



21.2.2022

The Phoenix Holdings Ltd.
(“the Company”)

To
The Securities Authority
www.isa.gov.il

To
The Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Re: The Phoenix Insurance Company Ltd. - Immediate Report

Update of illiquidity premium

On February 17, 2022, the Commissioner published an amendment to the provisions of the Consolidated Circular that relates to liabilities measurement - illiquidity premium (hereafter: “**the amendment**”) which may have an effect on the insurance reserves of the subsidiary company, The Phoenix Insurance Company Ltd. In general, the provisions of the Consolidated Circular in the matter of liabilities measurement stipulates that it is possible to add to the risk free interest rate used for the adequacy reserve test illiquidity premium at different rates for different policies and reserves. The purpose of the amendment is to determine an updated evaluation method for illiquidity premium rate that will serve when performing adequacy reserve test. The amendment updated the results of formula of illiquidity premium rate which is before the amendment approximately 0.26% to a rate of 0.54%. The amendment will become effective commencing from the financial statements as of December 31, 2021 and its initial implementation will be performed by way of a change of accounting estimate in accordance with International Accounting Standard Number 8 (IAS 8). The effect of the amendment is on long- term care insurance policies for health policies, insurance policies that guarantee a yield in life insurance and policies for compulsory act motor insurance and liabilities insurance.

From the initial examination that was carried out by The Phoenix Insurance, the update in the illiquidity premium rate (hereafter- “**the update**”), as described above, reduced the insurance reserves in an amount of approximately NIS 370 million before tax. To complete the picture, we point out that, in the fourth quarter of 2021, a decline in the risk- free interest rate took place and this would have an increase effect in the insurance reserves. However, this effect was offset nearly in full by the above update. We also point out that the above change has no effect on the Solvency ratio. For details regarding the interest rates sensitivity tests relating to market risks see Note 40 Sections 3.1- 3.3 to the financial statements as of December 31, 2020 and Section 2.1.5 to the Board of Directors Report as part of the September 30, 2021 financial statements.

Respectfully,

The Phoenix Holdings Ltd.

c/o Attorney Meni Neeman, Legal Counsel and Secretary of the Company

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