



**Consolidated Interim
Financial Statements as of
March 31 2021
(Unaudited)**

The Phoenix Holdings Ltd.

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Members of the Board



Benjamin Gabbay - Chairman



Roger Abravanel



Ben Langworthy



Marilyn Victoria Hirsch



Zhak Cohen



Rachel Levine (External Director)



Zohar Tal (External Director)



Dr. Ehud Shapira (Independent Director)



Eliezer Yones

**Report of the Board
of Directors
on the State of the
Corporation's Affairs
as of March 31 2021**



This English translation from the Hebrew version of the report has been made for convenience and information purposes only. In case of any conflict or discrepancy between the terms of this English translation and the original version prepared in Hebrew, the Hebrew version shall prevail. The Company makes no representations as to the accuracy and reliability of the financial information in this English translation.

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

March 31 2021

The Report of the Board of Directors of The Phoenix Holdings Ltd. (hereinafter, "**The Phoenix Holdings**" or the "**Company**" or the "**Corporation**") as of March 31 2021, outlines the principal changes in the Company's operations in the period from January through March 2021 (hereinafter - the "**Reporting Period**").

The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970. With regard to the insurance, pension, and provident fund operations of the Group, the Report was prepared pursuant to the Supervision of Insurance Business Regulations (Reporting), 1998, and in accordance with the directives issued by the Commissioner of the Capital Market, Insurance and Savings Authority (the "**Supervisor**" or the "**Commissioner**"). The report was prepared assuming that the reader also has at his/her disposal the Company's full 2020 periodic report (hereinafter - the "**Periodic Report**").

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

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

1.1. Group structure

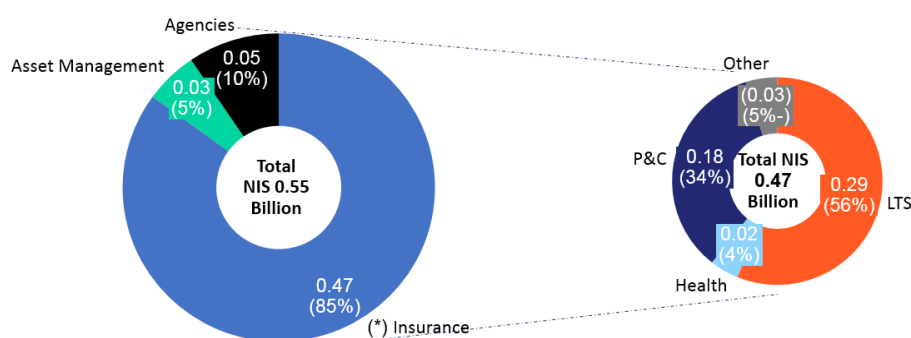
The Company's shareholders

The controlling shareholder of the Company is Belenus Lux S.à.r.l. (hereinafter - "**Belenus**"), which is held by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "**Funds**"). For further details regarding the holding stakes and structure, please see Section 1.1 under "Description of the Corporation's Business" in the Periodic Report.

1.2. Areas of activity

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

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



(*) The income includes intra-group adjustments.

1.3. Developments in the Group

1.3.1. Share buyback

In September 2020, the Company's Board of Directors approved a share buyback plan for the purchase of Company shares for a period of one year, totaling up to NIS 100 million. As of the report publication date, the Company executed several share buybacks, for a total of NIS 75.8 million (3,200,755 shares of 1 p.v. each). Furthermore, in the future some of the shares purchased as part of the share buyback plan may serve for the purpose of exercising the options awarded to officers and employees of the Company and subsidiaries. For further details, please see the Company's immediate reports dated October 1 2020 and May 4 2021 (Ref Nos.: 2020-01-112356 and 2021-01-077994, respectively).

1.3.2. Dividend distribution

According to the dividend policy approved in October 2020 by the Company's Board of Directors, on March 24 2021, concurrently with the approval of the Company's Periodic Report as of December 31 2020, the Company's Board of Directors decided to distribute a NIS 406 million dividend (which constitute 30% of the Company's comprehensive income for 2020). A total of approximately NIS 26 million - which was used to execute the share buyback plan - was deducted from the total distribution amount as of the distribution date. Accordingly, the actual amount distributed as dividend is NIS 380 million and represents NIS 1.49 per share.

1.3.3. Options to officers and employees

On May 26 2021, the Company's Board of Directors approved the award of up to 3,937,000 options to employees and officers of the Company and its subsidiaries, exercisable into up to 3,937,000 ordinary Company shares of NIS 1.00 par value each, subject to adjustments, without cash consideration. For further details, please see Note 9 to the Financial Statements.

1.3.4. Examining the possibility of selling Ad 120

In January 2021, The Phoenix Insurance's Board of Directors decided to consider selling its control stake (and up to 100% of The Phoenix Insurance's holdings) in Ad 120 - Residence for Senior

Citizens Ltd. (hereinafter - "Ad 120") as part of the execution of the Company's multi-year strategic plan, whereby the Group will focus, among other things, on its core business and unlock the value of the Group's asset portfolio. As of the report date, the Company is acting to implement the aforesaid with the assistance of an investment bank with which the Company has entered into an agreement in this matter. As of the report publication date, The Phoenix Insurance had received several unbinding initial offers from potential acquirers. The Phoenix Insurance is considering the various offers and alternatives for executing the transaction. For further details, please see the Bank's immediate report dated January 28 2021 (Ref. No.: 2021-01-011200).

1.3.5. **Gama IPO**

In May 2021, Gama Management and Clearing Ltd. (hereinafter - "**Gama**") published a draft prospectus for an initial public offering and sale offer (hereinafter: the "**Draft Prospectus**"). As of the report publication date, the Company indirectly holds - through The Phoenix Investments and Finances Ltd., a wholly-owned subsidiary of the Company (hereinafter - "The Phoenix Investments") - 49% of Gama's issued and paid-up share capital. According to the draft prospectus, the company intends, concurrently with the execution of the IPO, in accordance with the IPO prospectus, to acquire, through The Phoenix Investments, such that following the IPO and full dilution, it will hold more than 60% of Gama's issued and paid up share capital and voting rights, fully diluted, and shall be the controlling shareholder in Gama. To the extent that the issuance will indeed proceed and the Company will gain a holding stake of more than 50% over Gama, the Company is expected to record a one-off capital gain due to gaining control, ranging between NIS 230 million and NIS 280 million, depending on the IPO proceeds. As of the report publication date, the IPO is scheduled to take place in June 2021. However, it shall be clarified that the information stated in this section is forward-looking information and that there is no certainty that the IPO will indeed take place and what its terms and conditions will be.

1.3.6. **Offer to purchase all shares of Psagot Mutual Funds Ltd.**

On May 9 2021, KSM Sal Certificates Holdings Ltd. - a company indirectly controlled by the Company, jointly with YD More Investments Ltd. - filed a binding offer to acquire all shares of Psagot Mutual Funds Ltd., Psagot Securities Ltd. and Psagot Compass Investments Ltd. (hereinafter, collectively - the "Acquired Companies") by Psagot Investment House Ltd. (hereinafter - "Psagot"). The offer reflected an enterprise value of approximately NIS 420 million for the Acquired Companies, on the basis of zero debt and zero cash as of December 31 2020. The offer expired on May 10 2021 at 5:00 PM under the terms and conditions of the offer. For further details, please see the Company's reports dated May 9 2021 and May 11 2021 (Ref. Nos.: 2021-01-080166 and 2021-01-082401, respectively).

1.3.7. **Transfer of the shares of management company Phoenix Excellence from The Phoenix Insurance to the Company**

In January 2021, the Board of The Phoenix Insurance ratified its decision¹ to transfer shares of Phoenix Excellence by way of dividend in kind. The distribution has not yet been executed since, as of the report publication date, the approval of the Israel Tax Authority has yet to be given. It should be noted that the approval of the Capital Market, Insurance and Savings Authority has already been obtained. For further details - including the Board of Directors' original explanations for approving the distribution – please see the Company's immediate report dated December 31 2019 (Ref. No.: 2019-01-126166). It should be noted that as part of the distribution of the dividend in kind and prior to its execution, in August 2020, the Company's Board of Directors approved the Company's commitment to supplement The Phoenix Excellence's shareholders equity to the amount stipulated in the Supervision of Financial Services Regulations (Provident Funds) (Minimum Equity Required from a Management Company of a Provident Fund or a Pension Fund), 2012, in lieu of The Phoenix Insurance's commitment.

1.3.8. **Acquisition of the Halman-Aldubi Investment House**

The Halman-Aldubi transaction

As part of the implementation of its business strategy and its wish to expand its asset management activities in general and its pension and provident funds activities in particular, on February 28 2021, the Company completed the merger transaction - under which the Company acquired Halman-Aldubi Investment House Ltd. (hereinafter - "**Halman-Aldubi**"), by way of a reverse triple merger transaction - was completed. Upon completion of the transaction, Halman Aldubi became a privately-held company wholly-owned by the Company. The proceeds of the Halman Aldubi transaction totaled NIS 275 million.

Loan to Halman Aldubi Provident and Pension Funds

On February 18 2021, the Company entered into an agreement with Halman Aldubi Provident and Pension Funds Ltd., a company wholly owned by Halman-Aldubi (hereinafter - "**Halman Provident**"), according to which the Company would extend Halman Provident a loan to finance the full early redemption of all bonds (Series A) issued by Halman Provident, in the amount of NIS 73.6 million (hereinafter, respectively: the "**Bonds**" and the "**Early Redemption**"); according to the agreement, the Company undertook to finance the full early repayment of a loan totaling NIS 15 million (hereinafter - the "**Bank Loan Amount**"), taken by Halman Provident from a local banking corporation. On March 8 2021, early redemption of the bonds was made and the bank loan to the local banking corporation was repaid.

¹ The decision on the transfer of the shares of The Phoenix Excellence was initially made in December 2019. Due to the passage of time, and since the Israel Tax Authority's regulatory approval has yet to be granted, the Board of Directors of the Company discussed the issue again and approved the distribution.

Merger of Halman Provident into The Phoenix Excellence

On May 23 2021, the Phoenix Excellence's Board of Directors decided to merge Halman Provident with and into Phoenix Provident. According to the merger outline, the provident funds and the old pension funds managed by Halman Provident will be transferred to the management of Phoenix Provident. The merger between the companies - including the merger of the provident funds and the provident funds' investment tracks - is expected to be completed on September 30 2021, subject to obtaining the approvals required by law.

Default pension sale - Meitav-Dash deal

On February 22 2021, the Company entered into an agreement with Meitav Dash Provident Funds and Pension Ltd. (hereinafter - "**Meitav Dash Provident**"), according to which the Company will exercise its influence as Halman Aldubi's sole shareholder, such that Halman Provident will sign an agreement for the sale to Meitav Dash Provident of the new pension funds managed by Halman Provident for NIS 45 million, to be paid in one lump sum on completion date. On March 10 2021, Halman Provident signed the said agreement. The completion of the sale is subject to meeting accepted conditions precedent, and the last date for the completion of the Funds' sale agreement is scheduled for June 30 2021.²

For further details, please see the immediate reports from the following dates: December 8 2020, January 28 2021, February 3 2021, February 18 2021, February 23 2021, February 24 2021, and February 28 2021 Ref. Nos.: 2020-01-133119, 2021-01-011467, 2021-01-013942, 2021-01-020860, 2021-01-022078, 2021-01-021813 and 2021-01-023697, respectively.

1.3.9. Policy of voluntary reporting in English

In February 2021, the Company's Board of Directors approved the adoption of a voluntary reporting policy in English on the English-language MAYA website of the Tel Aviv Stock Exchange, beginning on the date of publication of the Company's annual Financial Statements for 2020. The adoption of the said policy is based, inter alia, on a notice published by the Israel Securities Authority on June 30 2020 - "Notice to Companies: Voluntary Publication of Translations of Reports into English." For further details, please see the Company's immediate report dated February 25 2021 (Ref. No. 2021-01-023287). The Company follows the said policy and on April 22 2021, published its 2020 Periodic Report in English for the first time.

1.3.10. Ratings

- a. On January 11 2021, Midroog announced it was reiterating the rating of Series 3 and 4 bonds at Aa3.il, with a stable outlook. On January 31 2021, Midroog announced it has rated the extension of up to NIS 350 million in Series 4 and 5 bonds issued by the Company at Aa3.il,

² The last date for the completion of the Funds' sale agreement was originally scheduled for May 31 2021; the agreement was extended by the parties until June 30 2021.

with a stable outlook. For further details, please see the Company's immediate reports dated January 11 2021 (Ref. No. 2021-15-004746) and January 31 2021 (Ref. No. 2021-15-012981). On January 31 2021, Ma'alot S&P reiterated the Company's rating at -ilAA - with a stable outlook; it rated the extension of Series 4 and 5 bonds in the amount of up to NIS 350 million at -ilAA. For further details, please see the Company's immediate report dated January 31 2021 (Ref. No.: 2021-15-012963).

- b. On January 31 2021, Ma'alot S&P reiterated The Phoenix Insurance's rating at +ilAA. For further details, please see the immediate report issued by The Phoenix Capital Raising on January 31 2021 (Ref. No. 2021-15-013263).

1.3.11. **Debt raising - extension of Series 4 and 5 Bonds by the Company**

Extension of bonds (Series 4 and 5)

In February 2021, the Company extended, by NIS 127,384 thousand, registered Series 4 bonds of NIS 1 par value each and NIS 222,616 thousand of NIS 1 par value each registered (Series 5) bonds, which were issued pursuant to the Company's shelf offering report dated February 3 2021 (Ref. No. 2021-01-013684). The proceeds of the offering were used by the Company for its ongoing needs and those of its subsidiaries, including the acquisition of Halman Aldubi's entire share capital.

1.3.12. **Interest**

Changes in the risk-free interest rate curve have significant effect on The Phoenix Insurance's assets, liabilities, financial performance, and solvency ratio. For further details on changes in the interest rate curve, please see Note 8.A to the Financial Statements as of March 31 2021 (hereinafter - the "**Financial Statements**"); as to the interest's effect on the solvency ratio, please see Section 2.1.5 of the report.

1.3.13. **Issuance of Restricted Tier 1 capital (RT1) by The Phoenix Insurance**

The Phoenix Insurance is considering the issuance of an Additional Tier 1 capital instrument, recognized as regulatory capital under the Economic Solvency Regime, in order to strengthen its capital and improve its solvency ratio. In March 2021, the Board of Directors approved to continue examining the issuance procedure. The recognition of the instrument as an Additional Tier 1 capital instrument is subject to the approval of the Commissioner of the Capital Market, Insurance and Savings.

The issuance amount is expected to be approximately NIS 400 million. The terms and conditions of the instrument, including the redemption period, are in accordance with the provisions of Part B ("Provisions in respect of Equity Capital of Insurance Companies") to Insurance Circular 2020-1-15, "Provisions for Applying Economic Solvency Regime Based on Solvency II for Insurance Companies." The Phoenix Insurance works to obtain the regulatory approvals required for executing the issuance.

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

As part of The Phoenix's preparations for the application of IFRS 17 (hereinafter - the "**Standard**") in the Financial Statements of the Company and The Phoenix Insurance as of the quarterly and annual periods beginning on January 1 2023, in February 2021, The Phoenix Insurance signed agreements with software and integration service providers for the purpose of applying the Standard. The purpose of the agreements is to implement and assimilate a system aimed at enabling the Company to meet the regulatory requirements for the application of the Standard, including the requirements detailed in "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17, Insurance Contracts", published on June 7 2020 by the Capital Market, Insurance and Savings Authority.

In addition, The Phoenix Insurance entered into an agreement with EY Canada, in partnership with EY Israel, which includes expanding their auditing and consulting services. The contract was preapproved by The Phoenix Insurance's Audit Committee, which determined - after being presented with satisfactory references - that the said consultancy project meets the independence rules according to the Commissioner's position titled "Impairment of the Independence of an Independent Auditor due to the Provision of an Ancillary Service" published in January 2021. For further details, please see Note 2(ee)(1) to the Financial Statements as of December 31 2020.

1.3.15. New chairman for OPM Investment Committee

In April 2021, the Commissioner approved the appointment of Mr. Eldad Fresher as Chairman of the OPM Investment Committee for Insurance, Provident and Pension Planholders and Policyholders, following the approval by The Phoenix Insurance's Board of Directors. Mr. Fresher will begin his term in early June 2021. Mr. Fresher will replace Mr. Jacob Rosen, who served as the Committee's chairman for the past nine years. The Phoenix's management thanks Mr. Rosen for his substantial contribution to The Phoenix's performance and the unprecedented investments and achievements made over the past few years.

1.4. The coronavirus and its impact

For details regarding the extent of the coronavirus crisis's impact on the Company's various business activities, please see Note 1 to the Financial Statements as of December 31 2020.

1.5. The security situation

During May 2021, following a military escalation in Israel, rockets were fired into the country over a period of 11 days. During this period, the Company continued to provide full service to its customers. To the best of the Company's knowledge, as of the report publication date, the event does not have a material effect on the Company's performance. In addition, we note that the State of Israel covers property damage, if any.

2. Description of the Business Environment

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

2.1.1. Provisions regarding the implementation of the Economic Solvency Regime

The Phoenix Insurance is subject to the Solvency II-based Economic Solvency Regime in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "Economic Solvency Regime"), which was published on October 14 2020. The Economic Solvency Regime is a regulatory directive that regulates capital requirements and risk-management processes among insurance companies. The Economic Solvency Regime sets a standard model for calculating eligible capital and the regulatory solvency capital requirement, with the aim of bringing insurance companies to hold buffers to absorb losses arising from the materialization of unexpected risks to which they are exposed. The solvency ratio is the ratio between an insurance company's economic shareholders' equity recognized for solvency purposes and the required capital.

2.1.2. Increasing economic capital according to the transitional provisions:

The Company opted for the alternative provided by the Economic Solvency Regime regarding the transitional provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the "Deduction During the Transitional Period"). With regard to the Deduction During the Transitional Period, a letter was addressed to insurance companies managers titled "Principles for calculating Deduction During the Transitional Period in the Solvency II-based Economic Solvency Regime" (hereinafter - the "Letter of Principles"). Pursuant to the Letter of Principles, the Deduction During the Transitional Period shall be calculated by dividing insurance policies issued through December 31 2016 into homogeneous risk groups. The aforesaid deduction shall be calculated as the difference between insurance reserves (retention) as per the economic balance sheet, including the risk margin attributed thereto (net of the difference between the fair value and the carrying amount of designated bonds) and the insurance reserves (retention) as per the Financial Statements. This difference shall be deducted on a linear basis until December 31 2032. The deduction balance at each reporting date (hereinafter - the "Deduction Value During the Transitional Period") shall be proportionate to the expected increase in the solvency ratio calculated excluding expedients during the Transitional Period.

2.1.3. Publication of Economic Solvency Ratio Report

The Economic Solvency Ratio Report as of December 31 2020 was published at the same time as the Financial Statements, on May 27 2021, and was prepared and presented in accordance with the provisions of Chapter 1, Part 4, Section 5 of the Consolidated Circular, according to Circular 2020-1-17 (hereinafter - the "Disclosure Provisions"). In accordance with the Consolidated Circular, the economic solvency ratio report in respect of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date. Despite the above, on March 19 2020, the Commissioner published a letter, Ref. No. SH 2020-2031, stipulating that an insurance company is exempt from publishing an economic solvency ratio report as of June 30 2020 and from filing solvency reporting files in for that date.

On March 14 2021, a letter from the Commissioner was published, Ref. No. 2021-423, stating that the deadline for publication of the economic solvency ratio report as of December 31 2020, as well as the accompanying files reported to the Commissioner, shall be filed no later than June 30 2021. In addition, the letter states that an insurance company may refrain from publishing an economic solvency ratio report as of June 30 2021.

2.1.4. Economic solvency ratio and minimum capital requirement (MCR):

The meaning of the terms in this section is the same as in Appendix B to Chapter 2 in Part 2 of Section 5 of the Consolidated Circular - "Economic Solvency Regime".

a. Economic solvency ratio:

	As of December 31	
	2020	2019**
	Audited*	
	In NIS thousand	
Shareholders equity in respect of SCR (1)	12,770,842	12,086,505
Capital required for SCR	6,661,640	7,455,885
Surplus	6,109,203	4,630,620
Economic solvency ratio (in %)	192%	162%
<u>Effect of material capital-related measures taken in the period between the calculation date and the publication date of the solvency ratio report:</u>		
Raising of equity instruments	-	220,000
Shareholders equity for SCR	12,770,842	12,306,505
Surplus	6,109,203	4,850,620
Economic solvency ratio (in %)	192%	165%

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

**The solvency ratio calculation as of December 31 2019 does not include the effect of retrospective application following a policy change regarding LAT in life and health insurance.

(1) The above audited solvency ratio includes a NIS 200 million dividend distribution performed between the calculation date and report publication date. See Section E below.

Main changes in capital surplus and in the economic solvency ratio compared to last year

- Positive returns on risk-free interest in planholders' portfolios (which have a positive effect on Company's management fees income from these portfolios) and in the nostro portfolio caused an increase in the Company's Tier 1 Capital, and on the other hand increased the capital requirement. On a cumulative basis, these returns have had a significant positive effect on the Company's economic solvency ratio.
- During 2020, the Company conducted studies and revised criteria in its actuarial model and the expenditure model, which had a positive effect on the solvency ratio.
- A substantial positive effect on the solvency ratio was recorded as a result of an increase in accordance with the loss absorption adjustment due to a deferred tax asset, in accordance with the Company's estimate regarding utilizable tax credits. This effect reduced the capital requirement and, accordingly, increased the capital surplus.
- A decline in the risk-free interest rate curve (in the mid-to-long term) has had a negative effect on the Company's capital surplus and solvency ratio.
- In December 2020, the Company and a reinsurer rated AA entered into an agreement aimed at providing the Company with partial protection against a mass lapse scenario in its life and health insurance business. The effect of the transaction on the capital surplus is an increase of approximately NIS 290 million, which increases the solvency ratio by approximately 7% (taking into account the transitional provisions and the adjustment of the stock scenario). For further details regarding the transaction, please see the Company's immediate report dated December 27 2020.
- In March 2021, the Company's Board of Directors approved a dividend distribution in the amount of NIS 200 million, which reduces the capital surplus at this amount. According to the guidelines, the dividend amount will be deducted from the economic capital balance as of December 31 2020.

The deduction amount

In March 2020, the Commissioner published an amendment to the provisions of the Consolidated Circular regarding the Liability Adequacy Testing (hereinafter - the "LAT Circular"). The amendment included changes in the way insurance liabilities are calculated as part of the Liability Adequacy Test (LAT), and determined that these changes would apply from the financial statements as of March 31 2020 as a change in accounting policies by way of retrospective application. In accordance with the Commissioner's Directives, the said amendment is not reflected in the calculation of the Deduction During the Transitional Period as of December 31 2019.

In March 2021, the Commissioner published a clarification in connection with this issue, stipulating that the calculation of the LAT Circular's effect on the Deduction During the Transitional Period as of December 31 2020 shall be carried out retrospectively, as follows: The Deduction During the Transitional Period will be calculated as of December 31 2019 using the same method as the one used to calculate the Economic Solvency Ratio Report for that date; the accounting-based insurance liabilities include the effect of the LAT Circular, and the economic-based insurance liabilities (best estimate plus risk margin) and added fair value of the designated bonds include the effect derived therefrom. The Deduction During the Transitional Period as of December 31 2020 shall be based on the Deduction During the Transitional Period that was calculated retrospectively and will be deducted as described above. The effect of the LAT circular's application, as explained above, is to increase the amount of the Deduction During the Transitional Period by approximately NIS 382 million as of as of December 31 2019. Were it not for the capital surplus circular as of December 31 2020, it would have been NIS 5,816 million and the solvency ratio - 186%, after the Deduction as stated in the Letter of Principles. For details regarding the economic solvency ratio without applying the transitional provisions for the Transitional Period, and without adjusting the stock scenario, and for details regarding the solvency ratio target and restrictions imposed on the Company with respect to dividend distribution, please see Section C below.

b. Minimum capital requirement (MCR)

	As of December 31	
	2020	2019**
	Audited*	
	In NIS thousand	
Minimum capital requirement (MCR)	1,665,410	1,863,971
Shareholders equity for MCR	9,773,104	8,919,336

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

**The calculation does not include the effect of retrospective application following a policy change regarding LAT in life and health insurance.

Below is a link to the Economic Solvency Ratio Report on the company's website.

<https://investor-relations.fnx.co.il/about-us/solvency-report/>

c. Limitations on dividend distribution and solvency ratio without the implementation of the deployment provisions

The Company's policy is to have a solid capital base to ensure its solvency and ability to meet its liabilities to policyholders, to preserve the Company's ability to continue its business

activity such that it is able to provide returns to its shareholders. The Company is subject to capital requirements set by the Commissioner.

On October 27 2020, The Phoenix Insurance's Board of Directors set a minimum economic solvency ratio target and target range based on Solvency II.

The minimum economic solvency ratio target, taking into account the transitional provisions, is set at 135% while the minimum solvency ratio target without taking into account the provisions during the Transitional Period is set at 105%,³ set to reach 135% at the end of the Transitional Period according to the Company's capital plan.

Furthermore, The Phoenix Insurance's Board of Directors approved an economic solvency ratio target range of 150%-170%, within which the Company seeks to be during and at the end of the Transitional Period, taking into account the Deduction During the Transitional Period and its gradual reduction. As of December 31 2020, the Company meets the set targets. It is hereby clarified that the aforesaid does not guarantee that the Company will meet the set targets at all times.

Dividend

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

The following are data on the Company's economic solvency ratio, calculated without taking into account the transitional provisions and the solvency ratio target set by the Company's Board of Directors, as required by the letter. As of December 31 2020, the ratio is higher than the target set by the Board of Directors.

³ On December 30 2019, the Board of Directors of The Phoenix Insurance approved the transfer of Phoenix Excellence Pension and Provident Funds Ltd. to the Company as distribution of a dividend in kind. The transfer was approved by the Commissioner; however, the Israel Tax Authority's approval for the execution of the transfer has not yet been received, and therefore the transfer has not yet been made. In view of the above, on October 27 2020, The Phoenix Insurance's Board of Directors passed a resolution whereby the target is inapplicable to the transfer. Upon receipt of the Israel Tax Authority's approval, the execution of the abovementioned transfer shall be assessed subject to the provisions of the Solvency Circular and letter. For further details, please see Section 1.3.7 to the Report of the Board of Directors. It should also be noted that this transfer is expected to reduce The Phoenix Insurance's capital surplus by approximately NIS 160 million (an effect of approximately 2% on the solvency ratio), based on a calculation carried out in respect of December 31 2020, without taking into account the provisions in the Transitional Period.

d. Solvency ratio without applying the transitional provisions for the Transitional Period, and without adjusting the stock scenario:

	As of December 31	
	2020**	2019**
	Audited*	
	In NIS thousand	
Shareholders' equity for SCR (NIS thousand)	9,931,007	9,161,522
Solvency capital requirement (SCR) (in NIS thousand)		
(1)	8,557,405	8,896,554
Economic solvency ratio (in %)	116%	103%
<u>Effect of material capital-related measures taken in the period between the calculation date and the publication date of the solvency ratio report:</u>		
Raising of equity instruments	-	220,000
Shareholders equity for SCR	9,931,007	9,381,522
Surplus	1,373,602	484,967
Economic solvency ratio (in %)	116%	105%
<u>Capital surplus after capital-related actions in relation to the Board of Directors' target:</u>		
Minimum solvency target, net of the transitional provisions	105%	105%
Capital surplus over target***	945,731	40,140

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

** The capital surplus includes 35% of the original difference attributed to the purchase of the activity of provident funds and management companies amounting to approximately NIS 15 million as of December 31 2020 and 2019. The difference is not recognized for dividend distribution purposes.

***The solvency ratio calculation as of December 31 2019 does not include the effect of retrospective application following a proactive policy change regarding LAT in life and health insurance.

(1) The above audited solvency ratio includes a NIS 200 million dividend distribution performed between the calculation date and report publication date. See Section E below.

e. Dividend distribution based on the economic solvency ratio as of December 31 2020

During the first quarter of 2021, The Phoenix Insurance distributed a dividend in the amount of NIS 200 million, in accordance with the audited results as of December 31 2019, and in accordance with the results of an estimate to calculate the Solvency II-based economic solvency ratio as of December 31 2020 (hereinafter, the "Estimate"). For further details regarding the Estimate, please see the Company's immediate report dated March 25 2021.

According to the audited results as of December 31 2020, following the dividend distribution, as stated above, the economic solvency ratio of The Phoenix Insurance is 192%, and the economic solvency ratio net of the transitional provisions for the Transitional Period and without adjusting the stock scenario is 116%.

The results exceed the capital target set by the Board of Directors, which is 105% and meet the 150%-170% target range, in which the Company seeks to be during and after the Transitional Period, given the Deduction during the Transitional Period and its gradual reduction; thus, the Company exceeds the requirements of the letter published by the Commissioner in October 2017 regarding restrictions on dividend distribution, as stated above.

In addition, on March 24 2021, the Board of Directors of The Phoenix Insurance approved taking under consideration the issuance of an Additional Tier 1 capital instrument in the amount of approximately NIS 400 million; the issuance shall have a positive effect on The Phoenix Insurance's solvency ratio. For further details, please see Section 1.3.13 below.

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

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

Range/years		Dec. 31 2020	Mar. 31 2021	May 23 2021
Short term	1-3	Between 0.13% and (0.85)%	Between (1.28)% and (1.50)%	Between (1.37)% and (1.73)%
Mid-term	4-10	Between (0.94)% and (0.58)%	Between (1.34)% and (0.50)%	Between (1.57)% and (0.65)%
Mid-long term	11-15	Between (0.49)% and (0.23)%	Between (0.39)% and (0.12)%	Between (0.51)% and (0.06)%
Long term	16-25	Between (0.18)% and 0.23%	Between (0.08)% and 0.31%	Between 0.03% and 0.52%

The Company performed a sensitivity analysis for a corresponding decrease of 50 basis points along the risk-free linked shekel interest rate curve. The effect of such a scenario on the economic solvency ratio is a 13% decrease in the solvency ratio, taking into account the transitional provisions and 8% and excluding a transitional provision or adjusting a stock scenario. This scenario reflects the effects on equity, including the quantitative restrictions that apply to equity, on the economic solvency ratio and capital required for solvency purposes. The sensitivity test only reflects direct effects on the economic solvency ratio, holding all other factors fixed, and do not include effects derived from changes arising from other risk factors. It should be noted that the sensitivity is not necessarily linear; i.e., sensitivity at other rates is not necessarily a simple extrapolation of the sensitivity test presented.

The calculation of the solvency ratio is based, among other things, on forecasts, assessments, and estimates of future events, the materialization of which is uncertain and is not under the Company's control, and which should be considered as "forward-looking information" as the term is defined in Section 32A to the Securities Law, 1968.

⁴ The risk-free linked interest rate curves were taken from Fair Spread Ltd. To calculate the solvency ratio, the Company takes into account other components in addition to the risk-free interest rate. For more information, please see the Solvency Ratio Report published on October 28 2020 (Ref. No.: 2019-01-126082).

2.2. Arrangements in force

For further details regarding material regulatory provisions published during the reporting period, please see Section 4.1.1 to the 2020 Report on the Corporation's Business.

2.3. Draft laws, regulations and bills

Following are drafts of material regulatory provisions published during the reporting period and thereafter, which are not included in the 2020 Report on the Corporation's Business. For further details regarding additional drafts of material regulatory provisions published during the reporting period, please see Section 4.1 to the 2020 Report on the Company's Business.

- 2.3.1. In March 2021, the Commissioner of the Capital Market, Insurance and Savings published a draft letter addressed to managers of insurance companies titled "**Principles of Recognizing Insurtech Investments in Calculating the Economic Solvency Ratio.**" According to the Economic Solvency Regime section in the consolidated circular, an insurance company may apply to the Commissioner for recognition of an intangible asset in respect of an insurtech investment. The purpose of the letter is to outline the principles to be considered when testing for recognition of an intangible asset in respect of an insurtech investment as part of the economic balance sheet and the procedure for approval of said requests.
- 2.3.2. In March 2021, the Commissioner of the Capital Market, Insurance and Savings published a draft letter addressed to managers of insurance companies titled "**Update 2 of the Q&A File for the Application and Disclosure of the Economic Solvency Regime of an Insurance Company.**" The said letter is an updated version of the Q&A file published by the Commissioner in June 2018, which includes questions posed to the Capital Market, Insurance and Savings regarding the manner of implementing the solvency circulars and the Commissioner's interpretative position regarding these circulars. The updated Q&A file is published on the back of the publication of an amendment to the solvency circular of October 2020 and additional questions on the topic.
- 2.3.3. In April 2021, draft circular **Amendment to the Provisions of the Consolidated Circular - Chapter 6, Part 3, Articles 2, 3, and 4 - Insurance of Personal Accidents** - was published. According to Insurance of Personal Accidents Circular, which entered into force on May 1 2021, a policyholder shall be entitled to a daily compensation for a convalescence period. Due to insurers' claim that a daily compensation for a convalescence period significantly raises the premium, it is proposed to revoke the mandatory coverage for a convalescence period and enable customers to purchase the policy without it.

- 2.3.4. In April 2021, a **draft Companies Regulations (Rules Regarding Compensation and Reimbursement of Expenses for External Directors (Temporary Order), 2021**, was published. According to the Companies Regulations (Rules Regarding Compensation and Reimbursement of Expenses for External Directors, 2000, an external director is entitled to 60% of the regular compensation for a meeting in which he/she participated using "communication means". On the back of the coronavirus crisis, it is proposed to prescribe, in a temporary order, that the board of directors of a publicly-traded company or a privately-held company that is a bond company subject to the Compensation Regulations, shall be entitled to decide that during the restriction period, the company shall pay full compensation for a meeting that, due to its nature, would have been held in person but takes place using means of communications due to a restriction or other justification arising from the constraints of the period, which prevent it from being held as it would have otherwise been held.
- 2.3.5. In March 2021, the Privacy Protection Authority published a draft policy paper titled **Data Minimization**. In its policy paper, the Privacy Protection Authority reviews the relevant legal provisions and presents recommendations to minimize the collection and saving of excess data in data bases. As a rule, the Authority recommends that all relevant parties implement the data minimization principles as part of their activity, to refrain - as far as possible - from saving information regarding a person that is unneeded for the purpose of collection or the database in which it is saved, and to save only the minimum information that is required and necessary for these purposes in terms of the scope and type of information saved, etc.

3. **Developments in the Macroeconomic Environment**

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

3.1. **Financial markets in Israel**

During the reporting period, another outbreak of the coronavirus pandemic took place in Israel. In response, a third lockdown was imposed, which included distancing regulations; the vaccination drive continued and turned out to be a very swift. The combination of the lockdown and vaccination drive resulted in a decline in morbidity rates, which allowed for a gradual reopening of the economy, most of which was completed towards late February. Growth figures for 2020 turned out to be a pleasant surprise, reflecting a contraction of a mere 2.5%, with exports - which continued to expand in 2020 - standing out. On the other hand, there was a prominent decrease of about 9% in private consumption. The Bank of Israel revised its 2021 growth forecast to 6.3%. In February, the unemployment rate in Israel was 4.6% (excluding furloughed employees), a low rate considering that the economy was under partial lockdown.

The positive economic data in Israel along with the fast vaccination pace and current account surplus supported a sharp appreciation of the shekel against world currencies until on January 14 2021, the Bank of Israel took the unusual step of announcing an expanded foreign currency purchase plan for 2021; this measure allowed yields to be traded in the negative territory, supporting the shekel's devaluation. In contrast to the short-term interest rates - which, as aforesaid, remained very low - long-term interest rates rose sharply, similarly to the global trend, mainly on the back of the rise in commodity prices. The inflation environment in Israel remained negative, dropping by an annualized 0% in February. However, inflation expectations for the coming year have soared to approximately 1.3%. In March, elections were held in Israel for the fourth consecutive time, with no clear winner, which further exacerbated the uncertainty.

The Tel Aviv 125 index was up 6.12% during the period; the shekel weakened against the US dollar by 3.9%; the 10-year shekel yield rose from 0.8% to 1.2%; and the real yield remained a relatively stable 0.8%.

