
19.	A person who may not serve as a member of the Audit Committee, including the controlling shareholder or his/her relative, did not participate, during the reporting year, in meetings of the Audit Committee, other than in accordance with the provisions of Section 115(e) to the Companies Law.		✓	_____
20.	A legal quorum for discussing and reaching decisions in all meetings of the Audit Committee which took place during the reporting year was a majority of the committee members, with most of the participants being independent directors and at least one - an external director. If your answer is "No" - please indicate the proportion of meetings in which the above requirement was not met: _____.		✓	_____

Audit Committee			
		Yes	No
21.	During the reporting year, the Audit Committee held at least one meeting in which the Chief Internal Auditor and independent auditor were present but in which officers of the corporation who are not members of the Committee did not participate, on the subject of deficiencies in the corporation's business management.	✓	
22.	In all meetings of the Audit Committee in which there was a participant who may not serve as a member of the Committee, his/her participation was approved by the chairman of the Committee and/or he/she was invited by the Committee (as for the Chief Legal Adviser and the corporation's secretary other than a controlling shareholder or his/her relative).	✓	_____
23.	During the reporting year, there were arrangements in place, approved by the Audit Committee, regarding the manner of handling complaints filed by employees in relation to deficiencies in the managing the corporation's business and the protection provided to employees filing complaints as aforesaid.	✓	_____
24.	The Audit Committee (and/or the Financial Statement Review Committee) was convinced that the scope of the independent auditor's work and his/her fees in respect of the financial statements during the reporting year were adequate for the purpose of carrying out the audit and review work in an appropriate manner.	✓	_____

The purview of the Financial Statement Review Committee (hereinafter - the "Committee") in its work prior to approving the financial statements			Yes	No
25.	A.	Please note the length of the period (in days) which the Board of Directors prescribed as a reasonable time for submitting the Committee's recommendations towards discussion by the Board of Directors for approval of the financial statements: <u>2</u>	_____	_____
	B.	The number of days which elapsed, in effect, from the date of submitting the recommendations to the Board of Directors to the date of discussion of the financial statements towards their approval by the Board: First quarter (2023): <u>2</u> Second quarter report: <u>2</u> Third quarter: <u>3</u> Annual Report: <u>2</u>	_____	_____
	C.	The number of days which elapsed from the date of submitting the financial statements' draft to the directors to the date of the financial statements' discussion towards their approval by the Board: First quarter (2023): <u>6</u> Second quarter report: <u>6</u> Third quarter: <u>7</u> Annual Report: <u>7</u>	_____	_____
26.	The corporation's independent auditor participated in all of the meetings of the Committee and Board of Directors in which the corporation's financial statements relating to the periods included in the reporting year were discussed. If your answer is "No", specify the rate of participation: _____		✓	_____

The purview of the Financial Statement Review Committee (hereinafter - the "Committee") in its work prior to approving the financial statements

		Yes	No
27.	During the entire reporting year and until the publication of the annual report, the Committee met all of the terms and conditions outlined below:	_____	_____
A.	It had no less than three members (on the date of discussion by the Committee and approval of the financial statements as aforesaid).	✓	_____
B.	All of the terms and conditions outlined in Section 115(b) and (c) to the Companies Law (regarding tenure of the Audit Committee members).	✓	_____
C.	Chairman of the Committee is an external director.	✓	_____
D.	All of its members are directors and most of them are independent directors.	✓	_____
E.	All of its members have the capacity to read and understand financial statements and at least one of the independent directors has accounting and financial expertise.	✓	_____
F.	The members of the Committee gave a statement prior to their appointment.	✓	_____
G.	The legal quorum for discussing and reaching decisions by the Committee was a majority of its members, provided that most of the participants were independent directors, including at least one external director.	✓	_____
	If your answer is "No" on one or more of this question's subsections, please indicate what type of report (annual or quarterly) did not meet the said condition and which condition was not met: Third quarter financial statements.	_____	_____

