



Annual Report for 2021

The Phoenix Holdings Ltd.

Table of Contents



Letter from the Chairman of the Board

Part 1 **Description of the Corporation's Business**

Part 2 **Report of the Board of Directors on the State of the
Company's Affairs**

Part 3 **Consolidated Financial Statements**

Part 4 **Separate Financial Information**

Part 5 **Additional Details About the Corporation**

Corporate Governance Questionnaire

Part 6 **Report and Statements regarding the Internal Controls
over Financial Reporting and Disclosure**

Part 7 **Appendices relating to The Phoenix Insurance Company
Ltd.**

Members of the Board



Ben Langworthy



Benjamin Gabbay - Chairman



Dr. Ehud Shapira (Independent Director)



Eliezer Yones



Marilyn Victoria Hirsch



Rachel Levine (External Director)



Richard Kaplan (External Director)



Roger Abravanel



Zhak Cohen

March 28, 2022



Letter from the Chairman of the Board of Directors

The Phoenix group ends 2021 with a record profit of NIS 2.3 billion and continues to be Israel's leading insurance and finance group. This did not happen by chance; it is a result, first and foremost, of the strategy approved by the Company's board of directors and led by the management and employees headed by Eyal Ben Simon.

First, I would like to thank the Group's customers, insurance agents, and financial advisors, who express their trust in the Group on a daily basis. I also thank the members of the board of directors, the Group's management, and its employees, for the hard and focused work that led to these results, while preparing the Group and building the infrastructure for our challenges, so that we can provide the highest level of service and maximize returns for our investors.

In 2021, the Israeli economy was characterized by an effective response to the Covid-19 pandemic, which was reflected in the recovery of the capital market and an increase in returns on investments. These trends are reflected in the financial results of The Phoenix, alongside the continued implementation of the Group's strategic plan, which focuses on four key value generators: (1) growth in operations with a high return on capital (mainly in general insurance, asset management, and insurance agencies); (2) innovation in data management, new products and platforms, and digitization that increases both agent and customer satisfaction as well as operational efficiency; (3) unlocking and generating value in the Group's business; and (4) optimal allocation of capital against strategic objectives and reduction of volatility.

The strategic plan expands the Group's operations beyond insurance, and includes significant activities in asset management and alternative investments, insurance agencies, and credit. These high-quality activities generate growing returns on capital, diversified cash flows, a strong balance sheet and capital structure, and lower exposures. In 2021, the Group increased its managed assets from NIS 234 billion to NIS 369 billion (including organic growth and acquisitions), increased its equity to NIS 9.7 billion, and recorded comprehensive income of NIS 2.3 billion, representing a 26.3% return on capital. According to its dividend policy, The Phoenix Holdings distributes a cash dividend of NIS 621 million out of its profits this year, and NIS 74 million reflecting the cost of the Company's share buyback in the reporting year. At the same time, in all the Group's business sectors, we improved customer and agent satisfaction through clear focus on optimization of service and digitization.

As part of the Group strategy, The Phoenix acquired control in Halman-Aldubi Investment House; gained control in the finance company Gama, alongside its IPO and listing on the TASE; and sold its control in Ad 120 Residence Centers for Senior Citizens. These transactions generated profit for the Group in the reporting year. Moreover, these transactions reflect our clear approach to creating value: focus on strategic businesses, acceleration of growth, creation of synergies, and unlocking value compared with equity.

Looking ahead, the Group identifies market opportunities, ongoing challenges, and new global uncertainties. The Phoenix is preparing for the opportunities and challenges by deepening its commitment to the Group's aspirations and the multiyear strategic plan. These activities include building financial robustness against the market uncertainties and potential opportunities; expanding strategic capabilities in key areas, including investment and technology management; enhancing human capital; ensuring excellent corporate governance and ongoing transparency; and deepening environmental and social commitments in Israel.

The geopolitical events subsequent to the reporting process cannot be disregarded. On the level of humanity, we are witnessing a tragedy in Ukraine that has created millions of refugees overnight, and it is our duty to help them live with dignity until the war is over. At the macroeconomic level, these events are accelerating changes, which have already begun, including a shortage of raw materials, rising inflation, and higher interest rates. The Phoenix group, through its management and employees, board of directors, and board committees, is making preparations to address the challenges and opportunities that will arise in 2022 due to these developments.

I hope and pray that the war in Europe will end soon and I wish us all a better future.

Benjamin Gabbay, Chairman of the Board of Directors

Part 1

Description of the Corporation's Business

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.

Description of the Corporation's Business - Consolidated

This chapter of the Periodic Report contains a description of the Company's operations and business development in 2021 (hereinafter - the "**reporting year**" or the "**reporting period**"). Pursuant to Regulation 8C of the Securities Regulations, the provisions of Regulation 8(B) 8a and 8b of the Securities Regulations do not apply to information in the periodic report of a corporation that consolidated or proportionately consolidated an insurer or where the insurer is its associate, insofar as this information pertains to the insurer. The Group is engaged in the fields of insurance, investment management, holding of insurance agencies, provision of credit and other financial services, including the setting up and sale of alternative products. The Group manages approx. NIS 369 billion. The Company is operating in the field of insurance through The Phoenix Insurance Company; in the field of asset management, the Company operates through The Phoenix Pension and Provident, The Phoenix Investments, and the Excellence investment house; in the field of holding of insurance agencies, the Company operates through The Phoenix Agencies 1989 Ltd.; in the field of credit provision, the Company operates through Gama Management and Clearing Ltd., whose shares were listed on the Stock Exchange in the reporting years, and the Company became its controlling shareholder.

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

The materiality of the information contained in this Periodic Report, including the description of material transactions during the reporting year, is examined from the Company's perspective, and in some cases, the description is extended beyond the reporting year to provide a more comprehensive view of the subject matter. Chapter A to the Report - "Description of the Corporation's Business" - should be read in conjunction with the other parts of the Periodic Report, including the Report of the Board of Directors and notes to the Financial Statements.

As part of the Company's policy to open up to international investors, it adopted a voluntary reporting policy in English; for more information see the Company's immediate report of February 25 2021 (Ref. No.: 2021-01-023287).

Forward-looking information

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

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

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

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

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

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

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

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

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

Table of Contents

Glossary of Terms	6
Part A Description of the General Development of the Corporation's Business	11
1.1 The Company's Activity and Description of the Development of its Business	12
1.2 The Group's Structure	12
1.3 Key Milestones in the Development of the Group's Business during the Reporting Year and until the Report Publication Date	15
1.4 Areas of Activity	26
1.4.1 Property and Casualty Insurance	27
1.4.2 Health insurance	27
1.4.3 Life insurance and savings	28
1.4.4 The field of asset management - pension and provident	28
1.4.5 Investment management - financial services	28
1.4.6 Insurance agencies	28
1.4.7 The Credit Segment	29
1.5 Additional Operations that Do Not Constitute Areas of Activity	29
1.5.1 Other investing activities	29
1.6 Risk Management	29
1.7 Investments in the Company's Equity and Transactions in its Shares	29
1.8 Dividend distribution policy and actual distribution of dividends	30
1.8.1 Dividend distribution policy	30
1.8.2 Dividend distribution and retained earnings	31
1.8.3 External restrictions on dividend distribution	31
1.8.4 Share buyback	32
Part B Description of the Group's Areas of Activity	35
2.1 Life insurance and savings	36
2.1.1 Products and services	36
2.1.1.1 Life insurance	36
2.1.1.2 Key characteristics of life insurance and savings instruments	42
2.1.1.3 Impact on competition between the various products	43
2.1.2 New products	44
2.1.3 Competition	44
2.1.4 Effect of legislative changes on competition in the area of activity	45
2.1.5 Customers	46
2.2 Asset management - pension and provident	48
2.2.1 Products and services	48
2.2.1.1 Pension segment	48

2.2.1.2 Provident funds segment	54
2.2.1.3 Key characteristics of the pension and provident instruments	61
2.2.1.4 Impact on competition between the various products	64
2.2.1.5 New products	64
2.2.2 Competition	65
2.2.3 Customers	69
2.3 Property and casualty insurance	70
2.3.1 Compulsory motor insurance	70
2.3.1.1 Products and services	70
2.3.1.2 Competition	71
2.3.1.3 Customers	72
2.3.2 Motor Property insurance	73
2.3.2.1 Products and services	73
2.3.2.2 Competition	74
2.3.2.3 Customers	75
2.3.3 Other property and casualty insurance	76
2.3.3.1 Products and services	76
2.3.3.2 Competition	78
2.3.3.3 Customers	80
2.4 Health insurance	81
2.4.1 Products and services	81
2.4.1.1. General	81
2.4.1.2 Segment structure and key markets	81
2.4.1.3 Principal changes in the health insurance segment	83
2.4.1.4 Description of main health insurance plans and health services offered	84
2.4.2 Structure of profitability	86
2.4.3 New products	87
2.4.4 Competition	87
2.4.5 Customers	88
2.5 Asset management - financial services	91
2.5.1 General information about the segment	91
2.5.1.1 Segment structure and changes therein	91
2.5.1.2 Completion of the merger of the portfolio management company and the TASE member	91
2.5.1.3 Acquisition of Halman Aldubi Group companies	91
2.5.1.4 Restructuring in Excellence	92
2.5.1.5 Restrictions, legislation, standards and specific constraints	92
2.5.1.6 Changes in the scope of operations and profitability of the subsegment	97

2.5.1.7 Critical success factors	99
2.5.1.8 Main entry and exit barriers	99
2.5.1.9 Alternatives for products in the segment and changes therein	100
2.5.1.10 Structure of competition in the area of activity and changes therein	100
2.5.2 Products and services	101
2.5.3 Breakdown of revenues from, and profitability of, products and services	109
2.5.4 Customers	111
2.5.5 Marketing and distribution	111
2.5.6 Competition	111
2.5.7 Property, plant and equipment	114
2.5.8 Human capital	114
2.5.9 Suppliers	115
2.5.10 Investments	116
2.5.11 Financing	117
2.5.12 Material agreements	117
2.5.13 Objectives and business strategy	119
2.5.14 Risk management, enforcement, control and supervision mechanisms	119
2.5.15 Discussion of risk factors	121
2.6 Credit	123
2.6.1 General information about the segment	123
2.6.2 General information about Gama areas of activity	128
2.6.3 Critical success factors in the area of activity and Changes therein	132
2.6.4 Major entry and exit barriers in area of activity	132
2.6.5 Products and services	133
2.6.6 Customers	134
2.6.7 Competition	134
2.6.8 Seasonality	135
2.6.9 Specific regulation	136
2.6.10 Financing	139
2.6.11 Material agreements	141
2.6.12 Marketing and distribution	142
2.6.13 Intangible assets	143
2.6.14 Human capital	143
2.6.15 Suppliers and service providers	144
2.6.16 Legal proceedings	144
2.6.17 Objectives and strategy	144
2.6.18 Credit risk management	145
2.6.19 Discussion of risk factors	145

2.7 Insurance agencies	152
2.7.1 General information about the segment	152
2.7.2 Scope of activity	156
2.7.3 Products and services	157
2.7.4 Customers	157
2.7.5 Competition	157
2.7.6 Seasonality	157
2.7.7 Specific regulation	158
2.7.8 Material agreements	163
2.7.9 Marketing and distribution	164
2.7.10 Human capital	164
2.7.11 Suppliers and service providers	164
2.7.12 Legal proceedings	165
2.7.13 Investments	165
2.7.14 Objectives and strategy	165
Part C Additional Information about Insurance Areas of Activity that were not Included in the Areas of Activity - N/A	166
Part D Additional Information at the Company Level	168
4.1 Restrictions and Regulation to which the Group's Activity is Subject	169
4.2 Entry and exit barriers	201
4.3 Critical success factors	207
4.4 Investments	208
4.5 Reinsurance	221
4.6 Human capital	233
4.7 Marketing and distribution	238
4.8 Suppliers and service providers	243
4.9 Property, plant and equipment	245
4.10 Seasonality	249
4.11 Intangible assets	250
4.12 Financing	251
4.13 Risk factors	255
4.14 Material agreements	256
4.15 Objectives and business strategy	256
Part E Aspects of Corporate Governance	257
5.1 Details regarding the Company's External Directors	258
5.2 Information about the Company's internal auditor	258
5.3 Information about the independent auditor	261
5.4 Effectiveness of Internal Control over Financial Reporting and Disclosure	263

Glossary of Terms

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

"Designated bonds"	- CPI-linked government bonds issued by the Israeli government to insurance companies and pension funds at a pre-determined interest rate and for pre-determined terms. In life insurance - Life insurance linked ("Hetz") bonds are issued, and in pension - "Miron" and "Arad" bonds.
"Institutional entity"	- an insurer and management company, as defined in the Supervision Law.
"Financial Statements" and/or "Financial Report"	- the Company's financial statements as of December 31 2021.
"Insurance premiums"	- the amounts paid by a policyholder to an insurer under an insurance contract (policy), which is not an investment contract.
"Contributions towards benefits"	- the amount deposited by (or for) a planholder with a pension fund or provident fund.
"Fees"	- a common term for registration fees, policy fees, levy fees and credit fees. These amounts are included in the insurance premiums and are intended to cover the insurer's expenses.
"The Commissioner"	- the Commissioner of the Capital Market, Insurance and Savings Authority.
"Voluntary investments"	- portion of the assets that is not invested in designated bonds.
"Management company"	- a company engaged in the management of provident funds or pension funds and which has received a license to do so from the Commissioner of Capital Market, Insurance and Savings in the Ministry of Finance, in accordance with Section 4 of the Provident Funds Law as defined below.
"Insurance contracts"	- as defined in Note 1 to the Financial Statements in the "Definitions" section.
"Investment contracts"	- as defined in Note 1 to the Financial Statements in the "Definitions" section.
"Yield-dependent contracts"	- as defined in Note 1 to the Financial Statements in the "Definitions" section.
"Prohibition on Money Laundering Law"	- Prohibition on Money Laundering Law, 2000.
"Reduction of	

Concentration Law"	- Law for the Promotion of Competition and Reduction of Concentration, 2013.
"Companies Law"	- the Companies Law, 1999.
"Advice Law"	- the Law Regulating the Practice of Investment Advice, Investment Marketing and Investment Portfolio Management, 1995.
"Advice and Marketing Law"	- the Financial Services Supervision Law (Pension Advice and Marketing), 2005.
The "Supervision Law"	- the Financial Services Supervision (Insurance) Law, 1981.
"Joint Investments in Trust Law"	- Joint Investments in Trust Law, 1994.
"Insurance Contract Law"	- the Insurance Contract Law, 1981.
"Securities Law"	- the Securities Law, 1968.
"CRAV Law" or "Road Accident Victims Compensation Law"	- Compensation for Road Accident Victims Law, 1975.
"Provident Funds Law"	- the Financial Services Supervision Law (Provident Funds), 2005.
"Underwriting"	- the process of approving an insurance offer and setting the premium, in accordance with actuarial assumptions, for the data specified in the insurance offer and additional information available to the insurer.
"International Financial Reporting Standards" or "IFRS"	- International Financial Reporting Standards that include International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), and interpretations of International Financial Reporting Standards (IFRICs) and International Accounting Standards (SICs).
"Policyholder" and/or "planholder"	- the policyholder in life insurance and the planholder in pension funds and provident funds.
"Pension product"	- a provident fund, pension fund, advanced education fund, or insurance policy that is an equity provident fund or an annuity provident fund, a life insurance plan or permanent health insurance plan included in the above plans or sold along with one of them, according to the definitions set out in the Advice and Marketing Law.
"Financial asset"	- as defined in the Advice Law (Securities, Structured Products and Participation Units in Mutual Funds).

"Long-term savings assets"	- assets that include the assets of provident funds and pension funds, excluding old funds, assets held by insurers to cover yield-dependent life insurance liabilities, assets held by insurers to cover their liabilities under life insurance plans that provide the policyholder with a guaranteed return, and in respect of which the policyholder is not entitled to designated bonds.
"Motor Insurance Ordinance"	- Motor Insurance Ordinance [New Version], 1970.
"Income Tax Ordinance"	- Income Tax Ordinance [New Version], 1961.
"Private individual"	- policyholders who are private individuals or small business customers, with whom the insurance company contracts on an individual basis.
"Premium"	- the insurance premiums and other payments that the policyholder must pay the insurer in accordance with the terms and conditions of the policy, including fees.
"Accrual"	- in long-term savings - the amounts accrued for planholders in a provident fund or pension fund or in a life insurance policy with a savings component.
"Collective"	- a group of people (usually from a single workplace, or members of an organization or having supplier-customer relationship with a corporation or organization), with whom the insurance company enters into a single agreement that insures all group members (rather than into individual contracts with each member of the group).
"Insurance fund"	- an insurance plan approved as a provident fund for pension, severance pay or annuity, both under the Provident Funds Law and Provident Funds Regulations.
"Provident fund"	- a provident fund (as defined in the Provident Funds Law), which is not a pension fund, but rather constituting a "pure" savings instrument in which the saved funds and the return payable in respect thereof are paid to the saver upon reaching retirement age, or at another time. For this purpose, the definition does not include "pension fund" or "insurance fund", as defined above and below.
"General fund"	- an annuity provident fund that is not eligible for investment in designated bonds.
"Mutual fund"	- a joint investment trust fund, as defined in Section 3 of the Joint Investments in Trust Law.
"Pension fund"	- an annuity provident fund as defined in the Provident Funds Law, which is not an insurance fund and constitutes a savings instrument intended to pay the saver a monthly annuity after his/her retirement and for the

rest of his/her life; a pension fund usually provides life insurance and permanent health insurance.

"Old pension fund"	- a pension fund established prior to January 1 1995.
"New pension fund"	- a pension fund established as from January 1 1995.
"Supplementary Healthcare Services" or "SHABAN"	- additional health services that supplement the basic health services basket. The programs operated by the health maintenance organizations, including Shaban, are regulated by the Ministry of Health.
"Retention"	- the maximum amount of risk retained by an insurer after transferring some of the risk to a reinsurer.
"Insurance benefits"	- amounts to be paid upon the occurrence of an insurance event according to the terms and conditions of the policy.
"Minimum Capital Regulations"	- Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required for Insurer License), 2018;
"Investment Regulations" and/or "Investment Rules"	- Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012 and/or the Supervision of Insurance Business Regulations (Mode of Investment of the Capital and Reserves of an Insurer and Management of its Liabilities), 2001.
"Provident Funds Regulations"	- Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964.
"Securities Regulations"	- Securities Regulations (Periodic and Immediate Reports), 1970.

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

The "Company" and/or the "Corporation" and/or "The Phoenix Holdings"	- The Phoenix Holdings Ltd.
The "Group" and/or the "Phoenix group"	- The Phoenix Holdings and its investees.
"The Phoenix Insurance Group"	- The Phoenix Insurance Company Ltd. and its subsidiaries.
"Agam Holdings"	- Agam Liderim Holdings (2001) Ltd.

"Agam Liderim"	- Agam Liderim Insurance Agency (2003) Ltd.
"Excellence" or "Excellence Group" or "Excellence Investment House"	- Excellence Investments Ltd. and the companies under its control.
"Excellence Investments"	- Excellence Investments Ltd.
"The Phoenix Pension and Provident"	- The Phoenix Pension and Provident Fund Ltd.
"Gama Management and Clearing"	- Gama Management and Clearing Ltd.
"David Shield"	- David Shield Insurance Agency (2000) Ltd.
The "TASE"	- The Tel Aviv Stock Exchange Ltd.
"The Phoenix Insurance"	- The Phoenix Insurance Company Ltd.
The "Phoenix Capital Raising"	- The Phoenix Capital Raising (2009) Ltd.
"The Phoenix Investments"	- The Phoenix Investments and Finances Ltd.
"The Phoenix Agencies"	- The Phoenix Insurance Agencies 1989 Ltd.
"Ad 120"	- Ad 120 Residence for Senior Citizens Ltd.
"Phoeniclass"	- Phoeniclass Ltd.
"Oren Mizrach"	- Oren Mizrach Insurance Agency Ltd.
"IEC Gemel"	- Halman Aldubi IEC Provident Ltd.



Part A

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



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

The Phoenix Holdings Ltd. was incorporated in 1949 as a privately-held company and became a publicly-traded company in 1978, when the Company's shares were listed on the Tel Aviv Stock Exchange. As of the report publication date, the Company's shares are traded on a number of indices, mainly Tel Aviv 35, Tel Aviv 125, Tel Aviv Financial Index, Tel Aviv Insurance Plus Index, Tel Aviv Ma'ala Corporate Social Responsibility Index and Tel Aviv All Shares Index. The Company's bonds are listed in the Tel Bond Linked Yeter, Tel Bond Linked, and Tel Bond Maagar indices.

The controlling shareholder of the Company since November 2019 is Belenus Lux S.à.r.l. (hereinafter - "**Belenus**"), which is indirectly held through a chain of companies, by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "**Funds**"), that hold 33.1% of the Company's issued and paid up share capital as of the report date.

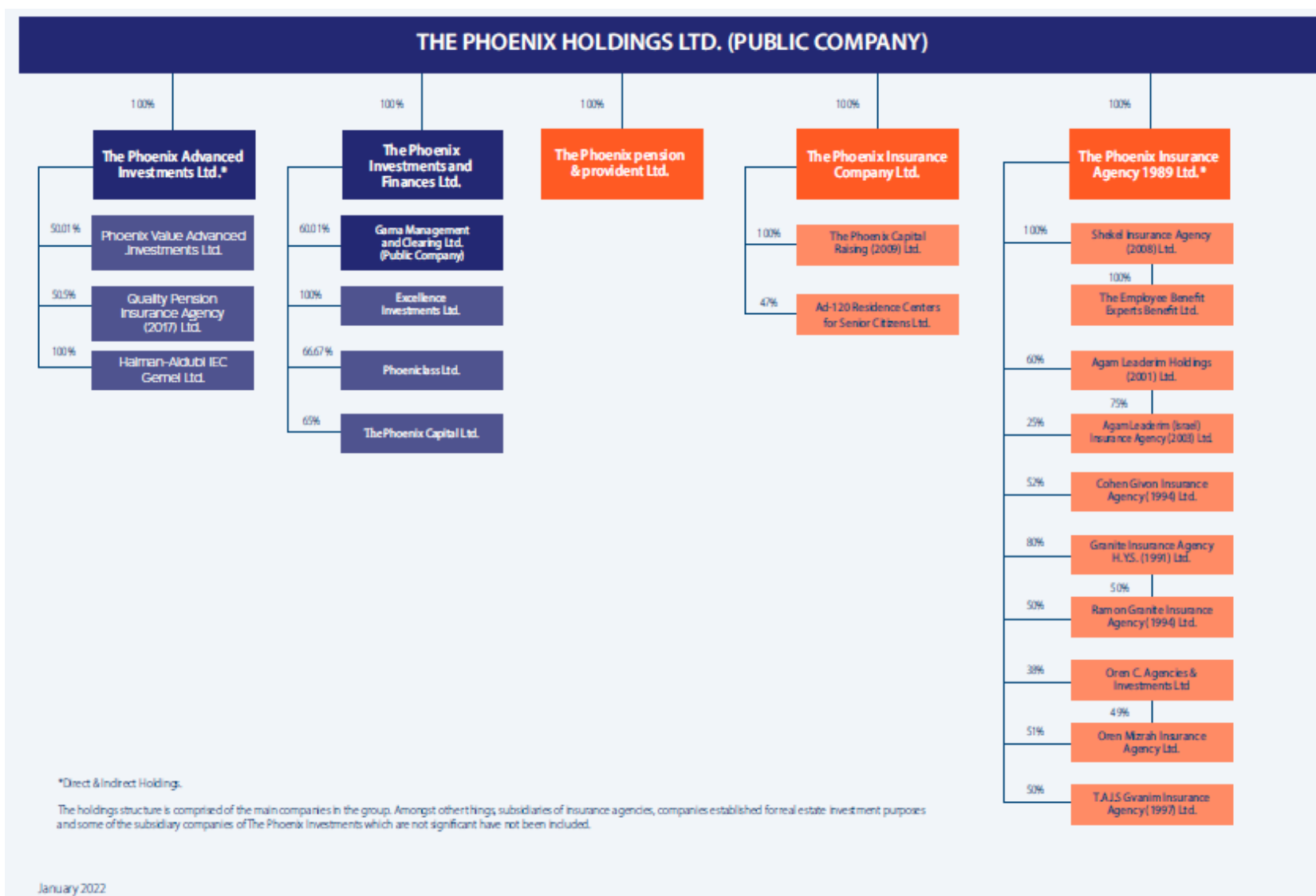
The Company is engaged, through its subsidiaries, in the fields of insurance, financial asset management, holding of insurance agencies, provision of credit and other financial services, including the setting up and sale of alternative investments. The Group manages approx. NIS 369 billion and is considered to be one of the five largest insurance and finance companies in Israel. The Company has been operating in the field of insurance for over 70 years through The Phoenix Insurance Company; in the field of asset management, the Company operates through The Phoenix Pension and Provident Fund Ltd. and the Excellence investment house; in the field of holding of insurance agencies, the Company operates through The Phoenix Agencies 1989 Ltd.; in the field of credit provision, the Company operates through Gama Management and Clearing Ltd., whose shares were listed on the Stock Exchange in the reporting years, and the Company became its controlling shareholder.

1.2. The Group's Structure

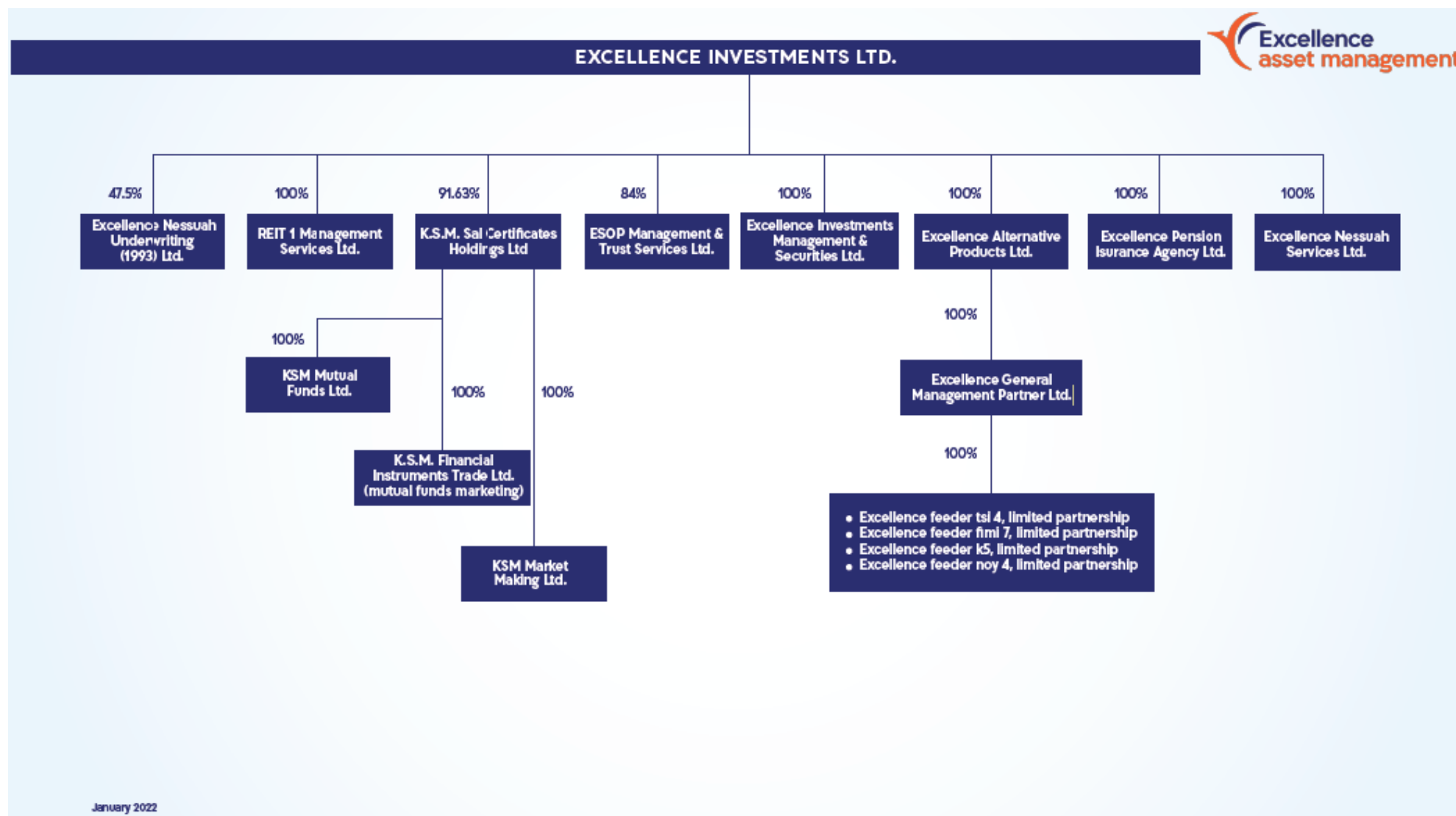
The following charts illustrate the principal holdings of the Company and Excellence, close to the report's publication date. A full list of the Company's investees at the report date is included in Part four of the Periodic Report, under Regulation 11 of the Securities Regulations.

The holding structure includes the Group's principal companies. Some subsidiaries of the insurance agencies, companies that were established for the purpose of investing in real estate properties, and some of the immaterial subsidiaries of The Phoenix Investments, among others, were not included.

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



For information regarding expected structural changes under The Phoenix Investments and Finances and The Phoenix Advanced Investments, see Sections 1.3.11 and 1.3.12 below.



For information regarding expected restructuring under Excellence Investments, see Sections 1.3.13 below.

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

1.3.1. Updating the targets of the multi-year strategic plan - updating the plan's targets

In December 2020, the Company's Board of Directors decided to adopt a multi-year strategic plan for the Company and its Group subsidiaries - The Phoenix with a Look Ahead - based on joint work with the Company's management and work teams, in collaboration with an international consulting firm specializing in strategy and restructuring. After the report date, in March 2022, the Company updated the targets of the multi-year strategic plan. For further details, please see Chapter 4 of the Report of the Board of Directors.

1.3.2. Dividend distribution policy

In October 2020, the Company's Board of Directors approved a dividend distribution policy. For more information and distributions carried out in the reporting year in accordance with the policy.

After the report date, in March 2022, the Company's Board of Directors approved an update to the dividend distribution policy, that will apply in connection with distributions that will be executed in connection with the Company's financial results for 2022 and thereafter. For more information about the dividends policy and distributions carried out in the reporting year in accordance with the policy, see Section 1.8 below.

1.3.3. Share buyback plan

In August 2021, the Company's Board of Directors approved an additional share buyback plan, after the completion of the buyback plan that was approved in 2020. For further details, please see Section 1.8.4 below.

1.3.4. Updating the minimum capital target as of June 30 2021

In November 2021, The Phoenix Insurance's Board of Directors increased the minimum economic solvency ratio target - net of the transitional provisions during the Transitional Period - by 3 percentage points - from the 105% rate a 108% rate as of June 30, 2021.

1.3.5. **Acquisition of the Halman Aldubi Investment House and the Halman Aldubi Restructuring**

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 merger transaction - under which the Company acquired Halman-Aldubi Investment House Ltd. (hereinafter - "**Halman-Aldubi**"). Upon completion of the transaction, Halman Aldubi became a privately held company wholly owned by the Company. The proceeds of the transaction totaled NIS 275 million.

Subsequent to the completion of the transaction the following actions and transactions were carried out:

A. The Board of Directors of The Phoenix Pension and Provident decided to merge Halman Aldubi Provident and Pension Funds Ltd. (hereinafter - "**Halman Provident**") with and into The Phoenix Pension and Provident. The merger between the companies - including the merger of the provident funds and the provident funds' investment tracks - was completed on September 30, 2021.

B. Sale of default pension fund - on June 30 2021, after fulfillment of all conditions precedent, the sale to Meitav Dash Provident Funds and Pension Ltd. of the new pension funds which were managed by Halman Provident was completed in consideration for NIS 45 million.

C. The sale of the IRA Funds by Halman Provident to Global Net Provident Fund Management (G.N.P.F.M) Ltd. The agreement is subject to meeting conditions precedent, including approval by the Capital Market, Insurance and Savings Authority, which have not yet been fulfilled. The deadline for the completion of the transaction was set to March 31 2022; the sale agreement includes a mechanism allowing for the deferral of the deadline as aforesaid.

In addition to the said actions, the Company's management decided to open a new operating segment: asset management - pension and provident. For more information, see Sections 1.4.4. and 2.2 below.

For further details, see Section 2.2.1.2.3 below and the Company's reports from the following dates: December 8, 2020, January 28, 2021, February 3, 2021, February 18, 2021, February 23, 2021, February 24, 2021, February 28, 2021 and July 1, 2021, Ref. Nos.: 2020-01-133119, 2021-01-011467, 2021-01-013942, 2021-01-020860, 2021-01-022078, 2021-01-021813, 2021-01-023697 and 2021-01-046357, respectively.

1.3.6. **Gama IPO and purchase of control stake therein**

In June 2021, Gama Management and Clearing Ltd. (hereinafter - "**Gama**") completed an offering on the Tel Aviv Stock Exchange. Simultaneously with the execution of the Issuance in accordance with the Prospectus, The Phoenix Investments, that held 49% of the shares in Gama up to the date of the offer, purchased additional Gama shares (hereinafter - the "**Purchased Shares**"), such that after the Issuance and the acquisition of the Purchased Shares, The Phoenix Investments holds 60% (fully diluted) of Gama's issued and paid-up share capital and voting rights therein and is the controlling shareholder in Gama. In exchange for the Purchased Shares, The Phoenix Investments paid a total of NIS 124 million. Following the execution of the IPO and the acquisition of the Purchased Shares, in Q2 the Company recorded a one-off post-tax profit of NIS 220 million, as a result of becoming the controlling shareholder in Gama. For further details, please see Note 4B to the Company's Financial Report and the immediate report dated June 16, 2021 (Ref. No. 2021-01-039979).

Key agreements in the Group during the reporting period:

1.3.7. **Sale of control in Ad 120**

In October 2021, a transaction to sell control of Ad 120 Residence for Senior Citizens Ltd. (hereinafter - "**Ad 120**") was completed; Ad 120 was wholly-owned (directly and indirectly) by The Phoenix Insurance Company Ltd. (a Company subsidiary) (hereinafter - "**The Phoenix Insurance**"), and was sold to Shapir Engineering and Industry Ltd. (hereinafter - "**Shapir**"), so that as of the transaction completion, Shapir holds 53% (directly and indirectly) of the issued and paid up share capital of Ad 120, and The Phoenix Insurance holds 47% (directly and indirectly) of the issued and paid up share capital of Ad 120. In addition, within the transaction, Ad 120 acquired two real estate properties held by Shapir through special-purpose limited partnerships wholly-owned by it, one in Jerusalem, and another one in Ness Ziyona, zoned as senior housing, office and commercial areas, under development.

After the transaction was completed, the Company recognized NIS 340 million in pre-tax gain, net of transaction costs. This gain was carried to the life insurance savings and health segments. It is noted that the Company continues to classify its holdings in Ad 120 against life insurance, savings and health liabilities.

For further details about the transaction, please see Note 8D(8) to the Financial Report and the immediate reports dated August 1 2021 and September 22 2021 (Ref. Nos.: 2021-01-059806 and 2021-01-147942, respectively).

1.3.8. **Reinsurance transaction - effect on the solvency ratio of The Phoenix Insurance**

In December 2021, The Phoenix Insurance entered into a contingent reinsurance treaty, and in February 2022, The Phoenix Insurance completed checks and processes, including with the Capital Market, Insurance and Savings Authority for the recognition as part of the Economic Solvency Regime of a proportional reinsurance transaction involving an existing portfolio of permanent health insurance businesses, with a reinsurer rated AA- by an international rating agency (hereinafter - the "**Transaction**").

The Phoenix Insurance believes that this transaction is expected to improve the Company's Economic Solvency Ratio as of December 31 2021 by 7%.

The abovementioned information constitutes forward-looking information, as defined in the Securities Law, 1968, and is based on the information and estimates of the Company as of this date. The said information and estimates may not materialize or materialize in a manner different than that expected, including since The Phoenix Insurance's solvency ratio may be different than the ratio reflected in the estimate presented, since some or all of the expected improvements in The Phoenix Insurance's solvency ratio may not materialize, or materialize in a manner different than that expected, among other things, in relation to the expected actuarial assumptions and capital requirements, etc.

1.3.9. **New collective agreement for 2022-2024**

In December 2021, a new collective agreement was signed for the period from January 1 2022 to December 31 2024 between The Phoenix Insurance and the New Histadrut Workers' Union – MAOF (hereinafter – the "**Histadrut**"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with The Phoenix Pension and Provident (hereinafter jointly for the purpose of this section - the "**Agreement**"; the two companies jointly: "**The Phoenix**").

In accordance with the new collective agreement, the provisions of the previous collective agreements in The Phoenix Insurance will continue to apply during the term of the Agreement, and in The Phoenix Pension and Provident they were applied as from January 1 2022, except for changes defined in the new agreement. For further details, please see Section 4.6 to the Report.

The estimated annual cost of workforce-related expenses (excluding costs conditional upon meeting targets) in respect of the years of Phoenix's agreement is NIS 23.6 million. The estimated average annual cost of the annual bonuses expected to be awarded in respect of 2021, 2022 and 2023, assuming that 100% of the profit targets of the relevant years will be fulfilled was NIS 28.9 million per year.

It should be noted that some of the aforesaid amounts are in lieu of workforce-related expenses that The Phoenix would have incurred even if this agreement had not been signed. Furthermore, it is hereby clarified that the said data do not include estimated costs in respect of benefits whose materialization is uncertain, including Phoenix's generating profits that exceed that profit target to be set for that year.

Restructuring in the Group:

1.3.10. Transfer of the shares of the management company from The Phoenix Insurance to the Company

In June 2021, the distribution in kind of The Phoenix Pension and Provident from The Phoenix Insurance to the Company was completed. 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 Pension and Provident'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.

1.3.11. Transfer of the Company's rights in Phoeniclass Ltd. to The Phoenix Insurance

Phoeniclass, a privately-held company, had signed an agreement with Kibbutzim College for the purchase of land zoned for construction and for the sale of 450 residential units in Tel Aviv. As of the report publication date, 67% of the share capital of Phoeniclass is held by The Phoenix Investments and 33% of the share capital of Phoeniclass is held by a partner. The Phoenix Investments and the partner have an agreement governing their relationship as shareholders in Phoeniclass, under which the partner, having the relevant knowledge and expertise, is responsible for project management, construction, and marketing.

As part of a restructuring approved in November 2021 by the organs in the Company and its subsidiaries, as required by law, 49% of the equity and voting rights of The Phoenix Investments in Phoeniclass will be transferred to The Phoenix Insurance as well as the remaining equity rights (18%) in Phoeniclass will remain with The Phoenix Investments. The Company intends

to classify the investment under the liabilities of the health insurance subsegment. The completion of this process is subject to receipt of the approval of the Israel Tax Authority, whereas of the report publication date, the above-mentioned approval has not yet been obtained, and it is uncertain that it will be obtained and that process will be completed.

1.3.12. **The Halman-Aldubi restructuring, including changing its name to The Phoenix Advanced Investments Ltd.**

In January 2022, the board of directors of The Phoenix Advanced Investments (previously called Halman-Aldubi Investment House Ltd.) ("**The Phoenix Advanced Investments**") authorized a restructuring of the companies it controls and the distribution, as a dividend in kind to The Phoenix Holdings, of the following companies it holds: Halman-Aldubi Pension Insurance Agency (2005) Ltd. and Quality Pension Insurance Agency (2017) Ltd., of Halman-Aldubi IEC Gemel Ltd. and of 16% of the shares of The Phoenix Pension and Provident held by The Phoenix Advanced Investments. It should be noted that the decision by The Phoenix Advanced Investments' Board of Directors is subject to the Court's approval since it does not meet the profit criteria. At the same time, the Company authorized the transfer of its holding in The Phoenix Advanced Investments to The Phoenix Investments, and The Phoenix Investments authorized the transfer of its holdings in the alternative funds it holds to The Phoenix Advanced Investments. At the end of this process, all alternative investments held by the Company will be managed under The Phoenix Advanced Investments. The completion of this process is subject to receipt the Court's approval of the distribution and the Israel Tax Authority's approval of the process; as of the financial statements publication date, such approvals have not yet been received and there is no certainty that they will be received.

The abovementioned information in connection with the restructuring in The Phoenix group constitutes forward-looking information, as defined in the Securities Law, 1968, and is based on the information and estimates of the Company as of this date. Such information and assessments may also not materialize, due to factors that are unknown to the Company and The Phoenix Insurance as of the date of this report and are not under their control, including, inter alia, obtaining the approval of the Israel Tax Authority, the Court's approval of the capital reduction process in Halman Aldubi, etc.

1.3.13. **Restructuring in the investment house Excellence and implementation of strategy**

As of the report publication date, Excellence Investments holds approximately 84% of the shares of KSM ETN Holdings Ltd. (hereinafter - "**KSM Holdings**"), and 16% of the shares of KSM Holdings are held by three partners (hereinafter - the "**Minority Shareholders in KSM Holdings**"), of which approximately 9.55% of the shares are held by Avner Hadad and Boaz Nagar, *pari passu* (hereinafter - the "**Managers**").

Subsequent to the report date, on March 15, 2022, a memorandum of understanding was signed between the parties (hereinafter - the "**Memorandum of Understanding**"), according to which they intend, *inter alia*, to seek a statutory merger of KSM Holdings with the investment house, such that following the merger and further actions, the Company is expected to hold (indirectly) 88.44% of the shares of the investment house and the Minority Shareholders in KSM Holdings will hold approximately 11.56% of the shares of the investment house, of which the Managers' share will be 7.5% (this rate includes a purchase of 0.74% of the investment house by each of the Managers).

Furthermore, options arrangements were established to execute transactions, from 2026 to 2029, between The Phoenix Investments and the Managers in connection with their holdings in the investment house's shares at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion.

In accordance with the Memorandum of Understanding, the investment house intends to focus on managing the core business of the investment house, which includes the activity of KSM Mutual Funds, the TASE Member, portfolio management and ESOP. Other activities will be transferred from the investment house to other Phoenix group companies.

The information presented above includes forward-looking information, as defined in the Securities Law, 1968, and is based on the Company and the Partners' statements of intentions. The completion of the process shall require the signing of detailed agreements, obtaining the approvals of the merging companies' organs, and of the Israel Tax Authority. Therefore, this information may not materialize in practice, due to factors which are outside the Company's control, including non-fulfillment of the above conditions.

During the third quarter of the reporting year, Excellence investment house - as part of the implementation of the strategy - increased the retail brokerage portfolio, which led to an increase in acquisition expenses. In July, 2021, KSM launched a campaign to increase total assets under management, which offered zero management fees for a fixed period of time for several mutual funds. The Company believes that during the campaign period, the number of customers and amount of assets under management will increase, while revenues will decrease relative to the assets under management amount.

Additional topics:

1.3.14. Option plan for employees and officers

In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company grants, from time to time and without consideration, option warrants (hereinafter, in this section - "**Options**") to employees, officers, and service providers of the Company and companies under its control.

In May 2021, the Company's Board of Directors approved an additional 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 shares of the Company NIS 1.00 par value each, subject to adjustments, without cash consideration. The award of options to the Company's CEO was approved in an extraordinary annual general meeting of the Company on July 5, 2021. For further details, see Note 37 to the financial statements and immediate reports of: May 27, 2021, July 6, 2021 and July 8, 2021 (Ref. Nos. 2021-01-031390, 2021-01-048694 and 2021-01-050455, respectively).

In January 2022, the Company's Board of Directors approved the award of up to 4,883,593 options to employees and officers of the Company and its subsidiaries, exercisable into up to 4,883,593 ordinary shares of the Company NIS 1.00 par value each, subject to adjustments, without cash consideration. The award of options to the Company's CEO was approved in an extraordinary general meeting of the Company on March 8, 2022. For further details, see Note 37 to the Financial Statements and immediate reports dated February 1 2022 and March 9 2022 (Ref. Nos. 2022-01-012510, 2022-01-012513 and 2022-01-028288, respectively).

1.3.15. The ESG (Environmental, Social & Governance) work plan

In recent years, companies have become increasingly aware of the fact that ESG risks impact their business activity. In view of the above, in July 2021 the Company's Board of Directors approved a work plan for the implementation and measurement of ESG (Environmental, Social & Governance) risks in The Phoenix group. Furthermore, the Board of Directors appointed a dedicated ESG sub-committee that will supervise the implementation of the ESG work plan and report periodically to the Board of Directors. Furthermore, as part of the publication of the 2022

investment policy of The Phoenix Insurance and The Phoenix Pension and Provident, it was determined, among other things, that the investment considerations will also include ESG aspects.

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

In August 2021, The Phoenix Insurance issued - through The Phoenix Capital Raising (2009) Ltd. (hereinafter - **"The Phoenix Capital Raising"**) an Additional Tier 1 capital instrument (hereinafter - the **"Capital Instrument"**) totaling approximately NIS 200 million - recognized as regulatory capital under the Economic Solvency Regime, in order to strengthen its capital and improve its solvency ratio. The Capital Instrument is currently traded on the TACT-Institutionals trading platform.

The terms and conditions of the instrument, including the redemption period, are in accordance with the provisions of Part B (hereinafter - "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 Tier 1 capital instrument was rated A+ by Ma'alot S&P. As part of the issuance, in addition to the aforesaid amount that was issued and after obtaining the approval of the relevant organs in The Phoenix group and the approval of the Capital Market, Insurance and Savings Authority, The Phoenix Capital Raising issued to the Company NIS 1.02 billion of the Capital Instrument in exchange for Tier 1 capital notes previously issued to the Company by The Phoenix Insurance. For further details, please see the Company's reports dated May 27, 2021 and August 8, 2021 (Ref. Nos.: 2021-01-031384 and 2021-01-062515, respectively).

1.3.17. **Updating of the illiquidity premium**

In February 2022, the Supervisor published an amendment to the provisions of the consolidated circular, regarding liability measurement – the illiquidity premium (hereinafter - the **"Amendment"**), which may impact The Phoenix Insurance's insurance reserves. As a rule, the provisions of Consolidated Circular, Measurement of Liabilities, stipulate that an illiquidity premium at various rates may be added to the risk-free interest rate used in the liability adequacy test, illiquidity premium at various rates for various policies and reserves. The purpose of the Amendment is to set a revised method to estimate the illiquidity premium that can be used for the liability adequacy test. The Amendment revised the results of the formula for the illiquidity premium, which stands at 0.26% on the eve of the Amendment, to a rate of approximately 0.54%. The amendment entered into force and its first-time application was made by way of an accounting estimate change in accordance with IAS 8. The Amendment

affects individual long-term care policies in health insurance, guaranteed return insurance policies in life insurance, and compulsory motor insurance and liability insurance policies.

The change to the illiquidity premium as aforesaid, reduced the insurance reserves in the reporting year by NIS 361 million (pre-tax), of which NIS 298 million (pre-tax) represent a decrease in the LAT reserve for the health segment, and NIS 63 million (pre-tax) represent a decrease in life insurance reserves. This change in reserves is expected to increase the amount of Deduction During the Transitional Period as part of the calculation of the economic solvency ratio, and accordingly increase The Phoenix Insurance's solvency ratio. The impact on motor insurance and liability insurance reserves is negligible. To complete the picture, it should be emphasized that in 2021 there was a decrease in the risk-free interest rate, which resulted in a NIS 473 increase in insurance reserves in the reporting year, and the aforesaid increase in the illiquidity premium significantly mitigated the adverse effect of this decline in interest.

1.3.18. **The Phoenix Mortgages (Gold) Ltd.**

During the reporting year, a new company was established - The Phoenix Mortgages (Gold) Ltd. - (hereinafter - "**The Phoenix Mortgages**"), in which The Phoenix Insurance has a 51% interest and the remaining balance is held by other partners. The Phoenix Mortgages began operations at the end of second quarter of 2021 and its core operation is providing loans to the over 60s against a first degree lien on their apartment.

1.3.19. **Collaboration with the global investment company BlackRock**

During the reporting year, The Phoenix Insurance entered into an agreement with the global investment company BlackRock for the management of investments offered under The Phoenix Insurance's savings policies. In January 2022, The Phoenix Insurance launched two investment tracks, the investment management in which will be carried out by BlackRock. This is a unique collaboration that allows policyholders, which hold savings policies to benefit from the option to select an investment track that combines global investments in the investment of the policies' assets.

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

The Company is preparing to apply IFRS 17 (hereinafter - the "**Standard**"), in the Financial Statements of the Company and The Phoenix Insurance as from the quarterly and annual periods beginning on January 1, 2024, in accordance with a draft published in January 2022 by the Capital Market, Insurance and Savings Authority. As part of its preparations, The Phoenix Insurance entered into agreements with software and applications suppliers. Furthermore, for the purpose of implementing the Standard, during the reporting year, reviews and training

sessions were held for the Balance Sheet Committee in connection with the application of the Standard. For further details, please see Note 2FF(1) to the Financial Statements.

Debt raising:

1.3.21. Issuance of further Series 4 and Series 5 bonds by the Company by way of series expansion

Expansion of bonds (Series 4 and 5)

In February 2021, the Company issued - by way of expanding the bonds series - NIS 127,384 thousand in NIS 1 par value each registered bonds (Series 4) and NIS 222,616 thousand in NIS 1 par value each registered bonds (Series 5), 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. For further details, please see Section 1.3.5 above.

1.3.22. Issuance of Series 6 bonds and early redemption of Series 3 bonds

In January 2022, subsequent to the report date, the Company issued NIS 300 million par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 5 2022 (Ref. No.: 2022-01-003042) in consideration for NIS 300,000 thousands. The Series 6 bonds are rated ilAA- with a stable outlook by Ma'alot, and Aa3.il with a positive outlook by Midroog Ltd. The issuance proceeds were used by the Company to execute a full early redemption of Bonds (Series 3) in the total amount of NIS 283,770,005, which was implemented on January 18 2022. For further details, please see Note 27 to the Financial Statements and the Company's immediate reports dated December 9 2021, January 11 2022 and January 18 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 2022-01-008097).

1.3.23. Covid-19 and its impact

For details regarding the extent of the Covid-19 crisis's impact on the Company's various business activities, please see Note 1 to the Financial Statements as of December 31 2020, which were published on March 25 2021 as part of the Company's 2020 Financial Statements (Ref. No. 2021-01-044709); (the information is incorporated by way of inclusion).

It is hereby clarified that the renewed spread of Covid-19 in Israel, including the Delta, the Omicron, and/or other variants, and the guidance issued by the competent agencies in Israel and abroad in connection with tackling that spread, the imposition of various restrictions in connection with the virus and the period and conditions under which the Israeli economy will

fully recover are not controlled by the Company, and there is uncertainty as to the direct and/or indirect effects of Covid-19 and the different variants that evolved therefrom on the different markets, and especially on the Israeli economy. Accordingly, the Company is unable to predict or estimate with any certainty the future effects of the renewed spread of Covid-19 and any variants that may evolve therefrom, if any, and/or the long-term effects on the Company's activity of Covid-19 outbreaks that have occurred so far.

The Group continues to monitor developments in Israel and globally on an ongoing basis, and will continue to report, as required, on material effects of the spread of Covid-19 on the Group's operations, if any.

1.3.24. Military conflict between Russia and Ukraine

Subsequent to the report date, in February 2022, a military conflict broke out between Russia and Ukraine. The confrontation has far-reaching macroeconomic implications. The Company monitors the implications of the conflict on financial markets, which have caused, among other things, significant declines in the financial markets in Israel and around the world. It should be noted that the effect of the declines was offset by the risk-free interest rate increase. At this stage, in view of the uncertainty regarding the duration of the conflict and its results, it is impossible to estimate its impact on the Company. For further details, please see Section 4.4.5 below.

1.3.25. Legal proceedings

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

1.3.26. Human capital

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

1.4 Areas of Activity

The Group is engaged, through its subsidiaries, in the fields of insurance (P&C, health and life insurance and savings), financial asset management (pension and provident and financial services), holding of insurance agencies, provision of credit and other financial services, including the setting up and sale of alternative investments. The Group's key material operating segments are as follow:

1.4.1 **Property and casualty insurance**

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

- A. **The compulsory motor insurance subsegment:** comprises the Group's activity in providing insurance coverage pursuant to the statutory provisions of the Motor Insurance Ordinance [New Version], 1970, resulting from the use of a motor vehicle, and provides cover for bodily injury (to the driver of the vehicle, passengers in the vehicle or pedestrians) resulting from the use of a motor vehicle, under the CRAV Law.
- B. **The motor property insurance subsegment:** focuses on cover for property loss to insured vehicles and includes the Group sale of policies for property damages to insured vehicles, including cover for motor property loss (for example, due to accident and/or theft) and cover for third-party loss caused by the insured vehicle.
- C. **Other property and casualty insurance subsegments:** this includes the Group's activity in the sale of a variety of policies in three key subsegments: property (non-motor) insurance - which provides policyholders with cover against physical damage to his/her property (for example, insurance for homes and businesses); liability insurance which is generally sold together with property insurance for businesses and provides cover for the policyholder's liability towards third parties (for example, third-party liability, employers' liability, professional liability, including directors' and officers' liability, and product liability for faulty products); and other property and casualty insurance subsegments (for example, engineering insurance - including contract works and marine insurance). Furthermore, The Phoenix Insurance has a dedicated department which markets investment policies to home buyers (Sales Law guarantees). For further details, please see Section 2.3 below.

1.4.2 **Health insurance**

This segment includes the Group's activity in illness and hospitalization insurance, for individuals and groups, as well as dental insurance. The policies sold in these subsegments cover the range of damages sustained by the policyholder due to illnesses and/or accidents (excluding death). Furthermore, this segment also includes the Group's activity in long-term care insurance and critical illness insurance, as well as travel insurance and sick leave insurance. For further details, please see Section 2.4 below.

1.4.3 **Life insurance and savings**

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

1.4.4 **The field of asset management - pension and provident**

The Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident (which confer rights according to bylaws), including advanced education funds. In the reporting year, the transfer of the shares of The Phoenix Pension and Provident from The Phoenix Insurance to the Company was completed. Furthermore, in the reporting year, the merger of Halman Aldubi's pension and provident funds activity with and into The Phoenix Pension and Provident Fund was completed.

In view of the above, and due to the Company's viewing the field of asset management as a field comprising asset management in the short term through Excellence investment house, and asset management in the medium and long-term through The Phoenix Pension and Provident, the Company decided to classify the field of pension and provident asset management as a separate segment as from this report. For further details, please see Section 2.2 below.

1.4.5 **Asset management - financial services**

Activity in this segment takes places through The Phoenix Investments and the Excellence Group and consists mainly of financial asset management services such as the marketing and management of investments for customers, underwriting and investment banking, management of mutual funds, and provision of stock exchange and trading services. In addition to the above, The Phoenix group manages private funds under this area of activity, which are mainly aimed at qualified investors, and public funds aimed at the general public. For further details, please see Section 2.5.2.10 below.

1.4.6 **Insurance agencies**

This area of activity includes insurance brokerage services provided by The Phoenix group through insurance agencies held by a wholly-owned subsidiary of the Company - The Phoenix Insurance Agencies (1989) Ltd. (hereinafter - "**The Phoenix Agencies**"), which markets insurance products, and pensions and provident funds of various institutional entities in the market. For a list of material agencies held by The Phoenix Agencies, please see the Group's holdings structure chart in Section 2.7 below.

1.4.7 **The Credit Segment**

This segment includes operating segments such as: acquisition-aggregator and factoring of debit cards' vouchers, financing against post-dated checks (checks factoring), financing against charges placed on real estate properties and other areas of activity, such as: loans and credit to businesses, factoring (financing against invoices), business guarantees, and financing of equipment. The activity is conducted by Gama Management and Clearing Ltd. (hereinafter - "Gama"), which is controlled by the Company. For further details, please see Section 2.6 below. It should be noted, that in December 2021 the Company recruited a Head of Retail Credit, who reports directly to the Company's CEO, in order to develop this activity. For further details, please see the immediate report dated December 26 2021 (Ref. No.: 2021-01-113758).

1.5 Additional Operations that Do Not Constitute Areas of Activity

1.5.1 **Other investing activities**

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

1.6 Risk management

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

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

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

1.8 Dividend distribution policy and actual distribution of dividends

1.8.1 Dividend distribution policy

In October 2020, the Company's Board of Directors approved a dividend distribution policy, whereby the Company shall distribute an annual dividend at a minimum rate of 30% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year. This was approved following The Phoenix Insurance's Board of Directors approval of the dividend policy 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 with the minimum solvency ratio it had set , which is higher than the solvency ratio it is required to meet as per the regulatory requirements. For further details, please see the Company's immediate report dated October 28 2020 (Ref. No. 2020-01-107812). As part of the policy, it was determined that amounts that were used to implement the share buyback plan as described in Section 1.7.4 below shall be included in the dividend amount calculated in accordance with the policy.

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

- Interim dividend at the discretion of the Board of Directors on the approval date of the financial statements for the second quarter of each calendar year;
- Supplementary dividend in accordance with the policy on the annual report's approval date of each calendar year.

Furthermore, the Company will not include in the amount of the dividend any amounts that were used for the execution of the share buyback plan. It is stipulated that the foregoing is not intended to derogate from the authority of the Board of Directors in determining the dividend to be distributed, as it deems appropriate at any given time.

It should be noted that concurrently with the revision of the Company's policy, the Board of Directors of The Phoenix Insurance revised the dividend distribution policy of The Phoenix Insurance, such that dividend will be distributed twice a year, as is the case in the revised dividend distribution of the Company as described above.

1.8.2 Dividend distribution and retained earnings

In 2020, the Company distributed a cash dividend of NIS 380 million.

In December 2021, the Company distributed a NIS 200 million interim dividend on account of the Company's 2021 profits (hereinafter - the "**Interim Dividend**").

Subsequent to the report date, on March 28 2022, concurrently with the approval of the Company's Financial Statements as of December 31 2021, which are included in this Periodic Report, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 421 million. Total amount in dividend distributed in cash in respect of 2021 including the interim dividend as stated above is NIS 621 million, which represents a dividend per share of approx. NIS 2.47. In 2021, the Company executed buybacks at the total amount of NIS 74 million, which were included in the calculation of the dividend in accordance with the dividend policy as described above. It shall be clarified that to the extent that options are exercised by employees between the dividend declaration date and the record date, the per-share dividend amount shall be adjusted in accordance with the actual number of outstanding shares on the record date. The Company shall publish, as required, a supplementary report in respect of said adjustment on the record date.

It is noted that, according to the Company's Financial Statements as of December 31 2021, which are included in this Periodic Report, the Company has positive retained earnings of approximately NIS 6,911 million, taking into account the NIS 421 million dividend, as stated in this section.

1.8.3 External restrictions on dividend distribution

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

However, there are external restrictions under the Commissioner's Directives applicable to insurance companies, pertaining to the ability of The Phoenix Insurance to distribute dividends. It should also be noted that in October 2020, The Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target of 135%, taking into account the transitional provisions. In November 2021, The Phoenix Insurance's Board of Directors approved a revisions

of the minimum solvency ratio target - without taking into account the transitional provisions in the transitional period - of 108%. For further details, please see Section 1.3.4 above.

1.8.4 **Share buyback**

In September 2020, the Company's Board of Directors approved a share buyback plan for the Company's shares for a period of one year, totaling up to NIS 100 million, and in 2021 the Company completed 99.7% of the buybacks under the said plan (hereinafter - the "**Plan for 2020**"). In 2020 and 2021, buybacks amounting to NIS 26 million and NIS 74 million, respectively, were executed based on the Plan for 2020.

In August 2021, the Company's Board of Directors approved an additional share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year (hereinafter - the "**Plan for 2021**"). As of the report publication date, the Company has made share buybacks, as of January 2022, totaling NIS 55.8 million. It should be noted that similarly to the Plan for 2020, in the future some of the shares purchased as part of the share buyback plan may serve for the purpose of exercising the options awarded to officers and employees of the Company and subsidiaries. As of the report publication date, there are 5,395,642 treasury shares constituting approximately 2.15% of the Company's issued and paid-up share capital. For further details, please see the Company's immediate reports dated August 25 2021 and February 27 2022 (Ref Nos.: 2021-01-070186 and 2022-01-019347, respectively).

After the approval of the new dividend policy, the Company's Board of Directors approved the buyback plan, which according to the new dividend policy is not part of this policy. For further details, please see Section 1.7.1 above.

In relation to the Plan for 2020, the Company carried out a share buyback in the reporting year, as detailed below:

Purchase date	Purchase price (NIS 1)	No. of shares purchased
April 21 2021	28.94	445,000.00
April 22 2021	29.04	105,000.00
April 25 2021	29.06	60,000.00
April 26 2021	28.9	40,000.00
April 27 2021	28.61	40,000.00
April 28 2021	28.58	60,000.00
April 29 2021	28.97	750,000.00
May 2 2021	29.03	34,000.00
May 3 2021	29.70	60,000.00
May 4 2021	29.73	110,000.00
June 7 2021	30.13	75,000.00
June 8 2021	30.12	101,902.00
June 9 2021	29.64	70,000.00
June 10 2021	29.55	35,000.00
June 13 2021	30.66	45,000.00
June 14 2021	30.54	62,000.00
June 15 2021	30.48	40,000.00
June 16 2021	30.62	40,000.00
June 28 2021	29.91	34,000.00
June 29 2021	30.4	40,000.00
June 30 2021	30.21	33,000.00
July 1 2021	30.84	33,000.00
July 4 2021	31.52	30,000.00
July 7 2021	31.43	11,000.00
July 8 2021	31.5	32,000.00
July 11 2021	31.92	13,435.00
July 12 2021	31.76	32,000.00
July 13 2021	31.58	33,000.00
July 14 2021	31.48	22,000.00
	Average share purchase price:	Total:
	30.4	2,486,337

In relation to the Plan for 2021, the Company carried out a share buyback, as detailed below:

Purchase date	Purchase price (NIS 1)	No. of shares purchased
January 16 2022	40	1,000,000.00
February 14 2022	37.12	81,000.00
February 15 2022	38.13	78,519.00
February 16 2022	38.99	77,000.00
February 17 2022	38.88	77,150.00
February 20 2022	38.89	28,795.00
February 24 2022	38.99	70,000.00
	Average share purchase price:	Total:
	39.54	1,412.464



Part B

Description of the Group's Business by
Areas of Activity



2.1. Life insurance and savings

2.1.1 Products and services

The Group is engaged in subsegments of the life insurance segment, which include life insurance policies, permanent health insurance policies and savings policies. Furthermore, the Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident Funds Ltd. (which confer rights according to bylaws), including advanced education funds. The Company decided to classify the field of pension and provident asset management as a separate segment as from this report. For further details, please see Section 2.2 below.

2.1.1.1 Life insurance:

2.1.1.1.1 General

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

2.1.1.1.2 Description of life insurance products

(1) **Products that include a savings component:**

- **"Mixed"/"Pension"/"Savings" insurance (traditional/classic)** - policies consisting of life insurance and savings components, the marketing of which was permitted until 2001. In "Mixed" policies, the insurance amount is predetermined and paid to the beneficiaries in the event of the premature death of the policyholder or at the end of the policy period (usually at the age of 65). In "Pension" policies, the amount of pension specified in the policy

is paid out when the policyholder reaches the age specified in the policy. In "Savings" policies, the amount specified in the policy is paid at the end of the policy period; however, if the policyholder dies before that date, his/her beneficiaries receive the savings accumulated up to the date of his/her death. Policies of this type, which were sold until the end of 1990, are linked to the Consumer Price Index (insurance amount, premium and redemption value), whereas policies which were sold as from 1991 are participating policies (except for the premium, which is linked to the CPI), and management fees are deducted from the amounts accrued in the policy.

- **"Preferred" policies ("Yielding", "Abundant")** - policies that combine a savings component, which may be withdrawn as a monthly annuity or as a lump sum upon reaching retirement age, in accordance with the Provident Funds Regulations and life insurance, where the policyholder determines how the premium shall be split between the life insurance and savings components and may change the ratio in accordance with the policy's terms conditions and subject to approval by the Company. These policies were marketed from 1982 to 2003. The ratio between the accrued assets and the annuity that the policyholder may receive (hereinafter - the **"Annuity Conversion Factor"**) in these policies is specified and guaranteed. Policies of this type - which were sold until the end of 1990 - are linked to the CPI (insurance amount, premium and accrual), whereas policies sold as from 1991 are participating policies (except for the premium, which may be linked to the CPI); management fees are deducted from the policies' accruals.
- **"Track", "Track for Life", "New Track" and "Track for Managers and Employees" and "Track for Self-Employed"** insurance - these policies were issued as from 2004 and their different premium components are separated from one another and can be quantified: the expenses charged as management fees are separated from the premium, and the portion of the premium used to purchase life insurance is separated therefrom, with the portion of the premium contributed towards savings. Furthermore, management fees are collected from the accumulated savings amount as a percentage of the balance of that amount. The savings amount accumulated in "Track" policies is invested in various investment tracks, as selected by the policyholder from a range of investment tracks offered. In policies sold until the end of 2012, the Annuity Conversion Factor is specified and guaranteed, whereas in policies sold as from 2013, the Annuity Conversion Factor is

guaranteed only for policyholders who took out the policy when they were aged 60 or more, except for individual policies, in which the Annuity Conversion Factor is not guaranteed at all.

- **Savings policies** - a savings policy without an insurance component. These policies are for private individuals for savings purposes, which are not approved as provident funds. For more information regarding the new investment tracks included in a saving policy under The Phoenix' management, see Section 2.1.1.4 below.
- **Insurance funds with a self-directed investment track** - a "Track for Self-Employed" insurance plan, which is regulated under the Supervision of Financial Services (Provident Funds) (Individually Managed Provident Fund) Regulations, 2009, whereby planholders may manage investments in their own insurance policies by themselves or through a portfolio manager, as they deem fit. The amount that may be deposited in a self-directed provident fund is restricted. In the reporting year, the cap for depositing stood at NIS 5.5 million.

Set forth below are additional features of the policies described above:

- **Linkage terms and annuity conversion factors**

Yield-dependent insurance policies (marketed until the end of 1990): the insurance amounts, the savings accumulated in these policies and the annuities they pay are CPI-linked. The basis for guaranteeing the return is the insurance companies' investment in respect of a significant part of the accrual in designated government (Hetz) bonds, which guarantee linkage to the CPI plus interest ranging from 4% to 6.2%. The Annuity Conversion Factor in these policies is guaranteed and based on the life expectancy as known at the time they were marketed.

Yield-dependent policies - participating (marketed mainly from 1991): the savings accumulated in these policies as well as the annuity that they pay are not CPI-linked but rather depend on the profits attained by the insurance company in the various investment channels. The Annuity Conversion Factor in these policies is based on the known life expectancy when they were marketed. In policies sold on or after January 1 2013, the conversion factor will only be determined when the policyholder retires, based on the mortality tables in force at that time, unless the policyholder was more than 60 years of age when the insurance policy commenced.

■ **Management fees**

Policies marketed from 1991 to 2003: The insurance company is entitled to fixed management fees at a rate of 0.6% per annum of total assets, plus 15% of the real yield less the fixed management fees (hereinafter - "**variable management fees**"). If real losses have accrued, the insurance companies are not entitled to variable management fees until the accrued loss is covered.

Policies marketed from 2004 and thereafter: The insurance company is entitled to fixed management fees in respect of the accrual and to management fees in respect of the premium. For further details regarding the maximum management fee rates, please see the table in Section 2.1.1.2 below.

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

Policies that are subject to the Provident Fund Regulations (hereinafter - "Insurance Funds"):

Managers insurance policies: insurance which includes a retirement savings component, comprising contributions made by the employer and employee (severance pay and retirement benefits), where the premium paid for the insurance is allocated to the different risks (mainly death and permanent health insurance) and to a retirement savings. According to the Provident Fund Regulations, managers insurance is approved as an insurance fund according to the Provident Funds Regulations. and entitles the employer and employee to various tax benefits.

Retirement benefits insurance for the self-employed - policies that confer tax benefits on deposits and withdrawals and are subject to the Provident Funds Regulations.

Policies that are not subject to the Provident Fund Regulations:

Individual insurance policies - policies for private individuals for savings purposes, which are not approved as provident funds.

(2) **Products that do not include a savings component:**

- **Pure life insurance** - insurance in the event of death with no savings component. This insurance guarantees the beneficiary a lump sum or payment in installments to beneficiaries in the event of death. The policy period varies from one to several years. This insurance is sold as a rider (additional coverage) to other life insurance policies or as a stand-alone policy.

- **Group life insurance** - life insurance designed for groups of policyholders, as prescribed in the Supervision of Insurance Business Regulations (Group Life Insurance), 1993. Additional types of insurance may also be included. The premium is paid as a lump sum for the group's planholders.
- **Permanent health insurance (PHI)** - guarantees payment of a monthly compensation amount after a waiting period, which starts when the policyholder becomes incapacitated (partially or fully); the policy pays out until the earlier of the end of its term or when the policyholder is once again able to work. Usually, the waiting period is three months. In addition to paying out a monthly compensation amount, the insurance benefits include releasing the policyholder from payment of the premium for other insurance coverages (death, disability, etc.), if any, and from payment of a premium in respect of the policy's savings component, thereby retaining the policyholder's rights throughout this period. This insurance is sold as a standalone policy, as a rider to the policies mentioned above and as additional cover provided in the group policy under the Supervision of Financial Services Regulations (Insurance) (Group PHI), 2006.

According to the circular titled "**Guidelines on PHI Plan**", an insurer may offer its planholders in pension funds expansions aimed at supplementing the corresponding disability coverage in the pension fund (insurance umbrella).
- **Additional insurance coverage** - such as accidental disability, accidental death, professional disability, and more, which account for a small part of total premiums and are immaterial to the Company's business performance.

2.1.1.1.3 **Structure of profitability**

Basic profits in the life insurance segment stem from the following principal sources:

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

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

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

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

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

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

Changes in rates and marketing of life insurance products - In accordance with the guidelines of the Capital Market, Insurance and Savings Authority, as from February 2019, the insurance companies set new life insurance tariffs for individual life insurance plans and mortgage life insurance plans, such that these products will be sold from the said date under the new tariffs (it should be noted that, as far as the Company is aware, as of the report date, the insurance companies engaged in the life insurance industry have not yet received approval to market life insurance policies that combine life insurance and savings components). In the reporting year, the Company updated the tariffs of life insurance for mortgages.

The new tariffs - as set in 2019 and in the reporting year - reflect a significant reduction compared to the previous ones.

As part of the permit to market individual life insurance and mortgage life insurance plans, in 2019, the Capital Market, Insurance and Savings Authority has set a mechanism of reimbursement of fees and commissions to insurance companies by agents within one to six years from the date of commencement of insurance in case of policy cancellation.

In the reporting year and in 2020, the Company did not identify a direct effect of the change in tariffs on the scope of sales of such products, probably since tariffs were changed in a sweeping manner for the entire insurance sector. As to the changes in the mechanism of reimbursement of fees and commissions, the Company is yet to accumulate sufficient data as to the practical effect of those changes, and despite the fact that in the reporting year there was a decrease in the rate of policy cancellations, the Company is unable to point to a direct link between the two factors.

2.1.1.2 **Key characteristics of life insurance and savings instruments**

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

1. **The insurance coverage:** Life insurance policies that combine life insurance and savings provide considerable flexibility in determining the various components and scope of the insurance coverage. It should be noted that as stated in Section 2.1.1.1.3 above, as of the report date,, the insurance companies engaged in the life insurance segment have not yet received approval for marketing life insurance policies that combine life insurance coverage and savings.
2. **Manner of engagement and payment obligations of the financial institution:**
In life insurance, the insurance company's obligation towards the policyholder is a contractual undertaking written into to the insurance contract (the policy). In an insurance contract, the insurance company undertakes to pay the insurance benefits when, upon the occurrence of the insurance event, even if there have been changes that were not taken into account when the contract was drawn up, such as an increase in life expectancy. It should be noted that the Annuity Conversion Factor in “Track” policies that have been marketed since 2013 is guaranteed only for planholders who joined when they were 60 years old or older. Nevertheless, the annuity calculated on the date of retirement of all policyholders is linked to the investment profits and is not affected by changes in life expectancy.
3. **Returns:** in life insurance policies sold since 1991 and in provident funds, the accrued funds are invested in the free market in various investment channels, according to the saver's choice.
4. **Management fees:** The following table lists the key restrictions on management fees.

Set forth below are the main restrictions placed on management fees in the managers insurance and retirement benefits insurance for the self-employed in accordance with the provisions of the law:

	Managers insurance and retirement benefits insurance for the self-employed
Maximum management fees until 31.12.2012	2% of accrual + 13% of contributions, provided that: deposits are converted using a ratio of 1:10 (*)
Maximum management fees for 2013 (transition period)	1.1% of accrual + 4% of contributions (**)
Maximum management fees as from 2014	1.05% of accrual + 4% of contributions (***)
Maximum management fees collected from planholders with whom the fund lost contact	0.3% of accrual
Maximum management fees collected from annuity recipients through December 31 2021	0.6% of annuity (**)
Maximum management fees collected from annuity recipients as from January 1 2022	0.3% of annuity

(*) Applicable to policies issued from January 1 2004.

(**) Applicable to policies issued from January 1 2013.

(***) Applicable to policies issued from January 1 2014.

2.1.1.3 **Impact on competition between the various products**

In the long-term savings market, there are several products, with provident funds being the leading products for long-term savings, inter alia as a result of measures taken by the Commissioner, such as: the default funds reform that accelerated the decrease in management fees in the pension fund product; cancellation of guaranteed conversion factors in life insurance products that include a savings component which made the product less attractive; transfer of savings funds from managers insurance to provident products; cancellation of capital provident funds; and the withholding of an approval to market life insurance policies that combine life insurance and a savings component.

Other financial products (individual savings products)

The reporting year saw a continued trend whereby the volume of public investments in individual savings products such as individual savings policies, that constitute an alternative to other liquid savings products such as: bank deposits, mutual funds, investment provident funds, portfolio management and the like - continued. The attractiveness of individual savings policies stems from several reasons, including: exposure to illiquid investments, attractive management fees, and tax benefits.

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

- Pension funds will continue to be a leading product among long-term savings products.
- The decrease in average management fees in the market will continue.
- To reduce the profits from recipients of annuities as a result of the reduction of the maximum amount in management fees collected from recipients of annuities in the pension funds and in insurance policies for annuities (for the draft regulations on this subject, please see Section 4.1.6.1.16 below).
- The use of technological and digital means in the marketing and distribution process of the products will increase in this segment.
- Lower profitability of life insurance products.
- Growth in individual savings products will continue.
- Transfer of savings funds to alternative products.

2.1.2 New products

During the reporting year, The Phoenix Insurance entered into an agreement with the global investment company BlackRock for the management of investments offered under The Phoenix Insurance's saving policies. At the beginning of 2022, The Phoenix Insurance launched two investment tracks, the investment management in which will be carried out by BlackRock. This is an innovative and unique collaboration that allows policyholders, which hold savings policies to benefit from the option to select an investment track that combines global investments in the investment of the policies' assets.

2.1.3 Competition

Life insurance - five key insurance companies operate in Israel in the life insurance segment - The Phoenix, Migdal, Clal, Harel, and Menorah, as well as several smaller insurance companies. According to the figures of the Capital Market, Insurance and Savings Authority, these five companies collected approximately 95% of the premiums in this segment in the first three quarters of 2021.

The market shares of the five key insurance companies in Israel out of total premiums in 2019 to September 2021 are as follows (by percentage):

Company	1-9/2021	2020	2019
Migdal	30.6%	29.7%	30.2%
Harel	19.1%	20.0%	19.4%
Clal	20.0%	18.7%	18.5%
The Phoenix	17.4%	15.6%	16.1%
Menorah	7.7%	10.6%	10.5%
Other	5.2%	5.3%	5.3%
All companies	100.0%	100.0%	100.0%

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

The following table provides information about the transfer of funds from/to the Company in the life insurance segment from 2019 to 2021:

	2021	2020	2019
In NIS thousand			
Transfers to the company from other entities			
Transfers from other insurance companies	551,026	325,719	434,601
Transfers from pension funds	237,924	189,473	349,000
Transfers from provident funds	356,449	205,792	225,951
Total transfers to the company	1,145,399	720,984	1,009,552
Transfers from the company to other entities			
Transfers to other insurance companies	300,233	185,250	179,600
Transfers to pension funds	1,026,782	509,830	284,897
Transfers to provident funds	939,037	802,057	421,463
Total transfers from the company	2,266,052	1,497,137	885,960
Net transfers	(1,120,653)	(776,153)	123,592

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

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

- Lowering of prices of life insurance products.
- Lowering the management fees in alternative long-term saving products. For instance, through default funds.
- Amendment to the Advice Law, which prohibits a link between the rate of management fees and the amount of distribution commission paid to the pension agent.
- Regulations published in January 2022, which reduced the maximum amount in management fees collected from recipients of annuities to an annual rate of 0.3%, in respect of recipients of annuities in insurance policies for annuities from January 2022 (for more information on this subject, please see Section 4.1.6.1.16 to the Report).

- The expected reform in connection with collection of investment expenses, and its effect on management fees.

The Company believes that these changes may enhance existing trends in the long-term savings segment, as described in Section 2.1.3 above in connection with boosting competition. The weighted effect of these trends may have an adverse effect on profits in the long-term savings segment.

How the Group deals with competition

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

1. Continued development and improvement of the investment function and quality of investment management.
2. Increase in total assets under management, including, among other things, as a result of mergers and acquisitions.
3. Operational and organizational streamlining by way of restructuring the Company and its various units, and improving the operational infrastructure in order to develop and enhance the customer relations and service as well as the distribution channels, while developing dedicated expertise in the areas of operation and service. Constantly developing and updating its tracks, products and promotions.
4. Service and marketing using diverse distribution channels.
5. Allocating management and financial resources to advertising, marketing and distribution channels, as well as brand-name enhancement.
6. Structural changes allowing The Phoenix Insurance to develop while reducing the capital requirements to which it is subject.
7. Collaborations with international entities such as BlackRock, as described in Section 2.1.2 above.

2.1.5 Customers

Life insurance

The Phoenix Insurance markets its products to a broad range of customers who can be divided into three main categories - salaried employees planholders, individual and self-employed policyholders, and groups. The Phoenix Insurance has no significant dependence on any single customer. The following table provides a breakdown of premiums among life insurance customers (by percentage):¹

¹ Including insurance contracts and investment contracts (investment contracts are individual policies without an insurance component).

	2021	2020
Salaried employee planholders	27.6	48.5
Policyholders - private individuals and self-employed*	71.4	49.8
Collective	1.0	1.7
Total	100	100

*The increase in the insurance premiums among policyholders who are individuals and self-employed in the reporting year compared with 2020 stems mainly from the increase in the premiums of savings policies.

The rate of redemptions out of the average reserve (in annual terms) was approximately 4.79% in the reporting year compared with 4.17% in 2020. The increase stemmed in part from internal transfers to The Phoenix Pension and Provident's provident funds. It should be noted that the general state of the economy, transition from product to product, employment rates, Covid-19 crisis, employees' wages, and market competition all affect this rate.

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

2.2 The field of asset management - pension and provident

The Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident Fund.

In addition, the Group manages - through Halman-Aldubi IEC Gemel Ltd. - the central provident fund for annuity of Israel Electric Corporation employees. As of the report date, the Company holds - directly and indirectly - 100% of the shares of The Phoenix Pension and Provident, and 100% of the shares of Halman-Aldubi IEC Gemel Ltd. (hereinafter - the "**IEC Provident**").

In the reporting year, the transfer of the shares of The Phoenix Pension and Provident from The Phoenix Insurance to the Company was completed. Furthermore, in the reporting year, the merger of Halman Aldubi Provident's pension and provident funds activity with and into The Phoenix Pension and Provident Fund was completed. In view of the above, and due to the Company's viewing the field of asset management as a field comprising asset management in the short term through Excellence investment house, and asset management in the medium and long-term through The Phoenix Pension and Provident and IEC Gemel, the Company decided to classify the field of pension and provident asset management as a separate segment as from this report.

It should be noted that The Phoenix group has recently started a restructuring in the Group, as part of which the shares of IEC Gemel Ltd. will be transferred such that this management company will also be held directly by the Company. For information about the restructuring, see Section 1.3.12 above.

2.2.1 Products and services

2.2.1.1 The pension subsegment

2.2.1.1.1 General

The pension fund (hereinafter - the "**Fund**") enables its policyholders to save for pension in the long term (old-age pension) and also provides coverage for disability (disability pension) and death (survivors' pension). The Group's activity in the pension segment is carried out through The Phoenix Pension and Provident.

The pension fund provides the following insurance coverages:

- (1) Old-age pension: an annuity paid to planholders from the date of their retirement throughout their life.
- (2) Disability pension: a pension paid to planholders who are work-incapacitated, based on a decision of the fund's medical committee. The annuity amount is determined as a percentage of the qualifying income for disability and survivors benefits, as defined by the fund's rules and regulations and in accordance with

the degree of disability. Additionally, a planholder who becomes disabled may be "released" from contributions to the fund so long as he/she remains disabled. This means that the fund continues to credit his/her account with contributions during that period, as if he/she had made the contributions themselves, in accordance with the degree of his/her disability.

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

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

- (1) **Old pension funds** - in the past, these funds benefited from the issuance of designated bonds bearing guaranteed interest at a rate of 5.57% to cover at least 93% of their liabilities. Any remaining balance was invested in voluntary investments in accordance with the Provident Funds Regulations. As part of the 1995 the pension funds reform, the purpose of which was, among other things, to reduce the funds' deficits and to balance out the funds' assets and liabilities, the old pension funds were closed to new planholders, and the proportion of designated bonds was reduced. As a result of the reform, there are currently two classes of old funds - balanced old pension funds (10 funds) and pension funds under special government administration (8 funds).
- (2) **New pension funds** - as of the report publication date, there are 7 comprehensive pension funds operating in Israel. It should be noted that during the reporting year, Halman Provident sold the new pension funds under its management to Meitav Dash Provident Funds and Pension Ltd., which merged the funds into the pension funds under its management. Furthermore, Psagot Provident and Pension Funds Ltd. sold the pension funds under its management to Altshuler Shaham Provident and Pension Funds Ltd., which merged the funds into the pension funds under its management.

These new pension funds started operating in 1995 following the aforementioned reform, whereby new planholders will be enrolled in new pension funds to be established as of that. The new comprehensive pension funds are entitled to various benefits from the government, including tax benefits as per the Income Tax Ordinance, the Provident Funds Law and the Provident Funds Regulations, and are entitled to invest some of the fund's assets (up to 30%) in designated bonds that guarantee a real annual yield of 4.86%. When crediting to planholders the yields arising from the designated bonds, funds make a distinction between planholders receiving an annuity, planholders who are older than 50, and other planholders, as per the provisions of the law.

In accordance with the Yield Imputation Regulations, as from July 2017, 60% of the designated bonds are allocated to retirees, and the remaining balance are held against actuarial liabilities of active planholders, provided that the total proportion of designated bonds does not exceed 30% of the funds' total assets under management. As of June 2018, the new comprehensive pension funds operate according to unified rules and regulations that apply to all of the aforesaid pension funds.

In November 2021, an amendment was enacted, which supersedes the existing mechanism for ensuring the stability of pension fund savings in the old and new pension funds through designated bonds with a new mechanism that ensures stability by supplementing returns. According to the said legislative amendment, in lieu of designated bonds, the state will undertake to supplement pension fund returns up to a rate of 5.15% for pension funds assets accumulated since the amendment's effective date, and the pension fund assets underlying the commitment to supplement the returns will be invested in the capital market. For more information, including the amendment's effective date, see Section 4.1.6.1.13 below.

Contributions into a new fund are capped at the equivalent of 20.5% of double the average wage in Israel. Currently, the maximum rate of management fees is 6% of the contributions towards benefits and 0.5% of the accrual.

- (3) **New general pension funds** - contributions into a new comprehensive pension fund are capped at the equivalent of 20.5% of double the average wage in Israel. Savers who wish to contribute higher amounts, may do so in new general pension funds that are not eligible for designated bonds. In new general funds, contributions are not capped, and one-off contributions may also be made. Furthermore, a new general fund does not have to provide the insurance coverages mentioned above, and as such, some of these funds only provide old-age pension. As of the report publication date, there are 7 new general pension funds operating in Israel. The maximum rate of management fees that may be collected in a general pension fund is 1.05% of the accrual and 4% of the contributions. For further details about management fees and changes therein, please see Section 2.1.1.2 below.

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

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

The Phoenix Pension and Provident manages the following funds:

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

The Phoenix Supplementary Pension (previously named: the "The Phoenix General Pension") is a new general fund established in 2000. The fund operates in conjunction with the comprehensive pension fund and contributions in excess of the aforesaid cap are deposited with it. The fund is not eligible for designated bonds, although the contributions amounts are not capped and one-off deposits may also be made.

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

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

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

Set forth below are the details of The Phoenix's pension funds during the reporting year:

Fund	Management company	Year on which fund was established	Type of fund	Contributions towards benefits for 2021 in NIS million	Assets as of December 31 2021 in NIS million
The Phoenix Comprehensive Pension	The Phoenix Pension and Provident Ltd.	1995	Comprehensive pension	5,308	48,391
The Phoenix Supplementary Pension		2000	New general	313	1,356
Amit Yessod (Pension Fund for Senior Planholders)		1992	Old balanced	18	1,857
Magen (Pension Fund for Senior Planholders)		1952	Old balanced	3	654
Attorneys Pension Fund (Pension Fund for Senior Planholders)		1979	Old balanced	9	803
Total				5,651	53,061

The contributions towards benefits are current contributions only, and do not include transfers of accruals in respect of planholders' transitioning to the pension funds from other pension funds. Money transferred to the Group's pension funds in 2021 (including transfers for unification of accounts) totaled NIS 6,245 million and, on the other hand, money transferred from the Group's pension funds to other funds totaled NIS 2,786 million.

22.1.1.2 **Structure of profitability**

Management companies in the pension segment generate their revenues from management fees they collect (from contributions towards benefits and from accruals), and the profits are the difference between the net management fees (after discounts, if any) and the management company's actual operating and marketing expenses. It should be noted that in recent, years there has been an erosion in management fees as a result of various reforms and increased competition in the industry. In that context,

in August 2021 a document was published that deals with the **procedure for determining selected funds** that lists the rules of the new competitive process whereby the Commissioner of Capital Market will select default funds for the period from November 1 2021 through October 31 2024; the document lists the number of the funds to be selected, the parameters for selection, prioritizing small funds, minimum and maximum management fees that may be offered, and the offering of a discount in management fees to senior citizens.

Further to the above, in September 2021, the Commissioner published a document dealing with the **results of the third procedure for determining selected pension funds**, which includes a notice as to the Commissioner of the Capital Market, Insurance and Savings' selecting four new pension funds that will be used as "default funds", rate of management fees to be collected and the terms attached thereto. For more information, see Section 4.1.6.1.10 below.