Subsequent to the balance sheet date

The first growth estimate in the first quarter described a contraction in GDP at an annualized 6.5%, against the background of the third closure and the effect of a decrease in car imports (which were brought forward to the end of 2020 due to tax considerations). The indications subsequent to the balance sheet date describe an almost complete return to activity in most industries. The percentage of furloughed employees fell to 2.9% in the second half of April, with the unemployment rate up slightly from 4.7% to 5.0%. The Central Bureau of Statistics' growth projections for 2021 were slightly revised downwards to reflect a 2.3% contraction. The Bank of Israel estimates that in 2021, growth will reach 6.3%. In its monetary decision, the Bank of Israel left the interest rate unchanged; however, it explained that it had no intention of withdrawing from its bond purchase plan ahead of schedule, before its end date in the fall, and would even consider extending it if necessary. The Governor of the Bank of Israel added that it had patience in terms of allowing inflation to reach the target range. Following a state deficit of 12% during the coronavirus year, the Bank of Israel predicts an 8% deficit in 2021; in addition, it suggested that following the coronavirus period, the economy will reach a higher debt level of 80%. The Bank of Israel's foreign exchange reserves reached USD 200 billion. The inflation environment in Israel continued to rise, with the CPI up by 0.3% in April and 0.8% annually. Inflation expectations continued to soar, in line with the global trend, rising a sharp 1.9% - higher than the average 10-year inflation expectations, which were up 1.7% (in OTC trading). The rise in the inflation environment is mainly attributed to global factors, including higher prices for raw materials and transport costs. Since the elections, no new government has been formed in Israel. During May, Israel launched a military operation called "The Guardian of the Walls", which lasted 11 days; during the operation, rockets were fired into central Israel. However, the disruptions to economic activity were negligible and the capital market continued to operate relatively similar to the global trend.

The TA 125 index rose by 6.5% subsequent to the balance sheet date; the shekel strengthened against the US dollar by 2.6%; the nominal 10-year shekel yield rose from 1.1% to 1.2%; and the real yield was up to -0.6%.

3.2. **Capital markets abroad**

The coronavirus pandemic continued around the world; but for the first time since the onset of the pandemic, the daily number of infections began to decline. More and more countries began to vaccinate their residents. In Europe, significant mobility restrictions continued. Recent data show that in 2020, GDP in the eurozone contracted by 6.2% and 3.5% in the U.S. The U.S. economy is more aggressively supported by fiscal accommodation measures; since the balance sheet date, the White House has delivered an additional aid package of USD 1.9 trillion. Chief procurement officer surveys also provided positive indications, with the US Chief Procurement Officer Survey soaring to 60.8 points - its highest level since 2004.

The global inflation environment recorded a marked increase - mainly on the back of the continued rise in commodity prices - with the CRB commodity price index up by a further 10.2%. The price of oil soared by 22%. Inflation expectations also rose sharply, with the 10-year US inflation expectations rising from 1.8% to 2.4%. Rising inflation expectations continued to push yields upwards worldwide, with 10-year ones in the US rising from 0.9% to 1.7% and in Germany - from -0.6% to -0.3%.

In equity markets, rotation continued between growth stocks - which lost momentum, and value stocks - which gained momentum.

The S&P 500 was up 5.8%, the EURO-STOXX 50 rose 10.3% and the MSCI EM was up 2.0%. The euro devalued by 4% against the US dollar, reaching a rate of approximately USD 1.17 per EUR 1.

Subsequent to the balance sheet date

In most Western countries, the coronavirus pandemic subsided, especially in the US, amid progress in the vaccination drive and restrictions, but recorded a sharp rise in multiple emerging economies, most prominently - in India. The International Monetary Fund updated its growth forecast for the global economy in 2021 from 5.5% to 6.0%. In the US, GDP data for the first quarter showed a 6.4% expansion, following President Biden's sizable fiscal plan - which totals USD 2.3 trillion for ten years, primarily for infrastructure projects, but was met by opposition from Republicans, and is expected to be cut down substantially. Global economic recovery is facing bottlenecks due to transportation and access to raw materials, which is reflected in a surprising drop in the US Chief Procurement Officer Survey in April, which fell to 60.7. Commodity prices rose sharply, with the CRB index rising a further 9% and oil adding another 7.5% to the WTI price, reaching USD 64. Inflation expectations soared worldwide, most prominently for the short term rather than for the long term. Inflation in the US (CPI) for April soared to an annual change of 4.2%. Central bank governors in Europe and the US have made it clear that they, too, regard the outbreak of inflation as an event with "temporary" indications and that they do not intend to deviate from their intention to leave the

interest rates low for a significant period of time. In the US, Governor Powell made it clear that the Fed has not even considered when would be the right time to begin discussing a reduction in the bond purchase plan. The Fed's insistence has contributed to the stabilization of bond yields. Later on, the Fed's minutes showed that several participants supported such a discussion taking place as soon as the next meetings, raising concerns that inflation will be higher or last longer than currently estimated.

The 10-year yield in the US dropped to 1.62% and in Germany - rose to -0.13%. The S&P 500 US stock index was up 5%, in Europe - the EURO-STOXX was up 7.2%, and the MSCI EM emerging markets index rose 1.0%.

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

4.1. General

The Group's operations are affected by constant changes in regulations and regulatory reforms that are executed gradually. The Group operates in a complex, changing reality in which it must prepare for such regulatory changes.

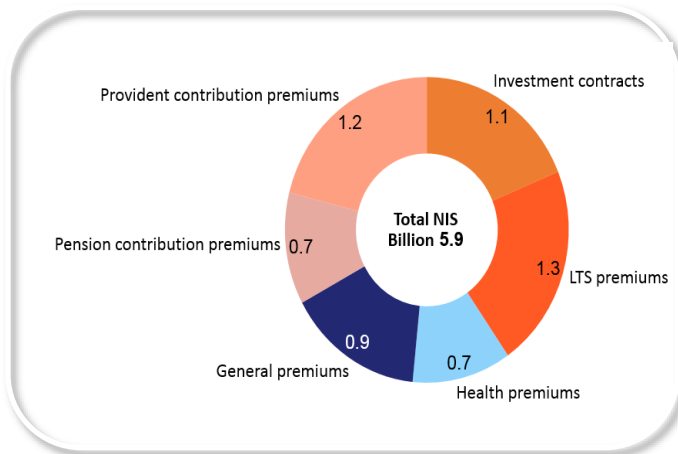
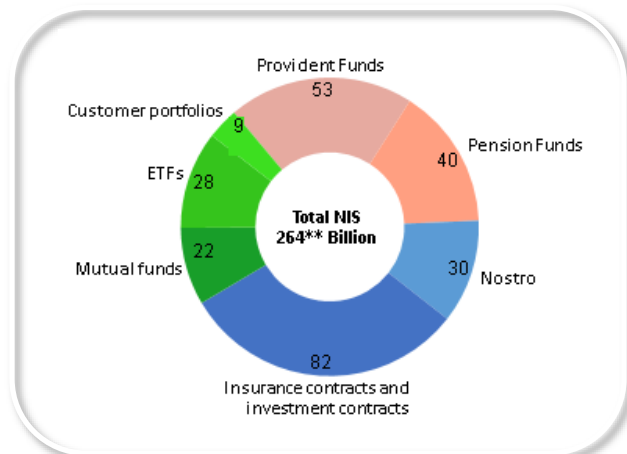
In addition, as the controlling shareholder of institutional entities, the Group must also deal with proposed changes in the minimum capital requirements that apply to its institutional entities, which impose, among other things, restrictions on dividend distribution by institutional entities.

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

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

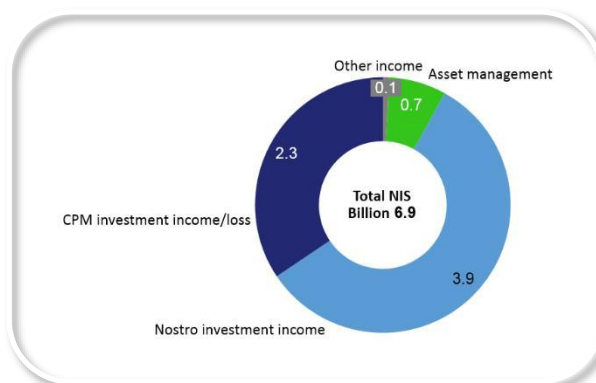
Assets under management as of March 31 2021
towards benefits and proceeds

Premiums, gross, contributions
in respect of investment contracts
for 1-3/2021



(**) Including the assets of the Halman Aldubi investment house and excluding the assets of the IEC and IPC (including the assets of the IEC and IPC in the amount of NIS 46 billion; total assets under management - NIS 310 billion).

Income for 1-3/2021

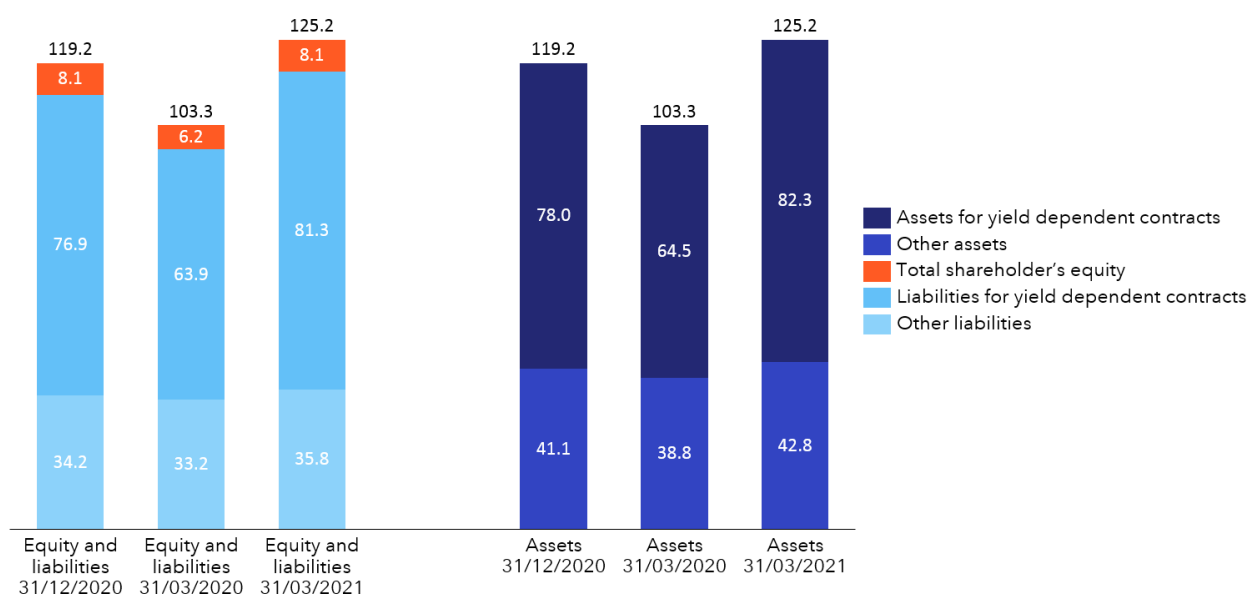


Total assets under management by provident funds, excluding guaranteed return provident fund tracks, pension funds, ETFs, mutual funds, and customers' investment portfolios are not included in the Company's consolidated Financial Statements. Proceeds in respect of investment contracts are not included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

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

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

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



Assets:

Total financial assets in respect of yield-dependent contracts and cash and cash equivalents in respect of yield-dependent contracts as of March 31 2021, amounted to approximately NIS 82.3 billion, compared to approximately NIS 64.5 billion as of March 31 2020 and NIS 78 billion as of December 31 2020.

Liabilities:

Liabilities in respect of insurance contracts and yield-dependent investment contracts amounted to approximately NIS 81.3 billion as of March 31 2021, compared to approximately NIS 63.9 billion as of March 31 2020 and NIS 76.9 billion as of December 31 2020.

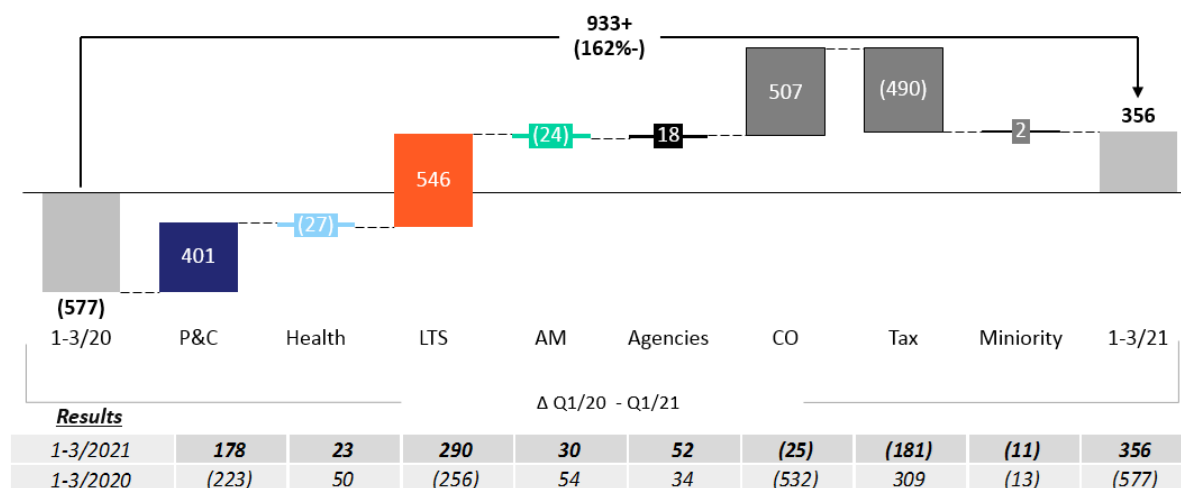
4.4. Description of the development of the Group's comprehensive income:

4.4.1. General

4.4.1.1. At each reporting period, the Company reviews its sources of income, according to the segments breakdown, as outlined in Section 4.4.2. It should be noted that in the health insurance and in property and casualty insurance segments, the profitability analysis is based on a breakdown to underwriting earnings, which assumes a real return of 3% on the portion that is not backed by Hetz bonds, and earnings stemming from capital market effects, which include income from nostro investments above or below a real return of 3%, the effect of the interest rate curve and other non-recurring effects.

4.4.1.2. In the life insurance and long-term savings segment, the Company reviews its profitability across all reporting periods or the segment's profitability based on the following: a breakdown to nostro investment income, net of yield credited to policyholders; the effect of the interest rate curve, including changes in the K value and other non-recurring effects; and the underwriting earnings, which include, among other things, income from variable and fixed management fees.

4.4.2. Set forth below is an analysis of the Company's financial performance by segment in the first quarter of 2021 compared with the corresponding quarter last year (in NIS million):

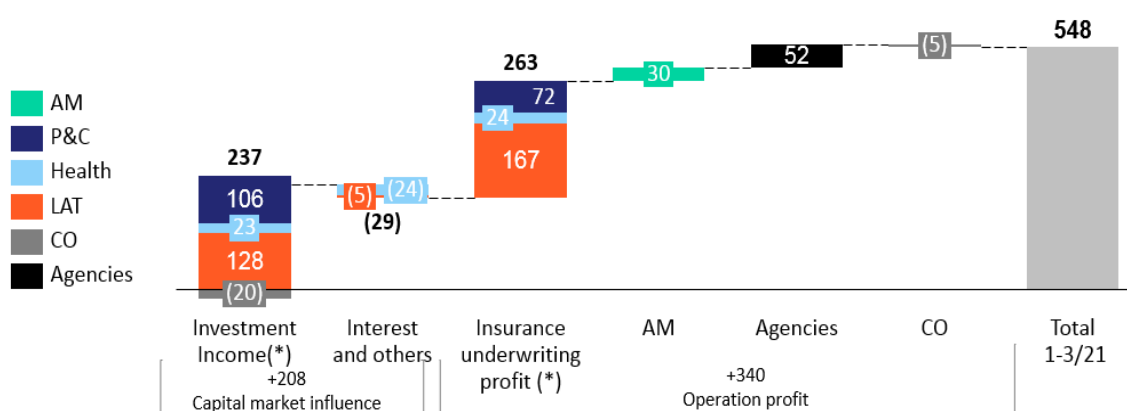


In the first quarter, investment income (including pre-tax other comprehensive income) amounted to approximately NIS 3,915 million, compared with a loss of approximately NIS 8,779 million in the first quarter last year. It should be noted that a significant portion of the said investment gains or losses was carried to participating policies and had no direct effect on the Company's results. The Company's results are mainly impacted by investment income from its nostro portfolio, as reflected in Sections 4.4.3-4.4.4 below.

In the first quarter, the reporting period, income from management fees were up by approximately NIS 212 million compared with the corresponding quarter last year. Most of the increase is due to collection of variable management fees following the rallies in financial markets in Israel and around the world in the first quarter, the reporting period, in the amount of NIS 199 million, compared to no such collection during the same quarter last year, due to the declines in financial markets in Israel and around the world following the spread of the coronavirus.

For the effects on the results at the segment level, please see details in Sections 4.5-4.10 below.

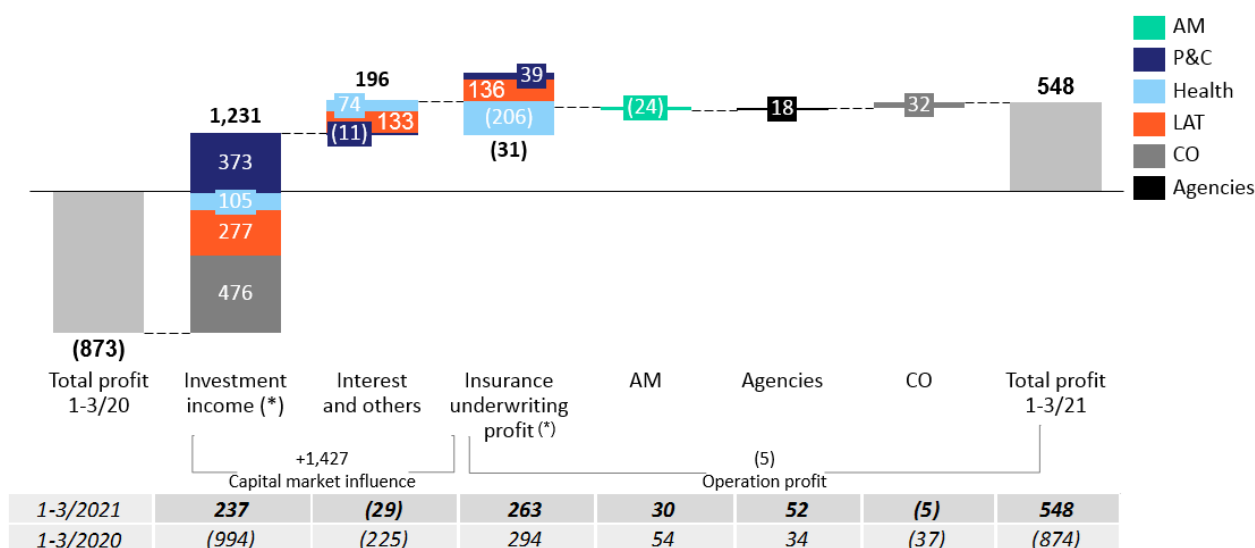
4.4.3. **Following is an analysis of the sources of the Company's pre-tax income by earnings per activity and earnings from capital market effects in Q1 2021 (in NIS million):**



(*) The underwriting earnings in health insurance and in property and casualty insurance assumes a real return of 3%; all remaining investment income is included in capital market effects. Furthermore, investment income in life insurance is presented net of yield credited to policyholders. See Section 4.4.1 above.

(*) Underwriting earnings in life insurance includes variable management fees actually collected (net of a 3% real return assumption).

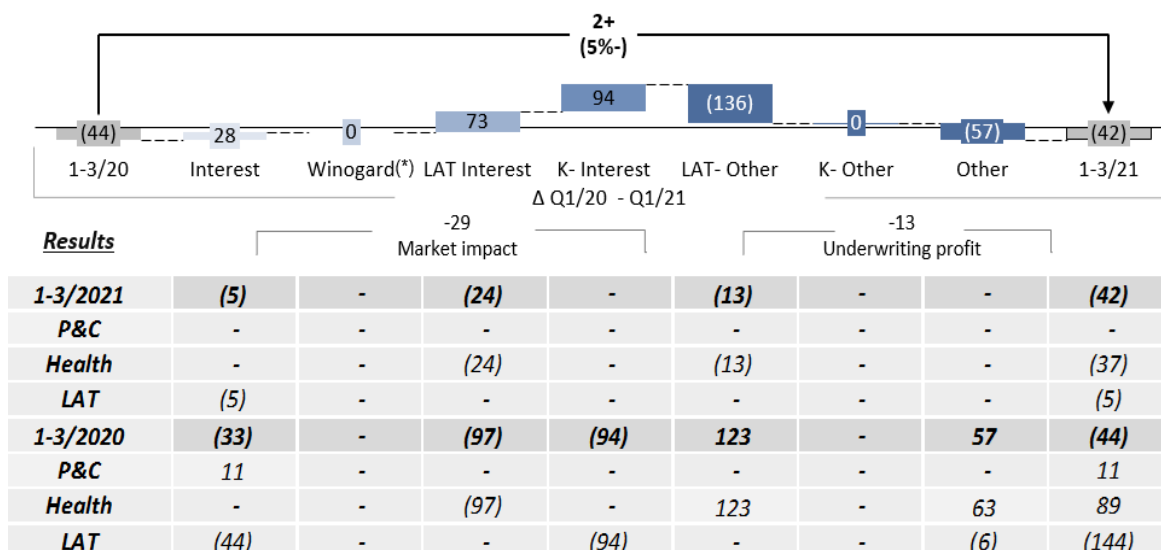
4.4.4. **Following is an analysis of the sources of the Company's pre-tax income by earnings⁽¹⁾ per activity and earnings from capital market effects in Q1 2021 compared to the same quarter last year (in NIS million):**



(*) The underwriting earnings in health insurance and in property and casualty insurance assumes a real return of 3%; all remaining investment income is included in capital market effects. Furthermore, investment income in life insurance is presented net of yield credited to policyholders. See Section 4.4.1 above.

(*) Underwriting earnings in life insurance includes variable management fees actually collected (net of a 3% real return assumption).

4.4.4.1. **Following is an analysis of the interest effects and main non-recurring effects on pre-tax insurance liabilities in the first quarter of 2021 compared with the corresponding quarter last year (in NIS million):**



The results in the first quarter compared to the corresponding quarter last year were affected by changes in yield curves, changes in the value of non-marketable assets and changes in assumptions. These changes triggered an increase in insurance liabilities amounting to approximately NIS 42 million in the quarter (NIS 29 million from the effects of the capital market and a total of NIS 13

million from underwriting effects) compared with an increase of approximately NIS 44 million in the corresponding quarter last year. For further details, please see Note 8 to the Financial Statements.

4.4.5. Following are data regarding the Company's return on equity:

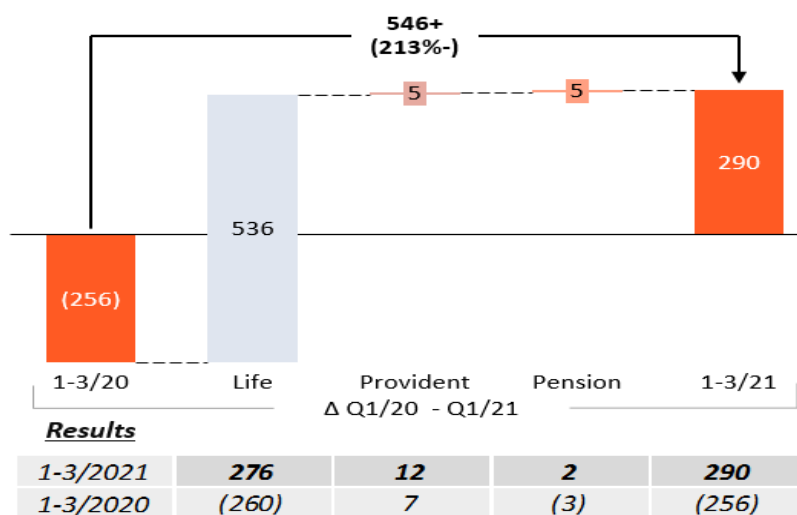
	1-3/2021	1-3/2020	1-12/2020
Return on shareholders' equity for the period (based on comprehensive income for the period)(*)	19.1%	(31.7%)	18.5%

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

Following is a description of the developments in the Group's financial performance, by operating segment (in NIS million, before tax):

4.5. Developments in the life insurance and long-term savings (LTS) operating segment

4.5.1. Following is an analysis of the main effects and changes on the results of the life insurance and long-term savings subsegment for the first quarter of 2021 compared to the corresponding quarter last year (in NIS million):

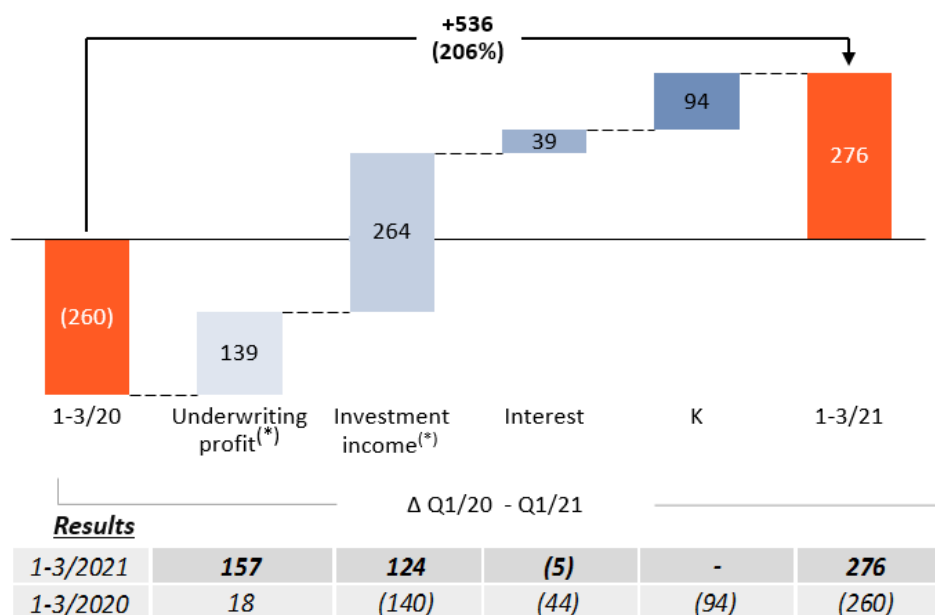


4.5.2. Life insurance subsegment

Earnings on investments have a material effect on the profitability of this segment, which is characterized by accrual of significant reserves over long periods. Investment earnings are affected by capital market fluctuations, as well as changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on marketable financial asset portfolios held

against insurance and contingent claims reserves. It should be noted that a significant portion of the investment income was carried to participating policies and has no direct effect on the Company's results.

4.5.3. **Following is an analysis of the main effects and changes on the results of the life insurance subsegment for the first quarter of 2021 compared to the corresponding quarter last year (in NIS million):**



(*) Investment income is net of yields credited to policyholders. Please see Section 4.4.1.2

Compared with the corresponding quarter last year, the results in the first quarter were mainly affected, by the increase in income from nostro investments and an increase in underwriting earnings. Most of the increase in underwriting earnings arose from management fee income due to collection of variable management fees in the amount of NIS 199 million; this resulted from the rallies in financial markets in Israel and around the world, which brought about a year-on-year increase in the value of planholders' portfolios in The Phoenix Insurance, compared with no such collections in the same period last year - as a result of declines in financial markets in Israel and around the world following the spread of the coronavirus in the corresponding quarter last year. In addition, results in the first quarter improved due to changes in the risk-free interest rate curve and changes in the K factor, compared to last year, as reflected in the above chart.

For further details, please see Note 8 to the Financial Statements. For further details regarding sensitivity of the insurance liabilities to a change in the interest rates, please see Note 40 to the Annual Financial Statements.

4.5.4. The rate of redemptions out of the average reserve (in annual terms) was approximately 3.6% compared with 3.0% in the corresponding period last year. It should be noted that the general state

of the economy, transition from product to product, employment rates, the coronavirus crisis, employees' wages, and market competition all affect this rate.

4.5.5. **Weighted returns on participating policies**

Following are details concerning estimated net investment earnings attributed to policyholders of participating policies and management fees calculated according to the Insurance Commissioner's guidelines, based on insurance reserve balances and returns:

	1-3/2021	1-3/2020	1-12/2020
	In NIS million		
Investment gains (losses) credited to policyholders net of management fees ^(*)	2,845	(7,351)	3,333
Management fees	324	111	740

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

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

	Policies issued up to 2004 (Fund J)		
	1-3/2021	1-3/2020	1-12/2020
Nominal returns before payment of management fees	4.33%	(11.15%)	6.61%
Nominal returns after payment of management fees	3.55%	(11.30%)	4.99%
Real returns before payment of management fees	4.23%	(10.71%)	7.25%
Real returns after payment of management fees	3.45%	(10.86%)	5.61%

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

Set forth below are the nominal returns on participating policies in respect of policies issued from 2004 and thereafter:

	Policies issued from 2004 and thereafter		
	1-3/2021	1-3/2020	1-12/2020
Nominal returns before payment of management fees	4.19%	(11.42%)	7.03%
Nominal returns after payment of management fees	3.93%	(11.65%)	5.97%
Real returns before payment of management fees	4.09%	(10.98%)	7.67%
Real returns after payment of management fees	3.83%	(11.21%)	6.61%

4.5.6. **Provident funds subsegment**

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

For further details on the decision passed by The Phoenix Insurance's Board of Directors regarding the transfer of the shares of Phoenix Excellence Pension and Provident Funds Ltd. by way of a dividend in kind to the Company in the reporting year, please see Section 1.3.6 above.

As part of the implementation of its strategy and its wish to expand its asset management activities, in provident and pension funds activities in particular, on February 28 2021, the merger transaction - under which the Company acquired Halman-Aldubi - was completed. For further details, please see Section 1.3.7 below.

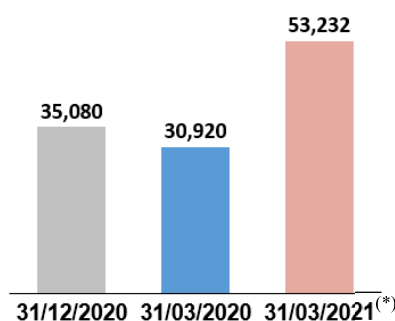
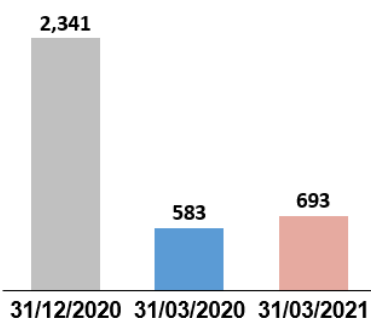
The pre-tax comprehensive income in the first quarter of 2021 amounted to approximately NIS 12 million compared to approximately NIS 7 million in the same period last year.

The increase in profit is mainly due to the increase in capital market yields, which affected both the margin in guaranteed return provident funds and in the investment income from the management company's nostro portfolio. The effect is NIS 15 million in investment income compared with last year, which was partially offset by the increase in general and administrative expenses and in marketing and purchase expenses.

For key data as to the financial results of the provident funds subsegment, please see Note 3 to the Financial Statements.

Developments in contributions towards benefits and total assets under management:

<u>Contributions towards benefits (in NIS million)</u>	<u>Assets under management (in NIS million)</u>
2,341	35,080
583	30,920
693	53,232
31/12/2020	31/12/2020
31/03/2020	31/03/2020
31/03/2021	31/03/2021 ^(*)



(*) Including the assets of the Halman Aldubi investment house (excluding the assets of the IEC and IPC provident funds in the amount of NIS 46 billion).

Based on Ministry of Finance data,⁵ aggregate contributions towards benefits in the provident funds subsegment in the first quarter totaled approximately NIS 13,564 million, compared to a total of approximately NIS 11,309 million in the same quarter last year, reflecting an increase of approximately 19.9%. According to the Ministry of Finance data, as of March 31 2021, total assets under management in the provident funds subsegment amounted to approximately NIS 608 billion, compared to approximately NIS 483 billion as of March 31 2020, an increase of approximately 25.8%, which stems mainly from positive net accumulation in the provident funds subsegment.

4.5.7. Pension funds subsegment

The Group's pension subsegment is conducted through the Phoenix Excellence, a wholly-owned subsidiary of The Phoenix Insurance.

For further details on the merger of the management companies of the provident funds, advanced education funds, and pension funds, and on the decision passed by The Phoenix Insurance's Board of Directors regarding the distribution of the shares of Phoenix Excellence Pension and Provident Funds Ltd. as dividend in kind to the Company in 2020, please see Section 1.3.6 above.

As part of the implementation of its strategy and its wish to expand its asset management activities in general and its pension funds activities in particular, on February 28 2021, the merger transaction - under which the Company acquired Halman-Aldubi - was completed. For further details, please see Section 1.3.7 below.

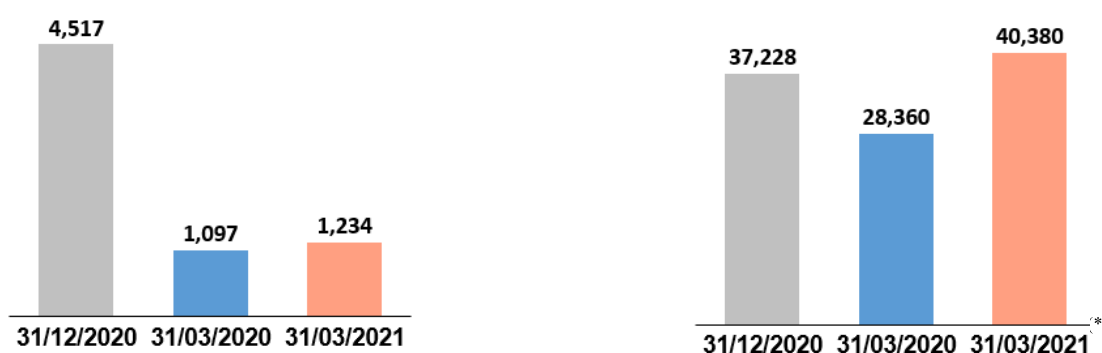
⁵ Based on Gemel Net data.

For key data as to the financial results of the pension subsegment, please see Note 3 to the Financial Statements.

The pre-tax profit in Q1 2021 amounted to approximately NIS 2 million compared to a pre-tax loss of approximately NIS 3 million in the same period last year. The increase in profit arose mainly from an increase in the returns in the capital market, which affected the nostro investment income of the management company compared to last year, in the amount of NIS 4 million.

Developments in contributions towards benefits and total assets under management:

Contributions towards benefits (in NIS million) **Assets under management (in NIS million)**



(*) Including the assets of the Halman Aldubi investment house.

Based on Ministry of Finance data,⁶ aggregate contributions towards benefits in the new comprehensive pension funds subsegment in the first quarter totaled approximately NIS 11,396 million, compared to a total of approximately NIS 11,075 million in the same period last year, reflecting an increase of approximately 2.9%.