Compensation Committee			Yes	No
28.	During the reporting year, the Committee included at least three members, of which the external directors constituted a majority (on the date of discussion by the Committee). ☐ N/A (no discussion was held).		✓	_____
29.	During the reporting year, the terms of tenure and employment of all members of the Compensation Committee met the Companies Regulations (Rules on Compensation and Expenses for an External Director), 2000.		✓	_____
30.	During the reporting year, the following did not serve as a member of the Remuneration Committee -		_____	_____
	A.	The controlling shareholder or his/her relative. ☐ N/A (the Corporation has no controlling shareholder).	✓	_____
	B.	Chairman of the Board.	✓	_____
	C.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control.	✓	_____
	D.	A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis.	✓	_____
	E.	A director whose main source of income is the controlling shareholder. ☐ N/A (the Corporation has no controlling shareholder).	✓	_____
31.	During the reporting year, the controlling shareholder or his/her relative did not participate in meetings of the Compensation Committee, unless the Chairman of the Board determined that one of them was required to participate in order to present a specific topic.		✓	_____
32.	The Compensation Committee and Board of Directors did not exercise their power under Sections 267A(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or compensation policy, despite objection by the general meeting. If your answer is "No", please specify - The type of transaction approved as aforesaid: _____ The number of times in which their power was used during the reporting year: _____		✓	_____

Internal auditor			
		Yes	No
33.	The corporation's Chief Internal Auditor reports to the organization's Chairman of the Board or CFO.	✓	_____
34.	The Chairman of the Board or Audit Committee have approved the work plan during the reporting year. In addition, specify the audit topics that the Chief Internal Auditor dealt with in the reporting year: The audit topics reviewed were derived from the annual and multi-year work plan. The audit examined, among other things, corporate governance aspects, including the activities of the board of directors and its committees, lawful reports, interested party transactions, as well as the adequacy of the monitoring and control processes over the Company's activities.	✓	_____
35.	The scope of the Chief Internal Auditor's position in the corporation during the reporting year (in hours ¹⁶): <u>22,200 hours</u>	_____	_____
	During the reporting year, a discussion was held (by the audit Committee or board of directors) about the Chief Internal Auditor's findings.	✓	_____
36.	The Chief Internal Auditor is not an interested party in the corporation, a relative thereof, an independent auditor or anyone on his/her behalf and therefore has no material business relations with the corporation, its controlling shareholder, his/her relative or corporations under their control.	✓	_____

¹⁶ Including the no. of working hours dedicated to investees and audits held outside Israel, if any.

Interested Party Transactions			
		Yes	No
37.	The controlling shareholder or his/her relative (including a company under his/her control) is not employed by the corporation or provides it with management services. If your answer is "No" (i.e., the controlling shareholder or his/her relative is employed by the corporation or provides it with management services, please specify - - The number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and/or through management companies): <u>1</u>.^{vi} - Were the employment agreements and/or management services as aforesaid approved by the organs prescribed by law: ☒ Yes ☐ No (Please check the appropriate box) ☐ N/A (the Corporation has no controlling shareholder). _____.	_____	✓
38.	To the best of the corporation's knowledge, the controlling shareholder has no additional businesses in the corporation's area of activity (one or more lines). If your answer is "No - please indicate whether there is an arrangement in place to separate between the activities of the corporation and its controlling shareholder: ☐ Yes ☐ No (please check the appropriate box). ☐ N/A (the Corporation has no controlling shareholder).	✓	_____

Chairman of the Board:

Eran Griffel

Chairman of the Financial Statements Review Committee:

Gabi Perel

Chairman of the Audit Committee:

Orit Stav**Signing date: March 28, 2024**

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- ⁱⁱ **Re Question 8:** Initial training for a new director involves providing a kit that includes the legislative provisions, regulations and procedures relevant to the Company's activity, as well as a copy of the latest periodic report. It should be noted that the Company conducts, from time to time, various professional trainings related to the areas of activity of the Group's institutional entities, which occasionally include topics related to corporate governance and to which the Company's directors are also invited.
- ⁱⁱⁱ **Regarding Question 11(b)(3):** Ms. Avital Stein ended her term in office on May 1, 2023.
- ^{iv} **Re Question 11(b)(7):** Ms. Orly Yarkoni commenced her term in office on June 1, 2023.
- ^v **Re Question 11(b)(7):** Ms. Orit Stav commenced her term in office on June 1, 2023.
- ^{vi} **Re Question 37:** Mr. Eran Griffel, one of the Company's controlling shareholders, (spouse of Ms. Tali Griffel), serves as the (paid) Executive Chairperson of the Board.