Amounts paid out by pension funds in respect of claims (including payment of annuities) have no direct effect on the management company's profits, since the insurance is mutual and the risks arising from the claims are borne by the planholders. In pension funds, the entire yield arising from investment of planholders' funds, less the management fees from accruals, is credited to the planholders, and therefore - the effect of investment performance on the profits of the pension fund's management company is limited to the indirect effect derived from the total assets under management by the pension fund, which forms the principal basis for the management fees collected by the pension fund's management company. Furthermore, there are investment gains on the management company's nostro portfolio.

2.2.1.2 **Provident funds subsegment**

2.2.1.2.1 **General**

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

- **Individual provident funds for retirement benefits** are long-term provident funds. In individual retirement benefit funds, a lump sum may be withdrawn only in respect of amounts stemming from contributions made until the end of 2007, and any contributions made in January 2008 and thereafter may be withdrawn only as an annuity (previously, these funds were named "non-annuity provident funds", and are currently named "savings provident funds"). In these funds, both the employer and the employee make regular monthly contributions deducted from the employee's salary, whereas for self-employed planholders, only the planholder contributes into the fund.
- **Advanced education funds** are mid-term provident funds. Funds accrued in an advanced education fund may be withdrawn for education purposes from the end of the third year of their enrollment in the fund; after six years of enrollment, the funds may be withdrawn for any purpose.
- **Personal severance pay provident funds** are for varying terms, depending on the periods of employment and planholder's preferences; regarding contributions made from January 2008 and thereafter, these funds also function as savings provident funds, but severance pay may be withdrawn as a lump sum, even if contributions were deposited with the fund in 2008 and thereafter).
- **Central severance pay funds** are funds in which employers accumulate funds to guarantee the payment of severance pay to their employees. In these funds, the planholder is the employer, which accumulates the funds in its own name on behalf of all of its employees (these funds were closed to contributions in 2011).
- **Minimum guaranteed return provident funds** are funds that guarantee a minimum rate of return to its planholders in accordance with the fund's rules and regulations. These funds are no longer open to new planholders.

- **Self-directed provident funds and advanced education funds**, through which the planholder or a portfolio manager acting on his/her behalf can manage these types of self-employed planholders' saving funds that are defined in the regulations, as well as funds deposited with advanced education funds, subject to investment restrictions to be observed by the management company charged with the management of the savings. As from June 2017, the amount of contributions towards benefits a self-directed provident fund is limited to is NIS 5.2 million. It should be noted that in September 2021 a contingent agreement for the sale of part of this activity was signed. As of the report publication date, the transaction has not yet been completed.
- **Investment provident fund** is a savings provident fund which was first marketed in late 2016; the total amount of contributions towards benefits in such a fund is capped at NIS 70,000 per calendar year (CPI-linked). planholders may withdraw funds from an investment provident fund at any time with no obligation to wait until retirement age. However, early withdrawals are subject to tax on the total real profits accrued.
- **Child long-term investment provident fund for savings** are provident funds with which the National Insurance Institute of Israel has been depositing every month - since January 2017 - NIS 50 for every child entitled to a child allowance until the child reaches the age of 18. The parents can increase the sum of the savings by further NIS 50 out of the child allowance funds paid by the National Insurance Institute. Until the child reaches the age of 21, the National Insurance Institute will pay the management fees in respect of the savings with the provident fund; thereafter, the fees will be paid by the planholder. Withdrawal of the accrued funds is possible when the child reaches the age of 18; if the child does not withdraw the funds until he/she reaches the age of 21, the child will receive a NIS 500 grant from the government.
- **Central provident fund for annuity** is a provident fund designed for a single planholder - an employer planholder; the objective of such a fund is to pay annuity to the employees of that employer planholder, who are entitled to receive an annuity. The employer pays annuity payments through the fund to eligible employees, as defined in the fund's bylaws, in accordance with the employer's actuarial undertaking to the eligible employees, calculated in accordance with labor agreements and the rules set in the fund's bylaws and the legislative arrangement.

It should be noted that the Commissioner's Directives on Selection of a Provident Fund set guidelines for employers wishing to hold a tender for selecting an annuity provident fund and/or an advanced education fund, which will be set as the default fund for the purpose of contributions for employees who did not select another fund. Accordingly, many Israeli employers issued such tenders mainly for an advanced education fund for their employees.

Companies managing provident funds generate their revenues from the management fees they collect on the assets. For further details about the management fees in The Phoenix funds, please see below in this section. Given that the management company does not charge management fees as a percentage of profits, the effect of the return on management fees income is indirect, and stems from the effect of the return on total assets under management, which forms the basis for collecting the management fees.

The Company manages provident funds and advanced education funds through The Phoenix Pension and Provident, which manages all the products listed above.

Provident funds managed by the Group

Set forth below are the details of The Phoenix Pension and Provident:

Fund	Fund type	Year founded	Contributions towards benefits in 2021 (in NIS million)	Net accrual in 2021 (in NIS million) ²	Assets under management as of Dec. 31 2021 (in NIS million)
The Phoenix Provident	Benefits and severance pay	1979	1,476	4,028	28,437
The Phoenix Advanced Education	Advanced education	2000	1,969	3,673	27,903
Excellence Central Severance Pay	Severance pay	1965	-	(48)	1,331
The Phoenix Investment Provident Fund	Savings provident fund	2016	1,013	1,155	2,962
The Phoenix Gmula Minimum Yield-Guaranteed	Benefits and severance pay	1974	7	(36)	949
Excellence Gemel Multi Track Severance Pay	Severance pay	2016	-	-	263
Excellence Investment Provident Fund for Savings for Each Child	Savings provident fund	2017	98	86	943
The Phoenix central provident fund for participation in budgetary pension	Central provident fund for participation in budgetary pension	2015	1	(41)	-
The Phoenix Sick Pay Fund	Sick pay provident fund	2004	-	-	4
Phoenix Self-Managed Advanced Education	Self-directed advanced education fund	2011	41	57	519
Phoenix Self-Managed Provident Fund	Self-directed provident fund	2011	0	7	1,410
The Phoenix Self-Directed Provident Fund - formerly I.B.I	provident fund for saving and pension	2012	107	148	1,343
Phoenix Self-Managed Advanced Education - formerly I.B.I	Advanced education fund	2012	38	86	997
The Phoenix Self-Directed Provident Fund - formerly Excellence	provident fund for saving and pension	2011	10	(4)	334
Phoenix Self-Managed Advanced Education - formerly Excellence	Advanced education fund	2011	10	4	334
Total			4,772	9,116	67,728

In 2021, net accrual increased compared with 2020 (from negative accrual of NIS 514 million in 2020 to positive accrual of NIS 9,116 million in 2021). In 2021, monies transferred to the Group's provident funds totaled NIS 8,390 million, whereas monies transferred from the Group's provident funds to other funds totaled NIS 2,411 million.

In addition to the provident funds managed by The Phoenix Pension and Provident, the Group manages, as stated above, the central provident fund for annuity of Israel Electric Corporation employees through IEC Gemel. The objective of the fund is to enable the IEC to pay only annuity payments to eligible employees, as defined in the fund's bylaws, in accordance with the IEC's actuarial undertaking to the eligible employees, calculated in accordance with labor agreements with the eligible employees, generally accepted accounting

²Contributions + withdrawals + transfers, net.

principles and the fund's bylaws. The group of eligible employees is a defined and closed group, and the rights of those employees are derived from the number of their years of service and the salary used to calculate their pension rights. The rights are for an annuity and disability and survivors pensions. The fund has an actuarial balancing out mechanism, under which the IEC's actuarial obligation is assessed against the fund's assets on a monthly basis, and funds are transferred in order to ensure balancing-out in accordance with the fund's bylaws and the provisions of the law.

The management of the central provident fund for annuity of Israel Electric Corporation employees is carried out in accordance with the management services agreement signed with the Israel Electric Corporation Ltd. The agreement came into force in January 2017 for a 3-year period, with an option to extend its term by two further periods as follows: The first extension option is for a two-year period, and the second is for a one-year period. The IEC informed IEC Gemel that it exercises the second extension option, which came into force on January 1 2022. The Board of Directors of Israel Electric Corporation Ltd. recently approved the extension and amendment of the management services agreement with IEC Gemel for a further 3-year period, with the IEC having the option to extend the agreement by further five years, with a corresponding update of the consideration paid in respect of the management services. The agreement is expected to be signed by the end of March 2022.

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

Fund	Fund type	Year founded	Contributions towards benefits in 2021 (in NIS million)	Net accrual in 2021 (in NIS million) ³	Assets under management as of Dec. 31 2021 (in NIS million)
Central provident fund for annuity of Israel Ports Development and Assets Ltd. employees	Central provident fund for annuity	2020	54	(181)	4,026
Central provident fund for annuity of System Management Company Ltd. employees	Central provident fund for annuity	2020	173	173	377
Central provident fund for annuity of Ashdod Port Company Ltd. employees	Central provident fund for annuity	2021	185	169	169
Central provident fund for annuity of Israel Electric Corporation employees	Central provident fund for annuity	2005	600	(1,529)	45,368
Total			1,012	(1,368)	49,940

³Contributions + withdrawals + transfers, net.

2.2.1.2.2 **Structure of profitability**

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

In the provident funds subsegment, the entire net yield (net of investment expenses) arising from investment of planholders' funds, less the management fees from accruals after discounts, is credited to the planholders, and therefore the effect of investment performance on the management company's profits is limited to the indirect effect derived from the total assets under management by the provident fund, which forms the basis for the management fees collected by the management company. For further details regarding maximum management fees, please see Section 2.1.1.2.2.1.3 below.

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

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

In NIS million	2021										
	Old pension funds	Supplementary comprehensive pension funds	Provident funds for retirement benefits and severance pay	Advanced education Funds	Other central severance pay fund	Investment provident fund	Child long-term investment provident fund for savings	Central funds for annuity	Other	Total	
Assets under management	3,314	48,391	1,356	32,473	29,753	1,593	2,962	943	4,571	4	125,360
Contributions towards benefits	30	5,308	313	1,601	2,059	-	1,013	98	412	1	10,835
Net accrual (decrease)	(66)	7,636	454	4,144	3,821	(48)	1,155	86	160	(41)	17,300
Rate of management fees on accruals	0.35%	0.19%	0.25%	0.6%	0.66%	0.66%	0.57%	0.23%	-	0.19 %	-
Rate of management fees on contributions	6.26%	1.86%	1.38%	0.04%	-	-	0.1%	-	-	-	-

In NIS million	2020									Total
	Pension funds				Provident funds for retirement benefits and severance pay	Advanced education Funds	Other central severance pay fund	Investment provident fund	Child long-term investment provident fund for savings	
	Old pension funds	Comprehensive	Supplementary							
Assets under management	1,659	34,799	770		16,379	16,287	1,175	866	372	72,308
Contributions towards benefits	19	4,335	163		558	1,450	-	257	77	6,858
Net accrual (decrease)	9	4,457	186		(392)	(315)	(31)	152	73	4,138
Rate of management fees on accruals	*0.22%	0.20%	0.31%		0.56%	0.69%	0.56%	0.58%	0.23%	-
Rate of management fees on contributions	6.20%	2.10%	1.54%		0.01%	-	-	-	-	-

*The figure is restated.

2019									
In NIS million	Pension funds			Provident funds for retirement benefits and severance pay*	Advanced education funds*	Other central severance pay fund*	Investment provident fund*	Child long-term investment provident fund for savings	Total
	Old pension funds	Comprehensive	Supplementary						
Assets under management	1,568	28,604	554	16,160	15,918	1172	685	288	64,949
Contributions towards benefits	21	3,954	104	866	1,535	0	259	92	6,831
Net accrual (decrease)	13	3,979	100	504	(83)	33	209	91	4,846
Rate of management fees on accruals	0.23%*	0.24%	0.46%	0.60%	0.68%	0.63%	0.57%	0.23%	-
Rate of management fees on contributions	6.16%	2.44%	1.77%	0.02%	-	-	-	-	-

*The figure is restated.

22.1.23 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 merger transaction - under which the Company acquired Halman-Aldubi Investment House Ltd. (hereinafter - "**Halman-Aldubi**"). Upon completion of the transaction, Halman Aldubi became a privately held company wholly owned by the Company. The proceeds of the transaction was NIS 275 million.

Subsequent to the completion of the transaction the following actions and transactions were carried out:

- A. The Board of Directors of The Phoenix Pension and Provident decided to merge Halman Aldubi Provident and Pension Funds Ltd. (hereinafter - "**Halman Provident**" with and into The Phoenix Pension and Provident. The merger between the companies - including the merger of the provident funds and the provident funds' investment tracks - was completed on September 30, 2021.
- B. The sale of default pension fund - on June 30 2021, the sale to Meitav Dash Provident Funds and Pension Ltd. of the new pension funds which were managed by Halman Provident was completed in consideration for NIS 45 million.
- C. Sale of the IRA funds by Halman Provident to Global Net Provident Fund Management (G.N.P.F.M) Ltd.

For further details, 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, February 28, 2021 and July 1, 2021, Ref. Nos.: 2020-01-133119, 2021-01-011467, 2021-01-013942, 2021-01-020860, 2021-01-022078 ,2021-01-021813 ,2021-01-023697 and 2021-01-046357, respectively.

2.2.1.3 **Key characteristics of the pension and provident instruments**

The state encourages saving through the pension savings products - pension funds and provident funds - mainly by way of giving tax incentives to savers, through various provisions in labor laws, and by the issuing designated bonds in which some of the planholders' funds are invested, and for some of the **products**.

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

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

- 22.1.33 **Returns:** The new pension funds benefit from issuance of CPI-linked, illiquid government bonds, and bear fixed interest on 30% of their assets. For more information about the reform in designated bonds for pension funds, see Section 4.1.6.1.13 below.
- 22.1.34 **Management fees:** The following table lists the key restrictions on management fees.

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

	Non-annuity provident funds (savings provident funds)	Advanced education funds and provident funds that are not non-annuity provident funds (that are not savings provident funds) and Gmula**	General pension fund	Comprehensive pension fund	Investment provident fund	Child long-term investment provident fund for savings
Maximum management fees until 31.12.2012	2% of accrual + 0% of contributions	2% of accrual + 0% of contributions	2% of accrual + 0% of contributions	0.5% of accrual + 6% of contributions	n/a	n/a
Maximum management fees for 2013 (transition period)	1.1% of accrual + 4% of contributions	No change	1.1% of accrual + 4% of contributions	No change	n/a	n/a
Maximum management fees as from 2014	1.05% of accrual + 4% of contributions (*)	No change (*)	1.05% of accrual + 4% of contributions	No change	n/a	n/a
Maximum management fee	No change	No change	No change	No change	1.05% of the accumulated balance; 4% of deposits	0.23% of the accumulated balance***
Maximum management fees collected from planholders with whom the fund lost contact	0.3% of accrual	0.3% of accrual	0.3% of accrual	0.3% of accrual	0.3% of the accumulated balance	0.23% of the accumulated balance***
Maximum management fees collected from annuity recipients	-	-	0.6% of annuity	0.5% of annuity		
Maximum management fees collected from annuity recipients as from January 2022			0.3% of annuity	0.3% of annuity		

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

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

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

2.2.1.4 **Impact on competition between the various products**

In the long-term savings market, there are several products, with provident funds being the leading products for long-term savings, inter alia as a result of measures taken by the Commissioner, such as: the default funds reform that accelerated the decrease in management fees in the pension fund product; cancellation of guaranteed conversion factors in life insurance products that include a savings component which made the product less attractive; cancellation of capital provident funds; and the withholding of an approval to market life insurance policies that combine life insurance and a savings component.

Advanced education Funds

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

Other financial products (individual savings products)

The reporting year saw a continued trend whereby the volume of public investments in individual savings products such as investment provident funds that constitute an alternative to other liquid savings products such as bank deposits, mutual funds, portfolio management, individual savings policies, and the like. The attractiveness of these products stems from several reasons, including: exposure to illiquid investments, attractive management fees, and tax benefits.

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

1. Pension funds will continue to be a leading product among long-term savings products.
2. The decrease in average management fees in the market will continue.
3. To reduce the profits from recipients of annuities as a result of the reduction of the maximum amount in management fees collected from recipients of annuities in the pension funds and in insurance policies for annuities.
4. The use of technological and digital means in the marketing and distribution process of the products will increase in this segment.
5. Employers will prefer to enroll new employees in default funds rather than in other pension funds.

2.2.1.5 **New products**

As part of the purchase of the Halman Aldubi Group, and thereafter as part of the merger of Halman Aldubi Provident and Pension Funds, The Phoenix Pension and Provident gained a number of new products, including central pension funds for annuity and other old pension funds. The products are detailed in Section 2.2.1.2.1 above.

2.2.2 Competition

Pension - in 2021, total contributions paid into comprehensive pension funds for the entire market amounted to NIS 50.7 billion, compared to NIS 45.3 billion in 2020.

Other than The Phoenix Pension and Provident, the largest companies that operate in the pension segment are Menorah Mivtachim, Migdal Makefet, Clal Pension and Harel Pension. In addition, default funds operated by the investment houses Altshuler Shaham and Meitav Dash intensify the competition in this field and the trend of erosion of management fees.

Following is data on the market share of the principal competitors in the pension market in 2019-2021 out of total premiums of the new comprehensive pension funds (according to the Capital Market, Insurance and Savings Authority's website "Pensyanet"; figures are based on contribution amounts) (by percentage):

Fund	2021	2020	2019
Menorah Mivtachim	26.4%	28.0%	28.9%
Harel Pension *	19.7%	19.6%	20.1%
Migdal Makefet	14.8%	16.0%	17.9%
Clal Pension	13.0%	13.3%	13.7%
The Phoenix Pension	10.4%	9.6%	8.9%
Other funds *	15.8%	13.5%	10.5%
Total	100.0%	100%	100%

*In relation to 2019-2020 - "other funds" include Altshuler Shaham, Psagot, Halman Aldubi, and Meitav Dash. In relation to 2021 - Psagot's contributions were added to those of Harel, and Halman's contributions were added to those of Meitav; therefore, in 2021 "other funds" include Altshuler Shaham, and Meitav Dash.

The pension funds' segment is characterized by fierce competition, which increased as a result of the introduction of the default pension funds. As a result of greater public awareness of the importance of saving towards retirement, and as a result of changes in alternative products (for further details, please see Section 2.2.1.1.1 above), the public is more aware of the management fees rates collected on the deposits and accruals of pension funds planholders, as well as of the quality of investment management in the pension funds and the returns attained therein - all of which constitute important factors in the process of selecting a fund; there is also greater awareness of the quality of service rendered to customers.

Provident funds - In 2021, total assets under management by the segment was NIS 688 billion, compared with NIS 579 billion as of December 31 2020.

Set forth below is a list of the management companies with the highest amounts of assets under management in the provident funds segment, and a description of the development of their share in total provident fund assets in 2019-2021, based on the Capital Market, Insurance and Savings Authority's figures ("Gemel Net") (by percentage):

Management company	2021	2020	2019
Altshuler Shaham Provident Funds and Pension Ltd.	31.0%	25.4%	20.4%
The Phoenix Pension and Provident Fund Ltd.	9.8%	6.1%	6.4%
Meitav Dash Provident Funds and Pension Ltd.	8.6%	7.7%	8.4%
Clal Pension and Provident Funds Ltd.	7.1%	6.4%	6.9%
Yelin Lapidot Provident Funds Management Ltd.	6.9%	7.5%	8.0%
Harel Pension and Provident Ltd.	6.8%	6.6%	7.3%
Menorah Mivtachim Pension and Provident Funds Ltd.	4.8%	5.1%	5.4%
More Provident Funds Ltd.	4.3%	1.6%	0.1%
Migdal Makefet Pension Fund and Provident Funds Ltd.	3.3%	3.3%	3.6%
Advanced Education Funds for Teachers and Kindergarten Teachers - a Management Company Ltd.	3.2%	3.3%	3.3%
Analyst Provident Funds Ltd.	2.3%	1.7%	1.6%
Psgot Provident and Pension Funds Ltd.*	0.0%	9.1%	10.6%
Halman Aldubi Provident and Pension Funds Ltd.*	0.0%	3.1%	3.4%
Other	11.9%	13.0%	14.4%
Total	100.0%	100.0%	100.0%

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

The following table provides information about the transfer of money from/to the Company in the pension and provident segments from 2019 to 2021:

In NIS thousand	Provident funds	2021	
		Pension funds	Total
Transfers to the company from other entities			
Transfers from other insurance companies	165,357	813,165	978,522
Transfers from pension funds	40,244	5,320,584	5,360,828
Transfers from provident funds	8,184,029	111,702	8,259,731
Total transfers to the company	8,389,630	6,245,451	14,635,081
Transfers from the company to other entities			
Transfers to other insurance companies	160,973	89,189	250,162
Transfers to pension funds	152,141	2,550,553	2,702,694
Transfers to provident funds	2,097,863	146,567	2,244,430
Total transfers from the Company	2,410,977	2,786,309	5,197,286
Net transfers	5,978,653	3,459,142	9,437,795

In NIS thousand	Provident funds	2020	Total
		Pension funds	
Transfers to the company from other entities			
Transfers from other insurance companies	94,043	318,689	412,732
Transfers from pension funds	25,927	2,667,954	2,693,881
Transfers from provident funds	1,659,752	18,749	1,678,501
Total transfers to the company	1,779,722	3,005,392	4,785,114
Transfers from the Company to other entities			
Transfers to other insurance companies	146,747	49,956	196,703
Transfers to pension funds	65,863	2,016,934	2,082,797
Transfers to provident funds	2,829,742	131,646	2,961,388
Total transfers from the company	3,042,352	2,198,536	5,240,888
Net transfers	(1,262,630)	806,856	(455,774)

In NIS thousand	Provident funds	2019	Total
		Pension funds	
Transfers to the company from other entities			
Transfers from other insurance companies	3,468	159,476	162,944
Transfers from pension funds	4,217	2,144,785	2,149,002
Transfers from provident funds	2,332,420	11,235	2,343,655
Total transfers to the company	2,340,105	2,315,496	4,655,601
Transfers from the company to other entities			
Transfers to other insurance companies	621	67,524	68,145
Transfers to pension funds	15,978	1,419,514	1,435,492
Transfers to provident funds	2,088,908	72,331	2,161,239
Total transfers from the Company	2,105,507	1,559,369	3,664,876
Net transfers	234,598	756,127	990,725

Effect of legislative changes on competition in the area of activity

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

- Lowering the management fees in alternative long-term saving products. For instance, through default funds.
- Amendment to the Advice Law, which prohibits a link between the rate of management fees and the amount of distribution commission paid to the pension agent.
- Settlement of the consolidation of pension savings by transferring amounts saved by the planholder with inactive pension funds to his/her account with active pension funds.
- Provisions regarding management of a new pension fund, which increase the possibility for planholders' transitioning to new pension funds close when approaching retirement age.
- Amendment to the regulations on transfer of funds from one provident fund to another; the amendment makes it possible to transfer funds from one investment provident fund to another, and to transfer funds from an investment provident fund to an annuity provident fund.
- Regulations published in January 2022, which reduced the maximum amount in management fees collected from recipients of annuities to an annual rate of 0.3%, in respect of recipients of annuities in pension funds and in insurance policies for annuities from January 2022. For further details on this subject, please see Section 4.1.6.1.16 below.
- The reform in allocation of designated bonds for pension funds. For further details, please see Section 4.1.6.1.13 below.
- The expected reform in connection with investment expenses, and its effect on management fees. For further details, please see Section 4.1.6.1.13 below.

The Company believes that these changes may enhance existing trends in the provident and pension asset management segment, as described in 2.1.3 above in connection with boosting competition. The weighted effect of these trends may have an adverse effect on profits in the provident and pension asset management segment.

How the Group deals with competition

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

1. Continued development and improvement of the investment function and quality of investment management.
2. Increase in total assets under management, including, among other things, as a result of mergers and acquisitions.

3. Operational and organizational streamlining by way of restructuring the Company and its various units, and improving the operational infrastructure in order to develop and enhance the customer relations and service as well as the distribution channels, while developing dedicated expertise in the areas of operation and service. Constantly developing and updating its tracks, products and promotions.
4. Service and marketing using diverse distribution channels.
5. Allocating management and financial resources to advertising, marketing and distribution channels, as well as brand-name enhancement.

2.2.3 Customers

A. Pension funds

Set forth below is a breakdown of The Phoenix Pension and Provident Funds customers⁴ (by percentage):

	2021	2020
Salaried employee planholders	97	97
Planholders - private individuals and self-employed	3	3
Total	100	100

The number of planholders of The Phoenix Comprehensive Pension Fund was higher in 2021 by 4.7%, and its assets under management increased by 39% compared with 2020, following the increase in the number of planholders and total assets by 1.9% in 2020 and 22% in 2019.

B. Provident funds

As of December 31 2021, approximately 1,092 thousand planholder accounts were managed by The Phoenix Pension and Provident's provident funds, compared with approximately 620 thousand accounts in the previous year. Set forth below is the breakdown of planholder categories in provident funds (by percentage):

	Advanced education fund		Fund for retirement benefits and severance pay		Investment provident fund		Child long-term investment	
	2021	2020	2021	2020	2021	2020	2021	2020
Employee	85	85	54	49	-	-	-	-
Self-employed	15	15	46	51	100	100	100	100
Total	100	100	100	100	100	100	100	100

⁴ In The Phoenix Comprehensive Pension and The Phoenix Supplementary Pension.

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

2.3 Property and casualty insurance

Key subsegments of property and casualty insurance

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

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

2.3.1 Compulsory motor insurance

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

2.3.1.1 Products and services

This subsegment consists of a single product that provides insurance coverage under the Motor Insurance Ordinance (New Version), 1970 (hereinafter - the "**Motor Insurance Ordinance**") for the motor vehicle owner and the driver against any liability they may incur under the Road Accident Victims Compensation Law, 1975 (hereinafter - the "**CRAV Law**") and against any other liability they may incur due to bodily injury caused by or as a result of the use of a motor vehicle to the driver, passengers, or pedestrians hit by the motor vehicle as a result of the use thereof, and in accordance with the provisions of the Economic Efficiency Law (for further details about the CRAV Law and the Economic Efficiency Law, please see Sections 4.1.8.1.2 to 4.1.8.1.4 below).

Characteristics of compulsory motor insurance:

1. Duty to insure - the Motor Insurance Ordinance stipulates that a person shall not use, cause or allow another person to use a motor vehicle unless his/her or another person's use of the motor vehicle is covered by a policy which is in force according to the requirements of the Ordinance.
2. The coverage provided in this product is uniform.
3. Absolute liability with no need to prove blame.
4. Limit of compensation - the liability in the policy is unlimited. Nevertheless, the maximum wages for purposes of calculating the compensation due to loss of earnings and loss of earning capacity is limited to three times the average wages in Israel (net), and the maximum compensation for non-financial loss is limited to the amount prescribed in the CRAV Law, which is currently approximately NIS 180 thousand.
5. Date on which the insurance comes into force - the date of commencement of the insurance stated in the insurance certificate, but not before the date on which the insurance certificate was stamped with the bank's stamp; the policy period will end at midnight on the date of expiration of the insurance stated in the insurance certificate.
6. Policy period - usually one year, aiming that the last day of the insurance will be the last day of the month in which the policy period ends.
7. Exclusivity of course of action - a road accident victim, who has a cause of action under the CRAV Law, must claim damages only under the CRAV Law, and will have no cause of action under any other law.

2.3.1.2 Competition

The compulsory motor insurance subsegment is characterized with intense competition since all insurance companies operate in this subsegment, and in recent years new insurance companies were established which operate directly. Given that the insurance coverage is standard and the size of the market is limited, competition in the compulsory motor subsegment focuses mainly on insurance prices, rates of fees and commissions paid by the various companies to insurance agencies, proper segmentation of the population of drivers and accurate pricing of the policies offered to them.

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

	January - September 2021	2020	2019
Menorah	13.9	14.3	14.2
Harel	12.0	11.2	12.4
Shlomo	13.0	12.8	12.2
The Phoenix	12.2	11.6	11.0
IDI	8.6	9.6	10.5
Migdal	7.1	9.0	9.3
Clal	11.6	10.6	8.8
Ayalon	6.4	7.0	7.9
Other companies	15.2	13.9	13.7
Total	100	100	100

*Comparative figures for Menorah include the operations of Shomera.

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

2.3.1.3 Customers

- A. The Phoenix Insurance is not dependent on any single customer in the compulsory motor insurance subsegment.
- B. The Phoenix Insurance has no single customer that accounts for 10% or more of its revenues.
- C. The Phoenix Insurance's customers include private customers, business customers, groups, car fleets as well as Israel Railways.

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

	2021	2020
Vehicle fleets, ⁵ groups and Israel Railways	9.1	10.1
Other policyholders**	90.9	89.9
Total	100	100

* The figures are based on insurance policy commencement dates.

** Mainly private policyholders.

⁵ The definitions for vehicle fleets and collectives were taken from the Codex of Regulations (Consolidated Circular).

Customer loyalty and retention:

The rate of renewals in terms of premiums in the compulsory motor insurance subsegment in 2021 was approximately 68% compared with approximately 69% in 2020.

Set forth below are details about customer loyalty in the compulsory motor insurance subsegment in terms of premiums turnover for 2021 (by percentage):

Years of customer seniority	Up to one year	One to two years	Two to three years	Three years and up	Total
Distribution of customer seniority	43	19	12	26	100

In 2021, the percentage of customers insured under motor property insurance in addition to compulsory motor insurance in terms of policies was similar to that of 2020 - approximately 98%, compared to approximately 97.6% in 2019.

2.3.2 Motor property insurance

Motor property insurance consists of coverage for self-inflicted damage to a vehicle as well as damage to third-party property resulting from the use of a motor vehicle.

2.3.2.1 Products and services

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

This subsegment is divided into two categories:

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

Characteristics of motor property insurance:

Motor property insurance is voluntary insurance which is not mandatory under law.

The various types of coverages: The terms and conditions of the standard policy include, among other things, coverage in the event of an accident, theft, fire, malicious damage, natural disaster damages, property damage caused to a third party, and more. The Company also offers various riders such as coverage for risks of earthquake, riots, strikes as well as related services such as towing, replacement vehicle in the event of an accident or theft, coverage for broken windscreen and coverage for headlights and mirrors. The Company also offers a range of riders and coverages for commercial vehicles that are not light commercial vehicles.

2.3.2.2 Competition

The motor property insurance subsegment is highly competitive, mainly due to the lack of differentiation in the insurance coverage offered by the various companies. Competition in this segment focuses mainly on insurance prices, the service rendered by insurance companies to their policyholders, the rates of fees and commissions paid by the various companies to insurance agencies, proper segmentation of the population of drivers and accurate pricing of the policies offered to them.

Set forth below is information about the market share of the Company and key competitors in this subsegment, by gross premiums (activity in Israel only) (by percentage):

	January-September 2021	2020	2019
Menorah*	16.6	17.4	17.6
IDI	11.5	12.9	14.3
The Phoenix	13.3	12.6	12.4
Migdal	6.8	9.5	9.8
Harel	11.5	10.6	10.0
Clal	9.2	8.4	7.9
Ayalon	7.1	7.5	8.3
Other companies	24.0	21.1	19.7
Total	100	100	100

* Comparative figures for Menorah include the operations of Shomera.

To cope with the competition, the Company ensures that it maintains a reasonable level of profitability by applying an appropriate segmented pricing strategy, developing new products, developing new direct and digital distribution channels ("Phoenix Smart"), and recruiting agents. Additionally, in February 2021, The Phoenix Insurance signed an agreement to receive

strategy and data management services with a company specializing in the field; as part of the agreement, the service provider assists The Phoenix Insurance, among other things, in the formulation and improvement of big data-based pricing model.

During the reporting year, The Phoenix established its position in the market of motor insurance for electric vehicles in Israel, upon winning the insurance tender as the official insurer of a number of leading global manufacturers of electric vehicles.

2.3.2.3 Customers

- A. The Phoenix Insurance is not dependent on any single customer in the motor property insurance subsegment.
- B. The Phoenix Insurance has no single customer that accounts for 10% or more of its revenues.
- C. The Phoenix Insurance's customers in the motor property insurance subsegment consist of private customers, business customers, groups and car fleets.

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

	2021	2020
Vehicle fleets and collectives ⁶	6.5	7.7
Other policyholders**	93.5	92.3
Total	100	100

* The figures are based on insurance policy commencement dates.

** Mainly private policyholders.

Customer loyalty and retention

In 2021, the renewal rate in the motor property insurance segment, in terms of premiums for policies that were in force in the previous year was 68%, compared to 67% in 2020.

Set forth below is information about customer loyalty in the motor property insurance subsegment in terms of premiums turnover in 2021 (by percentage):

Years of customer seniority	Up to one year	One to two years	Two to three years	Three years and up	Total
Distribution of customer seniority	38	18	12	32	100

⁶ The definitions for vehicle fleets and collectives were taken from the Codex of Regulations (Consolidated Circular).

In the motor property insurance subsegment, customers who also had compulsory motor insurance policies in 2021, 2020 and 2019 accounted for 92%, 93% and 93%, respectively, of all the policies in this subsegment in the relevant years.

2.3.3 Other property and casualty insurance

Other property and casualty insurance consists of a broad range of insurance coverages that can be divided into three key main subsegments: property insurance, liability insurance and other insurance.

2.3.3.1 Products and services

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

Property insurance

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

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

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

- B. **Business insurance and large businesses insurance:** this type of insurance is designed to provide insurance coverage in respect of the policyholder's interests in business-related property and buildings and the contents thereof; the insurance covers physical loss or damage caused due to fire and related risks (coverage sold together with coverage for risk of fire, lightning and additional risks, e.g. burglary, natural

damages, explosions, earthquakes, to the extent that these coverages are purchased (extended fire insurance policy)). Furthermore, one may purchase coverage for consequential loss, stemming from certain physical damages to the property, i.e., loss of profits.

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

The Company also sells business insurance coverage against cybercrimes; such coverage includes, among other things: reimbursement of compensation paid by the policyholder due to breach of privacy, reimbursement of costs and expenses associated with managing a cyber event, reimbursement of costs associated with responding to a security breach, cyber extortion, loss of income, and data restoration costs.

Liability insurance

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

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

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

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

D. **Other types of insurance**

In addition to property and liability insurance, The Phoenix Insurance also markets contractors' insurance (for the duration of a project or open policies for one insurance year in respect of all projects during that period), insurance covering mechanical-engineering equipment, mechanical breakdown insurance, refrigerated inventory insurance, cargo in transit and shippers' liability insurance, short-term personal accident insurance under business insurance policies and such, fidelity insurance, agricultural insurance, investment insurance for home buyers (Sales Law guarantee), electronic equipment insurance, insurance covering production and cancellation of events, clinical trials insurance, cancellation of flights insurance, money insurance, goods in transit insurance, works of art, marine, aviation, terrorism acts and cyber insurance.

2.3.3.2 **Competition**

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

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

Set forth below is data about the market share of the various companies in the other property and casualty insurance subsegment (by percentage):

	January-September 2021	2020	2019
Harel	21.1	20.8	22.3
Clal	16.0	15.1	14.0
The Phoenix	13.2	13.8	13.6
Migdal	9.1	11.1	11.6
Ayalon	11.3	10.9	10.5
Menorah*	12.7	12.0	11.0
Other companies	16.6	16.3	17.0
Total	100	100	100

*Comparative figures for Menorah also include the operations of Shomera.

Set forth below is a breakdown of information by property and liability subsegments:

Other property insurance subsegments (excluding motor property insurance)

	January-September 2021	2020	2019
Harel	19.0	19.1	18.5
Clal	18.7	17.7	16.9
The Phoenix	12.9	14.4	14.3
Migdal	9.1	11.5	11.9
Menorah*	12.8	11.9	11.3
Ayalon	8.2	7.8	7.5
Other companies	19.3	17.6	19.6
Total	100	100	100

*Comparative figures for Menorah also include the operations of Shomera.

Liability subsegments

	January-September 2021	2020	2019
Harel	24.0	23.3	28.1
Ayalon	15.5	15.4	15.1
The Phoenix	13.7	13.0	12.5
Migdal	9.0	10.4	10.9
Clal	12.3	11.3	9.7
Menorah*	12.7	12.2	10.5
Other companies	12.8	14.4	13.2
Total	100	100	100

*Comparative figures for Menorah include the operations of Shomera.

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

2.3.3.3 Customers

- A. The Phoenix Insurance is not dependent on any single customer in the other property and casualty insurance subsegment.
- B. Neither does the Company have a single customer in the other property and casualty subsegment that accounts for 10% or more of its revenues.
- C. The Company's customers in the other property and casualty insurance subsegment are mostly private customers.

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

	2021	2020
Large business customers ⁷	7.6	8.4
Other policyholders	92.4	91.6
Total	100	100

* The figures are based on the commencement dates of the insurance policies

The renewal rate in the other property and casualty insurance subsegment is relatively high due to the customization of policies to customers' requirements, specialization by the insurance companies and the tendency of customers in this subsegment to remain loyal to one insurance company, in part due to the desire to maintain continuity of the insurance coverage. In the home insurance subsegment, the renewal rate in 2021 was the same as in 2020 - approximately 86% - in terms of premiums received in the current year in respect of policies that were in effect in the previous year.

Set forth below is information about customer loyalty in the home insurance subsegment in terms of premiums in 2021 (by percentage):

Years of customer seniority	Up to one year	One to two years	Two to three years	Three years and up	Total
Distribution of customer seniority	14	9	8	69	100

⁷ "Large business customers" signify policyholders which account for at least 1% of the premiums in the segment.

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

2.4 Health Insurance Segment

2.4.1 Products and services

2.4.1.1 General

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

2.4.1.2 Segment's structure and key markets

The Israeli health insurance market is divided into three levels:

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

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

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

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

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

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

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

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

To the best of the Company's knowledge, the next renewal will take place in 2022 without increasing the premium.

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

Long-term care group insurance - In accordance with the Commissioner's Directives, The Phoenix Insurance ceased to sell group long-term care policies at the end of 2017, except for long-term care insurance to HMO members. As from January 2019, The Phoenix Insurance insures the customers of Maccabi Healthcare Services.

2.4.1.3 **Principal changes in the health insurance segment**

The expected reform in health insurance

In February 2022, the Capital Market, Insurance and Savings Authority published a second draft of the **health insurance reform**. This is a comprehensive and significant reform relating both to the nature and to the scope of the products, as well as to the methods employed in their marketing and management. According to the draft, the reform shall apply both to existing policyholders who purchased health insurance policies with an insurance period that is renewed every two years (starting in 2016) and to new policyholders. Furthermore, most of the reform's provisions shall also apply to group insurance.

As part of the reform, it is suggested to create five tiers:

The first tier - a basic health insurance policy that will be composed of three uniform policies that define a uniform and comprehensive coverage in their respective areas: (1) a policy covering transplants and special treatments abroad; (2) a policy covering medicines that are not included in the Israeli health care basket; and (3) a policy covering surgical procedures and alternative treatments to surgical procedures abroad;

The second - policies covering surgical procedures and alternative treatments to surgical procedures in Israel, from the first shekel payable or supplementary healthcare services without deductible or with deductible;

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

Furthermore, it is suggested to prescribe the following provisions: To define a basic health insurance policy, the purchase of which will be a precondition for the purchase of other health insurance products, such that the additional products shall be sold on the proviso that the policyholder has taken out a basic health insurance policy, and in a manner that will allow the policyholder to purchase a basic policy from one company and other health insurance products from another company; 2. To prohibit the sale of double insurance in indemnity health insurance products; 3. Imposition of disclosure requirements on the marketing entity in the process of sale of a policy covering surgical procedures in Israel; and 4. Prohibition of short-term rebates while setting a minimum fixed-rate rebate for a period of at least ten years.

For information regarding other legislative changes relating to the health insurance segment in the reporting period, please see Section 4.1.9 below.

24.1.4 **Description of health insurance plans/principal health services offered**

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

24.1.4.2 **Long-term care insurance (LTC):** Insurance for long-term care is designed to cover the costs incurred by individuals who are unable to perform activities of daily living (ADLs),⁸ and require special care. Policyholders utilize their entitlement to long-term care insurance benefits primarily in old age. Long-term care insurance plans entitle policyholders to receive monthly benefits upon the occurrence of an insurance event, in

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

accordance with the insurance amount purchased by the policyholder, for long-term care in the policyholder's home or in a nursing home. Coverage is provided for the period specified in the policy upon the occurrence of the insurance event. Some policies in this segment provide benefits for a limited time, while others provide life-long benefits, based on the option selected by the policyholder when taking out the insurance. The importance of this segment stems mainly from the increase in life expectancy and the relative increase in the number of people requiring long-term care. The Phoenix Insurance does not market individual long-term care policies in view of the guaranteed return in such plans and the complexity of the reinsurance that this segment requires.

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

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

24.1.4.5 Sick-leave insurance: this type of insurance provides coverage purchased by employers to ensure that they are indemnified for expenses they incur in respect of sick leave benefits payable to their employees under the Sick Leave Law. The "Healthy Business" policy marketed by The Phoenix Insurance was created such that it will suit most employers in Israel and comply with the requirements arising from the provisions of the law, regulations, expansion ordinances, and collective agreements. The following coverage is included in these insurance policies: illness and workplace accidents and injuries.

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

In view of the outbreak of the Covid-19 pandemic and its prolongation, The Phoenix made some changes, launching a new policy rider named "Covid-19 Shield", which provides for special costs before and after going abroad due to a pandemic; it also adjusted its policy regarding the sale of foreign travel insurance in accordance with the risk assessment conducted for various destinations from time to time. Therefore, although the scope of premium has declined, no loss was recorded in the reporting year in respect of this activity.

It should also be noted that as from January 2022, The Phoenix launched a new travel app that provides advanced services for policyholders traveling abroad through Air Doctor Ltd. For more information, see Section 2.4.3 below.

The policies are sold by The Phoenix Insurance, and the Group's agents. Travel insurance is also sold as a group policy based on the terms and conditions of Smart Group.

24.1.4.7 Insurance of Personal Accidents (for a period exceeding one year):

In June 2020, provisions for the wording of a personal accidents insurance plan were set, which came into force in May 2021, in order to ensure adequate coverage upon the occurrence of an insurance event. For that purpose, a basic tier was set for a policy that includes coverage in respect of death, disability, hospitalization, fractures and burns; a uniform and extensive definition was set for the term "accident"; a two-year insurance period was set; specific provisions were set for adding policyholders in a personal accidents insurance policy; and a mechanism was set for settlement of disability claims in a policy. In April 2021, the requirement to provide coverage for "recuperation days" was canceled, and currently companies may market the product without recuperation days.

As from May 2021, The Phoenix does not market the personal accidents product, and will only start marketing it when the new format of the product is approved by the Commissioner.

2.4.2 Structure of profitability

In the health insurance segment, profits are generated, among other things, by applying a proper and strict underwriting process to policyholders, proper pricing of the various products, while taking into account the costs of inputs of the various health indices, and efficient medical procurement activity. It should be noted that the profitability of individual insurance has a higher inherent risk due to, among other things, the prolonged coverage period (normally a significant

number of years) and the lack of flexibility with respect to making changes both to the policy's terms and to the insurance tariffs, in the absence of a mechanism to update tariffs. This is especially relevant for policies marketed since February 2016, with respect to which the Commissioner has the power to demand that changes are made to the insurance terms in relation to existing policyholders on renewal dates. For further details, please see Section 2.4.1.3 above regarding the reform in health insurance. Segment results are also affected by interest rates and capital market fluctuations, which have a major effect on investment income, and on long-term insurance reserves, primarily in the long-term care subsegments. In addition, the results of this subsegment have a significant effect on The Phoenix Insurance's solvency ratio. For further details, please see Section 2.1.5 to the Report of the Board of Directors.

2.4.3 New products

The Phoenix Insurance's travel insurance app

In January 2022, The Phoenix launched a new travel app that provides advanced services for policyholders traveling abroad through Air Doctor Ltd. The app allows policyholders to contact a physician with the click of a button, according to location. The policyholder can choose how to receive the service, summon the physician for a visit at the hotel, book an appointment at a clinic or schedule a video conference call, including receiving a prescription, all without the need to fill out forms or make a payment. In addition, the app allows policyholders to carry out a range of other actions, such as submitting a claim, viewing the insurance details page, contacting the insurance company in case of an emergency, and repurchasing the insurance product. The Company intends to develop other versions that will provide a personalized user experience and a wider and more accessible range of service.

2.4.4 Competition

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

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

The health insurance reform that entered into force in February 2016 prescribed a standard policy for surgeries in Israel. Furthermore, the Authority publishes a calculator for comparing prices of health insurance policies offered by the various companies. The standard policy and the calculator intensify the competition in the segment.

Set forth below⁹ is information about the market share of the Company and key competitors in the health insurance subsegment, by earned gross premiums (by percentage):

Company	January-September 2021	2020	2019
Harel	38.7	37.7	37.3
The Phoenix	19.8	21.2	24.7
Clal	10.2	9.9	10
Migdal	12.4	12.6	12.2
Menorah	11.8	11.4	8.4
Yeter	7.1	7.3	7.4
Total	100	100	100

In 2020, there was a decrease in The Phoenix Insurance's market share due to the transition of the Meuhedet HMO, which The Phoenix insured until the end of 2019, to Menorah Insurance Company Ltd.

In 2021, there was a further decline in The Phoenix' market share, since in April 2020 the shareholders in the David Shield agency founded a new insurance company, which received an insurer license and began marketing insurance plans to Israelis staying abroad. As of that date, The Phoenix ceased to sell such insurance plans and, in accordance with an agreement signed between the parties, in January 2021, the existing insurance portfolio was transferred from The Phoenix to David Shield Insurance Company Ltd.

2.4.5 Customers

Health insurance customers can be divided into three main categories:

- (A) **Individuals:** For these policyholders, insurance plans can be tailored to their needs, both in terms of the insurance coverage and the premium they pay. Illness and hospitalization insurance plans for individual customers are typically whole-life insurance plans. Under individual policies, the policyholder may cancel the policy at any time.
- (B) **Group insurance:** The Phoenix Insurance enters into group insurance policies with entities, workers' unions, and major Israeli corporations, under which it provides employees of these companies and their families with health and dental insurance. The term of illness and hospitalization insurance plans for customers in group insurance is fixed, mostly up to 5 years. Entities that enter into group insurance plans normally use the services of expert

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

external insurance consultants, and their insurance policies are more diversified, in accordance with the customer's specific requirements. Additionally, group insurance rates are lower (at the policyholder level) due to volume discounts, due to the fact that the policy period is fixed, as well as since agreements often include a price adjustment mechanism. Under group insurance plans, all policyholders are normally not tested for pre-existing medical conditions and are exempt from a qualifying period.

- (C) **Members of HMOs:** The Phoenix Insurance provides group long-term care insurance services to the members of Maccabi Healthcare Services (hereinafter - "**Maccabi**"), including operational services for long-term care policyholders of Maccabi Magen - Mutual Medical Insurance Association Ltd.

According to the agreement with Maccabi, The Phoenix Insurance manages and settles claims by policyholders, including adding new policyholders to the policy. Furthermore, The Phoenix Insurance holds in trust the funds accrued for the policyholders in a policyholders' fund and manages them in accordance with the terms and conditions of the tender (hereinafter - the "**Policyholders Fund**"). The term of the agreement is five years from January 1 2019 until December 31 2023 (hereinafter - the "**Agreement Period**"); Maccabi and The Phoenix Insurance are entitled to extend the Agreement Period by additional periods (up to three years in total).

The number of Maccabi members covered by long-term care insurance through Maccabi is approximately 1.5 million. The total annual premium amount for the reporting period is approximately NIS 980 million. The Phoenix Insurance pays 20% of the total insurance benefits, and the Policyholders Fund pays 80% of the total insurance benefits. Accordingly, the premium that The Phoenix Insurance is entitled to is for 20% of the insurance risk and for operating the insurance plan. Furthermore, The Phoenix Insurance entered into proportional reinsurance contracts with several reinsurers to hedge and diversify the risk it is exposed to.

Set forth below is a breakdown of premiums from customers (gross) in 2020 – 1-9.2021 (by percentage)

	1-9.2021	2020
Private customers:		
Health	34	37
LTC	9	9
Total private customers	43	46
Group customers:		
Health	21	22
LTC	0	0
Total group customers	21	22
HMO members	36	32
Total	100	100

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

The rate of policy cancellation for private long-term insurance policies in the health segment, in terms of premiums,¹⁰ was 9.0%, 11.2% and 10.3% in 2021, 2020 and 2019, respectively. In the long-term care segment - the rate is 3.5%.

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

¹⁰ Private insurance policies only. Excluding critical illness insurance, LTC insurance and foreign travel insurance.

2.5 Asset management - financial services

2.5.1 General information about the segment

2.5.1.1 Segment structure and changes therein

The Phoenix group operates in the asset management - financial services segment, inter alia, through The Phoenix Investments and Excellence. Furthermore, this segment includes investments in alternative products, which are currently conducted through a number of Group companies as described below. The Company intends to concentrate the investment in alternative products under The Phoenix Investments. As of the report date, The Phoenix Investments wholly owns (100%) Excellence Investments Ltd. (hereinafter - **Excellence Investments**). Excellence Investments operates through companies under its control (hereinafter, for the sake of convenience, to be called "**Excellence**" or the "**Excellence Group**") in a variety of activities in the capital market sector: investment marketing and management for customers; management and operation of mutual funds; underwriting and investment banking; trading services on the TASE and related services; trust services (in the framework of options and management of employee compensation plans as well as mergers and acquisitions); alternative products as well as sale of related products.

Significant external changes that affect this area of activity are the scope and nature of activity in the capital market as well as regulatory changes. For further details, please see Section 2.5.1.5 below. For a chart of Excellence's holdings, please see Section 1.2 above.

2.5.1.2 Completion of the merger of the portfolio management company and the TASE member

In April 2021, Excellence completed the merger process of several companies into Excellence Investment Management and Securities Ltd. (hereinafter - the "**TASE Member**"), including Excellence Nessuah Asset Management Ltd. (hereinafter - the "**Portfolio Management Company**"). Accordingly, subsequent to the merger process, the activity in the TASE Member also includes the portfolio management activity.

2.5.1.3 Acquisition of Halman Aldubi Group companies

In February 2021, 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. In March 2021, Halman-Aldubi and the TASE member signed an agreement whereby the TASE member will acquire the entire issued share capital of Halman Aldubi Investment Portfolio Management (2007) Ltd. (hereinafter - "**HA Portfolio Management**") - a wholly owned company of Halman Aldubi. In June 2021,

the merger of HA Portfolio Management with and into the TASE Member (as the surviving company) was completed.

2.5.14 **Restructuring in Excellence**

For information about the expected restructuring in the investment house, see Section 1.3.13 above.

2.5.15 **Restrictions, legislation, standards and specific constraints**

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

2.5.15.1 **Regulation of mutual funds**

Mutual funds management is regulated under the provisions of the Joint Investments in Trust Law and regulations promulgated thereunder, and the ETFs activity is also regulated under the Tel Aviv Stock Exchange regulations and guidelines, including with regard to listing ETFs. This subsegment is regulated by the Israel Securities Authority. The law and regulations include, among other things: provisions about the approvals required to set up a mutual fund; holdings through means of control of the fund manager; terms and conditions for the qualifications of employees and/or people who take part making decisions concerning the management of a fund's investment portfolio; requirements pertaining to the composition of the board of directors of the fund manager; qualification of its members; appointment of board of directors' committees; obligation to publish a prospectus; obligation to publish the fund's annual report; duties of the fund's manager and trustee; allowed transactions, types of assets and maximum rates of such assets that the fund's manager is allowed to hold; material transactions or transactions that involve a conflict of interest and approval thereof; actions which the fund's manager, trustee and related parties thereof may not carry out; definition of actions that constitute breaches that carry monetary sanctions (administrative enforcement); civil or criminal offenses and related sanctions; minimum equity; obligation to have insurance coverage; and other various restrictions in respect of changes in the fund's investment policy.

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

In addition, as part of Amendment 28 to the Joint Investments in Trust Law 1994, as from October 2018, all ETNs managed by Excellence were converted into ETFs and transferred to the management of KSM Mutual Funds. Furthermore, in June 2021, KSM Mutual Funds adopted an outline agreed between the Association of Mutual Funds Managers and the Israel Securities Authority to reduce the number of similar funds under active management. Under the outline, KSM Mutual Funds merged a number of active funds under its management and took steps to adjust the classifications of the funds under its management, such that they are in line with the said outline. In the opinion of KSM Mutual Funds, this move did not affect its activity.

2.5.1.5.2 **Regulations in the underwriting subsegment**

The underwriting and issuance subsegment is regulated under the Securities Law and the regulations promulgated thereunder, and specifically under the Securities Regulations (Underwriting), 2007 (hereinafter - the "**Underwriting Regulations**"). The Underwriting Regulations regulate, among other things, the requirements for eligibility to operate in the underwriting subsegment, including: requirements to have insurance coverage; composition of an underwriter's board of directors and qualifications required of board members and other officers of an underwriter; deposit requirements; rules concerning record keeping and documentation; and reporting requirements. Under the Securities Law, the underwriter, as the party signing off a prospectus, is liable towards the buyers of securities sold under the said prospectus and towards sellers and buyers of securities as part of on-floor or off-floor trading, for damages incurred due to misleading information included in the prospectus. Such liability does not apply to anyone who can prove that he/she acted in good faith and took all adequate precautions to ensure that the prospectus shall not contain misleading information. The Israel Securities Authority regulates the entities operating in this subsegment and enforces the provisions of the law. At the same time, the Group's activities in the underwriting subsegment are affected by the provisions of the laws that apply to issuers and investors, in particular institutional investors.

In August 2020, the Israel Securities Authority's Staff Position "Distribution as Underwriting" (hereinafter - the "**Staff Position**") was published, whereby the Israel Securities Authority's staff is of the opinion that it is presumed that a distributor or a related party thereof, which purchases securities in an issuance in which it serves as a distributor and sells the securities within no more than 6 months from issuance date, is considered as if it has undertaken in the first place

to purchase the securities in order to sell them thereafter, and as such - serves as an underwriter in the issuance. The Israel Securities Authority excluded from this presumption the activities of "managers of others' funds"; however, the nostro investment activities of an affiliated entity or the activities of portfolio managers were not included in this exclusion; this may lead to Excellence Nessuah Underwriting (1993) Ltd. being subject to rules and liability applicable to underwriters, despite the fact that at the time services were provided to the customer and at the time of the issuance, it acted solely as a distributor. In this context, the Company and corporations under its control filed a pre-ruling application with the Israel Securities Authority, requesting the ISA's confirmation to the effect that the abovementioned presumption does not apply to the acquisition of securities as part of The Phoenix Insurance's nostro activity or as part of Excellence's portfolio management activity, in issuances where Excellence Nessuah Underwriting serves as a distributor, to the extent that these related parties purchase securities under the circumstances and in the manner described in the pre-ruling application. Further to the pre-ruling application, the Israel Securities Authority updated that it accepts the Company's position as to the portfolio management activity (and accordingly revised the Staff Position whereby the definition of "managers of others' funds", with regard to which there is no presumption, shall also include a portfolio manager that makes purchases at its own discretion into a customer account).

2.5.1.5.3 Regulation in the investment marketing and portfolio management subsegment

Investment portfolio management and investment marketing are regulated by the provisions of the Advice Law, its regulations, directives, as well as circulars of the Israel Securities Authority. According to the Advice Law, a corporation engaged in the management of investment portfolios, and those it employs as investment portfolio managers, must hold a portfolio management license from the Israel Securities Authority. The Advice Law and the regulations promulgated thereunder also apply to the relationships between the license holder and its customers, and imposes various duties as to the nature of the engagement, the dealings between the license holders and customers, the provision of services to customers, as well as minimum capital and insurance coverage requirements.

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

In January 2020, the Israel Securities Authority issued a directive to portfolio managers, mutual fund managers and mutual fund trustees titled "Portfolio Management Service 2.0". The purpose of the directive is to enable a TASE Member engaged in portfolio management to provide investment marketing services through the management of four dedicated funds that will be outsourced, with the service being provided by the TASE Member through digital means only. In March 2021, the Israel Securities Authority issued an amended version of the directive, according to which, portfolio managers will be allowed to provide portfolio management services 2.0 using traditional methods without being required to implement significant technological developments, through a managed account.

25.1.54 **Regulation of TASE services:**

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

- A. TASE Rules and Regulations: The TASE Member is subject to the provisions of the TASE Rules and Regulations and the guidelines set thereunder, which relate, among other things, to: terms of qualifications for TASE membership; TASE members' obligations vis-a-vis the TASE, its members, and their customers; permitted areas of activity; requirements for appointing various control functions; provisions regarding monitoring and control over compliance with the TASE Rules and Regulations; various provisions for IT management, etc.
- B. TASE clearing house bylaws: In addition to its membership in the TASE, the TASE Member is part of the TASE clearing house and thus subject to the clearing house's bylaws. Furthermore, since some of its customers trade options and derivatives on the MAOF clearing house, and since the TASE Member is not a member of the MAOF clearing house, the Member operates in this clearing house through a supporting member, and as such is subject to the MAOF clearing house bylaws applicable to TASE members who are not members of the clearing house.

- C. The Advice law and the regulations promulgated thereunder: Since the TASE Member holds an investment marketing license, it is subject to the provisions of the Advice Law, regulations promulgated thereunder, guidelines and circulars of the Israel Securities Authority.
- D. The Prohibition on Money Laundering Law and ordinances promulgated thereunder: The TASE Member is subject to the provisions of the Prohibition on Money Laundering Law and the Prohibition on Money Laundering Ordinance (Identification, Reporting and Record-Keeping Obligations of Portfolio Managers to Prevent Money Laundering and Financing of Terrorism), 2010. These provisions stipulate, among other things, the duties of to identify the account holder and duties concerning control and reporting in relation to customers of the TASE Member.

25.1.5.5 **Draft directive for discharging anti money laundering duties when opening accounts via an on-line authentication technology**

In November 2021, a draft directive was published, whose objective is to allow TASE Members who are not banks to remotely open accounts for customers while using digital means, and without necessarily meeting the customer, even when the account in question is not a "closed system account"; the draft describes the ways for discharging the duties set in the Prohibition on Money Laundering Ordinance, if and to the extent that a TASE Member wishes to use such a technology. The draft is being assessed by the Israel Securities Authority.

- 25.1.5.6 In December 2021, the Knesset passed the **Financial Information Service Law, 2021**, whose objective is to allow entities licensed to provide financial information services to collect financial information about the customers, where such financial information is held by other financial entities from whom the customers receive financial services. Such collection of information is carried out by virtue of the license holder's access to an on-line system through which the sources of information are required to provide access to the financial information. As part of collecting the information, license holders will be able to offer their customers various services based on the information they hold. the TASE Member is assessing the potential effect of the new directive on its activity and the services it provides to its customers.

25.1.5.7 Changes in areas of activity TASE members may engage in - In January 2021, the TASE published a draft amendment to its Rules and Regulations; the draft was released for public comment; it proposes to expand the areas of activity TASE members may engage in, such that members will be able grant credit to their customers for purposes other than funding activities involving financial assets.

25.1.6 **Changes in the scope of operations and profitability of the subsegment**

25.1.6.1 On December 31 2021, assets under management by the Excellence Group totaled approximately NIS 67.0 billion, compared to NIS 54.6 billion as of December 31 2020. The increase in assets under management stemmed mainly from the increase in assets in the mutual funds; this increase is mainly attributed to price increases in markets and from capital raising in the various funds. For further details, please see Section 5.7.2 to the Report of the Board of Directors.

25.1.6.2 **Market trends in the reporting year and their effect on Excellence's areas of activity:**

A. **Mutual funds**

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

2021 was characterized with raisings in the mutual funds. In the beginning of 2020, the world experienced an event which has had macroeconomic ramifications, and which originated in the spread of Covid-19 (COVID-19) (hereinafter - the "**Covid-19 Outbreak**"). The Covid-19 Outbreak sent waves of shock through global financial markets, which slumped and became highly volatile, launching the world into a period of uncertainty.

At the beginning of the Covid-19 crisis in 2020, mutual funds experienced large-scale redemptions; however, since the beginning of the second quarter of 2020 and in 2021, mutual funds saw inflows. The fund's manager takes action to maintain its activity, including by working remotely and in accordance with the guidance of the competent authorities.

As of the report date, Excellence manages, through the Fund Manager, 368 funds in most of the existing investment channels: 99 managed funds (of which 14 funds managed by external entities - hosting), 174 ETFs, and 95 open-ended tracker funds).

Set forth below are data about total assets under management by the mutual funds sector in Israel and in KSM Mutual Funds (in NIS billions):

	December 31 2021 Total sector	KSM Mutual Funds	December 31 2020 Total sector	KSM Mutual Funds	December 31 2019 Total sector	KSM Mutual Funds
Traditional funds	207	13.9	166	10.1	188	7.6
Open-ended tracker funds	69	13.4	51	9.3	41	7
ETFs	105	28	91	25.9	93	27.3
Money market funds	17	0.7	23	1	29	1.1
Total	398	56	331	46.3	351	43

B. Underwriting and investment banking

In 2021 there was a significant increase in the number of IPOs in the equity market, and 99 new companies (and partnerships) were listed on the Tel Aviv Stock Exchange during 2021, of which 94 new companies (and partnerships) executed IPOs. During 2021, approximately NIS 29.6 billion were raised on the Tel Aviv Stock Exchange as part of share issues and private offerings of shares; approximately NIS 10.5 billion of that amount was raised as part of 94 IPOs (compared with 2020, in which capital raised amounted to NIS 23.8 billion, of which NIS 4.6 billion were raised as part of 27 IPOs). Furthermore, the trend of using non-uniform offerings to institutional investors continued.

The amount raised through issuance of corporate bonds (in the stock exchange and through private allocations, excluding issues abroad, TASE UP and structured bonds) increased in 2021 to approximately NIS 77.8 billion compared with approximately NIS 51.5 billion in 2020 - an increase that is attributed to capital raising by financial sector and real estate sector entities.

C. Investment marketing and investment management for customers

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

	2021	2020	2019
Asset under management	12.8	9.8	9.4

The increase in total assets in Excellence's investment portfolios stems from the purchase of the activity of Alumot in 2020 and the activity of Halman Aldubi in 2021.

D. **Stock exchange and trading services**

During the reporting year, trading volumes on the TASE decreased by approximately 8.4% compared with 2020. This decrease stemmed mainly from the decrease in trading volumes of bonds and Makam (T-Bills).

In the reporting year, the TASE Member's trading volumes decreased by 2.7% compared with 2020; this decrease stemmed mainly from the decrease in trading volumes of bonds and Makam (T-Bills).

The profits generated by the TASE Member is exposed to changes in the Bank of Israel's interest rate and in the Federal Reserve's interest rate. In 2020, the Fed's interest rate decreased significantly; this had an adverse effect on the spreads of the TASE member's foreign currency deposits and on the TASE Member's profitability during the reporting year.

2.5.1.7 **Critical success factors**

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

2.5.1.8 **Main entry and exit barriers**

- 2.5.1.8.1 The principal entry barriers for this operating segment are: the relevant legislation, including restrictions and conditions for obtaining the permits and licenses required to engage in the activity; the need to meet equity requirements or provide other

collateral based on the provisions of the relevant laws, such as insurance coverage; finding professional and skilled employees; relationships with financial institutions overseas; obtaining approvals from the authorities to issue products to the public (TASE and the Israel Securities Authority).

25.1.8.2 The main exit barriers from this area of activity are the sale of activities that in some case require obtaining licenses, control permits and other approvals. Furthermore, in some of the activities, the relevant company has long-term agreements for the provision of services in that operating segment (including commitments under various tenders), and exiting the area of activity requires termination of such agreements.

25.1.9 Alternatives for products in the segment and changes therein

Alternatives to investment management (portfolio and mutual funds) are savings channels which do not require ongoing investment management (for example, bank deposits), self-management of investments in securities, direct management through bank advisory services or any other type of investment advisory services, and purchase of ETFs. Furthermore, long-term savings products offered by insurance companies and provident funds' management companies (for example, investment provident funds, savings policies, etc.) also serve as an alternative. Alternatives for ETFs and tracker funds are equity mutual funds that strive to outperform the indices, and foreign index funds traded on foreign exchanges, whose activity is similar to that of ETFs traded on the TASE. Alternatives for underwriting operations include capital raising on foreign stock exchanges and loans from banks or non-bank entities.

25.1.10 Structure of competition in the area of activity and changes therein

The segments in which Excellence operates in the capital market are characterized by numerous competitors and fierce competition from investment houses, banks and other entities operating in the capital market. In recent years, competition has increased due to the emergence of new actors in the market, following expansion of activities in the capital market, as well as due to Amendment No. 28, which enabled issuers of tracker funds to convert them into ETFs. For further details about competition in this area of activity, please see Section 2.5.6 below.

In the reporting year, Excellence worked towards launching a digital platform for onboarding new customers and management of portfolio management customers, with customers given the option to manage their investments by opening accounts with the

TASE Member or through their accounts with banking corporations. The platform is expected to be launched during 2022.

2.5.2 Products and services

The following are the key subsegments comprising the Company's asset management segment - financial services segment:

2.5.2.1 **Investment marketing and investment management for customers**

In this subsegment, Excellence provides marketing and investment management services in Israel and abroad; management of mutual funds and other activities.

2.5.2.2 **Investment portfolio marketing and management**

Excellence, through the TASE Member, provides investment marketing services and manages investment portfolios for private customers, corporations and institutional entities from various economic sectors through a range of investment channels. The TASE Member holds an investment portfolio marketing and management license under the Advice Law. Investments are made by a highly-qualified and experienced team comprised of qualified investment managers, licensed to manage investment portfolios. Portfolio management is carried out through most Israeli banks and non-bank TASE members. For further details about total assets under management by the TASE Member, please see Section 2.5.4 below.

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

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

2.5.2.3 **Management of mutual funds and ETFs**

Mutual fund management operations are regulated by the Joint Investments in Trust Law and the regulations promulgated thereunder, and in the case of ETFs - the operations are also regulated by the TASE Rules and Regulations. Mutual funds are established under an agreement between the fund manager and a trustee, which specifies the fund's investment

policy, the maximum fees which the fund manager and trustee may charge, etc. The sale of mutual fund units is made in accordance with a prospectus in which fund units are offered to the public. Publication of such a prospectus requires a permit from the Israel Securities Authority, and the subscription period for the units offered under the prospectus is limited to one year from the date of issuing the prospectus. This period is renewed for one further year by the fund manager's publication of a prospectus once a year. Furthermore, ETFs are traded on the TASE and can be purchased and sold during trading on the TAXE. The Securities Regulations set disclosure requirements regarding the prospectus, and impose liability on the parties signing the prospectus under the Joint Investments in Trust Law and the Securities Law. Most revenues stem from management fees charged by each fund; a small portion of revenues stems from the load charge collected by the fund manager upon the purchase of units in the fund. In ETFs, the fund manager is also entitled to set variable management fees that may be positive or negative depending on the performance of the fund versus the asset which the fund tracks in accordance with the provisions of the Joint Investments in Trust Law and the regulations promulgated thereunder.

For further details about the number of funds managed by KSM and total assets under management, please see Section 2.5.1.6.2 above.

2.5.2.4 Contracting with external investment managers in investment management agreements and consulting agreements, for the mutual funds

As of the report date, Azimuthline Capital Markets Ltd. - holder of a portfolio management license (hereinafter - "**External Investment Manager**") - renders investment management services to mutual funds managed by KSM Mutual Funds. This is in addition to agreements signed in 2017 between KSM Mutual Funds and Alliance Bernstein (Luxembourg) S.a.r.l., a New York-based foreign mutual funds management company (hereinafter - "**AB**"), whereunder KSM Mutual Funds will serve as the representative and marketer of AB's funds in Israel in the private customers segment, and will also offer units of Class A foreign funds managed by AB to the Israeli public. AB shall also serve as an investment advisor to funds under the foreign shares category of KSM Mutual Funds.

In October 2020, KSM Mutual Funds and The Phoenix Investments entered into an advisory services agreement, whereunder the company shall provide external advisory services to funds managed by KSM Mutual Funds. Furthermore, in December 2021 ION Asset Management Ltd. stopped serving as an adviser to the fund managed by the fund manager, and was replaced as investment advisor in the said fund by The Phoenix, such that as of December 31 2021, The Phoenix serves as an advisor of 3 funds.

It should also be noted that in addition to the above, KSM Mutual Funds provides "hosting" services in mutual funds to external fund managers.

2.5.2.5 **Index tracking services provided by KSM**

KSM provides index tracking services to managers of others' funds including for the index-tracking pension savings plans launched by The Phoenix Insurance and by The Phoenix Pension. As of the report date, eight investment baskets are being managed, with total assets under management of NIS 19.9 billion.

2.5.2.6 **REIT fund management**

REIT 1 Ltd. (hereinafter - "**REIT**") is an investment fund investing in real estate; REIT is traded on the TASE. In April 2006, REIT entered into an agreement with REIT 1 Management Services Ltd. (hereinafter - "**REIT Management**"), approximately 47.5% of the issued share capital of which is held by Excellence; under the agreement, REIT Management will provide REIT with advisory services in respect of the REIT's management. This agreement was extended a number of times over the years. The term of the present agreement ends in September 2025.

The other shareholders in REIT Management have the option to purchase Excellence's stake in REIT Management's shares. The option is exercisable in September 2025.

2.5.2.7 **Underwriting and investment banking**

Excellence, through Excellence Nessuah Underwriting (1993) Ltd. (hereinafter - "**Excellence Nessuah Underwriting**"), provides underwriting, management, consultancy and distribution services for public and private offerings in Israel, including distribution and management of liquid securities. It also renders services in securities transactions (including offers of sale) and securities distribution, brokerage and advisory services in securities transactions, financing, and investment banking.

Excellence Nessuah Underwriting also participates, among other things, in the administration of IPOs and serves as manager of the consortium of underwriters or distributors and/or as an underwriter or distributor, as the case may be.

In underwritten IPOs, the underwriters undertake to purchase the securities that are not subscribed for by the public, thus ensuring that the issuing company raises the amount of money planned. Since by law the underwriter that signs the prospectus is responsible for the details included therein, the issue includes due diligence procedures about the issuing companies.

As part of Excellence Nessuah Underwriting's activity as a distributor (in offerings that are not underwritten), and as part of its administration of private offerings, Excellence Nessuah Underwriting does not sign the offering's prospectus. It is noted that private offerings do not include an offer to the public, and are therefore exempt from the duty to publish a prospectus. In most cases, the offering of securities is carried out in accordance with shelf prospectuses. In public offerings carried out through shelf prospectuses, the underwriter serves mainly as a distributor and the fee paid to it depends on the scope of the offering; the fee will also vary depending on the type of the issue (as a rule, fees from issuance of shares are higher than fees from issuance of bonds). Accordingly, most of the Group's activities are distribution activities.

Issuers (whether they are reporting corporations or not) also have the option to enter into private transactions. In the case of private transactions, the underwriter mainly provides the marketing services.

Most of the revenues in this subsegment stem from underwriting, distribution, and management fees paid to underwriters or distributors, as the case may be, by the companies raising capital.

Furthermore, from time to time, the Group generates revenues from fees and commissions in the investment banking subsegment, primarily from brokerage in private loan transactions and private offerings of securities. The fees and commissions amounts is usually derived from the transaction amount.

During the reporting period, most capital raised by Excellence Nessuah Underwriting was through debt, with a smaller portion raised through shares.

Set forth below is information about the volume of Excellence Nessuah Underwriting's public offerings activity:

	2021	2020	2019
Distribution	14	43	42
Underwriting	1	0	0

The decrease in volume of activity between the reporting year and 2020 was mainly caused by the fact that a number of key personnel left Excellence Nessuah Underwriting. The decrease in the number of issuances in which Excellence Underwriting participated in 2021 compared with 2020, led to a decrease in total revenues from underwriting and investment banking in 2021 compared with 2020. Revenues were also affected by a change in the issuances mix, and a decrease in revenues from management of commercial securities due to high volume redemptions in this area during 2020.

2.5.2.8 Stock exchange and trading services

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

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

The TASE Member also provides market-making services involving securities traded on the TASE, in cooperation with Bina Investments Ltd. As of the report date, the TASE Member is the market maker of 93 securities.

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

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

During the past year, the amount of credit extended to customers increased from approximately NIS 403 million in 2020 to approximately NIS 506 million in the reporting period.

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

for which customers deposited their funds with the TASE Member. The TASE Member's profits in this area stem from the difference between the interest rate the TASE Member receives from banking corporations for various periods, and the interest rate it credits its customers with.

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

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

After an audit held on behalf of the Israel Securities Authority in November 2018 to May 2019, in October 2020, the Israel Securities Authority informed the TASE Member that a request for the imposition of a monetary sanction had been submitted to the Committee for the Implementation of Monetary Sanctions for Violation of Provisions under Section 7 to the Prohibition on Money Laundering and Financing of Terrorism Law, 2000, and Sections 2(a), 2(c), 3(b), 3(c), 5, 11 and 18 to the Anti-Money Laundering Ordinance (Identification, Reporting and Keeping Records Requirements by Stock Exchange Members for the Purpose of Preventing Money Laundering and Financing of Terrorism, 2010. In June 2021, the enforcement panel issued its decision which approved an administrative settlement, as part of which the TASE member paid a monetary sanction, the amount of which was immaterial. Once the payment was made, the procedure was concluded.

2.5.2.9 **ESOP Trust Services**

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

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

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

2.5.2.10 **Alternative Investments in The Phoenix group**

As part of implementing the Group's strategy of enhancing the area of alternative assets offered to investors, in recent years the Group started taking steps to develop and distribute alternative investment products. As of the report date, the total amount raised in respect of all alternative investment products was NIS 3 billion. As of the report date, this activity is conducted through several Group companies. The Company intends to concentrate this activity under The Phoenix Advanced Investments Ltd. (formerly: Halman-Aldubi Investment House Ltd.), which will outline the policy of this area and its development. For further details, please see Section 1.3.11 above.

Set forth below are the key activities in the area of alternative investments:

2.5.2.10.1 **The Phoenix Capital Ltd.**

The Company has a 65% interest in The Phoenix Capital Ltd. (hereinafter - "**The Phoenix Capital**"), held through The Phoenix Investments. The Phoenix Capital serves as the general partner in the following funds:

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

The "Phoenix Real Estate Debt" fund: The Phoenix Capital owns 50% in the general partner The Phoenix Financial Technologies Funds (hereinafter - "**Technologies Funds**") as from November 2019. Technologies Funds serves as the general partner of the Phoenix Real Estate Debt fund, which invests in bridge loans backed by housing real estate properties in the USA. At this stage, the fund mainly focuses on qualified investors. As part of the agreement for the establishment of the fund, The Phoenix Investments has undertaken to provide a number of services for the fund's management. In addition, The Phoenix Insurance and/or subsidiaries under

its control provide a guarantee to the credit facility extended to the fund by a banking corporation totaling USD 60 million.

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

Distribution of investment funds: In addition to the above, The Phoenix Capital serves as a distributor of a number of international investment funds, mainly to qualified investors.

2.5.2.10.2 **The Phoenix Value Ltd.**

The Company has a 50.1% interest in The Phoenix Value Ltd. (hereinafter - the "**The Phoenix Value**") through The Phoenix Advanced Investments Ltd. The Phoenix Value operates as follows in the field of alternative investments:

P2P fund: The Phoenix Value has a 94% interest in The Phoenix Value P2P General Partner Ltd., which serves as the general partner of a partnership engaged in the field of purchase of loans from on-line platforms in the USA.

Urban regeneration fund: As of the report date, The Phoenix Value holds 100% of The Phoenix Value Urban Regeneration General Partner Ltd., which serves as the general partner of a partnership engaged in urban regeneration.

Distribution of international investment funds: In addition to the above, The Phoenix Value has a 100% interest in The Phoenix Value Feeder Funds Advanced Investments Ltd., which serves as a distributor of a number of international alternative investment funds, mainly to qualified investors.

2.5.2.10.3 **Phoenix Investment Funds Ltd.**

The Phoenix Investment Funds Ltd. - a wholly owned company of The Phoenix Investment and Finances - is the general partner in the "Phoenix Co Invest" fund, which commenced its operations in June 2019 and invests - together with The Phoenix group - in private equity and infrastructure transactions where there is surplus allocation. At this stage, the fund mainly focuses on qualified investors.

2.5.2.10.4 **Excellence Alternative Assets Ltd.**

Excellence - through Excellence Alternative Assets Ltd. (hereinafter - "**Excellence Alternative Assets**") - gives its customers the option to invest in alternative products, including investment funds, by setting up special-purpose limited partnerships (hereinafter - "**feeders**"). Generally, the target audience for investment in feeders are qualified customers.

2.5.3 **Breakdown of revenues and profitability of products and services**

The following are details of Excellence's revenues by subsegments included in the Company's financial services segment, costs attributable to these subsegments, and their operating profit, as of December 31 2019, 2020, and 2021 (in NIS millions). For further details, see also Section 5.7.2 to the Report of the Board of Directors.

	Stock exchange and trading services			Underwriting and investment banking			Investment management (ETFs, mutual funds, and portfolio management)			Other		
	December 31 2021	December 31 2020	December 31 2019	December 31 2021	December 31 2020	December 31 2019	December 31 2021	December 31 2020	December 31 2019	December 31 2021	December 31 2020	December 31 2019
Total revenue	120	120	109	3	7	10	271	248	224	35	40	33 ¹¹
Variable costs that do not constitute income in another subsegment	11	11	8	(*	(*	1	81	71	39	4	-	2
Fixed costs that do not constitute income in another subsegment	92	63	51	2	4	4	108	105	123	28	19	21 ¹²
Total costs	102	74	59	2	4	5	189	176	162	32	19	23
Operating profit	18	46	50	1	3	5	82	72	62	3	21	10
Total assets	970	754 ¹³	591	17	20	24	846	1,193 ¹⁴	591 ¹⁵	417	363	372
The minority share in the subsegment from external	-	-	-	-	(*	1	12	11	9	-	-	1

(* An amount lower than NIS 1 million)

¹¹Including the revenues of ESOP (the financial statements of which were first consolidated in these reports).

¹²Including the revenues of ESOP (the financial statements of which were first consolidated in these reports).

¹³ The increase is due to an increase in credit for the purchase of securities as well as from the TASE clearing house.

¹⁴ The increase is mainly due to designated cash in respect of market making.

¹⁵The decrease is due to the conversion of ETNs into ETF-type mutual funds.

2.5.4 Customers

- Mutual funds are marketed to the general public.
- Customers in the investment portfolio management segment include institutional customers, various types of corporations (companies, non-profit organizations, local authorities, kibbutzim, etc.), as well as private customers. The relationship between the Excellence and its customers in the investment management segment are mostly long term. However, there is no minimum engagement period, and the parties may terminate the engagement at any time, subject to the provisions of the agreement and the law.
- Customers in the underwriting and investment banking segment are mainly private and public companies seeking to raise capital or offer securities to the public.
- Customers in the trading and stock exchange services subsegment are primarily institutions in Israel and abroad, qualified customers and private companies and individuals (in the reporting year, the number of private customer increased, presumably due to the Covid-19 pandemic, which brought about an increase in private customers engaging in trading).
- Customers in the area of alternative products are qualified customers, which are corporations and private customers in Israel.

2.5.5 Marketing and distribution

- In the investment management and marketing segment, portfolio management marketing is carried out through a network of independent agents, private providers of potential customers and a number of telemarketing representatives engaged in recruiting customers through proactive telephone calls.
- Marketing of mutual funds and ETFs mainly carried out through investment advisors at the branches of the various banks, institutional entities and portfolio managers, as well as through advertising on various media channels.
- Marketing of the underwriting and investment banking activity is carried out by Excellence's employees, and targets managers of large companies.
- Marketing of the trading activity is mainly carried out through advertising in digital media, including on the Excellence's website and other websites, apps, as well as independent agents the TASE Member works with, who receive fees and commissions in respect of customers they recruit.

2.5.6 Competition

Investment marketing and management

In Israel, there are numerous organizations specializing in portfolio management for others and in the provision of investment marketing services. The main competitors are the large entities. Harel, Poalim Capital Markets, Psagot, IBI, Altshuler Shaham, Meitav-Dash, Yelin Lapidot and Migdal Capital markets are portfolio managers which Excellence believes are its main competitors

in the portfolio management segment. Excellence believes that it is one of the leading companies in the field of portfolio management in Israel.

It seems that most of the competition in this area in future years will take place in the sphere of digital portfolio management and investment marketing, with market players investing substantial resources in such platforms.

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

Immediately prior to the report date, there are 2,230 mutual funds managed by several dozen active institutionals that create fierce competition between competitors. As a result, the importance of mutual funds increased in recent years, having a decisive impact on the competition between the various institutions in this segment. Each of the banks has models for decision supporting systems used by investment advisors (hereinafter - "**rating systems**"). The banks' rating systems are extremely important to the competition in this industry, as investment advisors and customers base their investment decision process on such ratings. To the best of Excellence's knowledge, the banks have several rating systems based on various models, and Excellence is unable to estimate the model determined by each bank. Excellence estimates that internal ratings in bank systems, which are based on objective data (rather than necessarily on qualitative parameters such as reputation, etc.), represent a key parameter in advisors' decision to purchase various mutual funds in the industry. It is noted in this respect that the banks provide independent consulting and charge fund managers distribution commissions (except in the case of tracker funds).

As of December 31 2021, Excellence's share in the ETFs market is 26.6%, 19.4% in the tracker funds market, and 6.7% in the traditional funds market. Excellence estimates that allowing foreign funds to operate in Israel (following the entering into force of Amendment 23 to the Joint Investments in Trust Law) and the conversion of ETNs into ETFs (following the entering into force of Amendment 28 to the Joint Investments in Trust Law) have further intensified the competition in these segments.

In the reporting year, as part of the strategy to increase total assets under management, and especially in view of the competition in the sector as described above, Excellence announced an offer whereby a number of mutual funds will be managed at zero management fees. For further details, please see Section 1.3.13 above.

Underwriting

The underwriting company operates in a highly competitive market. The competitors of the underwriting company have access to the majority of potential customers and can offer them their services. Some of the competitors are companies controlled or jointly held by banks, while other competitors are owned by insurance companies and/or related to investment houses. At this stage, the scope of activity of foreign underwriters in the local market is immaterial.

As of the report date, there are approximately 20-25 active underwriters and distributors competing in the field of underwriting and distribution in Israel, of which about 15 - including the underwriting company - compete to serve as lead underwriters (and about four are dominant underwriters), while all others normally join consortiums of underwriters and distributors. In addition, other financial entities operate in this area, the activity of which may constitute competition in the field of underwriting.¹⁶

Trading and stock exchange services

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

The Group's competitors in this area of activity are all TASE members, in particular banking corporations and Israel Brokerage & Investments I.B.I Ltd., Leader Holdings and Investments Ltd. (which operates through another TASE member), Meitav Dash Trade Ltd., and Psagot Securities Ltd.

Excellence's market share varies by type of activity.

¹⁶ Since no underwriting market inputs are published, Excellence cannot assess its market share compared to its competitors.

In recent years, the banks clearly strengthened their hold on the brokerage market, fees and commissions have been reduced, and regulatory requirements increased - reducing profitability in this field.

2.5.7 Property, plant and equipment

In April 2013, Excellence signed a lease agreement with Amot Investments Ltd. (hereinafter - "Amot"), whereby Excellence leased from Amot six floors of office space in the building known as Amot Platinum in Kiryat Arie, Petah Tikvah. The lease was signed for a period of 10 years, which began in the first quarter of 2014, with two optional lease extension terms of 5 years each. As of January 2018, Excellence sublets one of the six floors it leased from Amot; as of the report publication date, another floor is for lease.

2.5.8 Human capital

Description of the organizational structure

As of the report date, Excellence's CEO is Ms. Hanna Hollander, and Mr. Eyal Ben Simon serves as Chairman of the Board of Directors. Ms. Hollander will cease to serve as Excellence's CEO on March 31 2022. As from April 1 2022, Mr. Avner Hadad shall stop serving as the CEO of Excellence. Furthermore, as from April 1 2022, Mr. Boaz Nagar will serve as the Chairman of the Board of Directors of Excellence instead of Mr. Eyal Ben Simon.

The Excellence Group's headquarters includes, in addition to its Chairman and CEO, a finance department, a legal department, a risk management department, as well as human resources, marketing department, and operations and an IT department. The Group's operations are carried out through subsidiaries, with each entity having a direct manager, or direct managers reporting directly to Excellence's CEO and Chairman.

The main subsidiaries are: The TASE Member, KSM Mutual Funds Management, Excellence Nessuah Underwriting, ESOP Management and Trust Services Ltd. Excellence Alternative Assets Ltd., and Excellence Pension Insurance Agency Ltd.

Material changes in the workforce:

	2021	2020
No. of employees at end of year	406	355

On March 14 2021, the CEO of the TASE Member, Mr. Elad Benbaji, ended his service, and Mr. Elad Burshtein was appointed in his stead.

Dependence on employees

Excellence is subject to a certain risk from the resignation of some of its key employees, department managers, etc., due to their unique knowledge and experience. For these reasons, Excellence leads retention programs for key employees, and develops technological systems and processes for the management and retention the organization's knowledge.

Benefits and the nature of employment agreements

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

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

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

2.5.9 Suppliers

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

In June 2021, the TASE Member and FMR signed an agreement extending the services agreement until June 2025.

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

2.5.9.3 For further details about the lease agreement between Excellence and Amot Investments Ltd., please see Section 2.5.7 above.

2.5.10 **Investments**

Following the recommendations of the Committee for Increasing Trading Competition and Liquidity on the Stock Exchange, the ownership structure was changed by allocating shares to TASE members based on an economic model that had been formulated. As of the report date, the Company holds approximately 2.9% of the issued share capital of the Tel Aviv Stock Exchange Ltd. it should be noted that the sale of the aforesaid shares is subject to a price cap. If the shares are sold for a price which is higher than the said cap, the consideration paid in respect thereof shall be transferred to the Tel Aviv Stock Exchange. Furthermore, the holding of more than 5% of the shares of the Tel Aviv Stock Exchange Ltd. is subject to obtaining a permit from the Israel Securities Authority. The Company does not hold or manage a nostro portfolio for itself.

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

2.5.11 Financing

Excellence finances its operations using its own sources, banking sources, and non-banking sources. Excellence's main operations in the securities segment usually require liquid cash assets, which are mainly financed by its equity capital and bank credit. Excellence does not have restrictions on obtaining credit facilities.

Following are Excellence's outstanding liabilities (in NIS millions):

	As of December 31 2021	As at December 31, 2020	As at December 31, 2019
Short-term credit and loans	113	67	88

Short-term credit - credit is used for transactions in financial instruments, the TASE Member's credit activity, and for Excellence's ongoing activities, and bears a variable interest rate ranging from Prime to Prime minus 0.7%. For credit in US dollar, variable interest ranging from LIBOR +1.0% to Libor +2.7%.