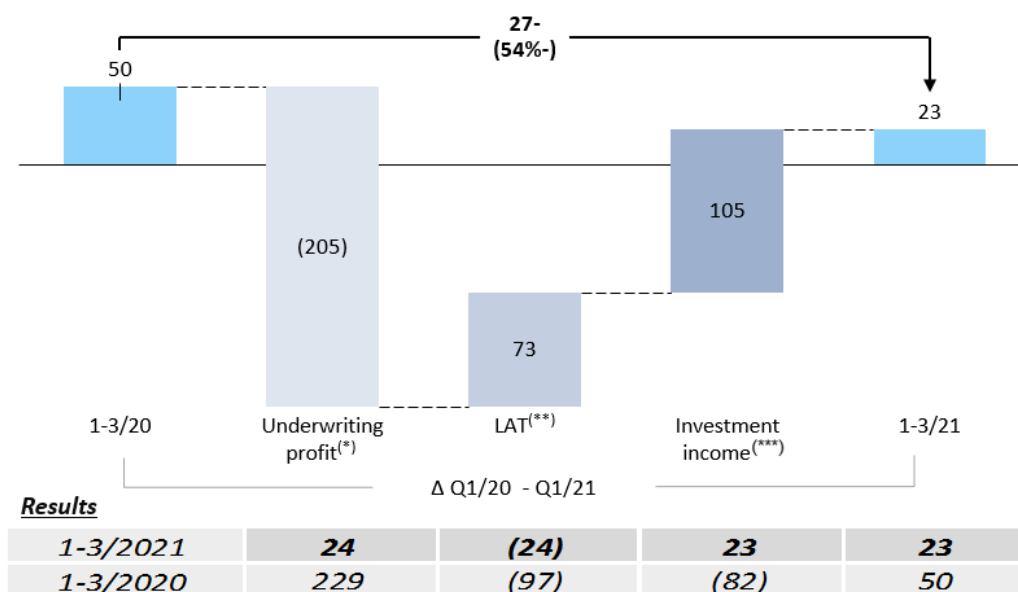
According to Ministry of Finance data, as of March 31 2021, total assets under management in the new comprehensive pension funds subsegment amounted to a total of approximately NIS 493 billion, compared to approximately NIS 373 billion on March 31 2020, an increase of approximately 32.1%.

4.6. Health insurance

Earnings on investments affects the profitability of this segment, some of whose products (such as long-term care insurance) are characterized by accrual of significant reserves over long periods. Investment earnings are affected by capital market fluctuations, as well as changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on marketable financial asset portfolios held against insurance and contingent claims reserves.

⁶ Based on Pension Net data.

4.6.1. **Following is an analysis of the main effects and changes on the results of the health insurance subsegment for the first quarter of 2021 compared to the corresponding quarter last year (in NIS million):**



(*) The underwriting earnings assume a real rate of return of 3%. For further details, please see Section 4.4.1.1 below.

(**) Including all changes in interest rate and excess value of non-marketable assets in LAT only. For further details on changes due to changes in assumptions and other changes, please see Note 8 to the Financial Statements.

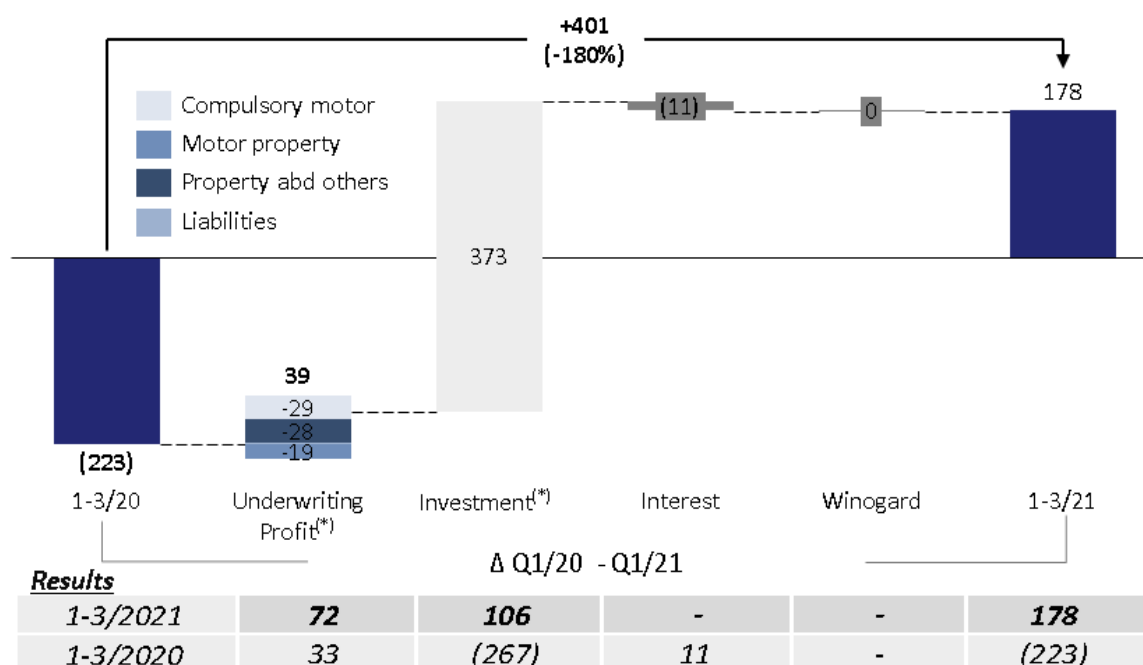
(***) Investment income includes income from investments with a real return of more or less than 3%. For further details, please see Section 4.4.1.1 below.

Compared with the corresponding quarter last year, the results of the first quarter were positively affected by the increase in nostro investment income and by changes in the interest rate curve, which increased the LAT reserve by NIS 24 million compared with a NIS 97 million increase in the same period last year. On the other hand, the NIS 205 million decrease in the underwriting earnings was mainly due to a decrease in the LAT reserve in the corresponding quarter last year as a result of updating actuarial assumptions and other effects totaling NIS 142 million; the decrease was due to offsetting, last year as well, the reserve in respect of the profit embodied in the present value of the current fees and commissions for agencies owned by the Company in the amount of approximately NIS 49 million. With the exception of said effect, the decline in the underwriting results in the first quarter compared to the corresponding quarter last year is mainly due to an almost complete halt of the foreign travel insurance activity. For further details, please see Note 8 to the Financial Statements.

It should be noted that at this stage, the Company has ceased to market long-term care insurance policies in view of the guaranteed return in long-term care insurance plans, and the complexity of the related reinsurance in this area.

4.7. Property and casualty insurance

4.7.1. Following is an analysis of the main effects and changes on the results of the property and casualty insurance subsegment for the first quarter of 2021 compared to the corresponding quarter last year (in NIS million):

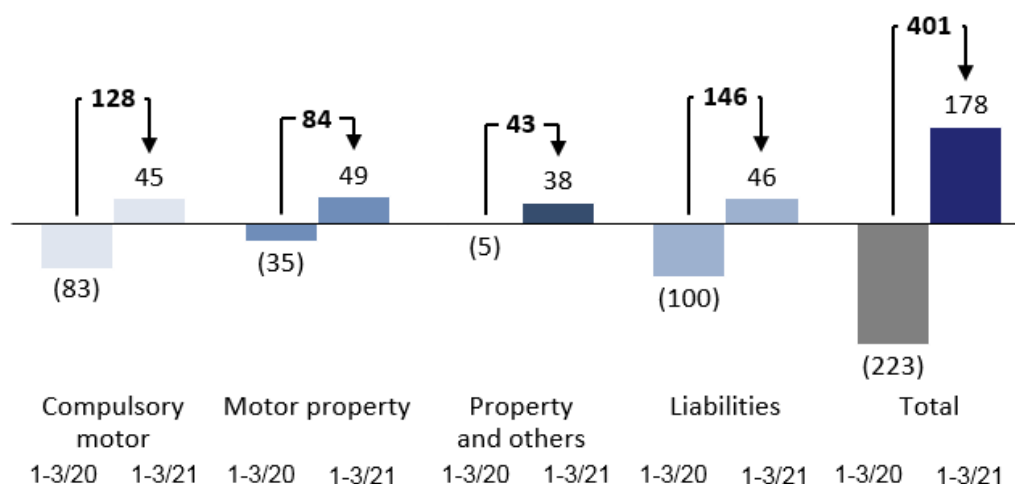


(*) The underwriting earnings assume a real rate of return of 3%. Investment income includes income from investments with a real return of more or less than 3%. For further details, please see Section 4.4.1.1 below.

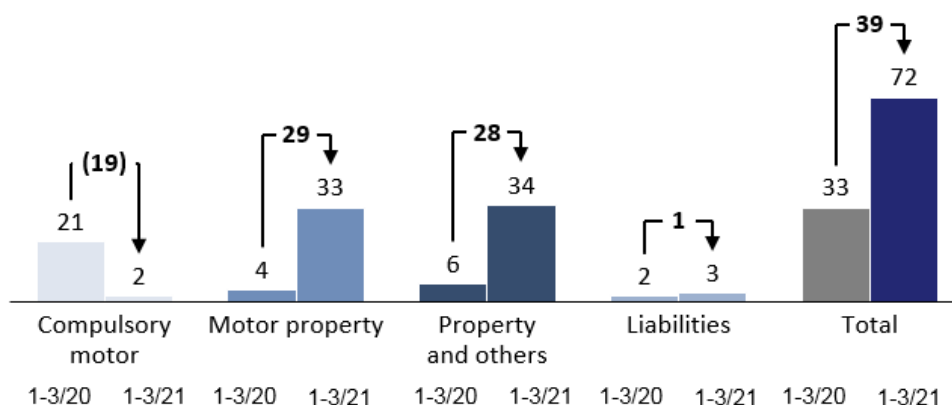
The increase in investment income in the first quarter was due to the rally in financial markets in Israel and around the world compared with the decline therein in the corresponding quarter last year, mainly on the back of the spread of the coronavirus.

The increase in underwriting earnings in the first quarter compared to the corresponding quarter last year is due to the decrease of the insurance liabilities for previous years mainly due to the effect of weather damage and losses in the flight cancellation subsegment following the spread of the coronavirus during the same period last year.

4.7.2. **Following is the pre-tax comprehensive income in the various subsegments of property and casualty insurance for the first quarter of 2021 compared with the corresponding quarter last year (in NIS million):**



4.7.3. **Following are explanations for the pre-tax underwriting earnings in the various subsegments of property and casualty insurance for the first quarter of 2021 compared with the corresponding quarter last year (in NIS million):**



The decrease in underwriting earnings in the compulsory motor insurance subsegment in the first quarter compared with the first quarter of last year is due to moderation in the release of insurance liabilities in respect of previous years and from a decrease in the reinsurance liabilities.

The increase in underwriting earnings in the motor property subsegment in the first quarter compared with the first quarter of last year is due to a decrease in the insurance liabilities in respect of previous years.

The increase in underwriting earnings in the property and other subsegment stems mainly from the impact of weather damage in the same quarter last year, mostly on the business subsegment and the effect of the flight cancellation subsegment following the spread of the coronavirus.

4.7.4. **Following is an analysis of the gross loss ratio and combined ratio, and retention loss ratio in the motor property and other subsegments:**

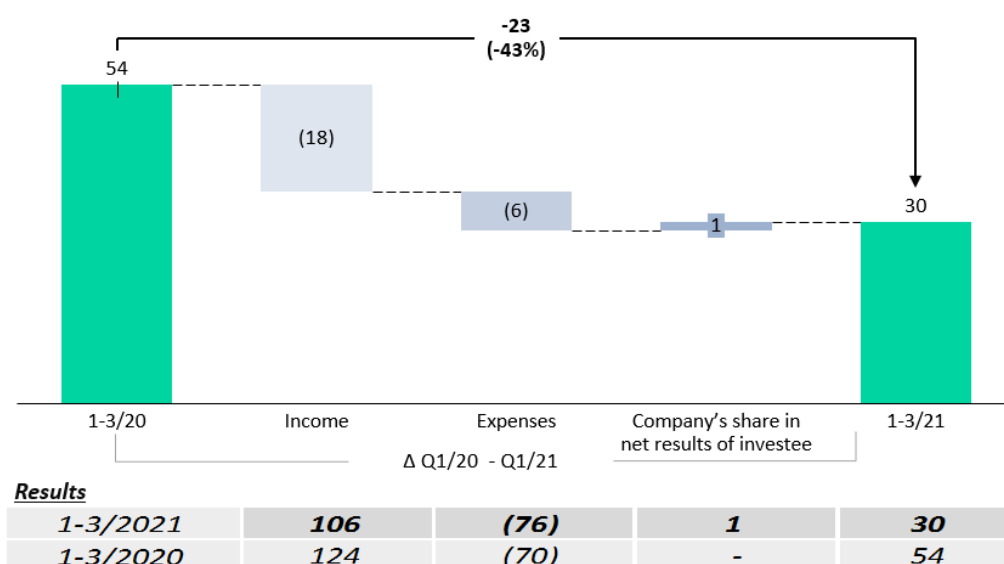
	Motor property		
	In NIS million		
	1-3/2021	1-3/2020	1-12/2020
Gross loss ratio	64.9%	71.7%	66.9%
Retention loss ratio	64.8%	71.7%	66.9%
Gross combined ratio	89.5%	99.2%	96.4%
Retention combined ratio	89.4%	99.2%	96.4%

	Property and other subsegments		
	In NIS million		
	1-3/2021	1-3/2020	1-12/2020
Gross loss ratio	29.2%	58.7%	40.7%
Retention loss ratio	19.9%	63.2%	37.8%
Gross combined ratio	53.4%	83.9%	68.9%
Retention combined ratio	45.3%	91.3%	76.4%

4.8. **Financial services segment**

Most of the segment's activities are carried out through Excellence.

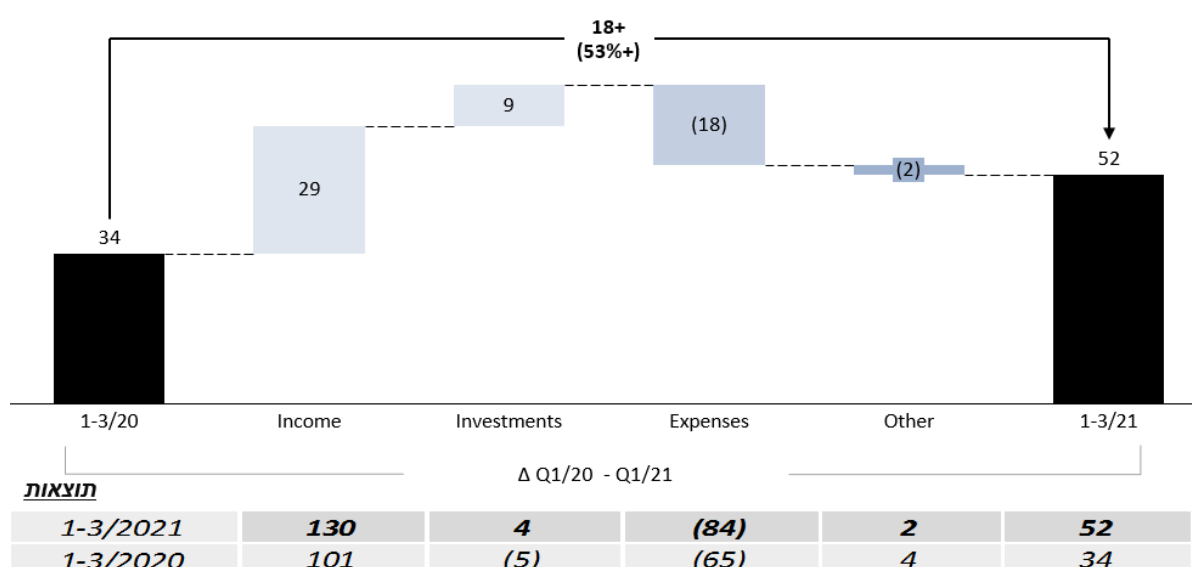
Following is an analysis of the main effects and changes on the results of the financial services segment for the first quarter of 2021 compared to the corresponding quarter last year (in NIS million):



The decrease in earnings in the first quarter compared with the corresponding quarter last year stemmed mainly from the Company's recognition of a one-off earning of NIS 15 million in the market-making activity in the corresponding quarter last year. The increase in expenses is due to an increase in assets under management of the retail brokerage portfolio.

4.9. The insurance agencies segment

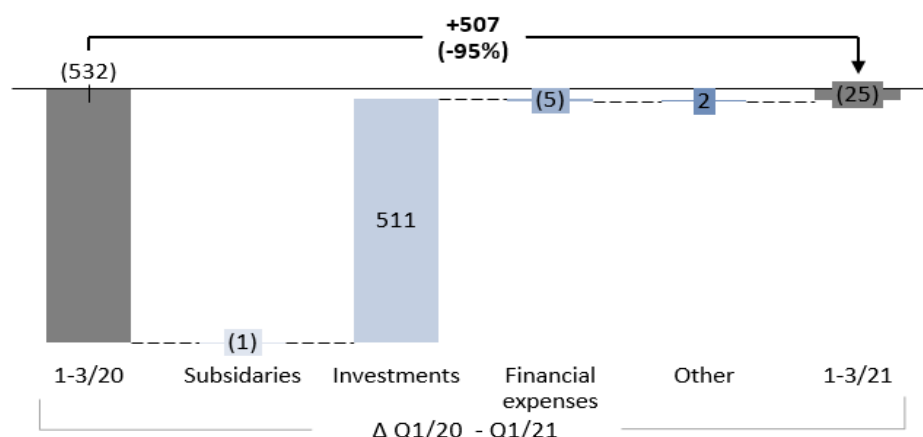
Following is an analysis of the main effects and changes on the results of the insurance agencies segment for the first quarter of 2021 compared to the corresponding quarter last year (in NIS million):



Most of the increase in profit is due to an increase in income from growth and an increase of NIS 29 million in sales and NIS 9 million from investment income.

4.10. Other segments and activities not attributed to the operating segments

Following is an analysis of the main effects and changes on the results of "other" segment and activity that is not attributed to activity segments in the first quarter of 2021 compared to the corresponding quarter last year (in NIS million):



Results

1-3/2021	4	15	(35)	(9)	(25)
1-3/2020	5	(496)	(30)	(11)	(532)

In the first quarter, loss amounted to approximately NIS 25 million compared with a loss of approximately NIS 532 million in the corresponding quarter last year. This said change stems primarily from substantial losses in the capital market in the corresponding quarter last year due to the coronavirus crisis.

4.11. Analysis of cash flow development

The consolidated cash flows from operating activities in the reporting period amounted to approximately NIS 1,382 million. The consolidated cash flows used for investing activities in the reporting period amounted to NIS 399 million and mainly included a total of NIS 51 million used for software development and purchase, a total of NIS 12 million used to purchase property, plan and equipment, and a total of NIS 337 million used to acquire companies consolidated for the first time. The consolidated cash flow provided by financing activities in the reporting period amounted to approximately NIS 419 million; the cash flows included, among other things, a total of NIS 348 million arising from the issuance of a financial liability, a total of NIS 70 million used to repay financial liabilities, and a total of NIS 117 million used to assume financial liabilities.

The Group's cash and cash-equivalent balances increased from a total of approximately NIS 12,010 million at the beginning of the reporting period to approximately NIS 13,412 million at the end of the reporting year.

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

During the reporting period, there were no material changes in exposure to market risks and management methods thereof in relation that which is described in the 2020 Periodic Report, except as follows:

In February 2021, the Company expanded Bonds (Series 5) by 222,616 thousand bonds of NIS 1 p.v. each, for a total of NIS 222,616 thousand. The bonds (principal and interest) are linked to the CPI, and carry a linked annual interest, as stated, of 0.44%, payable in two semi-annual installments, in April and October of each calendar year from 2021 to 2030. Following the expansion, there has been a change in the exposure to linked interest rates in relation to the data as of December 31 2020.

The following table summarizes the results of the sensitivity tests to the linked interest rate on comprehensive income before tax, as of March 31 2021. The results are presented in NIS million, and do not include The Phoenix Insurance:

Type of instrument	Profit (loss) from changes in the risk factor			Fair value	Profit (loss) from changes in the risk factor		
	Absolute increase of 2%	10% increase	5% increase		5% decrease	10% decrease	Absolute decrease of 2%
Government bonds	-	-	-	37.8	-	-	-
Corporate bonds	(1.8)	(0.1)	-	31.9	-	0.1	2.0
Capital note to the insurance company	(49.1)	(1.6)	(0.8)	420.8	0.8	1.6	58.0
Total assets	(50.9)	(1.7)	(0.9)	490.4	0.9	1.7	60.0
The Phoenix bonds(*)	75.6	3.2	1.6	(810.3)	(1.6)	(3.2)	(87.7)
Total liabilities	75.6	3.2	1.6	(810.3)	(1.6)	(3.2)	(87.7)
Total	24.7	1.4	0.7	(319.9)	(0.7)	(1.4)	(27.7)

(*) The value of The Phoenix's bonds under the model is 3.18% lower than their market value (836.8).

In February 2021, the Company expanded Bonds (Series 4) by 127,384 thousand bonds of NIS 1 p.v. each, for a total of NIS 127,384 thousand. The bonds (principal and interest) are not linked to the CPI, and carry a non-linked annual interest, as stated, of 1.38%, payable in four quarterly installments, in January, April, July and October of each calendar year from 2021 to 2028. Following the expansion, there has been a change in the exposure to non-linked shekel interest rates in relation to the data as of December 31 2020.

The following table summarizes the results of the sensitivity tests to the non-linked shekel interest rate on comprehensive income before tax, as of March 31 2021. The results are presented in NIS million, and do not include the insurance company:

Type of instrument	Profit (loss) from changes in the risk factor				Profit (loss) from changes in the risk factor		
	Absolute increase of 2%	10% increase	5% increase	Fair value	5% decrease	10% decrease	Absolute decrease of 2%
Government bonds	(0.2)	-	-	4.5	-	-	0.2
Corporate bonds	-	-	-	1.5	-	-	0.1
Capital note to the insurance company	(26.7)	(1.2)	(0.6)	238.6	0.6	1.2	31.7
Total assets	(26.9)	(1.2)	(0.6)	244.5	0.6	1.2	31.9
The Phoenix bonds(*)	19.9	0.5	0.2	(668.6)	(0.2)	(0.5)	(22.1)
Total liabilities	19.9	0.5	0.2	(668.6)	(0.2)	(0.5)	(22.1)
Total	(7.1)	(0.7)	(0.4)	(424.1)	0.4	0.7	9.8

(*) The value of The Phoenix's bonds under the model is 1.23% lower than their market value (676.9).

Assumptions underlying the calculations

Fair value: Fair value was calculated using the discounted cash flow model, using the appropriate interest rate for the cash flow period. The discount rate was calculated based on the market interest rate for the cash flow period, plus the risk premium derived from the security's rating. Market interest rate data was taken from the Reuters' database, that feeds The Phoenix's risk management system, and risk premium data (credit spreads) were taken from Fair Spread.

Scenarios: Daily historical changes in the past ten years were tested for each of the relevant risk factors (such as exchange rates and shares). The maximum and minimum daily changes were calculated for each risk factor, excluding interest rate risk, for which the calculation was based on a 2% absolute increase/decrease during a single day. This scenario was selected after a study of the yield curve database found that in the past 10 years, no absolute change exceeding 2% was observed in any single day. These changes served as scenarios for potential changes in each of the risk factors. Scenario outcomes were calculated at the single asset level, so as to avoid distorting results by aggregating different instruments.

Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of March 31 2021

	NIS		Foreign currency	Non- monetary items	ETNs - linkage to various	Israeli insurance company	Total
	Non-linked	CPI-linked					
Intangible Assets	-	-	-	1,300,040	-	998,579	2,298,619
Deferred tax assets	-	-	-	57,245	-	-	57,245
Deferred acquisition costs	-	-	-	-	-	1,819,463	1,819,463
Property, plant & equipment	-	-	-	197,283	-	719,468	916,751
Investments in investees	81,728	15,651	6,170	144,725	-	522,836	771,110
Investment property in respect of yield-dependent contracts	-	-	-	-	-	1,853,064	1,853,064
Investment property - other	-	-	-	-	-	2,721,934	2,721,934
Reinsurance assets	-	-	-	-	-	2,650,209	2,650,209
Credit for purchase of securities	399,000	-	53,000	-	-	-	452,000
Current tax assets	-	17,148	-	-	-	9,749	26,897
Receivables and debit balances	140,467	-	3,371	-	-	408,464	552,302
Premiums collectible	-	-	-	-	-	739,902	739,902
Held-for-sale assets of disposal group	-	-	-	44,473	-	-	44,473
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	69,130,062	69,130,062
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds	-	-	-	-	231,000	-	231,000
Marketable debt assets	31,443	68,830	385	-	-	7,390,646	7,491,305
Non-marketable debt assets	612,892	196,307	-	-	-	13,524,006	14,333,205
Shares	-	-	-	61,228	-	2,056,370	2,117,598
Other	29,267	-	817	14,396	-	3,490,678	3,535,158
Encumbered cash and cash equivalents for holders of bonds, exchange-traded funds, short exchange traded funds, composite exchange-traded funds, deposit certificates and structured bonds	-	-	-	-	-	-	-
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	11,162,653	11,162,653
Other cash and cash equivalents	374,449	-	32,585	-	-	1,842,320	2,249,354
Total assets	1,669,246	297,936	96,329	1,819,390	231,000	121,040,403	125,154,304
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	-	-	-	-	-	23,904,976	23,904,976
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	81,296,403	81,296,403
Liabilities in respect of deferred taxes	-	-	-	22,311	-	912,100	934,411
Liability for employee benefits, net	22,526	-	-	-	-	54,130	76,656
Liability in respect of current taxes	-	18,688	-	-	-	51,916	70,604
Payables and credit balances	489,240	300	2,541	-	-	2,323,096	2,815,177
Liabilities for bonds, ETNs, short ETNs, composite ETNs and structured bonds	-	-	-	-	228,000	-	228,000
Financial liabilities	1,457,362	1,118,319	59,000	-	-	5,113,299	7,747,980
Liabilities classified as held for sale	-	-	-	10,458	-	-	10,458
Total liabilities	1,969,128	1,137,307	61,541	32,769	228,000	113,655,920	117,084,665
Total exposure	(299,882)	(839,370)	34,787	1,786,621	3,000	7,384,483	8,069,639

6. Linkage base reports

Report of the Board of Directors on the State of the Corporation's Affairs as of March 31 2021



Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of March 31 2020

	NIS		Foreign currency	Non- monetary items	ETNs - linkage to various	Israeli insurance company	Total
	Non-linked	CPI-linked					
Intangible Assets	-	-	-	818,111	-	977,930	1,796,041
Deferred tax assets	-	-	-	28,870	-	-	28,870
Deferred acquisition costs	-	-	-	-	-	1,768,459	1,768,459
Property, plant & equipment	-	-	-	138,868	-	635,493	774,361
Investments in investees	72,478	15,200	6,170	150,145	-	491,738	735,731
Investment property in respect of yield-dependent contracts	-	-	-	-	-	1,631,541	1,631,541
Investment property - other	-	-	-	-	-	2,613,378	2,613,378
Reinsurance assets	-	-	-	-	-	2,475,063	2,475,063
Credit for purchase of securities	255,500	-	8,500	-	-	-	264,000
Current tax assets	-	11,051	-	-	-	150,235	161,286
Receivables and debit balances	219,774	-	-	-	-	405,538	625,312
Premiums collectible	-	-	-	-	-	823,372	823,372
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	55,157,099	55,157,099
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds	-	-	-	-	275,000	-	275,000
Marketable debt assets	16,278	46,205	87	-	-	7,458,764	7,521,334
Non-marketable debt assets	126,670	138,816	26,000	-	-	13,213,841	13,505,327
Shares	-	-	-	51,253	-	1,384,578	1,435,831
Other	-	-	15,530	-	-	2,468,472	2,484,002
Encumbered cash and cash equivalents for holders of bonds, exchange-traded funds, short exchange traded funds, composite exchange-traded funds, deposit certificates and structured bonds	-	-	-	-	-	-	-
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	7,512,737	7,512,737
Other cash and cash equivalents	490,172	-	4,000	-	-	1,209,087	1,703,259
Total assets	1,187,042	211,272	54,117	1,187,247	275,000	100,377,325	103,292,003
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	-	-	-	-	-	23,311,893	23,311,893
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	63,930,828	63,930,828
Liabilities in respect of deferred taxes	-	-	-	6,043	-	389,742	395,785
Liability for employee benefits, net	13,504	-	-	-	-	43,265	56,769
Liability in respect of current taxes	-	10,273	-	-	-	10,480	20,753
Payables and credit balances	228,211	-	-	-	-	2,002,397	2,230,608
Liabilities for bonds, ETNs, short ETNs, composite ETNs and structured bonds	-	-	-	-	272,000	-	272,000
Financial liabilities	989,604	587,804	21,093	-	-	5,298,894	6,897,395
Provision for payment for acquisition of an investee	-	-	-	-	-	-	-
Total liabilities	1,231,319	598,077	21,093	6,043	272,000	94,987,499	97,116,031
Total exposure	(44,277)	(386,805)	33,024	1,181,204	3,000	5,389,826	6,175,972

Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of December 31 2020

	NIS		Foreign currency	Non- monetary items	ETNs - linkage to various	Israeli insurance company	Total
	Non-linked	CPI-linked					
Intangible Assets	-	-	-	1,013,232	-	1,003,436	2,016,668
Deferred tax assets	-	-	-	55,104	-	-	55,104
Deferred acquisition costs	-	-	-	-	-	1,712,630	1,712,630
Property, plant & equipment	-	-	-	138,924	-	722,941	861,865
Investments in investees	81,320	15,319	6,170	150,933	-	503,127	756,869
Investment property in respect of yield-dependent contracts	-	-	-	-	-	1,839,576	1,839,576
Investment property - other	-	-	-	-	-	2,728,710	2,728,710
Reinsurance assets	-	-	-	-	-	2,531,659	2,531,659
Credit for purchase of securities	374,000	-	29,000	-	-	-	403,000
Current tax assets	-	6,226	-	-	-	196	6,422
Receivables and debit balances	129,220	-	-	-	-	400,572	529,792
Premiums collectible	-	-	-	-	-	651,825	651,825
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	65,570,447	65,570,447
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, deposit certificates and structured bonds	-	-	-	-	239,000	-	239,000
Marketable debt assets	12,809	29,326	2,067	-	-	8,051,266	8,095,468
Non-marketable debt assets	579,900	195,392	-	-	-	13,231,897	14,007,189
Shares	-	-	-	39,520	-	1,860,473	1,899,993
Other	21,597	511	-	25,297	-	3,200,064	3,247,469
Encumbered cash and cash equivalents for holders of bonds, exchange-traded funds, short exchange traded funds, composite exchange-traded funds, deposit certificates and structured bonds	-	-	-	-	-	-	-
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	10,464,216	10,464,216
Other cash and cash equivalents	557,159	-	26,596	-	-	962,148	1,545,903
Total assets	1,756,005	246,774	63,833	1,423,010	239,000	115,435,183	119,163,805
Liabilities in respect of insurance contracts and non-yield- dependent investment contracts	-	-	-	-	-	23,469,887	23,469,887
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	76,856,913	76,856,913
Liabilities in respect of deferred taxes	-	-	-	50,567	-	847,237	897,804
Liability for employee benefits, net	14,035	-	-	-	-	45,327	59,362
Liability in respect of current taxes	-	20,422	-	-	-	43,022	63,444
Payables and credit balances	228,498	-	-	-	-	2,224,353	2,452,851
Liabilities for bonds, ETNs, short ETNs, composite ETNs and structured bonds	-	-	-	-	238,000	-	238,000
Financial liabilities	1,267,180	864,958	45,500	8,000	-	4,858,076	7,043,714
Total liabilities	1,509,713	885,380	45,500	58,567	238,000	108,344,815	111,081,975
Total exposure	246,292	(638,606)	18,333	1,364,443	1,000	7,090,368	8,081,830

6. Linkage base reports

Report of the Board of Directors on the State of the Corporation's Affairs as of March 31 2021

7. Corporate Governance Aspects

7.1. Effectiveness of internal control over financial reporting and disclosure

7.1.1. The Securities Regulations

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

As from the publication date of the ISOX amendment, and as set out in the Company's previous Reports of the Board of Directors, the Company has acted and is acting on an ongoing basis to implement the required procedure in The Phoenix Group in accordance with the provisions of the ISOX amendment. In accordance with the provisions of the ISOX amendment, the Company opted to implement to the internal controls of all of its consolidated institutional entities the provisions of the circulars of the Commissioner of the Capital Market, Insurance and Savings applicable thereto - the Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Controls over Financial Reporting"; Institutional Entities Circular 2010-9-6, "Management's Responsibility for Internal Controls over Financial Reporting - Amendment"; Circular 2010-9-7 "Internal Controls over Financial Reporting - Statements, Reports and Disclosures"; Circular 2012-9-5 "Internal Controls over Financial Reporting - Statements, Reports, Disclosures and Management's Responsibility for Internal Controls over Financial Reporting - Amendments"; and Circular 2015-9-15, "Internal Controls over Financial Reporting - Statements, Reports, Disclosures and Management's Responsibility for Internal Controls over Financial Reporting - Amendments" (hereinafter - "**Management's Responsibility Circulars**").

The processes relating to the activities of institutional entities are also addressed in the Insurance Commissioner's Circulars, please see Section 7.1.2. below.

7.1.2. The Commissioner's Circulars

Alongside the process described in Section 7.1.1 above, The Phoenix Group's institutional entities apply the provisions of Management's Responsibility Circulars pertaining to controls and procedures regarding disclosure and internal controls over financial reporting of an institutional entity, and implement the procedures required in connection therewith, as described below; this is done in accordance with the stages and dates set out in the above-mentioned circulars and in collaboration with external consultants engaged for that purpose. As part of this process, the Group's institutional entities adopted the internal control model of COSO - the Committee of Sponsoring Organization of the Treadway Commission - which is a generally accepted framework for assessment of internal controls.

- **Disclosure controls and procedures**

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

- **Internal controls over financial reporting**

During the quarter ending March 31 2021, no changes took place in the internal control over financial reporting of the Group's institutional entities that had a material effect, or is expected to have a material effect, on the institutional entities' internal control over financial reporting. Furthermore, the Group's institutional entities are improving and streamlining processes and/or internal controls and/or customer service.

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

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

8.1. Subsequent events

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

8.2. Dedicated disclosure for the Company's bondholders

Series/issuance date	Bonds Series 3	Bonds Series 4	Bonds Series 5
Rating agency	Midroog / Ma'alot	Midroog / Ma'alot	Midroog / Ma'alot
Rating as of the report date	Aa3.il ilAA /-	Aa3.il ilAA /-	Aa3.il ilAA /-
Par value on issuance date	272,191,000 ₪	NIS 391,384,000	NIS 822,616,000
Interest type	Non-linked	Non-linked	CPI-linked
Nominal interest	2.22%	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	0.44%
Effective interest rate on issuance date	Approximates the nominal interest	1.7%	0.55%
Listed on the TASE	Yes	Yes	Yes
Principal payment dates	5 equal annual installments of 16.66% on July 31 of each of the years 2022 through 2026, and one installment of 16.7% on July 31 2027.	2 equal annual installments of 12% on July 31 of each of the years 2020 and 2021 and 4 equal annual installments of 19% on July 31 of each of the years 2025 through 2028.	3 equal annual installments of 4% on July 1 of each of the years 2022 through 2024, one installment of 28% on May 1 2028, and 2 equal annual installments of 30% on May 1 of each of the years 2029 through 2030.
Interest payment dates	Semi-annual interest on January 31 and July 31	Quarterly interest on January 31, April 30, July 31, and October 31	Semi-annual interest on May 1 and November 1
Nominal p.v. as of Mar. 31 2021	NIS 272 million	NIS 391 million	NIS 822 million
CPI-linked nominal p.v. as of Mar. 31 2021	NIS 272 million	NIS 391 million	NIS 822 million
Carrying amount of bonds' outstanding balances as of Mar. 31 2021	NIS 271 million	NIS 389 million	NIS 808 million

Series/issuance date	Bonds Series 3	Bonds Series 4	Bonds Series 5
Carrying amount of interest payable as of Mar. 31 2021	NIS 0.9 million	NIS 0.8 million	NIS 1.48 million
Market value as of Mar. 31 2021 (*)	NIS 284 million	NIS 393 million	NIS 837 million
Series' materiality	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970.	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970.	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970.

(*) The market value includes interest accrued as of March 31 2021.

Contractual restrictions and financial covenants

As part of the deed of trust of the Company's Series 3 bonds, the Company undertook not to place a general floating charge on its assets as long as Series 3 bonds are not repaid in full, unless it obtained the bondholders' consent in advance and placed on that date a lien of the same rank in favor of Series 3 bondholders. Furthermore, with respect to Series 3 bonds, the Company assumed restrictions on distribution of dividends and expansion of the bonds series; the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 2.5 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 50% for two consecutive quarters. For further details, please see the Shelf Offering Report dated January 22 2018.