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

2.5.12 Material agreements

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

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

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

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

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

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

D. **Liquidity agreement between The Phoenix Insurance and the TASE Member**

In 2017, The Phoenix Insurance signed a master credit facility agreement extending no more than NIS 400 million in credit to the TASE Member; the funds will be used to bridge liquidity timing differences that may arise if customers of the TASE Member withdraw their deposits and the TASE Member does not have sufficient funds to cover such withdrawals.

- E. For further details about the lease agreement between Excellence and Amot Investments Ltd., please see Section 2.5.7 to the Report.
- F. For details about the agreement between the TASE Member, a subsidiary of Excellence, and FMR Computers and Software Ltd., please see Section 2.5.9.1 above.
- G. For further details about the agreement between the portfolio management company and Danel Financial Solutions Ltd., please see Section 2.5.9.2 above.

2.5.13 **Business targets and strategy**

As part of The Phoenix's strategic plan, Excellence adjusts and positions itself as an investment house that focuses solely on the management of assets for the short and medium terms and on the provision of financial services. In order to establish a growth strategy, Excellence works to find solutions for the provision of financial services through digital means, both in the field of asset management and in the field of distribution, while developing suitable platforms and utilizing regulatory changes to facilitate the provision of digital services in full or in part.

During the reporting year, Excellence placed an emphasis on improving its performance in the field of mutual funds management. Excellence works to increase its market share in passive and active funds, both through organic growth (by utilizing the combined sales function of the passive and active funds) and through mergers and acquisitions; Excellence also works to retain its leading position in the field of ETFs. For information about increasing the market share by charging zero management fees in a number of mutual funds, see Section 2.5.4 above.

Furthermore, Excellence works to expand its activity in the field of brokerage services to individuals and corporations through the TASE member by way of recruiting new customers, while providing them a digital services offering that integrates all Group's areas of activity.

The Company faces business challenges that include positioning and establishing itself in the short and medium-term assets management market. It also faces administrative challenges, as it has to adapt the structure of the investments house to the aforementioned segments of activity, while reinforcing its management, employees and organizational culture.

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

2.5.14 **Risk management and enforcement, control and supervision mechanisms**

Excellence has in place a corporate governance structure for risk management, which include three lines of defense: the first line of defense - the Company's business and operating units which undertake risks as part of their activities and participate in the processes of identifying and assessing risk, taking preventative measures, mitigating risks, and monitoring and reporting them. This includes the risk control departments in the subsidiaries. The second line

of defense - the Company's risk management functions. The third line of defense - the board of directors, the committees of the board of directors and the internal auditing function.

Set forth below is the structure of Excellence's risk management, control and monitoring function:

Excellence has a central Risk Management Department for the entire Group with a Risk Management Manager reporting to the CEO of Excellence and to the Chief Risk Officer of the Phoenix group. The Chief Risk Officer is responsible for increasing risk management in the Group, establishing a uniform approach and a shared, clear vision of the Group companies' risk management objectives, as well as maximizing value for Group-level management.

The Risk Management Department is charged with risk management in Excellence through "differential binding professional guidelines" issued to the subsidiaries. This format is applied to each subsidiary and each line of business based on each company's profile, operations, and the economic and commercial environment in which it operates.

Risk management auditors in the subsidiaries report to the subsidiary's CEO, but receive professional guidance from the Chief Risk Management Officer. The Risk Management Department manages operational risks and financial risk (market, liquidity and credit risks) and business continuity in the Excellence Group and its subsidiaries. The department operates alongside the Regulation and Compliance Department, which is charged with managing legal risk in the Excellence Group.

In addition, some of the companies have compliance officers, who are in charge of compliance and prohibition of money laundering. Their role includes, among other things, monitoring the compliance of the relevant organs with the provisions of the laws applicable thereto, including the TASE Rules and Regulations and its guidelines.

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

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

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

Excellence conducts periodic risk and compliance surveys in accordance with the provisions of the relevant regulations and/or proactive surveys in order to increase the efficiency of its activities, and maintain monitoring and control thereon. The risk surveys include mapping and identifying of risks in Excellence's different areas of activity and the scope of exposure arising therefrom, as well as recommending steps to mitigate the risks. The risk and compliance surveys are presented to the Audit Committee and boards of directors of the companies whose activities were surveyed; based on the surveys, multiannual work plans are prepared to close the gaps and minimize risks in the audit, control, compliance and risk management areas.

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

Some of Excellence's subsidiaries have internal enforcement programs for securities, as a direct result of the Improvement of the Israel Securities Authority's Enforcement Procedures (Legislation Amendments) Law, 2011, and the Increasing Enforcement in the Capital Market (Legislative Amendments) Law, 2011. Changes in these plans are approved by the Board of Directors of the relevant subsidiary from time to time.

During the reporting year, Excellence continued to address risk management in the various companies in the Group, with emphasis on developing risk factors in accordance with the global Covid-19 crisis.

2.5.15 **Discussion of risk factors**

It should be emphasized that there are other risks that are specific to each of Excellence's areas of activity that are not detailed below but which could affect them.

The following table summarizes the key risks which may affect the course of Excellence's business in its various areas of activity. Risks are described according to their nature - macroeconomic risks, industry-specific risks, and risks that are specific to Excellence. The risks are ranked according to the assessment as to their effect on Excellence's business as a whole made by Excellence's management.

Type of risk	Summary description	The extent of effect on Excellence's business
Macroeconomic risks	Effect of geopolitical, political, security and economic factors.	Moderate
	Pandemic risks	Moderate
Industry-specific risks	Market failure and illiquidity	High
	Decline in scope of activity and in the value of assets under Excellence's management	Moderate
	Customer credit	Moderate
	Dependency on third parties and dependency on a supplier	Moderate
	Operational risks and trading errors	High
	Business continuity	High
	Regulatory risks and regulatory changes	High
	Legal risks	Moderate
	Industry-specific risk in the field of ETNs	Moderate
	Cyber risks	High
Risks which are specific to Excellence	Human capital	Moderate
	Damage to Excellence's reliability and reputation	High
	Independent operation of ETFs	High

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

2.6 The Credit Segment

2.6.1 General information about the segment

General

As from June 2021, the Phoenix group is the controlling shareholder of Gama Management and Clearing Ltd. (hereinafter - "**Gama**") with a stake of approximately 60% (fully diluted) in this company; Gama's shares were first listed on the Tel Aviv Stock Exchange in June 2021.

Due to the materiality of Gama's credit activity in terms of the Phoenix's activity, it was decided to open the credit segment, the core activity of which as of the report's date is Gama's activity. Gama renders financial services and credit services to companies and businesses.

It should be noted that the Company is considering the option of expanding the Credit Segment to other credit activities; for that purpose, in December 2021 the Company recruited a Head of Retail Credit, who reports directly to the Company's CEO. For further details, please see the immediate report dated December 26 2021 (Ref. No.: 2021-01-113758).

Gama - General

The average value of Gama's credit portfolio at any given time (in all operating segments, including a portfolio sold to banking corporations) exceeds NIS 5 billion.

Gama has more than 12,000 customers to whom it provides various credit solutions as well as comprehensive financial solutions, which are uniquely based on the various types of credit products offered by Gama through a single dedicated platform.

Gama leverages the synergy between its range of credit products to generate added value to its customers, such as in the form of various types of credit offerings in a seamless way using a single financial system that addresses all of the customer's credit and financial needs.

Gama offers customers loans to finance their current business activity, such as funding of working capital and inventory; it also offers loans to fund customers' growth and development. Gama also provides customers with check factoring solutions, factoring solutions in respect of invoices that Gama's customers issued to their own customers and against third-party undertakings, financing of equipment and imports. Gama also provides customers with credit against pledged real-estate, land and other assets, as well as financial guarantees.

Gama operates in the field of clearing (as an aggregator), factoring and financing solutions to businesses; this is a growing market that has great potential for Gama's development.

Gama Subsidiaries

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

Gama's areas of activity

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

1. Clearing aggregator and factoring of payment card vouchers

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

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

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

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

3. Financing provided against real estate assets

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

4. Other areas of activity

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

The following table provides data as to Gama's overall annual transaction turnover in millions of NIS in 2019-2021:

2021	2020	2019
34,563	28,341	28,658

Financial information about Gama's areas of activity:**Breakdown of financial data as of December 31, 2021 or Y2021 (as the case may be) (in NIS thousand)**

	Clearing and factoring credit vouchers subsegment	Checks factoring subsegment	Financing activities subsegment vs. real estate properties	Other	Unattributed and adjustment	Total
Finance income	354,633	32,021	30,877	14,395	(280,792)	151,134
Finance expenses	280,792	6,759	10,041	4,374	(280,792)	21,174
Net finance income	73,841	25,262	20,836	10,021	-	129,960
Expenses for doubtful and bad debts	(735)	1,574	592	(1,056)	-	375
Selling and marketing expenses	-	-	-	-	2,538	2,538
General and administrative expenses	-	-	-	-	70,898	70,898
Listing expenses	-	-	-	-	32,871	32,871
Other income	-	-	-	-	59	59
Profit before tax in the period						23,337
Taxes on income	-	-	-	-	8,257	8,257
Net income						15,080
Comprehensive income						14,754
Total assets	1,144,050	580,787	671,203	218,412	-	2,614,452

Breakdown of financial data as of December 31 2020 or Y2020 (as the case may be) (in NIS thousand)

	Clearing and factoring credit vouchers subsegment	Checks factoring subsegment	Financing activities subsegment vs. real estate properties	Other	Unattributed and adjustment	Total
Finance income	322,913	26,010	23,413	14,906	(252,621)	134,621
Finance expenses	252,621	5,579	6,678	4,444	(252,621)	16,701
Net finance income	70,292	20,431	16,735	10,462	-	117,920
Expenses for doubtful and bad debts	(781)	(232)	2,184	1,538	-	2,709
Selling and marketing expenses	-	-	-	-	1,951	1,951
General and administrative expenses	-	-	-	-	61,428	61,428
Other income	-	-	-	-	97	97
Profit before tax in the period						51,735
Taxes on income	-	-	-	-	12,746	12,746
Net income						38,989
Comprehensive income						39,602
Total assets	1,356,435	326,653	431,720	180,333	-	2,295,141

Breakdown of financial data as of December 31, 2019 or Y2019 (as the case may be) (in NIS thousand)

	Clearing and factoring credit vouchers subsegment	Checks factoring subsegment	Financing activities subsegment vs. real estate properties	Other	Unattributed and adjustment	Total
Finance income	334,517	36,138	16,186	18,085	(265,452)	139,474
Finance expenses	265,452	6,055	3,269	3,697	(265,452)	13,021
Net finance income	69,065	30,083	12,917	14,388	-	126,453
Expenses for doubtful and bad debts	320	1,733	683	3,080	-	5,816
Selling and marketing expenses	-	-	-	-	2,857	2,857
General and administrative expenses	-	-	-	-	63,405	63,405
Other income	-	-	-	-	164	164
Profit before tax in the period						54,211
Taxes on income	-	-	-	-	13,323	13,323
Net income						40,888
Comprehensive income						39,883
Total assets	837,690	522,834	303,193	326,548	-	1,990,265

The nature of adjustments made to the financial data as of December 31 2021, December 31 2020 and December 31 2019 is as follows:

In the field of credit vouchers clearing and factoring - finance income against finance expenses presented in the table reflect Gama's turnover of activity with the businesses and financing entities; Selling and marketing, general and administrative expenses are presented in the adjustments column since Gama does not allocate those expenses to the different operating segments.

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

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

In recent years, regulators introduced many regulatory measures aimed at regulating the field of financial services in Israel in general and the field of non-financial credit in particular, while increasing competition in these fields and providing consumers with a regulated alternative alongside and in collaboration with the services currently provided by banking corporations and institutional entities; those regulatory measures are also aimed at issuing licenses to entities operating in the market in order to prevent entities involved in illegal activity from operating in this field.

In recent years regulators have also introduced regulatory measures aimed at increasing competition among entities providing the most common financial and banking services (following the recommendations of the "**Strum Committee**"); those new regulatory measures included, among other things, legislation whose aim was to increase competition and reduce concentration in the Israeli banking market, as well as to increase the competition in the clearing market by regulating the activity of clearing aggregators - a field in which Gama operates under agreements with Israel Credit Cards Ltd. and Diners Club Israel Ltd. (hereinafter jointly - "**CAL**") and Isracard Ltd. (hereinafter - "**Isracard**"), alongside the legislation that led in the past to the regulation of the factoring market.

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

In the opinion of the Company, in the next few years these trends will lead to increased growth in the non-banking credit market and the financial services market, as an alternative to, alongside or in collaboration with banking corporations and institutional entities.

It should be noted that the information stated in this section regarding the trends in the credit market constitutes forward-looking information as defined in the Securities Law, 1968, which is based, inter alia, on information available to Gama as of the date of this report. Therefore, there is no certainty that the above will indeed materialize, or that it shall materialize in a manner similar to that which is described above, and the actual results may be materially different from the results assessed or implied by this information.

Impact of the Covid-19 crisis

After reviewing the actual credit default data in 2020 and in 2021, the provisions for impairment of receivable balances were adjusted to reflect the expected effect of the Covid-19 pandemic on expected credit losses, such that as of December 31 2021 there was no adjustment to the provision in respect of the effect of the Covid-19 pandemic (as of December 31 2020 - NIS 2,804 thousand).

2.6.2 General information about Gama areas of activity

2.6.2.1 Clearing aggregator and factoring of debit vouchers

The Law for the Promotion of Competition and Reduction of Concentration in the Israeli Banking Market (Legislative Amendments), 2017 was published in 2017 as part of the "Strum Reform" (hereinafter - the "**Competition Promotion Law**"), whereby an entity providing clearing

services shall only be allowed to refuse entering into engagement with clearing aggregators for reasonable reasons and as provided by law. After the legislation of the Strum Reform and the Competition Promotion Law, Gama entered into a clearing aggregation agreement with CAL.

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

Furthermore, as part of its activity in the payment cards market, Gama provides merchants with a service whereby it factors debit card vouchers; that is to say, Gama brings forward payments to merchants in respect of clearing proceeds payable thereto by entities providing clearing services as a result of debit card transactions conducted by customers of those merchants, against the merchant's assigning to Gama its right to those proceeds.

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

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

2.6.2.2 Changes in the scope of operations and profitability of the subsequent

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

In August 2018, the Israel Competition Authority instructed credit companies (both those issuing payment cards and those clearing transactions) to switch - as from July 2021 - into daily clearing of single-installment transactions (as opposed to transactions comprising two or more monthly payments). As from the above date, issuers were required to transfer the proceeds in respect of single-installment transaction vouchers to the clearing entities no later than one day after the transmission of the transaction by the merchant, rather than once a month as was the normal practice until then. The Israel Competition Authority's directive did not advise clearing entities as to the date on which they should transfer to merchants the proceeds in respect of single-installment transaction vouchers; furthermore, the Israel Competition Authority did not advise

issuers as to the date on which they are required to charge cardholders for single-instalment transaction vouchers. As of the report date, the aforesaid does not have a material effect on Gama's 2021 results. Yes

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

The payment card vouchers clearing and factoring market benefited from organic growth over the years as a result of population growth and improved living standards. Furthermore, in view of regulatory measures encouraging reduced use of cash, we are witnessing a transition from payment in cash to payment using other means of payments, such as payment cards.

In addition, the Strum Reform and the changes in triggered in the market resulted with a less concentrated clearing market and an increase in the market share of new players in the field of payment clearing - clearing aggregators, including Gama.

2.6.2.4 **Technological changes that may have a material effect on the clearing aggregator and factoring of payment card vouchers subsegment**

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

Currently, payment apps and digital wallets operates through payment cards; accordingly, Gama's services are also required for payments made using such methods. The introduction of technological and regulatory changes that will allow direct payment from one account to another, rather than through a payment card, both in terms of payments for goods and services bought physically in businesses and regarding online payments for such goods and services, may adversely affect the Israeli payment cards market.

2.6.2.5 **Financing against post-dated checks (check factoring)**

Post-dated checks (deferred checks) are a type of a bill whose characteristics are set in the Bills of Exchange Ordinance. Pursuant to the Bills of Exchange Ordinance, the person or entity writing the check is defined as the "drawer", and the check's payee, or the person or entity to whom the check was lawfully endorsed is defined as the "check holder".

2.6.2.5.1 **Segment structure and changes therein**

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

2.6.2.5.2 **Changes in the scope of operations and profitability of the subsegment**

Previously, the check factoring market was mostly controlled by banking corporations or unregulated. The following changes have taken place in this field in recent years: (1) the non-bank credit market became regulated following the enactment - in 2016 - of the Financial Services Supervision Law (Regulated Financial Services), 2016 (hereinafter - the "**Financial Services Law**"), which required companies operating in this area of activity to obtain licenses from the Capital Market Authority and to meet higher business standards than those they were required to meet in the past; this move reduced the number of existing players in the market and enabled the entry of regulated non-bank players; (2) the margins in the market declined since institutional entities and banking corporations extended credit at interest rates, which were relatively lower than those charged by companies engaged in check factoring.

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

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

2.6.2.5.4 **Technological changes that may have a material effect on the subsegment**

The check factoring market is a traditional market that relies on the Bills of Exchange Ordinance. Currently, there are no digital checks and Gama has no information indicating that the development of such checks is expected.

2.6.2.6 **Financing provided against real estate assets**

This activity is conducted by Gama itself and by Gama financing. Such financing is open to businesses, businessmen, entrepreneurs and individuals seeking to obtain credit (not necessarily for the purpose of buying real estate) against the mortgaging of land, an apartment or another real estate asset they own.

2.6.2.6.1 **Segment structure and changes therein**

The scope of the financing against real estate assets subsegment is very wide; the subsegment includes, inter alia, residential mortgages, support of building projects, investments in building projects, National Planning Scheme No. 38 projects, purchasing groups, and more. As of the report date, Gama's activity in this subsegment focuses on financing against the provision of a real estate asset as a collateral, and the credit extended may be used for real estate-related purposes or for any other purpose of the borrower. For many years, this subsegment was controlled by banks. In recent years, there has been a growth in this field among non-bank entities that extend loans against real estate assets, especially to businessmen, entrepreneurs and investors. Non-bank entities which are regulated by the Capital Market Authority may be more flexible with regard to the loan to value (LTV) rate; they process applications more efficiently and quickly, and therefore, their market share has increased.

2.6.2.6.2 **Changes in the scope of operations and profitability of the subsegment**

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

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

As a company which has not been active in the field of real estate financing for many years, and which focused mainly on a specific niche of this field, Gama's growth in this subsegment stems mainly from the expansion of the existing relevant market.

2.6.2.6.4 **Technological changes that may have a material effect on the subsegment**

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

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

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

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

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

2.6.4 Major entry and exit barriers in areas of activity

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

- Meeting regulatory thresholds - generally, the engagement in Gama's various areas of activity requires companies to comply with the provisions of the Financial Services Law and the regulations promulgated thereunder, including obtaining a financial services provider license, a permit to hold means of control in a financial services provider, and compliance with the relevant requirements of the Financial Services Law, including meeting the regulatory capital requirements applicable to financial services providers.

- Financing sources - Gama's various areas of activity require financial resources, including equity, the ability to raise funds from external sources and compliance with regulatory requirements.

2.6.5 Products and services

2.6.5.1 Clearing aggregator and factoring of payment card vouchers

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

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

Breakdown of net income from products and services

	Net revenues for the year ended			
	Dec. 31 2021		Dec. 31 2020	
	In NIS thousand	In %	In NIS thousand	In %
Clearing aggregator services	12,258	16.6	7,854	11.1
Factoring of debit vouchers	61,583	83.4	62,348	88.9
Total	73,841	100%	70,292	100%

2.6.5.2 Financing against post-dated checks (check factoring)

The service in this subsegment is the provision of credit to businesses against the factoring of checks, with the check's drawer being a third party.

2.6.5.3 Financing provided against real estate assets

Financing provided against real estate assets is used for various purposes, such as financing the purchase of a real estate asset, bridge loans used to develop and improve real estate, financing the development of the commercial business of a business owner who owns real estate, and any other purpose of the borrowers. Normally, financing is provided for a period of up to five years. As of the report date, Gama does not have income from this subsegment, other than income from financing provided against pledged real estate assets.

2.6.6 Customers

2.6.6.1 Clearing aggregator and factoring of payment card vouchers

During the 12 months prior to December 31 2021, more than 12,000 customers conducted transactions with Gama.

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

2.6.6.2 Financing against post-dated checks (check factoring)

Most of Gama's customers in this subsegment have similar characteristics. Gama's customers in this subsegment are Israeli businesses from various sectors, such as household electrical and electronics, finance, department stores, food, furniture, fashion and clothing, computers, air-conditioning and jewelry. Gama's customers in this subsegment are mainly corporations and a small portion of customers are licensed dealers. Gama does not monitor the breakdown of drawers' balance by areas of activity.

2.6.6.3 Financing provided against real estate assets

As of December 31 2021, the credit portfolio comprises 115 customers and 137 loans.

In the opinion of Gama, it is not dependent on a single customer or on a small number of customers, the loss of which will have a material impact on Gama's activity.

2.6.7 Competition

2.6.7.1 Clearing aggregator and factoring of payment card vouchers

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

In order to beat its competitors, Gama operates on a number of levels - price, reputation and quality of service, while leveraging its in-depth familiarity with the business and retail markets. Gama also leverages its knowhow, reputation, long-serving and experienced staff, high-quality service and professional experience with regard to the advanced IT systems it puts at the disposal of its customers in its capacity as an entity factoring payment cards vouchers for thousands of Israeli businesses - in favor of promoting its clearing aggregator activity.

2.6.7.2 **Financing against post-dated checks (check factoring)**

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

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

Gama believes that its advantages in this subsegment stem from its many years of experience in the field of credit, its relationships with thousands of businesses, including credit card clearing entities, its high and strict professional standards in the field of compliance and mitigation of money laundering risks, and its exacting corporate governance practices.

2.6.7.3 **Financing provided against real estate assets**

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

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

Gama believes that its advantages in this subsegment stem from its reputation as a solid and stable company, that has been serving thousands of Israeli businesses for many years, and has a large-scope credit portfolio.

2.6.8 **Seasonality**

2.6.8.1 **Clearing aggregator and factoring of payment card vouchers**

This subsegment is related to the activity of the Israeli retail market, and as such it is impacted from changes in trade volumes; thus, for example, sales increase before the Jewish festivals (Rosh Ha'Shana, Tabernacles and Passover) and as a result the volume of Gama's activities in this subsegment increases accordingly.

2.6.8.2 **Financing against post-dated checks (check factoring) and financing provided against real estate assets**

These subsegments are not impacted by seasonality; therefore seasonality is not expected to have a material effect on Gama's activities in these subsegments.

2.6.9 Specific regulation

Gama is subject to the following regulatory requirements and restrictions by virtue of the regulations relevant to all its areas of activity:

Financial Services Supervision Law (Regulated Financial Services), 2016

The Financial Services Law stipulates, among other things, that entities engaged in the provision of financial services are required to have the relevant license; the said law also imposes restrictions and sets provisions applicable to those entities in connection with the management of their business activity in the field of provision of financial services.

The Commissioner of the Capital Market, Insurance, and Savings is charged with the application of the provisions of the Financial Services Law. In its capacity as the official charged with the application of the provisions of the said law, the Commissioner has extensive regulatory, enforcement, and administrative review powers, including the power to impose monetary sanctions. Providers of financial services are required to comply with the Commissioner's directives and guidance as published from time to time.

As of the report date both Gama and Gama Financing hold an expanded license for the provision of credit and an extended license for the provision of services in financial assets.

The Prohibition of Money Laundering Law, 2000

The purpose of the Prohibition of Money Laundering Law is to prevent money laundering in Israel through, inter alia, institutional entities and financial services providers. The provisions of the said law include three key requirements applicable to companies engaged in the provision of credit against post-dated checks:

The Prohibition of Money Laundering (Credit Providers' Requirements regarding Identification, Reporting and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 2018 (hereinafter in this section - the "Order") came into effect in 2018. The Order requires all credit providers (including Gama) to identify the customer and verify his details, implement a "know your customer" procedure, report certain actions to the Israel Money Laundering and Terror Financing Prohibition Authority in accordance with the Order, have in place controls regarding the activity of the service recipient, ensure that customers are not included in the list of terror organizations and terror activists, and meet documentation and document retaining requirements. The Prohibition of Money Laundering (Credit Providers' Requirements regarding Identification, Reporting and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 2020 was issued in 2021; this order amends the 2018 Order and imposes, inter alia, similar requirements on provision of services in financial assets.

Bills of Exchange Ordinance [New Version]

A deferred receivable is a bill that has the characteristics set in the Bills of Exchange Ordinance. The Bills of Exchange Ordinance regulates the endorsement of the receivable (the check) by one person to another, such that the rights attached to the receivable (the check) are transferred to the endorsee; the Bills of Exchange Ordinance also regulates the rights of a "holder in due course" of a bill.

Law for Reducing the Use of Cash, 2018

In accordance with the recommendations of the Locker Committee, the Law for Reducing the Use of Cash outlines a policy for reducing and limiting the use of cash as a means of payment in the Israeli economy, with the main objectives being taking action against "black capital", economic crimes and money laundering, and expanding the tools available to the government in its efforts to achieve those objectives.

Furthermore, the Law for Reducing the Use of Cash sets restrictions on endorsement of checks whose amount is higher than NIS 10,000; however, the said restrictions do not apply to endorsement in favor of a regulated financial entity; nevertheless, restrictions have been placed as to the number of endorsements and the identity of the endorers. The Ministry of Finance may prescribe that such an endorsement shall only be allowed with respect to services he specifies. As of the report date, no such restrictions were placed.

The Fair Credit Law, 1993

The Fair Credit Law applies to loans extended by lenders to individuals or licensed dealers (that is to say - it does not apply to loans extended to corporations other than those types of corporations specified by the Minister of Justice).

The objective of the Fair Credit Law is to protect consumers in the credit market and increase the competition in this field by setting the maximum cost of a loan, which is not linked to the consumer price index, and by prescribing that the actual cost of the loan, as defined in the Fair Credit Law, shall not exceed the said maximum cost.

It is also prescribed that the maximum rate of arrears interest imposed on such loans shall not exceed 1.2 times the interest payable on the loans.

Furthermore, the Fair Credit Law prescribes disclosure requirements applicable to lenders in respect of each credit transaction; the aim of this provision is to protect borrowers.

The Credit Data Law, 2016

The Credit Data Law aims to reduce any asymmetry in connection with financial information, increase the competition in the retail credit market as well as the accessibility of credit, reduce the discrimination in the process of granting credit as well as the economic gaps, and create a database of non-identifying information to be used by the Bank of Israel in carrying out its functions.

Gama operates as an Information Source as per the Credit Data Law; as such, it transfers information to the database run by the Bank of Israel, and on the other hand it is entitled to receive information from the said database, all in accordance with the provisions of the Credit Data Law and the provisions applicable to Gama thereunder.

The Payment Services Law, 2019

The law, which came into force in October 2020, cancels the Payment Cards Law, 1986, and regulates, among other things, various aspects of the relationships between the provider of payment services and a payer, and between the provider of payment services and a beneficiary (the merchant), when means of payment are used; this law includes provisions whereby the provider of payment services shall transfer funds to the merchant immediately or within a reasonable period of time agreed upon with the merchant; the law also prescribes general provisions regarding the execution of payment instructions and liability arrangements pertaining thereto. As of the report date Gama is unable to assess the expected impact that the changes arising from the Payment Services Law will have on its activity.

The Protection of Privacy Law, 1982

The Protection of Privacy Regulations require each company to assess its databases and determine the level of security required. Gama has lawfully registered databases. Gama operates in accordance with the regulations in order to ensure that the appropriate security level is maintained and that the information it holds is protected in accordance with the provisions of the law.

The Insolvency and Economic Rehabilitation Law, 2018

The provisions of the Insolvency and Economic Rehabilitation Law focus on rehabilitation of corporations and debtors. The provisions of the Insolvency Law work for the benefit of debtors, but do not allow them to evade paying debts; therefore, Gama believes that the law's impact on its activities shall not be material or different than its impact on other financial entities.

Banking Law (Licensing), 1981

Section 21 to the Banking Law (Licensing) Law allows non-bank corporations to extend credit originating, inter alia, from the issuance of bonds (as defined in Section 35a to the Securities Law), the issuance of which requires the publication of a prospectus in accordance with Section 15 to the Securities Law, subject to compliance with certain conditions. The said section sets, among other things, a cap on the maximum amount that can be raised by way of issuing bonds; it also stipulates that the loan extended does not constitute a residential loan whose repayment is secured by a mortgage, an undertaking to register a mortgage or the mortgaging of rights in land.

Restrictions under the clearing aggregator agreement

In accordance with the provisions of the clearing aggregator agreement, the Company undertook not to conduct cross-border clearing activities, that is to say, not to conduct clearing transactions for foreign merchants, as this term is defined in the clearing aggregator agreement.

The PCI DSS V3.2.1 standard

Gama is PCI compliant. The purpose of the PCI standard is to secure the sensitive data handled by organizations operating in the payment card industry (data that allow the execution of transactions). The standard defines the security level required from entities handling payment cards numbers, with the level of security being in line with the amount of data. Gama is classified to the highest security level.

The standard defines how data are to be saved and the requirements an entity needs to comply with in order to expose them. The standard requires entities to pass a strict annual assessment by a Qualified Security Assessor, at the end of which organizations receive an annual certificate saying that they are PCI compliant.

2.6.10 **Financing**

Gama funds its activity using own sources, funds received from banks and institutional entities (mainly loans and capital raising by way of issuing bonds to institutional entities).

Details about the effective interest rate and the average interest on loans received from banks and non-bank entities, divided into short-term and long-term loans:

		Effective interest rate (range)		Average interest rate (range)	
		For 2021	For 2020	For 2021	For 2020
BANK CREDIT SOURCES	SHORT-TERM LOANS	2%-1%	2%-1%	2%-1%	2%-1%
INSTITUTIONALS	SHORT-TERM LOANS	-	-	-	-
	LONG-TERM LOANS	3%-2%	3%-2%	3%-2%	3%-2%
BONDS (SERIES A)		1.68%	1.68%	1.45%	1.45%

Loans taken by Gama from institutional entities (in NIS thousand), interest rates payable thereon and their term:

Date of loan provision	Purpose of the loan	The loan amount - in NIS million	Balance as of Dec. 31 2021 (estimated value)	Balance as of Dec. 31 2020 (estimated value)	Loan term in years	Annual interest (range)	Collateral (+)
8/2020	Receivables financing	250	250	250	4.5	Between Prime and Prime + 1%	Pledging of receivables
7/2020	Financing a real estate portfolio	100	89	98	1.0	Between Prime and Prime + 1%	Pledging of receivables
8/2021	Financing a real estate portfolio	50	49	-	1.0	Between Prime and Prime + 1%	Pledging of receivables
9/2021	Financing a real estate portfolio	200	200	-	3.0	BETWEEN PRIME and PRIME + 1%	Pledging of receivables + financing agreements

The amount of pledged receivables provided as collateral to the credit providers exceeds the balance of Gama's debt to those credit providers. In the event that the collaterals are realized, the institutional entities that provided the loan can use them to repay the debt owed to them, and the remaining balance of pledged receivables shall be used to repay Gama's debts to its unsecured creditors.

Credit facilities

By virtue of a credit facility's instrument of approval of July 2020, Gama has in place a NIS 200 million credit facility from a bank; the facility will expire at the end of 2022; the instrument of approval sets out a number of preliminary conditions for the utilization of the credit facility, including, inter alia, a requirement whereby the credit will be extended against receivables deposited with Gama's accounts with that bank, with those receivables being pledged in favor of the said bank.

In April 2021, Gama's Board of Directors approved the receipt of a fixed credit facility from another bank; the amount of the credit facility is NIS 100 million, and it is due to expire on April 30 2022. The credit facility's instrument of approval sets out a number of preliminary conditions for the utilization of the credit facility, including, inter alia, a requirement whereby the credit will be extended against receivables deposited with Company's accounts with that bank, with those receivables being pledged in favor of the said bank.

Furthermore, The Phoenix Investments extended a NIS 50 million shareholders' loan to Gama. The loan's principal shall be repaid in 6 equal annual installments, with the first payment due in October 2022, provided that prior to any repayment on account of the loan's principal there is no impediment to make repayments on account of the loan's principal (in accordance with the terms of the subordination letters).

2.6.11 **Material agreements**

Clearing aggregator agreement

In July 2017 Gama and CAL signed an agreement whereby Gama shall act as a clearing aggregator. The parties also signed addendums to the agreement. In view of the provisions of Section 7b to the Banking (Service to Customers) Law, a clearing entity is prohibited from terminating its agreement with the aggregator on unreasonable grounds.

By virtue of the agreement, Gama shall provide clearing aggregator services to merchants through CAL, which delivers to Gama the transactions' proceeds less a variable fee, which is derived from the overall turnover of all merchants that worked with CAL using Gama's clearing aggregator services during that month. Gama credits the merchants in accordance with the agreements between the merchants and Gama.

The agreement sets out instances in which CAL will be allowed to terminate the agreement with immediate effect, including if the regulations or tariffs of the international payment cards organizations will be modified in a way that will impact the execution of the agreement; if the agreement between CAL and the other payment cards companies shall be changed in a manner which makes it impossible or difficult to execute the agreement; if an instruction or a decision to do so is issued by the Israel Competition Authority; if an issuer refuses to pay CAL the vouchers' proceeds, and if the interchange fee increases.

CAL is required to approve each of Gama's engagements with merchants, provided that its decision is reasonable and lawful.

Agreement with Matrix I.T.E.R.P Solutions Ltd. R.P. Ltd.

For information about the agreement, see Section 2.6.15 below.

Engagements with payment card companies for the provision of payment card vouchers factoring services

In November 1999 Gama and Isracard entered into an agreement whereby Gama shall provide payment card vouchers factoring services to merchants who use Isracard's clearing services; under the said agreement, Isracard has undertaken to pay Gama the vouchers' proceeds that will be assigned to Gama by the merchants. Each of the parties may terminate the agreement by giving a 30-day advance notice.

In November 2004 Gama and Max signed an agreement whereby Gama may provide payment card vouchers factoring services to merchants who use Max's clearing services; under the said agreement, Max has undertaken to pay Gama the vouchers' proceeds that will be assigned to Gama by the merchants. Subject to the terms of the agreement, it shall be renewed automatically every two years, unless one of the parties has informed the other (by giving it a 60-day advance notice) that it does not

wish to extend the term of the agreement.

In March 2011 Gama and CAL signed an agreement whereby Gama may provide payment card vouchers factoring services to merchants who use CAL's clearing services; under the said agreement, CAL has undertaken to pay Gama the vouchers' proceeds that will be assigned to Gama by the merchants. Subject to the terms of the agreement, it shall be renewed automatically every two years, unless one of the parties has informed the other (by giving it a 60-day advance notice) that it does not wish to extend the term of the agreement.

It should be noted that in August 2011, subsequent to the signing of the said agreements, Section 7a to the Banking (Service to Customers) Law was enacted whereby an entity providing clearing services shall only be allowed to refuse entering into engagement with entity providing debit card vouchers factoring services for reasonable reasons and as provided by law.

Agreements for assignment by way of sale of payment card transaction vouchers to banks

In 2015-2016 Gama entered into separate agreements with Bank Leumi le-Israel B.M., Bank Hapoalim Ltd., Israel Discount Bank Ltd., and Bank Mizrahi Tefahot Ltd., for the execution of assignment transactions by way of sale of Gama's rights to receive funds in respect of the factoring of payment card transaction vouchers, which were assigned to Gama by merchants.

As part of the agreements with the banks, it was agreed that Gama shall irrevocably assign to each of the banks, by way of sale, its rights to receive funds in respect of vouchers cleared for certain merchants by a certain clearing services entity, in connection with management and factoring agreements signed between Gama and the merchants, whereby the merchants assigned to Gama their rights to receive funds from the clearing services entities in respect of payment card transaction vouchers executed with cardholders. Pursuant to the provisions of the agreements with the banks, Gama gave the clearing entities an irrevocable order to deposit the proceeds in respect of the vouchers directly with the bank. Each of the agreements with the banks may be terminated by each of the parties, at any given time and for any reason, by giving a 30-day advance notice.

Subject to the agreements for the sale of the payment card transaction vouchers, Gama entered into agreements with each of the said banks for the purpose of regulating Gama's activities with the relevant bank.

2.6.12 Marketing and distribution

Gama's marketing, distribution and support activities are conducted through a number of channels: Gama has a team of highly-experienced portfolio managers, who are deployed nationwide. In addition, Gama has a telemarketing call center providing services through inbound and outbound calls. Furthermore, Gama has a website, which provides its customers with useful financial information on a daily basis about the merchant's transactions, their reception after transmission and the payment

thereof. Furthermore, Gama has in place business collaborations with professional organizations that represent many businesses and refer members to use Gama's services. Gama also conducts targeted media campaigns for the business sector.

2.6.13 Intangible assets

Gama has set out an in-house computing function charged with the running of Gama's computer systems which are based on Matrix's systems. Every year, Gama invests many resources in upgrading and maintaining its computer systems and infrastructures, and in adapting them to the company's needs.

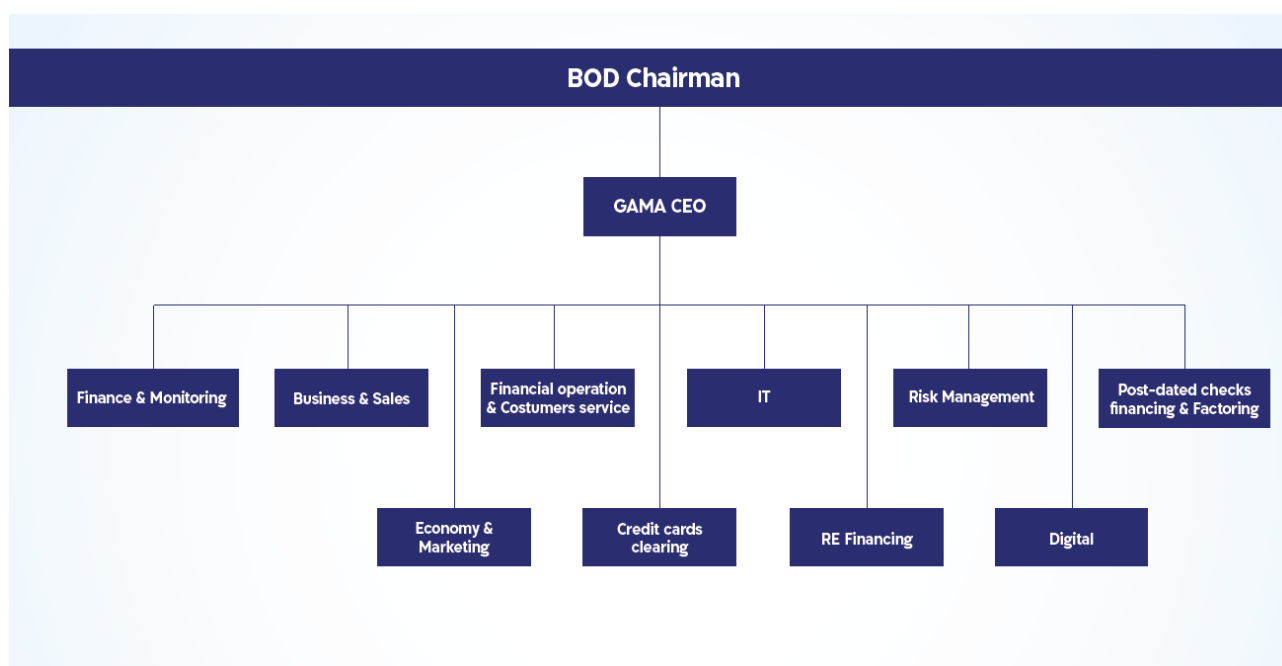
Gama maintains a remote disaster recovery site and practices the use of that site that will be used as its main site in case of an emergency (the shutdown of the main site).

Gama has six verbal trademarks, which are registered as trademarks.

2.6.14 Human capital

Gama's workforce comprises approximately 140 employees and managers (including service providers and outsourced IT employees) working full or part-time. Work relations in Gama are positive and constructive. Gama is dependent on a number of key employees, as described in Section 2.6.19(k) below. In February 2022, Mr. Erez Yosef started serving as the Chairman of Gama's Board of Directors, replacing Mr. Eli Unger, who ended his term in office.

Description of the organizational structure



Benefits and the nature of Gama employees' employment agreements

Gama's employees are employed through personal agreements. Employees' terms of employment include, among other things, wages, provisions for pension fund, managers insurance policies and advanced education fund. The employees are also entitled to paid sick leave, paid annual leave and recreation pay as is generally accepted in Gama and based on the number of years they have been employed by Gama. From time to time Gama awards bonuses to its employees subject to the discretion of its management.

The entire amount of Gama's current liabilities for employee rights upon retirement is covered by contributions to executive insurance policies and pension funds. The remaining balance of Gama's liabilities for employee rights upon retirement beyond the amounts contributed to managers insurance policies and pension funds are provided for as a liability in the financial statements.

2.6.15 Suppliers and service providers

As of the report date, Gama has an engagement with a material supplier - Matrix I.T. Solutions. R.P Ltd. ("**Matrix**").

In 1998 Matrix granted Gama a non-exclusive license to use a software it developed. Over the years software were developed that are used exclusively by Gama as part of its payment card factoring activities. The development is conducted, inter alia, through Matrix's software developers who work at Gama's offices.

In July 2005 Matrix signed a document titled "Continued Joint Work Relations" in which it clarified that the systems and code that were developed for Gama are exclusive to Gama and Gama has exclusive rights of use therein, such that those systems and code shall not constitute part of Matrix's systems, without first obtaining Gama's written consent.

2.6.16 Legal proceedings

As of the report date, Gama and its subsidiaries are not parties to material legal proceedings.

2.6.17 Objectives and strategy

Gama's strategy is assessed and impacted by, among other things, the changes taking place in its areas of activity and the continued increase in the number of competitors in each of those areas.

Gama aims to sustain continued growth in its areas of activity by marketing and promoting the credit and financing solutions it provides businesses through its range of platforms.

Gama works to strengthen and enhance its direct relationships with all its customers while increasing its service offering and providing solutions to its customers' varied needs, and at the same time increasing the added value it generates to its customers. Gama's extensive range of services, its position in the field of credit card clearing aggregation and factoring, its many years of experience and its high professional standards constitute an excellent basis for continued growth in its existing areas of activity and for entering into new related fields. As of the report publication date, Gama is in the process of considering and formulating a strategy for promoting its various activities in the next few years.

2.6.18 **Credit risk management**

Generally, Gama is engaged in extending credit to licensed dealers and corporations through a range of products; credit to individuals constitutes a very small portion of Gama's business. As part of its activity, Gama is exposed to the risk that borrowers will fail to repay the credit or become insolvent. Gama works to reduce the said exposures based on its experience, while implementing an underwriting, control and risk-monitoring methodology it developed over the years. The provision of credit is assessed by a skilled and highly-experienced team and approved by the competent functions in accordance with the hierarchy of authority Gama has in place.

2.6.19 **Discussion of risk factors**

Set forth below are the key risk factors pertaining to Gama's activity:

Macro risks

A. Deterioration in the Israeli economy

Deterioration in the Israeli economy, the imposition of further lockdowns due to the Covid-19 crisis, or a deterioration in the Israeli economy due to the Covid-19 crisis or for any other reason may impact Gama's business, mainly with regard to the following aspects: (1) decrease in the number of purchase transactions conducted by consumers - which may result in a reduced demand to Gama's services; (2) deterioration in the financial position of Gama's existing customers, which may harm their repayment capacity for the credit extended to them by Gama; (3) decrease in the value of real estate assets used as collaterals to credit extended by Gama, and reduced ability to realize such collaterals; (4) material decline in banks and institutional entities' ability to provide financing, including by way of purchasing payment card vouchers financed by Gama. The Israeli economy suffered significantly from the Covid-19 pandemic; in 2020 the Israeli economy contracted. Nevertheless, in accordance with the Bank of Israel's forecasts, the Israeli economy is expected to recover and start growing as of 2021; Gama is of the opinion that this will have a positive effect on Gama's results.

B. Interest rate change

The credit raised by Gama bears unlinked interest. Gama is of the opinion that an increase in the interest rates prevailing in Israel may give rise to a certain exposure in connection with postdated checks transactions that have not yet been repaid. Gama believes that in view of the short average duration of its credit portfolio and the structure of its financing transactions this exposure is immaterial.

C. Liquidity and funding sources

Gama's ability to conduct its operations depends to a great extent on its ability to raise credit, including from outside sources. Changes in interest rates, changes in the Israeli economy in general and a deterioration in the economic factors affecting Gama's areas of activity may have an adverse effect on Gama's ability to obtain credit to fund its activities, or on the terms of such credit, and as a result on its ability to offer its customers credit at attractive terms. Deterioration in customers' liquidity, due to, inter alia, significant deterioration in the Israeli economy, may have an adverse effect on Gama's liquidity.

D. CPI risk and foreign currency risk

The credit raised by Gama and the credit it extends to its customers is not linked to any index or foreign currency; therefore, Gama's exposure to CPI and foreign currency risk is negligible.

Industry-specific risks**A. Increased competition**

The field of financial services in which Gama operates is characterized with intensifying competition and the entry of many new players, such as banks, institutional entities and non-bank entities which raise funds in the capital market. Gama's position depends to a great extent on its reputation and on its ability to significantly differentiate itself from its competitors. To the extent that the competition in the market will intensify and new players will enter into all areas of activity in which Gama operates as mentioned above, whether directly or by providing funding to existing and new market players, Gama will find it harder to increase and retain its market share.

B. Technological changes

The Israeli payments market is undergoing significant changes; in recent years new players entered the market offering advanced digital payment options such as local and international payment apps (such as Apple Pay and Google Pay), as well as local and international digital wallets; some digital wallets, such as "bit" and "PayBox", are owned by Israeli banks and others are owned by credit card companies and/or other companies. These players may change the means of payment landscape in Israel, including by diverting payments to systems that bypass payment cards. Furthermore, in addition to their entering into the fields of issuance and clearing of means of payments, these entities may also engage in

providing credit to businesses and individuals and in conducting banking and financial activities. These changes may affect Gama's activity and its results of operations.

C. Regulatory risks

The field of financial services in which Gama operates is highly regulated; companies operating in this field are subject to a considerable amount of ongoing regulation, and are required to invest resources in ensuring compliance with regulation on an ongoing basis. Furthermore, the imposition of new regulatory provisions (including in fields that are currently not regulated), as well as the introduction of primary and secondary legislation may impose restrictions on Gama's activities or require Gama to make modifications to various business processes (including in terms of its systems and infrastructures); this may give rise to operational difficulties for Gama alongside significant additional costs, which may, in turn, adversely affect its results of operations. Furthermore, occasionally, the provisions of laws and regulations may significantly change the profitability of credit-related activities or give advantage to certain type of entities over others in the provision of such services.

Gama has a number of functions charged with ensuring that the company complies with the regulatory provisions it is subject to: a Compliance Officer and an officer in charge by virtue of the Prohibition of Money Laundering Law, a Fair Credit Compliance Officer, Credit Data and Social Legislation, a Chief Risk Officer, and an Internal Auditor.

D. Legal risks

In view of the nature of Gama's activity, which involves working with thousands of customers, Gama is exposed to the risk of lawsuits by different parties, including motions filed by such costumers to approve lawsuits as class actions, which potentially involve material amounts. In addition, Gama has relationships with various commercial entities (merchants, funding entities, entities with which it collaborates, etc.); these relationships may give rise to legal exposures due to, inter alia, errors in documents or in customers' signing documents. In order to mitigate this risk, legal advisors support Gama's activities on an ongoing basis; furthermore, risk surveys, internal audits and compliance surveys are carried out in Gama on a periodic basis.

Risks specific to Gama

E. Deterioration in customer payment ethics

Gama has a certain exposure to its customers' solvency and to the solvency of the respective customers of said customers. With regard to the financing of payment cards vouchers, Gama's exposure is limited to the causes for cancellation of vouchers as per the provisions of Payment Services Law and the provisions of Gama's agreements with the clearing entities and with those that provided funding. With regard to financing against post-dated checks (check factoring), Gama strives to obtain the status of a

holder in due course in order to avoid, to the extent possible, any exposure pertaining to the original transaction. Furthermore, in some of the cases Gama requires the provision of pledges and other collaterals against the provision of funding.

F. Fraud and embezzlement

Gama, like other companies operating in the field of financial services, is exposed to fraud risks; those risks include fraud or forgery of documents by customers and suppliers, embezzlement or forgery or fraud by employees and suppliers or a combination of the two. Therefore, Gama takes action to: (1) identify the risks - Gama carries out a fraud and embezzlement survey in order to identify and assess the risks and check the appropriateness of the controls it has in place to mitigate those risks; (2) mitigate the risk - Gama has in place processes whose aim is to reduce the exposure to fraud and embezzlement; Gama balances those mitigation processes against its need to conduct itself competitively and with a good degree of operational flexibility.

G. IT systems, information security and cyber risks

Gama is exposed to potential damages due to technical faults involving the software it uses or as a result of cyber-attacks. In recognition of the importance of protecting its customers' privacy and as required by law, Gama invests resources in reinforcing the security of its systems and technologies; as part of these activities, Gama implements a range of protection and control measures designed to secure its systems and the information stored therein. Gama conducts checks to test the effectiveness of the said protections and controls. Gama's backed-up data is restored periodically into its core systems that use it.

H. Goodwill

Gama's activity is based on its excellent reputation forged over the years by the company itself and by its managers. Building up and maintaining its reputation among its customers is essential for Gama's success and business development.

Any damage to Gama's image as a stable and reliable service provider, and specifically any negative public perception of the company, may impair its ability to recruit new customers and even cause attrition of existing customers, thereby adversely impacting Gama's results and profitability.

I. Liquidity risk

The scope, availability and cost of Gama's financing sources directly impact its turnover and profitability as well as its stability. The resources required to maintain Gama's loan making capacity and its operating capabilities are larger than its own sources. Therefore, Gama engages - on an ongoing basis - in developing and maintaining diverse financing resources - including credit from banks and institutional entities, bonds and agreements for the sale of payment cards transaction vouchers.

A decrease in the scope of Gama's financing sources or an increase in the cost of those sources may have an adverse effect on the scope of services it will be able to provide.

Furthermore, any deterioration in the economic conditions in Israel may lead to a situation where Gama's customers encounter difficulties in repaying credit due to liquidity issues they may experience; this may adversely affect Gama's liquidity levels and its loan making capacity.

J. Collection Risk

Gama's ability to collect in full any debts in respect of transactions it conducts has a significant effect on its results of operations. Bad debts may have an adverse effect on Gama's profitability. Furthermore, legislation, regulations and insolvency-related legal proceedings, which hinder the collection of debts and work for the benefit of debtors (individuals or companies), as well as applications for court debt arrangements that do not come to fruition, may adversely impact Gama's ability to collect debts and its profitability. The ability to collect debts depends on the actual value of collaterals such as pledged real estate and equipment or guarantees given, and on the actual ability to realize such collaterals. This ability is impacted from the assumptions that the appraisals of the value of the collaterals as received by Gama prior to providing the credit were correct and free of errors, that this value will, indeed, be realized, and that the courts will not decide to prevent the realization of the collaterals under debt arrangements for companies, businesses and owners thereof who provided the personal guarantees, such that some of the debt is cancelled, or where the parties fail to comply with terms of the debt arrangement and the collateral was impaired or the debt is cancelled under the debt arrangement. Gama has an employee who is charged with monitoring the collection of customers' debts and where necessary transferring debts to be dealt with by attorneys.

K. Key person dependency

Mr. Ariel Genut, CEO of and Director in Gama, and a number of long-serving VPs of Gama are considered key persons in Gama by virtue of their business and managerial skills, the extensive information they accumulated, their relationships with customers, and their understanding of and experience in matters pertaining to Gama's area of activity. If any of the aforesaid persons will stop working for Gama, this might adversely affect its revenues and profits.

L. Operational risk

Gama's areas of activity are characterized with increased operational complexity, which stems, inter alia, from the many areas of activity it is involved in; operating in those areas of activity is based on work processes, systems, software and hardware interfaces and complex control processes. The increased operational complexity of Gama's activities stems from the large number of customers and merchants with whom it is engaged in different clearing, credit, funding and reconciliation agreements; the mechanical and operational complexity of the different funding transactions and the complexity of the calculations they involve, as well as the complexity of operating such transactions, collecting their proceeds and placing controls thereon; the interfaces with the computer systems of each of the payment card companies, customers, banks and funding entities; the complex reporting and control systems operated by Gama; the legal complexity of Gama's agreements with its customers, suppliers and funding entities, and the complexity of its relationships with those parties; the need to maintain ongoing survivability of the interface with customers and suppliers' systems; the need to enforce complex manual and automated work processes; exposure to human errors as part of work and control processes; errors or faults in signing of documents and agreements and in registering collaterals; software and hardware malfunctions; errors in settling of accounts; errors and malfunctions in the delivery of data and files to customers, suppliers and compliance-related parties; frustration of agreements with customers or suppliers; errors or malfunctions in the transfer of funds; errors in appraisals and in assessment of the value of collaterals; errors in registering collaterals, pledges and assignments; physical damage to Gama's offices; changes, from time to time, in the terms of Gama's engagements with its customers; changes in the market, in legislation and in regulations - which Gama is required to adapt to and integrate into its operating systems; and the complexity of the way Gama settles its accounts with its different customers and suppliers (arrangements which change from time to time).

From time to time, the aforesaid operational complexity may cause various difficulties and malfunctions and give rise to various threats, and accordingly expose Gama to various risks. Gama takes measures to put in place controls with respect of the operational risks with the aim of mitigating those risks.

Risk factor	Effect of the risk factor on Gama		
	High	Moderate effect	Minor effect
Macroeconomic risks			
Deterioration in the Israeli economy	X		
Interest rate change			X
Liquidity and funding sources	X		
CPI risk and foreign currency risk			X
Industry-specific risks			
Increased competition		X	
Technological changes		X	
Regulatory risks	X		
Legal risks		X	
Specific risks			
Deterioration in customer payment ethics	X		
Fraud and embezzlement		X	
IT systems, information security and cyber risks		X	
Goodwill		X	
Liquidity risk		X	
Collection risk		X	
Key person dependency		X	
Operational risk		X	

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

2.7 Insurance agencies

2.7.1 General information about the segment

General

The Company holds a number of insurance agencies through The Phoenix Agencies; the agencies provide brokerage and marketing services in connection with pension, insurance and financial products of several insurance companies, including The Phoenix Insurance, as well as products of investment houses and other institutional entities.

The rate of premiums received through insurance agencies controlled by the Group out of total premiums in The Phoenix group in 2020-2021:

Type of product*	Premium rate in 2021	Premium rate in 2020
Life insurance	20.5%	22.8%
Pension and provident funds	31.6%	27.74%
Health - individual	12.6%	11.5%

*The rate of premiums in the property and casualty insurance segment of the agencies controlled by the Group in 2020 and 2021 is immaterial. The 2021 data include, for the first time, the premium rate payable by Oren Mizrach and Quality, in view of The Phoenix Agencies becoming their controlling shareholder.

Set forth below are data regarding the agencies and the material activities held by The Phoenix Agencies (hereinafter - the "**Material Agencies**"):

Shekel Insurance Agency (2008) Ltd. (hereinafter - "**Shekel**"), an agency wholly owned by The Phoenix Agencies. Shekel is an arrangement management agency, mainly in the field of life insurance, long-term savings, financial and health insurance products; Shekel cooperates with all insurance companies and investment houses in Israel which are engaged in its areas of activity.

Shekel operates through dedicated departments and through agencies and ventures it owns with other partners. Among Shekel's professional departments and areas of activity are the fields of pension and provident funds, finance, health insurance, retirement services for retiring employees and a center providing advice and personal response to queries from senior management of various employers. Furthermore, Shekel provides personal services in connection with all property and casualty insurance subsegments, such as motor, home, marine, travel insurance and more.

Shekel provides comprehensive services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and examination of all existing pension plans and setting up a pension solution tailored to meet the employee's needs. Services to employers include comprehensive operational pension services; as part of

these services, Shekel provides collection and clearing services in relation to contributions towards pension and automated statements, including a control and feedback system between the financial institution and the employer.

Shekel employs 430 employees. Shekel renders services to 4,900 employers, has 200,000 active customers and owns more than 18 niche ventures, partnerships and subsidiaries.

In the reporting period, the agency purchased an insurance portfolio at the total amount of NIS 6.3 million. Furthermore, in the reporting year, Shekel purchased from The Phoenix Agencies the holding in Benefit (as defined below). For further details, please see Section 8 below.

Agam Liderim Insurance Agency (2003) Ltd.: a subsidiary agency of The Phoenix Agencies, which holds 70% of the equity and voting rights therein (directly and indirectly). As of the report date, the remaining holdings in Agam (30%) are held indirectly by Mr. Yitzhak Oz (hereinafter - "**Oz**"), who holds 34% of the shares of Agam Liderim Holdings (2001) Ltd. (hereinafter - "**Agam Holdings**"), and by Mr. Moshe Sasson (6%). The remaining shares of Agam Holdings are held by The Phoenix Agencies. For details about agreements with Agam's shareholders, please see Section 2.6.8 below.

Agam is an arrangement management agency, mainly in the field of life insurance, long-term savings, financial and health insurance products. Agam operates through dedicated departments and through agencies and ventures it owns together with other partners. Among Agam's professional departments and areas of activity are the fields of pension and provident funds, finance, health and travel insurance, retirement services to retiring employees and a center providing advice and personal response to queries from senior managements of various employers.

Agam provides comprehensive services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and examination of all existing pension plans and setting up a pension solution tailored to meet the employee's needs. Agam provides comprehensive operational pension services to employers, including collection and clearing services in respect of contributions towards pension and automated reporting, as well as a controls and feedback system between the financial institution and the employer.

Agam employs 380 employees. Agam renders services to more than 200,000 active customers and owns more than 20 niche ventures, partnerships and subsidiaries.

Oren Mizrach Insurance Agency Ltd. (hereinafter - "**Oren Mizrach**"): a subsidiary agency of The Phoenix Agencies, which holds approximately 70% of the equity and voting rights therein (directly and indirectly). Mr. Oren Cohen serves as the agency's CEO and holds (indirectly) approximately 30% of the voting rights and capital in the agency. The agency operates in all insurance and finance subsegments, with an emphasis on the property and casualty subsegment. The agency also holds a number of other agencies.

In the field of individual motor and home insurance - the agency operates through a sister agency - Webprice Insurance Agency (2017) Ltd. - which developed a computer system that generates a digital acquisition process that offers customers the most cost-efficient home and motor insurance from among quotes by various insurance companies.

Oren Mizrach is growing, among other things, through mergers and acquisitions. During the reporting period, 16 further transactions were executed to increase control in agencies or existing portfolio or to acquire new portfolios and agencies at the total amount of approximately NIS 45 million. This trend also continues in 2022.

Cohen Givon Insurance Agency (1994) Ltd.: a subsidiary agency of The Phoenix Agencies, which holds 52% of the equity and voting rights therein. The remaining shares are held directly and indirectly by Mr. Ran Givon, who serves as the agency's CEO. The agency specializes in providing property and casualty insurance to municipalities and local authorities. It should be noted that in the reporting year, the agency sold to the Oren Mizrach agency its individual insurance portfolio (life and property and casualty).

Ramon-Granit Insurance Agency (1994) Ltd.: a subsidiary agency of The Phoenix Agencies, which holds 90% of the equity and voting rights therein (directly and indirectly). The remaining shares are held directly and indirectly by Mr. Shuki Leshner, who serves as the agency's CEO. Mr. Shuki Leshner has a PUT option to sell his shares to The Phoenix Agencies; the first exercise date of the option was set for December 31 2024. The value of the shares on the option's exercise date shall be determined by an agreed appraiser, provided that under no circumstances will the value of the shares be less than a floor value set in an agreement between the parties.

The agency is engaged principally in marine insurance and property and casualty insurance of large businesses, specializing in unique niches of marine and combined transport insurance, such as international deliveries and storage, shipping and distribution. The Company also operates as the licensed representative of Munich Re in Israel in the field of marine and aviation-related insurance, and as such, it is able to provide a range of extensive insurance coverage in the field of cargo and long-term storage insurance.

T.A.I.S. Shades Life Insurance Agency (1987) Ltd.: a subsidiary agency of The Phoenix Agencies, which holds 50% of the equity and voting rights therein (directly and indirectly). The remaining shares are held indirectly by three partners, two of whom, Mr. Eli Lanir and Mr. Yoram Nitzan also serve as joint CEOs in the agency.

The agency is engaged in the fields of pension, health and individual risks insurance and cooperates with all institutional entities operating in these areas. Furthermore, the agency has diverse activity in most property and casualty insurance subsegments.

The Employee Benefit Experts - Benefit Ltd. (hereinafter - "Benefit"): As part of the implementation of the Group's strategy, and in order to increase the synergy in the Group, The Phoenix Agencies transferred to Shekel all of its holdings in Benefit in consideration for allocation of additional Shekel shares. Benefit specializes in the provision of advisory services to organizations (including provision of actuarial opinions), assessing and improving employees' rights, benefits and compensation, and supporting retirement schemes in various organizations. Benefit also specializes in setting up advisory systems in the said areas. In addition, Benefit holds 100% of the rights in Benefit Life Insurance Agency (1995) Ltd., which is engaged in marketing pension products.

Quality Pension Insurance Agency (2017) Ltd.: An agency held, as of the report date, at a rate of 50.5% of the voting and equity rights (directly and indirectly) by The Phoenix Advanced Investments Ltd. Mr. Itay Barda serves as the agency's CEO and holds (indirectly) approximately 49.5% of the voting and equity rights in the agency. The agency operates in the life and health insurance subsegments and in the long-term saving and finance subsegments, mainly through sub-agents. The agency also holds a number of other agencies. In the reporting period, the agency expanded its activity, by, among other things, engaging with partners in engagements for setting up companies providing supplementary services, and for the setting up and purchase of insurance agencies. For further details in connection with the transfer of the holding in the agency to The Phoenix Agencies, please see Section 1.3.12 above.

Other agencies: in addition to the above-listed agencies, The Phoenix Agencies operates through other insurance agencies, held jointly with other shareholders (which, in most cases, run the agencies). These agencies operate in the various areas of insurance, pension and provident funds. The agencies are engaged in brokerage activities in the fields of pension, property and casualty, life and other insurance.

2.7.2 Scope of activity

A. **The area of activity's structure and changes therein**

The Phoenix Agencies operates in the field of insurance agencies in Israel, which is an area of activity regulated by the Commissioner of the Capital Market, Insurance and Savings Authority. For the key applicable regulatory provisions, please see Section 2.6.7 below.

During the reporting period, there was an increase in revenues and profits in The Phoenix Agencies' areas of activity, including, among other things, as a result of its high technological capabilities, level of service and unique services provided by its key agencies.

In addition, the agencies have a comparative advantage stemming from their utilization of synergies arising from mergers and acquisitions and collaborations in their areas of activity, which, in the opinion of the Company, worked in their favor during the reporting year.

For further details about revenues, costs and profits attributed to this area of activity, please see Note 3 to the Financial Statements.

B. **Critical success factors in the area of activity and Changes therein**

The following success factors may be listed in connection with the activity of insurance agencies:

- High technological level as well as effective early adoption of new technologies.
- A range of diverse distribution channels.
- Retaining each agency's comparative advantage in its field, including the field of arrangement management.
- High-quality, fast, flexible and reliable customer service system.
- Significant financial capabilities.
- Flexibility and agreements with all Israeli insurance companies with the aim of providing optimal solutions to customers.

C. **Major entry and exit barriers in area of activity**

The following entry and exit barriers apply to the activity of insurance agencies:

- Compliance with regulatory and legal requirements (see Section 2.6.7 below).
- Having in place the technological and professional platforms to support the area of activity.
- Experience, reputation and professional knowhow, as well as skilled manpower.
- Substantial financial capabilities.
- Obtaining a license from the Commissioner in accordance with the Supervision Law.
- Obtaining a control permit from the Commissioner in accordance with the Supervision Law.

2.7.3 Products and services

- A. The agencies held by The Phoenix Agencies are engaged in brokerage and distribution activities in the fields of property and casualty, pension, life and other insurance. The agencies offer their agents insurance products of a range of insurance companies, including those of the Company. Furthermore, the Company's key agencies also offer technological solutions, as described in Section 2.6 above.
- B. In the opinion of The Phoenix Agencies, as of the report date no changes are expected to take place in the scope and range of The Phoenix Agencies' products and services.
- C. In the opinion of The Phoenix Agencies, as of the report date, the Company's market share in this area of activity is not expected to decrease.

2.7.4 Customers

Customers of the agencies activity comprise two primary groups:

- A. In the field of arrangement agencies, The Phoenix Agencies' customers are employees and employers who are customers of the agencies held by The Phoenix Agencies.
- B. In other agencies held by The Phoenix Agencies, customers are both business customers and individuals from all sectors of the economy.

As of the report date, The Phoenix Agencies is not dependent on a single customer, the loss of which will have a material impact on this area of activity.

2.7.5 Competition

The insurance agencies area of activity is intensely competitive. The main competitors of the arrangement agencies (Shekel and Agam) are the insurance agencies engaged in the field of pension in general and the other arrangement agencies in particular, the most significant of which are Mivtach Simon, Tmura and Davidoff.

The main methods used by The Phoenix Agencies to address the competition, and key factors that affect its competitive position include, among other things, a constant improvement of service levels, ongoing streamlining and adoption of new technologies allowing the provision of fast, professional and effective services to employees and employers.

2.7.6 Seasonality

The scope of activity of The Phoenix Agencies is not significantly affected by seasonality. Nevertheless, as a rule, the fourth quarter generates the highest profits in the fields of pension, provident funds and finance.

2.7.7 Specific regulation

The insurance agencies' area of activity is supervised by the Commissioner and is subject to many legal provisions, including the Supervision Law, the Provident Funds Law, the Pension Advice Law and regulations promulgated thereunder, as well as the Commissioner's Directives, which aim to protect policyholders and planholders. These directives relate both to regulatory requirements applicable to insurance agencies and to requirements stemming from their relationships with their customers. Violation of the provisions of the law, including the Commissioner's Directives, may constitute an administrative violation, in respect of which a monetary sanction is imposed; in some instances, an administrative violation may even constitute a criminal offense.

Set forth below is a summary of the legal provisions applicable to the insurance agencies area of activity, as well as material bills and drafts published during the reporting period and through the report's publication date:

2.7.7.1 **Legislative arrangements:**

2.7.7.1.1 **The Supervision Law** regulates, among other things, the issues of insurance agencies' licensing, permits of control and holding of means of control, receipt of business and payment of brokerage fees and commissions for insurance brokerage services.

Pursuant to the provisions of the Supervision Law, it is forbidden to engage in insurance brokerage services and receive fees and commissions for such services without first obtaining a license from the Commissioner as required by law. The Supervision Law regulates, among other things, the receipt of an insurance agent license, including a corporate agent license, a control permit and a permit to hold means of control in a corporate agent. The Supervision Law also sets provisions regarding the safeguarding of policyholders' interests, such as the prohibition on providing a misleading description of an insurance transaction.

2.7.7.1.2 **The Pension Advice Law** regulates the granting of a license to provide pension advice and market pension products; the law includes provisions on providing operating services to employers, including restrictions applicable to insurance agents who render operating services to an employer for whose employees it provides pension advice. Furthermore, the law regulates the requirements, prohibitions and restrictions applicable to the marketing of pension products, including the insurance agent's duty to ensure that the pension product suits the customer's needs; under the law, the agent also has a duty of care and a fiduciary duty to its customers. The law also sets provisions on payment to agents, including prohibition on direct collection of a fee or commission from a customer in addition to a fee or commission paid by an institutional entity.

2.7.7.1.3 **The Provident Funds Law** provides for the right of an employee - for whom an employer makes contributions towards pension - to select the license holder to market the pension products or carry out transactions in his/her provident fund. Furthermore, an amendment to the law enacted in 2017 prohibits a management company from paying insurance agents any fees and commissions the calculation of which is tied to the rate of management fees collected by the management company from planholders.

2.7.7.1.4 **The Insurance Contract Law** and amendments thereto, regulate, among other things, the insurance agent's position in the relationship between an insurer, policyholder, and an insurance agent, and sets, among other things, presumptions as to the insurance agent's being an agent of the insurer.

2.7.7.2 **Commissioner's circulars, positions and procedures:**

2.7.7.2.1 **The circular titled Services Rendered to Customers by Agents and Advisors** stipulates provisions on rendering adequate services by a license holder and stipulates the rules and conditions for collecting fees and reimbursement of expenses paid directly by the customer.

In May 2021, a draft circular on **Services Rendered to Customers by Agents and Advisors - Amendment** - was published. As part of Amendment, it is suggested to add provisions aimed at dealing with inappropriate practices that should not be practiced when providing services to customers; among other things, it is suggested to determine that: (1) A license holder shall take action to update its customers as to the manner by which they will receive the service therefrom; such updates shall be delivered by digital means or by post, as selected by the customer; (2) insofar as a service is offered to the customer at the initiative of the license holder, under the circumstances described in the circular, and such offer is made on the phone, the telephone call should be recorded; (3) a license holder rendering to a customer services that include receipt of information or transfer of information that may be obtained at no cost via the websites of the institutional entities or digital interfaces of the Capital Market, Insurance and Savings Authority (including the Pension Clearing System, the use of which involves low costs), shall disclose to the customer that he/she is able to carry out those actions at no cost or at a low cost as aforesaid; (4) a license holder shall display one price for the service it renders to the customer, and will not split the payments into different components; the license holder shall provide to the customer in writing the reason for which the payment was collected; (5) a license holder shall only purchase the contact details of a potential customer (lead) if it verified that the customer agreed to have his/her details used for insurance marketing purposes, and that the notice to the customer with regard to such use was worded properly

and does not mislead the customer; (6) a license holder contacting a customer in order to provide his/her with services it provides in connection with non-insurance matters, shall not include in the same conversation the sale of an insurance product, unless there is documented evidence to the effect that the customer agreed for the license holder to do so.

A second draft of the said Amendment was published in February 2022. As part of the draft, it is suggested to add provisions whose objective is to clarify the license holder's obligations to customers, where the engagement is carried out in a passive manner as far as the customer is concerned, without his/her knowledge or involvement, as a result of, among other things, the purchase of an insurance portfolio or the license holder's appointment by the institutional entity in the fields of life insurance, pension and provident (hereinafter - "**Transferred Customer**"), and to clarify other issues. Accordingly, it is suggested, among other things: (1) To oblige license holders to proactively contact a Transferred Customer and ask him/her whether he/she wishes to receive services from the license holder; (2) to determine that a license holder that charges the customer shall provide the customer with a written and full disclosure of the overall amount it charges and the various components in respect of which payment is collected, as well as the amount charged for each such component. It is also suggested to determine that a license holder will be obliged to document all his actions relating to payroll and reimbursement of expenses in a recoverable manner; (3) to determine that a license holder engaged in retirement consulting or marketing shall not advertise a service of withdrawal of funds from a pension product or a service for identifying pension products.

2.7.7.2.2 The Signing-On to Insurance Plans circular sets provisions regulating conduct of insurance companies and insurance agents when signing on policyholders to an insurance plan. Among other things, the law requires that the insurance policy meet the insurance candidate's needs, including by checking the list of insurance products he/she has in place by submitting a query to the Har Habituach website.

In January 2022, an **amendment to the Signing-On to Insurance Plans** circular was published. Set forth below are the key amendments included in the circular, which are relevant to insurance agents: (1) a stipulation whereby senior citizens shall be signed-on to an insurance product by customer service representatives, who will be specifically trained for dealing with this population; senior citizens will also be advised to have someone on their behalf joining the conversation, in which they will be signed-on to an insurance product. It was further stipulated that the sale process will be conducted in stages in order

to ensure that senior citizens will only be signed-on to the insurance product once they intend to be legally bound by the insurance contract; (2) the imposition of a requirement to conduct an enhanced adjustment of needs when canceling a policy and transferring a customer to another company in various property and casualty insurance subsegments as well; (3) stipulating that any signing-on conversation shall be subject to an audio recording at the very least; (4) a requirement whereby during the signing-on process a policyholder shall have the option to make an active selection with regard to various material issues (such as deductible, expansions, riders, etc.) and those aspects will not be decided based on a default option; (6) a stipulation whereby it will be impossible to cancel the transfer of information to the "Har Habituach" website as part of the signing-on process; rather, such cancellation will only be possible by contacting the insurer directly and separately.

2.7.7.2.3 The Explanation Document Circular - Amendment sets a uniform wording for the explanation document to be delivered to customers by an agent marketing pension products, among others, while providing pension advice or marketing pension products, as part of his/her duty under the Pension Advice Law to ensure that the pension product suits the customer's needs and to explain his/her recommendation in writing. Furthermore, the Circular sets guidance on a license holder's duty, in the process of ensuring that the pension product meets the customer's needs, and of providing fair disclosure as to the considerations guiding his/her recommendation.

2.7.7.2.4 The Power of Appointment to a License Holder Circular sets a uniform format for a power of appointment form, by which a customer may appoint a license holder to receive information about pension savings managed for him/her in an institutional entity, or take in his/her name actions as part of pension advice or marketing, including through the central pension clearing system (as defined in the Pension Advice Law).

2.7.7.2.5 The Institutional Entity's Engagement with an License Holder Circular regulates the engagement between insurance agents and institutional entities in view of the Supervision Law and the Pension Advice Law's provisions prohibiting agents from brokering between customers and institutional entities, if the agent and the institutional entity do not have an agreement in place that includes the terms and conditions set in the said laws.

2.7.7.2.6 The Circular titled Involvement of an Entity which is not a License Holder in the Marketing and Sale of Insurance Products other than Group Insurance regulates engagements between regulated entities and external entities with regard to setting rules about an external entity's involvement in the marketing or sale of an individual insurance product, such that such activities shall not be in violation of the law.

- 2.7.7.2.7 **The Insurance Circular titled Service Contracts and their Marketing** stipulates, among other things, provisions on the marketing of service contracts through insurance agents.
- 2.7.7.2.8 **The Clarification on Pension Marketing Procedure when Accepting Candidates to a Pension Plan** stipulates that a transaction carried out for a customer with respect to a pension product, including the signing on of a customer to a pension plan, shall only be carried out after a pension marketing procedure has been followed as set out in the Pension Advice Law. The clarification further stipulates that an institutional entity may only pay a distribution fee if a pension insurance agent conducted such a transaction as part of a pension marketing procedure. The clarification applies to signing on new planholders to a pension plan as of February 4 2018.
- 2.7.7.2.9 In August 2021, the **Procedure for Filing an Application for a Corporate Agent License** was published. The procedure's objective is to regulate the manner by which data should be filled-in and documents that should be submitted as part of an application for a corporate agent license, such that there will be certainty as to the documents required when submitting an insurance agency license. The application, which refers to a corporation, shall be submitted by the person who wishes to serve as the controlling shareholder of the insurance agency or a representative thereof, with a written power of attorney attached.
- 2.7.7.2.10 In January 2022, the circular **Rules regarding Appropriate Traineeship** was published. The circular set forth provisions and rules for the supervisor and the trainee; such provisions and rules shall constitute threshold requirements for appropriate traineeship as part of the legal requirements for receiving an insurance agent license, a pension advisor license or a pension marketing agent license. Accordingly, the following were stipulated, among other things: (1) Appropriate conditions for a traineeship, such as the duty to set a traineeship program, a minimum number of working days per week, and the place in which the trainee will be based; (2) mandatory contents that will serve as the professional basis for appropriate traineeship (knowledge of the provisions of the law, practical experience and more); (3) rules regarding cases of conflict of interest due to which an traineeship cannot be recognized as appropriate (subordination, familial relationships; (4) a requirement to define a "person in charge of traineeship" in a workplace with more than five trainees; (5) a requirement to report to the Commissioner in the instances listed in the circular; (6) requiring the trainer to document his/her activity as a trainer and the activity of the trainee. In January 2022, the Capital Market, Insurance and Savings Authority published **Non-Enforcement Position - Pension Consulting by a**

Banking Corporation Outside the Banking Corporation's Branches for Existing Customers in the Field of Pension Consulting - Extension. As part of the Commissioner's position, the term of the Commissioner's position on this issue which was published on December 2 2020, and which had already been extended several times, was extended by three further months (through April 25 2022). The Commissioner's position stipulates that the Capital Market, Insurance and Savings Authority will not take enforcement measures against banks that will provide pension consulting services digitally or via the phone to existing customers in the field of pension consulting immediately before the Commissioner's notice, despite the provisions of the Pension Advice Law which prohibits banking corporations from providing pension consulting services outside their permanent branches.

2.7.8 Material agreements

2.7.8.1 Agam Liderim Holdings (2001) Ltd.

In March 2019, the Company, Oz and Hagoz (2015) Ltd., which is owned by **Oz** (hereinafter - "**Hagoz**") entered into an agreement for the sale of Oz's stake in Agam Holdings' shares to the Company (hereinafter - the "**Options Agreement**"). Under the Options Agreement, a put option was granted to Hagoz from January 1 2020 to December 31 2020 (hereinafter - the "**Option Period**") to sell all of its shares in Agam Liderim Holdings (2001) Ltd. (hereinafter - "**Agam Holdings**") to the Company, and the Company was granted a call option for the duration of the Option Period to purchase all of Hagoz's shares in Agam Holdings. The options were awarded in lieu of and further to previous options agreements between Oz and The Phoenix Agencies. In December 2019, the Options Agreement was revised, and it was agreed that the period of the put and call options shall be deferred by 4 years, such that the options shall be exercisable between January 1 2024 and January 3 2025, and the effective date with regard to the transaction's value shall be deferred accordingly from December 31 2020 to January 1 2025. It was also agreed that the minimum price for all the shares that shall be held by Hagoz at the option exercise date shall be at a company value (for Agam Holdings) of NIS 350 million. For further details, please see the immediate report dated December 31 2019 (Ref. No. 2019-01-126565).

2.8.7.2 Oren Mizrach Insurance Agency Ltd.

In December 2020, an agreement was signed, pursuant to which The Phoenix Agencies acquired from Oren Agency shares of Oren Mizrach and Webprice constituting 1% of the issued share capital of each of the said companies; furthermore, The Phoenix Agencies acquired from Oren Holdings 38% of the ownership interests in Oren Agency and 70% of the controlling interests of Oren Agency, such

that following the completion of the transaction, The Phoenix Agencies holds (directly and indirectly) 69.62% of the ownership interests in the Oren Mizrach Group.

The transaction was completed based on company value of NIS 160 million for the Oren Mizrach Group, and is subject to the consideration adjustment mechanism set in the agreement. The mechanism shall be activated after the approval of Oren Mizrach Group's 2022 financial statements. For further details, please see the Company's immediate report dated December 6 2020 (Ref. No. 2020-01-132153) and Note 7 to the Financial Statements.

2.7.9 Marketing and distribution

The marketing and distribution of the products of agencies held by the Company is carried out in accordance with the Commissioner's Directives, as described in Section 2.6.7. The arrangement agencies provide, as aforesaid, end-to-end services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and review of all existing pension plans and setting up a pension solution tailored to meet the employee's needs, including marketing of pension and financial products and health insurance. The arrangement agencies receive fees and commissions from insurance companies for the abovementioned marketing and brokerage services.

Services to employers include end-to-end operational pension services, including collection and clearing services in relation to contributions towards pension and automated statements, including a controls and feedback system between the financial institution and employer. The arrangement agencies collect handling fees from employers for these services. Marketing and distribution of the other products is carried out in the manner generally accepted in the industry, through licensed insurance agents.

2.7.10 Human capital

For further details about the number of employees engaged in this field, including any material changes in the workforce, please see Section 4.6 to the Report.

2.7.11 Suppliers and service providers

As part of its current activities, The Phoenix Agencies engages with a range of service providers. To the best of The Phoenix Agencies' knowledge, it is not dependent on a primary supplier.

2.7.12 Legal proceedings

The Phoenix Agencies is not a party to material legal proceedings, except for the dismissal of a motion to approve a lawsuit submitted against Agam and Shekel as a class action. For further details, please see Note 42(A) to the Financial Statements.

2.7.13 Investments

The Phoenix Agencies grants shareholders' loans to some of its investee agencies based on predetermined milestones, for the purpose of funding the acquisition of agencies and insurance portfolios.

2.7.14 Objectives and strategy

The Phoenix Agencies aspires to expand its activities in the area of the insurance agencies and to improve its profitability by increasing the scope of its operations either through mergers and acquisitions and collaborations with other entities or by improving its ongoing operations, through, among other things, increasing the efficiency of the agencies' procedures and adopting technological solutions.

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



Part C

Additional Information about
Insurance Areas of Activity Not
Included in the Areas of Activity



N/A



Part D

Additional information at Company
level



4.1 Restrictions and Regulation to which the Group's Activity is Subject

4.1.1 Regulation and supervision - general

As described in this chapter, the Group's activities in its areas of activity are subject to the general provisions of the law and the specific provisions of the law applicable to each of the Group's areas of activity.

Group companies are regulated by various regulators, including the Capital Market, Insurance and Savings Authority (hereinafter - the "**Authority**" or the "**Commissioner**"), which regulate the activity of the Group's institutional entities and insurance agencies. The Authority is an independent authority which reports to the Ministry of Finance, and its roles include: 1. Protecting and safeguarding the interests of policyholders, planholders and customers of the regulated entities. 2. Ensuring the stability and proper management of the regulated entities. 3. Promoting competition in the financial system in general, and in particular - in the fields of capital market, insurance and savings. 4. Encouraging technological and business innovation for the regulated entities, in view of the Authority's purviews as per Sections 1-3 above.

Furthermore, part of Group companies' activity, which is concentrated under an investment house, is regulated by the Israel Securities Authority. Furthermore, in its capacity as a publicly-traded company, the Group is also subject to the provisions of the securities laws and is regulated in that context by the Israel Securities Authority; in addition, the Group is subject to the provisions of the companies laws applicable to publicly traded companies. The Group's companies are subject, from time to time, to administrative enforcement procedures and fines. Set forth below is a summary of the legal provisions applicable to the Group as well as bills and drafts that have a material effect on the Group, published during the reporting period and through the report publication date. It should be noted that the provisions listed in this report do not constitute an exhaustive list of all legal provisions applicable to the Company, rather - they are only the key ones. Many other regulations and directives regulate the activities of the insurer and the management companies in the fields of insurance, pension funds and provident funds. The regulations and directives are updated on the Ministry of Finance's website at:

<https://mof.gov.il/hon/Regulations/Pages/RegulationAndLegislation.aspx>

4.1.1.1 **Legislative arrangements**

4.1.1.1.1 **The Insurance Contract Law, 1981** mainly regulates the relationship between an insurer and policyholders, including the status of the insurance agent.

4.1.1.1.2 **Financial Services Supervision (Insurance) Law, 1981** and the regulations promulgated thereunder regulate, among other things, the Commissioner's purviews, licensing of insurers and insurance agents, holding of means of control in an insurer and in an agent which is a corporation, supervising of insurance businesses and the safeguarding policyholders' interests. The Supervision Law includes a list of provisions the breach of which constitutes a criminal offense; the law expands the scope of officers' responsibility to prevent the breaches. Furthermore, in accordance with the Supervision Law, the Commissioner has is authorized to impose monetary sanctions and civil fines of significant amounts without filing an indictment.

4.1.1.1.3 **The Law for the Promotion of Competition and Reduction of Concentration, 2013** (the "**Market Concentration Law**" or the "**Law**"). The Concentration Law was published in December 2013; the Law is composed of three key chapters: (1) restricting the control in "pyramid-shaped" companies to two tiers and imposing enhanced corporate governance rules on such companies; (2) separation between significant financial corporations (such as banks, insurance companies, investment funds, etc.) and significant non-financial entities as defined in the Reduction of Concentration Law, which prohibits a significant non-financial corporation from controlling and holding means of control in an insurer which is a significant financial entity; and (3) aggregate concentration considerations and sectoral competition considerations in the allocation of rights to use government resources (essential infrastructures and privatized assets) to concentrating entities.

A list of concentrated entities, a list of significant non-financial entities, and a list of the significant financial entities is published from time to time on the Ministry of Finance's website.

Several subsidiaries of the Company (such as The Phoenix Insurance Company Ltd. and The Phoenix Pension and Provident Ltd.) are included in the list of concentrated entities, due to their definition as significant financial entities.

The Law allows reporting entities to have a holding structure of no more than two tiers. The Company is a first-tier company.

The Concentration Law sets restrictions and conditions for separating significant financial entities from significant non-financial entities. As part of the said restrictions, the Concentration Law sets a restriction whereby an institutional entity may hold no more than 10% of the means of control in a significant non-financial corporation. The Law also prohibits a controlling shareholder of a significant non-financial corporation, a person related to such a controlling shareholder or an officer in a significant non-financial corporation from serving as a director in a significant financial corporation.

4.1.1.14 In November 2021, the **Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter G: Regulation** was published. A new law - the "Regulatory Principles Law, 2021", is legislated as part of the passing of the aforesaid law. In accordance with the law, the "Regulatory Authority" is set up, that will work to promote "smart regulation" and mitigate excess regulatory burden. Five key roles were defined for the Regulatory Authority: (1) advising the government on matters pertaining to regulatory policy; (2) advising regulators on an ongoing basis, and supporting and guiding regulators on prescribing new regulations or improving existing regulations; (3) promoting planning processes in the field of regulation, as well as coordination and collaboration between regulators; (4) advising regulators on the quality of their regulation impact assessments; as part of this role of the Regulatory Authority, regulators are required to consult the Regulatory Authority before prescribing new regulations, including a requirement to submit a "regulation impact assessment" report to the Regulatory Authority; (5) reviewing, measuring and assessing existing regulations.

The law prescribes a Temporary Order whereby the Capital Market, Insurance and Savings Authority shall be deemed a "public corporation" rather than a "public authority" for a period of 6 years; this means that during the period of the Temporary Order: (1) The Capital Market, Insurance and Savings Authority will not be required to consult the Regulatory Authority when prescribing new regulations, nor will it be required to conduct "regulation impact assessments". Instead, when publishing new regulations, the Capital Market, Insurance and

Savings Authority is required to publish a reduced-scope report to the public according to guidelines it will set for itself; (2) it will be required to publish an "annual regulatory plan", but will not be required to file it to the Regulatory Authority. Such a Temporary Order was not prescribed in relation to the Israel Securities Authority.

Circulars issued by the Capital Market, Insurance and Savings Authority

- 4.1.1.15 In November 2021, **The Amendment of the Provisions of the Consolidated Circular regarding the Transfer of Funds to Reinsurers Outside Israel** was published, which prescribes conditions for the transfer of funds to reinsurers outside Israel; the Amendment also introduces the requirement applicable to insurance companies to retain collaterals in reinsurance contracts.
- 4.1.1.16 In January 2022, a number of circulars were published which promulgate special provisions in connection with "senior citizens" or "disabled persons", including: Provisions on cutting response times when providing responses to the Capital Markets Authority regarding inquiries of "senior citizens" or "disabled persons" (circular on **Regulating the Conduct of Supervised Entities when Dealing with Public Inquiries - Amendment**); promulgating special provisions regarding the settlement of claims filed by senior citizens, such as providing personal response and support as part of the process of handling the claim, giving claimants the option to submit a claim orally, reducing response times and delivering messages orally (circular on **Dealing with and Settling of Claims and Inquiries (Amendment)**); requiring institutional entities to appoint an "officer in charge of senior citizens" and to file the Commissioner an annual report that will review the entity's compliance with the Accessibility Regulations (circular on **Service to Institutional Entities' Customers (Amendment)**); and setting rules whereby the signing-on of senior citizens to insurance products shall be conducted by customer service representatives who are specifically trained for dealing with this population, and setting special rules for the process of selling insurance products to senior citizens (the **Signing-On to Insurance Plans Circular - Amendment**).
- 4.1.1.17 **The Signing-On to Insurance Plans Circular - Amendment** was published in January 2022; the key points of the circular are: The imposition of a requirement to conduct an enhanced adjustment of needs when canceling a policy and transferring a customer to another company in various property and casualty

insurance subsegments as well; a requirement whereby during the signing-on process a policyholder shall have the option to make an active selection with regard to various material issues (such as deductible, expansions, etc.) and those aspects will not be decided based on a default option; stipulating that any signing-on conversation shall be subject to an audio recording at the very least; a stipulation whereby an insurance company shall only purchase the contact details of a potential customer (lead) if it verified that the candidate agreed to have his/her details used for insurance marketing purposes; and a stipulation whereby it will be impossible to cancel the transfer of information to the "Har Habituach" website as part of the signing-on process; rather, such cancellation will only be possible by contacting the insurer directly and separately.

4.1.1.1.8 In January 2022, the circular **Rules regarding Appropriate Traineeship** was published. The circular set forth provisions and rules for the supervisor and the trainee; such provisions and rules shall constitute threshold requirements for appropriate traineeship as part of the legal requirements for receiving an insurance agent license, a pension advisor license or a pension marketing agent license; the rules and provisions will include, among other things: requiring the supervisor to assess the trainee's suitability for the role and clarify to him/her what is expected of him/her; appropriate conditions for the traineeship, such as the number weekly working days and the extent to which the trainee will work closely with the supervisor; and a minimum number of mandatory contents that will constitute the professional basis for appropriate traineeship.

4.1.1.1.9 **Temporary orders published following the Covid-19 crisis**

In view of the spread of Covid-19, which started in March 2020, the Commissioner published a series of amendments to circulars, which constituted temporary orders whose purpose is to facilitate and/or adjust the activity of institutional entities and license holders in view of the Covid-19 crisis.

In the reporting year, the term of some of the said amendments was extended, including, among other things, the amendments dealing with the following matters: Making adjustments to the manner of Board of Directors' work (such as canceling the requirement for a physical meeting); extending to 12 months the automatic temporary life insurance coverage provided by pension funds and managers insurance policies, and expanding the scope of applicability of that temporary insurance coverage (draft); a stipulation that defers an institutional entity's right to

increase the rate of management fees due to the discontinuation of contributions to the provident fund only after 12 months have passed since the date on which such contributions were discontinued (instead of 6 months; which was later substituted by a letter by the Capital Market, Insurance and Savings Authority calling institutional entities to continue to show solidarity towards planholders who had their pension contributions halted); giving banks the option to provide retirement consulting digitally or via the phone.

Drafts

- 4.1.1.1.10 In July 2021 a draft circular on **Reporting Cyber Events and Technological Failure** was published. The circular suggests determining the types of incidents which an institutional entity is required to report to the Commissioner as cyber events and technological failure, and further provisions on reports with material impact, so as to ensure that the entity takes the steps required to mitigate the damage caused by such an incident, to ensure the performance of appropriate recovery processes and the drawing of lessons from the incident; and to allows the Capital Market, Insurance and Savings Authority to take supplementary steps when there are concerns that an incident will have an extensive impact.

4.1.2 **Provisions regarding regulation of corporate governance**

4.1.2.1 **Legislative arrangements**

- 4.1.2.1.1 In August 2018, a circular titled **Institutional Entity's Board of Directors** was published, which stipulates a series of directives as to the qualifications of the members and chairman of the board, the composition of the board, the board members' competency, their place of residence, knowledge of the Hebrew language, restrictions on the appointment and service of directors, requirements for expertise of board members, the board's powers and conduct, and directives concerning the board's committees of the institutional entity. The circular came into force on April 2 2019, and as from April 2022, after the transition period, the circular was implemented in full.

- 4.1.2.1.2 A draft circular revising the provisions of the **Consolidated Circular on Compensation**, was published in May 2021; the draft suggests allowing the payment of retention bonuses also to officers who were defined as "key employees", in addition to "key employees" who are not officers, provided that they engage mainly in the field of investment, investment advise or investment-related research.

4.1.3 Provisions regarding investment management by institutional entities

4.1.3.1 Legislative arrangements

- 4.1.3.1.1 **Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012** (the “**Regulations**”) set a uniform framework for investment rules applicable to all institutional entities, including the nostro funds.

In June 2021, **Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities) (Amendment), 2021** was published, which entered into force 90 days after its publication. Set forth below are the main amendments included in the regulations: (1) It was stipulated that an institutional investor will be allowed to invest in and hold up to 49% (instead of 20% as was the case prior to the amendment date) in an issuance of means of control in a corporation whose activity is restricted to the construction and operation of a dedicated project in the field of infrastructures in Israel, all subject to the corporations’ characteristics and the conditions set in the regulations; (2) it was stipulated that an institutional investor will be allowed to invest in hybrid bonds in Israel, as defined in the regulations, subject to the fulfillment of conditions set in the regulations; and (3) it was stipulated that the restriction whereby an institutional investor will not be allowed to hold more than 20% of the ETF units shall only apply to ETFs, which are related parties of an institutional entity. It was further stipulated that a provident fund that has undertaken to invest in accordance with the rules of the Jewish Law may hold more than 20% of the unit of a ‘Kosher ETF’, which is a fund managed by a fund manager which is a related party, provided that no similar investment tracks are available in Kosher ETFs, which are not related parties.

- 4.1.3.1.2 The codex of regulations on management of investment assets compiles and combines regulatory provisions that were included in the various circulars by virtue of the Commissioner’s power pursuant to the Regulations; this power was given to the Commissioner with the aim of adapting some of the restrictions applicable to institutional entities to changing market conditions.

4.1.3.1.3 **Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses Incurred as a Result of Execution of Transactions), 2008**

These regulations regulate the types of direct expenses an institutional entity may deduct from planholders' funds under its management in respect of investments it makes in addition to the management fees it collects from planholders.

Pursuant to the temporary order, which is updated every year starting in 2014 and as of the report publication date through April 6 2022, the rate of direct expenses stemming from investment in illiquid security or the provision of loans, external management fees and expenses stemming from mortgages shall not exceed 0.25% of total assets under management by the institutional entity (hereinafter - the "**Limit**" and/or the "**Temporary Order**"). The Limit does not apply to certain expense types as set out in the Regulations.

The said Temporary Order was extended, among other things, in order to enable the Yafeh Committee - an advisory committee to the Capital Market, Insurance and Savings Authority, headed by Prof. Yishay Yafeh, on the issue of direct expenses, as described below (hereinafter - the "**Yafeh Committee**") - to complete its work such that it will be possible to set permanent provisions.

Yafeh Committee

On October 29 2021, the Yafeh Committee published an updated report (after public scrutiny); set forth below are its recommendations: (1) Changing the structure of management fees and transition to a single predetermined unit price that includes management fees and other expenses types; such unit price is to be calculated only as a rate of accrual; (2) setting up index-tracking (passive) investment tracks at low cost, each of which will track a number of key share and bonds indexes. This recommendation requires differential management fees, that will allow reducing the price of the passive tracks as compared to the other tracks; (3) allow institutional entities to offer investment tracks with performance-based management fees, that will be calculated symmetrically on the basis of a threshold above and below the benchmark indexes; and (4) improving the transparency of the information presented to the regulator and the savers.

As described above, the Knesset Finance Committee extended the term of the Temporary Order through April 6 2022, and the Capital Market, Insurance and Savings Authority announced that it intends to introduce - by the said date - permanent provisions that will implement the conclusions of the Yafeh Committee. As of the report date, there is no certainty that the recommendations of the Yafeh Committee will be accepted in full or at all, and if they are, indeed, accepted, what their effect will be.

4.1.3.14 In May 2021, the **Amendment to the Provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" - Debt Settlement Arrangements and Rating Agencies** was published, key provisions of which came into force on January 2 2022. Set forth below are the key provisions included in the Amendment: (1) Defining a "debt settlement arrangement", such that the provisions of the "Management of Investment Assets" chapter shall only apply in the case of a settlement arrangement pertaining to a troubled debt; (2) cancellation of the exception pertaining to debts issued outside Israel, such that the relevant provisions of the "Management of Investment Assets" chapter shall also apply to such debts; (3) a clarification whereby the Investment Committee's power to set the powers of the credit subcommittee and the division of powers between the committees also includes the power to set the areas of responsibility of the credit subcommittee; (4) a stipulation whereby the provisions regarding the troubled debt forum, the handling of troubled debts and the steps taken by institutional entities to collect debts shall apply to debts issued outside Israel, where the institutional entity or the group of investors hold at least 5% of the debt, all in accordance with the Investment Committee or the credit subcommittee's policy, as applicable, for handling troubled debts, and subject to a semi-annual report to the relevant committee.

4.1.3.15 In May 2021, the Commissioner published a draft **amendment to the provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Lending of Securities)** was published, which went into force 45 days after its publication date. The Amendment was published further to the setting up of a central securities lending platform by the TASE Clearing House. Set forth below are the key amendments: (1) Amendment of the definition of "excluded credit by investment" such that it includes lending of securities to the clearing house or another qualifying central counterparty; (2) updating the lending provisions pertaining to lending of a security which is not an excluded credit, in respect of which it was determined that an institutional entity shall set conditions

for executing the lending of securities; and (3) stipulating that an institutional entity will not be allowed to enter into securities lending transactions, as part of which the institutional entity has a direct exposure to a counterparty risk to entities with a rating lower than BBB.

- 4.13.16 In May 2021, the **Economic Competition Rules (Class Exemption for Joint Loan Arrangements) (Temporary Order) (Amendment), 2021** were published, which are effective as from their publication date for a period of five years. As part of the amendment, several amendments were made to the class exemption, the key of which include: (1) Renewing the class exemption for a period of 5 years; (2) amending the definition of "lender" in Section 1 of the class exemption, such that it will also include credit providers operating by virtue of the Financial Services Supervision Law (Regulated Financial Services), 2016; (3) to amend Section 2(4) to the class exemption such that a joint loan arrangement, which includes two large lenders, one of whom arranges the loan, shall be allowed only when both the participation of all of the large lenders and the arranging of the loan by any of them are required for the purpose of obtaining better credit terms for the borrower.
- 4.13.17 In June 2021, the Commissioner **published an amendment to the provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Collaboration with a Related Fund)**, which went into force on its publication date. The purpose of the amendment is to define and set terms and conditions for collaboration between an insurer (and the group of investors it belongs to) and an investment fund which is a related party thereof, in order to safeguard the savers' interests. In accordance with the amendment to the circular, an insurer shall only execute a transaction for the provision of investment management services through a "related fund" as defined in the circular, subject to the fulfillment of conditions set in the circular. Furthermore, the circular sets transitional provisions in relation to existing engagements.
- 4.13.18 In November 2021, the Commissioner published the **amendment to the provisions of the Consolidated Circular - "Management of Investment Assets" (Investment Considerations relating to Environmental, Social and Corporate Governance Aspects and Material Emerging Risks), which will go into force on July 1, 2022**. As part of the amendment, it was stipulated that an Investment Committee of an institutional investor shall set principles for the inclusion of ESG aspects in the investment considerations taken into account when

determining that investor's overall investment policy, where such aspects are relevant to the performance of the investment portfolio. It was further stipulated that an investment committee shall formulate rules and procedures for the development of the institutional investor's expertise for assessing such aspects, considerations and risks. It was also decided that an institutional investor shall provide details regarding the investment policy relevant to such ESG aspects in the policy it publishes.

- 4.1.3.1.9 In January 2022, A **Policy Paper - Investment in Insurtech Corporations and in Investment Corporations in the Field of Innovative Financial Technology**. The objective of this policy paper is to encourage institutional entities to consider investments in innovative financial technology in areas in which they have enhanced expertise enabling them to evaluate the economic viability of such investments, due to such investments' being closely related to their areas of activity. This paper replaces the said Commissioner's position paper on "Investment in Insurtech Companies" of January 13 2020, and set outs guidelines and conditions for approval by the Commissioner (in accordance with Regulation 33(B) to the Investment Rules Regulations), of insurer's control or holding means of control in a corporation whose purpose is the development of Insurtech ventures, both in relation to investment in corporations investing in Insurtech ventures, and in relation to corporations whose purpose is to invest in innovative financial technology ventures.

4.1.32 **Drafts and bills for legislative arrangements**

- 4.1.32.1 The following drafts were published in the lead up to the cancellation of the Regulations Concerning Supervision of Financial Services (Insurance) (Minimum Capital Required of an Insurer) 1998 (hereinafter - the "**Capital Regulations**"):
 - 4.1.3.2.1.1 In June 2021 draft **Provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" - Rules on Investment of Insurance Company's Assets Against Liabilities that are Non-Yield-Dependent** was published, which includes provisions regarding non-yield-dependent liabilities in adjustments, and provisions that are expected to replace and lead to the cancellation of regulations in the Capital Regulations (hereinafter - the "**Draft Investment Rules Circular**").

4.1.3.2.1.2 Further to the Investment Rules Circular, the **Draft Regulations Concerning Supervision of Financial Services (Provident Funds) (Investment Rules Applicable to Institutional Entities) (Amendment No. 2), 2021** was published in December 2021; the draft lists the regulations that will be canceled.

4.1.3.2.1.3 In January 2022, Draft amendment of **Chapter 4 of Part 2 of Title 5 of the Consolidated Circular ("Management of Investment Assets" - Appendix 5.2.4.14 - Management of Investment Assets for an Insurer Implementing IFRS 17**, whereby it is suggested to adjust the existing provisions of the law regarding the holding of assets and management of investments of insurance companies to the financial statements, specifically regarding the manner of determining the value of liabilities in respect of the different liability types. Furthermore, as part of the draft amendment, it is suggested to define the manner by which the amount of each liability type will be determined/calculated; the draft amendment also includes provisions regarding holding assets against certain types of liabilities.

4.1.3.2.2 A draft for comments on the **"Commissioner's Position on the Formulation of Desirable Policy Regarding Planholders Investment Committee: Committee's Functions and Responsibilities, Composition and Appointment"** (the **"Draft Position"**) was published on January 31 2022. The key points of the draft position are, among other things: (a) the committee shall function as the organ overseeing the management of investments by the institutional entity, rather than as a party involved in the management of the investments in practice; (b) the committee shall be in charge - independently and exclusively - of the formulation of the institutional investor's voting policy in general meetings, and of the making of decisions as to how to vote in such meetings; (c) all committee members shall be "independent representatives"; (d) the appointment of committee members shall be carried out by a public committee, whose members will include various representatives of the public; and (e) committee members shall be required to have experience of at least five years in the area, in lieu of the current requirement that settles for two years of experience.

4.1.4 Provisions on accounting reports, reporting and presentation rules and reports to be submitted to the Commissioner

4.1.4.1 General

The Supervision Law and the regulations promulgated thereunder stipulate, among other things, provisions regarding the content, details and accounting principles to be applied in the preparation of insurance companies' financial statements, including the accounting treatment applied to insurer's assets and liabilities.

The main accounting principles used by the Group in preparing the financial statements are described in Note 2 to the Company's financial statements.

From time to time the Commissioner publishes circulars and directives pertaining to reporting rules for both insurers and management companies, and to the accounting rules that should be applied to financial statements of insurers and management companies.

4.1.4.1.1 On June 2020, the Capital Market, Insurance and Savings Authority published a paper titled "**Roadmap for the Adoption of International Accounting Standard (IFRS) 17 - Insurance Contracts**". The roadmap lists the steps required to ensure the preparedness of Israeli insurance companies for the implementation of IFRS 17 - Insurance Contracts - and the timetables for the implementation of these steps. The steps set out in the roadmap are designed to increase the level of regulatory certainty as to the planned implementation date of the standard and as to the main steps insurance companies will need to take in order prepare for the implementation. The roadmap sets key milestones, the achievement of which will be required as part of the preparations made by insurance companies. These milestones pertain to several aspects of preparedness: (1) IT systems; (2) project management; (3) accounting policies; (4) quantitative tests; and (5) disclosure to the public.

Further to the above, an Updated Draft Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts was published by the Commissioner in January 2022, which suggests the deferral of the Standard's application date in Israel, such that the first-time application of the Standard in Israel will be from the quarterly and annual periods beginning on January 1 2024.

4.14.12 Further to the publication of the roadmap, in February 2021 and January 2022, the Commissioner published a draft circular titled **Revision of the Consolidated Circular regarding Measurement - Professional Issues Pertaining to the Application of IFRS 17 in Israel**. The purpose of the draft circular is to create as uniform a method of application of the Standard as possible by Israeli insurance companies by setting principles for application of the Standard with respect to certain professional issues regarding which the standard is not unequivocal, or whose application in Israel requires some interpretation.

In July 2021 and January 2022, draft circulars on **Revision of the Consolidated Circular on Reporting to the Public - Illustrative Financial Statements of an Insurance Company under IFRS 17** was published. The draft suggested modifying the format of the disclosure required in the annual financial statements of insurance companies in accordance with the expected changes in IFRSs. According to the draft, the format of the suggested disclosure was formulated based on the disclosure provisions set in the new standards, the disclosure format included in illustrative financial statements published by international auditing firms and the disclosure provisions currently included in illustrative annual financial statements of insurance companies.

In addition, in September 2021, a second draft of the **Q&A File for Implementing IFRS 17 in Israel** was published. This draft includes a number of wording revisions compared with the latest published draft. The Q&A file is designed to assist insurance companies in their preparations for the implementation of IFRS 17. Furthermore, In September 2021 the fourth draft of the circular **Professional Issues in the Implementation of IFRS 17 in Israel** was published. The draft circular provides guidance on professional issues in accordance with the Roadmap for the Adoption of International Accounting Standard (IFRS) 17 published by the Capital Market, Insurance and Savings Authority in June 2020.

For further details regarding the preparations made by the Company for application of the standard, please see Note 2FF to the Financial Statements.

4.14.13 In April 2021 the Israel Securities Authority published a suggested outline for a **Corporate Responsibility and ESG Risks Disclosure**. In its suggested outline the Israel Securities Authority calls upon all reporting corporations whose securities are listed on the Stock Exchange to publish an annual corporate social responsibility report to its investors and other stakeholders; the Israel Securities Authority emphasized the fact that such a report will be published on a voluntary basis. The Israel Securities

Authority calls upon every reporting corporation that will opt to publish such a corporate social responsibility report to draw up such a report based on generally accepted international standards and publish its close to the publication date of the periodic report in respect of the relevant reporting year. The Company is in the process of preparing a Corporate Social Responsibility Report, and intends to publish such a report in 2022.

- 4.14.14 In October 2021, the Israel Securities Authority published a document dealing with **Suggested Best Practice for Directors in Order to Improve the Quality of Financial Statements Audit**. The document includes recommendations for best practice regarding various topics that may improve the quality of financial statements' audit by independent auditors, including the importance of communication between the independent auditor and various organs in the corporations, criteria for selecting an independent auditor, considerations for determining fees, the importance of the independent auditor's independence and more.
- 4.14.15 A **Clarification on the Accounting Treatment to be Applied to Transactions for the Advance Purchase of Agents Fees and Commissions When Calculating LAT** was published in December 2021; the draft suggests to set the appropriate accounting treatment to be applied to the "prepaid expenses" asset when calculating LAT, in accordance with IFRS 4 - "Insurance Contracts".
- 4.14.16 In January 2022, **Draft Circular on Amendment of the Provisions of the Consolidated Circular - Reporting to the Commissioner of Capital Market - Own Risk and Solvency Assessment of an Insurance Company (ORSA)** was published. According to the draft, an insurance Company shall report its ORSA to the Commissioner of Capital Market once a year. The circular includes rules and principles regarding the said report, the content of the reports' parts and provisions relating to the manner of reporting. Further to the above, in January 2022 a letter titled **Principles for the Implementation of an Insurance Company's ORSA** was published, which sets forth complementary principles for an insurance company's risk and capital management framework, which will be taken into account in the preparation of the ORSA report and which will be reflected therein.
- 4.14.17 In February 2022, the Commissioner published a circular titled **Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities - Illiquidity Premium**. The consolidated circular deals, among other things, with insurance companies' duty to perform liability adequacy testing (LAT) for all its insurance businesses (property and casualty, life, long-term care and health). The

circular allows adding an illiquidity premium to the discount rate when calculating the supplement arising from the LAT; such illiquidity premium will vary between various policies and reserves. As part of the amendment to the Circular a revised method is set to estimate the illiquidity premium that can be used for the liability adequacy test. The Amendment revised the results of the formula for the illiquidity premium, which stands at 0.26% on the eve of the Amendment, to a rate of approximately 0.54%. The revision was carried out since a significant period has elapsed since the date on which the formula was set, and following a review - by the Capital Market, Insurance and Savings Authority - of the method employed to estimate the illiquidity premium, which was based on results of researches conducted in Israel and abroad. For further details and the impact of the amendment on the Company's financial results, please see Section 1.3.17 above.

4.1.4.18 In March 2022, the Commissioner published a **Draft Amendment of the Consolidated Circular regarding Report to the Public - Disclosure about the Independent Auditor in the Report on the Corporation's Business**. As part of the draft, it is suggested to cancel the requirement to report the number of audit hours invested by an independent auditor, and to reduce the scope of details reported in connection with independent auditors' fees by types of services rendered by the independent auditor in the Report on the Corporation's Business. As a complementary step, the Commissioner published a letter alongside the draft, which is addressed to Chairpersons of Board of Directors and Audit Committees of the insurance companies and the management companies, which clarifies the importance of conducting a thorough discussion in Board of Directors' committees about the quality and scope of the work of independent auditors.

4.1.5 **Actuary and risk management, including provisions regarding Solvency II-based Economic Solvency Regime**

4.1.5.1 **General**

As part of its insurance activities, an insurer is required to hold assets against its liabilities.

From time to time, the Commissioner publishes circulars providing guidance on actuarial assessments used in life, health and property and casualty insurance.

Most of the actuarial rules, methods and assumptions used to determine the Group's insurance liabilities are listed in Section 2.1 of the Report of the Board of Directors, Notes 2 and 40 to the Financial Statements, and the actuary's statements in the life, health and property and casualty subsegments, which are attached to the Financial Statements.

4.152 Duty to appoint an actuary, actuaries' work methods and required qualifications

The Supervision Law stipulates that an insurer, including an insurer which serves as a pension fund's management company, must appoint an actuary for each of its insurance segments; the actuary's roles include, among other things, making recommendations to the Board of Directors and CEO as to the amount of the insurer's insurance liabilities or the actuarial balance sheet of the pension fund it manages, as applicable.

The Supervising Actuary Circular - Amendment to the Consolidated Circular was published in July 2021, which stipulates that a Supervising Actuary who is appointed for the first time in a certain insurance segment or a pension fund, shall be supported by another actuary with relevant experience in that field during his/her first year in office, based on a detailed support program to be approved by the Commissioner of the Capital Market.

4.153 Duty to appoint a Chief Risk Officer, his/her roles and required qualifications

An institutional entity is required to appoint a Chief Risk Officer and set up a risk management function. The Chief Risk Officer's roles include, among other things, identifying the Company's material risks, quantifying and estimating their effect and reporting to the management and the Board of Directors.

4.154 Provisions regarding the implementation of Solvency II-based Economic Solvency Regime

The Phoenix Insurance is subject to the Solvency II-based Economic Solvency Regime in accordance with the provisions 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. In accordance with the provisions of the Economic Solvency Regime, the economic solvency ratio report as of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date.

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

In March 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 lieu of May 31 2021). In addition, the letter states that an insurance company may refrain from publishing an economic solvency ratio report as of June 30 2021.

- 4.1.55 The **Principles for Recognizing Investment in Insurtech Circular** was published in July 2021, which lists the principles that will be taken into consideration by the Commissioner when assessing insurance companies' applications to recognize in their economic balance sheet an intangible asset due to investment in insurtech.

4.1.6 The principal legal frameworks of the asset management - pension and provident segment

4.1.6.1 Legislative arrangements

4.1.6.1.1 **The Financial Services Supervision (Provident Funds) Law, 2005** (the "**Provident Funds Law**") regulates the establishment of management companies, the manner in which they are to be managed and ways in which they operate; the law lists the terms and conditions for obtaining a license to manage a management company, and sets provisions on obtaining permits to control and hold stakes in management companies. The law also regulates the relationship between a planholder and the management company and even determines the rights of a planholder in a provident fund.

4.1.6.1.2 **Financial Services Supervision (Consulting, Marketing and Pension Clearing System) Law, 2005** (the "**Pension Advice Law**") regulates the practice of engaging in advice on and marketing of pension products, including provisions on the duty to obtain a license and the terms and conditions of such a license, prohibitions and restrictions on the practice of providing advice on and marketing of pension products, supervision of license holders, and the Commissioner's right to set proper conduct provisions and provisions designed to safeguard policyholders' interests, including the imposition of sanctions, civil fines and criminal sanctions. The law also sets provisions dealing with the licensing procedure of a company operating a pension clearing system, and the mechanisms for supervising such a company (the "**Clearing System**").

The Clearing System is used to transfer information about pension products of planholders in the various institutional entities, transfer applications to make changes in the pension products and information about direct contributions by employers; the Clearing System is also used to make actual transfers of funds.

4.1.6.1.3 **The Prohibition on Money Laundering Law, 2000, and the Prohibition on Money Laundering (Obligations of Identification, Reporting and Record Keeping by Insurers, Insurance Agents and Management Companies to Prevent Money Laundering and Financing of Terrorism) Ordinance, 2017**, require insurers, insurance agents and management companies to identify and verify customers' details. The said law and ordinance set, among other things, provisions regarding the requirement to conduct a "know your customer" procedure

when issuing a life insurance contract and opening a provident fund account, the requirement to check whether the customer is included in the list of active terrorist groups and individuals as defined in the ordinance, and the requirement to submit regular and special reports to the Israel Money Laundering and Financing of Terrorism Prohibition Authority.

In October 2021 the Israel Money Laundering and Terror Financing Prohibition Authority distributed to the different financial institutions a letter dealing with the **Promotion of the Reform to the Prohibition on Money Laundering Ordinance**; the **Draft of the Prohibition on Money Laundering Ordinance (Identification, Reporting and Record-Keeping Obligations of Financial Services Providers to Prevent Money Laundering and Financing of Terrorism), 2021** was attached to the said letter. In accordance with the letter, the Israel Money Laundering and Terror Financing Prohibition Authority intends to promote the enactment of a uniform Prohibition on Money Laundering Ordinance that will apply to all different financial entities. The key amendments suggested in the draft ordinance are as follows: requirement to receive documents as to the nature of a customer's business and occupation; requirement to perform a proactive know-your-customer process over the engagement period with the customer (under the circumstances listed in the draft) rather than only upon entering into such engagement; requirement to conduct an enhanced know-your-customer process and giving the option to perform a simplified know-your-customer process under the circumstances listed in the ordinance; transfer of virtual currency; shortening the record-keeping period from 7 to 5 years and requirement to have in place a group policy that will also apply to subsidiaries and branches.

4.16.14 **The Income Tax Ordinance (New Version), 1961** confers upon provident funds, pension funds and insurance funds a special status with regard to income tax credits and deductions and various exemption provisions; this status is designed to encourage the public to save for retirement through provident and insurance funds.

4.16.15 **Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964** (hereinafter - the "**Provident Funds Regulations**") regulate certain aspects of the management of provident funds, including contributions to be made into such funds, the use of their funds, payments to planholders and provisions with regard to reports issued to planholders.

The Provident Funds Regulations apply to pension funds, provident funds and insurance plans approved as insurance funds (executive insurance and insurance for the self-employed).

- 4.1.6.1.6 The **Supervision of Financial Services Regulations (Provident Funds) (Insurance Coverages in Provident Funds), 2013** regulate the insurance coverages that a management company is allowed to purchase for planholders in an annuity provident fund under its management, the terms and conditions of such insurance coverage, and the terms and conditions for group insurance in an advanced education fund and in a non-annuity provident fund. For further details about a temporary order enacted in the reporting year with respect of these regulations, please see Section 4.1.1.1.9 above.
- 4.1.6.1.7 The **Supervision of Financial Services Regulations (Provident Funds) (Self-Directed Provident Funds), 2009** allow savers to manage the investment of their pension savings by themselves. This arrangement enables savers to benefit from tax benefits in respect of contributions made into provident funds and/or advanced education funds, and at the same time, to control the manner in which their funds are invested, either personally or through a portfolio manager who follows the savers' instructions.
- 4.1.6.1.8 The Circular on **Acceptance of Planholders by a Pension or a Provident Fund - Amendment** was published in May 2021. The Amendment to Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses Incurred as a Result of Execution of Transactions), 2008 of September 2020 stipulates that an institutional entity shall inform people wishing to join as planholders or policyholders in a provident fund of the collection - in addition to management fees - of direct expenses as per the said regulations, and the rate of the direct expenses collected in the past year out of fund's assets in accordance with the terms and manner set by the Commissioner. Further to what is stated above, the amendment to the circular stipulates that an institutional entity shall disclose the collection of the direct expenses and their rate; such disclosure will be made in the notice issued to planholders once they have joined the fund, in the forms filled out by candidates to sign on to the provident funds, and on the management company's website, in the format specified in the circular.

- 4.1.6.1.9 In June 2021, the Capital Market, Insurance and Savings Authority published a paper titled **Principles for the Application of API Technology in the Pension Savings Market**. The paper lists the key principles according to which the Capital Market, Insurance and Savings Authority will act to upgrade the technological infrastructure in the pension savings market.

Further to the above, the Commissioner published a **Circular on the Manner of Making Contributions to a Provident Fund - Update**, the key principles of which are: Reducing the scope of the requirement to send to the employee notice of discontinuance of contribution into his/her account such that this requirement will only apply if contributions to base salary were discontinued; cutting the period during which an employer can be given a feedback while making contributions to provident funds; requiring institutional entities to inform planholders who have funds in a transitional account; amending the mechanism for employer's application to receive a refund of excess amounts funded; and postponing the effective date of the requirement from small employers to report using the employers' platform.

Furthermore, the Commissioner published a **Circular on Uniform Format for Transferring Information and Data in the Pension Savings Market - Update**; the circular's key points are: Adding a new interface to the circular - "Events Interface Set Up", and requiring license holders to transfer applications to join provident funds using this interface; requiring that applications to transfer funds from a transferring fund to a receiving fund will only be submitted using the transition interface; cutting the period for giving initial feedback to an application to transfer funds submitted by a receiving fund to a transferring fund; and giving customers the option to update material details pertaining to his/her pension savings using the Clearing System.

- 4.1.6.1.10 In August 2021 a document was published that deals with the **procedure for determining selected funds** that lists the rules of the new competitive process whereby the Commissioner of Capital Market will select default funds for the period from November 1 2021 through October 31 2024; the document lists the number of the funds to be selected, the parameters for selection, prioritizing small funds, minimum and maximum management fees that may be offered, and the offering of a discount in management fees to senior citizens.

Further to the above, in September 2021, the Commissioner published a document dealing with the **results of the third procedure for determining selected pension funds**, which includes a notice as to the Commissioner of the Capital Market, Insurance and Savings' selecting four new pension funds that will be used as "default funds", rate of management fees to be collected and the terms attached thereto.

4.1.6.1.11 In August 2021, a Circular on **Provisions regarding the Selection of Provident Funds - Update** was published, which sets additional criteria according to which an employer will be allowed to conduct a competitive process for the selection of a default pension fund for its employees.

4.1.6.1.12 The **Standard Bylaws of Provident Fund for Saving - Amendment** were published in October 2021, as part of which it was determined that a planholder of a provident fund for saving will be allowed to carry out an unauthorized withdrawal only if the employer-employee relationship between the planholder and the employer were terminated or if the planholder reached the minimum entitlement age for retirement pension and he/she is entitled to the monies in accordance with the provisions of the legislative arrangement, as in the case of the arrangement in place for planholders of new comprehensive pension funds.

4.1.6.1.13 **The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter C: Ensuring the Stability of Pension Funds' Returns** was published in November 2021. The law supersedes the existing mechanism for ensuring the stability of pension fund savings through designated bonds with a new mechanism that ensures stability by supplementing returns. According to the law, for pension fund assets accrued as from the effective date of the amendment, the state will undertake to supplement pension fund returns up to a rate of 5.15%, and the pension fund assets underlying the commitment to supplement the returns will be invested in the capital market.

Furthermore, the **Supervision of Financial Services Order (Provident Funds) (Deferral of the Effective Date), 2022** was published in February 2022. As part of the order, the effective date on which the existing mechanism of designated bonds to pension funds shall be replaced with a new mechanism for ensuring the supplementing of returns, was postponed from July 1 2022 to October 1 2022.

Furthermore, in January 2022, a number of draft circulars were published, whose objective is to adapt existing circulars in view of the replacement of the mechanism of designated bonds to pension funds with a new mechanism for ensuring the supplementing of returns, including, the circular on **Provisions for Management of a New Fund**, update to the provisions of the consolidated circular regarding **Measurement and Report to the Public - Ensuring the Supplementing of Return to Pension Funds**, the circular on **Rules for Increasing the Rate of Return Credited to Annuity Recipients in New Pension Funds**, and amendment of the circular on **Provisions for Financial Reporting for Old Pension Funds to which no Special Administrator was Appointed**.

- 4.1.6.1.14 **The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter P: Closing Gender Gaps in the Labor Market and Increasing the Retirement Age of Women**, which deals with the gradual increase of retirement age of women to 65, setting complementary and supporting tools for women who are affected by such increase in retirement age, and encouraging the employment of older persons was published in November 2021.
- 4.1.6.1.15 The **Management of Money Laundering and Terrorist Financing Risks in Institutional Entities - Amendment Circular**, which deals with the definition of a "local public figure", sets provisions regarding the management of money laundering and terrorist financing risks in branches and offices of the institutional entity, both in Israel and abroad, and regarding the implementation of a know-your-customer procedure to a beneficiary who wishes to withdraw funds from the customer's account, was published in December 2021.
- 4.1.6.1.16 In January 2022, the Commissioner published the **Supervision of Financial Services Regulations (Provident Funds) (Management Fees) (Amendment), 2020**. Under the amendment, the maximum annual rate of management fees collected from planholders who receive an annuity was reduced from 0.5% to 0.3%; this amendment will apply to planholders of comprehensive pension funds and general pension funds, who started receiving an annuity as from February 1 2022, and to policyholders in insurance policies issued by insurance funds after February 1 2022.

4.1.7 The principal legal frameworks of the life insurance and savings area of activity

4.1.7.1 Legislative arrangements

4.1.7.1.1 Many of the provisions of the law that apply to the field of asset management - pension and provident funds as listed in Section 4.1.6 above, also apply to the field of life insurance and savings. For a detailed description of these directives, please see Section 4.1.6 above.

4.1.7.1.2 In December 2020, the Commissioner published the **Settlement of PHI Insurance Claims Circular**. The circular came into force on September 1 2021. The circular's objective is to separately and comprehensively regulate the procedure of settling a PHI insurance claim, in order to ensure a fair, effective and transparent claim settlement procedure, by, among other things, using a model that will allow an objective handling of a PHI insurance claim in a way that will exhaust the Policyholder's rights, as in the case of the settlement of disability claims in pension funds. Among other things, the circular addresses the following issues: general claim settlement principles; the requirement to set a system of rules for handling and settling claims; training of those engaged in the settlement of claims; the manner of receiving a claim for insurance benefits and the handling of such a claim, including timetables; medical testing; filing an appeal with a medical committee and appeal with a medical committee for appeals; conducting an investigation; approval of a claim and payment notice; rejection notice and compromise; roles of management and board of directors; and ongoing reports to the Commissioner. It is not yet possible to estimate the full extent of the circular's impact on claims settlement expenses, but the Company expects that the circular's provisions shall cause an immaterial increase in such expenses.

4.1.7.2 Drafts and bills for legislative arrangements:

4.1.7.2.1 In May 2021 the draft **Supervision of Financial Services Regulations (Insurance) (Collective Permanent Health Insurance), 2021** was published. The draft suggests promulgating further provisions regarding collective permanent health insurance plans, including obtaining consent for joining a collective permanent health insurance plan; limiting the insurer's ability to increase the insurance fees; determining the policyholder's duties in connection with the collective insurance policy and its duty to send messages to the policyholder.

4.1.8 The principal legal frameworks of the property and casualty insurance area of activity

4.1.8.1 Legislative arrangements

4.1.8.1.1 Property and casualty insurance

Supervision of Financial Services Regulations (Insurance) (Calculation of Insurance Reserves in Property and Casualty Insurance, 2013) deal with the manner of calculating insurance reserves such that they adequately and properly reflect the insurer's insurance liabilities.

For further details on these regulations and the Commissioner's Directives, please see Note 2 to the Financial Statements.

4.1.8.1.2 Compulsory motor insurance

The Motor Insurance Ordinance (New Version), 1970 (the "**Motor Insurance Ordinance**") stipulates that every person using or allowing others to use a motor vehicle must have a valid insurance policy in accordance with the Motor Insurance Ordinance. Pursuant to the Motor Insurance Ordinance, a compulsory motor insurance policy covers the motor vehicle's owner and the driver against any liability they may incur under the Road Accident Victims Compensation Law, 1975 (hereinafter - the "**CRAV Law**") and against any other liability they may incur due to bodily injury caused by or as a result of the use of a motor vehicle to the driver, passengers, or pedestrians hit by the motor vehicle as a result of the use thereof.

4.1.8.1.3 The **Road Accident Victims Compensation Fund ("Karnit")** is a corporation established under the CRAV Law; its purpose is to compensate victims who are eligible for compensation by virtue of that law, but are unable to claim compensation from an insurance company due to one of the following circumstances: the identity of the driver who caused the accident is unknown; the driver does not have compulsory motor insurance, or the insurance does not cover the liability; the vehicle's insurer is under liquidation or an administrator was appointed for the insurer.

4.1.8.1.4 In accordance with the **Economic Efficiency Law (Legislative Amendments for the Implementation of the Economic Plan for 2009 and 2010), 2009** (the "**Economic Efficiency Law**") as from 2010, the insurance liability in respect of the provision of medical services, which are included in the basket of services set out in the Second Addendum to the National Health Insurance Law, and in the National Health

Insurance Ordinance (Medications in the Health Services Basket) was transferred from the insurance companies to the health maintenance organizations; accordingly, the premium component relating to the said insurance liability in respect of medical services is transferred to the health maintenance organizations.

- 4.1.8.1.5 **The Motor Insurance Regulations (Creation and Management of Databases), 2004**, determine the activity of a database operator, which is in charge of the management of the database and the generation of reports used, among other things, to assess the risks in the compulsory motor insurance subsegment, and to determine the cost of pure risk on the basis of which compulsory motor insurance tariffs are determined (hereinafter - the "**Base Tariff**").
- 4.1.8.1.6 **The Motor Insurance Regulations (Residual Insurance Arrangement and Mechanism for Determining the Tarif), 2001, stipulate the residual insurance arrangement (the "Pool")**, which is based on a co-insurance by all insurers. The purpose of the residual insurance is to cover the compulsory motor insurance risk of those who are rejected by commercial insurance companies due to exceptional risk levels (mainly motorbikes and all-terrain vehicles). Each insurance company's share in the residual insurance is determined every year based on its proportionate share - during the past year - in the compulsory motor insurance subsegment. The Pool operates as an insurer, and its rates are determined by the Commissioner. The Phoenix's proportionate share in the Pool's losses in the reporting year was 11.43%.
- 4.1.8.1.7 **The Motor Insurance Ordinance (Amendment No. 23) (Loading Component in Insurance Tariff), 2018** was published in the Official Gazette in July 2018; the amendment stipulates that the loading component - which is the amount each policyholder insured under policies outside the Pool should pay as part of insurers' participation in the Pool's costs - was permanently increased to 8% from mid-2020 and thereafter.
- 4.1.8.1.8 **The National Insurance Law (Combined Version) 1995 (hereinafter - the "National Insurance Law")** authorized the **National Insurance Institute (the "NII")** as a corporation operating as an insurance entity by virtue of that law. Pursuant to Section 328 of the National Insurance Law, where the NII has a liability to pay an annuity to a victim, and at the same time a liability arises to a third-party to pay compensation to that victim in respect of the same event, the NII may receive indemnification from the said third party in respect of annuities it has paid or is required

to pay. Following negotiations held between the Israeli Insurance Association and NII, pursuant to the approval of the Competition Commissioner, the parties reached a draft subrogation agreement, which regulates the NII's indemnification right and lists, among other things, the circumstances in which the Company may reject the subrogation demand and indemnification rates. Following the above, in July 2015, the Company and NII signed a subrogation agreement relating to compulsory motor insurance, in accordance with the principles of the above draft.

With regard to the said agreement, it should be noted that in March 2018, the **Economic Efficiency Law (Legislative Amendments for the Achievement of Budgetary Targets 2019), 2018** was published, whereby the individual subrogation right available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law in respect of road accidents will be revoked, and - as a result - the agreements signed to regulate this right will be terminated. In lieu of this right of subrogation, an overall netting arrangement will be established, under which a fixed amount will be transferred from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. The agreement shall apply to all road accidents that occurred from January 1 2019 and thereafter; insurance companies' liability with regard to road accidents that occurred between January 1 2014 to December 31 2018 shall also be regulated. After negotiations between the insurance companies and the National Insurance Institute, in July 2021 an agreement was signed with the National Insurance Institute, which replaces the overall netting mechanism set in the Economic Efficiency Law, 2019. In accordance with this agreement, the insurers will transfer to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022. The netting with the National Insurance Institute in respect of road accidents that took place in those years shall be carried out in accordance in agreements in place with each company, and the amounts payable shall be offset against the advance.

It was further agreed that in respect of road accidents that will occur in 2023-2024, insurers will transfer to the National Insurance Institute 10% of the insurance premiums that will be collected in each of the years; in respect of road accidents that will occur in 2025 and thereafter, the percentage will increase to 10.95% in lieu of the National Insurance Institute's right to bring a restitutionary claim against an insurer that is liable to payment in respect of damage.

The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter F (Part B): Regulation of a Netting Mechanism Due to Road Accidents between the National Insurance Institute and the Insurance Companies, was published in November 2021. The said agreements regarding the future netting with the National Insurance Institute were enshrined in the said law.

In the opinion of the Company, that part of the agreement described above relating to the past is not expected to impact the Company's financial results. In relation to the future, the Company estimates that the agreement described above might affect the insurance premiums that will be collected from policyholders in 2023.

4.18.19 For information regarding the **Amendment of the National Insurance Regulations (Discounting), 1978** of October 2017, see Note 41 to the financial statements.

4.18.1.10 The **Road Accident Victims Compensation Order (Funding the Cost of Provision of Services), 2021** was published in August 2021. The Road Accident Victims Compensation Law, 1975 stipulates that for the purpose of funding the provision of medical services by health management organizations to road accident victims, an insurer shall transfer to Karnit, a monthly amount equal to a rate out of the insurance premiums collected by that insurer in the previous month in respect of all the policies it issued under the Motor Insurance Ordinance; such rate will be determined by the Minister of Finance by way of order. The Law also stipulates that Karnit shall transfer to the National Insurance Institute the said amounts it had received, and that the National Insurance Institute will transfer them to the health maintenance organizations. Under the order, it is stipulated that the said rate will be 12.66% as from January 1 2022.

4.18.1.11 In March 2021, the Commissioner published the **Supervision of Financial Services Regulations (Insurance) (Terms of Compulsory Motor Insurance Contract) (Amendment), 2021**, which stipulated, among other things, the following provisions: an option to suspend the policy (as in the case of a property insurance policy) was introduced; management expenses that were in place to date were revoked; a provision was set whereby an insurer shall not be exempted from settling a claim if the driver had a valid driver's license at any time during the 120 months prior to the road accident date (provided that when the accident occurred, he/she was not disqualified from receiving or holding a driver's license); and a dedicated "licensed vehicle trader" policy was added. The regulations came into force in September 2021

4.1.8.1.12 **Motor property**

Regulations Concerning Supervision of Insurance Business (Contract Terms and Conditions for Insuring a Private Vehicle), 1986, stipulate the wording of a standard policy that includes the minimum terms and conditions for provision of insurance coverage for private and commercial vehicles weighing up to 3.5 tons. According to the regulations, policyholders may only be given benefits in addition to the terms and conditions of the standard policy, and the scope of their coverage, risks, property and liabilities may only be expanded - not reduced.

4.1.8.1.13 **The Supervision of Insurance Business Regulation (Contract Terms and Conditions for Insuring a Private Vehicle) (Amendment), 2021** were published in June 2021. The regulations include a number of amendments and adjustments, including: revising the standard policy in view of the revocation of Regulation 172a to the Transport Regulations, such that an insurer will not be exempted from its duty under the policy if the driver had a valid driving license for vehicles of the insured type at any time during the 10-year period prior to the road accident date, subject to the conditions set; revisions and adjustments in the policy regarding accessories and systems installed in modern vehicles; updating the policy's provisions as to the refund payable to a policyholder upon cancellation of the policy; giving a policyholder the right to decide whether he/she wishes to fix the car or receive compensation; and adding data to a policyholder's insurance history report. The regulations came into force in December 2021.

4.1.8.1.14 **Other property and casualty insurance**

Regulations Concerning Supervision of Insurance Business (Contract Terms and Conditions for Insuring Homes and their Contents), 1986 stipulate the wording and terms and conditions of a standard policy and a minimum binding home and contents insurance coverage.

4.1.9 **The principal legal frameworks of the health insurance area of activity**

4.1.9.1 In September 2018, the Commissioner published the **Provisions of the Consolidated Circular - Title 6, Part 3 - Long-Term Care Insurance**, which regulates in a detailed manner the process of settling long-term care insurance claims. In May 2021, the Commissioner published an amendment to the circular, which postpones to March 1 2022 the commencement date of the section dealing with the insurance companies' engagement with providers of functioning assessments; the commencement date was postponed due to claims that the application of the provisions is complex and require further review.

In August 2021, **Amendment to the Provisions of the Consolidated Circular - Title 6, Part 3 - Long-Term Care Insurance** - was published, which sets out assumptions for the purpose of determining the premium for the basic and extended tiers of the LTC insurance; this is carried out further to the amendment to the circular of June 2020, which regulated the management and operation of the funds providing LTC insurance to HMO members.

- 4.1.92 In June 2020 the Commissioner published an amendment to the **Consolidated Circular - Title 6, Part 3 - Chapters 3, 2 and 4 - Personal Accidents Insurance**. The amendment sets out provisions the purpose of which is to regulate the personal accidents subsegment, such that the selling process of such insurance will be fair and that the scope of the insurance coverage be properly explained to the insurance candidate. The amendment also sets out provisions for drafting a personal accidents insurance plan, in order to ensure appropriate insurance coverage upon the occurrence of an insurance event. For that purpose, the amendment sets out a basic coverage for a policy, which includes coverage for death, disability, hospitalization, fractures, burns and recovery days; the amendment sets a uniform and broad definition for the term "accident"; a two-year insurance period was established, and so were specific provisions for issuing individual personal accidents insurance policies, and a mechanism for settling disability claims under such a policy. The amendment also stipulates a two-year transitional period starting on the commencement date, during which an insurance company will be required to maintain an internal control mechanism that will assess - on a semi-annual basis - the manner of issuing individual personal accidents insurance policies, in particular with respect to the populations defined in the circular.

In January 2021, the Commissioner published an amendment to the circular, whereby the commencement date of the said circular was postponed by three months to May 1 2021.

Following on this, in April 2021, the **Amendment to the Provisions of the Consolidated Circular - Title 6, Part 3 - Chapters 3, 2 and 4 - Personal Accidents Insurance** was published, in which the mandatory coverage for a convalescence period was revoked, due to insurers' claim that a daily compensation for a convalescence period significantly raises the premium.

- 4.1.93 The **Draft Reform in Health Insurance** was published in October 2021 and February 2022. This is a comprehensive and significant reform relating both to the nature and to the scope of the products, as well as to the methods employed in their marketing and management. According to the draft, the reform shall apply both to existing policyholders who purchased health insurance policies with an insurance period that is renewed every two years (starting in

2016) and to new policyholders. Furthermore, most of the reform's provisions shall also apply to group insurance.

As part of the reform, it is suggested to create five tiers:

The first tier - a basic health insurance policy that will be composed of three uniform policies that define a uniform and comprehensive coverage in their respective areas: (1) a policy covering transplants and special treatments abroad; (2) a policy covering medicines that are not included in the Israeli health care basket; and (3) a policy covering surgical procedures and alternative treatments to surgical procedures abroad.

The second tier - policies covering surgical procedures and alternative treatments to surgical procedures in Israel, from the first shekel payable or supplementary healthcare services without deductible or with deductible;

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

The fourth tier, ambulatory insurance appendices;

and the fifth tier; critical illness policy.

Furthermore, it is suggested to prescribe the following provisions: To define a basic health insurance policy, the purchase of which will be a precondition for the purchase of other health insurance products, such that the additional products shall be sold on the proviso that the policyholder has taken out a basic health insurance policy, and in a manner that will allow the policyholder to purchase a basic policy from one company and other health insurance products from another company; To prohibit the sale of double insurance in indemnity health insurance products; 3. Imposition of disclosure requirements on the marketing entity in the process of sale of a policy covering surgical procedures in Israel; and 4 Prohibition of short-term rebates while setting a minimum fixed-rate rebate for a period of at least ten years.

Three drafts were published for the purpose of implementing the reform: (a) The draft of the Directives regarding Financial Services Supervision (Insurance) (Terms in Basic Health Insurance Policy), 2021; (b) The draft of Amendment to the Provisions of the Consolidated Circular - Title 6, Part 3, Chapters 1, 2, 3, 4 and 6 - Drawing up a Health Insurance Plan; and (c) The draft of the Directives regarding Financial Services Supervision (Insurance) (Terms in Insurance Contract for Surgical Procedures and Alternative Treatments for Surgery in Israel) (Amendment), 2021.

4.1.10 **The principal legal frameworks of the asset management - financial services segment**

For further details on the legal frameworks of the financial services segment, please see Section 2.5.1.5 of the report.

4.1.11 **The principal legal frameworks of the insurance agencies services segment**

For further details on the legal frameworks of the financial services segment, please see Section 2.7.7 below.

4.1.12 **The principal legal frameworks of the credit area of activity**

For further details on the credit area of activity, please see Section 2.6.7 below.

4.2 **Entry and Exit Barriers**

4.2.1 **Entry barriers**

4.2.1.1 **Insurance, pension funds and provident funds activity**

In accordance with the provisions of the law, an entity wishing to engage in insurance (including the holding of pension and provident funds' management companies) is required to obtain an insurer license under the Supervision Law (hereinafter - an "**insurer license**"); the holding of more than five percent of a certain type of means of control in an insurer is conditional upon obtaining a permit from the Commissioner to hold such means of control (hereinafter - a "**holding permit**"), and control in an insurance agency is also conditional upon obtaining a control permit from the Commissioner (hereinafter - a "**control permit**").

When reviewing requests for insurer licenses, an insurer license, a holding permit and a control permit, the Commissioner takes into account, among other things, a broad range of considerations, including: the applicant's work plans; the suitability of officers' qualifications to their roles; financial means; experience and business background of the entities applying for the license or permit; the competition in the capital market, including the insurance industry and the level of service therein; the Government's economic policy; reinsurance arrangements; the workforce, etc. The Commissioner may set terms and conditions and restrictions in connection with issuing permits including the condition that the insurer has a fixed and stable control core, a prohibition on placing a charge on means of control included in the insurer's control structure, maintaining the framework of the control group, including setting provisions or restrictions on the sale or transfer of means of control to others.

Furthermore, pursuant to Section 32(c1) to the Supervision Law, a material holding in the field of long-term savings is prohibited. A material holding is defined as the holding of a market share of more than 15% of long-term savings assets, as defined in the Supervision Law.

The **Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required for Insurance License), 2018** were approved in January 2018; these regulations supersede the Supervision of Financial Services (Insurance) (Minimum Capital Required from Insurer), 1998, and determine the rate of equity required to obtain an insurer license. The purpose of the regulations is, among other things, to reduce entry barriers to the Israeli insurance market and encourage the entry of companies relying on technology and innovation.

It should be noted that, pursuant to the aforesaid regulations, new insurance companies entered the market targeting a broad range of customers wishing to purchase insurance directly; so far, those insurance companies focused on selling motor insurance and travel insurance, mostly through digital means supported, inter alia, by call centers.

In the field of pension savings, the establishment of the default pension funds and the termination of collective agreements between employers and management companies in March 2019 in accordance with the **Circular on Provisions Regarding Selection of Provident Funds**, caused the funds selected as default funds to become more dominant than others. For further details, please see Section 2.2.1.1.2.

Furthermore, pursuant to the Reduction of Concentration Law, restrictions are placed on investment in institutional entities by entities holding significant non-financial holdings. For further details on the Reduction of Concentration Law, please see Section 4.1.1.1.3 above.

4.2.1.2 **Permit to hold means of control in institutional entities**

In July 2013, the Commissioner and Banking Supervision Department published a joint document dealing with **Guiding Principles for General Criteria and Conditions for Entities Applying for a Permit to Control and Hold Regulated Financial Entities**. In the document, the Commissioner drafted a list of guiding principles that shall constitute the basis for a detailed framework of criteria and conditions for issuing a control permit; the details of this framework may vary according to the types of regulated entity. The considerations taken into account when assessing a permit

application relate, among other things, to four principal areas: (1) personal and business honesty and integrity; (2) financial strength; (3) planned investment strategy; (4) the applicant's business experience, area of business of the applicant and the entities in respect of which a permit is requested, and the potential for conflicts of interest in the regulated entity.

Further to said document, in February 2014, the Commissioner published a document dealing with a **Policy for Control in an Institutional Entity (hereinafter - the "Policy Paper")**. The Policy Paper lists the Commissioner's Directives regarding control in an institutional entity and on the filing of an application for a control permit in an institutional entity. The directives pertain to applicants applying for a new control permit; however, they will also apply to holders of an existing control permit, with the necessary modifications to the permit they hold. It should be noted that in the case of joint control, each entity in the controlling shareholders' group is required to obtain a control permit, and therefore, each such entity is required to file a control permit application.

The Policy Paper pertains, among other things, to the following issues: (1) the terms and conditions that pertain to an applicant applying for a join control permit; (2) the control structure and method of holding means of control in an institutional entity in the case of a non-financial entity, foreign banking corporation and a foreign institutional entity, an entity managing funds, partnership, trust and an institutional entity; (3) the minimum holding rate. In that context, it was determined, among other things, that the required holding rates are as follows: a stake of more than 30% in an institutional entity which is required to maintain a large amount of minimum capital, a stake of more than 40% in an institutional entity which is required to maintain a medium amount of minimum capital, and a stake of more than 50% in an institutional entity which is required to maintain a small amount of minimum capital; (4) the funding of the corporations through which the institutional entity is held; (5) placing of charges on the means of control; (6) the financial strength of the applicant. It should be noted that the Company is an institutional entity which is required to maintain a large amount of minimum capital, and accordingly, the minimum holding rate required of its controlling shareholders is 30%.

Furthermore, in July 2019, the Commissioner published a paper dealing with a **Policy for Issuing - to Entities Managing Customers' Funds - Permits to Hold Means of Control in an Institutional Entity without a Controlling Shareholder**; the paper's objective is the set terms and conditions which an entity managing customers'

funds is required to comply with in order to receive a holding permit for holding up to 7.5% of the means of control in an institutional entity without a controlling shareholder. It should be noted that, in accordance of the above, in January 2020, the Company and its controlling shareholders received a permit to hold a stake of up to 7.5% in Clal Insurance Enterprises Holdings Ltd.

4.2.1.3 Licenses and permits received

As stated in Section 4.2.1.1 above, pursuant to the Supervision Law, the holding of more than 5% of an insurer's "**means of control**"¹⁷ is subject to obtaining the Commissioner's permit.

In 2019, as part of the transaction for the acquisition of control in the Company by the funds, the ultimate shareholders of the funds and the funds themselves were given a Control Permit and a Holding Permit in respect of the Company and regulated corporations under its control, The Phoenix Insurance and The Phoenix Pension and Provident Funds (hereinafter - the "**Control Permit**").

The Control Permit includes various provisions, including: provisions regarding maintaining the control and holding structure in the funds (including in the ultimate managing partner of each of the funds), provisions regarding the holdings and control structure of corporations in the Company's chain of control and Beleneus's holdings in the Company itself; provisions regarding the sale or transfer of means of control between control group members, and sale or transfer of means of control in the Company; provisions regarding the requirement to maintain minimum equity; restrictions regarding the placing of charges on means of control of the Company or companies in the chain of control; various provisions regarding reporting to the Commissioner changes in shareholding in the Company; provisions regarding the holding in trust of 4.5% of the shares of the Company's control core in order to supplement the equity if The Phoenix Insurance is unable to comply with the equity requirements it is subject to (as shall be applicable from time to time).

It also should be noted that, as part of the transaction for acquisition of control, a permit to hold means of control as collateral in respect of an obligation (hereinafter - the "Charge Permit") was given to the funding entities in the transaction (several Israeli banks and institutional entities); the permit allowed these entities to place a charge on

the means of control in the Company, which is held by the funds (through Belenus) and on the means of control in Belenus. The Charge Permit stipulates, among other things, provisions regarding the sale of the pledged means of control and provisions on reporting to the Commissioner.

The Control Permit is updated, from time to time, as required, and in accordance with structural changes resulting from mergers and acquisitions of various companies and operations in the Group's areas of activity supervised by the Capital Market, Insurance and Savings Authority.

4.2.14 **Shareholders equity**

Insurance companies

A company engaged in insurance activity is required to meet regulatory capital requirements which constitute a significant entry barrier for operating in this field.

For further details about the capital requirements, including the application of a Solvency II-based economic solvency regime, the transitional provisions in connection with full application of the provisions, the restrictions on dividend distribution and the capital adequacy target, please see Section 2.1 to the Report of the Board of Directors.

The management company - The Phoenix Pension and Provident

In 2020, as part of the transfer of The Phoenix Pension and Provident's shares to The Company, the latter has undertaken to supplement, at any given time, The Phoenix Pension and Provident's equity to the amount set in the Provident Fund Regulations.

4.2.15 **Expertise, knowhow and experience**

The Group's insurance and financial services activities require the possession of specific knowhow, mainly in the field of actuarial sciences and risk management; these activities also require familiarity with the relevant markets, including the reinsurance market. Furthermore, gaining experience in this area of activity, accumulating actuarial information and creating an extensive database serve a very important role in the setting prices and underwriting new businesses.

4.2.16 **Minimum size (economies of scale)**

In order to cover the high fixed operational costs required to operate investment and insurance systems, including meeting the range of regulatory requirements in the various areas of activity, actors need to have minimum revenues.

4.2.2 Exit barriers

The principal exit barriers from the Group's various areas of activity are also prescribed by the relevant laws.

4.2.2.1 The insurance, pension funds and provident funds activity

The liquidation or winding-up of an insurer's insurance businesses are regulated by the Commissioner, who may instruct an insurer to act in a certain manner when winding-up businesses, or ask the court to issue an order whereby the liquidation will be carried out by the court or under court supervision. A merger, split, discontinuance of management or voluntary liquidation require obtaining the Commissioner's advance approval. Where an application for issuing orders appointing a receiver or a temporary liquidator was filed in respect of a management company, and such orders were not cancelled within the period set in the Provident Funds Law, or if management was not transferred to another management company within the period set in the law, the Commissioner may exercise his powers in an effort to maintain the stability of the provident fund, including by appointing an authorized manager in accordance with the rules set for insurance companies. In the life insurance and pension businesses and in the property and casualty insurance business, which are long-tail businesses, the discontinuance of activities involves a run-off coverage arrangement in respect of all policyholders and planholders' rights.

The transfer of control in an institutional entity requires the acquired to obtain a control permit; for further details about criteria and general terms and conditions applicable to an entity applying for a permit to control and hold regulated institutional entities, please see Section 4.2.1.2 to the Report.

4.2.2.2 Financial services

For further details on entry and exit barriers in the financial services segment, please see Section 2.5.1.8 to the Report.

4.2.2.3 Credit

For further details on key entry and exit barriers in the credit segment, please see Section 2.5.1.8 to the Report.

4.2.2.4 Insurance agencies

For further details on key entry and exit barriers in the agencies segment, please see Section 2.7.2 to the Report.

4.3 Critical success factors

4.3.1 General success factors

Success factors common to all of the Group's areas of activity:

1. The economic conditions, employment and interest rates and the condition of the capital market;
2. Regulation, including supervision of prices;
3. Competition in the area of activity;
4. Customer loyalty and portfolio retention;
5. Quality of investment management;
6. Quality of financial risk management;
7. Distribution channels, including their ability to boost demand and create new markets;
8. The product offering and ability to adapt the products to market conditions and customers' needs;
9. Quality of service to policyholders, planholders and agents;
10. Positioning the Company as a leader in the field, while creating a brand that will enhance its status among competitors;
11. Retaining and acquiring high-quality staff;
12. Technological innovation;
13. Level of IT systems and technology;
14. Effectiveness of operations and the level of operating, marketing and selling expenses;
15. Exercising effective controls;
16. Strength and stability.

4.3.2 Unique success factors in the life insurance and savings segment and asset management segment - pension and provident

The following factors may be attributed to these areas of activity:

1. Quality of underwriting;
2. Rate of management fees entities may collect under law and the actual rate collected;
3. Quality of actuarial assumptions applied to pricing and to determining reserves;
4. Incidence and severity of the claims, including catastrophe events;
5. Quality of all aspects of claims management;
6. Protections and cost of reinsurance;
7. Changes in life expectancy;
8. Scope of tax benefits to the customer (in the life insurance and long-term savings segment);
9. Transition to effective digital processes and products;

10. Developments in medical and other technologies, inculcating medical inflation;
11. Changes in the Health Basket;
12. Management of capital and the Company's economic solvency ratio;
13. Quality of management of nostro investments and planholders' investments.

4.3.3 **Unique success factors of other areas of activity**

For critical success factors in the asset management - financial services area of activity, see Section 2.5.1.7 above.

For critical success factors in the credit area of activity, see Section 2.5.3 above.

For critical success factors in the agencies area of activity, see Section 2.7.2 above.

4.4 **Investments¹⁸**

4.4.1 **Investment management**

4.4.1.1 **Structure of investment management**

The Phoenix Investments manages the insurance, pension and provident funds investments of The Phoenix group, including investments against non-yield-dependent liabilities (funds of planholders and policyholders), yield-dependent liabilities (nostro funds), and the Group's share capital. Excellence Investments also manages investments for the financial services area of activity. For further details regarding Excellence Investments, please see Section 2.5 above. Investment management is carried out jointly for planholders and policyholders of The Phoenix Insurance and The Phoenix Pension and Provident¹⁹ through The Phoenix Investments. In that context, it should be noted that in accordance with an approval received from the Capital Market, Insurance and Savings Authority, IEC Gemel, that was purchased as part of the merger with Halman Aldubi is not considered part of the "Group of Investors" (as defined in the Investment Rules Regulations) together with The Phoenix Insurance and The Phoenix Pension with regard to investments in liquid securities, since those investments are managed separately.

¹⁸ This section relates to the investment management of an insurer, pension fund and provident fund managed by a management company, rather than to investment management within the financial services segment.

¹⁹ Through September 30, when the merger of Halman Aldubi Provident and Pension Funds Ltd. (hereinafter - "Halman Provident" with and into The Phoenix Pension and Provident Fund Ltd. was completed, investment management also conducted in relation to Halman Provident's policy holders. See Section 1.3.5 above.

The management of the investments of planholders and policyholders of The Phoenix Insurance and The Phoenix Pension and Provident is carried out through committees common to all entities listed above, including a joint investment committee, a joint internal credit subcommittee and a troubled debt forum.

The investment committee approves the investment policies of the various products, taking into account their specific characteristics. Once a decision has been made by the investment committee, the Board of Directors of each of the companies listed above approves the investment policy for the relevant company.

4.4.1.1.1 The Group's investment management policy

The Group operates in a range of investment areas, including liquid securities, illiquid debt, real estate, investment funds, private equity, etc. The exposure rates in relation to each of the various areas of activity are determined under the investment policies. The investment policies are based, among other things, on the targets of work plans, work assumptions about macroeconomic conditions in Israel and around the world, trends in various markets and investment areas, estimates as to interest rates, foreign currency exchange rates, political and security conditions, unemployment rates, etc. The investment policies are brought for approval before the investment committees (participating and nostro) and the boards of directors of The Phoenix Insurance and The Phoenix Pension and Provident Funds at least once a year. Pursuant to the "Statement on Expected Investment Policy" Circular No. 2009-9-13, the Company publishes on its website information concerning its investment policies. For further details on the Company's investment policy, please see the Company's website at:

<https://www.fnx.co.il/investors-relations-hebrew/investment-information-reports/the-expected-investment-policy/>

4.4.1.1.2 Investment control

The Investment Control Department is a separate unit operating independently of the unit charged with initiating, performing, allocating, and assessing investment assets. The unit reports to the Investment Controller Department, which is part of The Phoenix Insurance's Finance Division, and operates independently of the investment activity. The unit audits the investment activity on an ongoing basis in accordance with the regulations applicable to the Company's investment management activities. Accordingly, the Investment

Controller Department is in charge of a range of reports that the Company is required to issue pursuant to regulatory provisions and internal requirements of the various corporate organs.

4.4.1.13 Investment management services

Investment management is carried out by The Phoenix Investments. Accordingly, The Phoenix Investments entered into an investment management agreement with each of the Group's companies: The Phoenix Insurance and the Phoenix Pension and Provident Fund. Furthermore, The Phoenix Investments entered into a management investment agreement with KSM ETN Holdings Ltd. - a subsidiary of Excellence - in connection with the management of the passive investment tracks; The Phoenix Investments also entered into a management investment agreement with Excellence Investment Management and Securities Ltd. - a subsidiary of Excellence - in connection with the management of the investments made for the Excellence Invest policies.

Investment management is carried out by investment managers who specialize in the various investment fields. Investments in liquid securities are carried out separately for planholders' funds and nostro funds through dedicated investment managers. Other investments are carried out through investment managers who render services both to management of nostro funds and management of planholders' funds; each investment opportunity is offered simultaneously to both nostro investment manager and to a planholder investment manager, based on a predetermined ratio.

Investment managers are supported by an internal research department, and use reviews and analyses issued by Israeli and foreign banks as well as investment house analysts. Furthermore, the investment managers are supported by other professional departments, such as the Finance Department, Legal Counsel Division, etc.

4.4.1.14 In January 2022, The Phoenix started marketing two new investment tracks: The Phoenix BlackRock General and The Phoenix BlackRock Foreign Shares, as part of its individual savings policies; those tracks are based on the investment management of the investment house BlackRock. The two new tracks are marketed through a hosting track platform approved by the Capital Market, Insurance and Savings Authority in November 2021.

44.1.15 Self-directed policies (IRA): the investments in respect of self-directed policies and provident funds (IRA) are managed through external investment managers funded by planholders, or directly by the planholders.

44.1.16 On September 30 2021 an agreement was signed for the sale of IRA funds by The Phoenix Pension and Provident to Global Net Provident Fund Management (G.N.P.F.M) Ltd. The agreement is subject to meeting conditions precedent, including approval by the Capital Market, Insurance and Savings Authority, which have not yet been fulfilled. The deadline for the completion of the transaction was set to March 31 2022; the sale agreement includes a mechanism allowing for the deferral of the deadline as aforesaid.

44.1.17 Insurance, pension funds and provident funds

The assets of the insurer, the provident funds and pension funds are managed in accordance with and subject to the Investment Regulations, which stipulate, among other things, provisions as to the types of assets they may hold against their liabilities, as well as the characteristics of these assets.

The Group companies, which manage their own investments through The Phoenix Investments, appointed a committee to manage planholders investments for funds under their management (hereinafter - the **"Participating Investment Committee"**). As of the report date, the Participating Investment Committee consists of five members. As of the report date, all committee members meet the eligibility terms and conditions for external directors according to the Companies Law and the eligibility terms and conditions for members of the Participating Investments Committee. The Participating Investment Committee convenes at least every two weeks. The Phoenix Insurance also appointed a committee for investment of the insurer's share capital and for investment of funds to cover insurance liabilities, which are non-yield dependent (hereinafter - the **"Nostro Investment Committee"**). The Nostro Investment Committee consists of five members, including two external directors. The Nostro Investment Committee convenes at least once a month.

Furthermore, in the reporting period The Phoenix Insurance also appointed an advisory committee on technology transactions; the committee comprises members that have significant technology-related knowhow and experience (hereinafter - the **"Technology Committee"**), and (external) representatives

from the participating and nostro investment committees. The Technology Committee has been authorized by the investment committees to advise them on technology-related transactions, through a hierarchy of powers set by the investment committees.

4.4.2 **Regulation of credit management**

4.4.2.1 **Credit risk management**

The codex of regulations and the provisions of circulars dealing with management of investment assets include provisions on the management of credit by institutional entities, as follows:

4.4.2.1.1 Credit risk management relating to investment activity

The objective of the guidelines on credit risk management relating to investment activity is to ensure that institutional entities have managerial, professional and operational support as well as adequate control and supervision mechanisms. The circular sets rules and tools for determining a policy for providing credit as part of the overall investment policy set by the Board of Directors; in addition, the circular determines the powers of the investment committees and the credit committee, as well as supervision, control and reporting mechanisms.

Pursuant to the codex of regulations and the relevant circulars, The Phoenix Investments has a illiquid debt function; The Phoenix Insurance and The Phoenix Pension and Provident also have joint committees. The credit policy addresses the following issues, among others: (a) hierarchies of credit transaction authorizations; (b) exposure to credit risks; (c) exposure to borrowers by type of borrower; (d) ensuring the existence of management, supervision and control mechanisms for the management of these risks.

4.4.2.1.2 Provision of illiquid debt by institutional entities

The Group is engaged in various types of financing, including various types of commercial debt (bonds and illiquid loans), with or without collateral, structured financing including asset-backed bonds, other structured products, financial derivatives and compound assets, deposits, capital notes, and guarantees under the Sale Law and for building projects (solely as part of the nostro activities).

4.4.2.1.3 Handling troubled debt and debt collection actions taken by institutional entities

Provisions regarding the manner of handling troubled debts and debt collection actions taken by institutional entities aim to ensure that institutional entities will be proactive in collecting debts. Furthermore, the provisions are designed to define a framework for an institutional entity's ongoing monitoring and control of debts under its management, handling of troubled debt and reaching decisions as to the measures taken to collect the debt, its participation in a debt settlement arrangement process and the identity of the functions in charge of these actions. The

Troubled Debt Forum is in charge of assessing the status of debts and their classification as troubled and/or other debt. Troubled debts shall be classified in accordance with the following categories: a) debt under special supervision; b) debt in arrears; c) doubtful account. The Troubled Debt Forum is in charge, among other things, of drawing up immediate and periodic reports and participating in all discussions held by competent organs in order to decide the handling of troubled debt, while making recommendations on provisions for debts in accordance with authorization hierarchies. The Internal Credit Committee is in charge of making recommendations as to the manner of handling troubled debts which are adjusted loans. Furthermore, troubled debts are monitored on an ongoing basis, the status of troubled debts is discussed, and a quarterly report is issued to the Board of Directors and its various committees regarding troubled debts and the developments in the debts' status and the handling status.

4.4.3 Breakdown of assets under management

Total assets under management by The Phoenix group as of the report date amount to NIS 369 billion, of which as of December 31 2021 and December 31 2020 The Phoenix Investments manages approximately NIS 253 billion and approximately NIS 178 billion, respectively, as described in the following table:

As of December 31 2020 (in NIS million)

Institutional entity	Mutual funds and ETFs	Nostro (*)	Yield-dependent life insurance (*)	Pension funds	Provident funds and advanced education Funds
The Phoenix Insurance	-	30,400	96,600	-	-
The Phoenix Pension	-	-	-	53,000	72,300
Excellence Investments	70,030	889	-	-	-
IEC Gemel	-	-	-	-	45,191
Other	-	600	-	-	-
Total	70,030	31,889	96,600	53,000	117,491

(*) For further details about the separation between liabilities with respect to insurance contracts and investment contracts, please see Notes 16 and 17 to the Financial Statements.

(**) On March 1 2021, the assets of Halman Aldubi Pension and Provident Fund Ltd. were added to the assets under management by Phoenix Excellence. Total assets under management by Halman Aldubi as of December 31 2020 is approximately NIS 64 billion. For further details, please see Note 7 to the Financial Statements.

As of December 31 2020 (in NIS million)

Institutional entity	Mutual funds and ETFs	Nostro (*)	Yield-dependent life insurance (*)	Pension funds	Provident funds and advanced education Funds
The Phoenix Insurance	-	28,100	77,500	-	-
Phoenix Excellence	-	-	-	37,300	34,900
Excellence Investments	55,960	620	-	-	-
Other	-	200	-	-	-
Total	55,960	28,920	77,500	37,300	34,900

(*) For further details about the separation between liabilities with respect to insurance contracts and investment contracts, please see Notes 17 and 18 to the Financial Statements.

Management of passive investments

As of the report date, and as part of the assets under management as aforesaid, the Group manages approximately 25 passive investment tracks totaling approximately NIS 22.6 billion in assets under management (of which approximately NIS 14.8 billion is invested in index-tracking "investment baskets"). Based on their investment policies, these funds track indexes which are publicly available. The investment in these tracks are operated by KSM ETN Holdings Ltd.

For further details on the Group's investment in real estate properties or disposal of such properties during the reporting year, please see Note 8 to the Group's Financial Statements.

For further details about the Group's investments, please see also Notes 13, 14 and 41 to the Financial Statements.

Investment income and its effect on the profits of the insurance and management companies

The investment income that offsets insurance reserves and share capital has a material effect on the insurance companies' profits. The extent of the effect on profits depends on the characteristics of the insurance liabilities (nostro, participating) and the terms and conditions of management fees for products against which the relevant reserve is held.

In participating policies issued by December 31 2003, the return on investments is credited to policyholders, while the insurer is entitled to fixed management fees and to variable management fees from the real return achieved after deducting the fixed management fees. In these products, the financial results of the insurance company are also affected by volatility in the return credited to policyholders in view of the fact that the variable management fees are collected from the real return achieved after deducting the fixed management fees. For further details about the weighted returns in participating policies, please see also Section 5 to the Report of the Board of Directors. For information about management fees in this instrument, see Section 2.1.1.1.2 above.

In participating policies issued since 2004, the return on investments is credited to policyholders while the insurer is only entitled to fixed management fees. In these products, the effect of the investment results on the insurance company's profits is reduced to the effect derived from total assets under management, on which the insurer's fixed management fees are based.

In pension and provident funds, the return on investment net of the management fees on accruals, net of discounts, is credited to the planholders; therefore, the effect of investment performance on the profits of the pension or provident fund's management company is limited to the effect derived from the total assets under management by the pension or provident fund, on which the management fees collected by the pension or provident fund's management company are based. Furthermore, in connection with a yield-guaranteed provident fund, the profits of the management company may be eroded if the provident fund did not achieve the guaranteed yield.

In life insurance policies which are not yield-dependent (in respect of that portion of the life insurance portfolio that is not backed by designated bonds), in property and casualty insurance and in the equity portfolio, the linkage of assets does not fully correspond to the linkage of the liabilities. Therefore, changes in capital markets, interest rates, the consumer price index and foreign currency exchange rates may have a material effect on the Group's financial performance, especially due to the sizable reserves managed by the Group. For further details, please see Note 41 to the Financial Statements.

A substantial part of the Group's asset portfolio is invested in liquid securities traded in the capital market. Therefore, returns in various investment channels in the capital market have a material effect both on the returns achieved for the Group's customers and on the Group's earnings. For further details on this matter, please see also Section 5 to the Report of the Board of Directors.

4.4.4 **Material investments in investees**

In addition to the institutional entities held by the Group, it also holds other investments, the principal of which as of the report date are: 100% stake in the Phoenix Agencies, which is held by the Company as described in Section 2.7 above; 100% stake in Excellence Investments through The Phoenix Investments; a 60% stake in Gama's issued and paid up share capital and voting rights, and the controlling shareholder thereof through The Phoenix Investments, a 47% stake in the issued and paid up share capital of the assisted living chain "Ad 120" through the Phoenix Insurance, and a 67% stake in the share capital of Phoeniclass Ltd.

As of December 31 2021, the Group's investment in associates totals approximately NIS 1,346 million, including shareholders' loans. For further details, please see Note 8 to the Financial Statements.

Set forth below is a general summary description of the Company's material subsidiaries and affiliates, the activities of which were not included in the description of the areas of activity and/or other sections in this chapter:

4.4.4.1 **"Ad 120"-Ad 120 Residence for Senior Citizens Ltd. ("Ad 120")**

"Ad 120" develops, builds and manages high-end assisted living facilities for senior citizens, including through wholly-owned corporations. In October 2021, after the sale of control in Ad 120 Residence Centers for Senior Citizens Ltd. (hereinafter - "**Ad 120**") to Shapir Housing and Building Ltd. a wholly-owned subsidiary of Shapir Engineering and Industry Ltd. (hereinafter - "**Shapir**"), such that upon completion of the transaction, The Phoenix Insurance holds 47% (directly and indirectly) of the issued and paid-up share capital of Ad 120. Furthermore, upon completion of the transaction as aforesaid, wholly-owned limited partnerships of Ad 120 hold two plots of land under development which were previously held by Shapir, on which it is possible to build assisted living facilities - one in Jerusalem and the other is in Ness Ziona; (other than assisted living facilities, the land may also be used to build offices and commerce). In accordance with the circular regarding the Measurement of Liabilities - Liability Adequacy Test (LAT) Reserve, the Company recognizes the excess value of illiquid assets against the LAT reserve. After the sale transaction was completed and in accordance with the said circular, the Company recognized NIS 340 million in pre-tax gain, net of transaction costs, and this gain was attributed to the life insurance and health insurance segments. For more information about the key points of the transaction, see immediate reports of August 1 2021 (Ref. No.: 2021-01-059806) and September 22 2021 (Ref. No.: 2021-01-147942).

4.4.4.2 Gama Management and Clearing Ltd. ("Gama")

Immediately before the issuance, as described below, The Phoenix held 49% of Gama's shares. In June 2021, Gama completed the offering of its shares on the Tel Aviv Stock Exchange. Simultaneously, The Phoenix Investments purchased additional Gama shares (hereinafter - the "**Purchased Shares**"), such that after the purchase of the shares, The Phoenix Investments holds approximately 60% (fully diluted) of Gama's issued and paid-up share capital and voting rights therein and is the controlling shareholder in Gama. In exchange for the Purchased Shares, The Phoenix Investments paid a total of NIS 124 million. Following the execution of the Offering and the acquisition of the Purchased Shares, the Company recorded a one-off post-tax profit of NIS 220 million in the second quarter, as a result of becoming the controlling shareholder in Gama. For further details, please see Note 1F to the Company's Financial Report and the immediate report dated June 16, 2021 (Ref. No. 2021-01-039979).

For further details about the investment in Gama and its activities, please see Section 2.6 above and Note 8 to the Financial Statements.

4.4.4.3 Haphen-Tao Holdings Limited Partnership

The Company holds - through The Phoenix Insurance and The Phoenix Investments - 50% of the interests in Haphen-Tao Holdings Limited Partnership (hereinafter - the "**Partnership**"). The Partnership owns 50% of the rights and liabilities in the Mall Hayam shopping center in Eilat, such that the Company indirectly holds 25% of the shopping center. The Partnership is entitled to receive its share of Mall Hayam's profits, after repayment of the loan in respect of which a charge was placed on Mall Hayam.

On October 3 2021, the Partnership and the other owners signed an agreement for the sale of the entire rights in the shopping center to the Azrieli Group in consideration for NIS 1.31 billion (100%). The completion of the transaction is subject to a number of conditions that should be fulfilled no later than 9 months from the signing date of the sale agreement; those conditions include, among other things, obtaining the Israel Competition Authority's approval for the transaction.

4.4.4.4 Phoeniclass Ltd. ("Phoeniclass")

The Phoenix Investments holds approximately 67% of Phoeniclass's share capital.

Phoeniclass and the Kibbutzim College of Education (hereinafter - the "**Kibbutzim College**") entered into a combination transaction agreement in respect of a land plot in north Tel Aviv, owned by Kibbutzim College, including the land on which the Kibbutzim College's existing buildings are situated. As part of the transaction, and in exchange for the rights to build 450

residential units on the land plot, Phoeniclass will execute the residential project, transfer to the Kibbutzim College some of the sales proceeds, which will be used to fund a new complex for the College, and will bear some of the cost of building public spaces that will be handed over to the Tel Aviv municipality for commercial and public use (hereinafter - the "**Project**"). Phoeniclass is working to promote the licensing and planning procedures for the Project, while negotiating with the Kibbutzim College (and its representatives) to finalize the transaction's principles and execution. As part of the steps taken to promote the licensing procedures, in February 2021 Phoeniclass filed with the local planning committee an application for a building permit in respect of the first residential high-rise.

The Phoenix Investments and the partner have an agreement governing their relationship as shareholders in Phoeniclass, under which the partner, having the relevant knowledge and expertise, is responsible for project management, construction, and marketing.

As part of a restructuring approved in November 2021 by the organs in the Company and its subsidiaries, as required by law, 49% of the equity and voting rights of The Phoenix Investments in Phoeniclass will be transferred to The Phoenix Insurance as well as the remaining equity rights (18%) in Phoeniclass. The completion of this process is subject to receipt of the approval of the Israel Tax Authority, whereas of the report publication date, the above-mentioned approval has not yet been obtained, and it is uncertain that it will be obtained and that process will be completed.

4.4.5 **Developments in the macroeconomic environment**

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

Financial markets in Israel

In the first quarter of 2021, Israel's GDP fell by 6.2% due to a third lockdown and the timing of vehicle orders that were brought forward to the end of 2020. However, since then Israel's GDP has risen sharply, and according to the Bank of Israel's forecast, in 2021 the GDP increased by 6.5%. The trend in the Israeli labor market was very positive, with unemployment levels going down to 4.5% in November. The inflationary pressures intensified, mainly due to the increase in prices of imported goods, especially fuel, cars, furniture and home equipment. In November, the annual inflation rate reached 2.4%, and inflation expectations spiked to 2.5% (OTC). As of November 2021, the annual increase in house prices in Israel was 10.5%. Throughout most of the year, the Shekel strengthened against the dollar, reaching record levels of NIS 3.08 per 1 dollar. The strengthening of the Shekel stemmed from strong results for Israeli exports, and sharp rallies in foreign equity markets, which forced institutional entities to sell foreign currency in order to implement their

investment policy. As part of its attempt to mitigate the strengthening of the Shekel against the Dollar, the Bank of Israel launched an annual plan for the purchase USD 30 billion in foreign currency; this plan was subsequently expanded to USD 35 billion. Despite the inflationary pressures and the tightening of the Israeli labor market, the Bank of Israel continued indicating that unlike other central banks, it will not be in a hurry to raise interest rates, both since the inflation in Israel is mostly imported, and because it is still within target levels and even expected to cool-down, due to, among other things, the threat that the Shekel will strengthen. Among other things, the Bank of Israel noted that "there are no signs of an inflation outbreak" in Israel. Furthermore, the Bank of Israel was of the opinion that despite the strong growth, the gap between Israel's GDP and its potential GDP is still negative. The steps taken by the Bank of Israel moderate the increase in nominal returns, but inflation expectations led to a notable decrease in real returns. Throughout the year, infection levels caused due to the Delta variant of Covid-19 were on the decline; however, towards the end of the year, a new variant (the Omicron variant) reached Israel, which renewed concerns regarding Covid-19 in the first months of 2022.

The TA 125 Index recorded increases of 10.6% in the fourth quarter, and a total annual increase of 31%. In the fourth quarter of 2021, yields on 10-year bonds in Israel decreased from 1.45% to 1.34%, having increased from a level of 0.89% since the beginning of year. The Dollar has devalued by 3.75% against the Shekel in the fourth quarter of 2021, reaching levels of NIS 3.10 per 1 dollar. The Euro has devalued by 5.4% against the Shekel, reaching levels of NIS 3.53 per 1 Euro.

Subsequent to the balance sheet date

GDP data for 2021 were published and were surprisingly strong - representing annual growth of 8.1%. The spread of the Omicron variant led to relatively minor disruptions in the economy. Inflation rates in Israel were notable; as of February, annual inflation increased to 3.5% - breaching the ceiling of the inflation target. In view of the developments, the Bank of Israel started preparing the ground for interest rate increases in the forthcoming months. IRSs started factoring in 3-4 interest rate increases this year. The Israeli government launched an action plan to mitigate the increase in the cost of living; the plan includes, among other things, subsidizing the planned increase in electricity prices, tax credits to families with children, reducing customs duty on some food products, and more. In January, the unemployment rate continued to decline, reaching a level of 3.9%.

The TA 125 Index increased by 2.4%, which is a higher rate compared to other share indexes across the world. The 10-year yield shot up to 2.3%. The Tel-Bond 60 Index declined by 3.1%. The Shekel started devaluing against most currencies. The Shekel has devalued to a level of NIS 3.22 per 1 Dollar and a level of NIS 3.54 per 1 Euro.