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

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

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

As of balance sheet date, the Company complies with the financial covenants described above. On March 31 2021, the net financial debt ratio was approximately 15%, and the Company's shareholders' equity as per its standalone financial statements as of March 31 2021, was approximately NIS 7,952 million, which is higher than the above required shareholders' equity. For further details – please see Note 26 to the Company's financial statements as of December 31 2020.

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

Benjamin Gabbay
Chairman of the Board of
Directors

Eyal Ben Simon
Chief Executive Officer

May 26, 2021

Part 2

**Condensed Consolidated
Interim Financial
Statements**





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

Introduction

We have reviewed the accompanying financial information of The Phoenix Holdings Ltd. and subsidiaries ("the Company"), the condensed consolidated statement of financial position as of March 31 2021, the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended. The Company's Board of Directors and management are responsible for the preparation and presentation of interim financial information for this interim period in accordance with IAS 34, "Interim Financial Reporting", and are responsible for the disclosure requirements set by the Commissioner of the Capital Market, Insurance and Savings and in accordance with the Financial Services (Insurance) Supervision Law, 1981 and they are also responsible for preparing financial information for this interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation that consolidates insurance companies. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 1.8% of a total consolidated assets as of March 31 2021 and whose revenues included in consolidation constitute approximately 1.2% of total consolidated revenues for the three months period then ended, respectively. Furthermore, we did not review the condensed interim financial information of certain companies accounted for at equity, the investment in which, at equity, amounted to approximately NIS 240,732 thousand as of March 31 2021, and the Company's share of their earnings amounted to NIS 9,453 thousand for the three months period then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of Review

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

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 and in accordance with the disclosure requirements prescribed by the Commissioner of the Capital Market, Insurance and Savings, pursuant to the Financial Services Supervision Law (Insurance), 1981.

In addition to that which is stated in the previous paragraph, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with the disclosure provisions of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation consolidating insurance companies.

Emphasis of matter

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

Tel Aviv,

May 26, 2020

**Kost Forer Gabbay &
Kasierer**

Certified Public Accountants

Condensed Consolidated Interim Statements of Financial Position

	As of		
	Mar. 31 2021	Mar. 31 2020	Dec. 31 2020
	Unaudited		Audited
	In NIS thousand		
Assets			
Intangible assets	2,298,619	1,796,041	2,016,668
Deferred tax assets	57,245	28,870	55,104
Deferred acquisition costs	1,819,463	1,768,459	1,712,630
Property, plant & equipment	916,751	774,361	861,865
Investments in associates	771,110	735,731	756,869
Investment property in respect of yield-dependent contracts	1,853,064	1,631,541	1,839,576
Investment property - other	2,721,934	2,613,378	2,728,710
Reinsurance assets	2,650,209	2,475,063	2,531,659
Credit for purchase of securities	452,000	264,000	403,000
Current tax assets	26,897	161,286	6,422
Receivables and debit balances	552,302	625,312	529,792
Premiums collectible	739,902	823,372	651,825
Held-for-sale assets of disposal group (please see Note 4)	44,473	-	-
Financial investments in respect of yield-dependent contracts	69,130,062	55,157,099	65,570,447
Financial investments for holders of deposit certificates and structured bonds	231,000	275,000	239,000
Other financial investments:			
Marketable debt assets	7,491,305	7,521,334	8,095,468
Non-marketable debt assets	14,333,205	13,505,327	14,007,189
Shares	2,117,598	1,435,831	1,899,993
Other	3,535,158	2,484,002	3,247,469
Total other financial investments	27,477,266	24,946,494	27,250,119
Cash and cash equivalents in respect of yield-dependent contracts	11,162,653	7,512,737	10,464,216
Other cash and cash equivalents	2,249,354	1,703,259	1,545,903
Total assets	125,154,304	103,292,003	119,163,805
Total assets in respect of yield-dependent contracts	82,335,416	64,491,785	78,034,084

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

	As of		
	Mar. 31 2021	Mar. 31 2020	Dec. 31 2020
	Unaudited		Audited
	In NIS thousand		
Equity			
Share capital	309,961	309,951	309,951
Premium and capital reserves in respect of shares	837,324	826,991	833,592
Treasury shares	(26,411)	-	(26,411)
Capital reserves	955,191	316,490	913,036
Retained earnings	5,875,712	4,602,739	5,939,754
Total equity attributed to the Company's shareholders	7,951,777	6,056,171	7,969,922
Non-controlling interests	117,862	119,801	111,908
Total equity	8,069,639	6,175,972	8,081,830
Liabilities			
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	23,904,976	23,311,893	23,469,887
Liabilities in respect of insurance contracts and yield-dependent investment contracts	81,296,403	63,930,828	76,856,913
Liabilities in respect of deferred taxes	934,411	395,785	897,804
Liability for employee benefits, net	76,656	56,769	59,362
Liability in respect of current taxes	70,604	20,753	63,444
Payables and credit balances	2,815,177	2,230,608	2,452,851
Held-for-sale liabilities of disposal group (please see Note 4)	10,458	-	-
Liabilities in respect of structured products	228,000	272,000	238,000
Financial liabilities	7,747,980	6,897,395	7,043,714
Total liabilities	117,084,665	97,116,031	111,081,975
Total equity and liabilities	125,154,304	103,292,003	119,163,805

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

Eli Schwartz
Executive Vice President, CFO
Eyal Ben Simon
Chief Executive Officer
Benjamin Gabbay
Chairman of the Board of Directors

Date of approval of the financial statements - May 26 2021

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS thousand		
Premiums earned, gross	2,618,322	2,719,613	10,382,652
Premiums earned by reinsurers	310,944	346,381	1,328,978
Premiums earned - retention	2,307,378	2,373,232	9,053,674
Gains (losses) on investments, net and finance income	3,854,595	(8,153,568)	5,479,706
Income from management fees	486,873	274,397	1,357,189
Income from fees and commissions	167,627	140,371	556,051
Income from other financial services	41,000	46,000	159,000
Other income	12,906	25,952	131,846
Total income	6,870,379	(5,293,616)	16,737,466
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	5,805,929	(5,583,282)	12,529,564
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	203,863	256,732	826,690
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	5,602,066	(5,840,014)	11,702,874
Fees and commissions, marketing expenses and other purchase expenses	380,423	458,538	1,750,103
General and administrative expenses	363,731	323,975	1,360,028
Other expenses	10,745	832	54,885
Finance expenses	41,545	26,360	146,509
Total expenses	6,398,510	(5,030,309)	15,014,399
Share in profits of equity-accounted investees	16,027	15,304	39,697
Profit (loss) before income taxes	487,896	(248,003)	1,762,764
Taxes on income	161,769	(94,798)	553,829
Profit (loss)	326,127	(153,205)	1,208,935
Attributed to:			
Company's shareholders	315,404	(166,067)	1,169,023
Non-controlling interests	10,723	12,862	39,912
Profit (loss)	326,127	(153,205)	1,208,935
<u>Earnings (loss) per share attributed to the Company's shareholders (in NIS):</u>			
<u>Basic earnings (loss) per share</u>			
Earnings (loss) per ordinary share of NIS 1 par value (NIS)	1.24	(0.65)	4.57
<u>Diluted earnings (loss) per share</u>			
Earnings (loss) per ordinary share of NIS 1 par value (NIS)	1.23	(0.65)	4.57

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS thousand		
Profit (loss) for the period	326,127	(153,205)	1,208,935
Other comprehensive income (loss):			
<u>Amounts that will be or that have been reclassified to profit or loss when specific conditions are met</u>			
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	253,176	(806,319)	455,703
Net change in fair value of financial assets classified as available for sale, carried to the income statement	(230,110)	(86,071)	(516,761)
Gain on impairment of financial assets classified as available for sale, carried to the income statement	35,908	260,323	324,220
Company's share in other comprehensive income (loss), net, of equity-accounted companies	1,057	5,185	(3,412)
Tax effect	(19,529)	215,048	(89,697)
Total components of net other comprehensive income (loss) subsequently reclassified to profit or loss	40,502	(411,834)	170,053
<u>Amounts that shall not be subsequently reclassified to profit or loss</u>			
Revaluation of property, plant and equipment	-	1,621	17,314
Actuarial gain (loss) in respect of defined benefit plans	-	-	497
Tax effect	-	(373)	(4,190)
Total components of other comprehensive income, net, that shall not be subsequently reclassified to profit or loss	-	1,248	13,621
Total other comprehensive income (loss), net	40,502	(410,586)	183,674
Total comprehensive income (loss) for the period	366,629	(563,791)	1,392,609
<u>Attributed to:</u>			
Company's shareholders	355,906	(576,653)	1,352,697
Non-controlling interests	10,723	12,862	39,912
Comprehensive income (loss)	366,629	(563,791)	1,392,609

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributed to Company's shareholders										Non-controlling interests	Total equity
	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder - bonus	Capital reserve from share-based payment	Revaluation reserve	Principal from translation differences	Capital reserve in respect of available-for-sale assets		
	In NIS thousand											
Balance as of January 1 2021 (audited)	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922	8,081,830
Net income	-	-	-	315,404	-	-	-	-	-	-	315,404	326,127
Other comprehensive income	-	-	-	-	-	-	-	-	1,057	39,445	40,502	40,502
Total comprehensive income	-	-	-	315,404	-	-	-	-	1,057	39,445	355,906	366,629
Share-based payment	-	3,635	-	-	-	-	2,314	-	-	-	5,949	5,949
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(5,177)	(5,177)
Commencement of consolidation	-	-	-	-	-	-	-	-	-	-	408	408
Exercise of employee options	10	97	-	-	-	-	(107)	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant and equipment, at the depreciation amount	-	-	-	554	-	-	-	(554)	-	-	-	-
Dividend	-	-	-	(380,000)	-	-	-	-	-	-	(380,000)	(380,000)
Balance as of March 31 2021 (unaudited)	309,961	837,324	(26,411)	5,875,712	(43,622)	11,000	47,150	114,060	(22,281)	848,884	7,951,777	8,069,639

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributed to Company's shareholders										Non-controlling interests	Total equity
	Share capital	Premium and capital reserves in respect of shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder - bonus	Capital reserve from share-based payment	Revaluation reserve	Principal from translation differences	Capital reserve in respect of available-for-sale assets	Total		
	In NIS thousand											
Balance as of January 1 2020 (audited)	309,951	830,437	4,768,261	(43,622)	11,000	40,047	103,463	(19,926)	635,974	6,635,585	106,939	6,742,524
Net income	-	-	(166,067)	-	-	-	-	-	-	(166,067)	12,862	(153,205)
Other comprehensive income (loss)	-	-	-	-	-	-	1,248	5,185	(417,019)	(410,586)	-	(410,586)
Total comprehensive income (loss)	-	-	(166,067)	-	-	-	1,248	5,185	(417,019)	(576,653)	12,862	(563,791)
Share-based payment	-	(3,446)	-	-	-	685	-	-	-	(2,761)	-	(2,761)
Transfer from revaluation reserve in respect of revaluation of property, plant and equipment, at the depreciation amount	-	-	545	-	-	-	(545)	-	-	-	-	-
Balance as of March 31 2020 (unaudited)	<u>309,951</u>	<u>826,991</u>	<u>4,602,739</u>	<u>(43,622)</u>	<u>11,000</u>	<u>40,732</u>	<u>104,166</u>	<u>(14,741)</u>	<u>218,955</u>	<u>6,056,171</u>	<u>119,801</u>	<u>6,175,972</u>

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributed to Company's shareholders										Non-controlling interests	Total equity
	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transactions with controlling shareholders	Capital reserve from share-based payment	Revaluation reserve	Principal from translation differences	Capital reserve in respect of available-for-sale assets		
	In NIS thousand										Total	
Balance as of January 1 2020 (audited)	309,951	830,437	-	4,768,261	(43,622)	11,000	40,047	103,463	(19,926)	635,974	6,635,585	6,742,524
Net income	-	-	-	1,169,023	-	-	-	-	-	-	1,169,023	1,208,935
Other comprehensive income (loss)	-	-	-	290	-	-	-	13,331	(3,412)	173,465	183,674	183,674
Total comprehensive income (loss)	-	-	-	1,169,313	-	-	-	13,331	(3,412)	173,465	1,352,697	1,392,609
Share-based payment	-	3,155	-	-	-	-	4,896	-	-	-	8,051	8,051
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(31,971)	(31,971)
Acquisition of treasury shares	-	-	(26,411)	-	-	-	-	-	-	-	(26,411)	(26,411)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)
Commencement of consolidation	-	-	-	-	-	-	-	-	-	-	28	28
Transfer from revaluation reserve in respect of revaluation of property, plant and equipment, at the depreciation amount	-	-	-	2,180	-	-	-	(2,180)	-	-	-	-
Balance as of December 31 2020 (audited)	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922	8,081,830

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Consolidated Interim Statements of Cash Flow

	Appendix	For the three months ended March 31		For the year ended December 31
		2021	2020	2020
		Unaudited		Audited
		In NIS thousand		
<u>Cash flows provided by (used in) operating activities</u>				
Profit (loss) for the period		326,127	(153,205)	1,208,935
Adjustments required to present cash flows from operating activities	(a)	1,056,086	1,603,179	3,562,529
Net cash provided by operating activities		1,382,213	1,449,974	4,771,464
<u>Cash flows from investing activities</u>				
Purchase of property, plant and equipment		(12,389)	(8,205)	(137,587)
Proceeds from disposal of property, plant and equipment		-	-	1,158
Investment in associates		(10,632)	(20,719)	(44,845)
Dividend from associates		11,918	4,842	13,089
Acquisition of companies consolidated for the first time	(b)	(337,071)	(36,573)	(86,665)
Acquisition of minority interest in a consolidated company		-	-	(3,000)
Repayment (receipt) of a loan from an associate		90	(240)	(8,173)
Proceeds from disposal of investment in associate		-	18,445	19,746
Acquisition and capitalization of intangible assets costs		(51,382)	(53,730)	(233,430)
Net cash used in investing activities		(399,466)	(96,180)	(479,707)
<u>Cash flows from financing activities</u>				
Acquisition of Company shares		-	-	(26,411)
Assumption of financial liabilities		117,000	-	72,097
Repayment of financial liabilities		(70,699)	(146,291)	(572,121)
Repayment of lease liability principal		(12,505)	(9,655)	(41,646)
Issuance of financial liability		348,457	217,511	585,433
Dividend to non-controlling interests in a consolidated company		(5,177)	-	(31,971)
Repayment of contingent liability in respect of a put option to non-controlling interests		(5,355)	-	-
Liability for REPO		47,420	456,493	388,837
Net cash from financing activities		419,141	518,058	374,218
<u>Increase in cash and cash equivalents</u>		1,401,888	1,871,852	4,665,975
<u>Balance of cash and cash equivalents at beginning of period</u>	(c)	12,010,119	7,344,144	7,344,144
<u>Balance of cash and cash equivalents at end of period</u>	(c)	13,412,007	9,215,996	12,010,119

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Consolidated Interim Statements of Cash Flow

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS thousand		
<u>Adjustments required to present cash flows from operating activities:</u>			
(a) <u>Items not involving cash flows</u>			
Net (gains) losses on financial investments in respect of insurance contracts and yield-dependent investment contract	(3,433,370)	7,830,247	(4,356,557)
Change in fair value of investment property in respect of yield-dependent contracts	-	12,998	(25,857)
<u>Net (gains) losses on other financial investments</u>			
Marketable debt assets	(113,589)	29,555	(166,427)
Non-marketable debt assets	(196,537)	(116,265)	(581,800)
Shares	(123,408)	262,429	24,735
Other	78,203	175,127	(228,807)
Depreciation and amortization	76,835	71,703	300,140
Loss (gain) on disposal of property, plant and equipment	5	6	-
Change in fair value of investment property	-	7,701	(53,004)
Change in provision for impairment of property, plant and equipment	(2,229)	(11,616)	(7,957)
Gain from remeasurement of investment in an investee consolidated for the first time	(483)	-	(67,268)
Change in financial liabilities	240,427	625,848	853,786
Income tax expenses	161,769	(94,798)	553,829
Company's share in the results of associates, net	(16,027)	(15,304)	(39,697)
Payroll expenses in respect of share-based payment	2,314	685	4,896
<u>Changes in other balance sheet line items, net:</u>			
Change in liabilities in respect of non-yield-dependent insurance contracts	435,089	119,703	277,697
Change in liabilities in respect of yield-dependent contracts	4,439,490	(7,160,049)	5,766,036
Change in liabilities for bonds, ETFs	(10,000)	(10,000)	(44,000)
Change in financial investments for holders of ETFs, certificates of deposit	8,000	9,000	45,000
Change in deferred acquisition costs	(87,786)	(34,912)	20,917
Change in reinsurance assets	(118,550)	(127,342)	(183,938)
Change in liabilities for employee benefits, net	12,263	4,216	7,306
Change in accounts receivable, debit balances and collectible premiums	(111,143)	(245,001)	28,325
Change in payables and credit balances	(44,969)	97,411	306,867
Change in credit for purchase of securities	(49,000)	43,000	(96,000)
Revaluation of loans granted to associates	(1,098)	(528)	(1,938)
<u>Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts:</u>			
Acquisition of real estate properties	(13,488)	(90,474)	(259,654)
Acquisitions of financial investments, net	(126,245)	1,317,569	3,091,025
<u>Financial investments and other investment property:</u>			
Acquisitions of financial investments, net	219,579	(1,120,881)	(1,264,985)
Acquisition of real estate properties	(13,302)	(73,723)	(128,350)
<u>Cash paid and received during the period for:</u>			
Taxes paid	(335,118)	(45,075)	(354,687)
Taxes received	178,454	141,949	142,896
Total cash flows provided by operating activities	<u>1,056,086</u>	<u>1,603,179</u>	<u>3,562,529</u>

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Consolidated Interim Statements of Cash Flow

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS thousand		
(b) <u>Acquisition of companies consolidated for the first time</u>			
<u>Assets and liabilities of the consolidated companies as of acquisition date:</u>			
Working capital (excluding cash and cash equivalents)	19,959	(3,000)	(4,288)
Deferred acquisition costs	(19,047)	-	-
Other financial investments	(32,421)	-	-
Property, plant and equipment, net	(35,863)	-	(10,710)
Goodwill arising from acquisition	(138,653)	(22,000)	(154,549)
Intangible assets	(188,317)	(11,573)	(83,796)
Deferred taxes	9,136	-	22,012
Minority interests	408	-	28
Accounts payable in respect of acquisition of consolidated companies	271	-	-
Disposal of investment in an associate	2,777	-	78,677
Financial liability	34,161	-	12,309
Loan from parent company	-	-	46,911
Liability for payment in respect of acquisition of an investee	5,487	-	6,741
Liabilities for employee benefits	5,031	-	-
	<u>(337,071)</u>	<u>(36,573)</u>	<u>(86,665)</u>
(c) <u>Cash and cash equivalents</u>			
Balance of cash and cash equivalents at beginning of period:			
Other cash and cash equivalents	1,545,903	1,731,709	1,731,709
Cash and cash equivalents in respect of yield-dependent contracts	<u>10,464,216</u>	<u>5,612,435</u>	<u>5,612,435</u>
	<u>12,010,119</u>	<u>7,344,144</u>	<u>7,344,144</u>
Balance of cash and cash equivalents at end of period:			
Other cash and cash equivalents	2,249,354	1,703,259	1,545,903
Cash and cash equivalents in respect of yield-dependent contracts	<u>11,162,653</u>	<u>7,512,737</u>	<u>10,464,216</u>
	<u>13,412,007</u>	<u>9,215,996</u>	<u>12,010,119</u>
(d) <u>Material non-cash activities</u>			
Payable dividend	(380,000)	-	-
Recognition of right-of-use asset against a lease liability	(5,676)	(3,531)	(8,383)
Appreciation (impairment) of available-for-sale assets against a capital reserve	58,974	(417,019)	263,162
Appreciation (impairment) of deferred taxes in respect of available for sale assets against a capital reserve	(19,529)	(215,048)	(89,697)
(e) <u>Breakdown of amounts included in operating activities</u>			
Interest paid	716	4,343	1,611
Interest received	58,582	65,264	608,612
Dividend received	17,687	5,301	32,215

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

NOTE 1 - GENERAL

- A.** The Phoenix Holdings Ltd. (hereinafter - the "Company") is an Israeli resident company incorporated in Israel, whose official address is 53 Derech Hashalom St., Givatayim, Israel. These financial statements were prepared in condensed format as of March 31 2021 and for the three-month period then ended (hereinafter - the "Condensed Consolidated Interim Financial Statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31 2020 and for the year then ended and the accompanying notes (hereinafter - the "Consolidated Annual Financial Statements").

B. Definitions

The Company	- The Phoenix Holdings Ltd.
The Phoenix Insurance	- The Phoenix Insurance Company Ltd., a wholly-owned subsidiary.
The Phoenix Investments	- The Phoenix Investments and Finances Ltd., a wholly-owned subsidiary of the Company.
Excellence	- Excellence Investments Ltd., a subsidiary of The Phoenix Investments.
The Phoenix Excellence Pension and Provident Funds Ltd.	- The Phoenix Excellence Pension and Provident Funds Ltd., a wholly-owned subsidiary of The Phoenix Insurance (formerly - Excellence Gemel Ltd.).
Halman Aldubi	- Halman Aldubi Investment House Ltd. is a wholly-owned subsidiary of the Company (for further details, please see Note 4).
Halman Aldubi Provident	Halman Aldubi Provident and Pension Funds Ltd. is a wholly-owned subsidiary of Halman Aldubi.
The Phoenix Capital Raising	- The Phoenix Capital Raising (2009) Ltd., a wholly-owned subsidiary of The Phoenix Insurance.
Belenus Lux S.a.r.l	- The controlling shareholder, held indirectly by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "Funds"). The said control is jointly held with Leolin Lux S.a.r.l, a sister company of Belenus.
Ad 120	- Ad 120 Residence Centers for Senior Citizens Ltd. is a wholly-owned subsidiary of The Phoenix Insurance.
The Phoenix Agencies	- The Phoenix Insurance Agency 1989 Ltd. - a company wholly-owned by the Company.

C. Distribution of The Phoenix Excellence Pension and Provident Funds Ltd.'s shares

On December 30 2019, the Board of Directors of The Phoenix Insurance Ltd. approved the distribution of the shares of The Phoenix Excellence Pension and Provident Funds Ltd., constituting approximately 100% of the issued and paid-up share capital of The Phoenix Excellence as dividend in kind to the Company. The actual distribution of the dividend is subject to approval by the Israel Tax Authority and the Capital Market, Insurance and Savings Authority. As of the report publication date, the Capital Market, Insurance and Savings Authority has given approval to execute the distribution, but no such approval has been received as yet from the Israel Tax Authority. For further details, please see the immediate report of the Company dated December 31 2019 (Ref. No. 2019-01-126166).

NOTE 1 – GENERAL (cont.)
D. Acquisition of Halman Aldubi Investment House Ltd.

On December 7 2020, the Company entered into a merger agreement with Halman Aldubi Investment House Ltd. (hereinafter: "Halman Aldubi"). Under the merger agreement, a reverse triple merger was carried out, with Halman Aldubi becoming a privately-held company wholly owned by the Company. The consideration of the transaction is approximately NIS 275 million. On February 28 2021, upon meeting the conditions precedent, the merger was completed. For further details regarding the transaction, please see Note 4, "Business Combinations".

E. Examining the possibility of selling Ad 120

In January 2021, The Phoenix Insurance's Board of Directors decided to consider the possibility of selling its control stake, and up to 100%, of Ad 120, as part of the execution of the Company's multi-year strategic plan. As of the report date, the Company is acting to implement the aforesaid with the assistance of an investment bank with which the Company has entered into an agreement in this matter. As of the report publication date, The Phoenix Insurance had received several unbinding initial offers from potential acquirers. The Phoenix Insurance is considering the various offers and alternatives for executing the transaction. Accordingly, as of the report date, The Phoenix Insurance has created a tax reserve in the amount of approximately NIS 46 million in respect of its intended sale of Ad 120; however, at this stage, there is no certainty that the sale will indeed materialize and what its terms and conditions will be. For further details, please see Note 7 to the Annual Report and the immediate report dated January 28 2021 (Ref. No.: 2021-01-011200).

F. Gama - IPO and assuming control

In May 2021, Gama Management and Clearing Ltd. (hereinafter - "**Gama**") published a draft prospectus for an initial public offering and sale offer (hereinafter - the "**Draft Prospectus**"). As of the report publication date, the Company indirectly holds, through The Phoenix Investments and Finances Ltd., 49% of Gama's issued and paid-up share capital. According to the draft prospectus, the company intends, concurrently with the execution of the IPO, in accordance with the IPO prospectus, to acquire, through The Phoenix Investments, such that following the IPO and full dilution, it will hold approximately 60% of Gama's issued and paid up share capital and voting rights, fully diluted, and shall be the controlling shareholder in Gama. To the extent that the IPO will indeed go forward and the Company will gain a holding stake of more than 50% in Gama, the Company is expected to record a one-off capital gain due to gaining control, depending on the IPO proceeds. As of this date, the IPO is scheduled to take place during June 2021; however, it shall be clarified that there is no certainty that the IPO will indeed take place and what its terms and conditions will be.

G. Offer to purchase all shares of Psagot Mutual Funds Ltd.

On May 9 2021, KSM Sal Certificates Holdings Ltd. - a company indirectly controlled by the Company, jointly with YD More Investments Ltd. - filed a binding offer to acquire all shares of Psagot Mutual Funds Ltd., Psagot Securities Ltd. and Psagot Compass Investments Ltd. (hereinafter, collectively - the "Acquired Companies") by Psagot Investment House Ltd. (hereinafter - "Psagot"). The offer reflected an enterprise value of approximately NIS 420 million for the Acquired Companies, on the basis of zero debt and zero cash as of December 31 2020. The offer expired on May 10 2021, in accordance with the terms and conditions of the offer.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**A. Preparation format of the consolidated interim financial statements**

The Consolidated Interim Financial Statements have been prepared in accordance with generally accepted accounting principles for the preparation of interim financial statements as prescribed by IAS 34, "Interim Financial Reporting", as well as in accordance with the disclosure requirements set by the Commissioner of the Capital Market, Insurance and Savings in accordance with the Financial Services Supervision Law (Insurance), 1981. In addition, the financial statements were prepared in accordance with the disclosure provisions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation consolidating an insurance company.

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

The accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those implemented in the preparation of the Consolidated Annual Financial Statements, with the exception of new standards that entered into force on January 1 2021, as detailed below:

B. First-time application of amendment to existing accounting standards**Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 due to the IBOR reform**

In August 2020, the IASB issued amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 4, "Insurance Contracts" and IFRS 16, "Leases" (Hereinafter - the "Amendments").

The amendments provide practical expedients that address the effects the replacement of Interbank Offered Rates ((IBORs) by Risk Free Interest Rates (RFRs) on accounting treatment in the financial statements.

According to one of the practical reliefs, the Company will account for contractual amendments or amendments to cash flows resulting directly from the implementation of the reform similarly to the accounting treatment for changes in variable interest rates. In other words, companies are required to recognize the changes in interest rates by adjusting the effective interest rate without changing the book value of the financial instrument. The use of this practical expedient depends on the fact that the transition from IBOR to RFR takes place on the basis of equal economic conditions.

In addition, the amendments allow the changes required by the IBOR reform to be made for hedging designation and documentation purposes without causing hedging relationships to discontinue when certain terms and conditions are met. The amendments also provided temporary practical expedient for the application of hedge accounting relating to the identification of the hedged risk as 'separately identifiable'.

The amendments added disclosure requirements regarding the effect of the expected reform on the Company's financial statements, including reference to the manner in which the Company manages the implementation of the interest rate reform, the risks to which it is exposed as a result of the expected reform and quantitative disclosures regarding financial instruments in IBOR interest rates that are expected to change.

At this stage - since the contractual amendments have yet to be agreed upon - the Company is unable to estimate the accounting implications, if any, of the transition from IBOR interest rates to RFR interest rates on financial instrument contracts that are expected to be in place on the transition date, including the effects of the above Amendments.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**C. Disclosure of the new IFRSs in the period prior to their application****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 will be 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. Early application is allowed.

D. Changing the designation of Ad 120 from the health segment to the life insurance and long-term savings segment

Beginning in Q2 2020 - in light of the publication of the LAT circular regarding the allocation of assets other than at fair value when performing the liability adequacy test (LAT) - the Company allocated the results of Ad 120 to the life insurance and long-term savings and health insurance segment as well. The following table reconciles the abovementioned change, under the assumption that the Company would have designated Ad 120 to the life insurance and long-term savings and health segment:

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

Life insurance and long-term savings segment	For the three months ended March 31	For the year ended December 31
	2020	
	Unaudited	Audited
	In NIS thousand	
Premiums earned, gross	1,259,058	4,765,553
Premiums earned by reinsurers	23,634	99,195
Premiums earned - retention	1,235,424	4,666,358
Investment income, net and finance income	(7,191,455)	4,641,250
Income from management fees	202,822	1,106,546
Income from fees and commissions	9,334	39,119
Other income	11,263	22,936
Total income	(5,732,613)	10,476,209
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	(5,879,613)	8,517,055
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	1,655	49,450
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	(5,881,268)	8,467,605
Fees and commissions and other purchase expenses	182,050	728,085
General and administrative expenses	130,303	548,029
Other expenses	(6,814)	26,303
Finance expenses	(8,988)	2,185
Total expenses	(5,584,717)	9,772,207
Company's share in the net results of investees	6,979	12,006
Net income (loss) before taxes on income	(140,916)	716,008
Other comprehensive income (loss) before taxes on income	(99,340)	6,732
Total comprehensive income (loss) before taxes on income	(240,256)	722,740

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)
D. Redesignation of Ad 120 from the “other” segment to the life insurance and long-term savings segment and health insurance segment (cont.)

	For the three months ended March 31	For the year ended December 31
	2020	
Health insurance segment	Unaudited	Audited
	In NIS thousand	
Premiums earned, gross	763,861	2,781,698
Premiums earned by reinsurers	95,200	286,671
Premiums earned - retention	668,661	2,495,027
Investment income, net and finance income	(665,410)	473,843
Income from fees and commissions	9,468	44,170
Other income	7,508	12,736
Total income	20,228	3,025,776
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	(195,410)	2,371,630
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	88,141	234,439
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	(283,551)	2,137,191
Fees and commissions and other purchase expenses	161,189	497,769
General and administrative expenses	40,223	157,523
Finance expenses	(808)	(1,112)
Total expenses	(82,947)	2,791,371
Company's share in the net results of investees	-	2,055
Profit before taxes on income	103,174	236,460
Other comprehensive loss before taxes on income	(68,999)	(33,485)
Total comprehensive income before taxes on income	34,175	202,975

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

	Consumer price index		Representative exchange rate of the US dollar
	Known CPI	In lieu CPI	
	%	%	%
For the three months ended on:			
March 31 2021	0.1	0.8	3.7
March 31 2020	(0.5)	(0.1)	3.1
For the year ended December 31 2020	(0.6)	(0.7)	(7)

NOTE 3 - OPERATING SEGMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

The Company operates in the following operating segments:

1. The life insurance and long-term savings segment

The life insurance and long-term savings segment includes the following subsegments: life insurance, related coverages and pension and provident funds management. The segment includes long-term savings (under various categories of insurance policies, pension funds and provident funds), as well insurance coverages in respect of various risks such as: death, disability, permanent health insurance, and more. In accordance with the Commissioner's directives, the long-term savings segment is broken down into life insurance, pension funds and provident funds. For information regarding the allocation of operating results of Ad 120 following the application of the circular regarding the procedure for allocating non-marketable assets, please see Notes 2.D above.

2. Health insurance segment

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

For information regarding the allocation of operating results of Ad 120 following the application of the circular regarding the procedure for allocating non-marketable assets, please see Notes 2.D above.

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, other property and other liability subsegments.

- Compulsory motor insurance subsegment

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

- Motor property subsegment

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

- Other liability subsegments

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

- Property and other subsegments

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

4. Financial services segment

The financial services segment includes Excellence's results. The segment includes investment management activity, including mutual funds, ETFs, brokerage services, underwriting services, market making in various securities and other services.

In addition, the results of this segment include the operations of The Phoenix's investment fund management.

5. Insurance agencies segment

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

NOTE 3 – OPERATING SEGMENTS (cont.)**6. Other segment**

This segment includes operating segments that do not meet the quantitative threshold for reporting.

7. The activity is not attributed to operating segments

This activity includes part of the Group's HQ function that is not attributed to the operating segments and holding assets and liabilities against the Company's share capital in accordance with the Capital Regulations.

Notes to the Condensed Consolidated Interim Financial Statements as of March 31 2021

NOTE 3 – OPERATING SEGMENTS (cont.)

A. Reportable segment

	For the three-month period ended March 31 2021								
	Life insurance and long- term savings		Property and casualty insurance	Financial services	Insurance agencies	Other	Not attributed to operating segments	Adjustments and offsets	Total
	(a)	Health (b)	(c)						
	Unaudited								
	In NIS thousand								
Premiums earned, gross	1,261,813	660,630	695,879	-	-	-	-	-	2,618,322
Premiums earned by reinsurers	28,018	51,711	231,215	-	-	-	-	-	310,944
Premiums earned - retention	1,233,795	608,919	464,664	-	-	-	-	-	2,307,378
Investment income, net and finance income	3,389,444	326,165	94,187	56	4,395	801	43,928	(4,381)	3,854,595
Income from management fees	422,583	-	-	64,042	228	12,372	762	(13,114)	486,873
Income from fees and commissions (d)	8,569	12,355	54,179	-	125,314	-	-	(32,790)	167,627
Income from financial services	-	-	-	41,000	-	-	-	-	41,000
Other income	5,492	338	-	1,000	4,302	327	1,652	(205)	12,906
Total income	5,059,883	947,777	613,030	106,098	134,239	13,500	46,342	(50,490)	6,870,379
Increase in insurance liabilities and payments in respect of insurance contracts	4,497,410	844,488	464,031	-	-	-	-	-	5,805,929
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	10,751	54,693	138,419	-	-	-	-	-	203,863
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	4,486,659	789,795	325,612	-	-	-	-	-	5,602,066
Fees and commissions and other purchase expenses	171,055	100,930	127,206	11,000	-	-	-	(29,768)	380,423
General and administrative expenses	144,227	37,738	31,255	61,468	80,189	13,711	9,869	(14,726)	363,731
Other expenses	4,325	-	-	3,000	3,231	-	304	(115)	10,745
Finance expenses	3,928	51	5,504	1,000	136	80	34,547	(3,701)	41,545
Total expenses	4,810,194	928,514	489,577	76,468	83,556	13,791	44,720	(48,310)	6,398,510
Company's share in the net results of investees	10,521	615	(1,167)	830	1,587	3,641	-	-	16,027
Profit before taxes on income	260,210	19,878	122,286	30,460	52,270	3,350	1,622	(2,180)	487,896
Other comprehensive income (loss) before taxes on income	30,043	3,108	55,236	-	-	587	(28,943)	-	60,031
Total comprehensive income (loss) before taxes on income	290,253	22,986	177,522	30,460	52,270	3,937	(27,321)	(2,180)	547,927
	As of March 31 2021								
	Unaudited								
	In NIS thousand								
Liabilities, gross in respect of insurance contracts and yield-dependent investment contracts	75,600,323	5,696,080	-	-	-	-	-	-	81,296,403
Liabilities, gross in respect of insurance contracts and non-yield-dependent investment contracts	13,069,298	4,372,914	6,462,764	-	-	-	-	-	23,904,976

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

(b) For additional data regarding the health insurance subsegments, please see Section C below.

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

(d) Arises from commission income received from agencies owned by the Group, mainly from activities in the life insurance and long-term savings segment.

Notes to the Condensed Consolidated Interim Financial Statements as of March 31 2021

NOTE 3 – OPERATING SEGMENTS (cont.)