Capital markets abroad

2021 started with lockdowns in many countries across the world due to the spread of the Delta variant of Covid-19. The lockdowns caused economic damage that was reflected, among other things in contraction of GDP in Europe during the first quarter at an annual rate of 1.8%. Immediately after the lifting of lockdowns, economies across the world started growing again at a rapid rate; according to Bloomberg's average forecasts, the US economy grew by 5.7% in 2021 and in the Eurozone the economy grew by 5.5%. Throughout the year, unemployment rates continued declining sharply; in the USA, unemployment rates declined from 6.8% to 4.2%. Surveys conducted among Chief Procurement Officers reflected swift expansion; ISM Manufacturing Index reached levels of 60.6 in November. Manufacturing surveys also noted significant difficulties in recruitment of employees. Despite the strong labor market, consumer sentiment indexes took a hit, which was mainly explained by high inflation rates. Until November 2021, annual inflation rates increased to 6.8% in the USA and 4.9% in the Eurozone; prominent drivers of this increase were the rise in energy prices and the global shortage in chips used the automotive industry, which supported an increase in their prices, and a sharp increase in marine transportation. In view of the increase in inflation rates, a number of central banks across the world started increasing their interest rates, especially central banks in Eastern Europe. In the USA, the Federal Reserve published a plan for reducing the purchases of bonds, and started preparing the market for interest rate hikes in 2022. This guidance led to a sharp increase in bond yields. However, equity markets continued to display sharp rallies, driven mainly by technology shares, which benefited, among other things, from changes caused by the Covid-19 crisis. Towards the end of the year, concerns started emerging regarding a new Covid-19 variant - Omicron. China stood out over the year due to credit issues in the local real estate market, tightening of government regulation on technology companies and a decisive response against Covid-19, which included effective restrictions; developments led to clear weakness of the Chinese equity market.

The S&P 500 increased by 10.7% in the fourth quarter, the EURO STOXX 50 increased by 6.2% in the fourth quarter, the yield on 10-year bonds remained relatively stable in the fourth quarter, at 1.5%, and the Euro continued strengthening against the dollar, reaching levels of \$1.14 per one Euro.

Subsequent to the balance sheet date

In 2021, growth in the USA turned out to be higher than expected - 5.5%; however, it is expected to slow down to 3.6% in 2022 (according to Bloomberg's average forecasts). At the beginning of the year, the Omicron variant of Covid-19 spread across the world, but this did not have a significant effect on economic activity. Surveys conducted among Chief Procurement Officers in the manufacturing sector reflected swift expansion - 58 points, and unemployment in the USA decreased

in February to 3.8%. The war between Russia and Ukraine caused very significant turbulence in commodity markets and the European banking system due to heavy sanctions imposed by the West on Russia. The inflation, which was on the rise before the start of 2022 continued the acceleration trend in January, reaching levels of 7.5% in the USA and 5.1% in the Eurozone, and is expected to increase even further. Annual inflation expectations in the USA increased from 3.4% to 6.1%, with a prominent increase in oil prices that reached a level of USD 120 per barrel (WTI) in March 2022. Companies' reports for the fourth quarter were better than expected; 76% of the S&P 500 companies presented results that were better than expected. In view of the increase in inflation, the trend of economic growth and the state of the companies, the Federal Reserve increased its indications of significant rate hikes. The contracts in respect of the Federal Reserve interest started factoring in hikes of up to 2.5% at the end of the year. In the Eurozone, the European Central Bank is extremely cautious about the timing of rate hikes, due to the concern that local economies may be damaged; the market estimates that a first hike will only take place in March 2023.

The pressure to increase interest rates alongside the damage to the economy due to the war between Russia and Ukraine weighed on equity markets, but at some point equity markets rallied again due to inflation pressures and renewed positive indicators from economies.

The yield on 10-year bonds in the USA shot up to 2.5%; the S&P 500 slumped by 4.7%, with technology companies leading the trend, and despite increases in energy sector shares. In Europe the EURO-STOXX slumped by 9.6%; the Euro has weakened by 3.4% against the Dollar.

4.5 Reinsurance

4.5.1 General

Israeli insurance companies normally cover a substantial proportion of the insurance risk they assume by entering into engagements with reinsurers. The maximum amount of risk retained by an insurer after transferring some of the risk to the reinsurer is called "retention". Reinsurance has several advantages:

1. It allows insurance companies to diversify the risks to which they are exposed;
2. It allows insurance companies to improve their ability to assume additional risks and at higher insurance amounts;
3. It allows insurance companies to enhance their ability to protect their share capital from exceptional events (catastrophe events, including multiple natural disasters: earthquake, fire, etc.), and to manage it optimally.

Despite the above, reinsurance agreements do not prejudice the contractual rights of policyholders, nor do they exempt insurance companies from their obligations towards policyholders. Therefore, the stability of reinsurers impacts insurance companies. Furthermore, the terms of engagement with reinsurers impact the profitability of insurance companies. It should be noted that settling accounts with reinsurers may take many years.

There are two types of reinsurance:

Contractual reinsurance is drafted as part of a reinsurance treaty, which is signed every year between the insurance company and the reinsurer; in this type of reinsurance, the reinsurer assumes all risks or businesses to be transferred to it by the ceding insurer, under the agreed terms and conditions, without the need to approve each and every risk or business.

Reinsurance comprises proportional reinsurance and non-proportional reinsurance. The difference between the two types of reinsurance is reflected in the type of relationship between the assumption of risk (the coverage of a claim) and the premium; in proportional reinsurance, the share of the risk assumed by the reinsurer is generally identical in proportion to the reinsurer's share in the premium, whereas in non-proportional insurance - the risk assumed by the reinsurer is not directly proportional to its share in the premium. Thus, for example, in a proportional reinsurance contract where the reinsurer undertakes to pay 75% of each claim in the property subsegment, that reinsurer will also receive 75% of the premium in respect of the subsegment (excluding the fees component), whereas in a non-proportional reinsurance contract, where the reinsurer's share of each claim in the compulsory motor subsegment shall be the portion above USD 100 thousand and below USD 1 million, that reinsurer's share in the premium will be a fixed and predetermined percentage of all premiums or exposure in the subsegment, or a predetermined premium amount.

A. Proportional reinsurance

Quota share reinsurance contract: the reinsurer undertakes a fixed percentage of coverage of each claim in a specific subsegment against an identical fixed proportion of the premium.

Surplus reinsurance contract: the reinsurer undertakes a variable percentage of coverage of each claim up to an agreed cap against an identical proportion of the premium.

B. Non-proportional reinsurance

Excess of loss contract: this is insurance for an individual claim, whereby the ceding insurer agrees to absorb all aggregate losses up to a predetermined retention amount, and the reinsurer agrees to absorb the excess losses above the predetermined retention amount (mostly up to the predetermined limit) against a predetermined proportion of all premiums in that subsegment or a predetermined premium amount. One of the contracts that fall under this category of non-proportional reinsurance contracts is the contract protecting against catastrophes.

Stop loss contract: the reinsurer indemnifies the ceding insurer to the extent that the percentage or total amount of losses in a certain subsegment over a certain period (usually a year) exceeds a predetermined percentage or total amount, in return for a predetermined percentage of all premiums in this subsegment.

Facultative reinsurance is taken out to cover risks arising from specific policies. Facultative reinsurance shall apply in one of the following cases: (1) when the insurance amount exceeds the reinsurance capacity; or (2) the risk or area of activity is excluded from the contract with the reinsurer; or (3) when it is estimated that the business is relatively risky. In facultative reinsurance, the reinsurer decides separately and in advance for each risk or area of activity whether it wishes to share the risk and at what percentage.

Generally, the rate of reinsurance in the life insurance subsegment is significantly lower than the rate of reinsurance in property and casualty insurance. This is due to the fact that most of the premium in life insurance is in respect of a savings component, which is not reinsured. Furthermore, in life insurance there is more reliable statistics as to the risks. The scope of reinsurance purchased also varies among property and casualty subsegments; in the case of subsegments with homogeneous risk, where the level of risk is highly diversified within the portfolio (such as in the motor subsegment - compulsory and property), there is a lower level of reinsurance, whereas in more heterogeneous subsegments, with lower risk diversification levels and higher risk (such as in other property insurance), a higher rate of reinsurance is undertaken.

4.5.2 **The reinsurers market and the manner of engagement with reinsurers**

The market of reinsurers which have ratings which are relevant for The Phoenix Insurance (reinsurers with a financial rating higher than A-), comprises more than 200 insurers. The Phoenix Insurance works continuously with approximately 90 reinsurers. The reinsurers' capacity depends mainly on the materialization of insurance risks, which they assumed during the past few years. Thus, for example, the occurrence of catastrophes around the world causes a decrease in reinsurers' capacity.

A potential deterioration in the condition of the reinsurance market may have a number of consequences: firstly, an insurance company that entered into reinsurance contract is directly exposed to the reinsurer's ability to meet its obligations upon the occurrence of an insurance event; secondly, a decline in the strength of a reinsurer may cause the insurance company to seek replacing it with another reinsurer, which will involve further costs in connection with the original reinsurance and a risk that the original coverage terms will not be achieved; this will also require the recording of an accounting loss, since there is a concern that the reinsurer will not meet its obligations; thirdly, a deterioration in the condition of the reinsurance market may reduce the capacity of reinsurers, in a

way that impairs the insurance company's ability to offer coverage in the ordinary course of its business; this may also lead to an increase in reinsurance prices and to other changes in the terms of engagement with the reinsurer, in a way that will lead to additional costs or impair the quality of the insurance coverage. In addition to the above, if an insurance company does not have access to reinsurance at the required scope, it may lead to its failing to meet the regulatory capital requirements it is subject to.

The term of reinsurance engagements in property and casualty insurance is usually one year. The term of reinsurance engagements in life, health and long-term care insurance is usually the entire life of the policies issued within a defined period.

Reinsurance prices are affected by factors such as the quality of the insurance portfolio (past performance of the insurance portfolio); relevant events in Israel and globally, the interest rate and the condition of capital markets worldwide.

In reinsurance, the ceding insurer pays reinsurers a premium, while reinsurers reimburse the ceding insurer in respect of claims, and pays it fees, mainly in respect of proportional reinsurance contracts. The fees paid by reinsurers normally constitute a percentage of the premium transferred to reinsurers; in some cases, this rate is determined in advance (regardless of the results achieved), in other cases - the rate depends on the underwriting results of the ceded businesses. The fee amount may vary during the engagement period.

Sometimes, The Phoenix Insurance receives - in addition to the basic fee - a profit fee payable as a percentage of the underwriting earnings in respect of the relevant risk (i.e., premium net of claims, reinsurer's expenses and fees).²⁰

Increase in severity and incidence of natural disasters in the world led to an increase in the capacity for earthquakes. As a result, the renewal of reinsurance contracts in the property subsegment for 2022 was characterized with increase in tariffs. In the opinion of the Company, this trend is expected to continue in the coming years. In addition to what is stated above, the strengthening of the Shekel against the Dollar was also felt in the local market in agreements denominated in foreign currencies.

²⁰ In facultative reinsurance, there are normally no profit fees.

4.5.3 Description of the policy of exposure to reinsurers

General

The Capital Market, Insurance and Savings Authority Commissioner's Circular titled Management of Exposure to Reinsurers, published in 2003 sets out, among other things, provisions and guidelines on how to manage exposure to reinsurers, including a requirement for setting policies and exposure caps for reinsurers, as well as provisions on reporting to the Commissioner.

At least once a year, an insurer's board of directors is required to discuss its policy on exposure to reinsurers, and the insurer's assessments of the management of, and controls over, the exposure; the board is also required to set exposure limits to a single reinsurer and to a group of affiliated reinsurers. The Board of Directors will hold such a discussion after assessing the quality of the insurer's existing tools for management of, and controls over, exposure to reinsurers.

The policy of exposure to reinsurers must include, among other things, a policy for exposure to reinsurers in the life, property and casualty, and health insurance subsegments, as well as setting a maximum exposure framework for reinsurers, according to parameters set by the Board of Directors. Such parameters may be qualitative in nature, such as the reinsurer's international rating.

There are two types of exposures to reinsurers:

- A. Exposure to outstanding balances, and exposure to the risk that the reinsurer fail to meet its existing and future obligations. This exposure is managed by ongoing monitoring of the reinsurer's position in the global market, as well as fulfillment of its financial obligations.
- B. Exposure to a single sizable loss or an accumulation of losses due to a large-scale event. The accumulated losses are estimated based on the maximum probable loss (MPL), or alternately, the event limit. The event limit is set separately for each reinsurer in the contract signed therewith.

The Phoenix Insurance purchases reinsurance as part of the implementation of its risk management policy. The purchase of reinsurance is carried out in policies or subsegments in which the Company believes that it will be more efficient to cede some or all of the risk.

Internal actuarial assessments, various models and past claims experience provide The Phoenix Insurance with an indication as to the estimated level of reinsurance required.

In accordance with a policy set by the Board of Directors, The Phoenix Insurance contracts reinsurers rated A- or higher, which are rated by one of four ratings agencies – Fitch, AM Best, Standard & Poor's and Moody's (in the short-tail subsegments, the Company may contract reinsurers rated BBB+ at a rate that shall not exceed 10% of the total exposure). Pursuant to a clarification published in 2012 by the Commissioner regarding the calculation of capital requirements of insurance companies, which addresses, among other things, the manner in which the rating of a reinsurer is determined for the purpose of calculating the capital requirements regarding reinsurers, the external rating to be taken into account for the capital requirement will be that of a rating agency that shall be selected in advance by each company (hereinafter - the "**default agency**"). If the default agency has no relevant rating, then the lowest rating will be used from among the rating agencies approved by the Commissioner. During that year, the Company's Board of Directors approved Standard & Poor's as its "default agency".

As a rule, The Phoenix Insurance aims to contract with numerous reinsurers, in order to avoid a situation where it is dependent on a specific reinsurer, and in order to diversify the risks appropriately. In many of its reinsurance contracts, The Phoenix Insurance requires that a downgrade clause be included, allowing it to terminate the contract if the reinsurer's rating is downgraded below a predetermined rating.

Set forth below are the key points of the policy for management of exposure to reinsurers and exposure limits as set by the Board of Directors:

1. Limit of exposure to reinsurers' balances:

Total exposure to outstanding balances of a single reinsurer with a rating of AA- or higher shall not exceed 20% of the Company's calculated capital.²¹ Total exposure to a single reinsurer with a rating of A+ to A- shall not exceed 15% of the Company's calculated capital.

2. Restrictions as to exposure to earthquakes:

- Total exposure in respect of earthquakes per single reinsurer whose rating is AA- or higher shall not exceed 30% of the Company's calculated capital. Total exposure of a single reinsurer with a rating of A+ to A- shall not exceed 25% of the Company's calculated capital.
- Total exposure in respect of earthquakes per single reinsurer whose rating is AA- or higher shall not exceed 20% of reinsurers' total exposure to earthquakes. Total exposure in respect of earthquakes per single reinsurer whose rating is A+ to A- shall not exceed 15% of reinsurers' total exposure to earthquakes.

²¹ For this purpose - the "calculated capital" means the Company's total calculated capital in accordance with the Capital Regulations.

4.5.4 Life insurance

The Phoenix Insurance enters into quota share and surplus proportional reinsurance agreements with various reinsurers in order to protect itself against the risk in the life insurance portfolio (but not the savings component). Previously, modified financial reinsurance agreements (hereinafter - **"Mod-Re"**) were also drawn up in respect of policies that included a savings component. Several large collective insurance policies have a proportional reinsurance agreement.

The Phoenix Insurance's reinsurance agreements in respect of life insurance policies are normally drawn up for unlimited periods and may be cancelled by giving advance notice for future policies only. The reinsurers pay The Phoenix Insurance a fee composed of two components: a fee calculated as a function of the premium ceded to them, and a profit fee based on the insurance results for that year.

Following are reinsurers that account for more than 10% of total reinsurance premiums in the life insurance and long-term savings segment:

Reinsurer	Reinsurance premium (in NIS million)	2021 % of total reinsurance premium	Rated by S&P (as of Dec. 31 2021)
Swiss Re	43	36%	AA-
Gen Re	25	21%	AA+
Munich Re	13	11%	AA-

Reinsurer	Reinsurance premium (in NIS million)	2020 % of total reinsurance premium	Rated by S&P (as of Dec. 31 2021)
Swiss Re	40	41%	AA-
Gen Re	20	20%	AA+
Munich Re	13	13%	AA-

Following are ratings of reinsurers in the life insurance and long-term savings segment:

Rated by S&P*	No. of reinsurers in 2021	No. of reinsurers in 2020
Rated AA and above	3	2
Rated A to AA (not included)	9	8
Rated A-	0	1
Rated +BBB**	1	1

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch. For further details about the Group's investments, please see also Notes 17, 18 and 41 to the Financial Statements.

** This relates to a reinsurer whose rating was downgraded below (A-) in the reporting year.

Catastrophe contract

In 2021 (as in previous years), the Company purchased a non-proportional reinsurance contract, to cover the risk of bodily injury, death and disability resulting from a catastrophe event. The contract purchased is an excess-of-loss-type contract that protects the accumulation of The Phoenix Insurance's self-insured retention from life insurance, personal accidents and travel insurance policies. For further details, please see Note 41 to the Company's Financial Statements.

Reinsurance agreement - mass lapse scenario in the life and health insurance subsegments

The Phoenix insurance has in place a mass lapse reinsurance agreement, the objective of which is to provide The Phoenix Insurance with partial protection against a mass lapse scenario in its life and health insurance subsegments as part of the Economic Solvency Regime.

Reinsurance agreement - proportional reinsurance for permanent health insurance products

For information about the engagement in proportional reinsurance agreement for permanent health insurance products see Section 1.3.8 above.

4.5.5 **Health insurance**

The Phoenix Insurance enters into quota share proportional reinsurance agreements with various reinsurers to protect itself against some of the risk components in its health insurance portfolio. A number of large collective insurance policies have a proportional reinsurance agreement in respect of some of the coverage components.

Reinsurance agreements in respect of health insurance policies are normally drawn up for unlimited periods and may be cancelled by giving advance notice for future policies only. The reinsurers pay The Phoenix Insurance a fee that may be composed of two components (and varies in accordance with the terms and conditions of the various agreements): a fee calculated as a function of the premium ceded to them, and a profit fee based on the insurance results for that year.

The rating of reinsurers that account for more than 10% of total reinsurance premiums in the health insurance area of activity:

Reinsurer	Reinsurance premium (in NIS million)	2021	
		% of total reinsurance premium	Rated by S&P* (As of December 31 2021)
Swiss Re	104	49%	AA-
Gen Re	34	16%	AA+
CCR	25	12%	A

Reinsurer	Reinsurance premium (in NIS million)	2020	
		% of total reinsurance premium	Rated by S&P* (As of December 31 2020)
Swiss Re	89	32%	AA-
Allianz Worldwide Ca	87	31%	A+
Gen Re	36	13%	AA+

During 2020, the engagement with Allianz was terminated.

Reinsurers in the health insurance subsegment:

Rated by S&P*	No. of reinsurers in 2021	No. of reinsurers in 2020
Rated AA and above	2	1
Rated A to AA (not included)	9	8
Rated A-	1	1
Rated +BBB**	1	1

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch.

For further details about payments to reinsurers and further details, please see also Notes 17, 18 and 41 to the Company's Financial Statements.

** This relates to a reinsurer whose rating was downgraded below (A-) in the reporting year.

4.5.6 Property and casualty insurance

Compulsory motor insurance

The Phoenix Insurance's liabilities in the compulsory motor insurance subsegment are backed by an "excess-of-loss" reinsurance contract. As a result of the said arrangement, the exposure per claim or per event is limited. As is normally acceptable in contracts of this type, the Company does not collect fees and commissions from reinsurers. In addition to the existing agreement, the Company entered into quota share agreements with several reinsurers. These agreements were also renewed for 2022 at lower rates.

For further details about payments to reinsurers and other data, please see also Notes 17, 18 and 41 to the Company's financial statements.

Motor property

Motor property insurance is characterized by a high level of risk spread, and a relatively homogeneous risk. As a result, the reinsurance rate in this subsegment is low, and only catastrophic damages such as earthquakes, fires and natural disasters are covered. For further details about payments to reinsurers and other data, please see also Notes 17, 18 and 41 to the Company's financial statements.

Other property and casualty insurance

The Phoenix Insurance enters into reinsurance contracts in the property and casualty insurance subsegment on an annual basis. The Phoenix Insurance purchases reinsurance for most of the subsegments in which it operates: fire, property, engineering (including contractors), terrorism, personal accidents and liability, including directors and officers' liability, cyber and marine insurance.

For further details about reinsurance, and for details about the various types of coverages generally accepted in reinsurance, please see Notes 17, 18 and 41 to the Financial Statements.

Property subsegments

Industrial and commercial property insurance and home insurance: protected under a proportional combined contract - quota share and surplus. Large businesses are reinsured under facultative contracts. Proportional insurance contracts provide protection up to a maximum amount for a catastrophe event, which varies among the various reinsurers. In respect of the self-retention portion, The Phoenix Insurance purchases insurance protection covering catastrophe events at a rate of 2% of the aggregate insurance amounts. In the home insurance subsegment, in addition to the existing contract, there is also a quota share contract.

Industrial and commercial property insurance and home insurance: protected under a proportional combined contract - quota share and surplus treaty. In respect of the self-retention portion, The Phoenix Insurance purchases insurance protection covering catastrophe events at a rate of 2% of the aggregate insurance amounts. The excess of loss amount covering catastrophe events, which applies to the self-retention portion in property, commercial or industrial, home and engineering insurance, is determined as a percentage of the cumulative self-retention amounts based on generally accepted actuarial models.

Earthquake coverage

In 2021, reinsurers' estimated exposure to earthquake under proportional reinsurance on the basis of MPL of 2% amounted to approximately USD 2.45 billion. The Phoenix Insurance's self-retention aggregate exposure, as derived from and measured according to its proportional reinsurance agreements, was approximately USD 13.8 billion as of the end of 2021. In order to hedge this exposure, non-proportional protection of 2.0% of the accumulated retention exposure was purchased, which represents expected damage as a result of an earthquake with an incidence of more than once every 500 years. In the Company's opinion, following the purchase of protection, the maximum amount The Phoenix Insurance would have borne upon the occurrence of a catastrophe event is approximately USD 20.5 million.

There are no reinsurers the total exposure of which to earthquake exceeds 10%. For further details about reinsurance, including reinsurers' balances, please see Notes 10, 24 and 40 to the Financial Statements.

Terrorism

Protected by an excess of loss insurance contract, which applies to amounts in excess of a fixed self-retention amount. There is also a cap per insurance event.

Liability subsegments

Liabilities: includes employers' liability, third party liability, product liability and professional liability. The protective insurance contract is an excess of loss contract in respect of amounts in excess of the self-retention amount, with caps per risk and per event. Since 2021, a quota share contract was taken out in addition to the existing contract.

Directors and officers' liability: this subsegment is protected under an excess of loss contract in respect of amounts in excess of the self-retention amount, with a cap in place per policy. In 2021, a separate quota share agreement was put in place for the finance subsegment.

Various subsegments

Personal accidents: There is protection against the risk arising from aggregate losses under the catastrophe agreement.

Marine and cargo: protected under a combined proportional insurance contract, quota share and surplus, with a cap per delivery, in combination with a non-proportional reinsurance contract for aggregate retained losses in the cargo subsegment.

Ship hull, yachts and third party: protected by a proportional quota contract with a cap per covered vessel.

Cyber: Protected under a quota contract with ceilings for single loss and annual accumulated losses.

General

Total insurance premiums in the other property and casualty insurance subsegment stemming from insurance policies for which reinsurance coverage in excess of 90% was purchased in 2021 is approximately NIS 560 million (gross) and NIS 12.4 million (retention).

Property and casualty insurance: no reinsurer accounts for more than 10% of total reinsurance premiums in 2021 and 2020.

Rating of reinsurers in property and casualty insurance:

Rated by S&P*	No. of reinsurers in 2021	No. of reinsurers in 2020
Rated AA and above	10	10
Rated A to AA (not included)	101	93
Rated A-	23	22
Rated +BBB	4	4
Not rated	11	17
Total	149	146

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch.

Set forth below is a summary of reinsurance premiums and results by subsegment (in NIS millions):
Property and casualty insurance

	2021	2020	2019
Reinsurance premiums -			
Compulsory motor insurance	271	288	321
Motor property	2	-	-
Other property and casualty insurance -			
Other property subsegments (for further details, please see below*)	507	525	480
Other liability subsegments	263	165	114
Other subsegments	5	3	6
Total reinsurance premiums	1,048	981	921
Profit (loss) results²² -			
Compulsory motor insurance	(122)	(55)	(66)
Motor property	-	-	-
Other property and casualty insurance -			
Other property subsegments	198	172	189
Other liability subsegments	66	69	45
Other subsegments	3	-	6
Total reinsurance income for the year	145	186	174

*Reinsurance premiums in the property subsegments	2021	2020	2019
Proportional	334	365	327
Non-proportional	2	1	1
Earthquake (1)	171	159	152
Total reinsurance premiums in the property subsegments	507	525	480

(1) The premium includes all reinsurance arrangement types covering catastrophe risks (proportional reinsurance, facultative reinsurance, and excess reinsurance to cover the aggregate retention).

The decrease in premiums in the compulsory motor insurance subsegment over the years stems from a change in a quota share reinsurance contract.

The changes in reinsurance premiums in other property subsegments stem mainly from a change in the renewal dates of a large policy, in which the insurance coverage period exceeds one year in the property loss insurance subsegment.

The increase in reinsurance premium in other liability subsegments in 2021 stems from an increase in the portfolio and from new quota share agreements drawn up in the reported year.

²² The data relate to results of agreements with reinsurers.

In the compulsory motor insurance the loss attributed to reinsurance is an accounting loss arising from a provision to reserves in accordance with actuarial rules applicable to gross reserves. It should be noted that the actual result of the agreement may be materially different and will depend on the future development of claims. The increase in losses in compulsory motor insurance in 2021 stems, among other things, from negative revisions to the actuarial model.

In the property subsegments, the increase in reinsurers' profits in 2021 compared with 2020 stems from improvement in all property subsegments.

In the liability subsegments, profits in 2021 and 2020 are higher compared with 2019, mainly as a result of an improvement in the professional liability subsegment.

4.6 Human capital

Most Group employees are employed by The Phoenix Insurance, and some are employed by other consolidated companies.

4.6.1 The Group's organizational structure

The Company's Board of Directors sets the Company's policy and supervises the performance and actions of the CEO. The Group is headed by the Company's CEO, who also serves as The Phoenix Insurance's CEO.

The Group's key units are: insurance - life insurance, property and casualty insurance and health insurance. The Phoenix Pension and Provident mainly employs HQ employees and receives various services from The Phoenix Insurance. HQ units: Finance, Actuarial Department - Life and Health Insurance, Actuarial Department - Property and Casualty Insurance, Risk Management, Human Resources - Information and Control, Marketing, and Legal Counsel, which report - both in administrative and in professional terms - to the Company's CEO. Alongside the said units, the Group has the Claims Department, Central Services and Operations Department, and IT Division. The Company has an internal audit unit. The head of the unit reports to the Chairman of the Company's Board of Directors. The Group's investment activity - including for The Phoenix Insurance and The Phoenix Pension and Provident - is carried out by The Phoenix Investments. The financial services activity is carried out by Excellence Investments. For further details about Excellence's human capital, please see Section 2.5.8 to the Report. The main credit activity is carried out through Gama. For further details about Gama's human capital, please see Section 2.6.14 above.

The Company has two principal managerial forums headed by the CEO: a smaller business forum composed of a number of senior executives; and an extended managerial forum, which also includes other senior executives in addition to the members of the business team.

The insurance, pension and provident fund activities are carried out by The Phoenix group, which divides them into areas of activity, each of which is headed by a Deputy CEO.

Each unit and the relevant HQ units formulate the business strategy.

As of the reporting date, the business units are in charge of the marketing, distribution and service management activities for insurance agents and The Phoenix Insurance's customers.

The Company operates a retail marketing and distribution function focusing on distribution of and providing services for pension products and other retail products. The Company also sells various insurance products through digital sale interfaces on the Company's website and through a call center. This activity is marketed under the "Phoenix Smart" brand name.

The claims, operations and service function provides service to the Group's customers insurance claims (property and casualty, health and life insurance claims). This function is also charged with replying to queries filed by the Group's customers on a range of issues. "The Phoenix Agencies" concentrates the holdings in the insurance agencies that operate as separate and independent companies. For further details about The Phoenix Agencies, please see Section 2.7 above.

4.6.2 The Group's workforce

Set forth below is a breakdown of the Group's workforce as at December 31 2020-2021:

	Dec. 31 2021	Dec. 31 2020
The Group's management	12	11
General insurance subsegment*	505	458
Long-term savings and life insurance*	530	491
The Phoenix Pension and Provident Fund Ltd. *	165	147
Health subsegment	56	56
Service, operations and claims function*	1,039	1,019
IT and other HQ units*	747	699
The Phoenix Investments	83	76
The Phoenix Insurance Agencies	1	1
Total for Group, excluding Excellence Investments, The Phoenix Agencies and "Ad 120"	3,138	2,958
Excellence Investments	406	355
Insurance agencies controlled by the Company**	1,148	770
Gama***	140	130
Ad 120***	-	317
Total Group	4,832	4,410

** Including the retail marketing and distribution unit and employees assigned to Phoenix Smart

** The increase in the number of employees stems from the inclusion of the employees of the Oren Mizrach and Quality agencies that were added for the first time during the reporting year, and from the increase in the scope of activity.

*** Since in June 2021 the Company assumed (indirect) control in Gama, a reference to employee data was added in respect of 2020 and 2021.

**** Since in October 2021, control in Ad 120 was transferred from The Phoenix Insurance to the Shapir Group, the table does not include a reference to Ad 120's employees.

During 2021, the Group's workforce increased by 180 employees - excluding employees of Excellence Investments, the Agencies and Gama. The change stems mainly from an expansion in the Group's sales functions and the strengthening of the HQ units that support operating activities.

For further details about directors and officers, please see Regulations 26 and 26A in Chapter Five of the Periodic Report - Additional Details about the Company.

For further details about changes in the Board of Directors and senior management the Company and The Phoenix Insurance, please see Note 42 to the Company's financial statements.

4.6.3 **Workers' organizations**

In December 2021, a new collective agreement was signed for the period from January 1 2022 to December 31 2024 between The Phoenix Insurance and the New Histadrut Workers' Union – MAOF (hereinafter – the "**Histadrut**"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with The Phoenix Pension and Provident (hereinafter jointly for the purpose of this section - the "**Agreement**"; the two companies jointly - "**Phoenix**").

In accordance with the new collective agreement, the provisions of the previous collective agreements in The Phoenix Insurance will continue to apply during the term of the Agreement, and in The Phoenix Pension and Provident they were applied as from January 1 2022, except for changes defined in the new agreement, the principal points of which are:

1. Pay rises - during the period of the Agreement, The Phoenix will pay permanent employees and employees in probation period an average pay rise of 3.03% per year in accordance with the conditions set in the Agreement. The pay rises payable to hourly employees in the different call centers shall be in accordance with the tables included in the agreement.
2. Minimum wage - the gross monthly minimum wage for a full-time employee as from 2022 will be NIS 6,000, and in 2024 it will be NIS 6,500.
3. Pension insurances - increasing pension contributions for employees by 1%, of which 0.5% will be contributed by the employer and 0.5% will be contributed by the employee. In total, pension contributions (by the employer and by the employee) will not amount to less than 22.83%.

4. Annual bonus - should The Phoenix meet 100% of the profit targets set by its Board of Directors in relation to that year, The Phoenix shall allocate a budget for payment of bonus to employees; the total cost of the bonus shall be equal to 6.835% of the annual payroll cost in the year preceding the year in which the bonus will be paid. In respect of meeting the targets at the range between 70% to 130% of the profit targets, the bonus budget will increase or decrease linearly in the relevant range. If The Phoenix fails to meet 70% of the profit targets set in relation to that year - there will be no entitlement to bonus in respect of that year.

5. Dental and health insurance - The Phoenix shall take steps to insure its employees under a collective dental insurance policy, and will work to improve the existing health insurance at an overall cost of NIS 5 million per year.

6. Final settlement of claims and industrial peace - the Agreement constitutes a full and final settlement of the parties' claims for the Agreement's term. The parties to the Agreement have undertaken to maintain mutual industrial peace regarding the matters that were settled in the Agreement.

The estimated annual cost of workforce-related expenses (excluding costs conditional upon meeting targets) in respect of the years of Phoenix's agreement is NIS 23.6 million. The estimated average annual cost of the annual bonuses expected to be awarded in respect of 2021, 2022 and 2023, assuming that 100% of the profit targets of the relevant years will be fulfilled will be NIS 28.9 million per year.

It should be noted that some of the aforesaid amounts are in lieu of workforce-related expenses that Phoenix would have incurred even if this agreement had not been signed. Furthermore, it is hereby clarified that the said data do not include estimated costs in respect of benefits whose materialization is uncertain, including Phoenix's generating profits that exceed that profit target to be set for that year.

4.6.4 **Benefits and the nature of employment agreements**

The Phoenix Insurance is a member of the Association of Life Insurance Companies of Israel Ltd., which is a member of the Coordinating Bureau of Economic Organizations; therefore, all collective agreements signed by the Coordinating Bureau of Economic Organizations apply to The Phoenix Insurance.

4.6.5 **Compensation policy**

4.6.5.1 Under law, the Company and The Phoenix Insurance have a compensation policy in place for officers and senior employees. The compensation plan takes into account the provisions of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Exceptional Bonus for Tax Purposes), 2016, that applies to

compensation paid in a financial corporation and its approval; the said law provides, among other things, that an employee of a financial corporation may not receive a compensation which is more than 35 times higher than the lowest compensation paid to an employee of the corporation in the year prior to the engagement date (for this purpose, an "employee" shall include employees of a manpower contractor employed by the financial corporation). The law also sets out approval procedures in respect of compensation paid to an employee of a financial corporation who is paid more than NIS 2.5 million. Furthermore, the compensation policy is mainly based on multi-year results, return on capital achieved by the Group, and a series of personal parameters adapted to the various officers, which are based on the work plans to be set by the Board of Directors each year.

In October 2020, the Company's General Meeting approved, among other things, a compensation policy for 2021-2023.

For further details about the Company's compensation policy (including amendments thereto), please see the Company's immediate reports of February 18 2020 and September 16 2020 (Ref. Nos.: 2020-01-014290 and 2020-01-102009, respectively), and in the link below.

<https://www.fnx.co.il/investors-relations-hebrew/investment-information-reports/principal-policy-officers-compensation-plan-in-fnx/>

- 4.652 Options plan for employees and officers: In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company awards, from time to time and without consideration, warrants (hereinafter, in this section - "**Options**") to employees and officers of the Company and companies under its control. In May 2021 and January 2022, the Company's Board of Directors approved additional allotments of up to 3,937,000 and 4,883,593 additional options, respectively, to employees and officers of the Company and some of its subsidiaries. For more information, see the immediate reports dated December 27 2018 (Ref. No. 2018-01-119905), May 27 2021, July 6 2021 and July 8 2021.
- 4.653 Incentive plan for investment employees: pursuant to the Commissioner's circular, which ordered that a compensation policy be set for investment employees, and in accordance with the aforesaid compensation policy, the Group has a multi-year plan to compensate investment employees; this plan is designed to balance out the fixed and variable compensation components, and to reflect the level of risk involved in achieving the returns in the various investment channels. The plan is based on a series of parameters and

profitability targets, which are based, as a general rule, on cumulative three-year results, the results in the various investment channels compared to competitors, taking into consideration the relative risk level of the various channels with respect to several parameters, as well as the relative risk level. For further details about the compensation policy for investment employees, please see:

<https://www.fnx.co.il/investors-relations-hebrew/investment-information-reports/compensation-policies-of-the-investment-division-staff/#65>

4.6.5.4 Insurance, indemnification and exemption for officers and senior employees: The Company purchased a liability insurance policy covering its directors and officers, and provided officers with indemnification and exemption letters. For further details about the indemnification and exemption letters and the insurance policy covering officers, please see Regulation 22 in Part 4 of the Periodic Report and Note 41 to the Financial Statements. For information about the renewal of directors and officers liability insurance for 2022, see immediate reports of November 3 2021 and November 7 2021, Ref. Nos.: 2021-01-094024 and 2021-01-163551, respectively. For further details about the revision of the Company's compensation policy and the increase in the liability insurance coverage amount provided to the Company's officers (with a liability limit of US USD 220 million), please see Regulation 29 in Part 5 to the Periodic Report.

4.6.6 **Training programs**

The Company's training programs focus on maintaining the professional level of its employees by providing ongoing guidance and updates on matters pertaining to legislative changes and new laws and regulations, the enforcement plan adopted by the Company, improvement of the service approach and capabilities, changes to internal procedures, etc. The Company also implements various management training plans with the aim of improving the quality of management and encourage the use of management tools.

4.7 **Marketing and distribution**

4.7.1 **Overview**

In order to enhance The Phoenix group's presence and benefit from the diversity of its product offering and its capabilities through its various Group companies, The Phoenix implements a policy of consolidating brands and creating a monolithic brand that will address the Group's capabilities and the customers' expectations in its various areas of activity, and combine the Group's strengths and resilience in its different areas of activity.

The Group's key distribution channels are as follows:

Marketing and distribution in the insurance businesses are carried out by insurance agents, insurance agencies and distribution in digital channels, including through The Phoenix Smart, to allow for swift, direct purchase of products by policyholders. Most agents have agreements in place with several insurance companies in order to meet customers' diverse needs. Key considerations for agents in selecting an insurance company to contract with: rate of fees and commissions, quality of service provided by the insurance company, product and service innovation, and suitability of the insurance company's products to the needs of the agents' customers. Key considerations for insurance companies in selecting agents: the agent's areas of activity, expertise and relative advantages, potential for business collaboration with the insurance company, agent's profitability, fees and commissions charged by the agent, quality of the agent's sales, retention of the agent's portfolio, the agent's customer base and their reliability.

The Company operates an advanced online portal through which it provides marketing, business and sales-related information to agents in connection with their entire activities, as well as professional and operational information. The information is also offered to the agent through a dedicated mobile app.

The Company operates a sales call center that provides services to The Phoenix' agents (Fnx4u); the call center supports the Company's sales activities, for and in collaboration with the Company's agents. The Company also operates a direct digital marketing channel through which it sells life insurance products, and a retail marketing and distribution function focusing on distribution of, and providing services for, pension products and other individual products. Digital sales of insurance products is carried out through sales interfaces on the Company's website and through a call center. This activity is marketed under The Phoenix Smart brand name.

The Company operates a customer call center, which aims to provide swift response to customers' inquiries, including inquiries in connection with the reports issued by the Company to its customers, questions regarding insurance policies, etc. Customers can contact the Company through all widely used digital communication channels, such as WhatsApp, text messages, email and, of course, by phone. Furthermore, the Company's website is used to send customers personal information and allows customers to perform transactions using the "personal zone". The Company operates a wide range of self-service functions that can be accessed through the Company's website. In addition, the Company provides marketing information to existing and potential customers.

The Company operates in social media platforms Facebook and Instagram, where it has a community of more than 70,000 followers; it also generates dedicated content on YouTube and other digital media platforms. By maintaining direct contact with its customers through social media platforms, the Company generates a dialogue on insurance issues and other aspects relating to health, savings and property, answers questions, handles service-related complaints and provides answers to questions relating to Company's products and services.

4.7.2 **Agents and insurance agencies ("Agents")**

Centralized marketing and distribution activities of The Phoenix Insurance are conducted through the insurance agents.

The Phoenix Insurance also acts through the arrangement agencies and other insurance agencies employing subagents. These agencies usually cooperate with a number of insurance companies.

For further details about the Group's agencies, please see Section 2.7 above.

4.7.3 **The banks - pension advice**

The banking corporations serve as a distribution channel in the field of long-term savings, in their capacity as pension advisors. The scope of activity in this channel is immaterial.

4.7.4 **Regulation of the activity of pension agents, marketers and advisors**

The agents' activity is regulated by the Commissioner as well. Agents' activities are regulated under the Insurance Contract Law, Supervision Law, and with regard to pension products and marketers of pension products - also under the Advice and Marketing Law. The Supervision Law requires that a written agreement be entered into between an insurer and an insurance agent.

4.7.5 **Insurance and savings segment and asset management segment - Pension and provident**

As of the report date, the insurance, pension and provident funds marketing function is composed of the agents function (working in accordance with distribution agreements signed with the Company, as described above), and a retail marketing and distribution function.

The agents function & fees and commissions

The Phoenix Insurance and Phoenix Pension and Provident pay agents fees and commissions at variable rates. The fees and commissions rates are determined by product type, an agent's productivity, profitability of the agent's insurance portfolio, and is also based on specific negotiations with agents and other characteristics of each agent. The insurance agents work with sales managers

who are employed by The Phoenix Insurance, who provide guidance on sales-related issues and help solve issues stemming from current activities.

The fees and commissions paid over the life of these policies are usually determined as a percentage of the premium; in "track" savings policies and in provident funds, they are usually determined as a percentage of the accrual. Fees and commissions are also paid in respect of the agent's sales activity immediately prior to the policies' purchase date. It should be noted that the Advice Law prohibits tying management fees paid by a policyholder to the fee paid to the agent for the sale of pension and financial products as of April 2017 and thereafter.

For further details on the share of the Group's arrangement agencies in the life insurance premiums and in contributions towards benefits collected by pension funds, please see Section 2.7.1 above.

Set forth below is the average rate of fees and commissions out of gross premiums in life insurance (by percentage):

	2021	2020	2019
Average rate of fees and commissions on premiums	7.93	8.00	7.70

Set forth below is the average fees and commissions rate in the first year out of the new annualized premium (by percentage):²³

	2021	2020*	2019
Average rate of fees and commissions out of the new annualized premium	44	44	32

* The increase in the average commission rate in 2020 is due to a decrease in total current premiums as a result of the Covid-19 crisis.

Pension advisors

The Phoenix Pension and Provident has in place agreements for the distribution of its products with most commercial Israeli banks. Under the agreements, distribution of provident and pension products is carried out in exchange for a distribution fee at the maximum rate allowed under the Advice Regulations.

²³ Annualized premium - the annual premium as if paid for a whole year in advance in one lump sum when the insurance is taken out, rather than being paid in installments.

The agreements are for an unlimited period; they may be cancelled by each party by giving the other party advance notice.

The Phoenix Insurance has not yet signed distribution agreements for the distribution of its insurance products with the banks.

4.7.6 **Property and casualty insurance**

Marketing in the property and casualty insurance segment is carried out by the Company's agents, and through a direct channel under the "Phoenix Smart" brand name. In 2021, there was no single agent whose sales constituted more than 10% of the sales of individual policies in this subsegment.

Average rate of fees and commissions out of gross premiums (by percentage):

	2021	2020	2019
Compulsory motor insurance	4.9	4.6	4.9
Motor property	17.2	17.4	17.9
Other property and casualty insurance	16.4	15.9	17.4

4.7.7 **Health insurance**

In the health insurance segment, marketing is mostly carried out by the Company's agents and supported by the Fnx4u customer call center and Retail Unit. In the field of collective health insurance, marketing is carried out by the Company's agents, with employees responding to queries of representatives of the relevant organizations (advisors and/or agents) requesting price quotes. In travel insurance, marketing is carried out by agents and Phoenix Smart, both through digital channels and sales representatives.

Set forth below is the average rate of fees and commissions out of gross premiums in the health insurance area of activity (by percentage):

	2021	2020	2019
Average rate of fees and commissions on premiums	12.7	13.9	17.3

The structure of fees and commissions paid to Agents in respect of selling an individual health insurance policy is basically similar to the structure of the fees and commissions paid in the life insurance subsegment in respect of the risk products (for further details about the structure of the fees and commissions, please see above in Section 4.7.5 to the Report. For collective insurance policies marketed by Agents, the Company normally pays the Agents fees and commissions calculated as a percentage of the paid premium.

4.8 Suppliers and Service Providers

4.8.1 Suppliers and service providers in the insurance areas of activity

As part of their activities, Group companies engage numerous suppliers and service providers in the various insurance areas of activity, mainly for settlement of claims. Group companies select their suppliers and service providers according with the quality and nature of the services offered by them, their availability and areas of expertise. Engagements with these suppliers and service providers include, among other things, payment based on global rates, payment by transaction, by percentage of the risk, and by hourly rate or per opinion. To the extent possible, the Group avoids being dependent on a single supplier, as the term is defined in the Commissioner's circular on revising provisions in the periodic reports of insurance companies, and works to diversify its pool of suppliers. In the motor property subsegment, the Company provides its customers with services such as: towing, replacement car in case of an accident or theft, as well as replacing car windscreens and windows, headlights, mirrors, etc. Each agreement with a service provider sets annual or periodic rates to be paid by The Phoenix Insurance to the service provider. The suppliers of towing and replacement car services are Drachim Road Side and Towing Services Ltd. and Shagrir Group Vehicle Services Ltd.

In home insurance, as of September 2017 (following the amendment to the provisions of the Consolidated Circular with regard to water damages), the Company entered into an agreement with Natav Claims Management Ltd. for the provision of management services. Pursuant to the agreement and, in accordance with the amendment to the Consolidated Circular, the policyholder selects the plumber from a list of suppliers included in the arrangement with The Phoenix Insurance; the list is published on the website. In business insurance, Aminut Express Services Ltd. continues to provide services in connection with pipe damage.

In the field of customer services, in February 2015, the Company and Teleclal Ltd. entered into agreement for the provision of customer call center services, in addition to the Company's own call center, with the aim of improving the quality of services provided to the Company's customers.

4.8.2 Suppliers and service providers in the field of asset management - pension and provident

- 4.8.2.1 In 2006, The Phoenix Pension and Provident and Mediton entered into an agreement for the provision of fund physician and medical committees services to pension fund planholders claiming disability; this agreement was assigned to the Management Company. In 2021, Management Company entered into an agreement with another supplier in this field - Medical Premium Touch.
- 4.8.2.2 In 2007, The Phoenix Pension and Provident and Bank Mizrahi Tefahot Ltd. signed an agreement for operating planholders' accounts in the provident funds under its management.
- 4.8.2.3 In 2012, the management company and Malam Payroll Ltd. entered into an agreement for receiving services in the field of systems for management of tax and pension calculation for pension funds planholders.
- 4.8.2.4 In June 2016, The Phoenix Pension and Malam Provident Fund Operation Ltd. (that was merged into Malam Provident Fund and Pension Ltd.) entered into an agreement for the provision of operating services for planholders' accounts in provident funds and in the self-directed advanced education fund. This company also provides operating services to the old pension funds the management of which was transferred to The Phoenix Pension by Halman Aldubi Provident.

4.8.3 IT suppliers and service providers

The Group has agreements with several hardware and software suppliers; the Group also has maintenance service agreements with these suppliers. In addition, the Group enters into agreements with various suppliers for the provision of development and maintenance services. The types of agreements with these suppliers include engagement at a fixed price per project, engagement on an hourly basis and engagement based on a price per unit. The Group also has agreements in place with various suppliers which provide it with services comprising, inter alia, of: development, maintenance, operation, storage and processing of information, information systems or infrastructure, from time to time or on a regular basis at the suppliers' premises.

In view of the knowhow accumulated by suppliers during the course of the service period, the Group may naturally become dependent - in the short-term - on a specific supplier of IT services, since replacing a supplier in this field involves the investment of costs and time. Such dependency may arise, for example, due to the need to execute a project within a short period of time in order to address changes in regulation or software, or in a project involving an area where the supplier has advantage over others due to specific expertise it acquired.

4.9 Property, Plant & Equipment

The Group's property, plant and equipment mainly includes office buildings, computers, software (which is presented under the "other assets" line item in the financial statements) and equipment. For further details, please see Note 6 to the Financial Statements.

4.9.1 Set forth below is a description of the key properties used in the Group's activities:

The Group's offices at Hashalom Road, Givatayim: Most of the Group's activities take place in a single site. The Phoenix Insurance has the rights to be registered as owner of 22 floors of office space at 53 Hashalom Road, Givatayim, with a total gross area of 28,000 sq. m, warehouses with a total area of 700 sq. m, and 547 parking spaces in the underground parking lot used for the Group's offices. The Company also leases offices with a total area of 500 sq. m from other owners in the building.

Offices at 7 Palyam St., Haifa: The Company manages its activities in the north of Israel in offices it leases in a building located at Palyam Street, with a total area of 1,300 sq. m and 10 parking spaces.

Office floor in the Dona building, Jerusalem: The Phoenix Investments owns one floor and 16 parking spaces in the Dona building at 20 Beit Hadfus St., Jerusalem. The entire floor (approximately 800 sq. m) is used as The Phoenix Insurance's Jerusalem branch.

Givat Shmuel: The Company leases office space with an area of 6,800 sq. m and 157 parking spaces in the Amitech building at Givat Shmuel. The space is used by various units of the Group.

Rishon LeZion: the Company leases office space in a building located in Rishon Lezion with an area of 4,680 sq. m and 200 parking spaces; these offices are used to expand The Phoenix Insurance's business.

Holon: A site previously used by Halman Aldubi that was purchased by The Phoenix; the area of the site is 3,400 sq. m in 11th and 5th floors. Some of the area is subleased to companies that are partially/wholly-owned by The Phoenix.

The 1000 Compound in Rishon LeZion: in December 2019, The Phoenix submitted a bid in a tender held by the Rishon LeZion municipality for the purchase of a plot of land in the 1000 Compound zoned for business and commercial use and for execution of construction work. The tender covers an area of 15 acres, with rights to approximately 355 thousand sq. m. Under the tender, the winner undertakes to self-use up to 50 thousand sq. m within 5 years of winning the tender. In 2020, the Company received confirmation from the Rishon LeZion municipality that it has won the tender. The Company is currently in advanced planning stages of the project, and founding and bottom floor works are being held on site.

For further details about Excellence's property, plant and equipment, please see above in Section 2.5.7 to the Report.

4.9.2 **IT systems**

In 2021, the Group invested in software and computers NIS 299 million. The Company's total current IT expenses amounted to approximately NIS 413 million - an increase of approximately NIS 48 million stemming mainly from an increase in depreciation expenses and current automation expenses, and from the addition of expenses in respect of companies consolidated for the first time in the reporting year. For further details, please see Note 4, Note 6 and Note 35 to the Financial Statements.

The Group's IT Division provides all IT services to the organization through the Company's employees and, when necessary, through various subcontractors and software suppliers as well. The Group's IT function serves all The Phoenix's employees nationwide and provides the Group's pension funds with IT services and access to The Phoenix group's IT systems; the function also supports the Agents and their employees across Israel, who use various communications infrastructures.

The IT services of Excellence and the insurance agencies held by the Group are generally managed independently.

The Phoenix group's core IT infrastructures provide services to 10,000 users, including the Company's employees and Agents. The Company's IT center is installed at its head office in Givatayim. The Company also operates a backup site in Netanya, which includes all the IT infrastructures and systems required for the Company's operations (including Excellence) at times of emergency, allowing for business continuity in the event that the main site is out of

order. The storage systems in which all of the Company's data is saved in the main site are regularly synchronized with the backup site. The backup site is also used to develop and test the Company's systems. Further to regulatory requirements and in order to enhance The Phoenix group's information survivability, an additional backup site was set up.

The Phoenix group's main IT systems are as follows: the core life insurance systems were internally developed by The Phoenix group. In recent years, the Group is in the process of improving its systems to support the expansion of its services and to continue to support its business processes and regulatory requirements in future years. The life insurance system manages policyholders, policies, products, coverage, underwriting, Agents' agreements, fees and commissions, collection, redemptions and loans. Life insurance claims and most of the health claims are managed using a SAP-based central claims system. The Phoenix group operates provident and advanced education policies through an operating entity.

The core property and casualty insurance systems are also mostly based on internally developed systems using the same technological infrastructure. The system operates in conjunction with systems that manage policyholders, Agents, fees and commissions, collection, payments and claims.

The core insurance systems are supported by various document and work process management systems, systems managing the activity with reinsurers, as well as risk management and actuarial systems. Most of the systems are supported by widely-known and widely-used software products, which are employed by The Phoenix in order to provide the required business response. The Company operates a DWH system, which provides information on all of Company's operational systems.

The finance and procurement activities are based on SAP software package, which is linked to all of the organization's systems, thereby serving as a single source of information. The investment system is based on software by Danel in combination with a dedicated BI system.

The Company manages its service centers using a CRM system; the system provides a central platform for management of inquiries received in the various service centers from customers, agents and employers.

In the reporting year, the Cyber Security Unit focused on further enhancement of corporate protection systems, including increasing employees' awareness of cyber risks, response to privacy protection requirements and handling gaps detected in the risk surveys.

4.9.3 **Online and digital activity**

The Group operates a marketing website used to provide to the public information about the Group, its product offerings, general information about various insurance coverages, information targeted to specific groups or population segments and regulatory information. The Phoenix policyholders can use the website to search for service providers with whom the Company has arrangements to provide services to its customers (such as: auto repair shops, physician, appraisers, etc.).

Customers can use the website to purchase compulsory and comprehensive motor insurance, travel insurance, and home and mortgage insurance. Policyholders can use the website to digitally open claims for most insurance products and download and fill out a wide range of forms; the public can contact the Company through its range of communication channels to obtain information or carry out transactions, using online chat, email, as well as text and WhatsApp messaging.

The Group also operates a personal zone for its policyholders, through which they can easily and conveniently receive a copy of their policy, the status of processes underway, applications and claims, print out various documents, update personal information and monitor their pension contributions on an ongoing basis at a time of their choosing, without waiting. The website is accessible to people with disabilities, and allows access to information using various aids. The website is also mobile-optimized.

In addition, the Group operates a dedicated Facebook page, where information is available about its products and activities; the Facebook page can be used to contact the Company's various service channels in order to receive information and support in performing various transactions. The Company is also active in other digital media platforms, such as Google, YouTube, Instagram, etc. It should be noted that other Group companies have their own websites.

The Company also has a dedicated website for its agents (an agents' portal) through which they can receive information about their activity with the Company as well as information about policyholders who are insured through them; this website can also be used by agents to offer life insurance and/or pensions and/or long-term savings to policyholders.

4.9.4 **Vehicles**

The vehicles used by the Group are mainly operated through operating leases.

4.10 Seasonality

4.10.1 Life insurance

Revenues from life insurance premiums are not significantly affected by seasonality. Nevertheless, in view of the tax benefits available on contributions towards life insurance, a significant proportion of new sales are carried out towards the end of the year.

Set forth below is a breakdown of gross life insurance premiums by quarter:

	2021		2020	
	%	In NIS million	%	In NIS million
Q1	23.3	1,262	26.4	1,259
Q2	24.6	1,334	23.8	1,134
Q3	25.3	1,371	24.7	1,176
Q4	26.8	1,456	25.1	1,197
Total	100	5,423	100	4,766

4.10.2 Property and casualty insurance

The seasonality of premiums is particularly noticeable in the first quarter; this is mainly due to renewal of motor insurance policies of various groups of employees and businesses' vehicle fleets, whose renewal dates normally fall in January; seasonality is also caused by renewal of business insurance policies, which are typically renewed in January or April. The effect of premiums seasonality on profits is mainly offset by the unearned premium reserve mechanism.

It should be noted that a severe winter may trigger an increase in claims, mainly in the property subsegment.

Set forth below is a breakdown of gross property and casualty insurance premiums by quarter:

	2021		2020	
	%	In NIS million	%	In NIS millions
Q1	28.8	908	30.84	887
Q2	22.3	705	22.66	651
Q3	25.4	800	23.66	680
Q4	23.5	742	22.84	657
Total	100	3,155	100	2,875

4.10.3 **Health insurance**

The breakdown of premium data by quarter shows that seasonality does not materially affect the distribution of health insurance premiums during the calendar year.

4.11 **Intangible assets**

4.11.1 **General**

The Company registered trademarks in respect of the logo containing its brand name and a number of insurance products and brand names. The Phoenix uses several brand names in the insurance and finance segments, such as: The Phoenix, Phoenix Smart, Phoenix Excellence, Excellence, and more. The brand names benefit from the reputation created by The Phoenix over more than 70 years of activity, both among policyholders and insurance professionals.

In order to enhance awareness of the Company's brand names, The Phoenix uses mass communication channels such as: commercial TV, regional and national radio stations, and digital platforms, such as Google, Instagram, YouTube, Facebook, and more.

4.11.2 **Databases**

The Phoenix Insurance maintains databases, which are essential for the management of its business, in accordance with the Privacy Protection Law, 1981.

4.11.3 **Information systems**

The Company develops - through its employees and suppliers - copyright-protected software for internal use. For further details about IT systems, please see also Section 4.9.2 above.

4.11.4 **Goodwill and excess of costs**

As of December 31 2021, the Company has goodwill and excess of cost - from acquisition of insurance agencies, the asset management - provident and pension activity, and the asset management - financial services activity - totaling approximately NIS 1,949 million (approximately NIS 1,278 million as of December 31 2020), net of amortization. These are mainly attributed to goodwill, fees and commissions portfolios and future management fees. At the end of 2021, the Company tested the recoverability of its goodwill and did not conclude that its value was impaired. For further details, please see Note 4 to the Financial Statements.

4.12 Financing

- 4.12.1 The Group finances its activity, inter alia, from external sources, including issuance of promissory notes, bonds, as well as short-term and long-term bank and non-bank loans.

Total financial liabilities as of December 31 2021 and 2020 is approximately NIS 8,813 thousand and approximately NIS 7,044 thousand, respectively.

Average interest rate

The average interest rates on loans from bank and non-bank sources in 2020, which are not earmarked for specific use by the Group, are listed in the following table:

	Average interest rate on loans not earmarked for specific use (by percentage)			
	Average rate	Subordinated bonds	Long-term loans	Short term loans
Banking sources - USD-linked	1.58	-	-	1.58
Bank sources - non-linked	1.51	-	-	1.51
Non-bank sources - CPI-linked	1.22	2.25	0.44	-
Non-bank sources - non-CPI-linked	2.64	3.05	1.38	1.93

For further details regarding the promissory notes and bonds issued, please see Note 26 to the Company's Financial Statements.

4.12.2 Capital and debt raising

Publication of prospectuses

In August 2019, the Company published a shelf prospectus, according to which it may issue various securities, such as: ordinary Company shares of NIS 1 par value each, preferred shares, non-convertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may take place from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, option warrants exercisable into bonds convertible into Company shares, and liquid securities. In August 2021, the Company received the Israel Securities Authority's approval to extend the prospectus by one further year until August 2022. For further details, please see the Company's immediate reports dated August 15 2019 and August 8 2021 (Ref. Nos.: 2019-01-070590 and 2021-01-062545, respectively).

In August 2019, The Phoenix Capital Raising published a shelf prospectus pursuant to which it will be able to issue various types of securities in accordance with the provisions of law – nonconvertible bonds (including by expanding existing series of bonds of The Phoenix Capital Raising as they will be from time to time) and option warrants exercisable into bonds of The Phoenix Capital Raising. The

issuance proceeds in respect of the above securities will be deposited with The Phoenix Insurance for its use at its own discretion and responsibility. In August 2021, The Phoenix Capital Raising received the Israel Securities Authority's approval to extend the prospectus by one further year until August 2022.

In the reporting year, the Company raised capital and debt as follows:

Series 4 bonds

On February 3 2021, the Company issued a further NIS 127,384 thousand par value of registered Series 4 bonds of NIS 1 par value each, by way of expansion of the Series 4 bonds, which were issued pursuant to the Company's shelf offering report dated February 3 2021 (Ref. No. 2021-01-013684), in consideration for NIS 128,403 thousand. The proceeds of the expansion have been and will be used by the Company for its ongoing needs and those of its subsidiaries, including expected investments, such as the acquisition of the entire share capital of Halman-Aldubi Investment House Ltd.

Series 5 bonds

In February 2021, the Company issued further NIS 222,616 thousand par value of registered Series 5 bonds of NIS 1 par value each, by way of expansion of the series 5 bonds; the bonds, which are linked to the Index, were issued pursuant to the Company's shelf offering report dated September 3 2021 (Ref. No. 2021-01-013684), in consideration for NIS 223,729 thousand. The proceeds of the expansion have been and will be used by the Company for its ongoing needs and those of its subsidiaries, including expected investments, such as the acquisition of the entire share capital of Halman-Aldubi Investment House Ltd.

Subsequent events

Bonds (Series 6) and early redemption of bonds (Series 3)

In January 2022, subsequent to the report date, the Company issued NIS 300 million par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 5 2022 (Ref. No.: 2022-01-003042) in consideration for NIS 300,000 thousands. The Series 6 bonds are rated iIAA- with a stable outlook by Ma'alot, and Aa3.il with a positive outlook by Midroog Ltd. The issuance proceeds were used by the Company to execute a full early redemption of Bonds (Series 3) in the total amount of NIS 283,770,005, which was implemented on January 18 2022. For further details, please see the Company's immediate reports dated December 9 2021, January 11 2022 and January 18 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 2022-01-008097).

4.12.3 **Credit limitations**

Series 4 bonds

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 has also undertaken to comply with various financial covenants. For further details, please see Sections 5.6 and 5.10 and Appendix 1 to the deed of trust attached to the shelf offering report published on May 7 2019 (Ref. No. 2019-01-039576).

Series 5 bonds

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 the Series 5 bonds are not repaid in full, unless it obtained the bondholders' consent in advance and placed on that date a charge of the same rank in favor of Series 5 bondholders. Furthermore, with respect to Series 5 bonds, the Company assumed upon itself restrictions on distribution of dividends and the expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, please see Sections 5.7 and 5.9 and Appendix 1 to the deed of trust that was attached to the shelf offering report published on February 20 2020 (Ref. No. 2020-01-014890).

Series 6 bonds

As part of the deed of trust of the Company's Series 6 bonds, the Company undertook not to place a general floating charge on its assets as long as Series 6 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 6 bondholders. Furthermore, with respect to Series 6 bonds, the Company assumed restrictions on distribution of dividends and expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, please see Sections 5.7, 5.9 and Appendix 1 to the deed of trust attached to the shelf offering report published on January 5 2022 (Ref. No. 2022-01-003042).

Apart from the aforesaid undertakings, the Company is not subject to any credit restrictions.

4.12.4 Credit rating

Rating reports published by Midroog

The Company

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 of Series 4 and 5 bonds issued by the Company at Aa3.il, with a stable outlook. On December 14 2021, Midroog announced that the new series of bonds issued by the Company (Series 6) will be rated at Aa3.il with a stable outlook. On January 17 2022, Midroog announced it was reiterating the rating of Series 3, 4, 5 and 6 bonds at Aa3.il, and altering the outlook from stable to positive.

The Phoenix Capital Raising

On November 25, 2021, Midroog announced that it was reiterating its Aa1.il rating of the insurer financial strength (IFS) of The Phoenix Insurance Company Ltd., a subsidiary of the Company, and reiterating its Aa2.il (hyb) rating of Subordinated Bonds (hybrid Tier 3 capital) and reiterating its Aa3.il (hyb) rating for the subordinated bonds (hybrid Tier 2 capital and Tier 2 capital instruments) issued by The Phoenix Capital Raising.

Rating reports published by Ma'alot

The Company

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-. On October 24 2021 S&P Maalot announced the ratification of an ilAA- rating for the Company and an AA+ rating for The Phoenix Insurance. On December 14 2021, Ma'alot S&P announced that the new series of bonds issued by the Company (Series 6) will be rated at ilAA-.

The Phoenix Capital Raising

On January 31 2021, Ma'alot S&P reiterated The Phoenix Insurance's rating at ilAA+. For further details, please see The Phoenix Capital Raising's immediate reports dated April 21 2020 (Ref. No. 2020-01-040167), October 21 2020 (Ref. No. 2020-01-106111), and January 31 2021 (Ref. No. 2021-01-013263). On July 27 2021, Maalot S&P announced an A+ rating for the Tier 1 capital instrument issued by The Phoenix Capital Raising.

4.13 Risk factors

This section deals with the key risk factors to which the Group is exposed. For further details about the risk factors, risk management policy, work processes, methods employed in risk management, existing controls and the roles of the Chief Risk Officer, please see Note 40 to the Financial Statements.

4.13.1 Table of risk factors embodied in insurance activities

The following table lists the key risk factors to which the Company is exposed and their potential effect:

Risk factors	The effect of risk factors on the Group's activity		
	High	Moderate effect	Low
Macroeconomic risks -			
State of the economy	✓		
Unemployment rate		✓	
Breakdown of market risks:			
Interest rate risk	✓		
Credit Risk	✓		
Equity instruments risk (shares and non-financial assets)	✓		
Foreign exchange rate risk		✓	
Inflationary risk		✓	
Credit Risk	✓		
Industry-specific risks			
Insurance risks (including longer life expectancy, pension uptake, illness and environmental risks)	✓		
Catastrophe risk (including earthquakes, epidemics, war, etc.)	✓		
Changes in regulation	✓		
Legal precedents		✓	
Competition	✓		
Portfolio retention rate	✓		
Reinsurance availability and stability risk		✓	
Change in the public's preferences		✓	
Risks specific to the Company			
Liquidity Risk			✓
Risk of asset-liability mismatch		✓	
Operational risks		✓	
IT risk	✓		
Privacy protection and information security risks	✓		
Pricing and underwriting risks		✓	
Claims and class actions and the Commissioner's powers	✓		
Compliance risks		✓	
Outsourcing risks			✓
Impairment of the Company's goodwill, financial strength, market cap or rating		✓	

The potential effect of the risk factors on the Group is based on the estimates of the Group's management, taking into consideration the scope and nature of its activities as of the report date. The actual effect may vary due to changes in the Group's activities or market conditions. For further details about the key risk factors in relation to the asset management - financial services activities, please see Section 2.5.15 above. For further details about the key risk factors in relation to the credit activities, please see Section 2.6.19 above.

4.14 Material agreements

- 4.14.1 **Reinsurance agreements** - For further details about the Company's engagements with reinsurers, please see 4.5 above.
- 4.14.2 **Agreements regarding holdings in investees** - For further details about these agreements, please see Section 4.4.4 above.
- 4.14.3 **Maccabi agreement** - For further details regarding this agreement, please see Section 2.4.5(c) above.
- 4.14.4 **Cloud services** - In March 2022, the Company contracted two suppliers in the field of cloud services: 1. Amazon Web Service (AWS): The supplier of the cloud services that will be used by the Group for all future technological needs of the Phoenix. The agreement is an enterprise agreement and is not limited in time; and 2. Snowflake: Supplier of managed cloud-based data warehouse services that will be used by The Phoenix to implement its cloud-based Data Platform and to replace its existing data warehouse services. The agreement is for a defined term and can be renewed by the Company.
- 4.14.5 **Implementation of IFRS 17** - For further details about the Company's engagements in agreements for the purpose of implementing the standard, see Section 1.3.20 above.
- 4.14.6 **Excellence Memorandum of Understanding** - For further details regarding this agreement, please see Section 1.3.13 above.
- 4.14.7 **Excellence Investments** - For further details regarding Excellence's material agreements, please see Section 2.5.12 above.
- 4.14.7 **Gama** - For further details about Gama's material agreements, please see Section 2.6.11 above.

4.15 Business targets and strategy

For further details about the Company's business targets and strategy, please see Section 1.3.1 above and Section 4 to the Report of the Board of Directors.



Part E

Corporate Governance Aspects



5.1 Details regarding the Company's External Directors

As of the report publication date, the Company's Board of Directors includes 9 directors, 2 of whom are external directors and one of which is an independent director. The external directors are Ms. Rachel Levine and Mr. Mr. Richard Kaplan; the independent director is Dr. Ehud Shapira.

The Company adopted a Board of Directors procedure, which lists, among other things, the roles of the Board of Directors and its committees; the procedure was updated in April 2019.

5.2 Information about the Company's Internal Auditor

5.2.1 Details of the internal auditor:

The Company's Chief Internal Auditor is Ms. Michal Leshem (CPA), who began her term in office on September 1 2020.

The Chief Internal Auditor meets the criteria set in Section 3(a) of the Internal Audit Law, 1992, the provisions of Section 146(b) of the Companies Law, and the provisions of Section 8 of the Internal Audit Law.

Ms. Leshem serves as the Internal Auditor of The Phoenix Insurance, The Phoenix Pension and Provident and The Phoenix Investments.

The internal audit work is carried out through employees of the Company's internal audit function, and through outsourced services. The Chief Internal Auditor reports to the Chairman of the Board of Directors.

Meir Ilya (CPA), a partner in the accounting firm Rosenblum Holtzman & Co. serves as the internal auditor of Excellence Investments and its subsidiaries. Hila Hoisman (CPA) of the accounting firm Deloitte serves as the internal auditor of Gama. Shay Loterbach (CPA), of the accounting firm Vardi Loterbach & Co. serves as the internal auditor of IEC Gemel. The internal auditor of the partnerships held by Halman Aldubi Investment Funds Ltd. is Uri Ilan (CPA) of the Audit IL firm.

5.2.2 The work plan:

The internal audit function's work plan for 2021 was derived from the multi-year plan for 2020-2023, which is based on a risk survey held in order to set the audit targets in key areas; the survey was held and discussed in 2019. The work plan also includes focal points in accordance with the changes in the Company's business activity and structure, regulation, and risk levels.

Material activities are audited more frequently. Additional activities may be audited more frequently, in accordance with the Chief Internal Auditor's assessment, based on guidance issued by one or more of the following: the Board of Directors, Audit Committee and management. The work plan allows the Chief Internal Auditor to exercise discretion in deciding to deviate therefrom. The Chairman of Board of Directors, the CEO and the Audit Committee may expand the scope of the plan or request specific changes. Material changes in the annual work plan are reported to the Audit Committee.

The scope and nature of the work of the Chief Internal Auditor and her team were determined taking into consideration the scope of the Group's activities and its various areas of activity.

The Chief Internal Auditor submits to the Audit Committee a detailed periodic report about the auditing activity in the reporting period.

Interested party transactions are discussed and approved by the competent organs as required by law. As part of the work plan, the Internal Audit Division also reviews approved interested party transactions. Other material transactions, including approval of such transactions, are reviewed from time to time as part of the work plan and in accordance with generally accepted auditing principles.

5.2.3 Hours invested and audit of investees:

	No. of hours invested	
	The Company's internal auditor	Other internal auditors
The Phoenix Holdings	100	-
The Phoenix Insurance	25,524	-
The Phoenix Capital Raising	46	-
The Phoenix Pension and Provident Fund	4,280	-
Ad 120	-	645
Gama Management and Clearing Ltd.	-	680
Halman Aldubi IEC Gemel Ltd.	-	1,070
Halman Aldubi Investment Funds Ltd.	-	316
The Excellence Group	-	3,430
Total hours	29,950	6,141

The Phoenix Pension and Provident Fund - including 700 hours carried out by the operating bank.

Ad 120 - loss of control on October 27 2021.

Gama Management and Clearing Ltd. - assuming control on June 20 2021.

Halman Aldubi - purchase on February 28 2021.

Excellence Group" - Excellence Investments Ltd. and its subsidiaries.

In 2021, the internal audit activities in all Group companies amounted to 36,091 hours, as described above.

5.2.4 **Conducting the audit**

The internal audit was conducted in accordance with the provisions of the Internal Audit Law, 1992, and the Companies Law, 1992, as well as in accordance with generally accepted practices while adapting the application of the guidelines and professional standards issued by the Chartered Institute of Internal Auditors (IIA).

The Board of Directors, through its Audit Committee, oversees the Internal Audit Division's work procedures, practices and results. The Board of Directors is of the opinion that the internal auditor's work practices are appropriate and in line with the composition and scope of the Group's activities.

5.2.5 **Access to information**

During the course of the audit work, the Chief Internal Auditor was provided with documents and information as required. The Chief Internal Auditor and her team were given full, ongoing and unrestricted access to IT systems and financial data, where such access was required to perform their work.

5.2.6 **Chief Internal Auditor's report**

The Chief Internal Auditor's reports are submitted in writing. Generally, upon issuance of the internal audit reports by the internal audit function, and as part of the current work process, the reports are discussed with the audited functions. Internal audit reports are submitted on an ongoing basis to the Chairman of the Board of Directors, the Company's CEO, Legal Counsel, Chief Risk Officer and the Company and/or the subsidiaries' audit committees, as applicable. In 2021, the Company's Audit Committee held 7 meetings, and the audit committees of the Group's institutional entities held 31 meetings,²⁴ of which approximately 20 meetings discussed the internal audit reports.

²⁴ The Phoenix Insurance 15 meetings, The Phoenix Pension and Provident 11 meetings, and IEC Gemel 5 meetings.

5.2.7 **The Board of Directors' assessment of the Chief Internal Auditor's work**

In the opinion of the Board of Directors, the scope, nature and continuity of the Chief Internal Auditor's work and her work plan are reasonable under the circumstances, and are sufficient to achieve the Group's internal control objectives.

5.2.8 **Compensation**

The Chief Internal Auditor is a Group employee, having the status of a VP and employed on a full-time basis; she receives a monthly salary including related social benefits. The Chief Internal Auditor has an individual compensation plan that includes the right to take part in the Company's options plan, and an entitlement to an annual bonus based on Company's targets, as part of the overall compensation policy adopted by the Company and its institutional entities.

During the reporting year, the Chief Internal Auditor was awarded approximately 90,000 illiquid option warrants exercisable into ordinary shares of NIS 1.00 par value each; the option warrants were awarded as part of the option plan applicable to Company and Group employees and officers.

The total cost of the internal auditor's salary in 2021 amounted to approximately NIS 1.5 million.

In the opinion of the Board of Directors, the Chief Internal Auditor's terms of employment are reasonable and fair and reflect the Chief Internal Auditor's meeting her personal targets and contribution to the Company. The Board of Directors has found that the compensation policy paid to the Chief Internal Auditor is in line with the compensation policy of the Company and its institutional entities, and does not give rise to any concern that her professional judgment would be compromised.

5.3 Information about the independent auditor

The Company's independent auditors are Kost Forer Gabbay & Kasierer ("**Kost**" and/or "**EY**"). Kost serve as the independent auditors of most of the Group's material companies.

The engagement partner dealing with the Company on behalf of Kost is Tal Hay-Zion (CPA).

The auditors' fees are determined based on the scope of the work carried out in a publicly-traded Company company and institutional entity which is an insurance company, and in the other Group companies.

5.3.1 The independent auditor's fees are approved by the Company's Board of Directors.

Set forth below is a breakdown of the independent auditors' fees in NIS thousand (excluding VAT) for services rendered by them in 2020-2021:

2021					
		Audit services*	Special tax services	Other services***	Total
The company and its wholly owned companies**	EY	1,459	55	93	1,607
	Other	977	41	283	1,301
The Phoenix Insurance and companies under its control	EY	3,204	152	817	4,173
	Other	105	-	12	117
Excellence and its consolidated companies	EY	500	127	-	627
Total		6,245	375	1,205	7,825

(*) The audit services include fees in respect of SOX audit, preliminary audit in preparation for the implementation of IFRS 17 and a solvency audit.

(**) Excluding The Phoenix Insurance, Excellence and companies under their control.

(***) Most of the services are control procedures as part of the implementation of IFRS 17.

2020					
		Audit services*	Special tax services	Other services***	Total
The company and its wholly owned companies**	EY	450	19	400	869
	Other	157	31	-	188
The Phoenix Insurance and companies under its control	EY	2,772	107	1,885	4,764
	Other	150	76	-	226
Excellence and its consolidated companies	EY	520	257	-	777
Total		4,049	490	2,285	6,824

(*) The audit services include fees in respect of SOX and solvency auditing.

(**) Excluding The Phoenix Insurance, Excellence and companies under their control.

(***) Most of the services are control procedures as part of the implementation of IFRS 17 and solvency projection model.

5.4 Effectiveness of Internal Control over Financial Reporting and Disclosure

5.4.1 The Securities Regulations

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

As from the publication date of the ISOX amendment, and as set out in the Company's previous Reports of the Board of Directors, the Company has been working on an ongoing basis to implement the required procedure in The Phoenix group in accordance with the provisions of the ISOX amendment. In accordance with the provisions of the ISOX amendment, the Company opted to implement to the internal controls of all of its consolidated institutional entities the provisions of the 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 reports and statements required in accordance with the ISOX amendment are attached below to the periodic financial statements; please see Part 5 - Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure.

The processes relating to the institutional entities are also addressed in the Commissioner's circulars, please see below in Section 5.4.2

5.4.2 The Commissioner's circulars

Alongside the process described in Section 5.4.1 above, The Phoenix group's institutional entities apply the provisions of Management's Responsibility Circulars pertaining to controls and procedures regarding disclosure and internal control over financial reporting of an institutional entity, and implement the procedures required in connection therewith, as described below; this is done in accordance with the stages and dates set out in the above-mentioned circulars and in collaboration with external consultants engaged for that purpose. As part of this process, the Group's institutional

entities adopted the internal control model of COSO - Committee of Sponsoring Organization of the Treadway Commission - which is a generally accepted framework for assessment of internal controls.

■ Disclosure controls and procedures

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

■ internal control over financial reporting

During the quarter ending December 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 conducting a process of improving and streamlining processes and/or internal controls and/or customer service. The reports and statements relating to the relevant processes are attached to the Financial Statements of The Phoenix group's institutional entities, in accordance with the provisions of Management's Responsibility Circulars.

5.4.3 **Disclosure on the financial statements' approval process in a reporting entity**

Pursuant to the Israel Securities Authority's directive on disclosures required in the Report of the Board of Directors as to the financial statements' approval process in a reporting entity, the corporate organs charged with governance in the corporation should be identified, and disclosure must be made of the procedures implemented by those charged with governance in the corporation, prior to the financial statements' approval. The directive does not apply to insurance companies. The Group's institutional entities are subject to the Supervisor's directives, and accordingly follow Sections 302 and 404 to the Sarbanes-Oxley Act of 2002 (hereinafter - "**SOX**"), including review of work processes and internal controls in institutional entities. The financial statements of the said institutional entities include managers' statements as to the fairness of the financial data presented in the financial statements and the existence and effectiveness of internal controls in relation to these financial statements.

As part of the review of the financial results, meetings are held which are attended by the CEO, the CFO, division heads and other relevant officers, in which participants discuss material issues concerning financial reporting, including material transactions outside the ordinary course of business, material valuations used in the financial statements, the reasonability of the data and the accounting policies applied.

The Company's Board of Directors is the organ charged with governance and approval of the financial statements. The Company's Board of Directors has appointed a committee, other than the Audit Committee, that submits to the Board of Directors its recommendations concerning the approval of the financial statements, prior to their approval by the Board.

**Benjamin Gabbay, Chairman of the
BOD**

Eyal Ben Simon, CEO

Date: March 28 2021

Part 2

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

Table of Contents

1. The Group's Structure, its Areas of Activity, and Developments Therein	- 3 -
2. Description of the Business Environment.....	- 17 -
3. Developments in the Macroeconomic Environment.....	- 23 -
4. Business Targets and Strategy.....	- 24 -
5. The Board of Directors' Explanations for the State of the Corporation's Business.....	- 29 -
6. Disclosure on Exposure to, and Management of, Market Risks.....	- 59 -
7. Corporate Governance Aspects.....	- 63 -
8. Disclosure Provisions Relating to the Corporation's Financial Reporting.....	- 69 -

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

As of December 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 December 31 2021, outlines the principal changes in the Company's operations in the period from January through December 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 (hereinafter - the "**Supervisor**" or the "**Commissioner**").

The Report of the Board of Directors is an integral part of the Periodic Report, and the Periodic Report is to be read in its entirety, as a single unit (hereinafter - the "**Financial Report**" or the "**Financial Statements**"). For further explanations regarding changes between the financial results for 2020 and the financial results for 2019 – please see the Report of the Board of Directors on the State of the Company's Affairs as of December 31 2020, as published in the Company's Periodic Report for 2020.

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

1.1. Group structure

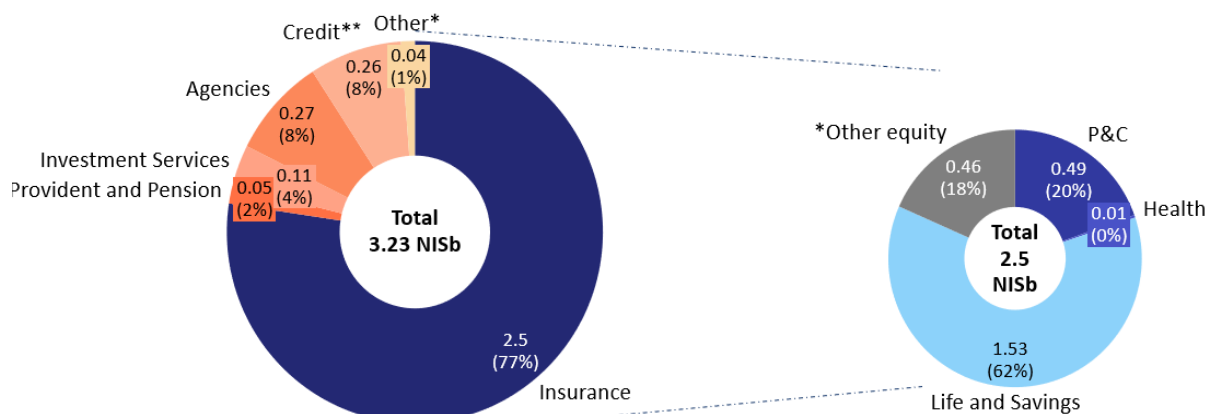
The Company's shareholders

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 Financial 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. Set forth below is the breakdown of the pre-tax comprehensive income attributed to the shareholders in the reporting period; for more information, see Note 3 to the financial statements:



(*) In order to separate the financial results between profits attributed to insurance and profits arising from other core activities, the Company splits the "other" segment. The split is made for convenience purposes and the Company views the capital and unattributed segment as a single operating segment.

(**) In view of its gaining control over Gama, the Company decided to launch a new segment - credit.

The Group is engaged in the fields of insurance, investment management, holding of insurance agencies, provision of credit and other financial services, including the setting up and sale of alternative products. The Group manages approx. NIS 369 billion and is considered to be one of the five largest insurance and finance groups in Israel. The Company has been operating in the field of insurance for over 70 years through The Phoenix Insurance Company; in the field of asset management, the Company operates through The Phoenix Pension and Provident Fund Ltd., The Phoenix Investments Ltd., and Excellence Investments Ltd.; in the field of holding of insurance agencies, the Company operates through The Phoenix Agencies 1989 Ltd.; in the field of credit provision, the Company operates through Gama Management and Clearing Ltd., whose shares were listed on the Stock Exchange in the reporting year, and the Company became its controlling shareholder.

1.3. Developments in the Group

1.3.1. Updating the targets of the multi-year strategic plan - updating the plan's targets

In December 2020, the Company's Board of Directors decided to adopt a multi-year strategic plan for the Company and its Group subsidiaries - The Phoenix with a Look Ahead - based on joint work with the Company's management and work teams, in collaboration with an international consulting firm specializing in strategy and restructuring. Subsequent to reporting date, in March 2022, the Company updated the targets of the multi-year strategic plan. For further details, please see Section 4 below.

1.3.2. Dividend distribution policy and actual distributions

In October 2020, the Company's Board of Directors approved a dividend distribution policy, whereby the Company shall distribute an annual dividend at a minimum rate of 30% of the Company's distributable comprehensive income as per its audited annual consolidated Financial

Statements for the relevant year. The policy was approved following the approval of the dividend distribution policy by The Phoenix Insurance; under the policy, 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 solvency ratio it had set, which is higher than the solvency ratio applicable to it under the Supervision Rules. For further details, please see the Company's immediate report dated October 28 2020 (Ref. No. 2020-01-107812).

As part of the policy, it was determined that amounts that were used to implement the share buyback plan as described in Section 1.3.3 below shall be included in the dividend amount calculated in accordance with the policy.

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

- Interim dividend at the discretion of the Board of Directors on the approval date of the Financial Statements for the second quarter of each calendar year;

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

Furthermore, the Company will not include in the amount of the dividend any amounts that were used for the execution of the share buyback plan. It is stipulated that the foregoing policy is not intended to derogate from the power of the Board of Directors to determine and approve the dividend to be distributed, as it deems appropriate at any given time.

Actual dividend distribution

In 2020, the Company distributed a cash dividend of NIS 380 million. In December 2021, the Company distributed a NIS 200 million interim cash dividend on account of the Company's 2021 profits (hereinafter - the "**Interim Dividend**").

Subsequent to the reporting date, on March 28 2022, concurrently with the approval of the Company's Financial Statements as of December 31 2021, which are included in this Periodic Report, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 421 million. Total amount in dividend

distributed in cash in respect of 2021 including the interim dividend as stated above is NIS 621 million, which represents a dividend per share of approx. NIS 2.47. In 2021, the Company executed buybacks at the total amount of NIS 74 million, which were included in the calculation of the dividend in accordance with the dividend policy as described above. It shall be clarified that to the extent that options are exercised by employees between the dividend declaration date and the record date, the per-share dividend amount shall be adjusted in accordance with the actual number of outstanding shares on the record date. The Company shall publish, as required, a supplementary report in respect of said adjustment on the record date.

It is noted that, according to the Company's Financial Statements as of December 31 2021, which are included in this Periodic Report, the Company has positive retained earnings of approximately NIS 6,911 million, taking into account the deduction of the NIS 421 million dividend, as stated above.

1.3.3. **Share buyback plan**

In September 2020, the Company's Board of Directors approved a share buyback plan for the Company's shares for a period of one year, totaling up to NIS 100 million, and in 2021 the Company completed 99.7% of the buybacks under the said plan (the "**2020 Plan**").

In August 2021, the Company's Board of Directors approved an additional share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year (hereinafter - the "**Plan for 2021**"). As of the report publication date, the Company has made share buybacks, as of January 2022, totaling NIS 56 million. It should be noted that similarly to the Plan for 2020, 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 August 25 2021 and February 27 2022 (Ref Nos.: 2021-01-070186 and 2022-01-019347, respectively). After the approval of the new dividend policy, the Company's Board of Directors approved the buyback plan, which according to the new dividend policy is not part of this policy, see Section 1.3.2 above.

1.3.4. **Updating the minimum capital target as of June 30 2021**

In November 2021, The Phoenix Insurance's Board of Directors increased the minimum economic solvency ratio target - net of the transitional provisions during the Transitional Period - by 3 percentage points - from the 105% rate a 108% rate as of June 30, 2021.

1.3.5. **Acquisition of the Halman Aldubi Investment House and the Halman Aldubi Restructuring**

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 merger transaction - under which the Company acquired Halman-Aldubi Investment House Ltd. (hereinafter - "**Halman-Aldubi**"). Upon completion of the transaction, Halman Aldubi became a privately held company wholly owned by the Company. The proceeds of the transaction totaled NIS 275 million.

Subsequent to the completion of the transaction the following actions and transactions were carried out:

A. The Board of Directors of The Phoenix Pension and Provident decided to merge Halman Aldubi Provident and Pension Funds Ltd. (hereinafter - "**Halman Provident**" with and into The Phoenix Pension and Provident. The merger between the companies - including the merger of the provident funds and the provident funds' investment tracks - was completed on October 1, 2021.

B. Sale of default pension fund -

On June 30 2021, after fulfillment of all conditions precedent, the sale to Meitav Dash Provident Funds of the new pension funds which were managed by Halman Provident was completed in consideration for NIS 45 million.

C. Sale of IRA funds -

In September 2021, the Board of Directors of The Phoenix Pension and Provident approved the sale of the "Phoenix Provident and Self-Managed Advanced Education", formerly - IRA funds under the management of Halman Provident. Accordingly, on September 30 2021 an agreement was signed for the sale of the provident funds as aforesaid between Halman Provident and Global Net Provident Fund Management (G.N.P.F.M) Ltd. The completion of the sale is subject to meeting conditions precedent, including approval by the Capital Market, Insurance and Savings Authority. The deadline for the completion of the transaction was set to March 31 2022; the sale agreement includes a mechanism allowing for the deferral of the deadline as aforesaid. For further details, 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, February 28, 2021 and July 1, 2021, Ref. Nos.: 2020-01-133119, 2021-01-011467, 2021-01-013942, 2021-01-020860, 2021-01-022078, 2021-01-021813, 2021-01-023697 and 2021-01-046357, respectively.