A. Reportable Segment (cont.)

	For the three-month period ended March 31 2020							
	Life insurance and long-term savings	Health	Property and casualty insurance	Financial services	Insurance agencies	Other	Not attributed to operating segments	Adjustments and offsets
	(a)	(b)	(c)					
	Unaudited In NIS thousand							
Premiums earned, gross	1,259,058	763,861	696,694	-	-	-	-	-
Premiums earned by reinsurers	23,634	95,200	227,547	-	-	-	-	-
Premiums earned - retention	1,235,424	668,661	469,147	-	-	-	-	-
Losses on investments, net and finance income	(7,199,881)	(656,984)	(73,853)	-	(4,866)	(322)	(217,001)	(661)
Income from management fees	202,822	-	-	73,000	228	10,617	778	(13,048)
Income from fees and commissions (d)	9,334	9,468	54,109	-	97,881	-	-	(30,421)(1)
Income from financial services	-	-	-	46,000	-	-	-	-
Other income	-	18,771	-	5,000	2,613	(7)	-	(425)
Total income	(5,752,301)	39,916	449,403	124,000	95,856	10,288	(216,223)	(44,555)
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	(5,879,613)	(195,410)	491,741	-	-	-	-	-
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	1,655	88,141	166,936	-	-	-	-	-
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	(5,881,268)	(283,551)	324,805	-	-	-	-	-
Fees and commissions and other purchase expenses	181,295	161,944	132,548	11,000	-	-	-	(28,249)
General and administrative expenses	125,840	44,686	32,451	55,000	62,331	9,483	8,849	(14,665)
Other expenses (income)	(6,814)	-	-	3,000	2,714	-	1,932	-
Finance expenses (income)	(7,776)	(2,020)	5,042	1,000	364	86	30,151	(487)
Total expenses	(5,588,723)	(78,941)	494,846	70,000	65,409	9,569	40,932	(43,401)
Company's share in the net results of investees	6,979	-	(463)	513	3,772	4,503	-	-
Net income (loss) before taxes on income	(156,599)	118,857	(45,906)	54,513	34,219	5,222	(257,155)	(1,154)
Other comprehensive income (loss) before taxes on income	(99,340)	(68,999)	(177,397)	-	-	399	(279,924)	-
Total comprehensive income (loss) before taxes on income	(255,939)	49,858	(223,303)	54,513	34,219	5,621	(537,079)	(1,154)
As of March 31 2020								
Unaudited								
In NIS thousand								
Liabilities, gross in respect of insurance contracts and yield-dependent investment contracts	59,845,046	4,085,782	-	-	-	-	-	-
Liabilities, gross in respect of insurance contracts and non-yield-dependent investment contracts	12,896,492	4,051,357	6,364,044	-	-	-	-	-

(a) For additional data regarding the life insurance and long-term savings subsegments, please see Section b below.

(b) For additional data regarding the health insurance subsegments, please see Section c below.

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

(d) Arises from commission income received from agencies owned by the Group, mainly from activities in the life insurance and long-term savings segment.

Notes to the Condensed Consolidated Interim Financial Statements as of March 31 2021

NOTE 3 – OPERATING SEGMENTS (cont.)

A. Reportable Segment (cont.)

	For the year ended December 31 2020								
	Life insurance and long-term savings (a)	Health (b)	Property and casualty insurance (c)	Financial services	Insurance agencies	Other	Not attributed to operating segments	Adjustments and offsets	Total
	Audited								
	In NIS thousand								
Premiums earned, gross	4,765,553	2,781,698	2,835,401	-	-	-	-	-	10,382,652
Premiums earned by reinsurers	99,195	286,671	943,112	-	-	-	-	-	1,328,978
Premiums earned - retention	4,666,358	2,495,027	1,892,289	-	-	-	-	-	9,053,674
Gains (losses) on investments, net and finance income	4,632,824	482,269	130,873	(91)	37	127	239,167	(5,500)	5,479,706
Income from management fees	1,106,546	-	-	248,930	1,361	44,915	3,084	(47,647)	1,357,189
Income from fees and commissions (d)	39,119	44,170	214,717	-	389,025	-	-	(130,980)	556,051
Income from financial services	-	-	-	159,000	-	-	-	-	159,000
Other income	11,673	23,999	-	9,000	89,102	1,137	19	(3,084)	131,846
Total income	10,456,520	3,045,464	2,237,879	416,839	479,525	46,179	242,270	(187,211)	16,737,466
Increase in insurance liabilities and payments in respect of insurance contracts	8,517,055	2,371,630	1,640,879	-	-	-	-	-	12,529,564
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	49,450	234,439	542,801	-	-	-	-	-	826,690
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	8,467,605	2,137,191	1,098,078	-	-	-	-	-	11,702,874
Fees and commissions and other purchase expenses	727,330	498,524	597,354	40,000	-	-	-	(113,105)	1,750,103
General and administrative expenses	543,566	161,986	144,083	222,078	237,974	39,466	66,210	(55,335)	1,360,028
Other expenses	26,303	-	-	12,000	9,123	409	7,505	(455)	54,885
Finance expenses (income)	3,397	(2,324)	(8,021)	5,000	3,314	402	147,191	(2,450)	146,509
Total expenses	9,768,201	2,795,377	1,831,494	279,078	250,411	40,277	220,906	(171,345)	15,014,399
Company's share in the net results of investees	12,006	2,055	(3,592)	3,159	8,670	17,399	-	-	39,697
Net income (loss) before taxes on income	700,325	252,143	402,793	140,920	237,784	23,301	21,364	(15,866)	1,762,764
Other comprehensive income (loss) before taxes on income	6,732	(33,485)	121,690	-	(332)	1,467	181,489	-	277,561
Comprehensive income (loss) before taxes on income	707,057	218,658	524,483	140,920	237,452	24,768	202,853	(15,866)	2,040,325
	As of December 31 2020								
	Audited								
	In NIS thousand								
Liabilities, gross in respect of insurance contracts and yield-dependent investment contracts	71,540,354	5,316,559	-	-	-	-	-	-	76,856,913
Liabilities, gross in respect of insurance contracts and non-yield-dependent investment contracts	13,047,252	4,237,911	6,184,724	-	-	-	-	-	23,469,887

- (a) For additional data regarding the life insurance and long-term savings subsegments, please see Section B below.
 (b) For additional data regarding the health insurance subsegments, please see Section C below.
 (c) For additional data regarding the property and casualty insurance subsegments, please see Section D below.
 (d) Arises from commission income received from agencies owned by the Group, mainly from activities in the life insurance and long-term savings segment.

NOTE 3 – OPERATING SEGMENTS (cont.)
B. Additional data regarding the life insurance and long-term savings segment

	For the three-month period ended March 31 2021			
		Provident		
	Life insurance	fund management	Pension fund management	Total
	Unaudited			
	In NIS thousand			
Premiums earned, gross	1,261,813	-	-	1,261,813
Premiums earned by reinsurers	28,018	-	-	28,018
Premiums earned - retention	1,233,795	-	-	1,233,795
Investment income, net and finance income	3,372,939	15,033	1,472	3,389,444
Income from management fees	323,424	54,691	44,468	422,583
Income from fees and commissions	8,569	-	-	8,569
Other income	5,302	-	190	5,492
Total income	4,944,029	69,724	46,130	5,059,883
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	4,485,338	12,072	-	4,497,410
Share of reinsurers in payments and changes in liabilities in respect of insurance contracts	10,751	-	-	10,751
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	4,474,587	12,072	-	4,486,659
Fees and commissions, marketing expenses and other purchase expenses	127,219	22,174	21,662	171,055
General and administrative expenses	98,463	23,482	22,282	144,227
Other expenses	4,049	183	93	4,325
Finance expenses	3,925	3	-	3,928
Total expenses	4,708,243	57,914	44,037	4,810,194
Company's share in the net results of investees	10,521	-	-	10,521
Net income before taxes on income	246,307	11,810	2,093	260,210
Other comprehensive income before taxes on income	30,043	-	-	30,043
Total comprehensive income for the period before taxes on income	276,350	11,810	2,093	290,253

NOTE 3 – OPERATING SEGMENTS (cont.)

	For the three-month period ended March 31 2020			
	Life insurance	Provident fund management	Pension fund management	Total
	Unaudited			
	In NIS thousand			
Premiums earned, gross	1,259,058	-	-	1,259,058
Premiums earned by reinsurers	23,634	-	-	23,634
Premiums earned - retention	1,235,424	-	-	1,235,424
Gains (losses) on investments, net and finance income	(7,198,634)	522	(1,769)	(7,199,881)
Income from management fees	109,975	51,091	41,756	202,822
Income from fees and commissions	9,334	-	-	9,334
Total income	(5,843,901)	51,613	39,987	(5,752,301)
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	(5,886,178)	6,565	-	(5,879,613)
Share of reinsurers in payments and changes in liabilities in respect of insurance contracts	1,655	-	-	1,655
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	(5,887,833)	6,565	-	(5,881,268)
Fees and commissions, marketing expenses and other purchase expenses	140,121	20,637	20,537	181,295
General and administrative expenses	85,847	17,379	22,614	125,840
Other expenses (income)	(6,919)	11	94	(6,814)
Finance expenses (income)	(7,805)	15	14	(7,776)
Total expenses	(5,676,589)	44,607	43,259	(5,588,723)
The Company's share in the profits of investees consolidated according to the equity method, net of investees	6,979	-	-	6,979
Profit (loss) before income taxes	(160,333)	7,006	(3,272)	(156,599)
Other comprehensive loss before taxes on income	(99,340)	-	-	(99,340)
Total comprehensive income (loss) for the period before taxes on income	(259,673)	7,006	(3,272)	(255,939)

NOTE 3 – OPERATING SEGMENTS (cont.)
B. Additional data regarding the life insurance and long-term savings segment (cont.)

	For the year ended December 31 2020			
	Life insurance	Provident fund management	Pension fund management	Total
		Audited		
		In NIS thousand		
Premiums earned, gross	4,765,553	-	-	4,765,553
Premiums earned by reinsurers	99,195	-	-	99,195
Premiums earned - retention	4,666,358	-	-	4,666,358
Investment income, net and finance income	4,592,667	37,459	2,698	4,632,824
Income from management fees	736,673	199,220	170,653	1,106,546
Income from fees and commissions	39,119	-	-	39,119
Other income	11,673	-	-	11,673
Total income	10,046,490	236,679	173,351	10,456,520
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	8,478,358	38,697	-	8,517,055
Share of reinsurers in payments and changes in liabilities in respect of insurance contracts	49,450	-	-	49,450
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	8,428,908	38,697	-	8,467,605
Fees and commissions, marketing expenses and other purchase expenses	554,421	85,389	87,520	727,330
General and administrative expenses	378,758	80,118	84,690	543,566
Other expenses	20,762	733	4,808	26,303
Finance expenses (income)	3,393	21	(17)	3,397
Total expenses	9,386,242	204,958	177,001	9,768,201
Company's share in the net results of investees	12,006	-	-	12,006
Net income (loss) before income tax	672,254	31,721	(3,650)	700,325
Other comprehensive income before taxes on income	6,732	-	-	6,732
Total comprehensive income (loss) for the year before taxes on income	678,986	31,721	(3,650)	707,057

NOTE 3 – OPERATING SEGMENTS (cont.)
B. Additional data regarding the life insurance and long-term savings segment (cont.)
Breakdown of results by type of policy
Data for the three-month period ended March 31 2021:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component		
	Since 2004				Life insurance sold as a single policy		
	Until 1990 (1)	Until 2003	Non yield-dependent	Yield-dependent	Individual	Group	Total
	Unaudited In NIS thousand						
Gross premiums	16,354	276,482	-	793,075	142,326	33,576	1,261,813
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	1,120,809	-	-	1,120,809
Financial margin including management fees (2)	124,289	244,523 (3)	-	78,688	-	-	447,500
Payments and change in liabilities in respect of insurance contracts, gross	137,360	1,687,563	-	2,117,203	71,433	30,319	4,043,878
Payments and change in liabilities for investment contracts	-	-	-	441,460	-	-	441,460
Payments and change in liabilities for guaranteed return provident fund tracks							12,072
Total payments and change in liabilities from life insurance and long-term savings							4,497,410
Total comprehensive income from life insurance business	94,979	143,235	-	8,565	23,759	5,812	276,350
Profit from pension and provident funds							13,903
Total profit from life insurance and long-term savings							290,253

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment income for the reporting year less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. In Q1 2021, variable management fees in respect of participating policies in the amount of approximately NIS 199 million were charged.

NOTE 3 – OPERATING SEGMENTS (cont.)
B. Additional data regarding the life insurance and long-term savings segment (cont.)
Breakdown of results by type of policy
Data for the three-month period ended March 31 2020:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component Life insurance sold as a single policy		
	Until 1990 (1)	Until 2003	Since 2004		Individual	Group	Total
			Non yield- dependent	Yield- dependent			
In NIS thousand							
Gross premiums:	19,518	295,589	-	772,695	142,171	29,085	1,259,058
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	487,660	-	-	487,660
Financial margin including management fees (2)	(139,305)	44,612 (3)	-	65,175	-	-	(29,518)
Payments and change in liabilities in respect of insurance contracts, gross	37,975	(3,297,408) (6)	-	(1,783,126) (6)	42,308	22,758	(4,977,493)
Payments and change in liabilities for investment contracts	-	-	-	(908,685) (6)	-	-	(908,685)
Payments and change in liabilities for guaranteed return provident fund tracks							6,565
Total payments and change in liabilities from life insurance and long-term savings							(5,879,613)
Total comprehensive income (loss) from life insurance business	(101,451) (5)	(75,212) (4)	-	(78,763)	(4,839)	592	(259,673)
Profit from pension and provident funds							3,734
Total loss on life insurance and long- term savings							(255,939)

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment income for the reporting year less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. In Q1 2020, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 517 million.
4. The profit includes a loss in respect of a change in the K value, amounting to approximately NIS 94 million, before tax.
5. The profit includes a loss in respect of the effect of the change in the discount rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 49 million. For further details, please see Note 8(a)(4).
6. This amount includes the effect of the decline in the financial markets in Israel and around the world due to the coronavirus crisis and a decrease of approximately 10% in assets under management in respect of participating policies.

NOTE 3 – OPERATING SEGMENTS (cont.)
B. Additional data regarding the life insurance and long-term savings segment (cont.)
Breakdown of results by type of policy
Data for the year ended December 31 2020:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component		
	Until 1990 (1)	Until 2003	Since 2004		Life insurance sold as a single policy		
			Non yield- dependent	Yield- dependent	Individual	Group	Total
In NIS thousand							
Gross premiums:	73,020	1,133,432	-	2,870,641	563,776	124,684	4,765,553
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	1,945,751	-	-	1,945,751
Financial margin including management fees (2)	185,503	466,855 (3)	-	269,041	-	-	921,399
Payments and change in liabilities in respect of insurance contracts, gross	439,848	2,783,738	-	4,457,267	261,625	112,290	8,054,768
Payments and change in liabilities for investment contracts	-	-	-	423,590	-	-	423,590
Payments and change in liabilities for guaranteed return provident fund tracks							38,697
Total payments and change in liabilities from life insurance and long-term savings							8,517,055
Total comprehensive income (loss) from life insurance business (4)	108,190 (5)	560,657 (4)(5)	-	(74,902)	71,566	13,475	678,986
Profit from pension and provident funds							28,071
Total profit from life insurance and long-term savings							707,057

- Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
- The financial margin does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment income for the reporting year less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
- As of September 30 2020, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 101 million; this amount was offset against management fees in the fourth quarter of 2020.
- The profit includes a profit in respect of a change in the K value, amounting to approximately NIS 261 million, before tax.
- The profit includes a profit in respect of the effect of the changes in assumptions and the effect of the change in the discount rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 41 million. For further details, please see Note 8(a)(4).

NOTE 3 – OPERATING SEGMENTS (cont.)
C. Additional data regarding the health insurance segment

	Data for the period ended March 31 2021				
	Long-term care		Other (2)		Total
	Individual	Group	Long-term	Short-term	
	Unaudited				
	In NIS thousand				
Gross premiums	64,897	239,633	372,814(1)	3,995(1)	
Payments and change in liabilities in respect of insurance contracts, gross	103,997	505,115	228,792	6,584	844,488
Total comprehensive income (loss) from health insurance business	9,582 (4)	393	14,417	(1,406)	22,986

- (1) Of this, individual premiums in the amount of NIS 214,173 thousand and collective premiums in the amount of NIS 162,636 thousand. The decrease in individual premiums is mainly due to a decrease in travel insurance activity following the coronavirus crisis and ceasing to market health insurance policies for Israelis staying abroad permanently or for prolonged periods (relocation) beginning in the second quarter of 2020. In January 2021, the relocation insurance portfolio was transferred from the Company to the DavidShield Insurance Company Ltd.

	Data for the period ended March 31 2020				
	Long-term care		Other (2)		Total
	Individual	Group	Long-term	Short-term	
	Unaudited				
	In NIS thousand				
Gross premiums	65,459	221,144	430,512(1)	74,757(1)	791,872
Payments and change in liabilities in respect of insurance contracts, gross	(64,736)	(368,987) (3)	185,050	53,263	(195,410)
Total comprehensive income (loss) from health insurance business	50,245 (4)	(32,912) (3)	39,747	(7,222)	49,858

- (1) Of this, individual premiums in the amount of NIS 313,165 thousand and collective premiums in the amount of NIS 192,104 thousand.

NOTE 3 – OPERATING SEGMENTS (cont.)
C. Additional data regarding the health insurance segment (cont.)

	Data for the year ended December 31 2020				
	Long-term care		Other (2)		Total
	Individual	Group	Long-term	Short-term	
	Audited				
	In NIS thousand				
Gross premiums	<u>259,764</u>	<u>891,730</u>	<u>1,521,350(1)</u>	<u>83,378(1)</u>	<u>2,756,222</u>
Payments and change in liabilities in respect of insurance contracts, gross	<u>271,231</u>	<u>1,224,983</u>	<u>796,511</u>	<u>78,905</u>	<u>2,371,630</u>
Total comprehensive income (loss) from health insurance business	<u>41,730</u>	<u>(33,016)</u>	<u>228,886</u>	<u>(18,942)</u>	<u>218,658</u>

- (1) Of this, individual premiums in the amount of NIS 1,001,573 thousand and collective premiums in the amount of NIS 603,155 thousand.
- (2) The most material coverage included in other long-term health insurance is medical expenses; in short-term health insurance - dental treatment expenses.
- (3) The change in the liabilities and loss stem mainly from the effect of the decline in the financial markets in Israel and around the world following the coronavirus crisis.
- (4) The profit in the three-month period ended March 31 2021 includes an increase in the insurance reserve (LAT) in the amount of approximately NIS 37 million and in the three-month period ended March 31 2020 - a decrease in LAT of NIS 59 million. The profit for the 3-month period ended on March 31 2020 includes the results of Ad 120, in the amount of approximately NIS 26 million, compared with an immaterial profit during the reporting period; for further details, please see Note 2.D.

NOTE 3 – OPERATING SEGMENTS (cont.)
D. Additional data regarding the property and casualty insurance segment

	For the three-month period ended March 31 2021				
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
			Unaudited		
	In NIS thousand				
Gross premiums	185,928	329,441	228,546	163,678	907,593
Reinsurance premiums	79,067	581	150,830	62,327	292,805
Premiums - retention	106,861	328,860	77,716	101,351	614,788
Change in unearned premium balance, retention	32,037	73,440	19,068	25,579	150,124
Premiums earned - retention	74,824	255,420	58,648	75,772	464,664
Investment income, net and finance income	38,837	13,604	4,044	37,702	94,187
Income from fees and commissions	18,922	16	28,686	6,555	54,179
Total income	132,583	269,040	91,378	120,029	613,030
Payments and change in liabilities in respect of insurance contracts, gross	153,010	165,817	52,716	92,488	464,031
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	68,792	314	41,040	28,273	138,419
Payments and change in liabilities for insurance contracts - retention	84,218	165,503	11,676	64,215	325,612
Fees and commissions, marketing expenses and other purchase expenses	15,410	51,855	36,724	23,217	127,206
General and administrative expenses	7,208	10,968	6,848	6,231	31,255
Finance expenses	2,653	-	276	2,575	5,504
Total expenses	109,489	228,326	55,524	96,238	489,577
Company's share in the net results of investees	(476)	(179)	(50)	(462)	(1,167)
Net income before taxes on income	22,618	40,535	35,804	23,329	122,286
Other comprehensive income before taxes on income	22,537	8,473	2,347	21,879	55,236
Total comprehensive income for the period before taxes on income	45,155	49,008	38,151	45,208	177,522
Liabilities in respect of insurance contracts, gross, as of March 31 2021	2,819,358	796,742	703,203	2,143,461	6,462,764
Liabilities in respect of insurance contracts - retention - as of March 31 2021	1,759,836	795,910	203,665	1,751,326	4,510,737

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

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

NOTE 3 – OPERATING SEGMENTS (cont.)
D. Additional data regarding the property and casualty insurance segment (cont.)

	For the three-month period ended March 31 2020				
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
			Unaudited		
	In NIS thousand				
Gross premiums	182,069	312,102	235,604	156,783	886,558
Reinsurance premiums	91,498	34	151,731	42,567	285,830
Premiums - retention	90,571	312,068	83,873	114,216	600,728
Change in unearned premium balance, retention	27,076	49,033	17,270	38,202	131,581
Premiums earned - retention	63,495	263,035	66,603	76,014	469,147
Losses on investments, net and finance income	(30,949)	(11,333)	(3,047)	(28,524)	(73,853)
Income from fees and commissions	21,432	-	27,913	4,764	54,109
Total income	53,978	251,702	91,469	52,254	449,403
Payments and change in liabilities in respect of insurance contracts, gross Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	118,824	188,630	108,415	75,872	491,741
	78,304	(2)	66,307	22,327	166,936
Payments and change in liabilities for insurance contracts - retention	40,520	188,632	42,108	53,545	324,805
Fees and commissions, marketing expenses and other purchase expenses	12,174	60,131	39,338	20,905	132,548
General and administrative expenses	7,008	12,282	7,251	5,910	32,451
Finance expenses	2,496	-	246	2,300	5,042
Total expenses	62,198	261,045	88,943	82,660	494,846
Company's share in the net results of investees	(196)	(67)	(19)	(181)	(463)
Profit (loss) before income taxes	(8,416)	(9,410)	2,507	(30,587)	(45,906)
Other comprehensive loss before taxes on income	(75,202)	(25,485)	(7,403)	(69,307)	(177,397)
Total comprehensive loss before taxes on income for the period	(83,618)	(34,895)	(4,896)	(99,894)	(223,303)
Liabilities in respect of insurance contracts, gross, as of March 31 2020	2,732,293	757,185	743,277	2,131,289	6,364,044
Liabilities in respect of insurance contracts - retention - as of March 31 2020	1,826,246	757,185	232,231	1,763,031	4,578,693

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

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

NOTE 3 – OPERATING SEGMENTS (cont.)
D. Additional data regarding the property and casualty insurance segment (cont.)

	For the year ended December 31 2020				
	Com- pulsory motor insurance	Motor property	Property and other subseg- ments (*)	Other liability subseg- ments (**)	Total
	Audited				
	In NIS thousand				
Gross premiums	584,123	1,031,838	772,728	486,363	2,875,052
Reinsurance premiums	288,266	135	527,646	164,581	980,628
Premiums - retention	295,857	1,031,703	245,082	321,782	1,894,424
Change in unearned premium balance, retention	19,988	(15,965)	(6,996)	5,108	2,135
Premiums earned - retention	275,869	1,047,668	252,078	316,674	1,892,289
Investment income, net and finance income	46,101	22,236	6,334	56,202	130,873
Income from fees and commissions	86,229	-	111,679	16,809	214,717
Total income	408,199	1,069,904	370,091	389,685	2,237,879
Payments and change in liabilities in respect of insurance contracts, gross	405,449	700,372	302,746	232,312	1,640,879
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	271,132	(7)	207,374	64,302	542,801
Payments and change in liabilities for insurance contracts - retention	134,317	700,379	95,372	168,010	1,098,078
Fees and commissions, marketing expenses and other purchase expenses	66,377	255,818	176,843	98,316	597,354
General and administrative expenses	30,616	54,182	32,096	27,189	144,083
Finance income	(3,964)	-	(411)	(3,646)	(8,021)
Total expenses	227,346	1,010,379	303,900	289,869	1,831,494
Company's share in the net results of investees	(1,519)	(519)	(157)	(1,397)	(3,592)
Net income before income tax	179,334	59,006	66,034	98,419	402,793
Other comprehensive income before taxes on income	51,449	17,583	5,334	47,324	121,690
Total comprehensive income for the year before taxes on income	230,783	76,589	71,368	145,743	524,483
Liabilities in respect of insurance contracts, gross, as of December 31 2020	2,731,581	717,570	677,415	2,058,158	6,184,724
Liabilities in respect of insurance contracts - retention - as of December 31 2020	1,725,755	717,570	190,626	1,710,351	4,344,302

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

(**) Other liability insurance subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 84% of total premiums in these subsegments.

NOTE 4 - BUSINESS COMBINATIONS**A. Acquisition of Halman Aldubi Investment House Ltd.**

On December 7 2020, the Company entered into a merger agreement with Halman Aldubi Investment House Ltd. (hereinafter: "Halman Aldubi"). Under the merger agreement, a reverse triple merger was carried out, with Halman Aldubi becoming a privately-held company wholly owned by the Company. The consideration of the transaction for Halman Aldubi is NIS 275 million. On February 28 2021, upon meeting the conditions precedent, the merger was completed. As of that date, the Company wholly-owns Halman Aldubi. The consolidation commencement date is March 31 2021.

Total assets under management by Halman Aldubi, net of the assets under management by the default pension fund sold to Meitav Dash (please see Section D below), as of March 31 2021, is approximately NIS 66 billion.

B. Loan extended to Halman Aldubi

On February 18 2021, the Company entered into an agreement with Halman Aldubi Provident and Pension Funds Ltd., a company wholly-owned by Halman-Aldubi (hereinafter - "Halman Provident"), according to which the Company would extend Halman Provident a loan in the amount of approximately NIS 88,633 thousand. The loan principal will be repaid in six unequal annual installments on May 1 of each year. From 2022 to 2024 - 4% of the principal in each payment; in 2028 - 28% of the principal; and in 2029- 2030 - 30% of the principal in each payment. The loan (principal and interest) is linked to the consumer price index; the loan principal will bear a fixed interest rate of 0.45% (base interest rate). If Halman Provident does not meet the financial covenants specified in the loan agreement, the interest rate will increase by up to 0.5%. The loan to Halman Provident, for the purpose of financing the full early redemption of all bonds (Series A) issued by Halman Provident, in the amount of approximately NIS 73.6 million (hereinafter, respectively: the "Bonds" and the "Early Redemption"), as well as to finance the full early repayment of a loan totaling approximately NIS 15 million (hereinafter: the "Bank Loan Amount"), taken by Halman Provident from a local banking corporation. On March 8 2021, the early redemption of the bonds was executed and the Bank Loan Amount was transferred to the local banking corporation.

In addition, on March 25 2021, the Company entered into an agreement with Halman Aldubi to grant an additional loan in the amount of NIS 5 million. The loan principal will be repaid in one lump sum on March 31 2022. The principal will bear a fixed annual interest rate of Prime + 1%. The loan is intended to cover Halman Aldubi's credit line liabilities to a local bank.

C. Merger of Halman Provident into Phoenix Excellence Pension and Provident Funds

On May 23 2021, the Board of Directors of Phoenix Excellence Pension and Provident Funds approved the merger of Halman Provident with and into The Phoenix Provident. According to the merger outline, the provident funds and the old pension funds managed by Halman Provident will be transferred to the management of Phoenix Provident. The merger between the companies - including the merger of the provident funds and the provident funds' investment tracks - is expected to be completed on September 30 2021, subject to obtaining the approvals required by law.

D. Default pension sale - Meitav-Dash deal

On February 22 2021, the Company entered into an agreement with Meitav Dash Provident Funds and Pension Ltd. (hereinafter: "Meitav Dash Provident"), according to which following the completion of the agreement with Halman Aldubi, as aforesaid, the Company will exercise its influence as Halman Aldubi's sole shareholder, such that Halman Provident will sign an agreement for the sale to Meitav Dash Provident of the new pension funds managed by Halman Provident for NIS 45 million, to be paid in one lump sum on the completion date. On March 10 2021, Halman Provident signed the said agreement. The completion of the sale is subject to meeting accepted conditions precedent, and the last date for the completion of the Funds' sale agreement is scheduled for June 30 2021.

Accordingly, in its financial statements as of March 31 2021, the Company classified the assets and liabilities in respect of the default pension activity as a held-for-sale assets and liabilities. Pursuant to a temporary measurement by an external appraiser, the total fair value of the held-for-sale assets and liabilities is approximately NIS 34 million.

NOTE 4 - BUSINESS COMBINATIONS (cont.)
E. The Halman Aldubi business combination

The Company recognized the fair value of the assets acquired and the liabilities assumed as part of the business combination according to a provisional measurement. As of the date of approval of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities assumed. A final adjustment of the consideration for the purchase as well as the fair value of the assets and liabilities purchased can be carried out up to 12 months from the acquisition date. At the final measurement date, the adjustments were made by way of a restating the comparison results previously reported according to the provisional measurement. The Company has opted to measure the non-controlling interests in the acquired company according to the proportionate share of the non-controlling interests in the fair value of the net identified assets of the acquiree.

The fair value of the identified assets and identifiable liabilities of Halman Aldubi at acquisition date is as follows:

	Fair value In NIS thousand
Intangible assets	205,760
Deferred tax assets	2,380
Deferred acquisition costs	19,047
Property, plant & equipment	34,901
Investments in associates	(271)
Current tax assets	1,952
Receivables and debit balances	18,056
Financial investments	32,421
Cash and cash equivalents	35,239
Total assets	349,485
Liabilities in respect of deferred taxes	(55)
Liability for employee benefits, net	(5,018)
Liability in respect of current taxes	(2,637)
Payables and credit balances	(35,205)
Financial liabilities	(34,161)
Total liabilities	(77,076)
Assets, net in Halman's books of accounts	272,409
Non-controlling interests	206
Intangible assets arising from the acquisition, net of tax	96,018
Total acquisition cost, including loan to Halman Provident	368,633

NOTE 4 - BUSINESS COMBINATIONS (cont.)
E. The Halman Aldubi business combination (cont.)

The total cost of the business combination amounted to NIS 369 million, and included a cash payment of NIS 275 million, a loan to Halman Provident in the amount of NIS 94 million and direct acquisition costs attributed to the transaction in the amount of approximately NIS 1 million, charged as an expense and included in the general and administrative expenses line item.

	<u>In NIS thousand</u>
Total acquisition cost in cash	275,000
Loan to Halman Provident (*)	93,633
Total investment	<u>368,633</u>
<u>Cash arising from the acquisition/used for the acquisition:</u>	
Cash and cash equivalents in the acquiree as of the acquisition date	35,239
Cash paid as acquisition proceeds	<u>(368,633)</u>
Cash, net	<u>(333,394)</u>

(*) For further details regarding the terms and conditions of the loans, please see Section B above.

As stated above, the consolidation commencement date is March 31 2021; therefore, the results of Halman Aldubi for the period ended March 31 2021 were not included in the Company's results.

Had the business combination taken place at the beginning of the year, the effect of the comprehensive income after tax and the income of Halman Aldubi on the after tax comprehensive income and income of the Group would have been immaterial.

NOTE 5 - FINANCIAL INSTRUMENTS

A. Assets for yield-dependent contracts

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

	As of March 31		As of December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS thousand		
Investment property	1,853,064	1,631,541	1,839,576
Financial investments:			
Marketable debt assets	20,920,260	20,169,999	21,761,391
Non-marketable debt assets	7,513,185	7,145,477	7,119,613
Shares	19,514,158	13,790,691	18,045,043
Other financial investments	21,182,459	14,050,932	18,644,400
Total financial investments	69,130,062	55,157,099	65,570,447
Cash and cash equivalents	11,162,653	7,512,737	10,464,216
Other	189,637	190,408	159,845
Total assets for yield-dependent contracts	82,335,416	64,491,785	78,034,084

- Fair value of financial assets by level:

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

Level 1 - fair value measured using quoted prices (unadjusted) in an active market for identical instruments.

Level 2 - fair value measured using observable inputs, either directly or indirectly, that are not included in Level 1 above.

Level 3 - fair value measured using inputs that are not based on observable market inputs.

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

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

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
A. Assets for yield-dependent contracts (cont.)

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

	As of March 31 2021			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	In NIS thousand			
Financial investments:				
Marketable debt assets	15,606,411	5,313,849	-	20,920,260
Non-marketable debt assets	-	5,780,945	1,732,240	7,513,185
Shares	17,616,224	667,087	1,230,847	19,514,158
Other financial investments	8,692,736	1,408,113	11,081,610	21,182,459
Total	41,915,371	13,169,994	14,044,697	69,130,062

	As of March 31 2020			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	In NIS thousand			
Financial investments:				
Marketable debt assets (*)	16,170,342	3,999,657	-	20,169,999
Non-marketable debt assets	-	6,149,514	995,963	7,145,477
Shares (*)	12,575,472	220,261	994,958	13,790,691
Other financial investments	4,705,344	837,343	8,508,245	14,050,932
Total	33,451,158	11,206,775	10,499,166	55,157,099

(*) Reclassified.

	As of December 31 2020			
	Level 1	Level 2	Level 3	Total
	Audited			
	In NIS thousand			
Financial investments:				
Marketable debt assets	16,507,724	5,253,667	-	21,761,391
Non-marketable debt assets	-	5,427,432	1,692,181	7,119,613
Shares	16,277,954	518,085	1,249,004	18,045,043
Other financial investments	7,395,216	1,101,059	10,148,125	18,644,400
Total	40,180,894	12,300,243	13,089,310	65,570,447

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
A. Assets for yield-dependent contracts (cont.)

Assets measured at fair value - Level 3

	Fair value measurement at the reporting date				
	Financial assets at fair value through profit and loss				
	Marke- table debt assets	Non- marke- table debt assets	Shares	Other financial invest- ments	Total
In NIS thousand					
Balance as of January 1 2021	-	1,692,181	1,249,004	10,148,125	13,089,310
Total gains recognized in profit and loss (*)	-	30,563	49,908	663,592	744,063
Purchases	-	357,168	69,658	992,481	1,419,307
Proceeds from interest and dividend	-	(14,068)	(7,306)	(154,689)	(176,063)
Redemptions / sales	-	(208,876)	(41,597)	(393,378)	(643,851)
Transfers from Level 3 (**)	-	(124,728)	(88,820)	(174,521)	(388,069)
Balance on March 31 2021	-	1,732,240	1,230,847	11,081,610	14,044,697
(*) Of which:					
Total unrealized gains for the period included in profit and loss in respect of assets held as of March 31 2021	-	25,022	42,660	519,689	587,371

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

	Fair value measurement at the reporting date				
	Financial assets at fair value through profit and loss				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
			Unaudited		
			In NIS thousand		
Balance as of January 1 2020	-	599,815	945,002	8,082,717	9,627,534
Total gains (losses) recognized in profit and loss (*)	-	(25,993)	13,119	42,240	29,366
Purchases	-	483,540	122,937	807,632	1,414,109
Proceeds from interest and dividend	-	(4,175)	(4,981)	(92,110)	(101,266)
Redemptions / sales	-	(57,224)	(81,119)	(337,591)	(475,934)
Transfers into Level 3	-	-	-	5,357	5,357
Balance on March 31 2020	-	995,963	994,958	8,508,245	10,499,166
(*) Of which:					
Total unrealized gains (losses) for the period included in profit and loss in respect of assets held as of March 31 2020	-	(26,098)	5,201	63,982	43,085

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
A. Assets for yield-dependent contracts (cont.)

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

	Fair value measurement at the reporting date				
	Financial assets at fair value through profit and loss				
	Marketable debt assets	Non- marketable debt assets	Shares	Other financial investments	Total
	Audited				
	In NIS thousand				
Balance as of January 1 2020	-	599,815	945,002	8,082,717	9,627,534
Total gains recognized in profit and loss (*)	-	87,999	149,858	1,072,694	1,310,551
Purchases	-	1,274,640	285,357	2,804,880	4,364,877
Proceeds from interest and dividend	-	(21,774)	(20,877)	(439,476)	(482,127)
Redemptions / sales	-	(373,618)	(51,059)	(1,390,789)	(1,815,466)
Transfers into Level 3 (**)	-	125,119	-	18,099	143,218
Transfers from Level 3 (**)	-	-	(59,277)	-	(59,277)
Balance on December 31 2020	-	1,692,181	1,249,004	10,148,125	13,089,310
(*) Of which:					
Total unrealized gains for the period included in profit and loss in respect of assets held as of December 31 2020	-	54,547	119,291	606,432	780,270

(**) Transfers to Level 3 stem mainly from securities the rating of which was changed; transfers from Level 3 stem from a security issued for the first time.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
B. Other financial investments (cont.)

1. Non-marketable debt assets

Composition:

	As of March 31 2021	
	Carrying amount	Fair value
	Unaudited	
	In NIS thousand	
<u>Loans and receivables:</u>		
Designated bonds and treasury deposits (*)	8,300,630	12,268,566
Other non-convertible debt assets, excluding deposits with banks	4,887,646	5,186,548
Deposits with banks	<u>1,144,929</u>	<u>1,193,076</u>
Total non-marketable debt assets	<u>14,333,205</u>	<u>18,648,190</u>
Impairments carried to profit and loss (cumulative)	<u>62,066</u>	

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

	As of March 31 2020	
	Carrying amount	Fair value
	Unaudited	
	In NIS thousand	
<u>Loans and receivables:</u>		
Designated bonds and treasury deposits (*)	8,251,293	11,661,134
Other non-convertible debt assets, excluding deposits with banks	4,618,967	4,665,090
Deposits with banks	635,067	674,364
Total non-marketable debt assets	13,505,327	17,000,588
Impairments carried to profit and loss (cumulative)	29,278	

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

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
B. Other financial investments (cont.)

	As of December 31 2020	
	Carrying amount	Fair value
	Audited	
<u>Loans and receivables:</u>		
Designated bonds and treasury deposits (*)	8,190,398	12,193,361
Other non-convertible debt assets, excluding deposits with banks	4,708,119	5,039,280
Deposits with banks	<u>1,108,672</u>	<u>1,153,929</u>
Total non-marketable debt assets	<u>14,007,189</u>	<u>18,386,570</u>
Impairments carried to profit and loss (cumulative)	60,343	

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

2. Fair value of financial assets by level

The tables below depict an analysis of the financial instruments presented at fair value.

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

	As of March 31 2021			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	In NIS thousand			
Marketable debt assets	6,128,980	1,362,325	-	7,491,305
Shares	1,551,492	237,290	328,816	2,117,598
Other	848,678	500,340	2,186,140	3,535,158
Total	8,529,150	2,099,955	2,514,956	13,144,061

	As of March 31 2020			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	In NIS thousand			
Marketable debt assets (*)	6,427,288	1,094,046	-	7,521,334
Shares (*)	1,114,880	53,332	267,619	1,435,831
Other	468,558	413,738	1,601,706	2,484,002
Total	8,010,726	1,561,116	1,869,325	11,441,167

(*) Reclassified.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
B. Other financial investments (cont.)

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

	As of December 31 2020			
	Level 1	Level 2	Level 3	Total
	Audited			
	In NIS thousand			
Marketable debt assets	6,732,438	1,363,030	-	8,095,468
Shares	1,414,649	155,336	330,008	1,899,993
Other	716,580	493,072	2,037,817	3,247,469
Total	<u>8,863,667</u>	<u>2,011,438</u>	<u>2,367,825</u>	<u>13,242,930</u>

Assets measured at fair value - Level 3

	Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Marketable debt assets	Non-marketable debt assets	Shares	Other financial investments	Total
	Unaudited				
	In NIS thousand				
Balance as of January 1 2021	-	-	330,008	2,037,817	2,367,825
Total profits recognized:					
In profit and loss (*)	-	-	16,265	38,058	54,323
In other comprehensive income	-	-	6,674	67,686	74,360
Purchases	-	-	17,572	192,484	210,056
Proceeds from interest and dividend	-	-	(1,388)	(37,411)	(38,799)
Redemptions / sales	-	-	(18,071)	(54,288)	(72,359)
Transfers from Level 3 (**)	-	-	(22,244)	(58,206)	(80,450)
Balance on March 31 2021	<u>-</u>	<u>-</u>	<u>328,816</u>	<u>2,186,140</u>	<u>2,514,956</u>
(*) Of which:					
Total unrealized gains (losses) for the period included in profit and loss in respect of assets held as of March 31 2021	<u>-</u>	<u>-</u>	<u>(1,311)</u>	<u>18,242</u>	<u>16,931</u>

(**) Transfers from Level 3 stem from a securities issued for the first time.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
B. Other financial investments (cont.)

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

	Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Marke- table debt assets	Non- marke- table debt assets			
			Shares	Other financial invest- ments	Total
Unaudited					
In NIS thousand					
Balance as of January 1 2020	-	-	241,569	1,498,494	1,740,063
Gains (losses) recognized:					
In profit and loss (*)	-	-	11,261	(84,084)	(72,823)
In other comprehensive income	-	-	3,552	29,545	33,097
Purchases	-	-	56,969	189,937	246,906
Proceeds from interest and dividend	-	-	-	(9,164)	(9,164)
Redemptions / sales	-	-	(45,732)	(23,022)	(68,754)
Balance on March 31 2020	-	-	267,619	1,601,706	1,869,325
(*) Of which:					
Total unrealized losses for the period recognized in profit and loss in respect of assets held as of March 31 2020	-	-	(1,427)	(94,563)	(95,990)

	Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Marke- table debt assets	Non- marke- table debt assets	Shares	Other financial invest- ments	Total
Audited					
In NIS thousand					
Balance as of January 1 2020	-	-	241,569	1,498,494	1,740,063
Total profits recognized:					
In profit and loss (*)	-	-	15,954	65,621	81,575
In other comprehensive income	-	-	30,695	90,028	120,723
Purchases	-	-	98,720	619,384	718,104
Proceeds from interest and dividend	-	-	(6,250)	(81,452)	(87,702)
Redemptions / sales	-	-	(33,570)	(163,976)	(197,546)
Transfers into Level 3 (**)	-	-	-	9,718	9,718
Transfers from Level 3 (**)	-	-	(17,110)	-	(17,110)
Balance on December 31 2020	-	-	330,008	2,037,817	2,367,825
(*) Of which:					
Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of December 31 2020	-	-	(6,574)	(13,350)	(19,924)

(**) Securities issued for the first time and securities classified from investment in an associate

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
C. FINANCIAL LIABILITIES (cont.)

1. Breakdown of financial liabilities

	As of March 31 2021	
	Carrying amount	Fair value
	Unaudited	
	In NIS thousand	
<u>Financial liabilities presented at amortized cost:</u>		
Short-term credit from banking corporations	128,673	128,673
Bonds (please see Note 8.G)	1,467,650	1,513,765
Subordinated bonds (1)	3,376,344	3,631,801
Deposits from tenants	578,621	578,621
Liability for REPO	434,113	434,113
Other (3)	26,434	26,434
	<u>6,011,835</u>	<u>6,313,407</u>
<u>Financial liabilities presented at fair value through profit and loss</u>		
Derivatives (4)	652,113	652,113
Liability for short sale of marketable securities	952,406	952,406
Total financial liabilities presented at fair value through profit and loss	<u>1,604,519</u>	<u>1,604,519</u>
Lease liabilities (2)	<u>131,626</u>	<u>-</u>
Total financial liabilities	<u><u>7,747,980</u></u>	

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

(2) No fair value disclosure is required.

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

(4) Including financial liabilities in respect of yield-dependent contracts totaling approximately NIS 533 million.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
C. FINANCIAL LIABILITIES (cont.)

1. Breakdown of financial liabilities (cont.)

	As of March 31 2020	
	Carrying amount	Fair value
	Unaudited	
	In NIS thousand	
<u>Financial liabilities presented at amortized cost:</u>		
Loans from non-bank entities	4,020	4,020
Short-term credit from banking corporations	38,000	38,000
Bonds (1)	1,127,565	1,095,521
Subordinated bonds (1)(2)	3,370,823	3,479,761
Repurchase commitment (REPO) (3)	456,712	456,712
Deposits from tenants	617,059	617,059
Other	20,942	20,942
Total financial liabilities presented at amortized cost	5,635,121	5,712,015
<u>Financial liabilities presented at fair value through profit and loss</u>		
Derivatives (3) (4)	821,219	821,219
Short sale of securities	319,423	319,423
Total financial liabilities presented at fair value through profit and loss	1,140,642	1,140,642
Lease liabilities (5)	121,632	-
Total financial liabilities	6,897,395	

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

(2) In view of the effect of the coronavirus crisis, in March 2020 the Bank of Israel extended to authorized entities (pension funds, provident funds, mutual funds and insurance companies) a proposal to enter into a repurchase transaction (REPO) - for the sale and repurchase of government bonds and zero-coupon bonds. Accordingly, The Phoenix Insurance entered into a REPO transaction totaling approximately NIS 457 million (of which NIS 98 million in respect of yield-dependent contracts). Liabilities for derivatives increased as well, by approximately NIS 632 million, mainly due to the sharp declines in financial markets and due to changes in exchange rates.

(3) Including financial liabilities in respect of yield-dependent contracts totaling approximately NIS 582 million.

(4) No disclosure of fair value was required.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
C. FINANCIAL LIABILITIES (cont.)

1. Breakdown of financial liabilities (cont.)

	As of December 31 2020	
	Carrying amount	Fair value
	Audited	
	In NIS thousand	
<u>Financial liabilities presented at amortized cost:</u>		
Loans from non-bank entities	80,796	80,796
Bonds	1,118,538	1,146,475
Subordinated bonds (1)	3,374,460	3,675,933
Liability for REPO	389,315	389,315
Deposits from tenants	589,726	589,726
Other (3)	24,583	24,583
Total financial liabilities presented at amortized cost	5,577,419	5,906,829
<u>Financial liabilities presented at fair value through profit and loss</u>		
Derivatives (4)	436,818	436,818
Liability for short sale of marketable securities	924,088	924,088
Total financial liabilities presented at fair value through profit and loss	1,360,906	1,360,906
Lease liabilities (2)	105,390	-
Total financial liabilities	7,043,714	
(1) The bonds were issued in order to comply with the capital requirements.		
(2) No disclosure of fair value was required.		
(3) Mainly provision in respect of an option to acquire an investee.		
(4) Including financial liabilities in 2020 in respect of yield-dependent contracts totaling approximately NIS 362 million.		

2. Fair value of financial liabilities by level

	As of March 31 2021			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	In NIS thousand			
Liability for short sale of marketable securities	952,406	-	-	952,406
Derivatives	165,869	482,181	4,063	652,113
Financial liabilities presented at fair value	1,118,275	482,181	4,063	1,604,519

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)
C. FINANCIAL LIABILITIES (cont.)

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

	As of March 31 2020			
	Level 1	Level 2	Level 3	Total
	Audited			
	In NIS thousand			
Liability for short sale of marketable securities	319,423	-	-	319,423
Derivatives	185,309	635,910	-	821,219
Financial liabilities presented at fair value	504,732	635,910	-	1,140,642

	As of December 31 2020			
	Level 1	Level 2	Level 3	Total
	Audited			
	In NIS thousand			
Liability for short sale of marketable securities	924,088	-	-	924,088
Derivatives	148,018	283,617	5,183	436,818
Financial liabilities presented at fair value	1,072,106	283,617	5,183	1,360,906

3. Valuation techniques

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

a) Non-marketable debt assets

The fair value of non-marketable debt assets, which are measured at fair value through profit and loss, and the fair value of non-marketable 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.

NOTE 5 - **FINANCIAL INSTRUMENTS (cont.)**

C. FINANCIAL LIABILITIES (cont.)

3. Valuation techniques (cont.)

b) Non-marketable shares

The fair value of the investment in non-marketable 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 non-marketable shares.

c) Derivatives

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

NOTE 6 - **SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS**

- A. It is management's policy to maintain a strong capital base in order to retain Company's ability to continue its activities such that it will be able to generate returns to its shareholders and support future business activities. The Phoenix Insurance, the Excellence Group, pension and provident funds management companies and other institutional entities consolidated in the financial statements are subject to capital requirements set by the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner").

In October 2020, The Phoenix Insurance's Board of Directors set a minimum economic solvency ratio target and target range based on Solvency II. The minimum economic solvency ratio target, taking into account the transitional provisions, is set at 135% while the minimum solvency ratio target without taking into account the provisions during the transitional period is set at 105%, set to reach 135% at the end of the transitional period according to The Phoenix Insurance's capital plan.

Furthermore, The Phoenix Insurance's Board of Directors approved an economic solvency ratio target range of 150%-170%, within which The Phoenix Insurance aspires to be during and at the end of the transitional period, taking into account the Deduction During the Transitional Period and its gradual reduction.

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

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

Economic solvency ratio

The economic solvency ratio is calculated as the ratio between the insurance company's recognized economic equity and the capital required for solvency purposes.

The recognized economic equity is determined as the sum of the core tier 1 capital derived from the economic balance sheet and debt instruments that include loss absorption mechanisms (Additional Tier 1 capital, Tier 2 capital instruments, Subordinated Tier 2 capital, Tier 2 capital and Tier 3 capital).

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

Economic balance sheet items are calculated based on economic value, with insurance liabilities calculated on the basis of a best estimate of all expected future cash flows from existing businesses, without conservatism margins, and plus a risk margin.

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

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

In accordance with the Consolidated Circular, the Economic Solvency Ratio Report in respect of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date. Despite the above, on March 19 2020, the Commissioner published a letter, Ref. No. SH 2020-2031, stipulating that an insurance company is exempt from publishing an Economic Solvency Ratio Report as of June 30 2020 and from filing solvency reporting files in for that date.

On March 14 2021, a letter from the Commissioner was published, Ref. No. 2021-423, stating that the deadline for publication of the Economic Solvency Ratio Report as of December 31 2020, as well as the accompanying files reported to the Commissioner, shall be filed no later than June 30 2021. In addition, the letter states that an insurance company may refrain from publishing an Economic Solvency Ratio Report as of June 30 2021.

The Phoenix Insurance published its Solvency Ratio Report as of December 31 2020 along with the publication of the Financial Statements.

In accordance with the Solvency Ratio Report as of December 31 2020, The Phoenix Insurance has surplus capital, both when calculation is made having no regard to the transition provisions and when it is made taking into account the transition provisions. The calculation made by The Phoenix Insurance as described above, was reviewed by The Phoenix Insurance's independent auditors, in accordance with International Standard on Assurance Engagements (ISAE 3400) - the Examination of Prospective Financial Information. This standard is relevant to audits of solvency calculations and does not constitute part of the auditing standards that apply to financial statements.

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

In their special report, the independent auditors noted that they did not review the appropriateness of the Deduction During the Transitional Period as of December 31 2020, except for verifying that the Deduction amount does not exceed the expected discounted amount of the risk margin and the capital required for solvency in respect of life and health insurance risks arising from existing businesses during the Transitional Period in accordance with the pattern of future development of the required capital, which affects both the calculation of the expected capital release and the release of the expected risk margin as described in the provisions on calculation of risk margin. Furthermore, attention is drawn to what is stated in the Economic Solvency Ratio Report regarding the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

For further details, please see Section 2.1 to the Report of the Board of Directors, and the Economic Solvency Ratio Report as of December 31 2020 published on The Phoenix Insurance's website.

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

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

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

The minimum economic solvency ratio target, taking into account the transitional provisions, is set at 135% while the minimum solvency ratio without taking into account the provisions during the transitional period is set at 105%,¹ set to reach 135% at the end of the transitional period according to The Phoenix Insurance's capital plan.

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

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

On March 24 2021, the Board of Directors of The Phoenix Insurance approved the distribution of a dividend in the amount of NIS 200 million, in accordance with the audited results as of December 31 2019, and in accordance with the results of an estimate to calculate the Solvency II-based economic solvency ratio as of December 31 2020. The dividend was paid in April 2021.

As stated, in accordance with the audited economic solvency ratio as of December 31 2020, the Company meets the requirements of the letter published by the Commissioner in October 2017 regarding the restrictions on dividend distribution, as stated above.

The solvency ratio as of December 31 2020 does not include the effect of the business activity of The Phoenix Insurance subsequent to December 31 2020 until the report publication date, changes in the mix and amounts of insurance investments and liabilities, exogenous effects - including changes in the risk-free interest rate curve, and regulatory changes affecting the business environment.

¹ On December 30 2019, the Board of Directors of The Phoenix Insurance approved the transfer of Excellence Pension and Provident Funds to the Company as distribution of a dividend in kind. The transfer was approved by the Commissioner; however, the Israel Tax Authority's approval for the execution of the transfer has not yet been received, and therefore the transfer has not yet been made. In view of the above, on October 27 2020, The Phoenix Insurance's Board of Directors passed a resolution whereby the target is inapplicable to the transfer. Upon receipt of the Israel Tax Authority's approval, the execution of the abovementioned transfer shall be assessed subject to the provisions of the Solvency Circular and letter. It should also be noted that this transfer is expected to reduce The Phoenix Insurance's capital surplus.

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

- D. The Phoenix Insurance has undertaken to supplement, at any given time, The Phoenix Excellence Pension and Provident Funds' equity to the amount set in the Income Tax (Rules for the Authorization and Management of Provident Funds) Regulations, 1964. This commitment shall be in effect so long as The Phoenix Insurance controls The Phoenix Excellence Pension and Provident Funds, whether directly or indirectly. The Phoenix Insurance will be required to fulfill this commitment only when The Phoenix Excellence Pension and Provident Funds Ltd.'s equity will be negative, provided that the supplement amount does not exceed the liabilities limit as aforesaid; the commitment will be in effect so long as The Phoenix Insurance is the controlling shareholder of this entity. Further to what is stated in Note 1C about the transfer of control in The Phoenix Excellence Pension and Provident Funds to the Company, the Company will be committed, at any given time, to supplement Excellence Pension and Provident Funds' equity to the amount set in the Income Tax (Rules for the Authorization and Management of Provident Funds) Regulations, 1964.
- F. Phoenix Excellence Pension and Provident Funds and Halman Aldubi Provident are required to maintain minimum equity in accordance with the Supervision of Financial Services Regulations (Provident Funds) (Minimum Equity Required from a Provident Fund or a Pension Fund's Management Company), 2012, and the Commissioner's Firectives, the directives of the Israel Securities Authority and/or the TASE Rules and Regulations. As of March 31 2021, the companies meet these requirements.
- G. The Phoenix Insurance - through The Phoenix Capital Raising - is considering the issuance of an Additional Tier 1 capital instrument, recognized as regulatory capital under the Economic Solvency Regime, in order to strengthen its capital and improve its solvency ratio. In March 2021, the Board of Directors approved continuing the issuance procedure. The recognition of the instrument as an Additional Tier 1 capital instrument is subject to the approval of the Commissioner of the Capital Market, Insurance and Savings. The issuance amount is expected to be approximately NIS 400 million. The terms and conditions of the instrument, including the redemption period, are in accordance with the provisions of Part B ("Provisions in respect of Equity Capital of Insurance Companies") to Insurance Circular 2020-1-15, "Provisions for Applying Economic Solvency Regime Based on Solvency II for Insurance Companies". The Phoenix Insurance works to obtain the regulatory approvals required for the issuance.
- H. For further details regarding the acquisition of the company's shares, please see Note 9.C.
- I. For further details regarding the Company's dividend distribution, please see Note 8.J.

NOTE 7 - CONTINGENT LIABILITIES**A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions**

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

Petitions to approve lawsuits as class actions are filed through the hearing procedure mechanism set forth in the Class Action Law, 2006 (hereinafter: the "Class Actions Law"). The hearings procedure for petitions to approve lawsuits as class actions is divided into two main stages: The first stage is the approval petition (hereinafter: the "approval petition" or the "approval stage", respectively.) If the approval petition is rejected by the court, the hearing stage at the class action level ends. A ruling at the approval stage may be subject to a request for appeal to the appellate courts. In the second stage, if the approval petition is accepted, the class action will be heard (hereinafter: the "class action stage"). A judgment at the class action stage can be appealed to the appellate courts. Within the mechanism of the Class Actions Law, there are, inter alia, specific settlement agreements, both in the approval stage and in the class action stage, as well as arrangements with regard to the plaintiff's withdrawal of the approval petition or class action lawsuit.

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

Petitions to approve lawsuits as class actions (including lawsuits approved as class actions and the approval of which is under appeal) are set out in Sections 13-1, 32-17, 34, 43-36, 47-45, 50, 52, 56, 57 to the following table; for such lawsuits, which, in management's opinion - that is based, inter alia, on legal opinions whereby the Group's defense claims are more likely than not to be accepted and the petitions to approve the lawsuit as class actions will be rejected - no provision was included in the financial statements, except for petitions to approve class actions in which the Group is willing to reach a settlement. For petitions to approve lawsuits as class actions (including lawsuits approved as class actions and the approval of which is under appeal), in which the Group's defense claims - in whole or in part - are more likely than not to be rejected, and in which the Group is willing to reach a compromise, provisions were included in the financial statements to cover the exposure as assessed by the Group or a provision in the amount for which the Group is willing to settle, as the case may be.

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

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

In petitions to approve lawsuits as class actions as set out in Sections 16-14, 33, 35, 44, 48, 49, 51, 55-53, 66-58 in the table below, at this preliminary stage, the chances of the petitions to approve lawsuits as class actions cannot be assessed and therefore no provision is included in respect thereof in the Financial Statements.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

Following is more information about the petitions to approve lawsuits as class actions:

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
1.	<p>January 2008</p> <p>Tel Aviv District Court</p> <p>The Phoenix Insurance and other insurance companies</p> <p>Approximately NIS 1.67 billion of all defendants, with about NIS 277 million attributed to The Phoenix Insurance.⁴</p>	<p>Unlawful collection of payments known as "sub-annuals" for life insurance policies, in an amount that exceeds the permitted one.</p>	<p>In May 2018, the Supreme Court granted the defendants' motion for leave to appeal and dismissed the plaintiffs' appeal, such that the District Court's judgment was quashed and the motion for approval of the claim as a class action was denied.</p> <p>On July 2 2019, the Supreme Court upheld the plaintiffs' request for a further hearing (before a seven-judge panel) on the question set forth in the Judgment regarding the regulator's position filed with the court regarding its instructions, and on the question of de minimis defense in a monetary class action. On February 2 2020, the Attorney General submitted his position in the additional hearing, according to which he supports the stipulations made in the Judgment as to the weight that should be given to the regulator's position in relation to its guidelines; the Attorney General also stated that in his view there is no room to interfere with the Judgment's adoption of the Capital Market Authority's interpretive position. An additional hearing was held on July 26 2020, and the parties await a judgment.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

⁴ The amounts were assessed by the plaintiffs in the class action statement of claim. It should be noted that the amounts in the motion to approve the claim as a class action were different and higher; those amounts also referred to the claim of collecting handling fees on policies and interest on annual premium, which is paid in installments, at a rate higher than the rate permitted by law, which, as stated, has been rejected.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
2.	<p>February 2010</p> <p>Central District Court</p> <p>The Phoenix Insurance (and other insurance companies in a parallel case, in light of filing a consolidated class action statement of claim)</p> <p>Approximately NIS 1.47 billion of all defendants (including the defendants in the corresponding case), of which approximately NIS 238 million is attributed to The Phoenix Insurance.⁴</p>	<p>The cause of the lawsuit, as approved by the District Court (in the corresponding case) was breach of insurance policies due to unlawful collection of handling fees in a manner that reduced the saving amount accrued in favor of the policyholder for a period starting seven years before the claim was filed.</p>	<p>In November 2016, the District Court - in a parallel case filed against several other insurance companies - partially approved motions to approve the claims as class actions.</p> <p>The class action - both in the corresponding case and in the case heard against The Phoenix Insurance - continues to be heard jointly by the District Court. At the same time, the parties conduct a mediation process.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

⁴ The amounts are the amounts assessed by the plaintiffs in the consolidated class action statement of claim filed in March 2019 against the insurance companies sued in the corresponding case and against The Phoenix. It should be noted that the amounts in the motion for approval of the claim as a class action were different and higher.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
3.	April 2010 Central District Court The Phoenix Insurance and other insurance companies NIS 225.2 million from all the defendants.	Non-refund of premium for the relative portion of the month in which the insurance ended (due to cancellation by the policyholder) and/or refund of premium (where the premium is refunded) at nominal values (without linkage differences and interest).	In June 2015, the district court partially affirmed the petition to approve the claim as a class action lawsuit. In September 2016, the parties filed with the District Court an application for approval of a settlement agreement, at amounts that are immaterial to The Phoenix Insurance, which includes: the appointment of an examining party who will review the collection amounts in respect of which the claim was approved as a class action; consent to a contribution of 80% of the amount of the refund to be determined by the examining party; provisions regarding future conduct in cases of cancellation of policies that are the subject matter of the lawsuit and a recommendation regarding the payment of compensation to the plaintiffs, legal fees, etc. The settlement agreement is subject to the Court's approval. In June 2017, the Court appointed a reviewer to review the settlement agreement; the reviewer filed the review on The Phoenix Insurance in December 2020. The settlement agreement has not yet been approved by the court.
4.	May 2013 Tel Aviv District Court The Phoenix Insurance Approximately NIS 220 million or alternatively NIS 90 million. ⁴	Non-payment of interest in respect of insurance benefits from the date of the insurance event, or alternatively from the end of 30 days from the date on which the claim was filed and until actual payment date.	On February 28 2021, the District Court handed down a partial judgment, according to which it has approved the class action, in respect of any entitled party (policyholder, beneficiary or third party), who - during the period starting three years prior to the filing of the lawsuit and ending on judgment date - received insurance benefits from The Phoenix Insurance (not in accordance with a judgment rendered in his case) without being duly paid interest thereon. It was also established that, for the purpose of implementing the judgment, calculation and manner of restitution, an expert will be appointed and that the class plaintiffs will be awarded legal expenses and legal fees. On May 18 2021, The Phoenix Insurance filed an appeal with the Supreme Court against the judgment handed down by the District Court as well as a motion to stay the execution of the judgment.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

⁴ The amounts are those amounts that were estimated by the plaintiff in the class action statement of claim - NIS 220 million (if it was ruled that interest should be calculated from the date of occurrence of the insurance event) and NIS 90 million (if it is ruled that interest should be calculated starting 30 days from the delivery date of the claim). It should be noted that the amounts in the motion for approval of the class action lawsuit were different and higher and also related to the linkage claim, which was rejected as described above.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
5.	<p>July 2014</p> <p>Central District Court</p> <p>The Phoenix Pension and Gemel Ltd. (currently: Phoenix Excellence Pension and Provident Funds Ltd.) and management companies of other pension funds.</p> <p>NIS 48 million from all defendants.</p>	<p>Acting in bad faith when using the right - under the pension fund's rules and regulations - to increase management fees paid by pensioners from the accrual to the maximum amount allowed, as from the date they become pensioners.</p>	<p>The parties are awaiting the court's decision on the application for approval of the claim as a class action.</p>
6.	<p>June 2015</p> <p>Beer Sheva District Court</p> <p>The Phoenix Insurance</p> <p>Approximately NIS 125 million.</p>	<p>The cause of action, as approved by the District Court, is a violation of the provisions of the policy regarding special compensation (reimbursement) for performing surgery in a private hospital funded by "additional insurance services" (SHABAN) and the questions common to the group members are: what is the value of the commitment form on behalf of a health maintenance organization in respect of a privately-owned hospital (Form 17), according to which the amount to be reimbursed to the policyholder is calculated; how The Phoenix Insurance in effect calculated the amount reimbursed to policyholders who underwent surgeries as part of SHABAN; and whether The Phoenix Insurance violated the provisions of the policy, and did not reimburse the full amount to the policyholders.</p>	<p>In December 2019, the District Court approved the petition to approve the claim as a class action lawsuit.</p> <p>The group on whose behalf the class action will be conducted will include all policyholders who were insured under a health insurance policy with The Phoenix Insurance, which included a reimbursement arrangement for performing surgery at a private hospital funded by SHABAN, based on a commitment form/Form 17, and in respect of whom an insurance event occurred from June 25 2012 through June 25 2015.</p> <p>The parties are in a mediation procedure.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
7.	September 2015 Tel Aviv District Court The Phoenix Pension and management companies of additional pension funds Approximately NIS 300 million per year since 2008 of all the defendants.	The claim is that the defendants pay agents fees and commissions calculated as a percentage of the management fees charged by them, thus allegedly violating their fiduciary duties, and that, as a result, the management fees that planholders are charged are higher than the appropriate rate.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
8.	December 2015 Tel Aviv District Court The Phoenix Insurance and another insurance company Approximately NIS 100 million from all defendants, of which NIS 50 million is attributed to The Phoenix Insurance.	Alleged unlawful collection of "sub-annuals" in life insurance at a rate that is higher than the permitted one.	On May 27 2020, the court issued a ruling rejecting the motion for approval of the claim as a class action, on the grounds that the plaintiffs do not have a cause of action. In September 2020, the plaintiff filed an appeal with the Supreme Court. An appeal hearing is scheduled for March 7 2022.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
9.	February 2016 Central District Court The Phoenix Insurance NIS 100 million.	The plaintiffs argue that The Phoenix Insurance does not link the payments it must pay policyholders under life insurance policies (which it issued until July 19 1984) due to an insurance event or due to the redemption of the policy, to the correct basic CPI in accordance with the linkage terms and conditions set out in the policies; i.e., the latest CPI published before the first day of the month in which the insurance term begins; the plaintiffs argue that this has a significant effect on the benefits to which the policyholders will be entitled.	The parties are in a mediation procedure.
10.	February 2016 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction) The Phoenix Pension and Gemel Ltd. (currently: Phoenix Excellence Pension and Provident Funds Ltd.) and management companies of additional pension funds. Approximately NIS 1 billion of all the defendants.	The plaintiffs argue that the defendants are acting inappropriately by charging management fees in respect of disability and survivors benefits, and do not disclose that fact, and that the rate of management fees collected from such benefit recipients is the maximum permitted rate, taking advantage of the fact that benefit recipients cannot transfer their funds and/or entitlement to such benefits elsewhere.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
11.	September 2016 Tel Aviv District Court The Phoenix Insurance and other insurance companies NIS 4.45 billion from all defendants, of which NIS 943 million is attributed to The Phoenix Insurance.	Collection of premiums on health insurance policies, for unnecessary coverages that the policyholders do not need, and alleged sale of health insurance policies despite being aware that they include coverages that the policyholders have no need for, since they have supplementary health insurance from the health maintenance organization they are a member of. In addition, according to the defendants, they also tied services since customers were unable to purchase a reduced-coverage policy that will include only coverages that are not included in the supplementary health insurance of their health maintenance organizations, thus creating "overlapping insurance".	In October 2020, the District Court ruled that the motion for approval of the claim as a class action was denied. In November 2020, the plaintiffs filed an appeal to the Supreme Court. An appeal hearing is scheduled for December 6 2021.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
The motions to approve the lawsuits as class actions that appear in Sections 12-16 below were submitted on the grounds of unlawful collection of investment management expenses which are not sanctioned by the policies or bylaws.			
12.	September 2016 Central District Court The Phoenix Insurance NIS 14.7 million.	Collecting investment management expenses in the individual saving policy Excellence Invest in addition to collecting management fees, without a provision in the policy expressly permitting to do so.	<p>In May 2019, the District Court approved the petition to approve the claim as a class action lawsuit filed against The Phoenix Insurance and three other insurance companies (hereinafter: the "Defendants"), for breaching the provisions of the insurance policy due to unlawful collection of investment management expenses. The class on whose behalf the class action lawsuit against The Phoenix Insurance will be conducted includes all policyholders of the individual savings policy Excellence Invest issued by The Phoenix Insurance at present and in the seven years prior to the date of submission of the motion for approval as class action. The remedies claimed are the reimbursement of the investment management expenses that were overcharged in addition to interest differentials; and an order directing the defendants to stop collecting such fees.</p> <p>In September 2019, The Phoenix Insurance (along with the other defendants) filed a motion for leave to appeal to the Supreme Court against the decision approving the class action lawsuit.</p> <p>At the request of the Supreme Court, on August 13 2020, the Attorney General submitted his position on the proceedings and announced his attendance. According to the position, the Attorney General is of the opinion that the court should accept the motion for leave to appeal and the appeal itself and order the rejection of the motions for approval as class actions, for the reasons set out in the position.</p> <p>A hearing on the request for leave to appeal took place on February 11 2021, and the parties are awaiting the decision of the Supreme Court.</p> <p>At this point, the hearing on the class action in the District Court was postponed.</p> <p>It should be noted that requests for approval of class actions regarding investment management expenses are also pending against Excellence Gemel (please see Section 13 in the table below), The Phoenix Insurance (see Section 14 in the table below) and Halman Aldubi Provident and Pension Funds Ltd. (see Sections 15 and 16 in the table below).</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
13.	November 2016 Jerusalem Regional Labor Court Excellence Nessuah Gemel Ltd. (currently: Phoenix Excellence Pension and Provident Funds Ltd.) Approximately NIS 215 million.	The plaintiffs argue that under the rules and regulations of the Excellence Gemel provident fund, which were in effect until January 1 2016, and according to the rules and regulations of the Excellence Advanced Education fund, Excellence Gemel may not collect investment management expenses from planholders, since collection of such expenses had to stipulated clearly and expressly in the rules and regulations of the funds.	The parties filed a motion for a hearing arrangement with the court, according to which the hearings to approve the claim as a class action will be postponed until a decision has been made in connection with the motion for leave to appeal against the May 2019 District Court decision to approve as petitions to approve lawsuits as class actions filed for similar causes of action against The Phoenix Insurance, among others (see Section 12 above, in the table).
14.	June 2019 Tel Aviv Regional Labor Court The Phoenix Insurance Approximately NIS 351 million.	According to the plaintiff, The Phoenix Insurance charges policyholders of insurance policies which combine a life insurance component and a pension saving component (executive insurance) for investment management expenses without such charges being included in the terms and conditions of the policy.	The Phoenix Insurance has not yet submitted its response to the motion to approve the claim as a class action, and on October 2019, it submitted a motion for stay of proceedings until a decision is made in connection with the motion for leave to appeal against the May 2019 District Court decision to approve as class actions claims filed for similar causes of action (see Section 12 above, in the table). A final decision has yet to be made in connection with the stay of proceedings motion.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)
A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