1.3.6. **Gama IPO**

In June 2021, Gama Management and Clearing Ltd. (hereinafter - "**Gama**") completed an offering on the Tel Aviv Stock Exchange. Simultaneously with the execution of the Issuance in accordance with the Prospectus, The Phoenix Investments, that held 49% of the shares in Gama up to the date of the offer, purchased additional Gama shares (hereinafter - the "**Purchased Shares**"), such that after the Issuance and the acquisition of the Purchased Shares, The Phoenix Investments holds 60% of Gama's issued and paid-up share capital and voting rights therein and is the controlling shareholder in Gama. In exchange for the Purchased Shares, The Phoenix Investments paid a total of NIS 124 million. Following the execution of the IPO and the acquisition of the Purchased Shares, in the second quarter, the Company recorded a one-off post-tax profit of NIS 220 million, as a result of becoming the controlling shareholder in Gama. For further details, please see Note 4B to the Financial Statements and the Company's report dated June 16, 2021 (Ref. No. 2021-01-039979).

1.3.7. **Sale of control in Ad 120**

In October 2021, a transaction to sell control of Ad 120 Residence Centers for Senior Citizens Ltd. (hereinafter - "**Ad 120**") was completed; Ad 120 was wholly-owned (directly and indirectly) by The Phoenix Insurance Company Ltd. (a Company subsidiary) (hereinafter - "**The Phoenix Insurance**"), and was sold to Shapir Engineering and Industry Ltd. (hereinafter - "**Shapir**"), so that as of the transaction completion, Shapir holds 53% (directly and indirectly) of the issued and paid up share capital of Ad 120, and The Phoenix Insurance holds 47% (directly and indirectly) of the issued and paid up share capital of Ad 120. In addition, within the transaction, Ad 120 acquired two real estate properties held by Shapir through special-purpose limited partnerships wholly-owned by it, one in Jerusalem, and another one in Ness Ziyona, zoned as senior housing, office and commercial areas, under development.

After the transaction was completed, the Company recognized NIS 340 million in pre-tax gain, net of transaction costs. This gain was carried to the life insurance, savings and health segments. The Company continues to classify its holdings in Ad 120 against life insurance, savings and health liabilities. For further details about the transaction, please see Note 8D(8) to the Financial Statements and the immediate reports dated August 1, 2021 (Ref. No.: 2021-01-059806) and September 22, 2021 (Ref. No.: 2021-01-147942).

1.3.8. **Reinsurance transaction - effect on the solvency ratio of The Phoenix Insurance**

In December 2021, The Phoenix Insurance entered into a contingent reinsurance treaty, and in February 2022, The Phoenix Insurance completed checks and processes, including with the Capital Market, Insurance and Savings Authority for the recognition as part of the Economic

Solvency Regime of a proportional reinsurance transaction involving an existing portfolio of permanent health insurance businesses, with a reinsurer rated AA- by an international rating agency (hereinafter - the "**Transaction**"). The Phoenix Insurance believes that this transaction is expected to improve The Phoenix Insurance's Economic Solvency Ratio as of December 31 2021 by 7%.

The abovementioned information constitutes forward-looking information, as defined in the Securities Law, 1968, and is based on the information and estimates of the Company as of this date. The said information and estimates may not materialize or materialize in a manner different than that expected, including since The Phoenix Insurance's solvency ratio may be different than the ratio reflected in the estimate presented in this report, since some or all of the expected improvements in The Phoenix Insurance's solvency ratio may not materialize, or materialize in a manner different than that expected, among other things, in relation to the expected actuarial assumptions and capital requirements, etc.

1.3.9. **New collective agreement for 2022-2024**

In December 2021, a new collective agreement was signed for the period from January 1 2022 to December 31 2024 between The Phoenix Insurance and the New Histadrut Workers' Union – MAOF (hereafter – the "**Histadrut**"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with The Phoenix Pension and Provident (hereinafter jointly for the purpose of this section: the "**Agreement**"); the two companies jointly: "**Phoenix**").

In accordance with the new collective agreement, the provisions of the previous collective agreements in The Phoenix Insurance will continue to apply during the term of the Agreement, and in The Phoenix Pension and Provident they were applied as of January 1 2022, except for changes defined in the new agreement. For further details, please see Section 4.6 to the Report on the Company's Business.

The estimated annual cost of workforce-related expenses (excluding costs conditional upon meeting targets) in respect of the years of The Phoenix's agreement is NIS 23.6 million. The estimated average annual cost of the annual bonuses expected to be awarded in respect of 2021, 2022 and 2023, assuming that 100% of the profit targets of the relevant years will be fulfilled was NIS 28.9 million per year. It should be noted that some of the aforesaid amounts are in lieu of workforce-related expenses that The Phoenix would have incurred even if this agreement had not been signed. Furthermore, it is hereby clarified that the said data do not include estimated costs in respect of benefits whose materialization is uncertain, including The Phoenix's generating profits that exceed that profit target to be set for that year.

Restructuring in the Group:

1.3.10. Transfer of the shares of the management company from The Phoenix Insurance to the Company

In June 2021, the transfer the shares of The Phoenix Pension and Provident from The Phoenix Insurance to the Company by way of a dividend in kind distribution was completed. 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 Pension and Provident'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.

1.3.11. Transfer of the Company's rights in Phoeniclass Ltd. to The Phoenix Insurance

Phoeniclass, a privately-held company, had signed an agreement with Kibbutzim College for the purchase of land zoned for construction and for the sale of 450 residential units in Tel Aviv. As of the report publication date, 67% of the share capital of Phoeniclass is held by The Phoenix Investments and 33% of the share capital of Phoeniclass is held by a partner. The Phoenix Investments and the partner have an agreement governing their relationship as shareholders in Phoeniclass, under which the partner, having the relevant knowledge and expertise, is responsible for project management, construction, and marketing. As part of a restructuring approved in November 2021 by the organs in the Company and its subsidiaries, as required by law, 49% of the equity and voting rights of The Phoenix Investments in Phoeniclass will be transferred to The Phoenix Insurance as well as the remaining equity rights (18%) in Phoeniclass will remain with the Company. The Company intends to classify the investment in The Phoenix Insurance under the health insurance segment. The completion of this process is subject to receipt of the approvals of the Israel Tax Authority, where as of the report publication date, the above-mentioned approval has not yet been obtained, and it is uncertain that it will be obtained and that process will be completed.

1.3.12. The Halman-Aldubi restructuring, including changing its name to The Phoenix Advanced Investments Ltd.

In January 2022, the board of directors of The Phoenix Advanced Investments (previously called Halman-Aldubi Investment House Ltd.) (hereinafter - "**The Phoenix Advanced Investments**") authorized a restructuring of the companies it controls and the distribution, as a dividend in kind to The Phoenix Holdings, the following agencies that it holds: Halman-Aldubi Pension Insurance Agency (2005) Ltd. and Quality Pension Insurance Agency (2017) Ltd., of

Halman-Aldubi IEC Gemel Ltd. and of 16% of the shares it holds in The Phoenix Pension and Provident. It should be noted that the decision by Halman Aldubi's Board of Directors is subject to the Court's approval since it does not meet the profit criteria. At the same time, the Company authorized the transfer of its holding in The Phoenix Advanced Investments to The Phoenix Investments, and The Phoenix Investments authorized the transfer of its holdings in the alternative funds it holds to The Phoenix Advanced Investments. At the end of this process, all alternative investments held by the Company will be managed under The Phoenix Advanced Investments. The process's completion is subject to obtaining the court's approval of the distribution, and the approval of the Israel Tax Authority for the measure. As of the report publication date, these approvals and omissions have not been obtained, and it is uncertain that they will be obtained and that process will be completed.

The abovementioned information in connection with the restructuring in The Phoenix group constitutes forward-looking information, as defined in the Securities Law, 1968, and is based on the information and estimates of the Company as of this date. Such information and assessments may also not materialize, due to factors that are unknown to the Company and The Phoenix Insurance as of the date of this report and are not under their control, including, inter alia, obtaining the approval of the Israel Tax Authority, the Court's approval of the capital reduction process in Halman Aldubi, etc.

1.3.13. **Option plans for employees and officers**

In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company grants, from time to time and without consideration, option warrants (hereinafter, in this section - "**Options**") to employees and officers of the Company and companies under its control.

In May 2021, the Company's Board of Directors approved an additional 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 shares of the Company NIS 1.00 par value each, subject to adjustments, without cash consideration. The award of options to the Company's CEO was approved in an extraordinary annual general meeting of the Company on July 5, 2021. For further details, see Note 37B to the Financial Statements and immediate reports of: May 27, 2021, July 6, 2021 and July 8, 2021 (Ref. Nos. 2021-01-031390, 2021-01-048694 and 2021-01-050455, respectively). In January 2022, the Company's Board of Directors approved the award of up to 4,883,593 options to employees and officers of the Company and its subsidiaries, exercisable into up to 4,883,593 ordinary shares of the Company NIS 1.00 par value each, subject to adjustments, without cash consideration. The award of options to the Company's CEO was approved in an extraordinary general meeting of the Company on March 8, 2022. For further details, see Note 37B to the financial statements and immediate reports of: February 1, 2022 and March 9, 2022 (Ref. Nos. 2022-01-012510, 2022-01-012513 and 2022-01-028288, respectively).

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

In August 2021, The Phoenix Insurance issued - through The Phoenix Capital Raising (2009) Ltd. (hereinafter - "**The Phoenix Capital Raising**") an Additional Tier 1 capital instrument (hereinafter - the "**Capital Instrument**") totaling approximately NIS 200 million - recognized as regulatory capital under the Economic Solvency Regime, in order to strengthen its capital and improve its solvency ratio. The Capital Instrument is currently traded on the TACT-Institutionals trading platform.

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 Tier 1 capital instrument was rated A+ by Ma'alot S&P. As part of the issuance, in addition to the aforesaid amount that was issued and after obtaining the approval of the relevant organs in The Phoenix group and the approval of the Capital Market, Insurance and Savings Authority, The Phoenix Capital Raising issued to the Company a total of NIS 1.02 billion of the Capital Instrument in exchange for Tier 1 capital notes previously issued to the Company by The Phoenix Insurance. For further details, please see the Company's reports dated May 27, 2021 and August 8, 2021 (Ref. Nos.: 2021-01-031384 and 2021-01-062515, respectively).

1.3.15. **Updating of the illiquidity premium**

In February 2022, the Supervisor published an amendment to the provisions of the consolidated circular, regarding liability measurement – the illiquidity premium (hereinafter - the "Amendment"), which may impact The Phoenix Insurance's insurance reserves. As a rule, the provisions of Consolidated Circular, Measurement of Liabilities, stipulate that an illiquidity premium at various rates may be added to the risk-free interest rate used in the liability adequacy test, illiquidity premium at various rates for various policies and reserves. The purpose of the Amendment is to set a revised method to estimate the illiquidity premium that can be used for the liability adequacy test. The Amendment revised the results of the formula for the illiquidity premium, which stands at 0.26% on the eve of the Amendment, to a rate of approximately 0.54%. The amendment entered into force and its first-time application was made by way of an accounting estimate change in accordance with IAS 8. The Amendment affects individual long-term care policies in health insurance, guaranteed return insurance policies in life insurance, and compulsory motor insurance and liability insurance policies.

The change to the illiquidity premium as aforesaid, reduced the insurance reserves by NIS 361 million (pre-tax) in the reporting year, of which NIS 298 million (pre-tax) represent a decrease in the LAT reserve for the health segment, and NIS 63 million (pre-tax) represent a decrease in

life insurance reserves. This change in reserves is expected to increase the amount of Deduction During the Transitional Period as part of the calculation of the economic solvency ratio, and accordingly increase The Phoenix Insurance's solvency ratio. The impact on motor insurance and liability insurance reserves is negligible. To complete the picture, it should be emphasized that in 2021 there was a decrease in the risk-free interest rate, which resulted in a NIS 473 increase in insurance reserves in the reporting year, and the aforesaid increase in the illiquidity premium significantly mitigated the adverse effect of this decline in interest. For information about the effect of updating of the illiquidity premium on the segments, see Sections 5.6.2.-5.6.3 below.

1.3.16. **Excellence Investments Ltd.**

During the third quarter of 2021, Excellence investment house - as part of the implementation of the strategy - increased the retail brokerage portfolio, which led to an increase in acquisition expenses. In July, 2021, KSM launched a campaign to increase total assets under management, which offered zero management fees for a fixed period of time for several mutual funds. The Company believes that during the campaign period, the number of customers and amount of assets under management will increase, while revenues will decrease relative to the assets under management amount. For more information about restructuring in Excellence investment house and changes in its human capital, see Sections 1.3.13 and 2.5.8 to the Description of the Corporation's Business report, respectively.

1.3.17. **The ESG (Environmental, Social & Governance) work plan**

In recent years, companies have become increasingly aware of the fact that ESG risks impact their business activity. In view of the above, in July 2021 the Company's Board of Directors approved a work plan for the implementation and measurement of ESG (Environmental, Social & Governance) risks in The Phoenix group. Furthermore, the Board of Directors appointed a dedicated ESG sub-committee that will supervise the implementation of the ESG work plan and report periodically to the Board of Directors. Furthermore, as part of the publication of the 2022 investment policy of The Phoenix Insurance and The Phoenix Pension and Provident, it was determined, among other things, that the investment considerations will also include ESG aspects.

1.3.18. **The Phoenix Mortgages (Gold) Ltd.**

During the reporting year, a new company was established - The Phoenix Mortgages (Gold) Ltd. - (hereinafter - "The Phoenix Mortgages"), in which The Phoenix Insurance has a 51% interest and the remaining balance is held by other partners. The Phoenix Mortgages began operations at the end of second quarter of 2021 and its core operation is providing loans to the over 60s against a first degree lien on their apartment.

1.3.19. **Collaboration with the global investment company BlackRock**

During the reporting year, The Phoenix Insurance entered into an agreement with the global investment company BlackRock for the management of investments offered under The Phoenix Insurance's savings policies. At the beginning of 2022, The Phoenix Insurance launched two investment tracks, the investment management in which will be carried out by BlackRock. This is a unique collaboration that allows policyholders, which hold savings policies to benefit from the option to select an investment track that combines global investments in the investment of the policies' assets.

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

The Company is preparing to apply IFRS 17 (hereinafter - the "**Standard**"), in the Financial Statements of the Company and The Phoenix Insurance as from the quarterly and annual periods beginning on January 1, 2024, in accordance with a draft published in January 2022 by the Capital Market, Insurance and Savings Authority. As part of its preparations, The Phoenix Insurance entered into agreements with software and applications suppliers. Furthermore, for the purpose of implementing the Standard, during the reporting year, reviews and training sessions were held for the Balance Sheet Committee in connection with the application of the Standard. For further details, please see Note 2(FF) to the Financial Statements.

1.3.21. **Interest**

Changes in the risk-free interest rate curve affect The Phoenix Insurance's assets, liabilities, financial performance, and solvency ratio. Subsequent to the Report date, there was an increase in the risk-free interest rate curve; for further details on changes in the interest rate curve and its effect, please see Note 41(5) to the Financial Statements, and regarding the interest's effect on the solvency ratio, please see Section 2.1.8 below.

1.3.22. **Officers**

For further details regarding changes in the composition of the Board of Directors and officers of the Company – see Note 42 to the Financial Report.

1.3.23. **Liability insurance for board members and officers**

The Company purchased a liability insurance policy covering its directors and officers, and provided officers with indemnification and exemption letters. For further details about the indemnification and exemption letters and the insurance policy covering officers, please see Regulation 22 in Part 5 of the Periodic Report and Note 42 to the Financial Statements. For further details about the revision of the Company's compensation policy and the increase in the liability insurance coverage amount provided to the Company's officers (with a liability limit of US USD 220 million), please see Regulation 22 in Part 5 to the Periodic Report.

1.3.24. Ratings

Midroog

- 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.
- B. On January 31 2021, Midroog announced it has rated the extension of up to NIS 350 million of Series 4 and 5 bonds issued by the Company at Aa3.il, with a stable outlook.
- C. On November 25, 2021, Midroog announced that it was reiterating its Aa1.il rating of the insurer financial strength (IFS) of The Phoenix Insurance Company Ltd., a subsidiary of the Company, and reiterating its Aa2.il (hyb) rating of Subordinated Bonds (hybrid Tier 3 capital) and reiterating its Aa3.il (hyb) rating for the subordinated bonds (hybrid Tier 2 capital and Tier 2 capital instruments) issued by The Phoenix Capital Raising (2009) Ltd., a subsidiary of the Company.
- D. On December 14 2021, Midroog announced that the new series of bonds issued by the Company (Series 6) will be rated at Aa3.il with a stable outlook.
- E. On January 17 2022, Midroog announced it was reiterating the rating of Series 3, 4, 5 and 6 bonds at Aa3.il, and altering the outlook from stable to positive.

Maalot

- A. On January 31 2021, Ma'alot S&P reiterated the Company's rating at iIAA- - with a stable outlook; it rated the extension of Series 4 and 5 bonds in the amount of up to NIS 350 million at iIAA-.
- B. On January 31 2021, Ma'alot S&P reiterated The Phoenix Insurance's rating at +iIAA.
- C. On July 27 2021, Maalot S&P announced an A+ rating for the Tier 1 capital instrument issued by The Phoenix Insurance as stated in Section 1.3.14 above.
- D. On October 24 2021 S&P Maalot announced the ratification of an iIAA- rating for the Company and an AA+ rating for The Phoenix Insurance.
- E. On December 14 2021, Ma'alot S&P announced that the new series of bonds issued by the Company (Series 6) will be rated at iIAA-.

1.3.25. **Debt raising - Issuance of further Series 4 and Series 5 bonds by the Company by way of series expansion**

Expansion of Series 4 and 5 bonds

In February 2021, the Company issued - by way of expanding the bonds series - NIS 127,384 thousand in NIS 1 par value each registered Series 4 bonds and NIS 222,616 thousand in 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, see Section 1.3.5 above.

1.3.26. Issuance of Series 6 bonds and early redemption of Series 3 bonds

In January 2022, the Company issued NIS 300 million par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 5 2022 (Ref. No.: 2022-01-003042) in consideration for NIS 300,000 thousands. The Series 6 bonds are rated iIAA- with a stable outlook by Ma'alot, and Aa3.il with a positive outlook by Midroog Ltd. The issuance proceeds were used by the Company to execute a full early redemption of Series 3 bonds in the total amount of NIS 283,770 thousand, which was implemented on January 18 2022. For further details, please see Note 27E to the Financial Statements to the Financial Statements and the Company's immediate reports dated December 9 2021, January 11 2022 and January 18 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 2022-01-008097).

1.3.27. Covid-19 and its impact

It is hereby clarified that the renewed spread of Covid-19 in Israel, including the Delta variant, the Omicron, and/or other variants, and the guidance issued by the competent agencies in Israel and abroad in connection with tackling that spread, the imposition of various restrictions in connection with the virus and the period and conditions under which the Israeli economy will fully recover are not controlled by the Company, and there is uncertainty as to the direct and/or indirect effects of Covid-19 and the different variants that evolved therefrom on the different markets, and especially on the Israeli economy. Accordingly, the Company is unable to predict or estimate with any certainty the future effects of the renewed spread of Covid-19 and any variants that may evolve therefrom, if any, and/or the long-term effects on the Company's activity of Covid-19 outbreaks that have occurred so far.

The Group continues to monitor developments in Israel and globally on an ongoing basis, and will continue to report, as required, on material effects of the spread of Covid-19 on the Group's operations, if any.

1.3.28. Military conflict between Russia and Ukraine

In February 2022, a military conflict started between Russia and Ukraine. The confrontation has far-reaching macroeconomic implications. The Company monitors the implications of the conflict on financial markets, which have caused, among other things, significant declines in the financial markets in Israel and around the world. It should be noted that the effect of the declines was offset by the risk-free interest rate increases. At this stage, in view of the uncertainty regarding the duration of the conflict and its results, it is impossible to estimate its impact on the Company.

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 as of the first quarter, 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. On March 14 2021, a letter from the Commissioner was published, Ref. No. 2021-423, which states that an insurance company may refrain from publishing an economic solvency ratio report as of June 30 2021.

2.1.4. Results of Economic Solvency Ratio as of June 30, 2021:

During the third quarter of 2021, The Phoenix Insurance carried a calculation, that was not audited or reviewed by and independent auditor, of the economic solvency ratio as of June 30, 2021 (hereinafter - "Economic Solvency Ratio Calculation as of June 30, 2021"), and reported to the Commissioner the results of the calculation, in accordance with the letter described in Section 2.1.3 above. The Economic Solvency Ratio of The Phoenix Insurance as of June 30, 2021 is 196%, and the economic solvency ratio net of the transitional provisions for the Transitional Period and without adjusting the stock scenario is 120%, following the dividend distribution, as stated in Section 2.1.6 (2) and (4) below.

2.1.5. Economic solvency ratio and minimum capital requirement (MCR) as of December 31 2020:

Set forth below are details regarding the economic solvency ratio as published in the latest economic solvency ratio report published by The Phoenix Insurance. The meaning of the terms in this section is the same as in Appendix B to Chapter 2 in Part 2 of Section 5 of the Consolidated Circular - "Economic Solvency Regime".

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
Solvency capital requirement (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 capital instruments	-	220,000
Shareholders equity in respect of 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. For the avoidance of doubt, it should be clarified that an additional dividend distribution and distribution of dividend in kind carried out in June 2021, as described in Section e. above, were not included in the results of the solvency ratio calculation as of December 31, 2020, since they were carried out after the publication date of the Economic Solvency Ratio Report.

For explanations about key changes in the capital surplus and in the economic solvency ratio as of December 31 2019 compared with December 31 2020, see Section 1(a) to the Company's economic solvency ratio report as of December 31 2020.

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/>

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.

C. Limitations on dividend distribution and solvency ratio without the implementation of the transitional 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% 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.

On November 29, 2021, the Company's Board of Directors increased the minimum economic solvency ratio target without taking into account the provisions during the Transitional Period by 3 percentage points - from the 105% rate a 108% rate as of June 30, 2021.

As of December 31, 2020 and as of June 30, 2021, the Company meets the set capital target. It is hereby clarified that the aforesaid does not guarantee that the Company will meet the set target 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 companies¹. In addition, the letter set out provisions for reporting to the Commissioner.

D. Solvency ratio without applying the transitional provisions for the deployment period, and without adjusting the shares scenario:

The following are data as published in the latest economic solvency ratio report published by The Phoenix Insurance, about the economic solvency ratio calculated without taking into account the transitional provisions and the solvency ratio target set by the Company's Board of Directors, as required in the letter referred to above. As of December 31 2020 and 2019, this ratio is higher than the target set by the Board of Directors.

¹ The amount of this relief is immaterial. See comment (**) to Section D below.

	As of December 31	
	2020**	2019**
	Audited*	
	In NIS thousand	
Shareholders' equity for SCR (in NIS thousand)	9,931,007	9,161,522
Capital required for SCR (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 capital instruments	-	220,000
Shareholders equity in respect of 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 economic solvency target without applying 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.

*** Minimum solvency target, net of the transitional provisions relevant on the calculation date. For an update on this target, please see Section C above.

**** 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 during the first quarter of 2021, between the calculation date and report publication date. See Section 2.1.6 below.

2.1.6. Capital-related measures in 2021:

- 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 "December 2020 Estimate"). As stated in Section 2.1.5A Above, the solvency ratio as of December 31, 2020 already includes this dividend distribution. For further details regarding the December 31 2020 estimate regarding the Economic Insolvency Ratio, please see the Company's immediate report dated March 25, 2021.
- In June 2021, and based on the profits of 2020 and the audited economic solvency ratio results as of December 31, 2020, The Phoenix Insurance distributed a cash dividend in the amount of NIS 200 million. Furthermore, The Phoenix Insurance completed the distribution of a dividend in kind of the Phoenix Excellence Pension and Provident Funds Ltd. further to the Company's report of December 31 2019. For further details about the distribution of the cash dividend and the distribution of the dividend in kind, see the Company's immediate report of June 6, 2021.

3. On August 5, 2021, a Tier 1 Capital instrument totaling NIS 200 million was issued (for further details, see Section 1.3.14 above).
4. In accordance with the results of the calculation of the Economic Solvency Ratio Calculation as of June 30, 2021 (for further details, please see Section 2.1.4) and in accordance with the results of the audited calculation of the solvency ratio as of December 31, 2020 (for details, see Section D above), The Phoenix Insurance's Board of Directors approved on November 29, 2021, a cash dividend of NIS 300 million in respect of 2021 profits. These results, after the dividend distribution, meet the capital targets set out by the Board of Directors as well as the requirements of the letter published by the Commissioner in October 2017 regarding the restrictions on dividend distribution.
5. For information about a proportional reinsurance transaction in an existing portfolio of permanent health insurance businesses, see Section 1.3.8 above. The Company included the effects of this transaction in the estimate it executed in connection with the results of the economic solvency ratio as of December 31 2021, as described above.

2.1.7. **Capital-related measures in 2022:**

During the first quarter of 2022, the Company calculated an unaudited and unreviewed estimate of the Economic Solvency Ratio Calculation as of December 31 2021 (hereinafter - the "December 2021 Estimate"). During the second quarter of 2022, the Company will finalize its calculations and publish the results, according to the Commissioner's requirements.

On March 28 2022, The Phoenix Insurance's Board of Directors approved the distribution of a NIS 500 dividend based on the audited solvency ratio as of December 31 2020, and after ensuring, based on the said estimate of the results as of December 31 2021 and a revised capital management plan, that the Company complies with the target set by the Board of Directors - which is 108% without the transitional provisions - and with the target range of 150%-170%, which the Company aims to comply with during and at the end of the Transitional Period, taking into account the Deduction during the Transitional Period, and its gradual reduction. Therefore, the Company meets the requirements of the letter published by the Commissioner in October 2017 regarding the restrictions on dividend distribution.

2.1.8. **Sensitivity to changes in the interest curves:**

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. During the last quarter of 2021, there was a substantial decrease in the risk-free linked interest rate curve, that may have an adverse effect on The Phoenix Insurance's solvency ratio. This decrease in interest was taken into account in the calculation of the December 2021 Estimate

described above. On the other hand, during the first quarter of 2022, there was a substantial increase in the risk-free linked interest rate curve, that may have a positive effect on The Phoenix Insurance's solvency ratio.

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

Range/years		Dec. 31 2020	Dec. 31 2021	24/03/2022
Short term	1-3	Between 0.13 % and (0.85) %	Between (2.39) % and (2.55) %	Between (1.81) % and (2.20) %
Mid-term	4-10	Between (0.94) % and (0.58) %	Between (2.23) % and (1.26) %	Between (1.80) % and (0.40) %
Mid-long term	11-15	Between (0.49) % and (0.23) %	Between (1.11) % and (0.64) %	Between (0.25) % and 0.18 %
Long term	16-25	Between (0.18) % and 0.23 %	Between (0.54) % and 0.01 %	Between 0.26 % and (0.59) %

In its economic solvency report as of December 31 2020, the Company published a sensitivity analysis of the solvency ratio as of that date, 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, 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.

2.2. Arrangements in force

Please see Section 4.1.1 in the Report on the Company's Business.

3. Developments in the Macroeconomic Environment

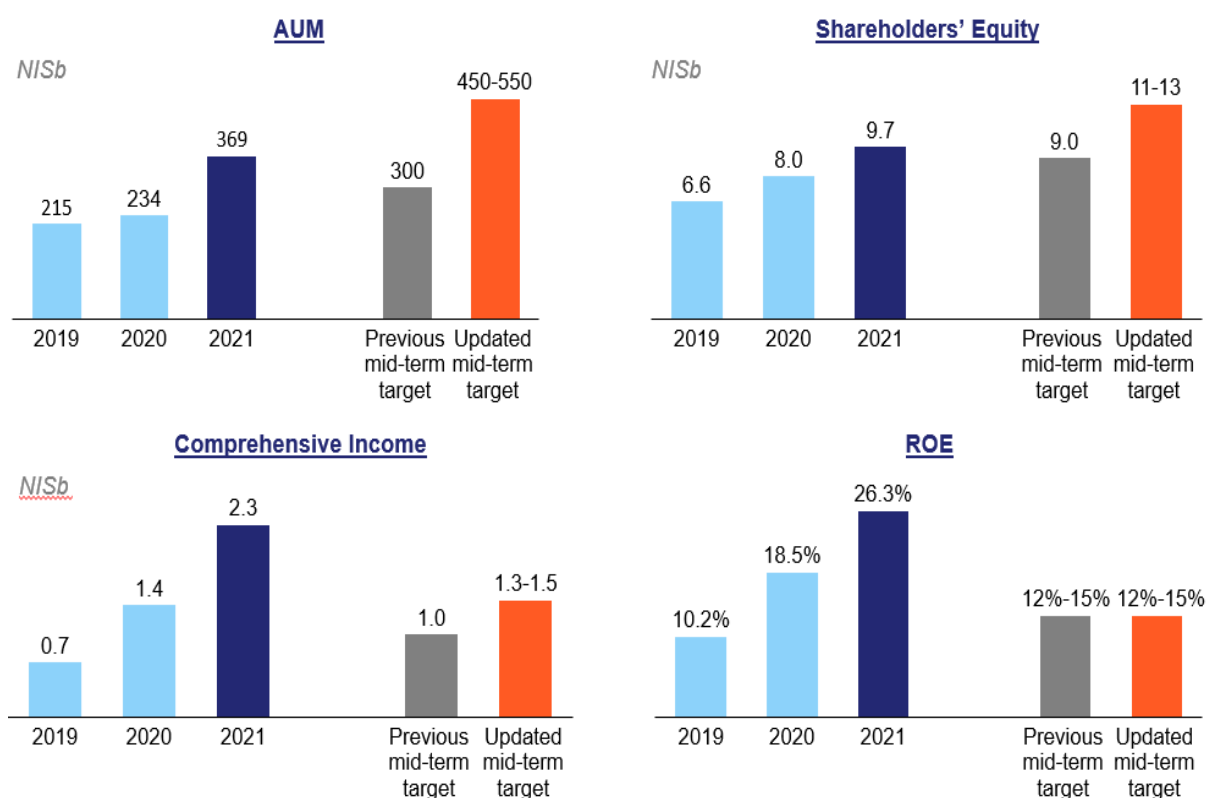
Please see Section 4.4.5 in the Report on the Company's Business.

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.

4. Business Targets and Strategy

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

The multi-year strategic plan - which was approved in December 2020 - is based on four fundamental principles: yield-focused growth, technological innovation and efficiency, maximization of the portfolio's value and capital management, all of which are relevant to the Group's key areas of activity: insurance, asset management, agencies and credit. Since the publication of the plan, the Company has acted consistently to implement and execute it. The Company reviews its targets from time to time in the light of its achievements and market conditions; accordingly, in March 2022, the Company's Board of Directors adopted an update to the strategic plan (hereinafter - the "**Strategic Plan**"), as part of which the Company's targets for the plan's period were updated as described in the chart below.



The interim targets are based on (a) multi-year work plans for a 5-year period (from its approval date); (b) an assumption of net return on investment of 3%. Compared to the plan's objective, actual results are based on the actual returns in the financial markets in Israel and around the world, macroeconomic growth, the Company's results and other variables. For the Company's actual results taking into account a 3% return, see Sections 5.4-5.7.

Set forth below is a short summary of the Company's four fundamental principles on which the strategic plan is based:

A. Yield-focused growth

As part of the plan, The Phoenix opted to focus on products generating high yields by using growth engines such as the agencies and the SMART direct channel in property and casualty insurance products, growth in the field of financial products, and growth in the field of pension and provident funds. The growth in these areas can be achieved both by way of organic growth and by way of M&As.

Alongside growth in these areas, the Company assesses other growth engines, such as: Entering the field of consumer credit, and development of alternative investment products to qualified and unqualified customers.

As part of updating the strategic plan in March 2022, The Phoenix has set itself a new growth target whereby it will reach NIS 450-550 billion in total assets under management (50%) for the duration of the plan.

- In that context, it should be noted that the merger with the Halman Aldubi Ltd. investment house was completed in the reporting period. For further details, please see Section 1.3.5 below.
- In the reporting year, the transfer of the shares of The Phoenix Pension and Provident from The Phoenix Insurance to the Company was completed (see Section 1.3.10 above). Furthermore, in the reporting year, the merger of Halman Aldubi Provident's pension and provident funds activity with and into The Phoenix Pension and Provident Fund was completed. In view of the above, and due to the Company's viewing the field of asset management as a field comprising asset management in the short term through Excellence investment house, and asset management in the medium and long-term through The Phoenix Pension and Provident and Halman-Aldubi IEC Gemel Ltd., the Company decided to present the field of pension and provident asset management as a separate segment as from this report.
- In January 2022, The Phoenix Insurance launched new investment tracks in collaboration with the international investment fund BlackRock, as part of its individual savings policies. The Company believes that this collaboration will generate further growth in assets under management. For further details, please see Section 1.3.19 below.

- Excellence investment house will focus mainly on its growth engines: KSM - passive and active mutual funds. During the reporting period KSM launched a "0 Management Fees" offer, that is expected to increase the amount of assets under management in the mutual funds. In the brokerage Company, the Company has acted, and continues to act to increase the activity in the accounts managed by private customers and to improve the digitization process. For further details, please see Section 1.3.16 below.
- As to the agencies held by the Group, the plan focuses on accelerating organic growth, acquiring further insurance agencies, digitizing and implementing information IT systems for customers and agencies and increasing profits by relying, among other things, on economies of scale. In this context, it should be noted that during the reporting year, the Company acquired several other agencies through agencies that are under its control.
- In its direct channel - Phoenix SMART - the Group focuses on optimizing the digital customer experience and rendering optimal service; the Group also focuses on digital marketing and automation, creating an analytical pricing and marketing model as well as cross selling.
- In the credit segment - in the reporting year Gama displayed a significant increase in its credit portfolio and continues to take action to increase it even further.

B. Technological innovation and efficiency

Technological innovation - The Phoenix has set itself the objective of being a leader in technological and digital transformation by implementing innovative processes - collaborations with startups, innovative intra-organizational initiatives, venture capital investments in startups, and establishing an accelerator for development of growth engines.

Digital - automation and process streamlining, using advanced digital tools, all of which will contribute to a substantial improvement in customers' and agents' user experience;

Data infrastructure - setting up advanced data and artificial intelligence systems, that will promote analytical models in the fields of sales, pricing, underwriting and claims, segmentation of Company's customers and creating suitable work processes, modernizing infrastructures and developing open platforms that will accelerate technological innovation.

Efficiency - The Phoenix aims to cut its annual costs. Costs will be cut by way of streamlining, digitizing and automation of processes, which improve the levels of service and the customer experience. Furthermore, The Phoenix has implemented and continues to implement operational changes for the centralization of activities in order to achieve optimal management. The Phoenix is also committed to streamlining work the processes of Company's customers and policyholders and making them more

accessible; this will be reflected in shorter waiting time, simpler wording, transparency and maintaining ongoing contact with Company's customers and agents.

C. Maximizing the portfolio

The Phoenix acted during the reporting year, and will continue to, generate and unlock value by managing the Group's assets in an active and yield-focused manner while focusing on the Group's core areas of activity and assets.

- The Phoenix completed the sale of control in Ad 120, which was wholly-owned by The Phoenix Insurance. Subsequent to the sale of control in Ad 120, The Phoenix Insurance holds 47% of the shares of Ad 120 (directly and indirectly); for further details, see Section 1.3.7 above. Upon completion of the transaction, the Company recognized in its Financial Statements a post-tax profit of NIS 270 million. The Company classifies its investment against life insurance, savings and health liabilities, and believes that the partnership with Shapir will increase Ad 120's value over time.
- As part of the implementation of the plan, in June 2021, the Company gained a 60% interest in Gama concurrently with the listing of the latter (for more information, see Section 1.3.6). Upon completion of the transaction, the Company recognized a one-off post-tax profit of NIS 220 million. After gaining control as stated above, the Company launched a separate operating segment in its financial statements - the credit segment.
- Subsequent to the report date, the Company announced its intention to execute a restructuring in the investment house Excellence for the purpose of focusing its activities on core areas, and transferring activities that are not within the investment house's core areas to relevant Group entities.

D. Capital management

As part of its strategic plan, The Phoenix works to reduce dependency on market volatility and interest rate environment on the one hand, and reach capital levels which comply with solvency capital requirements on the other hand. The Phoenix reduces fluctuations in its profits by, among other things, improving the balancing out of assets and liabilities, improving the hedging of the interest rate risk and optimizing old insurance portfolios through reinsurance solutions. In addition, the strategic plan supports enhancing and streamlining the capital base and building the economic capital.

As part of the activities as described above:

- In the reporting year, The Phoenix Insurance entered into a proportional reinsurance agreement involving an existing portfolio of permanent health insurance businesses, with a reinsurer rated AA- by an international rating agency, which will have a positive effect on The Phoenix Insurance' solvency ratio as described in Section 1.3.8 above.
- In August 2021, The Phoenix Insurance issued - through The Phoenix Capital Raising (2009) Ltd. an Additional Tier 1 capital instrument totaling approximately NIS 200 million - recognized as regulatory capital under the Economic Solvency Regime, in order to strengthen its capital and improve its solvency ratio. The Capital Instrument is currently traded on the TACT-Institutionals trading platform. For further details, please see Section 1.3.14 above.
- In the reporting year, the transfer the shares of The Phoenix Pension and Provident from The Phoenix Insurance to the Company by way of a dividend in kind distribution was completed. The transfer of the management company as stated above shall have a positive effect on the solvency ratio of The Phoenix Insurance, and will allow flexibility in the growth and management of the cash flow. For further details, please see Section 1.3.10 above.
- Phoeniclass - as part of a restructuring approved in November 2021, 49% of the equity and voting rights of The Phoenix Investments in Phoeniclass will be transferred to The Phoenix Insurance, and the remaining equity rights (18%) in Phoeniclass will remain with the Company. This transfer will allow The Phoenix Insurance, among other things, to classify the investment under the liabilities of the health insurance segment. For further details, please see Section 1.3.11 above.

ESG

The Company considers the ESG field to be of great importance, and as part of the update of the strategic plan, a work plan was approved that includes the following components:

- Investing in environmental protection by taking into account environmental considerations when making investment decisions;
- Identifying global warming risks and promoting products and services of value to the environment and carrying out organizational actions to mitigate adverse impacts on the environment;
- Responsible employee management through diversity, promotion and caring, boosting digitization processes to improve service to customers, agents and business partners, and strengthening our involvement in the community;

- Acting responsibly and transparently with our stakeholders, under high corporate governance standards, an ethical code and implementing them.

Understanding the importance of the issue and the Company's commitment thereto, the Company's Board of Directors has established a dedicated ESG subcommittee that monitors the implementation of the work plan in this domain.

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

5.1. **General**

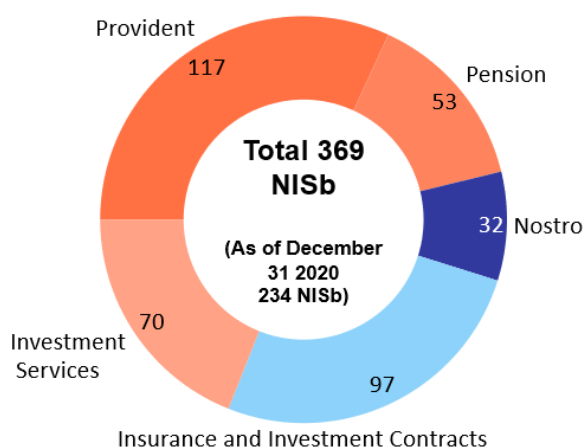
The Group's operations are affected by constant changes in regulations and regulatory reforms. In addition, as the controlling shareholder of institutional entities, the Group must also deal with the minimum capital requirements that apply to the activity of the institutional entities, which impose, among other things, restrictions on dividend distribution by the institutional entities.

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

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

Assets under management as of December 31

2021

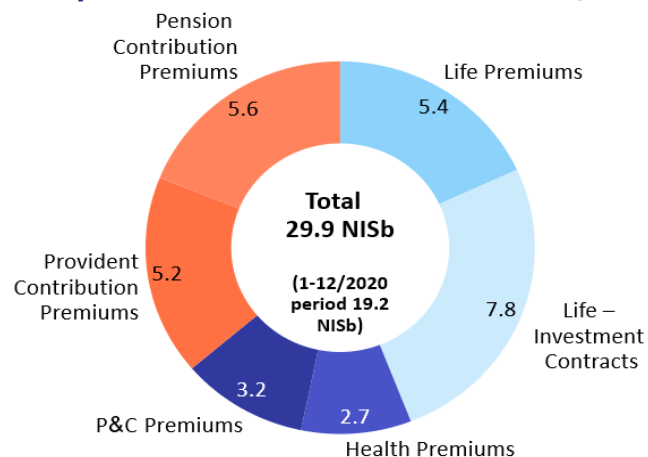


Total assets under management by provident funds, excluding guaranteed return provident fund tracks, pension funds, ETFs, mutual funds, and customers' investment portfolios are not included in the Financial Statements. Proceeds in respect of investment contracts are not included in premiums; rather,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

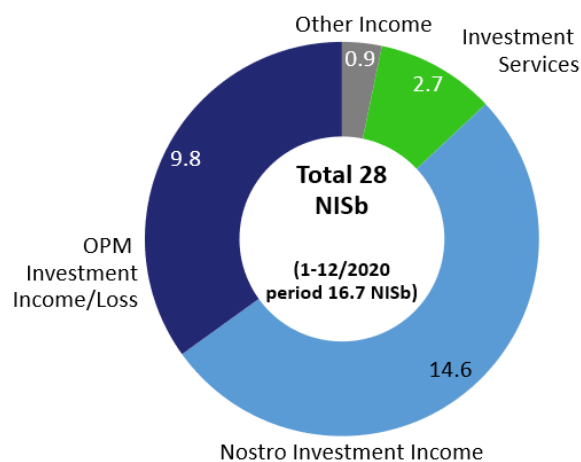
For further details on the premiums in the various operating segments, please see Note 3 to the Financial Statements.

Premiums, gross, contributions towards benefits and proceeds

In respect of investment contracts for 1-12/2021

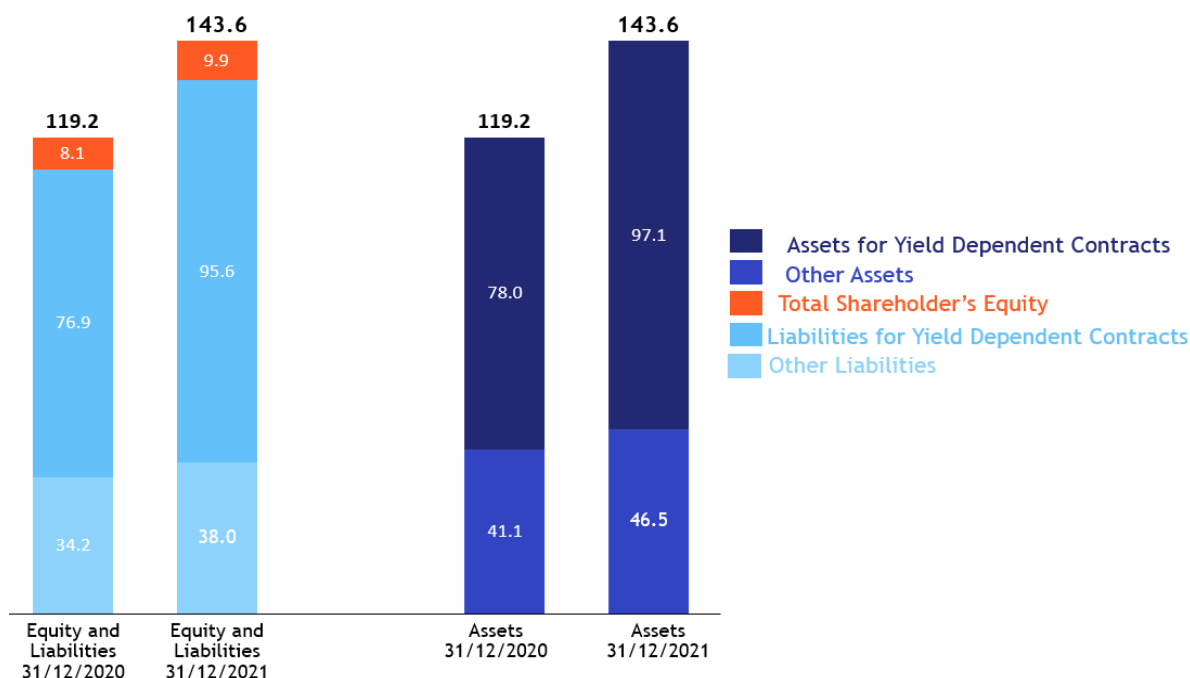


Income for 1-12/2021



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

Set forth below are key data from the consolidated balance sheets (in NIS billion):



Assets:

Total financial assets in respect of yield-dependent contracts and cash and cash equivalents in respect of yield-dependent contracts as of December 31, 2021, amounted to approximately NIS 97.1 billion, compared to approximately NIS 78 billion as of December 31, 2020. The increase in assets is mainly due to rallies in financial markets in Israel and around the world during the reporting period, plus life insurance premiums in the relevant products, and proceeds of investment contracts in the reporting period.

Other assets as of December 31, 2021 amounted to NIS 46.5 billion, compared with NIS 41.1 billion as of December 31, 2020. The increase was mainly due to the first-time consolidation of the Gama's assets in the amount of approximately NIS 2.6 billion. For further details about the Company's assuming control in Gama, please see Section 1.3.6 above.

Liabilities:

Liabilities in respect of insurance contracts and yield-dependent investment contracts amounted to approximately NIS 95.6 billion as of December 31, 2021, compared to approximately NIS 76.9 billion as of December 31, 2020. The increase in liabilities for insurance contracts and yield-dependent investment contracts is mainly due to rallies in financial markets in Israel and around the world during the reporting period, plus life insurance liabilities in the relevant products, and proceeds of investment contracts in the reporting period.

Other liabilities as of September 31, 2021 amounted to NIS 38 billion, compared with NIS 34.2 billion as of December 31, 2020. The increase was mainly due to the first-time consolidation of the Gama's liabilities in the amount of approximately NIS 2.4 billion. For further details about the Company's assuming control in Gama, please see Section 1.3.6 above.

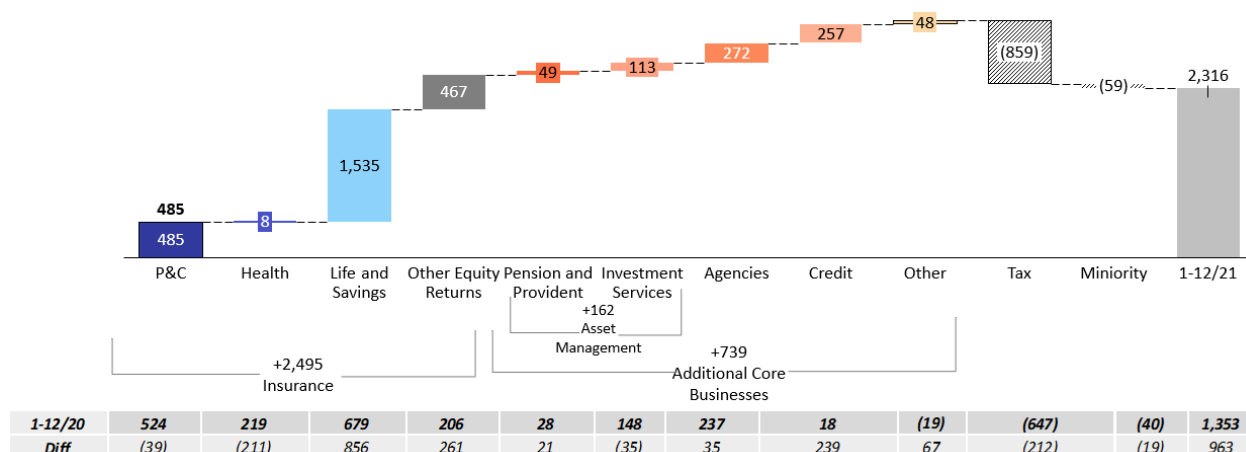
5.4. Description of the development of the Group's comprehensive income

5.4.1. General

- 5.4.1.1. At each reporting period, the Company reviews its sources of income, according to the segments breakdown, as outlined in Section 5.4.2 below. The Company also reviews its profitability by separating gains from activity which assume a real return of 3% net (less bonuses to employees and managers from excess returns), and gain from capital market effects above or below a real return of 3%, effects of interest and other special items as described below.
- 5.4.1.2. Special effects are considered by the Company as changes in profit or loss outside the ordinary course of the Company's business, including actuarial changes as a result of studies, changes in actuarial models, exceptional effects due to structural changes and exceptional purchase expenses following the implementation of the strategy of increasing the market share in the (hereinafter - "**Special Items**").
- 5.4.1.3. In the health insurance and in property and casualty insurance segments, the profitability analysis is based on a breakdown to underwriting profits, which assumes a real return of 3%, and earnings stemming from capital market effects (hereinafter - the "**underwriting profits**"), which include income from nostro investments above or below a real return of 3%, the effect of the interest rate curve and other Special Items.
- 5.4.1.4. In the life insurance and savings segment, the profitability analysis is based on a breakdown to underwriting profits - which assumes a real return of 3%, including income from variable management fees in the profit participating portfolio based on said rate, fixed management fees and a financial margin in guaranteed return policies, which assumes said return both for the free portion and non-free portion of the portfolio, investment income after offsetting return credited to policyholders, and earnings stemming from capital market effects, which include income from nostro investments and management fees calculated above or below a real return of 3%, the effect of the interest rate curve, including changes in the K factor, and other Special Items.

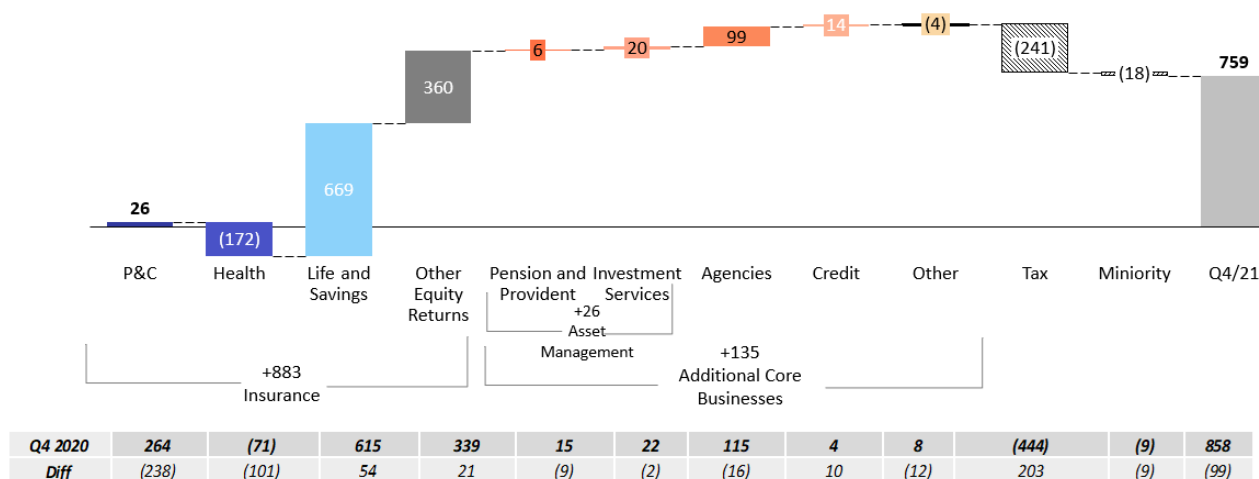
5.4.1.5. In order to separate the financial results between profits attributed to insurance and profits arising from other core activities, the Company splits the "other" segment. The split is made for convenience purposes and the Company views the capital and unattributed segment as a single operating segment.

5.4.2. **Following is an analysis of the Company's financial performance by segment for the reporting year, compared to the previous year (in NIS million, before tax):**



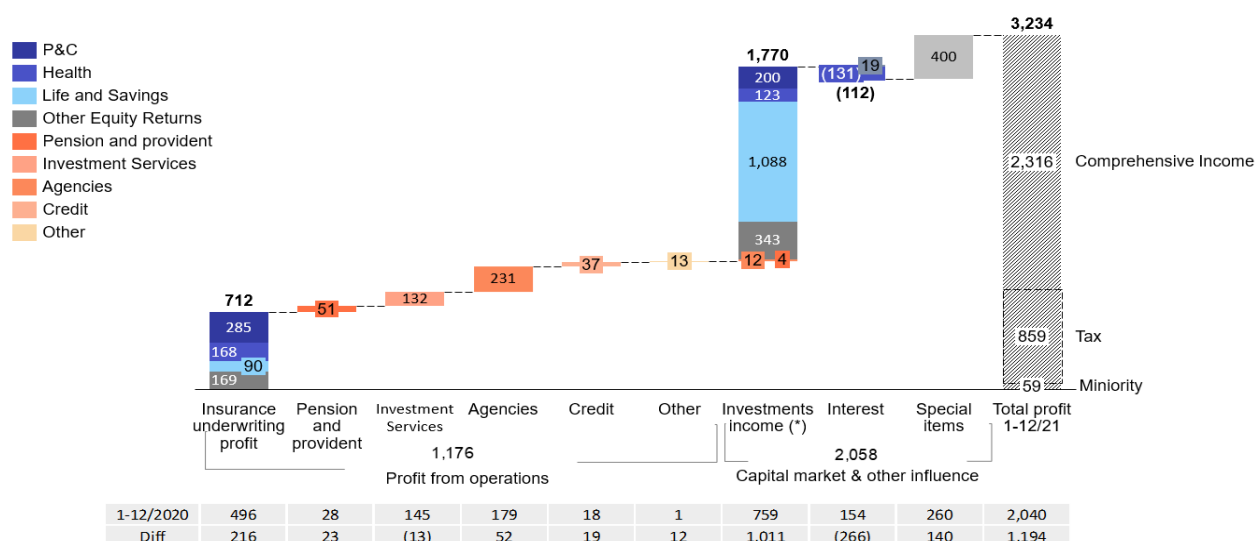
(*) Pension and provident - the Company decided to launch a new operating segment - "asset management - pension and provident" as from December 2021.

Set forth below is an analysis of the Company's financial performance by segment in the fourth quarter of 2021 compared with the same period last year (in NIS million, before tax):



For the effects on the results at the segment level, please see details in Sections 5.6-5.7 below.

5.4.3. Following is an analysis of the sources of the Company's pre-tax income by earnings per activity and earnings from capital market effects and special items for the year ended December 31 2021 (in NIS million):



(*) Please see Section 5.4.1.

(**) For information about the Special Items at segment level, see Section 5.4.4, and results at segment level in Sections 5.6-5.7 below.

Operating profit after deducting effects of the capital market, Special Items and interest increased by NIS 309 million year-on- year.

Company's results are mainly impacted by investment income from the nostro portfolio, which increased by NIS 631 million in the reporting year compared to last year (in excess of real return of 3%), and by a NIS 380 million increase in collection of variable management fees in the reporting year compared to last year, due to the rallies in financial markets in Israel and globally. The total increase in investment income, in excess of a real return of 3% year-on-year totals NIS 1,011 million as reflected in the above chart.

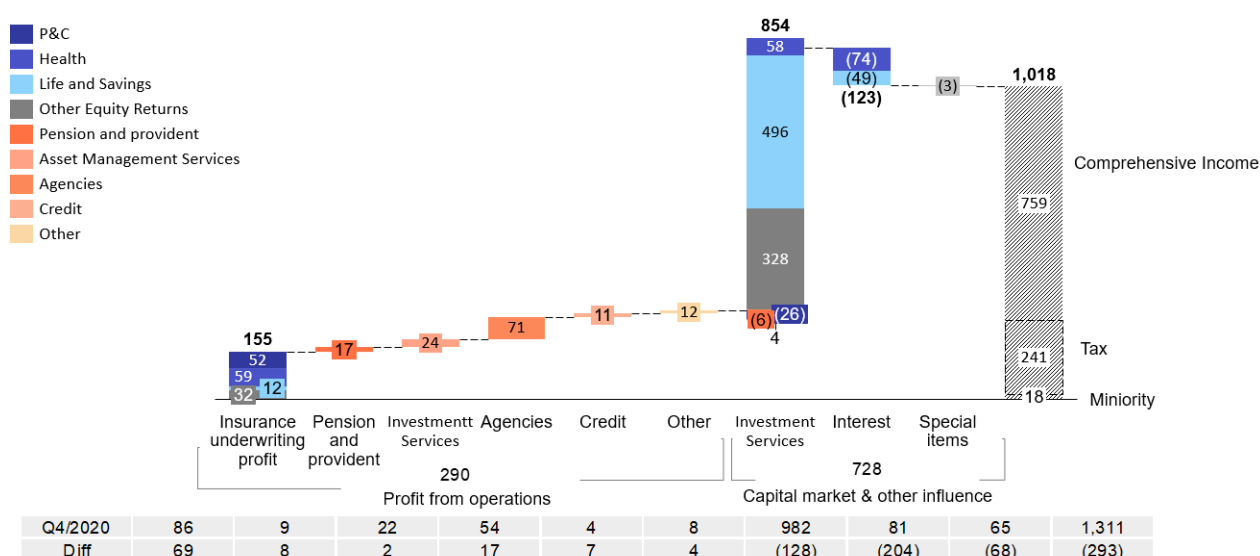
The NIS 266 million decrease in the interest in the reported period compared to last year stemmed mainly from a higher decrease of the risk-free interest rate curve, which increased the insurance reserves compared to last year, and was partially offset by a decrease in insurance reserves as a result of the updating of the rate of illiquidity premium. For further details, please see Section 1.3.15 as stated above.

In the reporting period, Special Items stem mainly from recognition of a NIS 220 million profit from gaining control in Gama; for more information, see Section 1.3.6 above. Furthermore, during the reporting period, following the completion of the transaction for the sale of control in Ad 120, the Company recognized a pre-tax profit (net of transaction costs) of NIS 210 million in the life insurance

and savings segment and a profit of NIS 130 million in the health insurance segment; for more information, see Section 1.3.7 above. On the other hand, the Company increased the long-term care reserve in the health insurance segment by NIS 248 million as a result of changes in morbidity assumptions, cancellations, and expenses.

For information about the effects on the results at the segment level, please see details in Sections 5.6-5.7 below.

Set forth below is an analysis of the sources of the Company's pre-tax income by earnings per activity and earnings from capital market effects, interest rate and Special Items in the fourth quarter of 2021 (in NIS million):



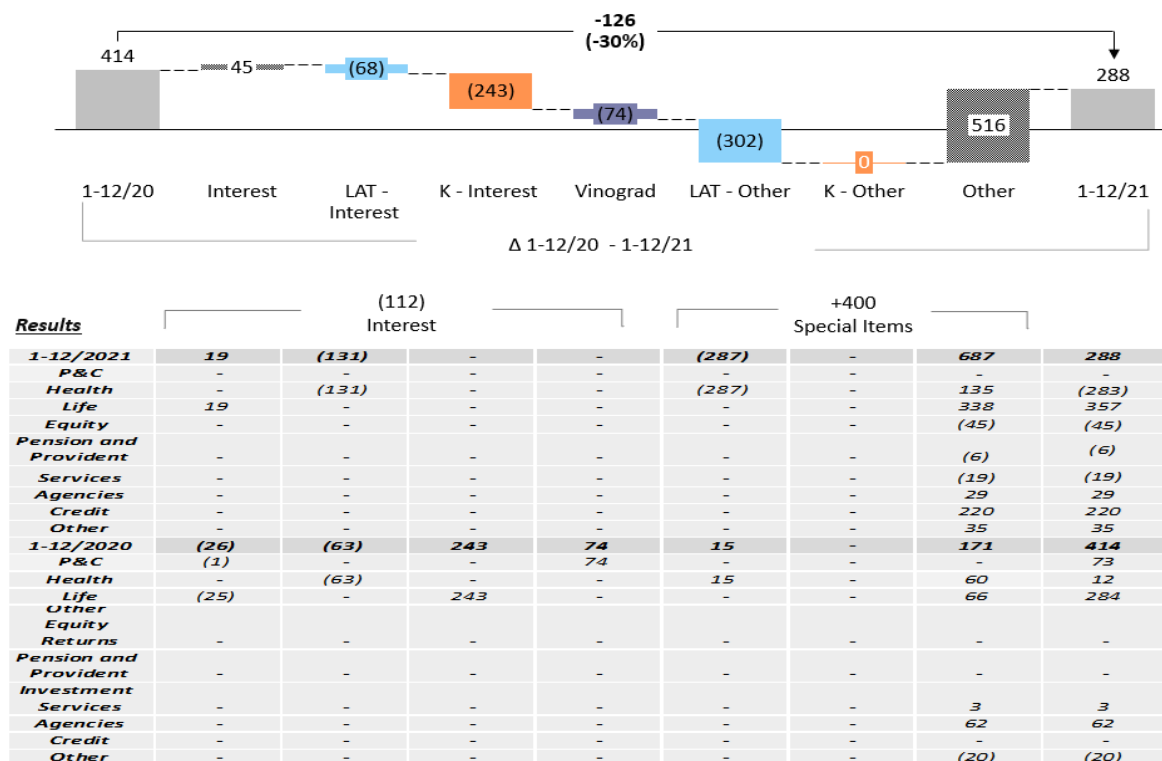
(*) Please see Section 5.4.1.

(**) For information about the Special Items at segment level, see Section 5.4.4, and results at segment level in Sections 5.6-5.7 below.

Operating profit after deducting effects of the capital market, special Items and interest increased by NIS 107 million in the fourth quarter compared to the corresponding period last year; for information about the effects on segment-level results, see Sections 5.6-5.7 below. In the fourth quarter, investment income in excess of a real return of 3% decreased by NIS 128 million due to the rallies in financial markets in Israel and across the world, which were higher in the corresponding quarter last year compared with the fourth quarter in the reporting period. The Special Items mainly includes the NIS 210 million profit recognized by the Company in the fourth quarter in respect of the sale of control in Ad 120; this profit was carried to the life insurance and savings segment as stated above, net of a NIS 153 million increase in the individual long-term care health insurance reserve in the health insurance segment as a result of changes in assumptions, cancellations and expenses.

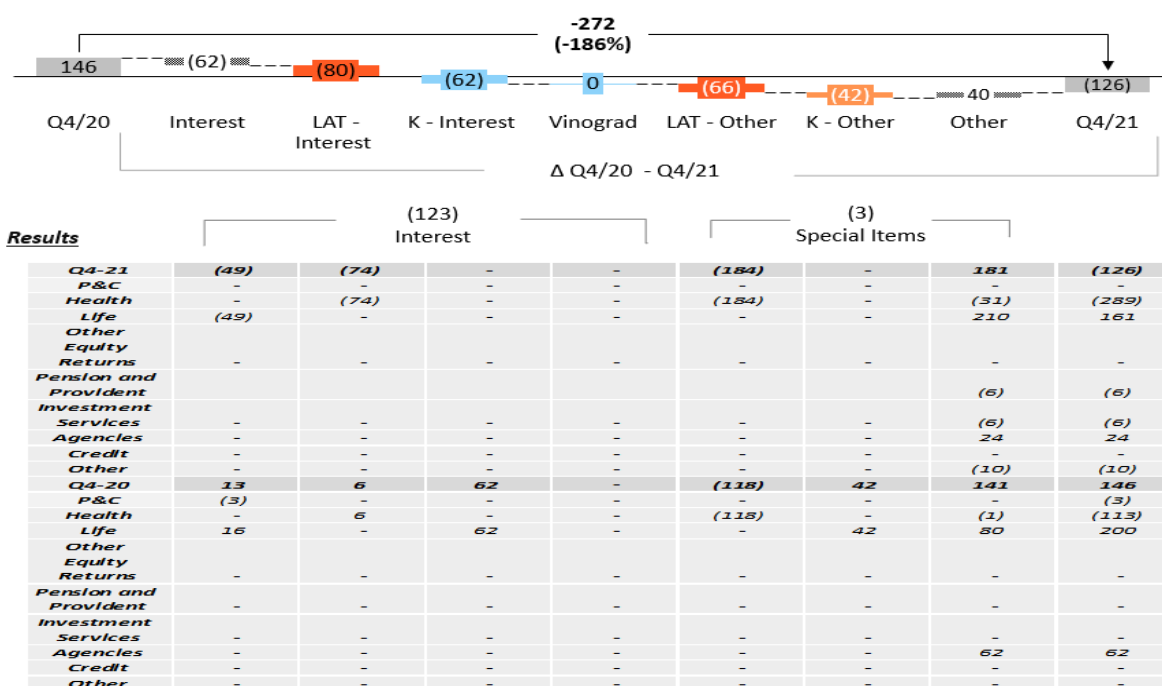
For information about the effects on the results at the segment level, please see details in Sections 5.6-5.7 below.

5.4.4. **Following is an analysis of the interest rate effects and main Special Items on pre-tax insurance liabilities in the reporting year compared with last year (in NIS million):**



(*) Including revision of the illiquidity premium; for further details, please see Section 1.3.15.

Set forth below is an analysis of the difference between the interest effects and main Special Items on pre-tax insurance liabilities in the fourth quarter of 2021 compared with the corresponding quarter last year (in NIS million):



(*) Including revision of the illiquidity premium; for further details, please see Section 1.3.15.

5.5. Set forth below are data regarding the Company's return on equity:

	1-12/2021	1-12/2020	1-12/2019	10-12/2021	10-12/2020
Return on shareholders' equity for the period (based on comprehensive income for the period)(*)	26.3%	18.5%	10.2%	36.5%	53.9%

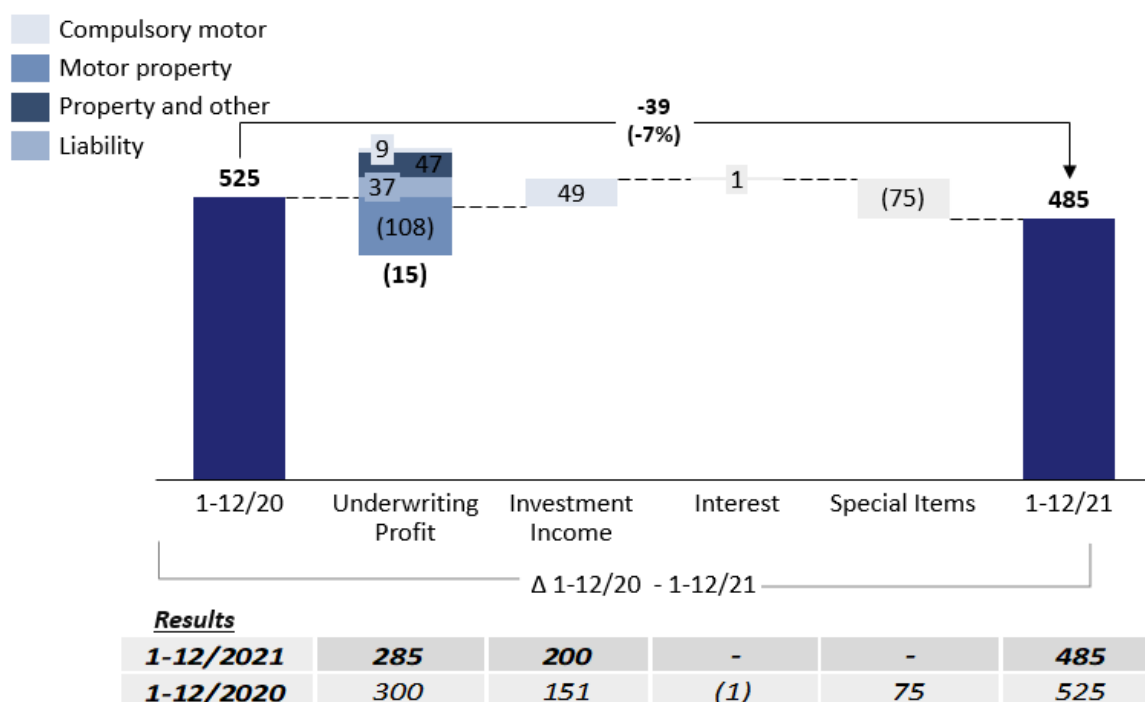
(*) Return on equity is calculated based on the income for the period or comprehensive income for the period attributable to Company's shareholders, adjusted to reflect a one-year period and divided by the average equity for the period.

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

5.6. Description of developments in core areas - insurance

5.6.1. Property and casualty insurance

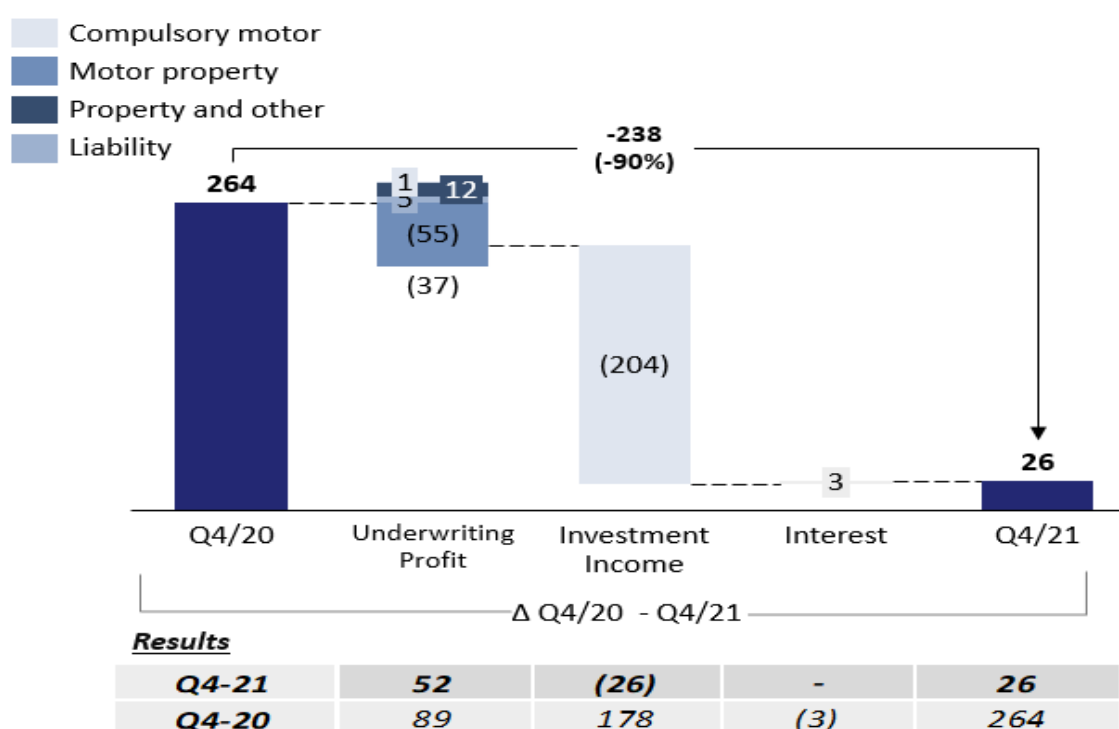
Following is an analysis of the main effects and changes on the results of the property and casualty insurance subsegment for the reporting year compared to last year (in NIS million, before tax):



The decrease in underwriting profits in the reporting year compared with last year stems mainly from the motor property subsegment, where there was an increase in costs of claims mainly due to increase in incidence, and a decrease in the average premium. The decrease in underwriting profits in the reporting year was partially offset by an increase in the underwriting profits in the other property subsegment due to losses in the flight cancellation subsegment due to the spread of Covid-19 last year, and due to underwriting improvements in the liability subsegments. The NIS 49 million increase in

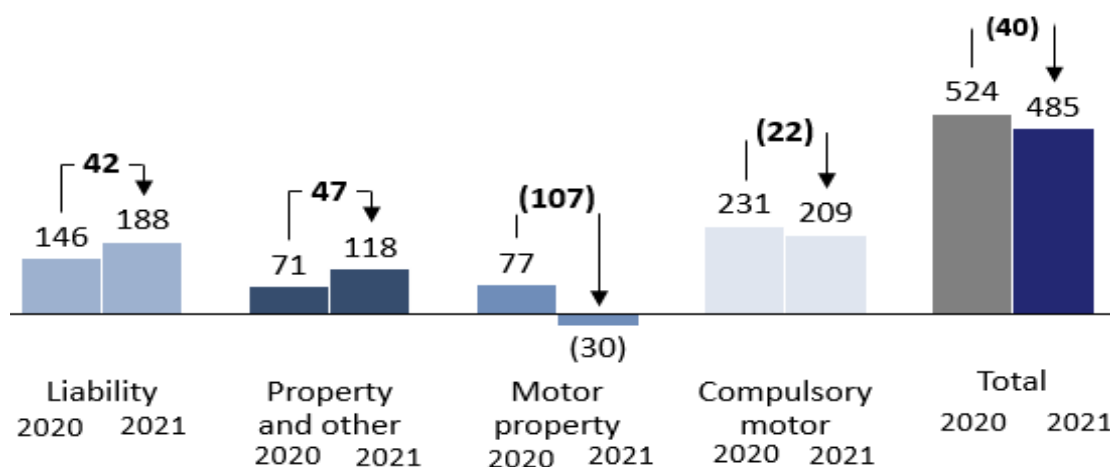
investment income in the reporting year compared to last year stemmed from higher increase in financial markets in Israel and across the world compared with last year. The NIS 75 million decrease in Special Items compared to last year is due to the reduction of the insurance liabilities in the compulsory motor insurance and liability insurance last year as a result of changes in the discount rate of National Insurance Institute allowances (Winograd Commission).

Set forth below is an analysis of the main effects and changes on the results of the P&C insurance subsegment for the fourth quarter of 2021 compared to the corresponding quarter last year (in NIS million, before tax):

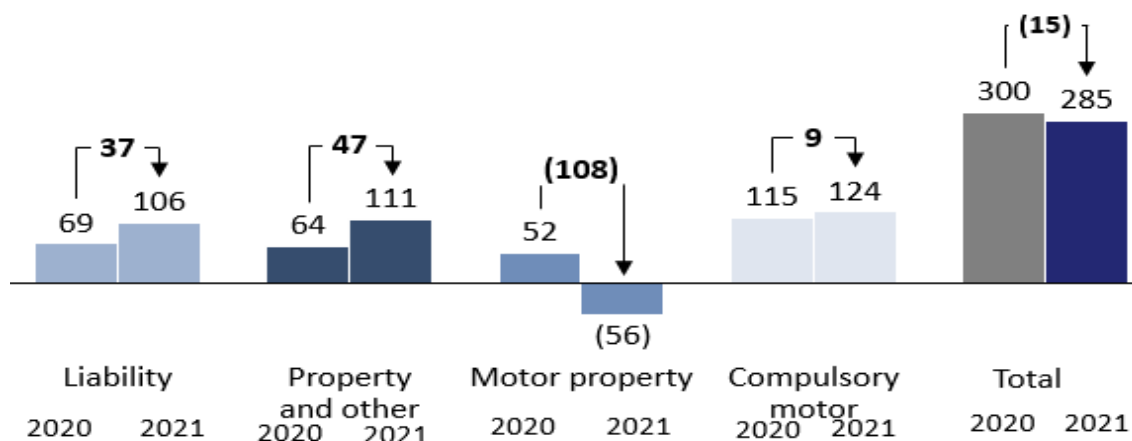


The decrease in underwriting profits in the fourth quarter of the reporting year compared with the corresponding quarter last year stems mainly from a decline in the results of the motor property subsegment, where there was an increase in costs of claims mainly due to increase in incidence and a decrease in the average premium. The results in the fourth quarter compared with the corresponding quarter last year were affected mainly by a NIS 204 million decrease in investment income since the yields in financial markets in Israel and across the world were higher in the fourth quarter last year compared with the fourth quarter this year, after taking into account the recording of losses on the Company's investment in Riskified shares.

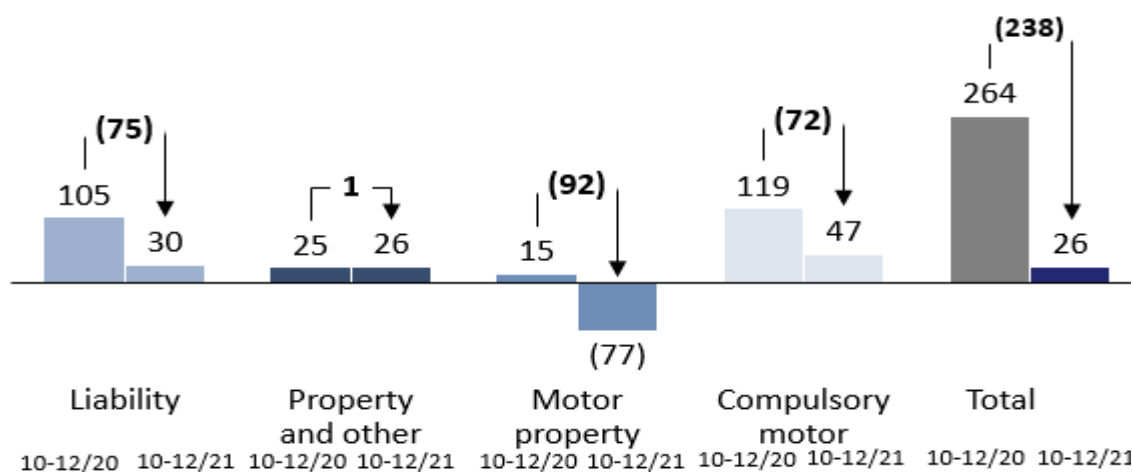
5.6.1.1. **Following is the pre-tax comprehensive income in the various subsegments of property and casualty insurance for the reporting year compared to last year (in NIS million):**



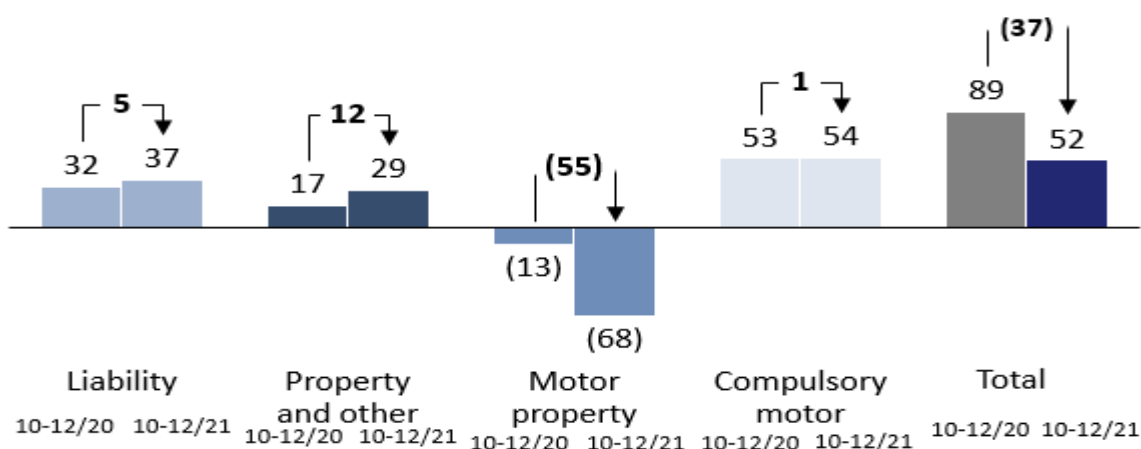
Following are the pre-tax underwriting profit in the various subsegments of property and casualty insurance for the reporting year compared to last year (in NIS million):



5.6.1.2. **Set forth below is the pre-tax comprehensive income in the various subsegments of property and casualty insurance for the fourth quarter of 2021 compared with the corresponding quarter last year (in NIS million, before tax):**



Set forth below are the results of the (pre-tax) underwriting profits (*) in the various subsegments of property and casualty insurance for the fourth quarter of 2021 compared with the corresponding quarter last year (in NIS million, before tax):



5.6.1.3. **Set forth below is the gross loss ratio and combined ratio, and retention loss ratio in the motor property and other subsegments:**

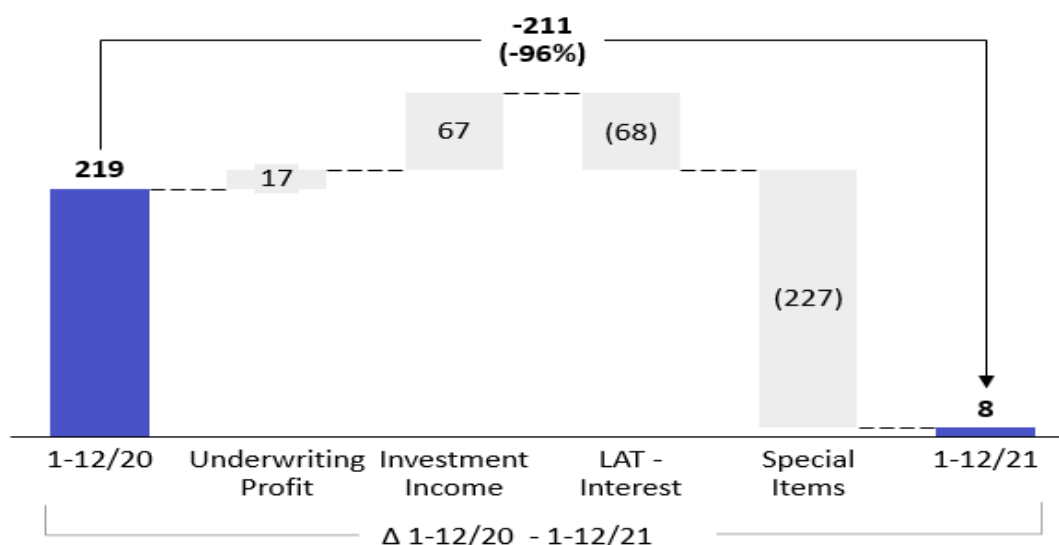
	Motor property		
	In %		
	1-12/2021	1-12/2020	1-12/2019
Gross loss ratio	80.3%	66.8%	66.9%
Retention loss ratio	80.3%	66.9%	66.9%
Gross combined ratio	108.9%	96.4%	96.0%
Retention combined ratio	108.9%	96.4%	96.0%

	Property and other subsegments		
	In %		
	1-12/2021	1-12/2020	1-12/2019
Gross loss ratio	33.2%	40.7%	32.9%
Retention loss ratio	23.5%	37.8%	26.0%
Gross combined ratio	61.2%	68.9%	60.9%
Retention combined ratio	60.4%	76.4%	62.1%

5.6.2. 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 financial market fluctuations, as well as changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on liquid financial asset portfolios held against insurance and contingent claims reserves. It 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.

Following is an analysis of the main effects and changes on the results of the health insurance subsegment for the reporting year compared to last year (in NIS million):



<u>Results</u>					
1-12/2021	168	123	(131)	(152)	8
1-12/2020	151	56	(63)	75	219

The increase in underwriting profits in the reporting period compared to the corresponding period last year is mainly due to a lower loss from travel insurance policies compared with the corresponding period last year as a result of the spread of Covid-19. The NIS 67 million increase in investment income stems from higher rallies in financial markets in Israel and globally during the reporting period, compared with the corresponding period last year.

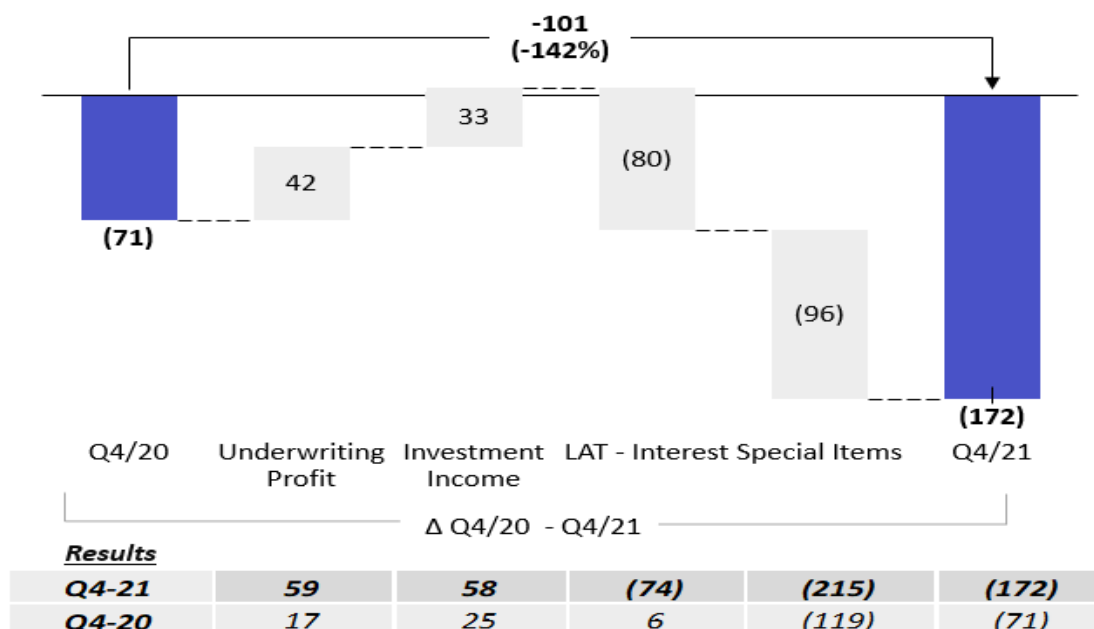
The impact of the decline in the interest rate curve in the reporting period compared with the corresponding period last year caused a NIS 256 million decrease in earnings due to a higher decline of the interest rate curve in the reporting period, compared with last year. The decrease in earnings was partially offset by the updating of the illiquidity premium rate, which reduced the reserves by NIS 188 million compared with the corresponding period last year.

In addition, the results in the reporting period compared with the corresponding period last year were from a NIS 227 million decrease in earnings in the Special Items. During the reporting period, the Company increased the long-term care and health insurance reserves as a result of changes in morbidity assumptions, cancellations, expenses, model updates and other in the amount of NIS 291 million. The decrease in profit due to the increase in reserve was offset following the completion of the sale transaction of Ad 120 (for more information see Section 1.3.7 above); the Company recognized a gain of NIS 130 million. In addition, the profit in the reporting period last year includes a decrease in the individual long-term care and health insurance reserve due to the profitability

embodied in the present value of the current fees and commissions in respect of agencies owned by the Company in the amount of NIS 9 million.

In the corresponding period last year, the Company reduced the long-term care and health insurance reserves by NIS 29 million due to changes in assumptions, expenses, cancellations and model updates, and reduced the long-term care and health insurance reserves by NIS 46 million in respect of the profitability embodied in the present value of the current fees and commissions in respect of agencies owned by the Company.