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

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)
A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
17.	<p>January 2017</p> <p>Central District Court</p> <p>The Phoenix Insurance and other insurance companies</p> <p>At least approximately NIS 12.25 million in respect of each of the defendants.</p>	<p>According to the plaintiffs, insurance companies overcharge insurance premiums since they do not disclose to policyholders a "practice" in the motor insurance subsegment that allows updating the age of the young driver insured under the policy and/or the years of driving experience when moving into another age bracket and/or years of driving experience bracket which can potentially result in a reduction of the insurance premium.</p> <p>It should be noted that the plaintiffs refer in their claim to a decision approving a motion for approval of a claim as a class action dealing with the same issue and filed against another insurance company, in which the said practice had allegedly been proven.</p>	<p>The petition for approval of the claim as a class action lawsuit continues to be heard in court.</p>
18.	<p>April 2017</p> <p>Tel Aviv Regional Labor Court (the hearing was transferred from the Tel Aviv Central District due to substantive jurisdiction)</p> <p>Shekel Insurance Agency (2008) Ltd. (hereinafter: "Shekel"), Agam Liderim (Israel) Insurance Agency (2003) Ltd. (hereinafter: "Agam Liderim"), second-tier companies of The Phoenix Holdings, and other insurance agencies.</p> <p>Approximately NIS 357 million of all defendants, of which NIS 47.81 million is attributed to Agam Liderim and NIS 89.64 million to Shekel.</p>	<p>According to the plaintiffs, until the regulator intervened and legislative changes were made in connection with this issue, managers of pension arrangements in general and the defendants in particular, provided employers with operating services involving preparing and managing pension insurance for employees without the employers paying any consideration in respect thereof to the pension arrangement managers, and that all costs pertaining to the operating services are paid by the employees through management fees they pay for the products marketed to them by the managers of the pension arrangement.</p>	<p>In August 2020, the court issued a ruling rejecting the motion for approval of the claim as a class action.</p> <p>On October 5 2020, the plaintiffs filed an <u>appeal</u> with the National Labor Court.</p> <p>An appeal hearing is scheduled for June 9 2021.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
19.	<p>June 2017</p> <p>Central District Court</p> <p>The Phoenix Insurance</p> <p>The amount of the claim was not estimated.</p>	<p>The lawsuit concerns improper and unlawful actions of The Phoenix Insurance in the process of marketing and selling the service contracts it sells as part of comprehensive motor insurance. According to the claim, The Phoenix Insurance markets, either directly or through agents acting on its behalf, comprehensive insurance plans that include service contracts, as an inherent and integral part thereof; these marketing activities are carried out without presenting customers with the price of the service contracts during the marketing process, without allowing them to give up the service contracts in exchange for a lower price that will reflect the cost of the service removed, while tying the purchase of a package of service contracts to the insurance plan, failing to provide reliable information, failing to match the insurance to the needs of the insurance applicant, etc.</p>	<p>The parties are awaiting the court's decision on the application for approval of the claim as a class action.</p> <p>It should be noted that in July 2018, the Capital Market, Insurance and Savings Authority published an amendment to the circular on the introduction of service contracts and the methods employed to market them. The objective of the circular amendment was to prescribe additional provisions regarding the marketing of service contracts.</p>
20.	<p>June 2017</p> <p>Central District Court (sitting as an Administrative Court).</p> <p>The National Insurance Institute (hereinafter: the "National Insurance Institute")</p> <p>The Phoenix Insurance and additional insurance companies (hereinafter, jointly: the "Official Respondents")</p> <p>The amount of the claim was not estimated.</p>	<p>According to the plaintiffs, the National Insurance Institute collects national insurance contributions and health insurance contributions illegally from the tax-exempt income of class members as defined below, in addition to collecting the minimum rate of health insurance contributions from class members' disability pension. According to the plaintiffs, the National Insurance Institute overcharges class members for these contributions through the pension fund, the employer or any other third party.</p> <p>The plaintiffs point out that the Official Respondents are entities through which the insurance premiums were collected from the plaintiffs, and clarify that any employer and any entity paying an early pension and any entity paying a PHI benefit in Israel may be in a similar position to that of the Official Respondents. According to the plaintiffs, it is impossible to add all the parties as respondents and the court is asked to consider the Official Respondents that were added and which are related to the plaintiffs' case as class action defendants. The plaintiffs also stated that no operative remedy is requested in the case of the Official Respondents in the framework of the above claim.</p>	<p>The petition for approval of the claim as a class action lawsuit continues to be heard in court.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
21.	<p>August 2017</p> <p>Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction)</p> <p>Excellence Gemel & Hishtalmut Ltd. (currently: Phoenix Excellence Pension and Provident Funds Ltd.)</p> <p>The claim amount was not estimated but it was stated as approximately NIS 1 million or more than NIS 2.5 million.</p>	<p>Increasing management fees without sending prior notice as required by law.</p>	<p>The petition for approval of the claim as a class action lawsuit continues to be heard in court.</p> <p>It should be noted that in May 2021, the National Court rejected the request for leave to appeal of Excellence Gemel in relation to the Regional Court's decision to reject its claim for the statute of limitations on the petition to approve the claim as a class action. It shall be clarified that the decision of the National Court did not directly address the substance of the statute of limitations argument and determined that the latter claim will be decided as part of the proceedings, without prejudice to the parties' arguments.</p>
22.	<p>July 2017</p> <p>Jerusalem District Court</p> <p>PassportCard Israel General Insurance Agency (2014) (hereinafter: "PassportCard") and The Phoenix Insurance</p> <p>The claim amount was not estimated, but it was stated that it exceeds NIS 2.5 million of all the defendants.</p>	<p>The plaintiff claims that as part of travel insurance it provides PassportCard effectively records confidential medical conversations held between its policyholders and physicians, listens to these conversations and transfers them to The Phoenix Insurance, while breaching policyholders' privacy without their consent and while conducting wiretapping.</p> <p>In addition, the plaintiff claims that the defendants retain the recorded conversations, maintain an illegal database and even use the recordings.</p>	<p>In October 2019, the court issued a judgment rejecting the motion for approval of the claim as a class action lawsuit.</p> <p>On January 6 2020 the plaintiff filed an appeal against the judgment to the Supreme Court. An appeal hearing is scheduled for June 16, 2021.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
23.	<p>September 2017</p> <p>Jerusalem District Court</p> <p>The Phoenix Insurance and other insurance companies</p> <p>The claim amount was not estimated, but it was stated that it was in the tens of millions of shekels or more.</p>	<p>According to the plaintiffs, the defendants breach the provisions of Section 5(b) of the Adjudication of Interest and Linkage Differentials Law, 1961 (hereinafter: the "Interest and Linkage Differentials Law"), by implementing a policy whereby they do not add any linkage differences and/or interest and/or linked interest to amounts ruled against them by a judicial authority, in cases where the defendants pay such amounts to class members at a later date than the date set for such payment.</p>	<p>On March 4 2021, the parties submitted to the court a motion for approval of a settlement agreement for an amount that is immaterial to The Phoenix Insurance, under which The Phoenix Insurance will amend the settlement deeds as outlined in the settlement agreement; the parties also recommended the payment of compensation to the class action plaintiff and legal fees for his/her attorneys.</p> <p>The settlement agreement has not yet been approved by the court.</p>
24.	<p>January 2018</p> <p>Central District Court</p> <p>The Phoenix Insurance and other insurance companies</p> <p>Approximately NIS 82.2 million per year from all the defendants, of which approximately NIS 22.3 million per year is attributed to The Phoenix Insurance.</p>	<p>According to the plaintiff, The Phoenix Insurance unlawfully refrains from paying its policyholders and third parties the VAT component applicable to the cost of damages when the damages have not been effectively repaired.</p>	<p>The petition for approval of the claim as a class action lawsuit continues to be heard in court.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
25.	February 2018 Tel Aviv District Court The Phoenix Insurance The Group's aggregate damage was not estimated, but it was stated that it can be assumed to exceed NIS 2.5 million.	According to the plaintiffs, The Phoenix Insurance misleads those who purchased health insurance and/or those for whom health insurance was purchased, where such insurance is in effect only, or also, during the policyholder's time in mandatory military service, career military service or reserve military service and/or when the policyholder is a policeman and/or a member of the security forces of the State of Israel; the plaintiffs claim that The Phoenix Insurance sells to the class members in general and IDF soldiers in particular an insurance product that is almost impossible to use due to various reasons as specified in the lawsuit.	The petition for approval of the claim as a class action lawsuit continues to be heard in court. In November 2020, the position of the Capital Market, Insurance and Savings Authority was submitted, which supports the position of The Phoenix Insurance.
26.	February 2018 Jerusalem District Court The Phoenix Insurance The amount of the claim was not estimated.	According to the plaintiffs, The Phoenix Insurance continues to charge life insurance premiums from its deceased policyholders.	On January 25 2021, the parties submitted a motion for approval of a settlement agreement for an amount that is immaterial to The Phoenix Insurance, under which The Phoenix Insurance committed to reimburse insurance premiums to the class members, as outlined in the settlement agreement; the parties also recommended the payment of compensation to the class action plaintiff and legal fees for his/her attorneys. The settlement agreement has yet to be approved by the court.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
27.	February 2018 Tel Aviv District Court Excellence Nessuah Gemel Ltd. (currently: Phoenix Excellence Pension and Provident Funds Ltd.) and additional companies NIS 21 million from all defendants, of which NIS 6 million is attributed to Excellence Gemel.	According to the plaintiffs, the claim deals with the unlawful collection of handling fees /collection fees/operating fees/fees and commissions/early repayment fees or any other payment (whatever its name may be) collected by the defendants from planholders thereof to whom they extended loans.	Excellence Gemel has not yet submitted its response to the petition for approval of the claim as a class action lawsuit. The parties are negotiating. It should be noted that similar motions for approval of claims as class actions filed against The Phoenix Pension and The Phoenix Insurance were concluded with a settlement agreement.
28.	March 2018 Tel Aviv Regional Labor Court The Phoenix Pension Ltd. (currently: Phoenix Excellence Pension and Provident Funds Ltd.) and additional companies The amount of the claim was not estimated.	According to the plaintiffs, the claim deals with collection of insurance premiums in respect of survivors' insurance (life insurance coverage) from policyholders who have no survivors; which results with the policyholders paying insurance premiums without receiving anything in return.	The parties are awaiting the court's decision on the petition for approval of the claim as a class action lawsuit.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
29.	May 2018 Haifa Regional Labor Court The Phoenix Pension and Gemel Ltd. (currently: Phoenix Excellence Pension and Provident Funds Ltd.) ⁴ NIS 200 million.	According to the plaintiffs, contrary to that which is stated in its rules and regulations, The Phoenix Pension has refrained from paying or from paying in full the partial contributions towards benefits to anyone who does not receive a full disability pension. In any case, The Phoenix Pension refrained from reporting to policyholders - either in pay slips or in annual statements - about the payments it made, to the extent that it did, indeed, make such payments.	The parties are in a mediation procedure.
30.	June 2018 Jerusalem District Court The Phoenix Insurance and another insurance company The amount of the claim was not estimated.	According to the plaintiff, the claim deals with the defendants' unjustified refusal to recognize a surgical procedure that had medical justification as an insurance event according to the health policies issued, by claiming that it is a "preventive surgical procedure".	The petition for approval of the claim as a class action lawsuit continues to be heard in court. In February 2021, the position of the Capital Market, Insurance and Savings Authority was submitted. The Phoenix Insurance is preparing a response to the position.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

⁴ The petition for approval of the claim as a class action lawsuit was originally filed against The Phoenix Insurance. The plaintiffs filed an amended petition for approval of the claim as a class action lawsuit, in which they changed the identity of the defendant and also added to their previous allegations and to the definition of the class they seek to represent.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
31.	September 2018 Tel Aviv Regional Labor Court The Phoenix Insurance The amount of the claim was not estimated.	According to the plaintiff, The Phoenix Insurance breached its good faith and fiduciary duties towards its policyholders by automatically depositing the additional contributions it received following the expansion order that required an increase in contributions towards benefits for all Israeli workers, for policyholders in managers insurance policies taken out before June 1 2001 (with guaranteed annuity conversion factors) in new policies referred to by the plaintiff as "contribution policies", without carrying out a pension marketing procedure that includes a justification document, and also by determining the management fees in the policy unilaterally at the maximum rate permitted by law.	On April 18 2021, the parties filed with the court an agreed motion to approve the plaintiff's withdrawal of the petition to approve the claim as a class action. The withdrawal motion has not yet been approved by the court.
32.	December 2018 Tel Aviv District Court The Phoenix Insurance, other insurance companies and banks NIS 280 million from all defendants.	According to the plaintiffs, the claim deals with unlawful overcharging of insurance premiums for unnecessary building insurance policies issued to building owners (who took out a mortgage loan and were required to insure the building with a building policy in favor of the lending bank), despite the fact that at the time of issuance of such policies, there was already an insurance policy covering that building, regardless of whether that policy was taken out with the same insurance company or with another insurance company.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
33.	March 2019 Central District Court The Phoenix Insurance Approximately NIS 2.6 million.	According to the plaintiff, the claim deals with The Phoenix Insurance's practice to delay the repayment of the relative portion of insurance premiums upon cancellation of compulsory motor and property insurance policies rather than paying it within the period set by law; the plaintiff also claims that The Phoenix Insurance repays the said amount without adding linked interest. The plaintiff also claims that The Phoenix Insurance refrains from repaying full linkage when refunding the relative portion of the insurance premiums.	The parties are in a mediation procedure.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
34.	May 2019 Tel Aviv District Court The Phoenix Insurance Approximately NIS 766.8 million.	According to the plaintiff, the claim deals with The Phoenix Insurance's not paying policyholders in participating life insurance policies which include an Rm formula their full share of the profits and full payments to which they are entitled under the insurance contracts; the plaintiff also claims that The Phoenix Insurance does not fulfill its reporting and disclosure obligations towards policyholders regarding their policies and rights.	The petition for approval of the claim as a class action lawsuit continues to be heard in court. It should be noted that the plaintiff stated that a similar motion for approval of a claim as class action, which was filed against another insurance company, had recently been approved.
35.	July 2019 Tel Aviv District Court The Phoenix Insurance and other insurance companies Approximately NIS 264.5 million from all the defendants, of which approximately NIS 67.5 million is attributed to The Phoenix Insurance.	The plaintiffs claim that the defendants do not pay their policyholders interest as required by law in respect of insurance benefits for the period starting 30 days after the date of delivery of the claim until the date of actual payment.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. It should be noted that according to the plaintiffs, this claim is based on the same cause of action as the class action described in Section 4 above in the table; however, it was nevertheless decided to file this claim for the sake of caution only, given the doubt as to whether the class of plaintiffs seeking the approval of this motion is included in the previous class action. In light of this, at the request of The Phoenix Insurance, in July 2020 the proceedings in this claim were delayed until a judgment will have been rendered in the previous claim.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
36.	May 2019 Nazareth Magistrate Court The Phoenix Insurance The amount of the claim was not estimated.	According to the plaintiff, this claim deals with The Phoenix Insurance's failure to pay in full insurance benefits under the insurance policy in respect of damage caused to a vehicle, on the grounds that the ownership class of the vehicle is "leasing - sale of a new vehicle with 0 km or formerly" even though the ownership of the vehicle is not and/or never was of such ownership class, and the permanent owner of the vehicle's license as "Owner 00" was the first purchaser, who is not the leasing company.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
37.	August 2019 Central District Court The Phoenix Insurance and other insurance companies The claim amount was not estimated, but it was stated that it was NIS 1 million or more.	The claim is that in insurance policies covering mechanical engineering equipment the defendants determine the value of the equipment for the purpose of determining the premium according to the value of new equipment, disregarding the age of the equipment; however, in the event of total loss of equipment the defendants pay the policyholders insurance benefits in accordance with the equipment's actual value upon the occurrence of the insurance event, taking into consideration the age of the equipment.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
38.	<p>August 2019</p> <p>Central District Court</p> <p>The Phoenix Insurance and other insurance companies</p> <p>The claim amount was not estimated, but it was stated that it was in the tens of millions of shekels or more.</p>	<p>The plaintiffs claim that in case of vehicle theft or total loss as a result of an accident, the defendants refuse to reimburse policyholders for the proportionate share of the insurance premiums (the premium) paid for service contracts (road recovery services, windscreen repair, towing, etc.) in respect of the period subsequent to the theft or total loss, despite the fact that the service contract is cancelled and the risk it covers no longer exists.</p>	<p>The petition for approval of the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for July 19 2021.</p> <p>In February 2020, the position of the Capital Market, Insurance and Savings Authority was submitted, which is not in line with the plaintiffs' position.</p>
39.	<p>December 2019</p> <p>Central District Court</p> <p>PassportCard Israel General Insurance Agency (2014) (hereinafter: "PassportCard") and The Phoenix Insurance</p> <p>The amount of the claim was not estimated.</p>	<p>According to the plaintiff, the defendants sell travel insurance without informing their customers - at the time of issuing the insurance policy - about the fact that the "search and rescue" component can be excluded if it is not required by the customers; the plaintiff also claims that the defendants do not inform customers about price changes they make in insurance policies' components; furthermore, the defendants do not inform customers in a clear manner about the right to reimbursement of a proportionate share of the insurance premiums in the event that the actual trip is shorter than planned, and in the event that the insurance period is shortened for any reason whatsoever (including due to cancellation of the insurance policy).</p> <p>The plaintiff also claims that even when the defendants reimburse insurance premiums to policyholders who shortened their travel period and at the same time also shortened the insurance period for any reason whatsoever, they do not reimburse the full insurance premium for the shortened insurance period, contrary to law and the insurance policy.</p>	<p>The parties are in a mediation procedure.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
40.	January 2020 Central District Court The Phoenix Insurance, other insurance companies and a road recovery and towing services company. The claim amount was not estimated but it was stated that it significantly exceeds NIS 2.5 million.	The plaintiff claims that, in cases where vehicles' windscreens broke, the defendants had provided and still provide alternative windscreens, which do not meet Israeli standards and are not manufactured by the same maker as the car; by doing so, the defendants allegedly breach their obligations under the insurance policies and coverage contracts.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
41.	February 2020 Central District Court The Phoenix Insurance The claim amount was not estimated, but it was stated that it is in the millions of shekels or more.	The plaintiff claims that starting in early 2016 or thereabouts, The Phoenix Insurance ceased to fulfill its obligation in health insurance policies marketed prior to February 1 2016, in which it undertook to provide insurance coverage, at no additional cost, to all children born to the principal policyholder (starting with the fourth child), until they reach the age of 21.	The parties are in a mediation procedure.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
42.	February 2020 Tel Aviv Regional Labor Court The Phoenix Insurance No less than NIS 25 million.	The claim is that The Phoenix Insurance refuses to pay its life insurance policyholders the benefit they are entitled to in respect of the first month after the end of the insurance period (the first month of their retirement).	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
43.	February 2020 Central District Court PassportCard Israel General Insurance Agency (2014) (hereinafter: "PassportCard") and The Phoenix Insurance NIS 6.125 million.	<p>The claim is that the defendants violate the provisions of the travel insurance policy, since when an insurance event occurs to a policyholder and insurance benefits are claimed in respect of expenses of a person who travelled with the policyholder or accompanied him/her on their trip, the defendants deduct from the insurance benefits double the deductible - one for the policyholder and the other for another person covered by the insurance, i.e. the policyholder or person who travelled with the policyholder or the person who accompanied him/her.</p> <p>The plaintiff also claims that the defendants violate various provisions of insurance circulars regarding the claim filing form, the data included therein, receiving a copy thereof; the plaintiff further claims that the defendants refrain from informing policyholders who file claims of their right to obtain a copy of the decision made regarding their claim and/or appeal against the decision to various parties, nor do they inform policyholders of the period of time they have to do so.</p>	The petition for approval of the claim as a class action lawsuit continues to be heard in court.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)
A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

o.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
44.	<p>February 2020</p> <p>Tel Aviv Regional Labor Court (the hearing was transferred from the Tel Aviv District Court)</p> <p>Halman Aldubi Provident and Pension Funds Ltd.</p> <p>NIS 335 million (or alternatively, NIS 58 million or NIS 36 million).</p>	<p>The claim is that Halman Aldubi allegedly violated its duty to the plaintiff and to all beneficiaries in the provident funds of Halman Aldubi, of deceased planholders, and any planholder of the Halman Aldubi provident funds with whom contact was lost, to locate and inform the said beneficiaries, as well as the planholders with whom contact was lost, that they are entitled to funds in the Halman Aldubi funds, on the dates set forth to that effect in the Supervision of Financial Services Regulations (Provident Funds) (Locating Planholders and Beneficiaries), 2012, in the period beginning on January 1 2013 until the date of the ruling in the lawsuit.</p>	<p>Halman Aldubi has not yet filed its response to the amended approval petition filed by the plaintiff.</p> <p>A hearing on the petition to approve the lawsuit as a class action is scheduled for February 3 2022.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
The petitions to approve claims as class actions listed in Sections 45-47 below were filed following the coronavirus pandemic which broke out in March 2020. The petitions were submitted in the fields of motor, home and business (employers' liability and third parties) insurance; the plaintiffs argue in these motions that insurance companies in general and The Phoenix Insurance in particular should reimburse policyholders for premiums paid during the period in which restrictions were in place due to the coronavirus pandemic in view of the reduced insurance risk in these fields during that period.			
45.	<p>April 2020</p> <p>Tel Aviv District Court</p> <p>The Phoenix Insurance, other insurance companies and the managing corporation of the Compulsory Motor Insurance Pool (the "Pool") Ltd.</p> <p>Approximately NIS 1.2 billion of all the defendants, of which NIS 145 million is attributed to The Phoenix Insurance or, alternatively, NIS 719 million of all the defendants, of which NIS 113 million is attributed to The Phoenix Insurance.</p>	<p>The subject matter of the lawsuit is that the defendants unjustly profited,⁴ allegedly, by failing to reduce car insurance premiums (for compulsory and/or comprehensive and/or third party policies) during the mobility restrictions imposed due to the coronavirus pandemic. This was done, argued the plaintiffs, despite a decrease in mileage travelled and the level of risk to which the defendants are exposed.</p>	<p>The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

⁴ The petition to approve the claim as a class action includes two petitions to approve claims as class actions filed against The Phoenix Insurance and other defendants, which were merged into a single claim in February 2021 by the Tel Aviv District Court (see Note 42(a) (1) in Sections 42 and 44 of the class actions table in the Company's financial statements as of December 31 2020, published on March 25 2021 (Ref. No. 2021-01-044709).

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
46.	<p>April 2020</p> <p>Tel Aviv District Court</p> <p>The Phoenix Insurance and other insurance companies</p> <p>Approximately NIS 886 million of all the defendants, approximately NIS 107 million is attributed to The Phoenix Insurance.</p>	<p>The argument is that the defendants must reimburse premiums they overcharged policyholders in motor and home insurance, due to a decrease in the risk they are exposed to as a result of the restrictions imposed following the coronavirus pandemic, which led to a decline in trips and a decline in bodily harm and damage to property.</p>	<p>The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit.</p> <p>On February 2021, the court ruled that the petition to approve the claim as a class action in relation to motor insurance was dismissed and will continue to be heard in relation to home insurance.</p> <p>On April 25 2021, the plaintiff filed an appeal with the Supreme Court against the decision regarding the dismissal of the petition to approve the claim as a class action regarding car insurance.</p> <p>An appeal hearing is scheduled for May 22 2022.</p>
47.	<p>April 2020</p> <p>Haifa District Court</p> <p>The Phoenix Insurance and other insurance companies</p> <p>Approximately NIS 81 million of all the defendants, of which approximately NIS 13 million is attributed to The Phoenix Insurance.</p>	<p>The plaintiff claims that the defendants overcharged insurance premiums in their employer liability insurance and third-party insurance (as part of business insurance policies), despite the drop in the number of employees, suppliers, customers, etc. who attend businesses due to the coronavirus pandemic and the restrictions imposed as a result thereof, which constitutes is a material decrease in the risk to which the defendants are exposed.</p>	<p>The petition for approval of the claim as a class action lawsuit continues to be heard in court.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)
A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
48.	May 2020 Tel Aviv District Court Phoenix Excellence Pension and Provident Funds Ltd. and other management companies The claim amount was not estimated, but it was stated that it is estimated, at a minimum, in the hundreds of millions of shekels.	According to the plaintiffs, the claim deals with the defendants' classifying some of the contributions transferred to an advanced education fund on behalf of their customers as taxable provisions, even though they are not taxable.	Phoenix Excellence filed its response to the petition for approval of the claim as a class action lawsuit as well as a motion for leave to file a third-party notice against the State - the Israel Tax Authority. A decision is yet to be issued on the request. A pre-trial hearing is scheduled for July 11 2021.
49.	May 2020 Tel Aviv District Court Halman Aldubi Provident and Pension Funds Ltd. and other management companies and additional management companies The claim amount was not estimated, but it was stated that it is estimated, at a minimum, in the hundreds of millions of shekels.	According to the plaintiffs, the claim deals with the defendants' classifying some of the contributions transferred to an advanced education fund on behalf of their customers as taxable provisions, even though they are not taxable.	Halman Aldubi filed its response to the petition for approval of the claim as a class action lawsuit as well as a motion for leave to file a third-party notice against the State - the Israel Tax Authority. A decision is yet to be issued on the request. A pre-trial hearing is scheduled for July 11 2021. It should be noted that a similar petition to approve a claim as class action was filed against Phoenix Excellence (see Section 48 above in the table).

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
50.	June 2020 Tel Aviv District Court PassportCard Israel General Insurance Agency (2014) (hereinafter: "PassportCard") and The Phoenix Insurance At least NIS 10 million.	According to the plaintiff, the claim deals with non-payment of insurance benefits in respect of cancellation of a trip due to a pandemic (the coronavirus pandemic) under travel insurance that the plaintiff purchased through PassportCard.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit.
51.	June 2020 Tel Aviv Regional Labor Court The Phoenix Insurance The amount of the claim was not estimated.	According to the claim, after a policyholder passes away, The Phoenix Insurance links the funds accrued in the policy to the consumer price index, instead of linking them to the investment track selected by the policyholder, as it previously did.	The petition for approval of the claim as a class action lawsuit continues to be heard in court. A hearing is scheduled for November 15 2021.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)
A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
52.	June 2020 Central District Court The Phoenix Insurance and another insurance company Approximately NIS 10.5 million for each defendant.	According to the claim, the defendants overcharge customers in loan agreements they enter into with their customers; overcharging takes place due to a one-way linkage mechanism, which is in place under those agreements, whereby if the CPI increases above the base CPI, the defendants collect the linkage differences due to the increase; however, if the CPI decreases below the base index, they do not credit their customers for the said decrease.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
53.	July 2020 Haifa Magistrate Court PassportCard Israel General Insurance Agency (2014) (hereinafter: "PassportCard") and The Phoenix Insurance NIS 1.84 million.	According to the claim, when travel insurance benefits are paid late, the defendants do not pay interest in respect of the delay; the plaintiff also claims that the defendants usually pay the insurance benefits according to the exchange rate on the day of the insurance event rather than the exchange rate on repayment date. In addition, it was argued that the disclosure duty regarding the deductible and the limitation of the insurer's liability with regard to the "winter sports" component is violated as part of a representation made prior to entering into the insurance contract.	The Phoenix Insurance has not yet submitted its response to the motion to approve the claim as a class action, and on January 10 2021, it submitted a motion for stay of proceedings until a final decision has been made in connection with the class action outlined in Section 4 above in the table. A decision has not yet been issued in connection with the stay of proceedings motion and a hearing was scheduled for October 11 2021.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
54.	<p>July 2020</p> <p>Central District Court</p> <p>The Phoenix Insurance and other insurance companies</p> <p>About 1.9 billion of all defendants, with the share of each of the defendants being in accordance with its market segment; according to the plaintiffs, The Phoenix's share is approximately 19%.</p>	<p>According to the claim, the defendants must charge reduced insurance premiums in cases of insurance policies with exclusions due to an existing medical condition compared to policies in which no such exclusion is present, since exclusions mitigate the defendants' insurance risk.</p>	<p>The Phoenix Insurance submitted its response to the petition for approval of the claim as a class action lawsuit. A pre-trial hearing is scheduled for July 1 2021.</p>
.55	<p>September 2020</p> <p>Tel Aviv District Court (the hearing was transferred from the Tel Aviv Regional Labor Court)</p> <p>Phoenix Excellence Pension and Provident Funds Ltd.</p> <p>No estimate was provided for the claim amount.</p>	<p>The subject matter of the lawsuit, according to the plaintiff, is the following: provision of incorrect statements and/or incorrect calculations of the linkage differences credited to planholders; incorrect calculations and presentation of real profits; incorrect recording of deposits, causing the profits in respect thereof to be taxed unlawfully; causing pecuniary damage to planholders due to failure to monitor employers inadequate contributions and failure to require them to complete such contributions, whether by sending appropriate notices to employers and planholders or by making up the difference by the fund itself; and recording deposit dates that are different than the actual ones.</p>	<p>Excellence Gemel has not yet submitted its response to the petition for approval of the claim as a class action lawsuit.</p> <p>On March 3 2021, at the request of Excellence Gemel, the Court transferred the petition for approval of the claim as a class action lawsuit to the Tel Aviv District Court and the panel which heard a similar petition for approval of the claim as a class action lawsuit that was filed against Excellence Gemel (see Section 48 above in the table).</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)
A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
56.	September 2020 Tel Aviv District Court The Phoenix Insurance NIS 92.7 million.	According to the claim, The Phoenix Insurance does not pay policyholders insured under a long-term care policies the full amount due to them under their policies, since it offsets these amounts against proceeds received from the National Insurance Institute; it is also claimed that The Phoenix Insurance does not indemnify policyholders for certain medical treatments.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
57.	September 2020 Central District Court The Phoenix Insurance and another insurance company NIS 84 million from all the defendants, of which NIS 67.2 million is attributed to The Phoenix Insurance (a total of NIS 16.8 million in respect of critical illness insurance and a total of NIS 50.4 million in respect of permanent health insurance).	According to the claim, the defendants acted in violation of the provisions of critical illness insurance policies when they continued to charge policyholders the full amount of the monthly premium even after the first insurance event had occurred. It was also alleged against The Phoenix Insurance that contrary to its obligations, it charges its policyholders a monthly PHI insurance premium, even after the period of insurance coverage has ended.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for October 28 2021.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
58.	October 2020 Tel Aviv District Court The Phoenix Insurance It is noted that the amount of the claim cannot be estimated accurately for all groups as defined in the claim; however, it is noted that the amount of the claim in relation to the cosmetic surgery cause of action is NIS 7.53 million.	According to the plaintiff, The Phoenix Insurance does not link the liability limits in its health insurance policies to the Consumer Price Index, thereby preventing policyholders from obtaining full recovery of their damages; the plaintiff also claims that The Phoenix Insurance does not provide insurance coverage to policyholders, claiming that the procedure in question is a cosmetic surgery, thereby breaching the provisions of the insurance contract; the plaintiff further claims that The Phoenix Insurance does not provide fair disclosure of the definition of cosmetic surgery and of the fact that it is excluded from the policy.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A hearing date has not yet been scheduled.
59.	November 2020 Tel Aviv District Court PassportCard Israel General Insurance Agency (2014) (hereinafter: "PassportCard") and The Phoenix Insurance The amount of the claim was not estimated.	According to the plaintiff, in the event of a flight cancellation, The Phoenix Insurance conditions the payment of insurance benefits upon a onerous condition whereby the policyholder is required to present an official confirmation on the flight cancellation from the airline; the plaintiff claims that insurance benefits are not paid due to a concealed, unlawful reason, whereby the policy only covers the cancellation of scheduled flights. By doing so, The Phoenix Insurance allegedly sold a product that has no value and does not cover the flight cancellation risk.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for July 18 2021.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
60.	December 2020 Haifa Magistrate Court The Phoenix Insurance NIS 1.75 million	According to the plaintiff, who is insured in a health insurance policy comprising of a list of surgical procedures, The Phoenix Insurance does not pay insurance benefits in respect of invasive surgical procedure involving a further medical procedure to policyholders who took out the insurance before 2014.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for September 14 2021.
61.	December 2020 Central District Court The Phoenix Insurance The aggregate claim amount was not estimated but it was stated that it exceeds NIS 2.5 million.	According to the plaintiff, The Phoenix Insurance allegedly does not indemnify its policyholders in motor insurance policies relating to vehicles other than private and commercial cars weighing up to 3.5 tons (such as trucks, taxis, etc.), in respect of the damage caused to their vehicle due to the insurance event - which, the plaintiff claims, is in breach of the policy and the law. It is further claimed that The Phoenix Insurance does not provide its policyholders with an appraiser's report, which includes an estimate of the impairment to the vehicle's value due to the insurance event nor its manner of calculation.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for October 14 2021.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

Notes to the Condensed Consolidated Interim Financial Statements as of March 31 2021

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
62.	February 2021 Central District Court The Phoenix Insurance No estimate was provided for the claim amount, but it was stated that the damage exceeds NIS 2.5 million.	According to the plaintiff, the claim deals with the increasing of insurance premiums by more than 75% than the agreed premiums in life, long-term care, and PHI insurance policies taken out as part of a special deal for members of the Israel Bar Association (and potentially in other insurance policies) in 2016, without informing policyholders, obtaining their consent and providing them with any explanations.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for October 14 2021.
63.	March 2021 Tel Aviv District Court The Phoenix Insurance and other insurance companies Approximately NIS 79 million from all defendants	The subject matter of the claim, according to the plaintiffs, is that the defendants refuse to pay for the policyholders' expenses for the purchase of medical cannabis, contrary to the provisions of the policy to cover drugs excluded from the Healthcare Services Basket, and since medical cannabis is recognized for medical use in Western countries.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit; a hearing date has not yet been scheduled.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)
A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
64.	March 2021 Central District Court The Phoenix Insurance No estimate was provided for the claim amount, but it was stated that the damage exceeds NIS 2.5 million.	The subject matter of the claim, according to the plaintiff, is that The Phoenix Insurance allegedly unlawfully rejects claims by its policyholders in "personal accident" policies to pay for hospitalization at a "non-general hospital", claiming that a "hospital", as defined in the policy, is a medical institution whose underlying meaning is a "general hospital only".	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for December 21 2021.
65.	April 2021 Central District Court The Phoenix Insurance Approximately NIS 36.25 million.	The subject matter of the claim, according to the plaintiff, is failure to reduce management fees for a savings policy, contrary to the agreement between the policyholders and The Phoenix Insurance.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for January 26 2022.

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

A. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
66.	<p>April 2021</p> <p>Central District Court</p> <p>The Phoenix Insurance, banks, investment houses, credit card companies and other insurance companies</p> <p>The damage was not estimated but it was stated that it amounts to millions of shekels.</p>	<p>According to the plaintiffs, when using the defendants' digital services (while browsing their personal accounts), customers' private, personal and confidential information is transferred to third parties without the customers' consent, violating their privacy.</p>	<p>The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A hearing date has not yet been scheduled.</p>

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 7 - CONTINGENT LIABILITIES (cont.)

B. Concluded claims*

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
1.	May 2020 Tel Aviv District Court Excellence Gemel & Hishtalmut Ltd. (currently: Phoenix Excellence Pension and Provident Funds Ltd.) and additional insurance companies and management companies The amount of the claim was not estimated.	The claim is that the Law Enforcement and Collection Authority overcharges those who submit foreclosure applications in respect of financial instruments managed by the defendants; overcharging is allegedly carried out through an automated system and amounts overcharged are transferred to the defendants.	On April 7 2021, the Court handed down a decision to strike the petition to approve the claim as a class action.
2.	May 2020 Tel Aviv District Court Halman Aldubi Provident and Pension Funds Ltd. and additional insurance companies and management companies The amount of the claim was not estimated.	The claim is that the Law Enforcement and Collection Authority overcharges those who submit foreclosure applications in respect of financial instruments managed by the defendants; overcharging is allegedly carried out through an automated system and amounts overcharged are transferred to the defendants.	On April 7 2021, the Court handed down a decision to strike the petition to approve the claim as a class action. It should be noted that a similar petition to approve a claim as class action was filed and withdrawn against Phoenix Excellence (see Section 1 above in the table).

¹ The date on which the petition for approval of the claim as a class action lawsuit was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

* For additional claims concluded between January 1 2021 and March 25 2021, please see Note 42(a)(2), Sections 10 and 11 of the table of concluded claims in the Company's financial statements as of December 31 2020, published on March 25 2021 (Ref. No. 2021-01-044709).

NOTE 7 - CONTINGENT LIABILITIES (cont.)**C. Legal Proceedings**

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

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

1. On November 11 2020, an insurance agency filed a lawsuit in the amount of approximately NIS 17.6 million against The Phoenix Insurance and nine other defendants, including an agency which is part of The Phoenix Group, alleging misuse of the plaintiff's trade secrets and list of customers. It should be noted that the plaintiff had previously filed a motion for a temporary injunction in respect of the subject matter of the claim - and the motion was dismissed. The lawsuit continues to be heard in court.
2. On December 30, 2020, a lawsuit was filed against Excellence Nessuah Services Ltd. ("Excellence") and Ms. Hannah Hollander by OSR R&D Israel (the "Plaintiff" or "OSR") for a restraining order and financial relief in the amount of NIS 5,167,962, with the Tel Aviv District Court, claiming that Excellence violated the lease agreement with it. Excellence, on the other hand, demanded that the plaintiff evict the leased premises since it violated the terms of the lease, including failure to pay rent on time. The plaintiff rejected the claim, and Excellence filed an eviction notice against OSR with the Magistrates Court. On May 4 2021, the Court ruled that the hearing of the OSR claim will take place in conjunction with the hearing of the eviction claim filed by Excellence, on June 14 2021.
3. On January 29 2017, Pilat Group Ltd. (hereinafter - "Pilat Group") and Pilat Holdings (1986) Ltd. (jointly, - "Pilat Group" and/or the "Plaintiffs") filed a lawsuit with the District Court, against Halman Aldubi Provident and Pension Funds Ltd. (by virtue of its merger with Hadas Arazim Provident Funds Ltd. on April 30 2013), and against 17 other defendants, including Oracle Solutions Ltd. (hereinafter - "Oracle"). The main arguments of the claim was that some of the defendants joined Oracle in purchasing shares of the Pilat Group, constituting approximately 17.9% of the voting rights in Pilat Group (hereinafter - the "Oracle Group"), and that Hadas Provident joined forces with the Oracle Group to acquire control of Pilat Group, such that Oracle would hold 20% of the voting rights, and Hadas Provident - approximately 17%, while obtaining the approval of the Israel Securities Authority (ISA) that the Oracle Group and Hadas Provident not be considered "joint holders" under the Securities Law, 1968. At the same time, the plaintiffs claim, data and documents regarding collaboration between the parties were concealed from the ISA. In addition, allegations were made regarding a series of appointments and interested party transactions made in Pilat Group in violation of the law, which contributed significantly to the collapse of Pilat Group.