Set forth below is an analysis of the main effects and changes on the results of the health insurance subsegment for the third quarter of 2021 compared to the corresponding quarter last year (in NIS million):



The increase in underwriting profits in the fourth quarter of the reporting year compared to the corresponding quarter last year is mainly attributed to the recognition of return to reserves in individual health policies. The NIS 33 million increase in investment income stems from higher rallies in financial markets in Israel and globally during the fourth quarter of the reporting year, compared with the corresponding quarter last year. The effect of the decrease in the interest rate curve in the fourth quarter of the reporting year compared with the corresponding quarter last year caused a NIS 378 million decrease in earnings. The decrease in earnings was partially offset by the updating of the illiquidity premium rate, which reduced the reserves by NIS 298 million in the fourth quarter of the reporting year.

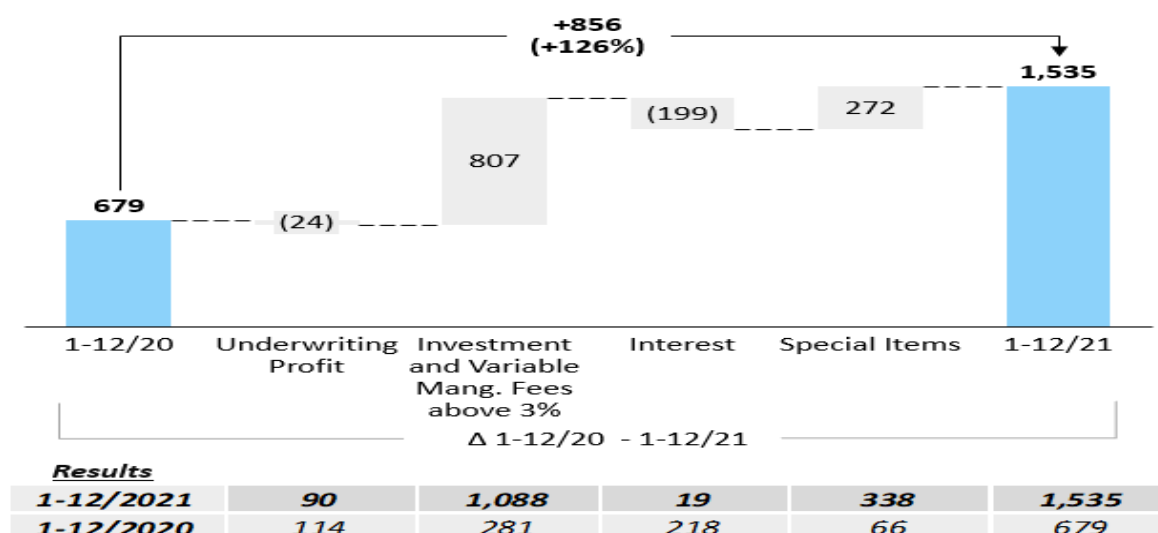
In addition, the results in the fourth quarter of the reporting year compared with the corresponding quarter last year were affected by a NIS 96 million decrease in earnings in the Special Items. In the fourth quarter of the reporting year, the Company increased the long-term care and health insurance reserves as a result of changes in morbidity assumptions, cancellations, expenses, model updates and other in the amount of NIS 224 million. In addition, the profit in the fourth quarter of the reporting year includes a decrease in the individual long-term care and health insurance reserve due to the profitability embodied in the present value of the current fees and commissions in respect of agencies owned by the Company in the amount of NIS 9 million.

In the corresponding quarter last year, the Company increased the long-term care and health insurance reserves by NIS 119 million as a result of changes in assumptions, expenses, and cancellations.

5.6.3. Life insurance and savings

5.6.3.1. 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 financial market fluctuations, as well as changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on liquid financial asset portfolios held against insurance and contingent claims reserves. It should be noted that a significant portion of the investment income was carried to participating policies and has no direct effect on the Company's results.

Following is an analysis of the main effects and changes on the results of the life insurance subsegment for the reporting year compared to last year (in NIS million):



Compared with the corresponding quarter last year, the results in the reporting period were mainly impacted by the increase in income from investments, variable management fees, and Special Items. The NIS 807 million increase in investment income in excess of a real return of 3% stemmed from nostro investments income of NIS 427 million, mainly due to rallies in financial markets in Israel and across the world, and from collection of higher variable management fees at a total amount of NIS 380 million in the reporting period compared to the corresponding period last year, due to rallies in financial markets in Israel and globally in the reporting period compared to the corresponding period last year.

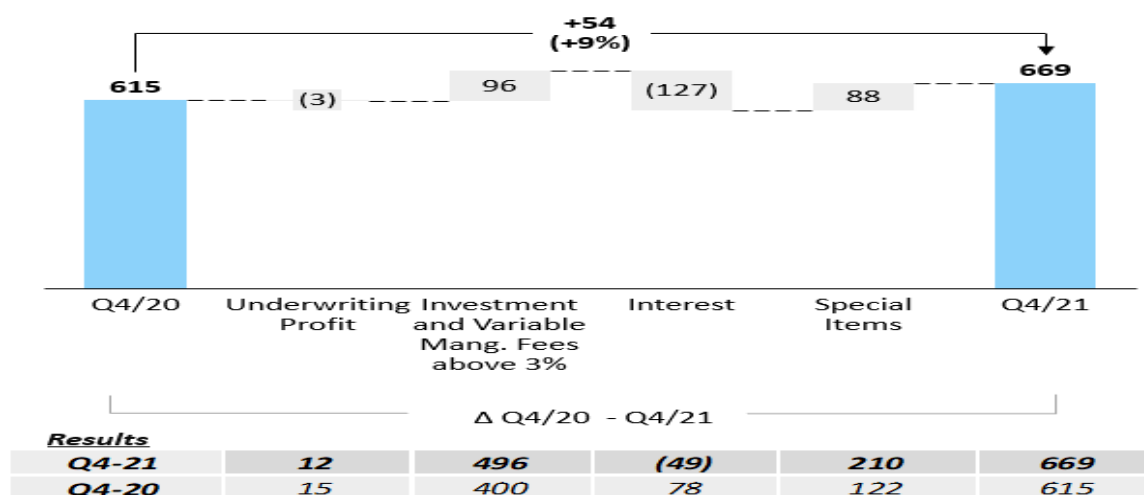
The impact of interest in the reporting period compared to the corresponding period last year caused a NIS 199 million decrease in earnings, mainly due to the decrease in the interest rate curve, which was offset by updating the illiquidity premium in the reporting period compared to a decrease in the interest rate curve, and its effect on the K factor in the corresponding period last year.

The NIS 272 million increase in Special Items stemmed from changes in actuarial assumptions, model updates and provisions for class actions in the reporting period that caused a NIS 128 million decrease in insurance liabilities compared with the corresponding period last year - NIS 66 million. Furthermore, in the fourth quarter of the reporting year, the Company recognized a NIS 210 million profit in respect of the sale of control in Ad 120; for more information, see Section 1.3.7 above.

The NIS 24 million decrease in underwriting profit stemmed mainly from a decrease in the profitability of the life insurance products.

For further details regarding sensitivity of the insurance liabilities to a change in the interest rates and the impact of interest in the reporting year, please see Notes 41(3) and 41(5) to the Annual Financial Statements, respectively.

Set forth below is an analysis of the main effects and changes on the results of the life insurance subsegment for the third quarter of 2021 compared to the corresponding quarter last year (in NIS million):



The results in the fourth quarter of the reporting year were impacted by the increase in investment income in the amount of NIS 96 million, compared with the corresponding quarter last year. The increase in investment income stemmed mainly from the rallies in financial markets in Israel and across the world.

The impact of interest in the fourth quarter of the reporting year compared with the corresponding quarter last year caused a NIS 127 million decrease in earnings mainly due to the decrease in the interest curve in the fourth quarter in the reporting year compared to an increase in the interest curve in the corresponding quarter last year.

The increase in Special Items compared to the corresponding quarter last year stemmed from the recognition - in the fourth quarter of the reporting year - of NIS 210 million in respect of the sale of control in Ad 120 (for more information, see Section 1.3.7 above) compared to the changes in assumptions, model updates and effects on the K factor totaling NIS 122 million in the corresponding quarter last year.

The rate of redemptions out of the average reserve (in annual terms) was approximately 4.79% compared with 4.17% in the corresponding period last year. The increase stemmed in part from internal transfers to The Phoenix Pension and Provident's provident funds. It should be noted that the general state of the economy, transition from product to product, employment rates, Covid-19 crisis, employees' wages, and market competition all affect this rate.

5.6.3.2. Life insurance contracts containing a saving component in respect of funds deposited by 2008, offered two tracks for funds withdrawal: equity track (one-off withdrawal), or an annuity track (with a secured annuity conversion factor), which also offers various tracks that can be selected (such as: life-long, policyholder and spouse, annuity secured for 10 years, and more). In some of the contracts, the policyholder may select the manner of receiving the funds at the time of their withdrawal. Since the insurance liability amount differs in each of these two tracks, the Company must determine the rate of policyholders opting for annuity, and the track that will be selected. This rate was determined based on Company's experience.

As of the report publication date, the Company is conducting a research regarding the retirement age and the rate of policyholders opting for annuity; this is the first time the Company conducts such a research. In the opinion of the Company and to the best of its knowledge, based on preliminary indications and based on the results of similar researches published in the past by other insurance companies, the research may cause a decrease in the liabilities for supplementing the annuity reserve; however, at this stage, the Company is unable to estimate the amount of the said effect. The research is expected to be completed during 2022.

The abovementioned information constitutes forward-looking information, as defined in the Securities Law, 1968, and is based on the information and estimates of the Company as of this date; however, since the research has not yet been completed, what is stated above may not materialize.

5.6.3.3. Set forth below are details concerning estimated net investment earnings attributed to policyholders of yield-dependent insurance policies and management fees calculated according to the Insurance Commissioner's guidelines, based on the return and the insurance reserves balances:

	1-12/2021	1-12/2020	1-12/2019	10-12/2021	10-12/2020
	In NIS million				
Investment gains attributed to policyholders after management fees (*)	10,222	3,333	6,294	3,236	4,896
Management fees	1,221	740	893	402	416

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

5.6.3.4. Weighted returns on participating policies

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

	Policies issued up to 2004 (Fund J)				
	1-12/2021	1-12/2020	1-12/2019	10-12/2021	10-12/2020
Nominal returns before payment of management fees	17.40%	6.61%	13.95%	5.04%	9.08%
Nominal returns after payment of management fees	14.44%	4.99%	11.52%	4.16%	7.91%
Real returns before payment of management fees	14.64%	7.25%	13.61%	4.84%	9.08%
Real returns after payment of management fees	11.76%	5.61%	11.18%	3.96%	7.91%

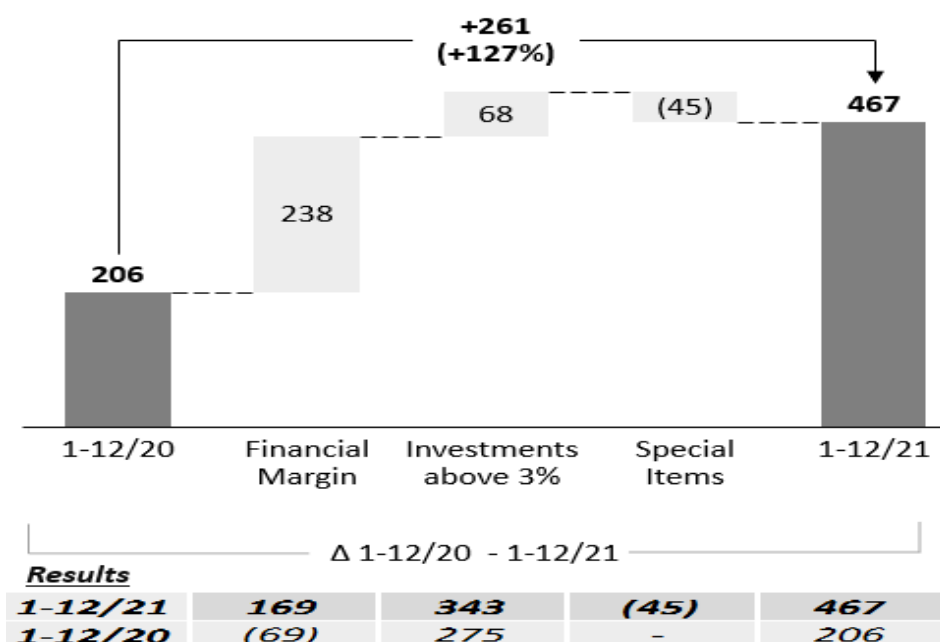
Fluctuations in these returns are a function of capital market returns in Israel and abroad, changes in the consumer price index, and changes in the exchange rate of the shekel against major currencies.

5.6.3.5. Set forth below are the nominal returns on yield-dependent policies in respect of policies issued from 2004 and thereafter

	Policies issued from 2004 and thereafter				
	1-12/2021	1-12/2020	1-12/2019	10-12/2021	10-12/2020
Nominal returns before payment of management fees	15.33%	7.03%	13.48%	4.57%	9.12%
Nominal returns after payment of management fees	14.25%	5.97%	12.34%	4.32%	8.85%
Real returns before payment of management fees	12.63%	7.67%	13.14%	4.36%	9.12%
Real returns after payment of management fees	11.57%	6.61%	12.00%	4.12%	8.85%

5.6.4. Capital gains - other

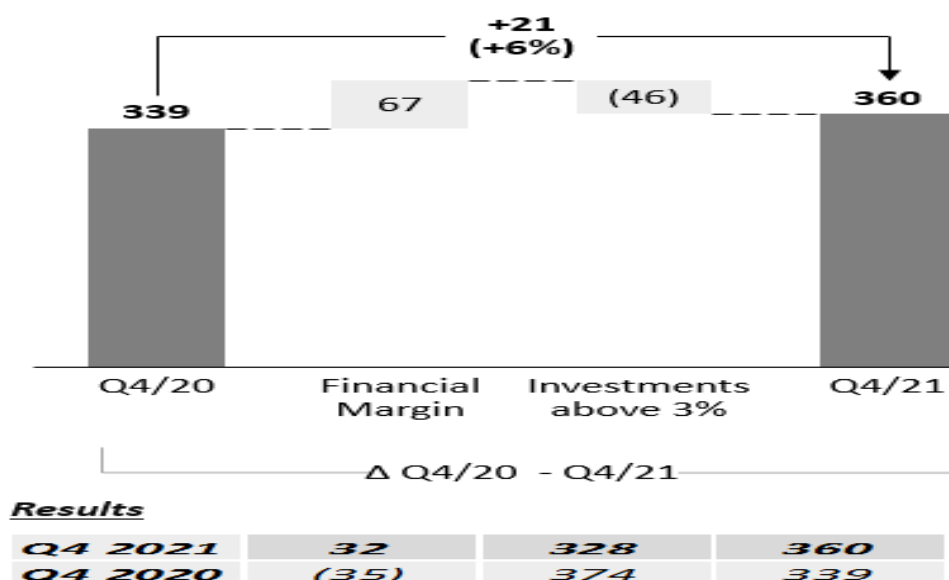
Following is an analysis of the main effects and changes of other capital gains for the reporting year compared to last year (in NIS million):



The increase in investment income in the reporting year compared to last year stemmed from higher increase in financial markets in Israel and across the world compared with last year.

In the reporting year, the Special Items included the loss from repayment of the Tier 1 capital note by The Phoenix Insurance; for more information, see Section 1.3.14.

Set forth below is an analysis of the main effects and changes of other capital gains for the fourth quarter of 2021 compared to the corresponding quarter last year (in NIS million):



5.7. Description of developments in other core activities

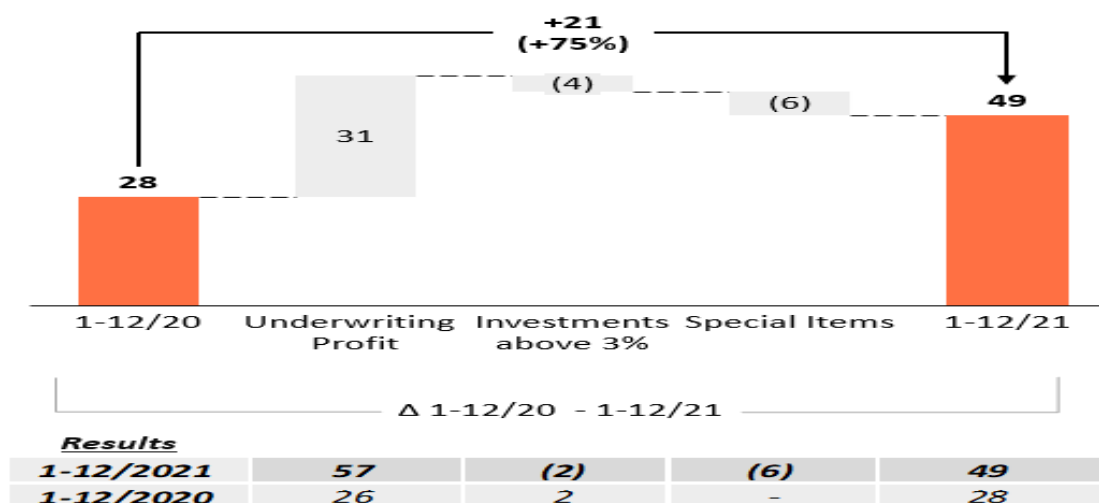
5.7.1. The field of asset management - pension and provident

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 1.3.5 below. The Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident Fund. In addition, the Group manages - through Halman-Aldubi IEC Gemel Ltd. - the central provident fund for annuity of Israel Electric Corporation employees. As of the report date, the Company holds - directly and indirectly - 100% of the shares of The Phoenix Pension and Provident, and 100% of the shares of Halman-Aldubi IEC Gemel Ltd.

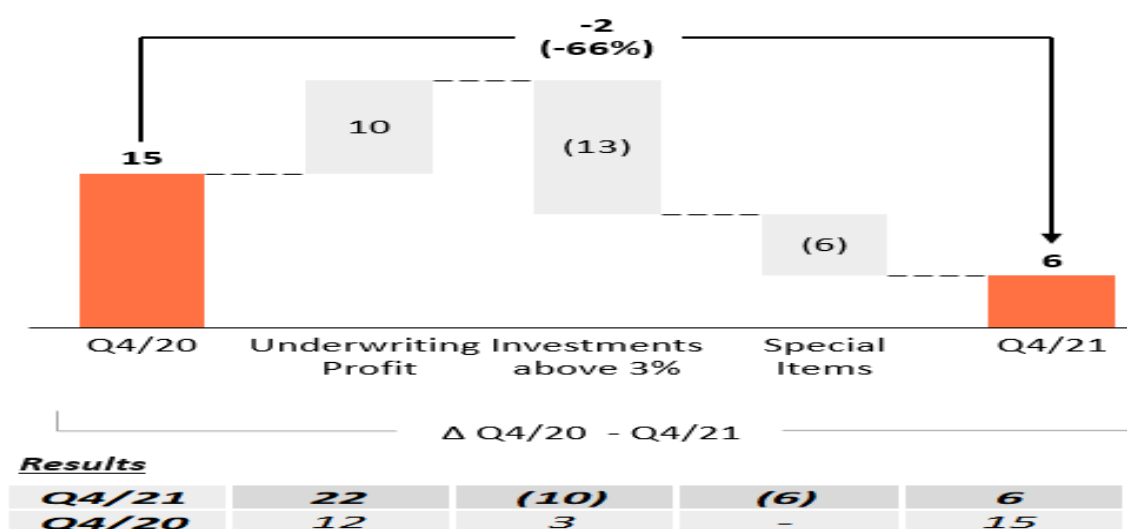
In the reporting year, the transfer of the shares of The Phoenix Pension and Provident from The Phoenix Insurance to the Company was completed (see Section 1.3.10 above). Furthermore, in the reporting year, the merger of Halman Aldubi Provident's pension and provident funds activity with and into The Phoenix Pension and Provident Fund was completed. In view of the above, and due to the Company's viewing the field of asset management as a field comprising asset management in the short term through Excellence investment house, and asset management in the medium and long-term through The Phoenix Pension and Provident and Halman-Aldubi IEC Gemel Ltd., the Company decided to present the field of pension and provident asset management as a separate segment as from this report.

It should be noted that The Phoenix group has recently started a restructuring in the Group, as part of which the shares of Halman-Aldubi IEC Gemel Ltd. will be transferred such that this management company will also be held directly by the Company. For information about the restructuring, see Section 1.3.12 above.

Following is an analysis of the main effects and changes on the results of the asset management - pension and provident subsegment for the reporting year compared to last year (in NIS million)



Set forth below is an analysis of the main effects and changes on the results of the asset management - pension and provident segment for the fourth quarter of 2021 compared to the corresponding quarter last year (in NIS million):



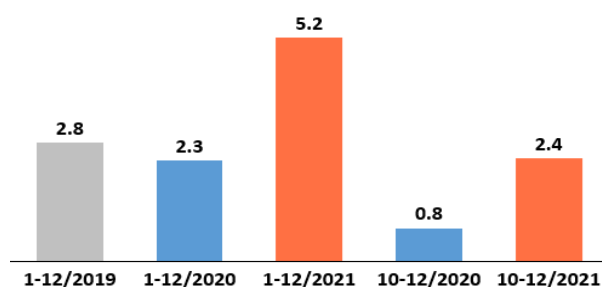
5.7.1.1. **Provident funds subsegment**

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

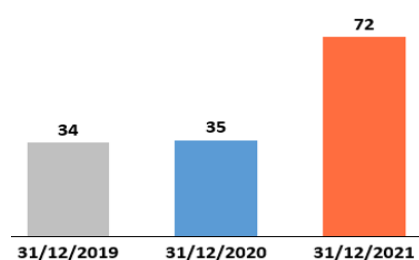
The pre-tax comprehensive income in the reporting period amounted to approximately NIS 30 million compared to approximately NIS 32 million last year. The decrease in the profit compared to last year stems mainly from Special Items due to the Halman Aldubi merger; for more information, see Section 1.3.5 above.

Set forth below are developments in contributions towards benefits and total assets under management:

Contributions towards benefits (NIS billion)



Assets under management (NIS billion)



Based on Ministry of Finance data⁵, aggregate contributions towards benefits in the provident funds subsegment in the reporting year totaled approximately NIS 58.7 billion, compared to a total of approximately NIS 47.1 billion last year, reflecting an increase of approximately 24.6%. According to Ministry of Finance data, as of December 31 2021, total assets under management in the provident funds subsegment amounted to a total of approximately NIS 688 billion, compared to approximately NIS 579 billion on December 31 2020, an increase of approximately 18.8%.

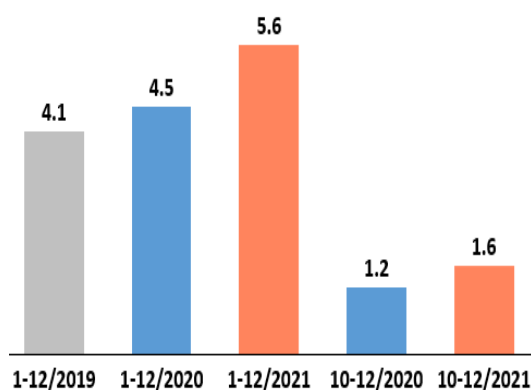
5.7.1.2. Pension funds subsegment

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

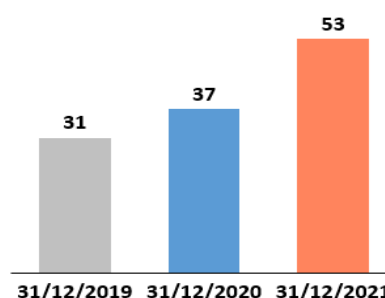
The pre-tax earnings in the reporting period amounted to NIS 19 million compared with a pre-tax loss of NIS 4 million last year. The increase in earnings stemmed mainly from increase in returns in the financial markets, which resulted in a NIS 12 million increase in the management company's income from nostro investments compared with last year, and from an increase in management fees, offset by the increase in general and administrative expenses and marketing expenses.

Set forth below are developments in contributions towards benefits and total assets under management:

Contributions towards benefits (NIS billion)



Assets under management (NIS billion)



Based on Ministry of Finance data,⁶ aggregate contributions towards benefits in the new comprehensive pension funds subsegment in the reporting year totaled approximately NIS 50.8 billion, compared to a total of approximately NIS 45.3 billion in the corresponding period last year, reflecting an increase of approximately 12.1%.

⁵ Based on Gemel Net data.

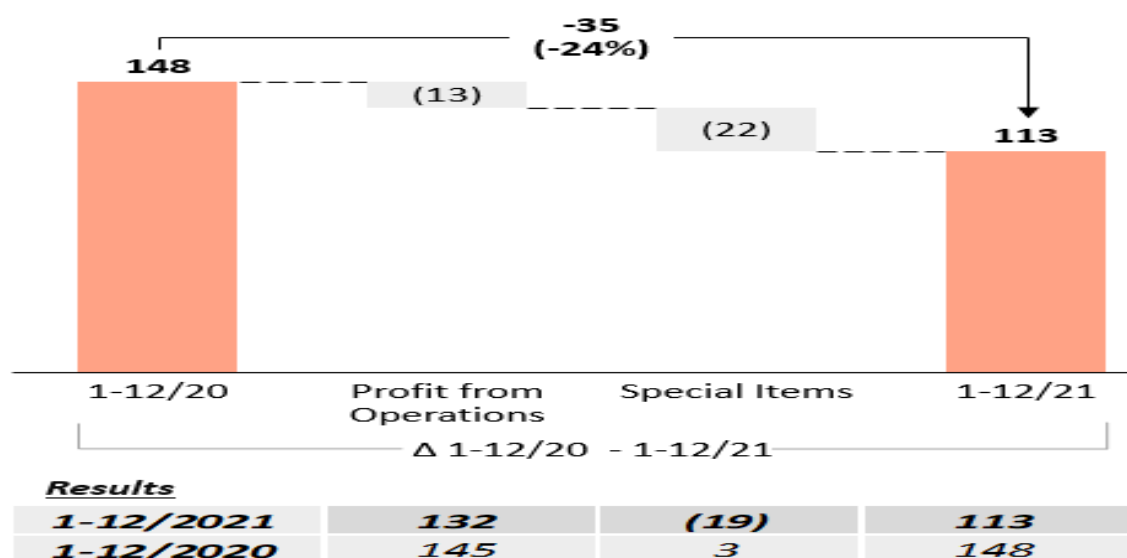
⁶ Based on Pension Net data.

According to Ministry of Finance data, as of December 31 2021, total assets under management in the new comprehensive pension funds subsegment amounted to a total of approximately NIS 577 billion, compared to approximately NIS 465 billion on December 31 2020, an increase of approximately 24.1%.

5.7.2. **Investment management - financial services**

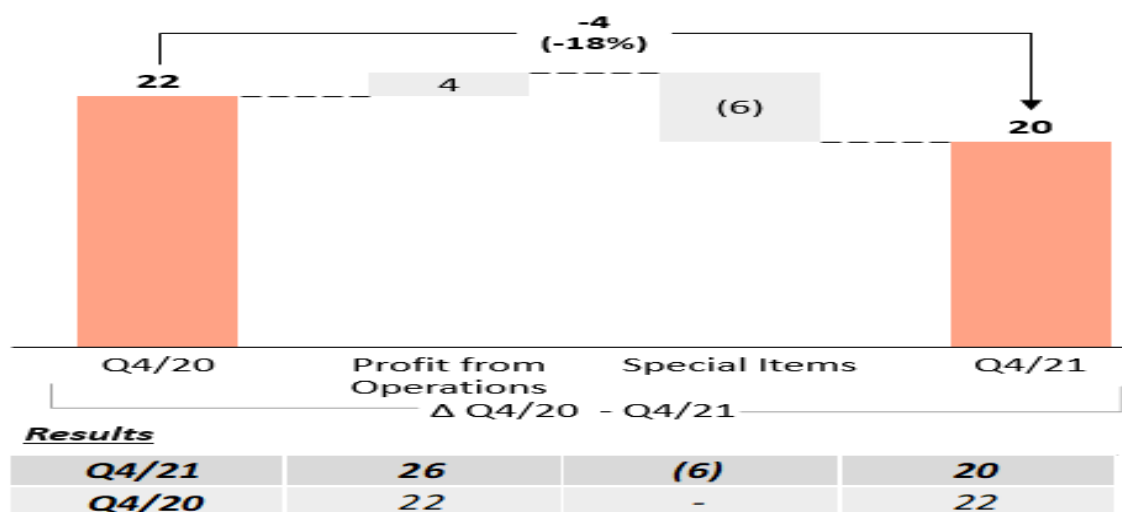
Most of the segment's activities are carried out through Excellence.

Following is an analysis of the main effects and changes on the results of financial services subsegment for the reporting year compared to last year (in NIS million):



The decrease in operating profit in the reporting year compared to last year was mainly due to a significant gain in market-making activity as a result of the outbreak of Covid-19 and volatility in capital markets last year in the amount of NIS 20 million; furthermore, there was also a decline in the spreads on foreign currency deposits in the amount of NIS 16 due to declining interest rates; these effects were partially offset by an increase in income from management fees during the reporting period. The decrease in profit in the special items stems mainly from an increase in acquisition expenses as a result of the growth strategy in the retail brokerage portfolio, and zero management fees in KSM; for more information, see Section 1.3.16.

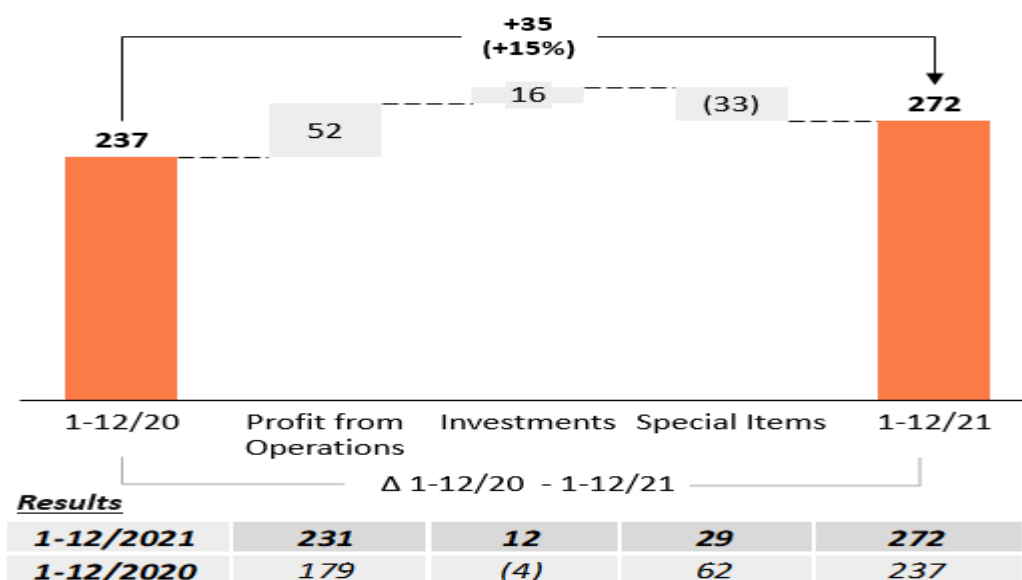
Set forth below is an analysis of the main effects and changes on the results of the financial services segment for the fourth quarter of 2021 compared to the corresponding quarter last year (in NIS million):



The profit in the fourth quarter of the reporting year compared to the corresponding quarter last year decreased mainly due to the Special Items mainly due to an increase in the acquisition expenses as a result of the growth strategy in the retail brokerage portfolio and zero management fees in KSM; for further details, see Section 1.3.16 above.

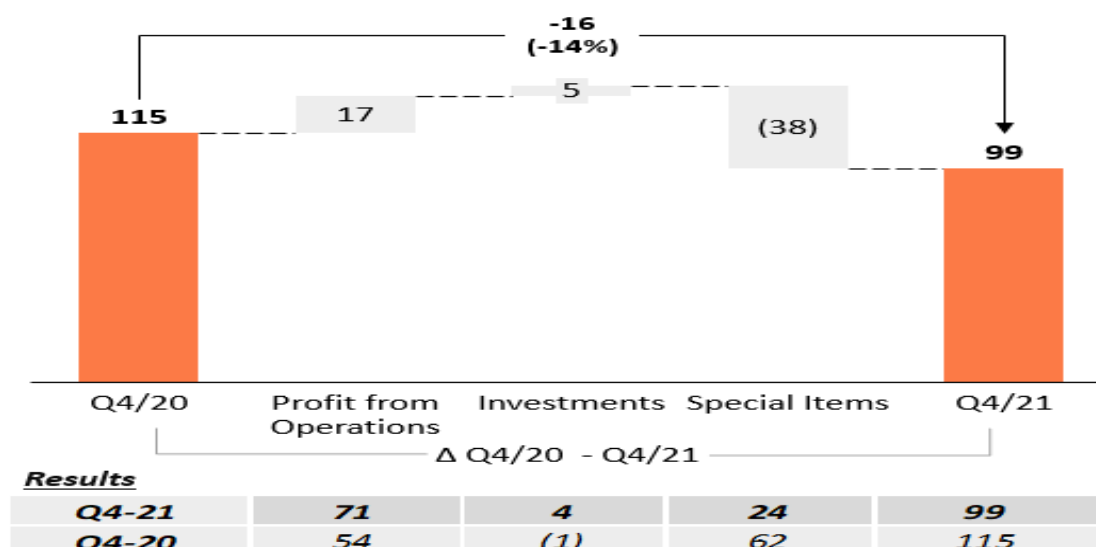
5.7.3. **The insurance agencies segment**

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



the increase in the Insurance Agencies Segment's operating profit stems primarily from continued growth, increase in agencies' sales further to the continued implementation of the Company's strategy of purchasing new agencies and operations.

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

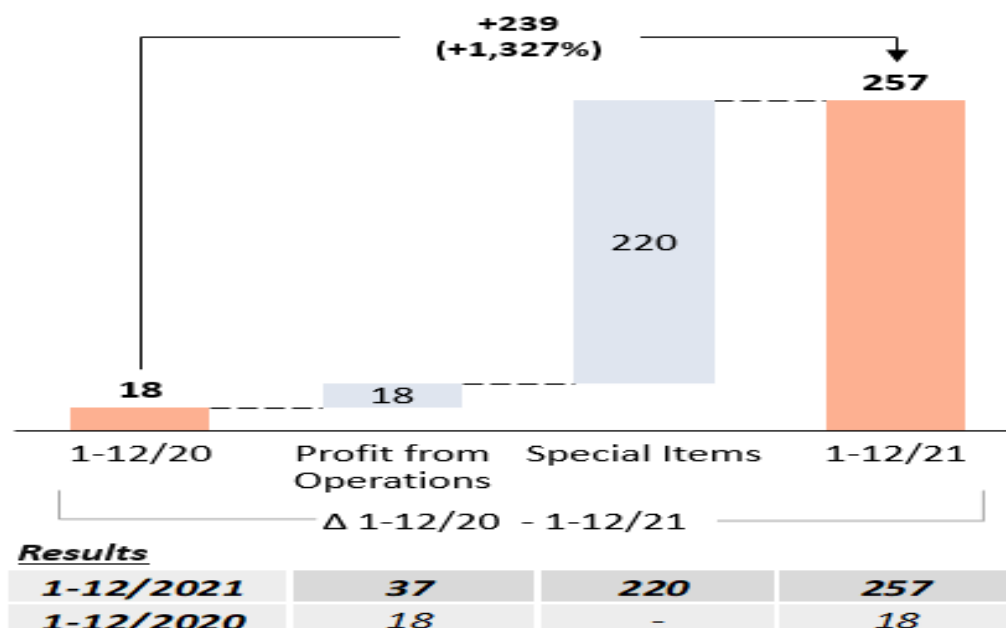


In the fourth quarter of the reporting year, the profit decreased compared to the corresponding quarter last year mainly due to the special items (a NIS 38 million effect), mainly as a result of a one-off profit from revaluation of a company consolidated for the first time in the fourth quarter last year.

5.7.4. **The Credit Segment**

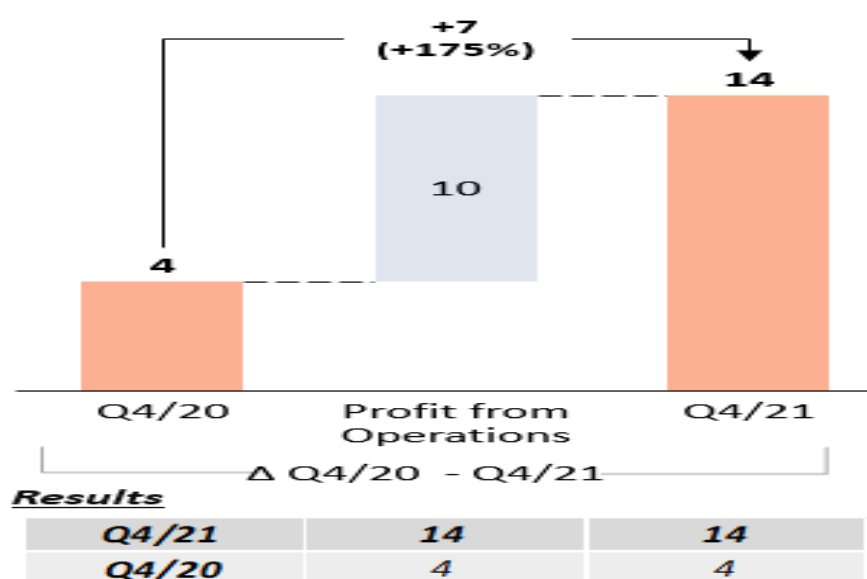
In June 2021, Gama Management and Clearing Ltd. completed its IPO on the TASE following the Supplementary Prospectus for of the sale offer and initial public offering of shares, and listing of its shares on the TASE, dated May 31, 2021. Simultaneously with the execution of the Offering in accordance with the Prospectus, The Phoenix Investments purchased additional Gama shares, such that after the Offering and the acquisition of the Purchased Shares, The Phoenix Investments holds approximately 60% of Gama's issued and paid-up share capital and voting rights therein and became the controlling shareholder in Gama. During the reporting period, the Company consolidated Gama's financial statements for the first time.

Following is an analysis of the main effects and changes on the results of the credit segment for the reporting year compared to last year (in NIS million):



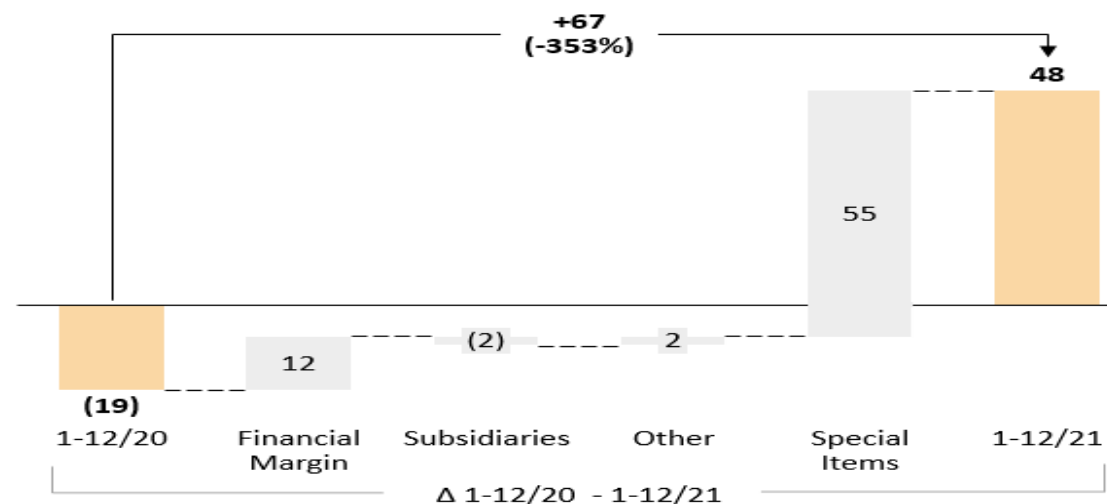
It should be noted that Gama's operating profit includes a pro rata profit, in accordance with the Company's holding rates during the reporting period. Until June 30, 2021 at a holding rate of 49% and as of July 1, 2021 - at full consolidation, non-controlling interest registration, and amortization of intangible assets subsequent to assuming control (60%) as mentioned above. Furthermore, the Special Items includes a gain from assuming control at the total amount of NIS 220 million.

Set forth below is an analysis of the main effects and changes on the results of the credit segment for the fourth quarter of 2021 compared to the corresponding quarter last year (in NIS million):



5.7.5. Other segments and operation not attributed to the operating segments

Set forth below is an analysis of the main effects and changes on the results of "other" segment and activity that is not attributed to activity segments in the reporting year compared to last year (in NIS million, before tax):

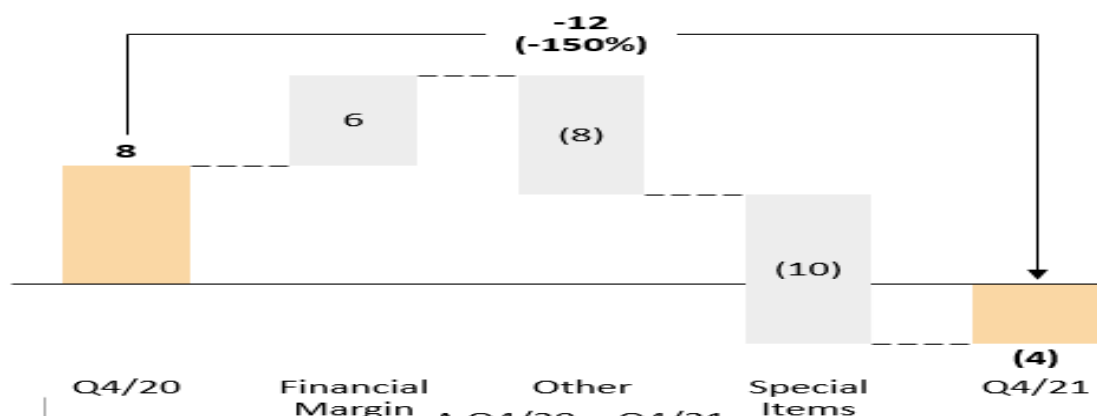


Results

1-12/21	29	(2)	(14)	35	48
1-12/20	17	-	(16)	(20)	(19)

Compared with the corresponding period last year, the results in the reporting year were mainly impacted by a NIS 55 million increase in the Special Items. In the reporting year, the NIS 35 million gain stemmed from a gain arising from early redemption of capital note in the insurance company (see Section 1.3.14 above), offset against early redemption of Company's bonds. In the corresponding period last year, the NIS 20 million loss stemmed from redemption of the Company's bond.

Set forth below is an analysis of the main effects and changes on the results of "other" segment and activity that is not attributed to activity segments in the fourth quarter of 2021 compared to the corresponding quarter last year (in NIS million, before tax):



Results

Q4 2021	16	(10)	(10)	(4)
Q4 2020	10	(2)	-	8

5.8. **Analysis of cash flow development**

5.8.1. **Cash flow in 2021**

The consolidated cash flows from operating activities in the reporting year amounted to approximately NIS 4,547 million. The consolidated cash flows used in investing activities in the reporting year amounted to approximately NIS 215 million and included mainly a total of NIS 283 million used to purchase intangible assets and to capitalize costs of intangible assets, NIS 78 million used to purchase property, plant and equipment, NIS 476 million used to acquire consolidated companies which were consolidated for the first time, and NIS 596 million from the sale of a company that was previously consolidated.

The consolidated cash flow used in financing activities in the reporting year amounted to approximately NIS 403 million; the cash flows included, among other things, a total of NIS 798 million arising from the issuance of financial liabilities, a total of NIS 389 million used for undertakings for repurchase of government bonds and Makams (T-bills), a total of NIS 580 million to be used to pay dividend to the shareholders, and NIS 207 million to be used to repay 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 year to approximately NIS 15,940 million at the end of the reporting year.

5.8.2. **Funding sources and liquidity**

For liquidity purposes, the Company relies, among other things, on net financial assets and on distribution of dividends by some of its investees. Set forth below is a breakdown of the material investees for liquidity purposes.

It is hereby clarified that some of the investees are subject to regulatory provisions in addition to the distribution restrictions set in the Companies Law, 1999:

- A. The Phoenix Insurance - the dividends from The Phoenix Insurance depend on the solvency ratio target set by the Board of Directors, which is higher than the minimum target set by the Banking Supervision Department; the dividends also depend on the policy set by the Board of Directors of The Phoenix Insurance, see Section 2.1 above.

For the purpose of making a conservative assessment of the Company's future cash flows, the Company assumes a payment of dividend by The Phoenix Insurance to the Phoenix Holdings in accordance with the work plan.

The Company considers its holding in a Restricted Tier 1 capital instrument of The Phoenix Insurance, which is traded on the TACT-Institutionals trading platform as a source of liquidity, and classifies this holding as a financial investment.

- B. The Phoenix Pension and Provident - the dividend paid by The Phoenix Pension and Provident depend on the capital requirements set by the Banking Supervision Department, and on The Phoenix Pension and Provident's dividend distribution policy. The Company does not expect payment of dividend by The Phoenix Pension and Provident in the next two years. However, for purposes of the future cash flow, the Company takes into account the repayment of the loan it extended to The Phoenix Pension and Provident.

Furthermore, the Company controls the following entities which are not subject to special Regulatory Restrictions in addition to the Companies Law:

- A. The Phoenix Agencies - the Company presents the net financial assets of The Phoenix Agencies within its net financial assets. These assets include a short-term loan extended by The Phoenix Agencies or agencies under its control to The Phoenix Insurance for the purpose of central management of the net financial assets.
- B. The Phoenix Investments - the Company presents the net financial assets of The Phoenix Investments as part of its net financial assets. The Company assumes a payment of dividend by Excellence to The Phoenix Investments in accordance with the work plan.

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

Set forth below is a table providing a breakdown of the net financial debt (the table includes the following companies: the Company, The Phoenix Investments and The Phoenix Agencies as stated above, and does not include The Phoenix Insurance and The Phoenix Pension and Provident, which are subject to Regulatory Restrictions in addition to the distribution restrictions set out in the Companies Law, 1999):

	As of December 31 2021
<u>Financial assets</u>	
Cash and cash equivalents	154
Other financial investments ^(*)	1,101
Total assets	1,255
<u>Less current maturities</u>	
Financial liabilities - current ^(**)	316
<u>Current financial assets net of current maturities</u>	940
<u>Non-current financial liabilities</u>	
Non-current financial liabilities	1,130
Other liabilities	10
Total liabilities	1,140
<u>Net financial debt</u>	(200)
<u>LTV</u>	2% ^(***)

(*) The other financial investments include an investment in a Restricted Tier 1 capital instrument of The Phoenix Insurance, which is traded on the TACT-Institutionals trading platform, amounting to NIS 937 million (fair value as of December 31 2021 - NIS 1,122 million).

(**) For more information about early repayment of Bonds (Series 3), see Section 1.3.26 above.

(***) The Company LTV is calculated as net financial debt as described above, in relation to the Company's market value as of December 31 2021. For the calculation of LTV in accordance with financial covenants, please see Section 8.3 below.

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

6.1. The Group's risk management activities are designed to support and protect the Group against unexpected losses, which might prevent it from achieving its business objectives. The existing risk management system is based on fundamental principles of risk management and controls, which include, inter alia, proper involvement and understanding of risk management by the Board of Directors, providing tools for assessing and measuring risk, and putting in place supervision and control measures in respect of those risks. The following chapter presents exposure to market risks; position data and sensitivity tests do not include the insurance company, which accounts for most of the activity in the consolidated company (for a description of the corporation's risks and risk management policies and supervision thereof, please see Note 41 to the Financial Statements).

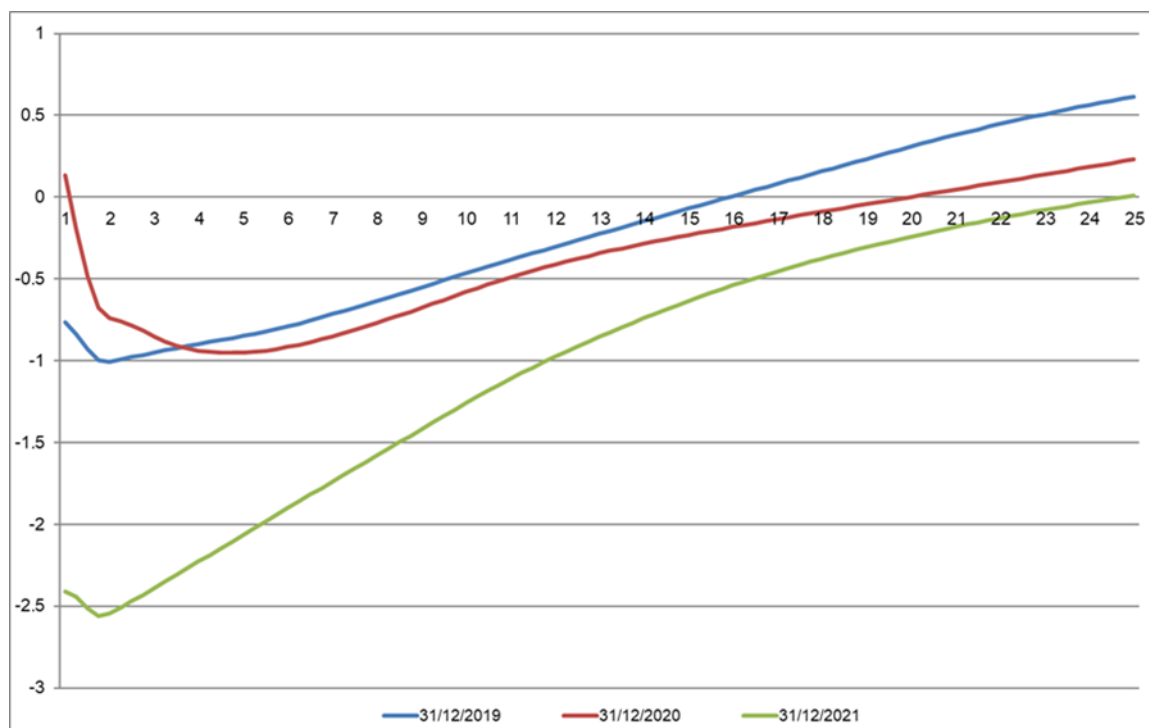
Definitions for this section:

1. The **"Group"** - The Phoenix Holdings, including its consolidated companies, with the exception of The Phoenix Insurance and Gama Management and Clearing Ltd., which are referred to below.
2. **"Nostro Assets"** - financial assets held by the Group.
3. **"Nostro Liabilities"** - the Group's financial liabilities.

The person in charge of market risk management in the corporation:

The person in charge of market risk management in the Group is Mr. Amit Netanel. The Chief Risk Officer received the full cooperation of the Company's management and Board of Directors in all matters required to fulfill his duties.

Following is the linked risk-free interest rate curve ("spot")



The following tables summarize the results of sensitivity tests for the nostro assets (as defined above) on comprehensive income before tax, as of December 31 2021. The results are presented in NIS million, and do not include the insurance company:

Risk factor – CPI-linked interest rate

Type of instrument	Profit (loss) from changes in the risk factor			Fair value	Profit (loss) from changes in the risk factor		
	Absolute increase of 2%	10% increase	5% increase		5% decrease	Decrease of 10%	Absolute decrease of 2%
Government bonds	(0.9)	(0.1)	-	9	-	0.1	0.9
Corporate bonds	(2.9)	(0.3)	(0.1)	46.2	0.1	0.3	2.9
Capital note to the insurance company	(122.9)	(12.8)	(6.4)	1,344.2	6.3	12.6	139.9
Total assets	(126.7)	(13.2)	(6.5)	1,399.4	6.4	13	143.7
The Phoenix bonds*	72.4	7.1	3.5	(876.0)	(3.5)	(7.0)	(83.5)
Total liabilities	72.4	7.1	3.5	(876.0)	(3.5)	(7.0)	(83.5)
Total	(54.3)	(6.1)	(3)	523.4	2.9	6	60.2

- (*) The value of The Phoenix's bonds under the model is 2.79% lower than their market value (901). The reason is that the credit spread reflected in The Phoenix's bonds is lower than the average risk spread for similarly rated bonds.

Risk factor - NIS interest rate

Type of instrument	Profit (loss) from changes in the risk factor			Fair value	Profit (loss) from changes in the risk factor		
	Absolute increase of 2%	10% increase	5% increase		5% decrease	Decrease of 10%	Absolute decrease of 2%
Government bonds	(1.1)	-	-	23.2	-	-	1.1
Corporate bonds	(0.7)	-	-	11.3	-	-	0.7
Total assets	(1.8)	-	-	34.5	-	-	1.8
The Phoenix bonds*	16.6	0.3	0.2	(623.6)	(0.2)	(0.3)	(18.3)
Total liabilities	16.6	0.3	0.2	(623.6)	(0.2)	(0.3)	(18.3)
Total	14.8	0.3	0.2	(589.1)	(0.2)	(0.3)	(16.5)

- (*) The value of The Phoenix's bonds under the model is 0.42% lower than their market value (626), the reason being that the credit spread reflected in The Phoenix's bonds is lower than the average spread for similarly rated bonds.

Risk factor - foreign currency (basis risk)*

Type of instrument	Profit (loss) from changes in the risk factor		Fair value	Profit (loss) from changes in the risk factor	
	10% increase	5% increase		5% decrease	Decrease of 10%
Corporate bonds	0.1	0.1	1.4	(0.1)	(0.1)
Cash in foreign currency	0.0	0.0	0.3	(0.0)	(0.0)
Forwards	(1.1)	(0.6)	(11.1)	0.6	1.1
Foreign stocks	1.4	0.7	13.6	(0.7)	(1.4)
Total assets	0.4	0.2	4.2	0.2-	0.4-
Total	0.4	0.2	4.2	0.2-	0.4-

(*) The maximum daily increases and decreases observed in the past 10 years across all relevant currencies were less than 10% in absolute value terms.

Risk factor - Israeli shares (basis risk)*

Type of instrument	Profit (loss) from changes in the risk factor		Fair value	Profit (loss) from changes in the risk factor	
	10% increase	5% increase		5% decrease	Decrease of 10%
Israeli shares	16.8	8.4	171.5	(7.6)	(14.2)
Total assets	16.8	8.4	171.5	(7.6)	(14.2)
Total	16.8	8.4	171.5	(7.6)	(14.2)

(*) The maximum daily increases and decreases observed in the past 10 years across all relevant share indices were less than 10% in absolute value terms.

Risk factor - foreign shares*

Type of instrument	Profit (loss) from changes in the risk factor		Fair value	Profit (loss) from changes in the risk factor	
	10% increase	5% increase		5% decrease	Decrease of 10%
Foreign stocks	1.4	0.7	13.6	(0.7)	(1.4)
Total assets	1.4	0.7	13.6	(0.7)	(1.4)
Total	1.4	0.7	13.6	(0.7)	(1.4)

(*) The maximum daily increases and decreases observed in the past 10 years across all relevant share indices were less than 10% in absolute value terms.

Assumptions underlying the calculations

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

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

6.2. Gama Management and Clearing Ltd.

6.2.1. Officer in charge of management of credit risks in Gama

The officer in charge of management of credit risks in Gama is Mr. Haim Castro, VP Credit Risks Management in Gama. Mr. Haim Castro's key roles as the officer in charge of management of credit risks include: identifying and assessing the credit exposures; creation and management of control mechanisms; assessing credit applications and placing controls over Gama's compliance with the credit procedures approved by its Board of Directors. The Gama's Chief Risk Officer receives the full cooperation of the Company's management and Board of Directors in all matters required to fulfill his duties.

6.2.2. Description of the market risks to which Gama is exposed

For that purpose, market risk is the risk that the business results, shareholders' equity, cash flows or the Company's value may be adversely affected due to changes in interest rates. For a description of the risks to which Gama is exposed, the procedures in place in respect thereof and the monitoring of those risks, see Section 54 in Chapter A to Gama's annual report.

6.2.3. Supervision of the market risk management policy and the implementation of this policy

From time to time and if necessary, Gama's management and Board of Directors discuss the market risks to which Gama is exposed.

6.2.4. Linkage bases report

Gama's assets and liabilities are not linked to any linkage bases, except for immaterial amounts.

6.2.5. Sensitivity tests

Sensitivity to changes in interest rates - the credit raised by Gama bears unlinked interest (variable and non-variable). Gama is of the opinion that an increase in the interest rates prevailing in Israel may give rise to a certain exposure in connection with deferred receivable transactions that have not yet been repaid. Gama believes that in view of the short average duration of its credit portfolio and the structure of its financing transactions this exposure is immaterial.

7. Corporate Governance Aspects

7.1. Disclosure on directors with accounting and financial expertise

For further details about directors possessing financial accounting expertise, please see the corporate governance questionnaire attached to the corporation's reports.

7.2. Compensation of senior officers

As a rule, contracts with the Company's senior officers comply with the Company's compensation policy and are based on individual agreements between each officer and the Company. These agreements specify the officer's salaries, social benefits, ancillary payments, retirement terms, and post-employment non-compete clauses. All employment terms and conditions are based on the responsibilities and complexities of the officer's position with the Company.

For details concerning compensation paid to the five highest-paid officers in the Company or companies under its control, please see Regulation 21 in the Periodic Report.

7.3. Disclosure on the percentage of independent directors

For further details about the percentage of independent directors, please see the corporate governance questionnaire attached to the corporation's reports.

7.4. Effectiveness of Internal Control over Financial Reporting and Disclosure

7.4.1. The Securities Regulations

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

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

Financial Reporting - Statements, Reports and Disclosures" (hereinafter - "**Management's Responsibility Circulars**").

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

The processes relating to the activities of institutional entities are also addressed in the Insurance Commissioner's Circulars, please see Section 7.4.2. below.

7.4.2. **The Insurance Commissioner's Circulars**

Alongside the process described in Section 7.4.1 above, The Phoenix group's institutional entities apply the provisions of Management's Responsibility Circulars pertaining to controls and procedures regarding disclosure and internal controls over financial reporting of an institutional entity, and implement the procedures required in connection therewith, as described below; this is done in accordance with the stages and dates set out in the above-mentioned circulars and in collaboration with external consultants engaged for that purpose. As part of this process, the Group's institutional entities adopted the internal control model of COSO - the Committee of Sponsoring Organization of the Treadway Commission - which is a generally accepted framework for assessment of internal controls.

- **Disclosure controls and procedures**

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

- **Internal control over financial reporting**

During the quarter ending December 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.

7.5. **Disclosure on the Financial Statements' approval process in a reporting entity**

Pursuant to the Israel Securities Authority's directive on disclosures required in the Report of the Board of Directors as to the Financial Statements' approval process in a reporting entity, the corporate organs charged with governance in the corporation should be identified, and disclosure must be made of the procedures implemented by those charged with governance in the corporation, prior to the Financial Statements' approval. The directive does not apply to insurance companies. The Group's institutional entities are subject to the Supervisor's directives, and accordingly follow Sections 404 and 302 to the Sarbanes-Oxley Act of 2002 (hereinafter - "**SOX**"), including review of work processes and internal controls in institutional entities. The Financial Statements of the said institutional entities include managers' statements as to the fairness of the financial data presented in the Financial Statements and the existence and effectiveness of internal controls in relation to these Financial Statements. For further details, please see Section 5.4 to the Report on the Company's Business.

As part of the review of the financial results, meetings are held which are attended by the CEO, the CFO, division heads and other relevant officers, in which participants discuss material issues concerning financial reporting, including material transactions outside the ordinary course of business, material valuations used in the Financial Statements, the reasonability of the data and the accounting policies applied.

The Company's Board of Directors is the organ charged with governance and approval of the Financial Statements. The Company's Board of Directors has appointed a committee to review the financial statements (hereinafter - the "**Balance Sheet Committee**" or the "**Committee**"); the Committee submits to the Board of Directors its recommendations concerning the approval of the Financial Statements, prior to their approval by the Board. The Committee is not an Audit Committee.

7.6. **Company policies regarding donations/corporate social responsibility**

As an integral part of Israeli society, giving back to the community is at the core of the Company's values, and is something it implements, encourages its employees to practice, and works to achieve through collaborations with NGOs and social organizations, and financial donations, with the aim of giving back to the community in which it operates its businesses.

The Company supports a broad range of activities in various fields, such as supporting hospitals, social and welfare services, distribution of food parcels for disadvantaged groups, aid organizations supporting women and teenage girls, preparation for military service, education, culture and art, and more. In order to implement its policy in an optimal manner, the Company appointed a Community Relations Committee, which convenes from time to time to assess donation applications submitted to the Company by social organizations and other charities. The Company developed an up-to-date strategy for engaging with the community, which will reflect The Phoenix's being a leading and innovative company in its community outreach activities, by way of strengthening its relationship with the community, its involvement therein and its employees' volunteer work in line with its business strategy. In order to implement the strategy, the Company selected eight NGOs, which will be supported by the Company over a substantial period, with a view to develop collaboration therewith, while maintaining continuous monitoring and contact with those NGOs in order to promote their goals.

The Company also opted to support a number of additional key areas of activity such as:

- The **"Phoenix Class"** - in the Hadera Technoda. This science and technology education center provides research, science and technology activities to many children, youth and adults every year.

The center is located at the heart of the Gi'vat Olga neighborhood, which is home to disadvantaged population groups, many of whom are new immigrants from Ethiopia and Caucasus. This educational program constitutes a unique and interactive learning environment. The Phoenix has undertaken to invest in and provide support to one class starting from year one, with the aim of helping these special children to reach academic success, while enriching their knowledge and capabilities in the field of science and technology.

- **Adoption of Armored Corps Battalion 77 of the IDF** - as part of the "Adopt a Soldier" project of Ha'aguda Lema'an Hachayal (the Association for the Wellbeing of Israel's Soldiers). As part of this activity, the Company maintains ongoing contact with the soldiers, Company employees visit the soldiers on the ground during training and operations and treats them with special events and gifts.
- **Assistance to the "Migdal Ohr" network** – a charity with a country-wide network of schools and education programs catering for thousands of at-risk children from all walks of life in Israeli society - from infancy to adolescence.

The donation was dedicated to support the foster family program, which is a unique living model for children aged 10 to 12, combining boarding school accommodation alongside a foster family that supports and nurtures the children.

- **"Ha'Chevre Ha'Tovim"** - a charity that distributes food parcels to underprivileged families, and provides tools for economic empowerment in order to improve society by doing rather than by talking about it.
- **Yad Vashem** - The Phoenix supports the official world Holocaust remembrance center in order to further knowledge and heritage among all people.
- **The Tal Center** - offers integrative and holistic treatment (combining conventional and alternative medicine) to cancer patients in order to alleviate symptoms of cancer and cancer treatments, and improve patients' quality of life.
- **Pre-military academies** - a range of educational programs participated by youth from the Israeli periphery, aiming to educate for leadership and prepare youth for meaningful army service and life as civilians.
- **The Michal Sela Forum** - works to save lives and fights against domestic violence by thinking "outside the box", advances innovative technological solutions and makes "red flags" signaling an abusive relationship accessible to couples.
- **Nitzanim** - a joint program of the Computer Service Directorate and the "Netivey Udi" NGO to increase the number of youth learning computer sciences.
- **The Maglan Friends NGO**- preparing youth in Kiryat Malakhi for a significant service in the IDF as a platform for integration in Israeli society, and holding leading roles in the business sphere in Israel.
- **The 8200 Alumni Association in collaboration with the Follow Me! NGO** - a program with extensive national and social deployment for closing gaps and promoting equal opportunities by exposing youth to the field of technology, and allowing them to gain experiences in this field, while equipping them with tools and values of social responsibility and preparing them to a significant service in the IDF.

The Company's monetary donations in the reporting year amounted to NIS 3.5 million. The donations were donated directly to the various organizations and NGOs.

7.7. **Company's policy regarding negligible transactions**

For further details on the Company's policy regarding negligible transactions, please see Note 42 to the Financial Statements.

7.8. **Internal auditor**

For further details on the internal auditor and the establishment of an internal audit function in the Company – please see Part E, Section 5.2 to the Report on the Company's Business.

7.9. **Independent Auditor**

For further details on the Company's independent auditor, please see Part E, Section 5.3 to Report on the Company's Business.

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

8.1. **Events subsequent to the balance sheet date**

For further details regarding events subsequent to the balance sheet date, please see Note 44 to the Financial Statements.

8.2. **Reporting critical accounting estimates**

The Company does not make use of critical accounting estimates, the use of which and/or a reasonable change in which could have a significant impact on the Group's financial position and/or financial performance. For further details, please see Note 2 to the Financial Statements.

8.3. 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 IAA /-	Aa3.il IAA /-	Aa3.il IAA /-
Par value on issuance date	NIS 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 December 31, 2021	NIS 282 million	NIS 338 million	NIS 822 million
CPI-linked nominal p.v. as of December 31, 2021	NIS 282 million	NIS 338 million	NIS 841 million
Carrying amount of bonds' outstanding balances as of December 31, 2021	NIS 281 million	NIS 336 million	NIS 829 million
Carrying amount of interest payable as of December 31, 2021	NIS 2.8 million	NIS 0.9 million	NIS 0.8 million
Market value as of December 31, 2021 (*)	NIS 284 million	NIS 346 million	NIS 901 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 December 31 2021.

(**) For more information about early redemption of Bonds (Series 3) and the issuance of Bonds (Series 6) after the report date, see Section 1.3.26 above.

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 the Series 3 bonds have not been repaid in full, unless it obtains the bondholders' consent in advance and placed on that date a charge of the same rank in favor of the Series 3 bondholders. Furthermore, with respect to Series 3 bonds, the Company assumed restrictions on distribution of dividends and expansion of the Bonds (Series 3); 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 the Series 4 bonds have not been repaid in full, unless it obtains the bondholders' consent in advance and placed on that date a charge of the same rank in favor of the Series 4 bondholders. Furthermore, with respect to Series 4 bonds, the Company assumed restrictions on distribution of dividends and expansion of the Bonds (Series 4); the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 2.9 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 50% for two consecutive quarters. For further details, 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 the Series 5 bonds have not been repaid in full, unless it obtains the bondholders' consent in advance and placed on that date a charge of the same rank in favor of the Series 5 bondholders.

Furthermore, with respect to 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. The net financial debt ratio as of December 31 2021 was approximately 4% (including Restricted Tier 1 capital instrument issued by The Phoenix Insurance through Phoenix Capital Raising), and the Company's shareholders' equity as per its separate financial statements as of December 31 2021, was approximately NIS 9,653 million, which is higher than the above required shareholders' equity.

For further details – please see Note 27 to the Company's Financial Statements as of December 31, 2021.

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 BOD

Eyal Ben Simon
CEO

March 28 2022

Part 3

Consolidated Financial Statements

Table of Contents

	<u>Page</u>
Independent Auditors' Reports	3-3
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3-7
Consolidated Statements of Comprehensive Income	3-9
Consolidated Statements of Changes in Equity	3-11
Consolidated Statements of Cash Flows	3-14
Notes to the Consolidated Financial Statements.....	3-17
Appendix - Additional Information on Other Financial Investments	3-312

Auditors' report to the shareholders of The Phoenix Holdings Ltd.
about the audit of components of internal controls over financial reporting
in accordance with section 9B(c) of the Securities Regulations
(Periodic and Immediate Reports), 1970

We have audited components of internal controls over the financial reporting of The Phoenix Holdings Ltd. and its subsidiaries (together: "the Company") as of December 31, 2021. The controls components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over the financial reporting and for their assessment of the effectiveness of these internal control components over the financial reports attached to the periodic report at this date. Our responsibility is to express an opinion on the Company's internal control components over financial reporting based on our audit.

The internal control components over financial reporting which were audited by us were determined in accordance with Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal control components over Financial Reporting" ("audit standard (Israel) 911"). These components are: (1) entity-level controls, including controls over the process for preparation and closing of financial reports and information technology general controls (ITGC); (2) process controls which are very material to the financial reporting and disclosure of The Phoenix Insurance Company Ltd. and other major subsidiaries ("the Audited Controls").

We conducted our audit in accordance with Audit Standard (Israel) 911, which requires us to plan and perform the audit to identify the Audited control components and to obtain reasonable assurance about whether these control components were effective in all material respects. Our audit included obtaining an understanding of the internal control components over financial reporting, identifying the Audited control components, assessing the risk for material weaknesses in the Audited control components, and testing and evaluating the effectiveness of the planning and implementation of these control components based on the assessed risk. Our audit, regarding these control components, included performing other procedures, as we considered necessary in the circumstances. Our audit referred only to the Audited control components, as opposed to internal control over all the significant processes regarding financial reporting, therefore our opinion refers to the Audited control components only. Additionally, our audit did not refer to the reciprocal effects between the Audited control components and those that are unaudited, therefore, our opinion does not take into account such possible effects. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion in respect of the aforesaid.

Due to inherent limitations, internal control over financial reporting in general, and internal control components in particular, may not prevent or disclose misstatement. Moreover, drawing forward-looking conclusions based on any present assessment of effectiveness involves risks that the controls may become inadequate due to changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit, the Company has implemented effectively, in all material aspects, the Audited control components as of December 31, 2021.

We have also audited, in accordance with generally accepted auditing standards in Israel, the Company's consolidated financial statements as of December 31, 2021 and 2020 and for each of the three years of which ended in December 31, 2021, 2020, 2019 and our report, dated March 28, 2022, included an unqualified opinion of these financial statements, with reference to the contents of Note 43 to the consolidated financial statements regarding exposure to contingent liabilities.

Tel Aviv,
March 28, 2022

Kost Forer Gabbay & Kasierer
Certified Public Accountants

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

We have audited the accompanying consolidated statements of financial position of The Phoenix Holdings Ltd. and subsidiaries ("the Company") as of December 31, 2021 and 2020 the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits

We did not audit the financial statements of certain subsidiaries, whose assets included in consolidation constitute approximately 1.8% and 1.7% of a total consolidated assets as of December 31, 2021 and 2020, respectively, and whose revenues included in consolidation constitute approximately 0.6%, 2% and 1.6% of total consolidated revenues for the years ended December 31, 2021, 2020 and 2019, respectively. Furthermore, we did not audit the financial statements of certain companies accounted for at equity. The investment in which, at equity, amounted to approximately NIS 896,413 thousand and NIS 450,245 thousand as of December 31, 2021 and 2020, respectively, and the Company's share of their earnings amounted to approximately NIS 82,094 thousand, NIS 23,212 thousand and NIS 60,827 thousand for the years ended December 31, 2021, 2020 and 2019, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing Standard in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, Based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and the results of their operations, changes in equity and their cash flows for each of the three years the latest of which ended on December 31, 2021, in accordance with International Financial Reporting Standards (IFRS) and in accordance with the disclosure requirements prescribed in the control of Financial Services (Insurance) Law, 1981.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2021, and our report dated March 28, 2022, included an unqualified opinion on the effective maintenance of those components.

Without qualifying our opinion, we draw attention to Note 43 to the financial statements with respect to exposure to contingent liabilities.

Tel Aviv,
March 28, 2022

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Assets	Note	As of December 31	
		2021	2020
		In NIS thousand	
Intangible assets	5	2,775,060	2,016,668
Deferred tax assets	23	67,650	55,104
Deferred acquisition costs	6	2,010,648	1,712,630
Property, plant & equipment	7	902,239	861,865
Investments in associates	8	1,346,383	756,869
Investment property in respect of yield-dependent contracts	9	2,062,862	1,839,576
Investment property - other	9	1,124,834	2,728,710
Reinsurance assets	17,18	2,806,546	2,531,659
Credit for purchase of securities	10	497,000	403,000
Current tax assets		108,134	6,422
Receivables and debit balances	11	712,624	529,792
Premiums collectible	12	672,556	651,825
Financial investments in respect of yield-dependent contracts	13	81,098,659	65,570,447
Financial investments for holders of deposit certificates and structured bonds	13A, 26	206,000	239,000
Credit assets in respect of factoring, clearing and financing	14	2,550,392	-
Other financial investments:			
Liquid debt assets	14	7,472,933	8,095,468
Illiquid debt assets	14	13,964,441	14,007,189
Shares	14	2,761,897	1,899,993
Other	14	4,498,971	3,247,469
Total other financial investments		28,698,242	27,250,119
Cash and cash equivalents in respect of yield-dependent contracts	15A	13,785,593	10,464,216
Other cash and cash equivalents	15B	2,154,153	1,545,903
Total assets		143,579,575	119,163,805
Total assets in respect of yield-dependent contracts	13	97,116,663	78,034,084

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

	Note	As of December 31	
		2021	2020
		In NIS thousand	
<u>EQUITY</u>	16		
Share capital		310,323	309,951
Premium and capital reserves in respect of shares		849,309	833,592
Treasury shares		(99,769)	(26,411)
Capital reserves		1,261,509	913,036
Retained earnings		7,331,992	5,939,754
Total equity attributed to the Company's shareholders		9,653,364	7,969,922
Non-controlling interests		269,725	111,908
Total equity		9,923,089	8,081,830
<u>Liabilities</u>			
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	17	25,112,986	23,469,887
Liabilities in respect of insurance contracts and yield-dependent investment contracts	18	95,628,584	76,856,913
Liabilities in respect of deferred taxes	23	873,302	897,804
Liability for employee benefits, net	24	72,401	59,362
Liability in respect of current taxes		28,528	63,444
Payables and credit balances	25	2,923,003	2,452,851
Liabilities in respect of structured products	26	205,000	238,000
Financial liabilities	27	8,812,682	7,043,714
Total liabilities		133,656,486	111,081,975
Total equity and liabilities		143,579,575	119,163,805

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

Benjamin Gabbay
Chairman of the BOD

Eyal Ben Simon
CEO

Eli Schwartz
EVC, CFO

Date of approval of the financial statements - March 28 2022

		For the year ended December 31		
		2021	2020	2019
		In NIS thousand		
	Note			
Premiums earned, gross	28	11,161,431	10,382,652	11,325,445
Premiums earned by reinsurers	28	1,345,459	1,328,978	1,402,156
Premiums earned - retention	28	9,815,972	9,053,674	9,923,289
Investment income, net and finance income	29	14,626,925	5,479,706	9,109,695
Income from management fees	30	2,049,366	1,357,189	1,487,484
Income from fees and commissions	31	691,414	556,051	541,639
Income from other financial services	32	154,000	159,000	143,000
Income from factoring and clearing	33A	52,871	-	-
Other income	33B	708,186	131,846	86,096
Total income		28,098,734	16,737,466	21,291,203
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross		22,658,016	12,529,564	18,567,824
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts		802,092	826,690	954,092
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	34	21,855,924	11,702,874	17,613,732
Fees and commissions, marketing expenses and other purchase expenses	35	1,696,075	1,750,103	1,918,439
General and administrative expenses	36	1,675,317	1,360,028	1,281,208
Other expenses	38	67,454	54,885	16,052
Finance expenses	39	218,002	146,509	142,598
Total expenses		25,512,772	15,014,399	20,972,029
Share in profits of equity-accounted investees	8	111,504	39,697	96,920
Net income before taxes on income		2,697,466	1,762,764	416,094
Taxes on income	23	673,554	553,829	107,818
Net income for the year		2,023,912	1,208,935	308,276
Attributed to:				
Company's shareholders		1,964,696	1,169,023	271,466
Non-controlling interests		59,216	39,912	36,810
Net income for the year		2,023,912	1,208,935	308,276
Earnings per share attributable to the Company's shareholders (in NIS):	40			
Basic earnings per share				
Earnings per ordinary share of NIS 1 par value (in NIS)		7.76	4.57	1.06
Diluted earnings per share				
Earnings per ordinary share of NIS 1 par value (in NIS)		7.64	4.57	1.06

	Note	For the year ended December 31		
		2021	2020	2019
		In NIS thousand		
Net income for the year		<u>2,023,912</u>	<u>1,208,935</u>	<u>308,276</u>
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		1,176,873	455,703	808,977
Net change in fair value of financial assets classified as available for sale, carried to the income statement		(811,111)	(516,761)	(258,243)
Gain on impairment of financial assets classified as available for sale, carried to the income statement		159,522	324,220	62,424
Company's share in net other comprehensive loss of equity-accounted companies		(18,608)	(3,412)	(17,850)
Tax effect	23	<u>(179,619)</u>	<u>(89,697)</u>	<u>(209,425)</u>
Total components of net other comprehensive income subsequently reclassified to profit or loss		<u>327,057</u>	<u>170,053</u>	<u>385,883</u>
<u>Amounts that shall not be subsequently reclassified to profit or loss</u>				
Revaluation of property, plant, and equipment	7	29,342	17,314	10,188
Actuarial gain (loss) in respect of defined benefit plans	24	(2,882)	497	(1,508)
Company's share in other comprehensive income (loss), net of equity-accounted companies		3,479	-	-
Tax effect		<u>(5,886)</u>	<u>(4,190)</u>	<u>(1,834)</u>
Total components of other comprehensive income that shall not be subsequently reclassified to profit or loss		<u>24,053</u>	<u>13,621</u>	<u>6,846</u>
Total other comprehensive income, net		<u>351,110</u>	<u>183,674</u>	<u>392,729</u>
Total comprehensive income for the year		<u>2,375,022</u>	<u>1,392,609</u>	<u>701,005</u>
<u>Attributed to:</u>				
Company's shareholders		2,316,035	1,352,697	664,215
Non-controlling interests		<u>58,987</u>	<u>39,912</u>	<u>36,790</u>
Comprehensive income for the year		<u>2,375,022</u>	<u>1,392,609</u>	<u>701,005</u>

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

	Attributed to Company's shareholders												
	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total	Non-controlling interests	Total equity
	In NIS thousand												
Balance as of January 1, 2021	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922	111,908	8,081,830
Net income	-	-	-	1,964,696	-	-	-	-	-	-	1,964,696	59,216	2,023,912
Other comprehensive income (loss)	-	-	-	(1,787)	-	-	-	26,069	(18,608)	345,665	351,339	(229)	351,110
Total comprehensive income (loss)	-	-	-	1,962,909	-	-	-	26,069	(18,608)	345,665	2,316,035	58,987	2,375,022
Share-based payment	-	13,083	-	-	-	-	9,715	-	-	-	22,798	-	22,798
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(34,481)	(34,481)
Purchase of treasury shares (see Note 16D)	-	-	(73,358)	-	-	-	-	-	-	-	(73,358)	-	(73,358)
Commencement of consolidation (Note 4B(2))	-	-	-	-	-	-	-	-	-	-	-	123,564	123,564
Exercise of employee options (see Note 16)	372	2,634	-	-	-	-	(3,006)	-	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	9,329	-	-	-	(9,329)	-	-	-	-	-
Sale of shares to non-controlling interests	-	-	-	-	1,223	-	-	-	-	-	1,223	5,632	6,855
Dividend (see Note 16H)	-	-	-	(580,000)	-	-	-	-	-	-	(580,000)	-	(580,000)
Allocation of shares of a consolidated subsidiary to minority interests	-	-	-	-	(3,256)	-	-	-	-	-	(3,256)	4,115	859
Balance as of December 31, 2021	310,323	849,309	(99,769)	7,331,992	(45,655)	11,000	51,652	131,354	(41,946)	1,155,104	9,653,364	269,725	9,923,089

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

	Attributed to Company's shareholders												
	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total	Non-controlling interests	Total equity
	In NIS thousand												
Balance as of January 1, 2020	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	-	-	-	1,169,023	-	-	-	-	-	-	1,169,023	39,912	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	39,912	1,392,609
Share-based payment	-	3,155	-	-	-	-	4,896	-	-	-	8,051	-	8,051
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(31,971)	(31,971)
Purchase of treasury shares (see Note 16D)	-	-	(26,411)	-	-	-	-	-	-	-	(26,411)	-	(26,411)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)
Commencement of consolidation (Note 8D(5))	-	-	-	-	-	-	-	-	-	-	-	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	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922	111,908	8,081,830

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

	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	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total			
	In NIS thousand													
Balance as of January 1, 2019	309,892	828,221	-	4,976,239	(43,622)	11,000	36,931	97,441	(2,076)	232,241	6,446,267	114,467	6,560,734	
Net income	-	-	-	271,466	-	-	-	-	-	-	271,466	36,810	308,276	
Other comprehensive income (loss)	-	-	-	(979)	-	-	-	7,845	(17,850)	403,733	392,749	(20)	392,729	
Total comprehensive income (loss)	-	-	-	270,487	-	-	-	7,845	(17,850)	403,733	664,215	36,790	701,005	
Share-based payment	-	2,121	-	-	-	-	3,270	-	-	-	5,391	-	5,391	
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(44,504)	(44,504)	
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount				1,823				(1,823)						
Exercise of employee options	59	95					(154)							
Dividend (see Note 16H)	-	-	-	(250,000)	-	-	-	-	-	-	(250,000)	-	(250,000)	
Distribution of shares of Mehadrin Ltd. as dividend in kind	-	-	-	(230,288)	-	-	-	-	-	-	(230,288)	-	(230,288)	
Expiry of a put option for non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	186	186	
Balance as of December 31, 2019	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	

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

		For the year ended December 31		
		2021	2020	2019
Appendix		In NIS thousand		
<u>Cash flows from operating activities</u>				
		2,023,912	1,208,935	308,276
Net income for the year				
Adjustments required to present cash flows from operating activities	(a)	2,523,387	3,562,529	258,257
Net cash from operating activities		4,547,299	4,771,464	566,533
<u>Cash flows from investing activities</u>				
Purchase of property, plant and equipment		(78,390)	(137,587)	(100,301)
Proceeds from disposal of property, plant and equipment		201	1,158	-
Investment in associates		(61,767)	(44,845)	(137,947)
Dividend from associates		19,405	13,089	29,896
Acquisition of consolidated companies consolidated for the first time	(b)	(475,521)	(86,665)	(37,592)
Sale of previously-consolidated subsidiary	(c)	596,166	-	-
Acquisition of minority interest in a consolidated company		-	(3,000)	-
Receipt (repayment) of a loan from an associate		90	(8,173)	(5,431)
Proceeds from disposal of investment in associate		24,288	19,746	2,379
Proceeds from the sale of pension funds and fees and commissions portfolios		43,934	-	-
Acquisition and capitalization of intangible assets costs		(283,387)	(233,430)	(257,756)
Net cash used in investing activities		(214,981)	(479,707)	(506,752)
<u>Cash flows from financing activities</u>				
Acquisition of Company shares		(73,358)	(26,411)	-
Short term credit from banks, net		90,000	(21,000)	(10,000)
Repayment of financial liabilities		(207,270)	(551,121)	(551,844)
Assumption of financial liabilities		30,976	72,097	12,000
Dividend to shareholders		(580,000)	-	(250,000)
Repayment of lease liability principal		(37,347)	(41,646)	(35,159)
Liability for REPO		(389,315)	388,837	
Issuance of financial liabilities		798,104	585,433	1,210,879
Dividend paid to non-controlling interests		(34,481)	(31,971)	(44,504)
Repayment of contingent liability in respect of a put option to non-controlling interests		-	-	(800)
Net cash provided by (used in) financing activities		(402,691)	374,218	330,572
<u>Increase in cash and cash equivalents</u>				
		3,929,627	4,665,975	390,353
<u>Balance of cash and cash equivalents at beginning of year</u>				
	(d)	12,010,119	7,344,144	6,953,791
Cash and cash equivalents balance at end of the year	(d)	15,939,746	12,010,119	7,344,144

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

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
a. <u>Adjustments required to present cash flows from operating activities (1) (2):</u>			
<u>Items not involving cash flows</u>			
Net (gains) on financial investments in respect of insurance contracts and yield-dependent investment contract	(12,117,791)	(4,356,557)	(7,546,336)
Change in fair value of investment property in respect of yield-dependent contracts	(228,229)	(25,857)	(77,591)
<u>Net (gains) losses on other financial investments</u>			
Liquid debt assets	(284,661)	(166,427)	(234,833)
Illiquid debt assets	(852,872)	(581,800)	(603,916)
Shares	(376,472)	24,735	(135,658)
Other	(444,387)	(228,807)	(232,671)
Depreciation and amortization	354,191	300,140	301,449
Loss from disposal of property, plant and equipment	-	-	432
Change in fair value of investment property	(160,567)	(53,004)	(102,186)
Gain on disposal of real estate properties	-	-	(275)
Change in impairment of property, plant and equipment	1,982	(7,957)	5,109
Gain on notional disposal as a result of gaining control of an investee	(645,930)	(67,268)	(29,000)
Change in financial liabilities	30,749	853,786	28,959
Income tax expenses	673,554	553,829	107,818
Company's share in the profits of associates, net	(111,504)	(39,697)	(96,920)
Payroll expenses in respect of share-based payment	9,715	4,896	3,269
<u>Changes in other balance sheet line items, net:</u>			
Change in liabilities in respect of non-yield-dependent insurance contracts	1,643,099	277,697	1,916,925
Change in liabilities in respect of yield-dependent contracts	18,771,671	5,766,036	15,582,740
Change in liabilities for bonds, ETNs	(33,000)	(44,000)	(102,000)
Change in financial investments for holders of ETFs, certificates of deposit	33,000	45,000	141,000
Change in credit assets in respect of factoring, clearing and financing	(266,861)	-	-
Change in deferred acquisition costs	(278,971)	20,917	(42,381)
Change in reinsurance assets	(274,887)	(183,938)	(310,782)
Change in liabilities for employee benefits, net	2,635	7,306	369
Change in accounts receivable and collectible premiums	(219,222)	28,325	(151,561)
Change in payables and credit balances	393,714	306,867	298,898
Change in credit for purchase of securities	(94,000)	(96,000)	10,000
Revaluation of loans granted to associates	(3,816)	(1,938)	(823)
<u>Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts:</u>			
Acquisition of real estate properties	(138,251)	(259,654)	(52,064)
Proceeds on sale of real estate properties	143,194	-	15,226
Acquisitions of financial investments, net	(3,410,421)	3,091,025	(7,896,946)
<u>Financial investments and other investment property:</u>			
Sales (acquisitions), net of financial investments	1,232,033	(1,264,985)	(249,598)
Proceeds on sale of real estate properties	71,810	-	6,424
Acquisition of real estate properties	(99,526)	(128,350)	(170,525)
<u>Cash paid and received during the year for:</u>			
Taxes paid	(985,771)	(354,687)	(292,895)
Taxes received	189,179	142,896	168,600
Total cash flows for operating activities	<u>2,523,387</u>	<u>3,562,529</u>	<u>258,257</u>

- (1) Cash flows from operating activities include cash flows in respect of acquisition and sale of financial investments and investment property arising from insurance contracts and investment contracts activities.
- (2) Cash flows from operating activities include cash flows in respect of dividend and interest received, as described in this appendix.