NOTE 7 - CONTINGENT LIABILITIES (cont.)**C. Legal Proceedings (cont.)**

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

4. The Group is a party to legal and other proceedings, which are not insurance claims, including, among other things, claims made by customers, former customers, agents and various third parties in immaterial amounts and for a total amount of approximately NIS 27.9 million. The causes of action against the Group in these proceedings are different.

D. Other Proceedings

1. On July 13 2020, following an audit conducted by the Capital Market Authority regarding marketing phone calls held in respect of personal accident insurance, taking place between September 1 2016 and November 30 2017, The Phoenix Insurance received a notice from the Capital Market Insurance and Savings Authority to the effect that it intends to impose a NIS 8 million monetary sanction on the Company due to alleged violations identified in the audit (hereinafter: the "Notice"). The Phoenix Insurance submitted its written response to said Notice, and on October 28 2020, a hearing was held before the Authority. On May 9 2021, the Capital Market, Insurance and Savings Authority decided to impose a monetary sanction of NIS 4.875 million on The Phoenix Insurance.
2. On October 13 2020, the Israel Securities Authority (hereinafter: the "ISA") notified Excellence Nessuah Brokerage Services Ltd. that a request to impose a monetary sanction on Excellence Nessuah had been submitted to the Monetary Sanctions Committee following an audit conducted by the ISA from November 2018 to May 2019 in connection with issues related to the prohibition of money laundering. In January 2021, Excellence Nessuah submitted its written position to the ISA. The committee has yet to discuss the position.

E. Complaints

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

Furthermore, as part of the Commissioner's inquiries with the group, following complaints and/or audits on his behalf, demands are made from time to time to receive various data regarding the Group's handling of insurance policies in the past and/or a demand to reimburse funds to groups of policyholders and/or other guidelines. ----

NOTE 7 - CONTINGENT LIABILITIES (cont.)**E. Complaints (cont.)**

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

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

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

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

NOTE 7 - CONTINGENT LIABILITIES (cont.)
F. Summary table

The following table summarizes the amounts claimed in pending petitions to approve lawsuits as class actions, claims approved 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 amounts claimed do not necessarily reflect the amounts of exposure assessed by the Group, since these are assessments on behalf of the plaintiffs which will be resolved as part of the legal proceedings. It is further clarified that the table below does not include proceedings that have been concluded, including proceedings that concluded after a compromise agreement was approved in respect thereof.

Type	No. of claims	Amount claimed in NIS thousand (unaudited)
<u>Claims approved as a class actions:</u>		
A specific amount was attributed to the Company	4	597,700
The claim pertains to several companies and no specific amount was attributed to the Company	1	225,200
The amount of the claim was not specified	-	-
<u>Pending petitions to approve lawsuits as class actions:</u>		
A specific amount was attributed to the Company	27	4,503,654
The claim pertains to several companies and no specific amount was attributed to the Company	8	3,825,000
The amount of the claim was not specified	26	-
<u>Other material claims:</u>		
A specific amount was attributed to the Company	1	5,167
The claim pertains to several companies and no specific amount was attributed to the Company	1	35,900
The amount of the claim was not specified	-	-
<u>Claims and other requirements</u>	26	27,895

The total provision amount in respect of class actions, legal proceedings and others, filed against the Group as specified above as of March 31 2021 and December 31 2020, amounted to approximately NIS 183,274 thousand (of which a total of approximately NIS 3,970 thousand is in respect of concluded class actions) and approximately NIS 185,444 thousand, respectively.

NOTE 8 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

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

1. Effect of interest rate on pension reserves

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

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

2. K factor values used by the Company

	March 31		December 31,
	2021	2020	2020
	Unaudited		Audited
	%		
In respect of yield-dependent insurance policies	-	-	-
In respect of yield-dependent insurance policies	0.85	0.58	0.85

For further details regarding changes in the K factor for the reporting periods, please see Section D below.

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

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

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

Regarding the retrospective application of Insurance Circular 2020-1-5, Amendment of the Provisions of the Consolidated Circular regarding Measurement of Liabilities - Liability Adequacy Test (LAT) (hereinafter – the "LAT Circular" - please see Note 2.DD to the Annual Financial Statements.

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

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

	For the 3 months ending March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS million		
Life insurance segment:			
Effect of updating other assumptions on the supplementary pension reserve and paid pensions			(12)
Effect of updating of assumptions on the cancellation rates	-	-	-
Effect of updating assumptions on the expense rates	-	5	(54)
Effect of updating assumptions on the mortality rates	-	-	-
Change in the discount rate used in the calculation of the supplementary retirement pension reserve and paid pensions.	5	44	25
Change in K value	-	94	(261)
Total increase (decrease) in liabilities on retention in the life insurance segment	5	143	(302)
Health insurance segment:			
<u>Effect of updating of assumptions on the cancellation rates:</u>			
LAT	-	-	(24)
Other	-	-	(43)
<u>Effect of updating assumptions on the expense rates:</u>			
LAT	-	(46)	(54)
Other	-	(17)	(12)
<u>Effect of updating assumptions on the mortality and morbidity rates:</u>			
LAT	-	-	-
Other	-	-	-
Change in reserve (LAT) following a change in the discount rate	24	97(*)	173(*)
Change in reserve (LAT) following re-application of illiquidity premium	-	-	(110)
Total increase (decrease) in liabilities on retention in health insurance segment	24	34	(70)
P&C insurance segment:			
Change in discount rate	-	(11)	1
Effect of the discount rate applied to National Insurance allowances	-	-	(74)
Total decrease in liabilities on retention in P&C insurance segment	-	(11)	(73)
Total increase (decrease) in liabilities on retention before tax	29	166	(445)
Total increase (decrease) in liabilities on retention, after tax	19	109	(293)

(*) This effect includes the effect of classifying the excess value of assets from the life insurance segment to the health insurance segment in the amount of approximately NIS 121 million, with the addition of approximately NIS 47 million from excess value of other non-marketable assets as a result of the first-time application of the LAT Circular and the amendment of the Circular on Allocation of Non-Marketable Assets. For further details, please see the Annual Financial Statements, Note 2.DD.

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

- B. On January 11 2021, Midroog announced it is reiterating the rating of Series 3 and 4 bonds at Aa3.il, with a stable outlook. On January 31 2021, Midroog announced it has rated the extension of up to NIS 350 million in Series 4 and 5 bonds issued by the Company at Aa3.il, with a stable outlook. For further details, please see the Company's immediate reports dated January 11 2021 (Ref. No. 2021-15-004746) and January 31 2021 (Ref. No. 2021-15-012981).
- C. On January 20 2021, Universal Motors Israel Ltd. (hereinafter: "UMI"), a related party, purchased from a third party and as part of an off-floor transaction 12,478,168 ordinary Company shares in consideration for NIS 26 per share - for a total of approximately NIS 324.43 million. Subsequent to the acquisition, UMI will hold 4.9% of the Company's share capital. For additional details see the Company's immediate report dated January 20 2021 (Ref. No. 2021-01-009007).
- D. Regarding the acquisition of Halman Aldubi, please see Note 4, Business Combinations, above.
- E. Regarding the possibility of selling Ad 120, please see Note 1.E above.
- F. On January 31 2021, Ma'alot S&P reiterated The Phoenix Insurance's rating at -ilAA and ilAA+, respectively, with a stable outlook; it rated the extension of Series 4 and 5 bonds in the amount of up to NIS 350 million at -ilAA. For additional details see the Company's immediate report dated January 31 2021 (Ref. No. 2021-15-012963).
- G. In February 2021, the Company extended, by NIS 127,384 thousand, registered Series 4 bonds of NIS 1 par value each and NIS 222,616 thousand of NIS 1 par value each registered (Series 5) bonds, which were issued pursuant to the Company's shelf offering report dated February 3 2021 (Ref. No. 2021-01-013684). The proceeds of the offering were used by the Company for its ongoing needs and those of its subsidiaries, including the acquisition of Halman Aldubi's entire share capital.
- H. In February 2021, the Company's Board of Directors approved the adoption of a voluntary reporting policy in English on the English-language MAYA website of the Tel Aviv Stock Exchange, beginning on the date of publication of the Company's annual Financial Statements for 2020. The adoption of the said policy is based, inter alia, on a notice published by the Israel Securities Authority on June 30 2020 - "Notice to Companies: Voluntary Publication of Translations of Reports into English." For further details, please see the Company's immediate report dated February 25 2021 (Ref. No. 2021-01-023287). The Company follows the said policy and on April 22 2021, published its 2020 Periodic Report in English for the first time.
- I. On March 10 2021, the Company announced that the agreement for the acquisition of the new pension funds by Meitav Dash Provident was signed; for further details, please see Note 4, Business Combinations, above. For further details, see the Company's immediate reports dated February 23 2021 and March 11 2021 (Ref. Nos. 2021-01-022078 and 2021-01-031812).
- J. On March 24 2021, the Company's Board of Directors approved a dividend distribution in the amount of NIS 380 million. The dividend per share of NIS 1 par value is NIS 1.49213. The record date for the distribution is April 5 2021. The dividend will be paid on April 18 2021.
- K. The Phoenix Insurance - through The Phoenix Capital Raising - is considering the issuance of an Additional Tier 1 capital instrument, recognized as regulatory capital under the Economic Solvency Regime, in order to strengthen its capital and improve its solvency ratio. In March 2021, the Board of Directors approved continuing the issuance procedure. The recognition of the instrument as an Additional Tier 1 capital instrument is subject to the approval of the Commissioner of the Capital Market, Insurance and Savings. The issuance amount is expected to be approximately NIS 400 million. The terms and conditions of the instrument, including the redemption period, are in accordance with the provisions of Part B ("Provisions in respect of Equity Capital of Insurance Companies") to Insurance Circular 2020-1-15, "Provisions for Applying Economic Solvency Regime Based on Solvency II for Insurance Companies". The Phoenix Insurance works to obtain the regulatory approvals required for the issuance.

NOTE 9 - SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

- A. Following the Company's share buyback plan of up to NIS 100 million as of October 1 2020, the Company purchased a total of 1,704 thousand shares in April and May for 2021, for a total of approximately NIS 49 million. Following these purchases, the Company holds approximately 3,201 thousand of the Company's shares and the plan's current performance rate is 75.86%.
- B. On May 26 2021, the Company's Board of Directors approved, after receiving the approval of Compensation Committee, to allocate the employees of the Company and its subsidiaries - some of whom are officers of the Company (including the Company's CEO) as well as some of the Company's service providers (hereinafter - the "Offerees") up to 3,937,000 options, not listed for trading, offered at no cash monetary consideration (offered in consideration for work performed or service rendered to the Company by the Offerees) exercisable into up to 3,937,000 registered ordinary shares of NIS 1 par value each of the Company, out of the Company's reserved shares.

Assuming that all options exercisable under this outline are to be exercised, immediately after exercise thereof and taking into account the issued and paid-up capital of the Company to date, the shares arising from the exercise of the options shall constitute approximately 2.6% of the issued and paid-up capital of the Company and approximately 2.5% of its voting rights (and approximately 1.6% and 1.5%, respectively, on a fully diluted basis). In practice, no allotment will be made to the offerees who will realize the full stock options arising from them, but only shares in an amount that reflects the amount of the monetary benefit inherent in the options.

In accordance with the Board of Directors' decision, out of the amount of 3,937,000 options offered to offerees a total of 88,000 options will be allotted to the Company's CEO. The fair value at the Award Date is calculated based on a appraisal received from an external appraiser who used the binomial model. The average value of one option was estimated at approximately NIS 3.24, and the total value of the options allotted was estimated at that date at approximately NIS 12.8 million.

- C. During May 2021, following a military escalation in Israel, rockets were fired into the country over a period of 11 days. During this period, the Company continued to provide full service to its customers. To the best of the Company's knowledge, as of the report publication date, the event does not have a material effect on the Company's performance. In addition, we note that the State of Israel covers property damage, if any.
- D. In connection with class actions filed and developments in lawsuits after the balance sheet date, see Note 7 above.

NOTE 9 - SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE (cont.)
Details of assets for assets and other financial investments
A. Details of other financial investments

	As of March 31 2021			
	Presented at fair value through profit and loss	Available- for-sale	Loans and receivable s	Total
Unaudited				
In NIS thousand				
Marketable debt assets (A.1)	119,151	7,271,495	-	7,390,646
Non-marketable debt assets	-	-	13,524,006	13,524,006
Shares (A.2)	7,791	2,048,579	-	2,056,370
Other (A.3)	581,679	2,908,999	-	3,490,678
Total	708,621	12,229,073	13,524,006	26,461,700

	As of March 31 2020			
	Presented at fair value through profit and loss	Available- for-sale	Loans and receivables	Total
Unaudited				
In NIS thousand				
Marketable debt assets (A.1)	56,770	7,401,994	-	7,458,764
Non-marketable debt assets	-	-	13,213,841	13,213,841
Shares (A.2)	2,691	1,381,887	-	1,384,578
Other (A.3)	396,502	2,071,970	-	2,468,472
Total	455,963	10,855,851	13,213,841	24,525,655

NOTE 9 - SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE (cont.)
Details of assets for assets and other financial investments (cont.)

	As of December 31 2020			
	Presented at fair value through profit and loss	Available- for-sale	Loans and receivables	Total
Audited				
In NIS thousand				
Marketable debt assets (A.1)	108,809	7,942,457	-	8,051,266
Non-marketable debt assets	-	-	13,231,897	13,231,897
Shares (A.2)	5,860	1,854,613	-	1,860,473
Other (A.3)	604,573	2,595,491	-	3,200,064
Total	719,242	12,392,561	13,231,897	26,343,700

A1. Marketable debt assets

	As of March 31 2021	
	Carrying amount	Amortized cost
	Unaudited	
	In NIS thousand	
Government bonds	4,308,126	4,294,987
Other debt assets:		
Other non-convertible debt assets	2,994,773	2,768,550
Other convertible debt assets	87,747	82,677
Total marketable debt assets	7,390,646	7,146,214
Impairments carried to profit and loss (cumulative)	93,385	

	As of March 31 2020	
	Carrying amount	Amortized cost
	Unaudited	
	In NIS thousand	
Government bonds	4,343,238	4,346,161
Other debt assets:		
Other non-convertible debt assets	3,097,633	3,142,198
Other convertible debt assets	17,893	19,790
Total marketable debt assets	7,458,764	7,508,149
Impairments carried to profit and loss (cumulative)	196,544	

NOTE 9 - SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE (cont.)
Details of assets for assets and other financial investments (cont.)

	As of December 31 2020	
	Carrying amount	Amortized cost
	Audited	
	In NIS thousand	
Government bonds	4,974,270	4,817,279
Other debt assets:		
Other non-convertible debt assets	3,008,147	2,597,370
Other convertible debt assets	68,849	49,863
Total marketable debt assets	<u>8,051,266</u>	<u>7,464,512</u>
Impairments carried to profit and loss (cumulative)	<u>98,984</u>	

A2. Shares

	As of March 31 2021	
	Carrying amount	Cost
	Unaudited	
	In NIS thousand	
Marketable shares	1,738,462	1,308,569
Non-marketable shares	317,908	201,263
Total shares	<u>2,056,370</u>	<u>1,509,832</u>
Impairments carried to profit and loss (cumulative)	<u>186,848</u>	

NOTE 9 - SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE (cont.)
Details of assets for assets and other financial investments (cont.)

	As of March 31 2020	
	Carrying amount	Cost
	Unaudited	
	In NIS thousand	
Marketable shares	1,133,724	1,097,592
Non-marketable shares	250,854	155,157
Total shares	1,384,578	1,252,749
Impairments carried to profit and loss (cumulative)	319,849	

	As of December 31 2020	
	Carrying amount	Cost
	Audited	
	In NIS thousand	
Marketable shares	1,545,485	1,177,687
Non-marketable shares	314,988	185,520
Total shares	1,860,473	1,363,207
Impairments carried to profit and loss (cumulative)	213,115	

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

A.3. Other financial investments

	As of March 31 2021	
	Carrying amount	Cost
	Unaudited	
	In NIS thousand	
Total marketable financial investments	815,655	753,094
Total non-marketable financial investments	2,675,023	2,124,970
Total other financial investments	3,490,678	2,878,064
Impairments carried to profit and loss (cumulative)	121,315	

	As of March 31 2020	
	Carrying amount	Cost
	Unaudited	
	In NIS thousand	
Total marketable financial investments	462,075	440,383
Total non-marketable financial investments	2,006,397	1,714,853
Total other financial investments	2,468,472	2,155,236
Impairments carried to profit and loss (cumulative)	105,246	

	As of December 31 2020	
	Carrying amount	Cost
	Audited	
	In NIS thousand	
Total marketable financial investments	660,178	503,235
Total non-marketable financial investments	2,539,886	1,880,737
Total other financial investments	3,200,064	2,383,972
Impairments carried to profit and loss (cumulative)	116,453	

Part 3

**Data from the
Consolidated Interim
Financial Statements**

Attributed to the Company

**As of March 31 2021
(Unaudited)**





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To
the Shareholders of The Phoenix Holdings Ltd.

Dear Sir/Madam,

Re: Special report to the review of the separate interim financial information in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Holdings Ltd. ("the Company") as of March 31 2021 and for the three months period then ended. The Company's board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information taken from the interim financial information of investees, the total investment in which amounted to approximately NIS 1,602,529 thousand as of March 31 2021, and the Company's share in of their earnings amounted to approximately NIS 27,467 thousand for the three months period then ended, respectively. The separate interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of Review

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

Conclusion

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

Tel Aviv,
May 26, 2021

Kost Forer Gabbay & Kasierer
Certified Public Accountants

**Condensed Standalone Interim Financial Information
on Financial Position as of March 31 2021**



	As of		
	Mar. 31 2021	Mar. 31 2020	Dec. 31 2020
	Unaudited		Audited
	In NIS thousand		
Assets			
Investments in investees	8,159,355	5,885,860	7,861,266
Loans and capital notes to investees	1,286,069	1,192,756	1,192,107
Total non-current assets	9,445,424	7,078,616	9,053,373
Other financial investments	31,856	37,854	22,986
Current tax assets	1,159	1,163	1,159
Dividend receivable from investees (see Note 2(b))	338,000	-	-
Receivables and debit balances	1,479	841	14,482
Cash and cash equivalents	33,233	71,188	40,270
Total current assets	405,727	111,046	78,897
Total assets	9,851,151	7,189,662	9,132,270
Equity attributed to Company's shareholders			
Share capital	309,961	309,951	309,951
Premium on shares and capital reserves	837,324	826,991	833,592
Treasury shares	(26,411)	-	(26,411)
Capital reserves	955,191	316,490	913,036
Retained earnings	5,875,712	4,602,739	5,939,754
Total equity	7,951,777	6,056,171	7,969,922
Liabilities			
Non-current liabilities			
Bonds	1,414,279	1,004,080	1,082,538
Current liabilities			
Bonds	53,371	123,485	36,000
Payables and credit balances	13,869	5,926	5,955
Dividend payable (see Note 2(c))	380,000	-	-
Liabilities in respect of deferred taxes	37,855	-	37,855
Total current liabilities	485,095	129,411	79,810
Total liabilities	1,899,374	1,133,491	1,162,348
Total capital and liabilities	9,851,151	7,189,662	9,132,270

(*) For further details, please see Note 4 to the consolidated financial statements.

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

Eli Schwartz
Executive Vice President, CFO

Eyal Ben Simon
Chief Executive Officer

Benjamin Gabbay
Chairman of the Board of
Directors

Date of approval of the financial statements - May 26, 2021

**Condensed Standalone Interim Financial Information
on Comprehensive Income as of March 31 2021**



	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS thousand		
Company's share in the profits of investees, net of tax	308,171	(167,584)	1,210,661
Investment income, net and finance income	12,562	7,999	42,353
Income from management fees of investees	750	750	3,000
Total revenue	321,483	(158,835)	1,256,014
General and administrative expenses	1,997	2,304	8,164
Finance expenses	4,082	4,928	40,972
Total expenses	6,079	7,232	49,136
Profit before taxes on income	315,404	(166,067)	1,206,878
Taxes on income	-	-	37,855
Profit (loss) for the period attributed to the Company's owners	<u>315,404</u>	<u>(166,067)</u>	<u>1,169,023</u>

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

**Condensed Standalone Interim Financial Information
on Comprehensive Income as of March 31 2021**



	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS thousand		
Profit (loss) for the period	315,404	(166,067)	1,169,023
Other comprehensive income (loss):			
<u>Amounts that will be or that have been reclassified to profit or loss when specific conditions are met</u>			
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	1,663	(4,058)	(1,307)
Net change in fair value of financial assets classified as available for sale, carried to the income statement	-	573	585
Gain on impairment of financial assets classified as available for sale, carried to the income statement	-	-	937
The Group's share in other comprehensive income (loss) of investees	38,839	(408,349)	169,838
Total components of income (loss) items, subsequently reclassified to profit or loss	40,502	(411,834)	170,053
<u>Amounts that shall not be subsequently reclassified to profit or loss</u>			
The Group's share in other comprehensive income of equity-accounted investees	-	1,248	13,621
Other comprehensive income (loss) for the period, net	40,502	(410,586)	183,674
Total comprehensive income (loss) for the period	355,906	(576,653)	1,352,697

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

Condensed Standalone Interim Financial Information on Changes in Equity as of March 31 2021



	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total equity
In NIS thousand											
Balance as of January 1 2021 (audited)	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922
Loss for the period	-	-	-	315,404	-	-	-	-	-	-	315,404
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	1,057	39,445	40,502
Total comprehensive income (loss)	-	-	-	315,404	-	-	-	-	1,057	39,445	355,906
Share-based payment	-	3,635	-	-	-	-	2,314	-	-	-	5,949
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	554	-	-	-	(554)	-	-	-
Exercise of employee options	10	97	-	-	-	-	(107)	-	-	-	-
Dividend	-	-	-	(380,000)	-	-	-	-	-	-	(380,000)
As of March 31 2021 (unaudited)	<u>309,961</u>	<u>837,324</u>	<u>(26,411)</u>	<u>5,875,712</u>	<u>(43,622)</u>	<u>11,000</u>	<u>47,150</u>	<u>114,060</u>	<u>(22,281)</u>	<u>848,884</u>	<u>7,951,777</u>

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

Condensed Standalone Interim Financial Information on Changes in Equity as of March 31 2021



	Share capital	Premium and capital reserves in respect of shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total equity
	In NIS thousand									
<u>Balance as of January 1 2020 (audited)</u>	309,951	830,437	4,768,261	(43,622)	11,000	40,047	103,463	(19,926)	635,974	6,635,585
Net income for the period	-	-	(166,067)	-	-	-	-	-	-	(166,067)
Other comprehensive income (loss)	-	-	-	-	-	-	1,248	5,185	(417,019)	(410,586)
Total comprehensive income (loss)	-	-	(166,067)	-	-	-	1,248	5,185	(417,019)	(576,653)
Share-based payment	-	(3,446)	-	-	-	685	-	-	-	(2,761)
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	545	-	-	-	(545)	-	-	-
<u>As of March 31 2020 (unaudited)</u>	<u>309,951</u>	<u>826,991</u>	<u>4,602,739</u>	<u>(43,622)</u>	<u>11,000</u>	<u>40,732</u>	<u>104,166</u>	<u>(14,741)</u>	<u>218,955</u>	<u>6,056,171</u>

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

Condensed Standalone Interim Financial Information on Changes in Equity as of March 31 2021



	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total equity
In NIS thousand											
Balance as of January 1 2020 (audited)	309,951	830,437	-	4,768,261	(43,622)	11,000	40,047	103,463	(19,926)	635,974	6,635,585
Net income for the year	-	-	-	1,169,023	-	-	-	-	-	-	1,169,023
Other comprehensive income (loss)	-	-	-	290	-	-	-	13,331	(3,412)	173,465	183,674
Total comprehensive income (loss) for the year	-	-	-	1,169,313	-	-	-	13,331	(3,412)	173,465	1,352,697
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	2,180	-	-	-	(2,180)	-	-	-
Share-based payment	-	3,155	-	-	-	-	4,896	-	-	-	8,051
Acquisition of treasury shares	-	-	(26,411)	-	-	-	-	-	-	-	(26,411)
Balance as of December 31 2020 (audited)	<u>309,951</u>	<u>833,592</u>	<u>(26,411)</u>	<u>5,939,754</u>	<u>(43,622)</u>	<u>11,000</u>	<u>44,943</u>	<u>114,614</u>	<u>(23,338)</u>	<u>809,439</u>	<u>7,969,922</u>

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

**Condensed Standalone Interim Financial Information
on the Company's Cash Flow as of March 31 2021**



		For the three months ended March 31		For the year ended December 31
		2021	2020	2020
	Appendix	Unaudited		Audited
		In NIS thousand		
<u>Cash flows for operating activities</u>				
Profit (loss)		315,404	(166,067)	1,169,023
Adjustments required to present cash flows (for) from operating activities:	(a)	(295,339)	172,401	(1,163,853)
Net cash from operating activities of the Company		20,065	6,334	5,170
<u>Cash flows from investing activities</u>				
Net cash used in investing activities in investees		-	12,000	12,000
Investment in a capital note of an investee		-	(220,000)	(220,000)
Sales (acquisitions) of financial investments by the Company, net		(6,925)	65,540	83,085
Acquisition of a subsidiary (*)		(275,000)	-	-
Loan to subsidiary (*)		(93,633)	-	-
Net cash used in investing activities		(375,558)	(142,460)	(124,915)
<u>Cash flows for financing activities</u>				
Issuance of a bond, less issuance expenses		348,457	217,511	585,433
Repayment of bonds		-	(88,291)	(477,101)
Share buyback by the Company		-	-	(26,411)
Net cash from financing activities		348,457	129,220	81,921
<u>Decrease in cash and cash equivalents</u>		(7,037)	(6,906)	(37,824)
<u>Balance of cash and cash equivalents at beginning of period</u>		40,270	78,094	78,094
<u>Balance of cash and cash equivalents at end of period</u>		33,233	71,188	40,270

(*) For further details, please see Note 4 to the consolidated financial statements.

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

**Condensed Standalone Interim Financial Information
on the Company's Cash Flow as of March 31 2021**



	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	In NIS thousand		
(a) <u>Adjustments required to present cash flows (for) from operating activities:</u>			
<u>Items not involving cash flows:</u>			
Net (gains) losses on financial investments	(282)	323	1,346
<u>Income and expense items not involving cash flows:</u>			
Accrued interest and appreciation of bonds	655	(573)	11,289
Income tax expenses	-	-	37,859
Company's share in the (profits) losses of investees, net	(308,171)	167,584	(1,210,661)
<u>Changes in other balance sheet line items, net:</u>			
Change in receivables and debit balances	4,871	8,869	(562)
Change in payables and credit balances	7,914	(5,572)	(5,543)
Changes in loans to investees	(326)	1,770	2,419
Total cash flows from (for) operating activities	<u>(295,339)</u>	<u>172,401</u>	<u>(1,163,853)</u>
(b) <u>Material non-cash activities</u>			
Dividend declared and not yet paid (*)	(380,000)	-	-
Dividend receivable from subsidiaries (**)	<u>338,000</u>	<u>-</u>	<u>-</u>

(*) For further details, please see Note 2.C below.

(**) Does not include repayment of a capital note from The Phoenix Investments; for further details, please see Note 3.A below.

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

Note 1 - GENERAL

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

This standalone financial information should be read in conjunction with the standalone financial information as of the date and year ended December 31 2019 and in conjunction with the consolidated condensed interim financial statements as of March 31 2020 (hereinafter: the "Consolidated Financial Statements").

Definitions

The Company - The Phoenix Holdings Ltd.

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

NOTE 2: SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- A. On January 27 2021, the Company's Board of Directors approved a credit line agreement for subsidiary Phoenix Excellence Pension and Provident Funds Ltd. The credit line will be used by Phoenix Excellence Pension and Provident Funds Ltd. according to its needs, for a total of up to NIS 100 million for a period of two years. The credit terms and conditions shall be identical, back to back, in respect of Series 5 Bonds issued by the Company.
- B. On March 21, The Phoenix Agencies's Board of Directors approved a dividend distribution in the amount of NIS 138 million. The dividend will be paid on April 11 2021. This dividend is subject to profit tax of approximately NIS 15.5 million.
On March 24, The Phoenix Insurance's Board of Directors approved a dividend distribution in the amount of NIS 200 million. The dividend will be paid on April 11 2021.
- C. On March 24 2021, the Company's Board of Directors approved a dividend distribution in the amount of NIS 380 million. The dividend per share of NIS 1 par value is NIS 1.49213. The record date for the distribution is April 5 2021. The dividend will be paid on April 18 2021.
- D. For other material events during the reporting period, please see Note 8 to the consolidated financial statements.

NOTE 3 - SUBSEQUENT EVENTS

- A. On April 12 2021, a total of approximately NIS 67 million in capital notes issued by The Phoenix Investments to the Company was repaid.
- B. On May 26 2021, the Company approved an investment in The Phoenix Investments against the issuance of a perpetual capital note in the amount of up to NIS 145 million.
- C. For further details regarding subsequent events, please see Note 9 to the consolidated financial statements.

May 26, 2021

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

Dear Madam/Sir,

Re: Shelf Prospectus of The Phoenix Holdings Ltd. (hereinafter: the
 "Shelf Prospectus")
 published on August 15 2019

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

1. Review Report dated May 26 2021, on the Condensed Consolidated Financial Information of The Phoenix Holdings Ltd. as of March 31 2021 and for the three-month period then ended.
2. Special report dated May 26 on the Standalone Interim Financial Information in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Holdings Ltd. of The Phoenix Holdings Ltd. as of March 31 2021 and for the three-month period ended on that date.

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Part 4

**Report and Statements
regarding the Internal
Controls over Financial
Reporting and
Disclosure**



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

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

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

1. Eyal Ben Simon, CEO of the Company and The Phoenix Insurance.
2. Eli Schwartz, Executive Vice President, Chief Financial Officer of the Company and The Phoenix Insurance.
3. Daniel Cohen, Executive Vice President and Head of Long Term Savings and Life at The Phoenix Insurance
4. Haggai Schreiber, Executive Vice President, Chief Investment Manager, CEO The Phoenix Investments Ltd.
5. Dafna Shapira-Layla, Executive Vice President, Head of Health Insurance at The Phoenix Insurance.
6. Keren Granit, Executive Vice President, Head of Claims System & Head of Customers' Division at The Phoenix Insurance.
7. Moti Mor, Executive Vice President, Head of General Insurance at The Phoenix Insurance.
8. Meni Neeman, Executive Vice President, Chief Legal Counsel and Corporate Secretary of the Company and The Phoenix Insurance.
9. Michal Leshem, Executive Vice President, Chief Internal Auditor.
10. Amit Netanel, Senior Vice President, Chief Risk Officer of the Company and The Phoenix Insurance.
11. Ron Shvili, Executive Vice President of The Phoenix Insurance, Chief Technology, IT Systems and Innovation Officer of The Phoenix Insurance.
12. Raanan Saad, Executive Vice President at The Phoenix Insurance, Head of The Phoenix SMART.
13. Anat Cohen-Toledano, Executive Vice President at The Phoenix Insurance, Chief Actuary - Property and Casualty, The Phoenix Insurance.
14. Roman Reidman, Executive Vice President at The Phoenix Insurance, Chief Actuary - Life and Health.
15. Erez Orly, Executive Vice President, Head of Human Resources at The Phoenix Insurance.
16. Orr Harush, Vice President, Chief Of Staff at The Phoenix Insurance.

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

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

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

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

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

With respect to the internal control of the said subsidiary, the Corporation implements the following provisions:

Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Controls over Financial Reporting"; Institutional Entities Circular 2010-9-6, "Management's Responsibility for internal control over financial reporting - Amendment"; Circular 2010-9-7, "internal control over financial reporting - Statements, Reports and Disclosures"; Circular 2012-9-5, "internal control over financial reporting - Statements, Reports, Disclosures and Management's Responsibility for internal control over financial reporting - Amendments"; and Circular 2015-9-15, "internal control over financial reporting - Statements, Reports, Disclosures and Management's Responsibility for internal control over financial reporting - Amendments".

In the quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure attached to the quarterly report for the period ended December 31 2020 (hereinafter - the "Most Recent Annual Report Over Internal Control"), the Board of Directors and management assessed the internal control in the corporation. Based on this assessment, the Corporation's Board of Directors and management have concluded that the said internal control, as of March 31 2021, is effective.

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

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

Certification

Statement of the Chief Executive Officer

I, Eyal Ben Simon, hereby certify that:

- (1) I have reviewed quarterly report of The Phoenix Holdings Ltd. (hereinafter: the "Corporation") for the first quarter of 2021 (hereinafter – the "Reports");
- (2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, or omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;
- (3) To my knowledge, the financial statements and other financial information included in the Reports fairly represent, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Board of Directors' audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation's ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -
 - (b) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, severally or jointly with others in the Corporation:
 - (a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
 - (b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - (c) I have not been informed of any event or matter that occurred in the period between the most recent report date (quarterly or periodic, as the case may be) and the date of this Report, which may change the conclusion of the Board of Directors and management regarding the effectiveness of internal controls over the corporation's financial reporting and disclosure.

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

May 26, 2021

Eyal Ben Simon, Chief Executive Officer

Certification

Statement of the Most Senior Financial Officer

I, Eli Schwartz, hereby certify that:

- (1) I have reviewed interim financial statements and other financial information included in the interim report of The Phoenix Holdings Ltd. (hereinafter: the "Corporation") for the first quarter of 2021 (hereinafter – the "Reports" or "Interim Reports");
- (2) To my knowledge, the interim financial statements and other financial information included in the Interim Reports do not contain any misrepresentation of a material fact, nor omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;
- (3) To my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports present fairly, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Board of Directors' audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure insofar as it relates to the Interim Financial Statements and other financial information included in the Interim Reports, that could reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of the financial statements in accordance with law; and
 - (b) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, severally or jointly with others in the Corporation:
 - (a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
 - (b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - (c) I have not been informed of any event or matter that occurred in the period between the most recent report date (quarterly or periodic, as the case may be) and the date of this Report, which may change the conclusion of the Board of Directors and management regarding the effectiveness of internal controls over the corporation's financial reporting and disclosure.

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

May 26, 2021

Eli Schwartz, Executive Vice President, Chief Financial Officer

Part 5

**Statements regarding
Controls and
Procedures over
Financial Reporting
and Disclosure
of The Phoenix
Insurance Company
Ltd.**



The Phoenix Insurance Company Ltd.

Certification

I, Eyal Ben Simon, hereby certify that:

1. I have reviewed the quarterly report of The Phoenix Insurance Company Ltd. (hereinafter - the "Company") for the quarter ended March 31 2021 (hereinafter: the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting of the Company; and
 - (a) We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
 - (b) We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
 - (c) We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and
 - (d) The Report discloses any change in the Company's internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting; and
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
 - (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

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

May 26, 2021

Eyal Ben Simon, Chief Executive Officer

The Phoenix Insurance Company Ltd.

Certification

I, Eli Schwartz, hereby certify that:

1. I have reviewed the quarterly report of The Phoenix Insurance Company Ltd. (hereinafter - the "Company") for the quarter ended March 31 2021 (hereinafter: the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting¹ of the Company; and
 - (a) We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
 - (b) We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
 - (c) We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and
 - (d) The Report discloses any change in the Company's internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting; and

¹As defined in the provisions of the institutional entities circular titled "Internal Control over Financial Reporting - Statements, Reports and Disclosures".

5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
- (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

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

May 26, 2021

Eli Schwartz, Executive VP, Chief Financial Officer