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

		For the year ended December 31		
		2021	2020	2019
		In NIS thousand		
b.	<u>Acquisition of consolidated 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)	44,955	(4,288)	9,589
	Financial assets	(44,915)	-	(876)
	Deferred acquisition costs	(19,047)	-	-
	Credit in respect of factoring, clearing and financing	(2,283,531)	-	-
	Property, plant and equipment, net	(46,291)	(10,710)	(1,415)
	Goodwill arising from acquisition	(430,593)	(154,549)	(42,235)
	Intangible assets	(336,031)	(83,796)	(54,204)
	Deferred taxes	43,559	22,012	10,555
	Financial liabilities	2,055,394	12,309	109
	Minority interests	123,564	28	186
	Investments in investees	271	-	-
	Disposal of investment in an associate	342,728	78,677	32,000
	Liability for payment in respect of acquisition of an investee	13,788	6,741	8,699
	Liabilities for employee benefits	10,628	-	-
	Loan from parent company	50,000	46,911	-
		<u>(475,521)</u>	<u>(86,665)</u>	<u>(37,592)</u>
c.	<u>Sale of previously-consolidated subsidiary</u>			
	Working capital (excluding cash and cash equivalents)	(14,656)	-	-
	Property, plant & equipment	81,553	-	-
	Investment property	1,753,667	-	-
	Intangible assets	23,848	-	-
	Financial liabilities	(629,015)	-	-
	Liabilities for employee benefits	(3,106)	-	-
	Deferred taxes	(246,153)	-	-
	Investment in an associate	(710,767)	-	-
	Capital gain from the disposal of a subsidiary	340,795	-	-
		<u>596,166</u>	<u>-</u>	<u>-</u>
d.	<u>Cash and cash equivalents</u>			
	Balance of cash and cash equivalents at beginning of year:			
	Cash and cash equivalents	1,545,903	1,731,709	1,730,520
	Cash and cash equivalents in respect of yield-dependent contracts	<u>10,464,216</u>	<u>5,612,435</u>	<u>5,223,271</u>
		<u>12,010,119</u>	<u>7,344,144</u>	<u>6,953,791</u>
	Balance of cash and cash equivalents at end of year:			
	Cash and cash equivalents	2,154,153	1,545,903	1,731,709
	Cash and cash equivalents in respect of yield-dependent contracts	<u>13,785,593</u>	<u>10,464,216</u>	<u>5,612,435</u>
		<u>15,939,746</u>	<u>12,010,119</u>	<u>7,344,144</u>
e.	<u>Significant non-cash activities</u>			
	Recognition of right-of-use asset against a lease liability	(31,241)	(8,383)	(30,620)
	Appreciation of available-for-sale assets against a capital reserve	525,284	263,162	613,158
	Change in deferred taxes in respect of available for sale assets against a capital reserve	(179,619)	(89,697)	(209,425)
	Distribution of an investee's shares as dividend in kind (*)	-	-	(230,288)
F.	<u>Breakdown of amounts included in operating activities</u>			
	Interest paid	2,486	1,611	5,457
	Interest received	758,536	608,612	631,081
	Dividend received	57,702	32,215	39,704

(*) Distribution of Mehadrin as a dividend in kind on April 1, 2019; for further details see the Company's immediate report dated September 18, 2019 (Ref. No.: 2019-01-081090).

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

NOTE 1 – GENERAL**A. Activity of the Reporting Entity**

The Phoenix Holdings Ltd. (hereinafter - the "Company" or "The Phoenix") is an Israeli resident company incorporated in Israel, whose official address is 53 Derech Hashalom St., Givatayim, Israel. The Company's consolidated financial statements as of December 31 2021 include the financial statements of the Company and its subsidiaries and investments in associates (hereinafter, jointly – the "Group"). The Group mainly engages in the areas of insurance, pension and provident funds, holding insurance agencies, providing credit, and financial services. The securities of the Company are listed for trading on the Tel Aviv Stock Exchange.

B. Control of The Phoenix Holdings

The controlling shareholder of the Company since November 2019 is Belenus Lux S.à.r.l. (hereinafter - "Belenus"), which is indirectly held through a chain of companies, by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "Funds"), that hold 33.1% of the Company's issued and paid up share capital as of the report date.

C. Military confrontation between Russia and Ukraine

Subsequent to the report date, during February 2022, a military conflict broke out between Russia and Ukraine. The confrontation has far-reaching macroeconomic implications. The Company monitors the implications of the conflict on financial markets, which have caused, among other things, significant declines in the financial markets in Israel and around the world. It should be noted that the effect of the declines was offset by the risk-free interest rate increases. At this stage, in view of the uncertainty regarding the duration of the conflict and its results, it is impossible to estimate its impact on the Company.

D. Spread of the coronavirus

The renewed spread of the Covid-19 in Israel, including the Delta, Omicron, and/or other variants, and instructions by competent authorities in Israel and outside Israel. In connection with tackling the virus's renewed spread, as said above, the imposition of various restrictions in connection with the virus and the period and conditions under which the Israeli economy will fully recover are beyond the Company's control, and the direct and/or indirect effects of Covid-19 and the different variants that evolved therefrom on the different markets, and especially on the Israeli economy, are uncertain. Accordingly, the Company is unable to predict or estimate with any certainty the future effects of the renewed spread of Covid-19 and any variants that may evolve therefrom, if any, and/or the long-term effects on the Company's activity of Covid-19 outbreaks that have occurred so far. The Group continues to monitor developments in Israel and globally on an ongoing basis, and will continue to report, as required, on material effects of the spread of the coronavirus on the Group's operations, if any. Due to the nature of its activities, the Group is exposed to volatility in financial markets and to economic slowdown, as well as to insurance risks. For further details on sensitivity and exposure to the risk factors, please see also Note 41.

NOTE 1 – GENERAL (cont.)**E. Transfer of The Phoenix Pension and Provident's shares to the Company**

On December 30, 2019, the Board of Directors of The Phoenix Insurance approved the distribution of the shares of The Phoenix Pension and Provident, constituting approximately 100% of the issued and paid-up share capital of The Phoenix Pension and Provident as dividend in kind to the Company. The distribution was performed in practice, following reception of all necessary confirmations, on June 30, 2021. The balance of the investment of The Phoenix Insurance in the shares of The Phoenix Pension and Provident as of the distribution date is approximately NIS 656 million. For further information, please see the Company's immediate report dated June 6, 2021 (Ref. No. 2021-01-035731).

F. Acquisition of the Halman Aldubi Investment House and the Halman Aldubi Restructuring

On December 7, 2020, the Company entered into a merger agreement with 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, and beginning in March 31, 2021, Halman Aldubi is consolidated in the Group's financial statements.

On June 30, 2021, after all conditions precedent have been fulfilled, the sale of the new pension funds managed by Halman Aldubi Provident to Meitav Dash Provident Funds and Pension Ltd. was completed, in consideration for NIS 45 million. The said transaction had a negligible effect on the Company's results in the reporting year.

For more information on the Halman Aldubi restructuring, see Section I and Note 4A, Business Combinations, below.

G. Sale of control of Ad 120

In October 2021, a transaction to sell control of Ad 120 Residence for Senior Citizens Ltd. (hereinafter - "Ad 120") was completed; Ad 120 was wholly-owned (directly and indirectly) by The Phoenix Insurance Company Ltd. (a subsidiary of the Company) (hereinafter - "The Phoenix Insurance"), and was sold to Shapir Engineering and Industry Ltd. (hereinafter - "Shapir"), so that as of the transaction completion, Shapir holds 53% (directly and indirectly) of the issued and paid up share capital of Ad 120, and The Phoenix Insurance holds 47% (directly and indirectly) of the issued and paid up share capital of Ad 120. In addition, within the transaction, Ad 120 acquired two real estate properties held by Shapir through special-purpose limited partnerships wholly-owned by it, one in Jerusalem, and another one in Ness Ziyona, zoned as senior housing, office and commercial areas, under development.

After the transaction was completed, the Company recognized an NIS 340 million gain in the reporting year, pre-tax, and this gain was attributed to the life insurance and long-term savings segment and to the health insurance segment. It should be noted that the Company continues to classify its holdings in Ad 120 against the life insurance and savings and health liabilities.

NOTE 1 – GENERAL (cont.)

H. Gama - IPO and assuming control

In June 2021, Gama Management and Clearing Ltd. (hereinafter - "Gama") completed an offering on the Tel Aviv Stock Exchange, further to a supplementary prospectus for an offer for sale and an initial public offering of shares (hereinafter - the "Issuance"), and the listing of its shares on the Tel Aviv Stock Exchange, dated May 31, 2021 (the prospectus and the Supplementary Notice – hereinafter - the "Prospectus"). Simultaneously with the execution of the Issuance in accordance with the Prospectus, The Phoenix Investments, that held 49% of the shares in Gama up to the date of the offer, purchased additional Gama shares (hereinafter - the "Purchased Shares"), such that after the Issuance and the acquisition of the Purchased Shares, The Phoenix Investments holds 61.6% of Gama's issued and paid-up share capital and voting rights therein (60% on a fully diluted basis) and is the controlling shareholder in Gama. In exchange for the Purchased Shares, The Phoenix Investments paid a total of NIS 124 million. Following the execution of the IPO and the acquisition of the Purchased Shares, in the second quarter, the Company recorded a one-off post-tax profit of NIS 220 million, as a result of becoming the controlling shareholder in Gama. For more information, see Note 4, Business Combinations, and the immediate report on June 16, 2021 (Ref. No.: 2021-01-039979).

I. Merger of Halman Aldubi Provident into The Phoenix Pension and Provident

After completing the process of merging Halman Aldubi with the Company, the Company's board of directors and The Phoenix Pension and Provident's board of directors resolved to merge Halman Aldubi Provident with and into The Phoenix Pension and Provident. The merger was completed on October 1, 2021. Upon completion of the merger, the older provident funds and pension funds managed by Halman Aldubi Provident were transferred to the management of The Phoenix Pension and Provident, as were the provident funds and investment tracks of the transferred provident funds.

As part of the said merger, the Phoenix Pension and Provident allotted Halman Aldubi 1.3 million shares, which constitute 16% of the investment in The Phoenix Pension and Provident, post-merger. As of the report date, the Company holds 84% of the shares in The Phoenix Pension and Provident directly, and 16% of the shares in The Phoenix Pension and Provident through Halman Aldubi Investment House.

J. The Halman-Aldubi restructuring, including changing its name to The Phoenix Advanced Investments

In January 2022, the board of directors of The Phoenix Advanced Investments (formerly Halman-Aldubi Investment House Ltd.) (hereinafter - "The Phoenix Advanced Investments") authorized a restructuring of the companies it controls and the distribution of the following companies that it holds to the Company, as a dividend in kind: Halman-Aldubi Pension Insurance Agency (2005) Ltd. and Quality Pension Insurance Agency (2017) Ltd., Halman-Aldubi IEC Gemel Ltd. and 16% of the shares it holds in The Phoenix Pension and Provident. At the same time, the Company authorized the transfer of its holding in The Phoenix Advanced Investments to The Phoenix Investments, and The Phoenix Investments authorized the transfer of its holdings in the alternative funds it holds to The Phoenix Advanced Investments. When this process is complete, the alternative investments activities will all be managed under The Phoenix Advanced Investments. The process's completion is subject to obtaining the court's approval of the distribution, and the permission of the Israel Tax Authority. As of the report publication date, these approvals and omissions have not been obtained, and it is uncertain that they will be obtained and that the change, as stated, will be completed.

NOTE 1 – GENERAL (cont.)
K. Transfer of Phoeniclass from The Phoenix Investments to The Phoenix Insurance

Phoeniclass, a privately-held company, signed an agreement with Kibbutzim College for the purchase of land zoned for construction and for the sale of 450 residential units in Tel Aviv. As of the report publication date, 67% of the share capital of Phoeniclass is held by The Phoenix Investments and 33% of the share capital of Phoeniclass is held by a partner. The Phoenix Investments and the partner have an agreement governing their relationship as shareholders in Phoeniclass, under which the partner, having the relevant knowledge and expertise, is responsible for project management, construction, and marketing.

As part of a restructuring approved in November 2021 by the organs in the Company and its subsidiaries, as required by law, 49% of the equity and voting rights of The Phoenix Investments in Phoeniclass will be transferred to The Phoenix Insurance, and The Phoenix Investments will hold the remaining equity rights (18%) in Phoeniclass, which will not confer voting rights. Completing the change is subject to obtaining confirmations by the Israel Tax Authority as a tax-exempt transfer under Section 104B(F) of the Income Tax Ordinance, and it is subject to reaching an arrangement with the partner. As of the report publication date, the above-mentioned approvals and omissions have not been obtained, and it is uncertain that they will be obtained and that change will be completed.

L. Restructuring of Excellence Investment House

As of the report date, Excellence holds approximately 84% of the shares of KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings"), and 16% of the shares of KSM are held by three partners (hereinafter - the "Minority Shareholders in KSM Holdings"), of which approximately 9.55% of the shares are held by Avner Hadad and Boaz Nagar, *pari passu* (hereinafter - the "Managers"). On March 15, 2022, a memorandum of understanding was signed between the parties (hereinafter - the "Memorandum of Understanding"), according to which they intend, *inter alia*, to seek a statutory merger of KSM Holdings with Excellence Investments, such that following the merger and further actions, the Company is expected to hold (indirectly) 88% of the shares of Excellence Investments and the minority shareholders in KSM Holdings will hold approximately 12% of Excellence Investments. Furthermore, options arrangements were established to execute transactions, from 2016 to 2029, between The Phoenix Investments and the Managers in connection with their holdings in Excellence Investments at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion. In accordance with the Memorandum of Understanding, Excellence Investments intends to focus on managing the core business of Excellence Investments, which includes the activity of KSM Mutual Funds, the TASE member, portfolio management and ESOP. Other activities will be transferred from Excellence Investments to other Group companies.

NOTE 1 – GENERAL (cont.)**M. Definitions**

In these financial statements –

The Company	The Phoenix Holdings Ltd.
The Group	The Phoenix Holdings Ltd. and its consolidated companies.
The Phoenix Insurance	The Phoenix Insurance Company Ltd., a wholly-owned subsidiary.
The Phoenix Investments	The Phoenix Investments and Finance Ltd., a wholly-owned subsidiary.
Ad 120	Ad 120 Residence Centers for Senior Citizens Ltd., on the sale of control, see Section F above.
Excellence	Excellence Investments Ltd., a subsidiary of Phoenix Investments Ltd., is a wholly-owned subsidiary of the Company.
The Phoenix Capital Raising	The Phoenix Capital Raising (2009) Ltd., a wholly-owned subsidiary of The Phoenix Insurance.
The Phoenix Pension and Provident Fund	The Phoenix Pension and Provident Fund Ltd. (formerly The Phoenix Excellence Pension and Provident Funds Ltd.), a wholly-owned subsidiary of the Company.
The Phoenix Advanced Investments	The Phoenix Advanced Investments (formerly Halman Aldubi Investment House Ltd.) is a wholly-owned subsidiary of the Company.
The Phoenix Agencies	The Phoenix Insurance Agencies (1989) Ltd., a wholly-owned subsidiary of the Company as from April 18 2019; until then, it was wholly-owned by The Phoenix Insurance.
Oren Mizrach	Oren Mizrach Insurance Agency Ltd., a subsidiary in which The Phoenix Agencies is a controlling shareholder.
NIS	Shekel Insurance Agency Ltd., a subsidiary wholly-owned by The Phoenix Agencies.
Agam Holdings	Agam Liderim Holdings (2001) Ltd., a subsidiary in which The Phoenix Agencies is a controlling shareholder.
Agam Liderim	Agam Liderim Insurance Agency (2003), Ltd, a subsidiary in which Agam Holdings is a controlling shareholder.
Gama Management and Clearing	Gama Management and Clearing Ltd., a subsidiary in which The Phoenix Investments is a controlling shareholder.
Phoeniclass	Phoeniclass Ltd., an investee of The Phoenix Investments.
Haphen-Tao Holdings	Haphen-Tao Holdings Limited Partnership Ltd., an investee of The Phoenix Insurance.
Delek Group	Delek Group Ltd., the parent company of the Company until November 4 2019.

NOTE 1 – GENERAL (cont.)**M. Definitions (cont.)**

Belenus Lux S.a.r.l	The controlling shareholder, held in directly by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "Funds").
Leolin Lux S.a.r.l	Holds 0.33% of the Company's share capital and is indirectly held by the Funds through a chain of companies.
Consolidated companies/ subsidiaries	Companies or partnerships whose financial statements are consolidated, directly or indirectly, with the financial statements of the Company
Associates	Companies over the financial and operating policies of which the Company has significant influence, but not control, and the Company's investment in which is presented in the Company's consolidated financial statements based on the equity method.
Investees	Consolidated companies, and companies or partnerships, the Company's investments in which are included in the financial statements based on the equity method.
Related parties	As defined by IAS 24, Related Parties.
Interested parties and controlling shareholder	As defined in the Securities Regulations (Annual Financial Statements), 2010.
The Supervisor or Commissioner	The Commissioner of the Capital Market, Insurance and Savings
The Supervision Law	Financial Services Supervision Law (Insurance), 1981
The Capital Regulations	Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required of an Insurer), 1998, including amendments thereto.
Investment Rules	Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012, and the circular entitled Investment Rules Applicable to Institutional Entities.
Reporting Information Regulations	Supervision of Insurance Business Regulations (Reporting), 1998, and amendments thereto.
Insurance contracts	A contract under which one party (the insurer) assumes a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insurance event) adversely affects the policyholder.
Investment contracts	Policies that do not constitute insurance contracts.
Yield-dependent contracts	Insurance contracts and investment contracts in the life and health insurance segments in which the liabilities for the savings or risk components are linked to the yields on the investment portfolio (participating policies), or are derived from such contracts.
Assets for yield-dependent contracts	Total assets against liabilities arising from yield-dependent contracts.
Reinsurance assets	Reinsurers' share in insurance reserves and contingent claims.
Liabilities in respect of insurance contracts	Insurance reserves and contingent claims in life insurance, property and casualty insurance and health insurance.
Premiums	Premiums including fees.
Premiums earned	Premiums relating to the reporting period.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES**A. Basis of presentation**

The financial statements of the Company have been prepared on a cost basis, except for investment property, a class of land and buildings included in property, plant and equipment, available-for-sale financial assets, financial assets and liabilities (including derivative instruments), presented at fair value through profit and loss and insurance liabilities.

For further information about the measurement of these assets and liabilities, please see Sections J-N below.

B. Statement of compliance with International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS"). The financial statements have been prepared in accordance with the disclosure requirements prescribed by the Financial Services Supervision Law (Insurance) Law, 1981 and the regulations promulgated thereunder, and the Securities Regulations (Preparation of Annual Financial Statements), 2010, insofar as these regulations apply to insurance companies.

The accounting policies applied to the financial statements have been applied consistently across all the periods presented, unless stated otherwise.

C. Significant considerations, estimates and assumptions used in the preparation of the financial statements**The considerations**

In applying the Group's significant accounting policies, management took into account the following issues, which have the most material effect on the amounts recognized in the financial statements:

1. Classification of insurance contracts and investment contracts

Insurance contracts are contracts in which the insurer assumes a significant insurance risk from another party. For each contract, or class of similar contracts, management considers whether they embody a significant insurance risk and should therefore be classified as either insurance contracts or investment contracts.

2. Classification and designation of financial investments

The Group's management exercised judgment in classifying and designating the financial investments into the following classes:

- Financial assets measured at fair value through profit and loss.
- Held-to-maturity investments.
- Loans and receivables.
- Available-for-sale financial assets.

Please see Note 2.K.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (cont.)**C. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)****3. Measurement of a letter of undertaking in respect of Additional Tier 1 capital**

The financial liability is measured at amortized cost if it contains an embedded derivative. Where there is an embedded derivative, the entire liability will be measured at fair value, or alternatively, bifurcated into a derivative that will be measured at fair value and the remaining liability will be measured at amortized cost. The Company checked whether an embedded derivative exists, but in view of the fact that the triggers for writing-off the reserve are triggers which are not defined as financial triggers in accordance with the Company's accounting policy (since they are impacted by the solvency ratio and the existence of a going concern emphasis of matter), the Company reached the conclusion that there is no embedded derivative, and therefore the letter of undertaking will be measured at amortized cost. For further information, please see Note 27.

Estimates and assumptions

Preparation of the financial statements requires management to use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and their underlying assumptions are reviewed on an ongoing basis. Changes in the accounting estimates are charged in the period in which the change in estimate is made.

When formulating accounting and actuarial estimates used in the preparation of the Group's financial statements, the Group's management is required to make assumptions regarding circumstances and events involving considerable uncertainty. When exercising its judgment to determine the estimates, the Group's management relies on past experience, various facts, external circumstances, and reasonable assumptions, including expectations as to the future, where it is possible to formulate such expectations, according to the relevant circumstances of each estimate.

It is clarified that actual results may differ from these estimates, inter alia due to regulatory changes published or expected to be published in the areas of insurance, pension, and provident funds, and there is uncertainty as to the manner of their materialization and implications.

Following are the main assumptions used in the financial statements concerning uncertainties as of the balance sheet date, and critical estimates calculated by the Group. Significant changes in those estimates and assumptions may change the value of assets and liabilities in the financial statements in the subsequent year:

1. Liabilities in respect of insurance contracts

These liabilities are based on actuarial valuation methods and on estimates as to demographic and economic variables. The various actuarial valuations and the assumptions are mainly derived from past experience and are based on the fact that past behavior patterns and claims represent what will happen in the future. Changes in risk factors, prevalence or severity of events, as well as changes in the legal situation could have a material effect on the amounts of liabilities in respect of insurance contracts. For further information, please see Note 41 (5).

For information about changes in principal assumptions used to calculate insurance liabilities in life insurance, including the supplementary retirement pension reserve, please see Note 22 and Note 41.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (cont.)**C. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)****2. Contingent liabilities**

Several lawsuits and petitions to approve lawsuits as class actions are pending against the Group. When assessing the chances lawsuits filed against the Company and its investees, the companies relied on the opinions of their legal counsel. These opinions are issued based on the best of the legal counsels' professional judgment, and take into account the current stage of the proceedings as well as legal experience gained on various matters. Since the outcomes of the lawsuits will ultimately be determined in the courts, these outcomes may differ from the assessments provided by legal counsel. For further information, please see Note 43.

In addition to the aforesaid claims, the Company is exposed claims/lawsuits that have not yet been claimed/filed, where, among other things, there is doubt as to the interpretation of an agreement and/or the provisions of the law and/or the manner of their implementation. This exposure is brought to the attention of the Company and its investees in several ways, including through customers' contacting the Group's functions, in particular the Group's ombudsman, through customers' complaints to the Public Enquiries Unit in the Commissioner's office, and through lawsuits (other than class action lawsuits) filed with the courts. These issues are brought to the attention of the Group's management to the extent the relevant functions identify that the claims might have wide-ranging implications. When assessing the risk arising from claims/lawsuits that have not yet been filed, Group companies rely on internal assessments of the relevant parties and management, which assess the chances that a lawsuit will be filed and the prospects of its success if filed. The assessment is based on experience gained with respect to the filing of lawsuits and an analysis of each claim on its merits. In view of the preliminary stage of the legal proceedings, the actual outcome could differ from the assessment made before the lawsuit was filed.

3. Determining the fair value of illiquid debt assets

The fair value of illiquid bonds, loans and deposits is calculated on the basis of a discounted cash flow model. The discount rates are determined by a company providing price and interest rate quotes for institutional entities.

4. Impairment of financial investments

When there is objective evidence of impairment loss of loans and receivables presented at amortized cost, or where the value of available-for-sale financial assets is impaired, the amount of the loss is recognized in the income statement; please see Note 14. At each balance sheet date, the Group reviews whether there is objective evidence as described above.

5. Investment property

Investment property that can be measured reliably is presented at fair value at the reporting date with fair value changes carried to profit or loss. The fair value is usually determined by external and independent appraisers based on economic valuations, which include the use of valuation techniques and assumptions as to estimates of projected future cash flows from the property and an estimated discount rate adequate for these cash flows. Where possible, fair value is determined in relation to recent real estate transactions involving properties with characteristics and locations similar to those of the assessed property. When measuring the fair value of investment property, the Company's

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)

5. Investment property (cont.)

appraisers and management use certain assumptions as to rates of return required in respect of the Group's properties, future rental prices, occupancy rates, contract rates, probability of leasing vacant spaces, operating expenses for the properties, the tenants' financial strength and the consequences arising from investments requiring future development, in order to assess the future cash flows from the properties. Changes in assumptions used to measure investment properties may result in a change in fair value. Please see Note 9.

6. Reliable measurement of investment property under construction

To assess whether the fair value of an investment property under construction may be reliably measured, the Group takes into account, inter alia, the following relevant criteria:

1. Whether the real estate property under construction is located in an area where the market is developed and liquid.
2. Price quote from recent transactions or previous assessments, for acquisition or sale purposes, of properties in a similar condition and location.
3. Signing a construction agreement with a construction contractor.
4. Obtaining building permits.
5. Percentage of land designated for rent which has been leased in advance to tenants.
6. A reliable estimate of construction costs.
7. A reliable estimate of the value of the finished property.
8. When an assessment of the above criteria shows that the fair value of an investment property under construction can be reliably measured, the property is measured at its fair value in accordance with the Group's policy regarding investment property. When reliable measurement is impossible, investment property under construction is measured at cost less impairment loss, if any.

7. Impairment of goodwill

The Group tests goodwill for impairment at least once a year. This requires management to estimate the expected future cash flows from continued use of the cash-generating unit to which goodwill has been allocated. Management is also required to estimate the appropriate discount rate for these cash flows. Please see Note 5.

8. Determining recoverability of deferred acquisition costs

The recoverability of deferred acquisition costs is reviewed once a year using assumptions as to cancellation, mortality and morbidity rates and other variables. If the costs are unrecoverable under these assumptions, the Group may need to accelerate the amortization or even write-off the deferred acquisition costs. Please see Note 6.

9. Pension benefits and other post-employment benefits

Liability in respect of post-employment defined benefit plans is set using actuarial valuation techniques. The calculation of the liability involves making assumptions regarding, among other things, discount rates, expected rates of return on assets, pay rise rates, and the rates of employee turnover. The balance of the liability may be significantly affected by changes in those estimates.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)

10. Revaluation of property, plant and equipment

The Group measures buildings and land constituting property, plant and equipment at revalued amounts, and fair value changes are recognized in other comprehensive income. The Group contracted an independent external appraiser to estimate fair value as of December 31 2021. Buildings and land are valued based on evidence available in the market, using comparable prices adapted to specific market factors such as the type, location and condition of the assets. Please see Note 7.

11. Deferred tax assets

Deferred tax assets are recognized in respect of carryforward losses for tax purposes and temporary differences which have not yet been utilized, provided that a future taxable income is expected against which they can be utilized. An estimate by management is required in order to determine the recognizable deferred tax asset amount, that is based on the timing and taxable income amount expected and on the tax planning strategy.

12. Determining the fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition, using an accepted option pricing model. The model is based on share price and exercise price inputs and on assumptions regarding expected volatility, expected life and expected dividend.

D. Financial statements structure and operating cycle period

The Group's ordinary operating cycle generally exceeds one year, in particular for life insurance and long-term savings, long-term care, illness and hospitalization insurance, and property and casualty insurance in the liability and compulsory motor insurance sectors. The consolidated statements of financial position, which include mainly the assets and liabilities of the consolidated insurance company, were presented according to liquidity, with no distinction made between current and non-current assets. This presentation, which provides more relevant information, is consistent with IAS 1, Presentation of Financial Statements.

E. Functional currency and foreign currency

1. Functional currency and presentation currency

These financial statements are presented in NIS, which is the Company's functional currency, rounded to the nearest thousand. This currency best reflects the economic environment in which the Company operates.

The assets and liabilities of an investee that is a foreign operation, including excess of cost generated, are translated at the closing exchange rate at each reporting date. Income statement line items are translated at average exchange rates for the presented periods. Translation differences generated are charged to other comprehensive income (loss). When a foreign operation is fully or partially disposed of, such that control is lost, the cumulative profit (loss) relating to that operation, that was recognized as other comprehensive income or loss, is carried to profit or loss. When a foreign operation is partially disposed of, while retaining control in the consolidated company, a proportionate part of the amount that was recognized in other comprehensive income is re-attributed to non-controlling interests.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Functional currency and foreign currency (cont.)

2. Transactions, assets and liabilities in foreign currency

Transactions denominated in foreign currency (a currency other than the functional currency) are recorded upon initial recognition at the exchange rate on the transaction date. Subsequent to initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each balance sheet date into the functional currency at the exchange rate as of that date. Exchange rate differentials, other than those capitalized to qualifying assets or charged to equity in hedging transactions, are carried to the income statement. Non-monetary assets and liabilities presented at cost are translated at the exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currency and presented at fair value are translated into the functional currency at the exchange rate prevailing on the date on which the fair value was determined.

3. Monetary items linked to the Consumer Price Index

Monetary assets and liabilities linked to changes in the Israeli Consumer Price Index (the "CPI") are adjusted in accordance with the relevant CPI on each reporting date according to the terms and conditions of the agreement.

F. Cash and cash equivalents

Cash comprises cash balances available for immediate use and call deposits. Cash equivalents include highly liquid short-term investments, which can be easily converted into known amounts of cash and are exposed to an insignificant risk of changes in value and are not restricted by pledges.

G. Consolidated financial statements, business combinations and goodwill

1. The consolidated financial statements include the statements of companies that are controlled by the Company (subsidiaries). Control exists when a company has the power to influence the investee, exposure, or rights, to variable returns from its involvement with the investee, as well as the ability to use its power to affect the amounts of its return from the investee. When testing for control, potential voting rights are taken into account only if they are substantive. The financial statements are consolidated from the date on which control is gained until the date on which control ceases.

The financial statements of the Company and its subsidiaries are prepared as of the same dates and periods. The accounting policies in the financial statements of the subsidiaries were applied uniformly and consistently with those applied in the Company's financial statements. Intra-group balances and any unrealized income and expenses arising from intra-group transactions, were eliminated in the preparation of the consolidated financial statements. Unrealized gains arising from transactions with associates and entities under joint control were eliminated against the investment based the Group's interests in these companies. Unrealized losses were eliminated in the same way as unrealized gains, but only to the extent that there was no evidence of impairment.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Consolidated financial statements, business combinations and goodwill (cont.)

Non-controlling interests in subsidiaries represent that portion of the subsidiaries' equity that cannot be attributed to the parent company, whether directly or indirectly. Non-controlling interests are presented separately, under the Company's equity. Profit or loss and any component of other comprehensive income are attributed to the Company and the non-controlling interests. Losses are attributed to non-controlling interests even if the result is a negative balance of non-controlling interests in the consolidated statement of financial position.

Changes in ownership interest in a subsidiary that do not result in a loss of control, are accounted for as a change in equity by adjusting the remaining non-controlling interests against the equity attributable to Company's shareholders net of/plus the consideration paid or received.

Upon the disposal of a subsidiary that result in loss of control, the Company:

- Derecognizes the subsidiary's assets (including goodwill) and liabilities.
- Derecognizes the carrying amount of non-controlling interests.
- Derecognizes the adjustments arising from translation of financial statements carried to equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any remaining investment.
- Reclassifies the components previously recognized in other comprehensive income (loss) on the same basis that would have been required had the subsidiary disposed of the related assets or liabilities directly.
- Recognizes any resulting difference (surplus or deficit) as profit or loss.

2. Business combinations are accounted for using the acquisition method. The cost of acquisition is measured at the fair value of the proceeds transferred at acquisition date, plus any non-controlling interests in the acquiree. In any business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value at acquisition date or in accordance with the proportionate share in the fair value of the net identified assets of the acquiree.

Direct acquisition costs are carried to the income statement as incurred.

In a business combination carried out in stages, the acquirer's equity interest held in the acquiree prior to obtaining control is measured at fair value as of acquisition date, and any revaluation of the previous investment is recognized in the income statement at the date control was obtained.

Contingent consideration is recognized at its fair value at acquisition date. Contingent consideration is classified as a financial asset or liability according to IAS 39. Subsequent changes in the fair value of the contingent consideration are recognized in the income statement. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent measurement.

Goodwill is initially measured at cost, which represents the difference between the acquisition consideration and the amount of non-controlling interests and net identified assets acquired and liabilities assumed. If the resulting amount of goodwill is negative, the acquirer will recognize the resulting gain on acquisition date.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**G. Consolidated financial statements, business combinations and goodwill (cont.)**3. Non-controlling interestsMeasurement of non-controlling interests on the business combination date

Non-controlling interests in subsidiaries represent that portion of the subsidiaries' equity that cannot be attributed to the parent company, whether directly or indirectly. Non-controlling interests are presented separately under the Company's equity and are measured at fair value on the business combination date, or according to their proportionate share in the identified assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Implementing this accounting policy is not allowed for other instruments that meet the definition of non-controlling interests (such as options for ordinary shares). These instruments are measured at fair value.

Allocation of comprehensive income to the shareholders

Profit or loss and any component of other comprehensive income are attributed to the owners of the Company and to non-controlling interests. Loss is attributed to the owners of the Company and to non-controlling interests even if the result is a negative balance of non-controlling interests.

4. Investment in joint arrangements

Joint arrangements are arrangements in which the Company has joint control. Joint control is the contractually agreed-upon sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

(1) Joint ventures

In joint ventures, the parties to the arrangement have joint control over the interests in the net assets of the arrangement. A joint venture is accounted for using the equity method.

(2) Joint operations

In joint operations, the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. In a joint operation, the Company recognizes its proportionate share in the assets, liabilities, revenues and expenses of the joint operation.

Acquisition of an interest in a joint operation which constitutes a business as defined in IFRS 3, is accounted for by the acquisition method, including measurement of identified assets and liabilities at fair value, recognition of deferred taxes arising from this measurement, accounting for transaction costs, and recognition of goodwill or gain from a bargain purchase. The aforesaid applies to the acquisition of the initial interest and additional rights in a joint operation that constitutes a business.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**H. Investment in associates**

Associates are companies over which the Group has significant influence, but not control, over the monetary and operating policies. An investment in an associate, with the exception of an investment included in the investment portfolios of participating policies - see Note 2.K(5) - presented on the basis of the equity method.

I. Investments accounted for in accordance with the equity method

The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or joint venture is presented at cost plus post-acquisition changes in the Group's share in net assets, including other comprehensive income of the associate or joint venture. Gains and losses arising from transactions between the Group and the associate or joint venture are eliminated in accordance with the ownership stake.

Goodwill in respect of the acquisition of an associate or joint venture is presented as part of the investment in the associate or joint venture, measured at cost and is not systematically amortized. Goodwill is tested for impairment as part of the investment in the associate or joint venture as a whole.

The financial statements of the Company and the associate or joint venture are prepared as of the same dates and periods. The accounting policies in the financial statements of the associate or joint venture were applied uniformly and consistently with those applied to the Group's financial statements.

In the case of an acquisition of an associate or joint venture that is achieved in stages, when the previous investment in the acquired company was accounted for using the provisions of IAS 39, the Group applies IFRS 3 to business combination achieved in stages. As a result, equity interests in the acquiree that are held by the Group prior to the attainment of significant influence or joint control, are measured at fair value at the acquisition date and are included in the acquisition proceeds while recognizing profit or loss in accordance with the fair value measurement, as aforesaid.

In an associate where losses in excess of its capital have been incurred, the Company recognized its share in the losses of the associate up to the amount of its investment in the associate plus a loss that it may have incurred as a result of a guarantee or other financial support given in respect of the associate, up to the guarantee amount or other financial consideration. For this purpose, the investment includes long-term receivable monetary items (such as loans granted) which there is no intention to settle or repay in the foreseeable future.

The equity method is applied until the date of the loss of significant influence over the associate or the loss of joint control over the joint venture, or their classification as a held-for-sale investment.

The Company continues to apply the equity method even in cases where an investment in an associate becomes an investment in a joint venture, and vice versa. The Company applies the provisions of IFRS 5 to the investment or part of the investment in an associate or joint venture that is classified as held for sale. Any portion remaining in this investment that is not classified as held for sale continues to be accounted for using the equity method.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

I. Investments accounted for in accordance with the equity method (cont.)

Once significant influence or joint control has been lost, the Group measures the fair value of any remaining investment in the associate or joint venture, and recognizes in profit or loss as the difference between the proceeds from the disposal of the investment in the associate or joint venture and the fair value of the remaining investment and the carrying amount of the investment disposed of as of that date.

J. Insurance contracts and asset management contracts

IFRS 4, Insurance Contracts, allows an insurer to continue applying the accounting policy it applied prior to the transition date to IFRS reporting in respect of insurance contracts that it issues (including related acquisition costs and related intangible assets) and reinsurance contracts that it acquires.

Following is a summary of the accounting policy applied to insurance contracts:

1. Life insurance and long-term savings

a) Revenue recognition - please see Section W below.

b) Liabilities for life insurance contracts:

Liabilities for life insurance contracts are calculated according to the Commissioner's directives (regulations and circulars), generally accepted accounting principles and standard actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage and type and amount of insurance, etc.

Liabilities for life insurance contracts are determined on the basis of actuarial valuations performed by the Supervising Actuary at The Phoenix Insurance Ltd., Mr. Mark Rabaev, who is an employee of The Phoenix Insurance. The reinsurers' share in liabilities for life insurance contracts is based on the terms and conditions of the relevant contracts.

Liabilities for CPI-linked life insurance contracts and CPI-linked investments used to cover these liabilities were included in the financial statements according to the last CPI published prior to the balance sheet date, including liabilities for life insurance contracts for policies with semi-annual linkage.

c) Commissioner's directives regarding liabilities for annuities:

Circulars issued by the Commissioner, regarding the calculation of the liabilities for annuities in life insurance policies, set instructions on how to calculate the provisions as a result of the improvement rate in life expectancy requiring monitoring the adequacy of the liabilities for life insurance contracts to ensure that annuities are received and properly supplemented. For further information, please see Note 41.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

1. Life insurance and long-term savings (cont.)

d) Deferred acquisition costs:

- (1) Deferred acquisition costs ("DAC") for life insurance policies include fees and commissions to agents and purchasing supervisors and general and administrative expenses relating to the purchase of new policies. DAC is amortized at equal annual rates over the term of the policy but no longer than 15 years. DAC for canceled or settled policies are derecognized at the cancellation or settlement date.
- (2) The Phoenix Insurance's actuary assesses the recoverability of the DAC every year. This assessment verifies that the liabilities for insurance contracts and investment contracts, net of the DAC, is sufficient, and that the policies are expected to generate future income to cover the DAC deduction and the insurance liabilities, operating expenses and fees and commissions for these policies.

The assumptions used for this assessment, including assumptions regarding cancellations, operating expenses, yield on assets, mortality and morbidity rates, are determined by the Company's actuary annually on the basis of past experience and relevant current studies.

In addition, each year, the Company's actuary validates the estimated period for receiving management fee income in respect of investment contracts, pension funds and provident funds in order to determine the DAC amortization period created in respect thereof.

- (3) Fees and commissions paid to agents and purchasing supervisors in respect of purchase of asset management contracts (pension and provident funds) are recognized as deferred acquisition costs (DAC) if they are separately identified and reliably measurable, and if their recoverability through management fees is expected. The DAC is amortized over the estimated period for receiving income from management fees, taking into account cancellations.

e) Liability adequacy testing for life insurance contracts:

The Group tests the adequacy of the reserves. If the test indicates that the premiums received are insufficient to cover the expected claims, less insurance reserves at the calculation date, a special provision is recorded for the shortfall. Homogeneous groups of policies defined by the Commissioner are tested separately. For further details, please see Note 41, Section 5.1.8.

The assumptions used in these tests include assumptions for cancellations, operating expenses, yields on assets, interest rates, illiquidity premiums, mortality, pension uptake rates and morbidity rates, taking into account the amount by which the fair value of liquid assets exceeds their carrying amount. These assumptions are determined by the actuary every year on the basis of past experience and other relevant studies.

As to changes in insurance liabilities, see Note 41 Sections 5.1.8 and 5.1.10.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

1. Life insurance and long-term savings (cont.)

f) Contingent claims:

Contingent claims, net of the reinsurers' share therein, are calculated on a base-by-case basis, according to the valuation of The Phoenix Insurance's experts, based on the notifications regarding the insurance events and the insurance amounts. The provisions for pension payments, ongoing payment claims for income protection insurance, the direct and indirect expenses arising there from, as well as the provisions for incurred but not yet reported claims (IBNR) are included under the liabilities for insurance contracts and investment contracts.

g) Investment contracts:

Proceeds in respect of investment contracts are not included in the premiums earned line item but rather carried directly to liabilities in respect of insurance contracts and investment contracts. Redemptions and maturities of these contracts are not included in the income statement but rather deducted directly from liabilities in respect of insurance contracts and investment contracts.

Investment income, management fees collected from policyholders, change in liabilities and payments for insurance contracts for policyholders' share in investment income, fees and commissions to agents, and general and administrative expenses are charged to the income statement in respect of these contracts.

h) Provision for participation in earnings of policyholders in group insurance:

The provision is included under the payables and credit balances line item. In addition, the change in the provision is offset against income from premium.

2. Property and casualty insurance

a) Revenue recognition - please see Section W below.

b) Payments and changes in liabilities for insurance contracts, gross and in retention, include, among other things, settlement and direct handling costs in respect of claims paid, indirect costs of settling claims, outstanding claims in the reporting year, as well as adjustment of the provision for contingent claims (including a provision for direct and indirect costs for handling claims) recorded in previous years.

c) Liabilities for insurance contracts and deferred acquisition costs:

The insurance reserves and outstanding claims included in the liabilities in respect of insurance contracts line item, and the reinsurers' share in the reserve and in the contingent claims included under the reinsurance assets line item, are calculated in accordance with the Supervision of Financial Services Regulations (Insurance) (Calculation of Property and Casualty Insurance Reserves), 2013 (hereinafter - the "Calculation of Reserves Regulations"), the Commissioner's directives, and standard actuarial methods for calculating contingent claims, applied at the discretion of the supervising actuaries.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

2. Property and casualty insurance (cont.)

d) Liabilities for insurance contracts are composed of insurance reserves and contingent claims, as follows:

- 1) The unearned premium provision reflects the insurance premium for the insurance period subsequent to balance sheet date and is calculated on a daily basis.
- 2) Provision for premium deficiency. This provision is recognized if the unearned premium (less deferred acquisition costs) does not cover the expected cost in respect of insurance contracts. In the motor property insurance, comprehensive home, and business insurance subsegments, the provision is based, inter alia, on a model set in the Calculation of Reserves Regulations.
- 3) Insurance reserves and contingent claims are calculated according to the methods set out below:
 - 3.1 Contingent claims and the reinsurers' share therein are included on the basis of an actuarial valuation, except for the subsegments listed in Section 3.2 below. Indirect expenses to settle claims are included on the basis of an actuarial valuation. The actuarial calculation for The Phoenix Insurance, for property and casualty insurance, was carried out by the supervising actuary of The Phoenix Insurance, Ms. Anna Nahum, who is employed by The Phoenix Insurance.
 - 3.2 For marine, aircraft including third-party liability insurance, incoming business and other risks, for which the actuary determined that an actuarial model cannot be applied, due to lack of statistically significant data, the contingent claims were included based on an case-by-case valuation according to an opinion received from counsel and experts of The Phoenix Insurance that handle claims according to the reports of ceding companies for incoming business, with the addition of IBNR where necessary. The valuations include an adequate provision for handling expenses unpaid as of the date of the financial statements.
 - 3.3 Subrogation and salvage recoveries are taken into consideration in the underlying data by which the actuarial valuations of the contingent claims are calculated.
 - 3.4 The Phoenix Insurance believes that the contingent claims are adequate, given that the contingent claims are calculated mainly on an actuarial basis and their balance includes appropriate provisions where required for IBNR.

e) Liability adequacy testing in property and casualty insurance

The Company reviews the adequacy of Property and Casualty insurance (P&C) liabilities in accordance with the best practice principles.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

2. Property and casualty insurance (cont.)

- f) Deferred acquisition costs in property and casualty insurance include fees and commissions to agents and general and administrative expenses in connection with the purchase of policies, relating to unearned premiums. The acquisition expenses are calculated separately for each subsegment, on the basis of the actual rates of expenses or according to standard rates as determined in the Supervision Regulations, as a percentage of the unearned premium, whichever is lower.
- g) Business received from the Israeli compulsory motor insurance Pool of the Israeli Insurance Companies Association (hereinafter - the "Pool"), from other insurance companies (including co-insurance and incoming foreign businesses) and from underwriting agencies, is reported according to the reports received up to the balance sheet date with the addition of the relevant provisions, based on the rate of The Phoenix Insurance's participation therein.

3. Health insurance

- a) Revenue recognition - please see Section W below.

- b) Liabilities for health insurance contracts:

Liabilities for health insurance contracts are calculated according to the Commissioner's directives (regulations and circulars), generally accepted accounting principles and standard actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage and type and amount of insurance, etc.

Liabilities in respect of health insurance contracts and reinsurers' share therein are determined on the basis of an actuarial valuation. This is performed by the chief actuary of The Phoenix Insurance, Ms. Luba Sharapov, who is an employee of The Phoenix Insurance.

- c) Liability adequacy testing for health insurance contracts:

The Company performs loss recognition testing for health insurance contracts. If the test indicates that the premiums received are insufficient to cover the expected claims, a special provision is recorded for the shortfall. Groups of policies defined by the Commissioner are tested separately. The assumptions used in these tests include assumptions for cancellations, operating expenses, morbidity and mortality, interest rates and illiquidity premium, taking into account the amount by which the fair value of liquid assets exceeds their carrying amount. These assumptions are determined by the actuary each year on the basis of past experience and other relevant studies. For collective policies, the testing is performed according to the claims history of the individual collective and subject to the statistical reliability of that experience. For additional details, including updating the illiquidity premium, please see Note 41, Section 5.1.10.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

3. Health insurance (cont.)

d) Contingent claims:

The provisions for ongoing payment claims in Long Term Care (LTC) insurance, the direct and indirect expenses arising therefrom, as well as provisions for incurred but not yet reported claims (IBNR), are included under liabilities in respect of insurance contracts.

In travel insurance, cargo insurance for marine, aircraft, Sale Law guarantee, financial guarantees, credit insurance, foreign trade risks and incoming businesses - for which the actuary determined that an actuarial model is inapplicable - due to lack of statistically significant data - the contingent claims were included based on a case-by-case evaluation according to assessments by external experts and company employees handling claims, reports by ceding companies for incoming business, with the addition of IBNR and reserves where necessary.

e) Provision for policyholders' participating policies in collective insurance:

The provision for policyholders' participating policies in collective insurance is included under "payables and credit balances". In addition, the change in the provision is offset against premiums earned.

f) The unexpired risk reserve, included in the liabilities for insurance contracts line item, includes, if necessary, a provision for an expected retention loss (premium deficiency) that is calculated based on an actuarial valuation based on a cash flow estimate for the contract.

g) Deferred acquisition costs:

1. Deferred acquisition costs ("DAC") include fees and commissions to agents and acquisition supervisors and general and administrative expenses related to the purchase of new policies. In the illness and hospitalization subsegments, policies are amortized at equal rates over the period of the policy, but no longer than six years, and in long-term health insurance subsegments (such as long-term care and critical illnesses) the policies are amortized over no more than 15 years. Deferred acquisition costs relating to canceled policies are written off on the cancellation date.
2. The Company's actuary assesses the recoverability of the DAC each year. The assessment verifies that the liabilities for insurance contracts, net of DAC for policies sold, are sufficient, and that the policies are expected to generate future income to cover the DAC's amortization and the insurance liabilities, operating expenses as well as fees and commissions for those policies.

The assumptions used in this assessment, which include assumptions regarding cancellations, operating expenses, yield on assets, mortality and morbidity rates, are determined by the actuaries every year on the basis of past experience and relevant current studies.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**K. Financial Instruments****1. Non-derivative financial instruments**

Non-derivative financial instruments include both financial assets and financial liabilities. Financial assets include financial investments (liquid debt assets, illiquid debt assets, shares and others) and other financial assets such as other receivables and cash and cash equivalents. In addition, financial instruments include financial liabilities, such as loans and borrowings received, and supplier credit and other payables.

Initial recognition of financial assets

Non-derivative financial instruments are recognized initially at fair value, plus, for instruments not presented at fair value through profit and loss, any direct attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognized as an asset or liability when the Company accepts the contractual terms and conditions (the transaction date).

Financial assets are classified into the following classes:

Cash and cash equivalents

Cash comprises cash balances available for immediate use and call deposits. Cash equivalents include highly liquid short-term investments, which can be easily converted into known amounts of cash and are exposed to an insignificant risk of changes in value and are not restricted by pledges.

Held-to-maturity investments

If the Company has expressed intent and ability to hold debt securities to maturity, then such debt securities are classified as held-to-maturity. Held-to-maturity investments are recognized initially at fair value, plus any attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method (taking into consideration transaction costs), less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale or which are not classified into one of the following classes: financial assets measured at fair value through profit and loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses arising from fair value adjustments, except for interest, exchange rate differentials, and dividend from an equity instrument, are recognized in other comprehensive income. When the investment is disposed of or in case of impairment, the other comprehensive income (loss) is transferred to the income statement.

Financial assets at fair value through profit and loss

A financial instrument is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

K. Financial Instruments (cont.)

1. Non-derivative financial instruments (cont.)

Loans and receivables

Loans and receivables are investments with fixed or determinable payments that are not traded in an active market. Subsequent to initial recognition, loans are presented at cost, plus direct transaction costs, using the effective interest method, less provision for impairment. Short-term receivables are recognized according to their terms and conditions, usually at their nominal value.

2. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group currently has a legally enforceable right to offset the amounts recognized and intends either to settle the asset or liability on a net basis or to dispose of the asset and settle the liability simultaneously.

The right to offset must be legally enforceable not only in the ordinary course of business of the parties to the contract, but also in the event of bankruptcy or insolvency of one of the parties. In order for the offset right to be readily available, it must not be contingent on a future event, or have periods of time in which it is inapplicable, nor events that may cause it to expire.

3. Derivative financial instruments

Financial derivatives are initially recognized at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are carried to the income statement under investment income, net and finance income.

4. CPI-linked assets and liabilities not measured at fair value

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, are revalued each period in accordance with the actual change in the CPI.

5. The Group decided to designate assets as follows:

A. Financial assets in investment portfolios of participating policies

These assets, which include liquid and illiquid financial instruments, were designated at fair value through profit and loss, for the following reasons: These are portfolios under management, separate and identified, whose presentation at fair value significantly reduces an accounting mismatch

of reporting financial assets and financial liabilities at different bases of measurement. Furthermore, their management is based on fair value, and the portfolio's performance is measured at fair value, in accordance with a documented risk management strategy. The information about the financial instruments is reported to management (the relevant investments committee) internally, at fair value.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

K. Financial Instruments (cont.)

5. The Group decided to designate assets as follows: (cont.)

B. Illiquid financial assets that are not included in investment portfolios against participating policies (nostro)

Assets meeting the criteria of the loans and receivables class, including Hetz bonds, were classified to this class and measured at amortized cost, using the effective interest method.

Illiquid equity instruments are classified as available-for-sale financial assets.

C. Liquid financial assets which are not included in investment portfolios against participating policies (nostro), which do not include embedded derivatives or do not constitute derivatives (including investment funds)

These assets are classified as available-for-sale financial assets.

D. Financial instruments that include embedded derivatives requiring bifurcation

These assets are designated to the class of fair value through profit and loss.

E. Liquid financial assets in a consolidated subsidiary engaged in investment management

These assets were classified as fair value through profit and loss, and include held-for-trading financial assets and financial assets designated at fair value through profit and loss.

6. Financial liabilities

The liabilities are recognized initially at fair value. Loans and other liabilities measured at amortized cost are presented net of direct transaction costs.

Subsequent to initial recognition, the accounting treatment of financial liabilities is based on their classification as described below:

a. Financial liabilities at amortized cost

Subsequent to initial recognition, loans and other liabilities are recognized at cost, less direct transaction costs, using the effective interest method.

b. Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities classified as held-for-trading and financial liabilities designated, upon initial recognition, to be presented at fair value through profit or loss.

Financial liabilities are classified as held for trading if they were acquired principally for the purpose of selling them in the short term. Profit or loss for liabilities held for trading is carried to profit or loss.

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**K. Financial Instruments (cont.)****6. Financial liabilities (cont.)**

The Group assesses whether embedded derivatives are required to be bifurcated when the Group first becomes a party to the contract. The need to bifurcate an embedded derivative is only reassessed if there is a change in the terms and conditions of the contract that significantly modifies the cash flows from the contract.

A liability may be designated at initial recognition to fair value through profit or loss, subject to the terms and conditions set out in IAS 39.

7. Put option granted to non-controlling shareholders

The Group granted non-controlling shareholders (hereinafter - the "Non-Controlling Interests") a put option to sell part or all of their ownership interests in consolidated companies. The non-controlling interests were classified as financial liabilities on the day of grant. At each balance sheet date, the Group recognizes financial liabilities at the present value of the estimated expected payment to the non-controlling interests. At the same time, the non-controlling interests are accounted for as if they were held by the Group. For business combinations that occurred up to December 31 2009, changes in the liability in subsequent periods, other than the time value recognized in profit and loss, caused by a change in the estimate of expected payments, are recognized in goodwill until exercise of the option.

As of January 1 2010, the entire change in the liability amount is carried to profit and loss. If the options are exercised in subsequent periods, the consideration paid is accounted for as settlement of the liability. If the option expires, the expiry is accounted for as sale of an investment in the consolidated company while retaining control. If the Company has the right to choose to make the expected payment in cash or by way of the Company's shares, the liability is not recognized in the financial statements at the award date.

8. Derecognition of financial instruments**a) Financial assets**

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full to a third party, without material delay. In addition, it has transferred substantially all the risks and rewards associated with the asset or has not transferred and has not retained substantially all the risks and rewards associated with the asset but has transferred control of the asset.

If the Company transfers its rights to receive cash flows from an asset and neither transfers nor retains substantially all the risks and rewards of the asset or transfers control thereof, a new asset is recognized in accordance with the Company's continuing involvement therein. Continuing involvement by way of providing a guarantee for the transferred asset is measured at the lower of the original balance of the asset in the financial statements and the maximum amount of consideration that the Company may be required to repay.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

K. Financial Instruments (cont.)

8. Derecognition of financial instruments (cont.)

(b) Financial liabilities

A financial liability is derecognized when it is extinguished, that is to say, when the liability is discharged, canceled or expires. A financial liability is extinguished when the debtor (the Group) repays the liability by a cash payment, other financial assets, goods or services, or is legally released from the liability.

Where an existing financial liability is exchanged for another financial liability from the same lender on substantially different terms and conditions, or where the terms and conditions of an existing liability are substantially modified, such an exchange or modification is accounted for as a derecognition of the original liability and the recognition of a new liability at fair value as of that date. The difference between the balances of the above two liabilities in the financial statements is carried to the income statement. If the exchange or modification is immaterial, it is accounted for as a change in the terms of the original liability and no profit or loss is recognized from the exchange. When determining whether a change has occurred in the substantive terms and conditions of an existing liability, the Company takes qualitative and quantitative considerations into account.

L. Property, plant & equipment

Buildings and land are measured at revalued amounts, and fair value changes are carried to other comprehensive income. Buildings and land are valued based on evidence available in the market, using comparable prices adapted to specific market factors such as the type, location and condition of the assets.

The Group believes that fair value measurement is a more relevant basis for the value of the Group's assets and equity.

Other property, plant and equipment items are presented at cost plus direct acquisition costs, less accumulated depreciation and accumulated impairment losses, and less investment grants received in respect thereof, but do not include current maintenance expenses. Cost includes spare parts and auxiliary equipment used for the property, plant and equipment items.

The components of a property, plant and equipment item with a significant cost in relation to the total cost of the item are depreciated separately, according to the components method.

Depreciation is calculated at equal annual rates on a straight-line basis over the asset's useful life, as follows:

	2020-2021
Buildings	20-50
Computers	3-7
Vehicles	7
Equipment and furniture	7-17
Leasehold improvements	See below
Works of art	Without depreciation

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**L. Property, plant & equipment (cont.)**

1. Revaluation of land and buildings is charged to the revaluation reserve presented in shareholders' equity, less the tax effect. The revaluation reserve is recognized in retained earnings during the use of the asset, according to its depreciation rate or when the asset is derecognized.
2. Revaluation is carried out routinely to ensure that the balance in the financial statements is not materially different from the value that would have been calculated at fair value at the reporting date.
3. Impairment of a revalued asset is carried directly to other comprehensive income, up to the amount of the credit balance in the revaluation reserve for that asset. Any further impairment is carried to profit or loss. Any increase in the asset's value as a result of revaluation is recognized in profit or loss up to the amount where it reverses the impairment that was previously recognized in profit or loss. Any subsequent increase is carried to the revaluation reserve.
4. Leasehold improvements are depreciated on a straight-line basis over the rental period (including the option period to extend the term of the contract, which the Group intends to exercise), or according to the estimated useful life of the improvement, whichever the shorter.
5. The useful life, depreciation method and residual value are reviewed at least at each year-end, and changes are accounted for prospectively as a change in accounting estimate. Depreciation of assets ceases at the earlier of the date on which the asset is classified as held for sale and the date on which the asset is derecognized. See Section Q below for further information about impairment testing of property, plant and equipment.

M. Investment property

Investment property is initially measured at cost, including direct acquisition costs. After initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment property are recognized in profit or loss as incurred. Investment property is not systematically depreciated.

Investment property under development for future use as investment property is also measured at fair value as set out above, when fair value can be reliably measured. The cost basis of investment property under development includes the cost of land plus the costs of credit used to finance the construction, direct incremental planning and development costs and brokerage fees for rental agreements thereof.

The Group determines the fair value of investment property on the basis of a valuation by external independent appraisers who are experts in the valuation of real estate properties and have the appropriate expertise and experience, and on the basis of the extensive professional expertise of the Group's management, as well on the valuation of internal expert appraisers.

Assisted living facilities, excluding the long-term care departments and supportive care units, are recognized as investment property.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**N. Leases**

The Company accounts for a contract as a lease contract when the right to control an identifiable asset is transferred, as provided therein, for a period of time, for a consideration.

1. The Company as lessee

For transactions in which the Company is the lessee, it recognizes at commencement date a right-of-use asset against a lease liability, excluding transactions for periods of up to 12 months and transactions in which the underlying asset is of low value, in which the Company opted to recognize the lease fees as an expense in profit or loss on a straight line basis over the lease term. When measuring the lease liability, the Company opted to apply the expedient available under the Standard, and did not separate between lease components and non-lease components, e.g.: management services, maintenance services, etc., included in the same transaction.

In transactions where the employee is entitled to a company car as part of his/her terms of employment, the Company accounts for these transactions as employee benefits in accordance with the provisions of IAS 19, rather than as a sublease.

On commencement date, the lease liability includes all unpaid lease payments, capitalized at the lease's implicit interest rate, when it can be readily determined, or at the Company's incremental interest rate. After commencement date, the Company measures the lease liability using the effective interest method.

At commencement date, the right-of-use asset is recognized at the amount of the lease liability plus lease fees paid on or before commencement date, plus transaction costs incurred.

A right-of-use asset is measured using the cost model and depreciated over the shorter of its useful life or the lease term.

When there are indications of impairment, the Company assesses the impairment of the right-of-use asset in accordance with the provisions of IAS 36.

2. The Group as lessor

The tests for classifying a lease as a finance or operating lease depend on the nature of the agreements and are assessed at the inception date, in accordance with the principles set forth in the Standard:

a. Finance Lease

A lease transaction in which substantially all risks and rewards of ownership of the asset are transferred to the lessee, is classified as a finance lease.

Lease transactions in which the Company is the lessor

On commencement date, the leased asset is derecognized and an asset is recognized against it under receivables for finance lease; the value of this asset is equal to the present value of the lease proceeds discounted by the interest implicit in the lease.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**N. Leases (cont.)****2. The Group as lessor (cont.)**

Any difference between the balance of the leased asset before derecognition and the balance of "receivables for finance lease" is recognized in profit or loss. After commencement date, the lease proceeds are allocated between finance income reflecting a fixed periodic yield rate on receivables for finance lease, and settlement of receivables for finance lease. Accounts receivable in respect of a finance lease, for impairment and derecognition purposes, is accounted for in accordance with the provisions of IAS 39.

For transactions including non-lease components, the Company accounts for such components according to the relevant accounting standard rather than under receivables for finance lease.

b. Operating lease

A lease transaction in which all risks and rewards of ownership of the asset are not transferred to the lessee, is classified as an operating lease. Lease proceeds are recognized as income in profit or loss on a straight line over the lease term. Direct initial costs incurred in respect of the lease agreement are added to the cost of the leased asset and recognized as an expense over the lease term on the same basis.

3. Lease payments linked to the Consumer Price Index

On the lease commencement date, the Company uses the CPI rate on commencement date in order to calculate future lease payments.

In transactions in which the Company is the lessee, changes in the rate of future lease payments resulting from changes in the CPI are discounted (with no change in the discount rate applicable to the lease liability) to the balance of the right-of-use asset and charged as an adjustment to the balance of lease liability, only when a change occurs in cash flows due to a change in the CPI (i.e., the date on which the adjustment of lease payments takes effect).

4. Variable lease payments

Variable lease payments based on performance or use and independent of the CPI or interest are recognized as an expense on the date they are made in transactions in which the Company is the lessee, and as income in transactions in which the Company is the lessor.

When there are indications of impairment, the Company assesses the impairment of the right-of-use asset in accordance with the provisions of IAS 36.

5. Options to extend and terminate a lease term

A non-cancelable lease term also includes terms covered by an extension option when it is reasonably certain that the extension option will be exercised, as well as a terms covered by an option to terminate the lease when it is reasonably certain that the termination option will not be exercised.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**N. Leases (cont.)****5. Options to extend and terminate a lease term (cont.)**

Where a change occurs in the expectation that the extension option will be exercised or that the termination option will not be exercised, the Company re-measures the balance of the lease liability in accordance with the revised lease term, at the revised discount rate on the date of change in expectation, while the amount of the change is carried to the balance of the right-of-use asset until it is reduced to zero, and any remaining amount is recognized in profit or loss.

6. Lease modifications

When the lease terms are modified such that the modification does not reduce the lease amount and is not accounted for as a separate lease transaction, the Company re-measures the balance of the lease liability according to the amended lease terms and conditions, at the revised discount rate on the date of the amendment, and carries the amount of the change in the balance of the lease liability to the balance of the right-of-use asset.

When the lease terms and conditions are modified such that the modification reduces the amount of the lease, the Company recognizes a profit or loss from the partial or full derecognition of the balance of the right-of-use asset and the lease liability. Subsequently, the Company re-measures the balance of the lease liability in accordance with the modified lease terms and conditions, using the revised discount rate on the date of the modification, and carries the amount of the change in the lease liability to the balance of the right-of-use asset.

7. Subleases

In transactions where the Company leases an underlying asset (head lease) to a third party (sublease), the Company assesses whether the risks and rewards of ownership of the right-of-use assets have been transferred, inter alia, by comparing the sublease term to the useful life of the right-of-use asset created in the head lease.

When substantially all risks and rewards of ownership of a right-of-use asset have been transferred, the Company accounts for the sublease as a finance lease, otherwise the sublease is accounted for as an operating lease.

When a sublease is classified as a finance lease, the leased asset is derecognized on commencement date and a "receivables for finance lease" asset is recognized the amount of which is equal to the present value of the lease proceeds discounted by the interest implicit in the lease. Any difference between the balance of the leased asset before derecognition and the balance of "receivables for finance lease" is recognized in profit or loss.

O. Intangible assets

Separately acquired intangible assets are measured on initial recognition at cost plus direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value at acquisition date. Costs relating to internally generated intangible assets, excluding capitalized development costs, are carried to profit or loss as incurred.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**O. Intangible assets (cont.)**

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that an impairment has taken place. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If events and circumstances do not continue to support such assessment, the change in the useful life assessment from indefinite to definite is accounted for as a change in accounting estimate, and the asset is also tested for impairment on that date. As of that date the asset is amortized systematically over its useful economic life.

Intangible assets with a definite useful life are amortized over their useful life and tested for impairment when there are indications thereof. The amortization period and method applied to an intangible asset with a definite useful life are reviewed at each year end at the very least.

1. Software development costs

Software development costs are capitalized only if: the development costs can be reliably measured; the software is technically and commercially feasible; future economic benefits are expected from the development; and the Group intends to complete the development and use the software and has sufficient resources to do so. A capitalized expense includes the cost of the materials, direct labor and overhead expenses directly attributable to preparation of the asset for its intended use. Other development expenses are carried to profit and loss as incurred. Capitalized development costs are measured at cost less any amortization and accumulated impairment losses.

Amortization of the asset commences once the development has been completed and the asset is available for use. The asset is amortized over its useful life. The asset is tested for impairment once a year over the development period. When it is impossible to recognize an internally-generated intangible asset, development costs are carried to profit or loss as incurred. Development costs previously recognized as an expense are not recognized as an asset in a later period.

2. Software

The Company's assets include IT systems consisting of hardware and software. Software that is an integral part of hardware, which cannot function without the software installed on it, is classified as property, plant and equipment. However, licenses for standalone software which adds functionality to the hardware, are classified as intangible assets.

3. Subsequent costs

Subsequent costs are recognized as an intangible asset only when it increases the future economic benefits embodied in the specific asset to which it relates. All other costs, including costs related to goodwill or internally generated brands, are carried to the income statement as incurred. Amortization is carried to the income statement over the estimated useful life of the intangible assets, except for goodwill - from the date on which the assets are available for use.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

O. Intangible assets (cont.)

4. Amortization

The estimated useful lives for the current and comparative periods are as follows:

	Years	Amortization method
Computer software	3-10	Straight line
Brand	5-10	Straight line
Non-compete agreements	5-13	Straight line
Future management fees	9-15	Straight line
Fees and commissions portfolios	2-10	Straight line

Estimates as to the depreciation method and useful life are reviewed at least at the end of each reporting year.

P. Impairment

The Group assesses at each reporting date whether there is objective evidence of impairment for the following assets:

1. Financial assets

a. Financial assets measured at amortized cost

Objective evidence of impairment is present when one or more events had a negative effect on the estimated future cash flows from the asset after initial recognition. The amount of the loss carried to the income statement is measured as the difference between the asset's balance in the financial statements and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) capitalized at the original effective interest rate of the financial asset. If the financial asset bears variable interest, capitalization is carried out according to the present effective interest rate.

In subsequent periods, impairment losses are reversed when the recovery of the asset's value can be objectively attributed to an event that has occurred after the recognition of the loss. The amount of the reversal is carried to profit and loss up to the amount of any previously recognized impairment loss.

The Group considers evidence of impairment for debt assets classified to loans and receivables at both the specific asset level and at the collective level of an asset class with similar credit risk characteristics (collective assessment). All individually significant loans and receivables are tested for specific impairment. Loans and receivables for which no specific impairment was identified are collectively tested for any collective impairment that was incurred but not yet identified.

b. Available-for-sale financial assets

The evidence for impairment of equity instruments classified as available-for-sale financial assets includes a significant or prolonged decline in the fair value of the asset below its cost and assessment of changes in the technological, economic or legal environment in which the issuer of the instrument operates.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

P. Impairment (cont.)

1. Financial instruments (cont.)

b. Available-for-sale financial assets (cont.)

The testing for significant or prolonged impairment depends on the circumstances at each balance sheet date. The testing takes into account historical fluctuations in fair value and the existence of a prolonged decline in fair value at a total rate of 20% or more, or a prolonged decline in fair value of 12 months or more. Where there is evidence of impairment, the aggregate loss, which was carried to other comprehensive income, is reclassified to profit or loss. In subsequent periods, reversal of impairment loss is not carried to profit and loss but rather recognized in other comprehensive income (loss).

Evidence of impairment of debt instruments classified as available-for-sale financial assets includes one or more events that had an adverse effect on the estimated future cash flows from the asset subsequent to the investment date. Where there is evidence of impairment, the aggregate loss, which was carried to other comprehensive income, is recognized as an impairment loss in profit or loss. In subsequent periods, the amount of the impairment loss is reversed if the increase in fair value can be objectively attributed to an event occurring after the impairment loss was recognized. The amount of the reversal is carried to profit and loss up to the amount of any previously recognized impairment loss.

2. Reinsurance

- a. The liabilities of reinsurers towards The Phoenix Insurance do not exempt it from its liabilities to policyholders according to the insurance policies. If a reinsurer fails to meet its liabilities under the reinsurance contracts, The Phoenix Insurance may incur losses.
- b. The Phoenix Insurance includes a provision for doubtful debts for reinsurers' debts whose collection is doubtful on the basis of specific risk estimates and on the basis of the extent of the debt.

In addition, when determining the reinsurers' share in insurance liabilities, The Phoenix Insurance also considers the likelihood of collection from the reinsurers. When the reinsurers' share as aforesaid is calculated on an actuarial basis, the share of those reinsurers who are in financial difficulties is calculated in accordance with the actuary's recommendation, which takes all risk factors into account. In addition, when preparing the provisions, The Phoenix Insurance takes into account, among other things, the willingness of the parties to reach cut off agreements (termination of agreements by final repayment of debts) to reduce exposure.

3. Premium collectible

The provision for premiums collectible in the property and casualty insurance business is calculated according to estimates based, among other things, on debts in arrears and existing collateral.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**P. Impairment (cont.)****4. Customer credit for purchase of securities**

Customer credit is initially recognized at fair value, and subsequently measured at amortized cost based on the effective interest method, less a provision for doubtful debts.

The provision for doubtful debts is determined specifically for debts which Company's management believes are unlikely to be collected. Impaired trade receivables are derecognized when they are assessed as uncollectible.

5. Non-financial assets

The Group tests for impairment of non-financial assets other than deferred acquisition costs, investment property, assets arising from employee benefits, and deferred tax assets whenever events or changes in circumstances indicate that the balance in the financial statements is irrecoverable. When the balance of the non-financial assets exceeds their recoverable amount, the assets are amortized to their recoverable value. The recoverable value is the higher of fair value less costs of goods sold and value in use.

In assessing value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to each asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. All impairment losses are charged to the income statement under the other expenses line item.

Any impairment loss from an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since an impairment loss was last recognized. Reversal of the loss is limited to the lower of the amount of previously recognized impairment in respect of the asset (net of depreciation or amortization) or its recoverable amount. As to assets measured at cost, reversal of the loss is carried to profit or loss.

The following criteria are applied in testing for impairment the following specific assets:

a. Goodwill

The Company assesses goodwill impairment annually, as of December 31, or more frequently if events or changes in circumstances indicate impairment.

Goodwill impairment is determined by testing the recoverable amount of a cash generating unit (or a group of cash generating units) to which the relates belongs. An impairment loss is recognized if the recoverable amount of the cash generating unit (or group of cash generating units) to which goodwill has been allocated is less than the financial statements balance of the cash generating unit (or group of cash generating units). Impairment losses from goodwill cannot be reversed in subsequent periods.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

P. Impairment (cont.)

5. Non-financial assets (cont.)

b. Associates

After implementing the equity method, the Company assesses whether it is necessary to recognize a further impairment loss in respect of impairment of the investment in associates. At each balance sheet date, the Company assesses whether there is objective evidence of impairment of an investment in an associate. Impairment is tested for the entire investment, including goodwill attributable to the associate.

c. Art works and intangible assets with indefinite useful life

The Group assesses goodwill for impairment annually, on December 31, or more frequently if events or changes in circumstances indicate impairment.

Q. Fair value measurement

Fair value is the price that would be received when selling an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market - in the most advantageous market.

The fair value of an asset or liability is based on assumptions to be used by market participants to price the asset or liability, assuming that market participants act in their economic interests.

Fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through the highest and best use of the asset, or by selling it to another market participant who will make optimal use of the asset.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observable data and minimizing the use of unobservable inputs.

The fair value of financial instruments traded in an active market is determined by market prices on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using transactions that were recently made at market terms, reference to the current market value of another instrument which is substantially the same, discounting of cash flows, or other valuation methods. The value of illiquid bonds, loans and deposits is based on the cash flow discount method; please see Note 14G.

All assets and liabilities measured at fair value, or the fair value of which was disclosed, are categorized within the fair value hierarchy, based on the lowest level of the data, which is significant to fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: Inputs that are not based on observable market data (assessment techniques not using observable market input).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

R. Share capital and treasury shares

Costs directly attributable to the issue of shares and share options are recognized as a deduction from equity.

The Company's shares held by the Company and/or subsidiaries are measured at their acquisition cost and are offset against the Company's equity. Profit or loss from the purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

S. Employee benefits

The Group has several employee benefit plans:

1. Short-term employee benefits

Short-term employee benefits are benefits which are expected to be fully paid within up to 12 months after the end of the annual reporting period in which employees provide the services. These benefits include salaries, paid annual leave, paid sick leave, recreation pay and employer's National Insurance contributions and are recognized as expenses as the services are rendered. A liability for a cash bonus or a participating plan is recognized when the Group has a legal or constructive obligation to make such payment in respect of a service rendered by an employee and the amount can be measured reliably.

2. Post-employment benefits

Defined contribution plan

The Group has defined contribution plans in accordance with Section 14 of the Israeli Severance Pay Law; according to these plans, the Group pays fixed contributions without having a legal or constructive obligation to pay further contributions even if the fund does not have sufficient amounts to pay all employee benefits related to the employee's service in the current and prior periods.

Contributions to a defined contribution plan in respect of severance pay or pension are recognized as an expense when contributed concurrently with performance of the employee's services.

In addition, the Group has a defined benefit plan in respect of severance pay under the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement.

The liability for severance pay is measured on the basis of the actuarial value of the projected unit credit. The actuarial calculation takes into account future pay raises and rates of employee turnover based on the estimated timing of payment. The amounts are presented on the basis of discounting the future cash flows using the interest rate based on the yield at the reporting date on CPI-linked high-quality corporate bonds with maturity dates approximating the period for the Group's severance pay liability.

The Company makes contributions to pension funds and insurance companies on an ongoing basis in respect of its severance pay liability to some of its employees (hereinafter - the "Plan Assets"). The Plan Assets are assets held by the employee benefit fund in the long term or in qualifying insurance policies. The Plan Assets are not available for the use of the Group's creditors, and cannot be paid directly to the Group.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

S. Employee benefits (cont.)

2. Post-employment benefits (cont.)

The severance pay component in policies issued by the Company does not constitute Plan Assets and is offset from liabilities in respect of insurance contracts.

The liability for employee benefits in the statement of financial position presents the present value of the defined benefit liability less the fair value of the Plan Assets. Remeasurements of the net liability are carried to other comprehensive income.

3. Other long-term benefits

Group employees are entitled to benefits in respect of adaptation grants. The Group's net obligation for other employee benefits, other than post-employment benefit plans, is in respect of the amount of future benefit payable to employees for their services rendered in current and prior periods.

4. Severance pay and voluntary retirement benefits

Severance pay are recognized as an expense when the Group has committed to terminate employment before retirement age and it is unable to revoke the offer, or when the Group recognizes restructuring costs that include payment of termination benefits, whichever the earlier.

5. Share-based payment transactions

Other employees/service providers of the Company are entitled to benefits by way of share-based payment settled in equity instruments and some employees/other service providers are entitled to benefits by way of cash-settled share-based payment measured on the basis of the increase in the Company's share price.

Cash-settled transactions in equity instruments

The cost of transactions with employees settled in equity instruments is measured according to the fair value of the equity instruments at the award date. The fair value is determined using an accepted option pricing model.

For other service providers, the transaction cost is measured at the fair value of the goods or services received in exchange for the equity instruments granted.

The cost of transactions settled in equity instruments is recognized in profit or loss in addition to a corresponding increase in capital over the period in which the conditions of performance and/or service are met and ends on the date on which the relevant employees are entitled to the compensation (hereinafter - the "Vesting Period"). The recognized cumulative expense in respect of transactions settled in equity instruments as of the end of each reporting period up to the vesting date reflects the extent to which the Maturity Period has elapsed and the Group's best estimate of the number of equity instruments that will eventually vest.

No expense is recognized for grants that do not ultimately vest, except for grants whose vesting is conditional upon a market condition, which are accounted for as vesting irrespective of whether the market condition is satisfied, assuming that all the other vesting conditions (service and/or performance) are satisfied.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

S. Employee benefits (cont.)

5. Share-based payment transactions (cont.)

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized beyond the original expense calculated for any modification that increases the total fair value of the reward granted or is otherwise beneficial to the employee/other service provider at fair value at the modification date. If a grant of an equity-settled instrument is canceled, it is accounted for as if it had vested on the cancellation date, and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the canceled grant and is identified as a replacement grant on the grant date, the canceled and new grants are both treated as a modification of the original grant, as described above.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value on the award date using a standard option pricing model. For further information, please see Note 37. The fair value is recognized as an expense over the Vesting Period and a corresponding liability is recognized. The liability is remeasured at each reporting period at fair value until settled, and any changes in fair value are carried to the income statement, taking into account the scope of services provided until that date.

T. Liability in respect of structured bonds, bonds and long-term loans

Bonds issued and loans received are initially recognized at fair value, less transaction costs. In subsequent periods, bonds and loans are presented at amortized cost. Any difference between the consideration (less transaction costs) and the redemption value is recognized in the income statement over the bond or loan term, as relevant, using the effective interest method.

U. Liability in respect of short sale of securities

Liabilities in respect of short sale of securities are initially recognized at fair value when the relating transaction expenses are charged to the income statement. Subsequent to initial recognition, these liabilities are measured at fair value against profit or loss.

V. Provisions

In accordance with IAS 37, a provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is likely that financial resources will be required to settle the obligation and the obligation can be reliably estimated. When the Group expects that some or all of the expense will be reimbursed to the Company, such as in an insurance contract, the repayment will be recognized as a separate asset, only when it is highly likely that the asset will be received. The expense is recognized in the income statement less the reimbursement of the expense.

Types of provisions included in the financial statements:

1. Legal claims

A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be reliably estimated.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

V. Provisions (cont.)

2. Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group under it. The provision is measured at the lower of the present value of the expected cost of terminating the contract and the present value of the expected net cost of fulfilling the contract.

3. Levies

Levies imposed on the Company by government institutions through legislation, are treated in accordance with IFRIC 21, whereby the liability to pay the levy is recognized only upon occurrence of the event that gives rise to the payment obligation.

W. Revenue recognition

1. Premiums

A) Premiums in the life insurance segment and certain subsegments of health insurance, including savings premiums and excluding proceeds in respect of investment contracts, are recorded as revenues on collection date.

Cancellations are recorded when a notification is received from the policyholder or when initiated by the Group due to arrears in payments, subject to the provisions of the law. Policyholders' participation in profits is deducted from the premiums.

B) Property and casualty insurance premiums are recorded as income based on monthly output reports. The premiums usually relate to an insurance period of one year. Gross income from premiums and changes in unearned premium are recorded under premiums earned, gross.

Premiums on compulsory motor insurance are recorded when the premium is paid, since insurance coverage is contingent upon payment of the premium.

Premiums on policies that take effect after the balance sheet date or premiums on policies for a period exceeding one year are recorded as a prepaid income under the payables and credit balances line item.

The income included in the financial statements is after cancellations requested by policyholders and net of cancellations and provisions due to non-payment of premiums, subject to the provisions of the law, and net of the policyholder's participation in profits, based on valid agreements.

2. Management fees

A) Management fees for yield-dependent insurance contracts:

The management fees are calculated in accordance with the Commissioner's directives on the basis of the yield and the aggregate savings of the policyholders in the participating portfolio.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**W. Revenue recognition (cont.)****2. Management fees (cont.)**

Management fees include the following components:

For policies sold as from January 1 2004 - fixed management fees only.

For policies sold through December 31 2003 - fixed and variable management fees.

The fixed management fees are calculated at fixed percentages out of the aggregate savings and recorded on an accrual basis.

The variable management fees are calculated as a percentage of the annual real profit (as from January 1 through December 31) attributed to the policy, less the fixed management fees collected on that policy. Only positive variable management fees can be collected, net of negative amounts accumulated in previous years.

During the year, the variable management fees are recorded on an accrual basis in accordance with the real monthly yield to the extent that such yield is positive. In months when the real yield is negative, the variable management fees are reduced to the amount of the aggregate variable management fees collected since the beginning of the year. Negative yield for which a reduction of the management fees was not made during a current year, will be deducted for the purpose of calculating the management fees from positive yield in subsequent periods.

b) Management fees from pension funds and provident funds:

Income from the management of pension funds and provident funds is recognized on the basis of the balances of the assets under management and on the basis of the proceeds from planholders, in accordance with the Commissioner's directives.

c) Management fees from mutual funds and customer portfolio management:

Income from the management of mutual funds and income from the management of customers' portfolios are recognized on the basis of the balances of assets under management.

3. Fees and commissions

In the Insurance Agencies

Income from property and casualty insurance fees and commissions is recognized as incurred.

Income from life insurance fees and commissions is recognized on the basis of the date of entitlement for payment of the fees and commissions according to agreements with the insurance companies, net of provisions for refunds of fees and commissions due to expected cancellations of insurance policies. Income from reinsurance fees and commissions in property and casualty, life and health insurance is recognized as incurred.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

W. Revenue recognition (cont.)

4. Rental income

Rental income is recognized on a straight-line basis over the lease term. A fixed increase in rent over the term of the contract is recognized as income on a straight-line basis over the lease term.

5. Revenue recognition from the disposal of art works

Income from sale of works of art is included at the date of delivery when the revenue can be reliably estimated, there is a binding contractual agreement with the buyer and it is highly likely that the consideration will be received.

6. Income from financial services

a. Income from underwriting and distribution

Income from underwriting and distribution fees and commissions is recorded when the issuance and distribution is carried out, after fulfillment of the terms of the agreement with the company and/or issuer.

b. Income from consulting services

Income from consulting services (insurance agencies, management of employee options) is charged to profit or loss over the service period.

c. Income from financial transactions

Net income (loss) from financial transactions include gains on ETFs activity, market making, interest income (expenses) on amounts invested (taken), income from dividends, changes in fair value of financial assets measured by fair value through profit or loss, losses from impairment of financial assets, profits (losses) from exchange rate differentials and profits (losses) from derivative instruments recognized in profit or loss. Interest income and expenses are recognized upon accrual, using the effective interest method. Income from dividend is recognized when the Company is entitled to receive payment. If the dividend is paid in respect of liquid shares, the Company recognizes the income on the ex-dividend date.

7. Income from factoring and clearing

a. Fees in respect of factoring of checks constitute an integral part of the effective interest rate of loans in the Group, and are therefore accounted for as an adjustment of the effective interest rate.

Income from fees and commissions in respect of other services is recognized when the service is rendered to the customer.

b. Income from financial guarantee

Income from provision of financial guarantee services is recognized on a straight-line basis over the term of the financial guarantee contract.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**X. Gains (losses) on investments, net, finance income and expenses**

Gains (losses) on investments, net and finance income include interest income and linkage differences for debt assets, dividend income, gains (losses) from sale of available-for-sale financial assets, changes in the fair value of financial assets presented at fair value through profit and loss, foreign currency gains (losses) for debt assets, changes in the fair value of investment property and rental income from investment property. Gains (losses) on the realization of investments are calculated as the difference between the net realization consideration and the original cost or the amortized cost and are recognized on the sale date. Interest income is recognized as it accrues using the effective interest method. Income from dividend is recognized when the Company is entitled to receive payment. If the dividend is in respect of liquid shares, the Company recognizes the income on the ex-dividend date.

Foreign currency gains and losses and changes in the fair value of investments are reported on a net basis.

Finance expenses comprise interest expenses on loans received, interest and exchange rate differentials on reinsurers' deposits and balances, and changes in the time value of provisions. All uncapitalized borrowing costs are charged to the income statement using the effective interest method.

Y. General and administrative expenses

General and administrative expenses are classified as indirect expenses to settle claims (included under payments and changes in liabilities for insurance contracts and investment contracts), acquisition-related costs (included under fees and commissions, marketing expenses and other acquisition expenses) and the balance of general and administrative expenses included in this section. Classification is in accordance with the Group's internal models, validated periodically in accordance with the Company's activity, based on direct expenses charged and indirect expenses attributed.

Z. Taxes on income

The tax results for current or deferred taxes are carried to profit or loss, unless they refer to items carried to other comprehensive income or to equity.

Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted as of the reporting date, as well as adjustments to the tax liability payable in respect of prior years.

Deferred taxes

Deferred taxes are calculated for temporary differences between the amounts in the financial statements and the amounts taken into account for tax purposes.

Balances of deferred taxes are calculated at the tax rate that is expected to apply when the asset is disposed of or the liability settled, based on tax laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax assets are reviewed at each reporting date and amortized if it is no longer probable that they will be utilized. The carryforward losses and deductible temporary differences for which no deferred tax assets were recognized are reviewed at each reporting date, and if it is probable that they will be utilized, an appropriate deferred tax asset is recognized.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)**Z. Taxes on income (cont.)**

Deferred taxes in respect of investment property held to recover substantially all the economic benefits thereof by disposing of it rather than by using it, are measured according to the expected settlement method of the underlying asset, based on disposal rather than on use.

If the Company owns a single asset entity, and the Company expects to dispose of the investment by selling the shares of the single asset entity rather than by disposing of the asset itself, the Company is required to recognize deferred taxes both for the temporary inside differences arising from the difference between the tax base of the asset and its carrying amount, and for the temporary outside differences arising from the difference between the tax basis of the shares and the share of the company holding the net assets of the subsidiary in the consolidated financial statements.

When calculating deferred taxes, taxes applicable in the event of a disposal of investments in investees are not taken into account, if the sale of such investments is not expected in the foreseeable future. In addition, deferred taxes that would apply in the event of the distribution of earnings by investees as dividends have not been taken into account, since the distribution does not give rise to an additional tax liability, or due to the Company's policy not to distribute a dividend by a consolidated company that triggers an additional tax liability. Income tax relating to shareholder distributions of an equity instrument and transaction costs of an equity transaction are accounted for according to IAS 12. Deferred taxes are offset if there is a legal right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

AA. Earnings per share

Earnings per share are calculated by dividing the net income attributable to the Company's shareholders by the weighted number of ordinary shares outstanding in the period. Potential ordinary shares are included in the calculation of diluted earnings per share when their conversion dilutes earnings per share from continuing operations. Potential ordinary shares that have been converted during the period are included in the diluted earnings per share only until the conversion date, and starting from that date - they are included in basic earnings per share. The Company's share in the earnings of investees is based on its share in the earnings per share of the investees multiplied by the number of shares held by the Company.

BB. Reclassified

The Notes to the Financial Statements include reclassifications. The reclassifications did not have an effect on the equity, profit and loss and comprehensive income.

CC. Non-current assets or a disposal class held for sale and discontinued operations

Non-current assets or a disposal class are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are not depreciated and are presented separately in the balance sheet, at the lower of their carrying amount in the financial statements and fair value less costs to sell. If the carrying amount is higher than the fair value less costs to sell, an impairment loss is recognized for the assets (or disposal group) to the extent of the difference.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

CC. Non-current assets or a disposal class held for sale and discontinued operations (cont.)

At the same time, liabilities associated with these assets are presented separately in the balance sheet, in a similar manner. When the parent decides to sell part of its interest in a subsidiary so that after the sale the parent retains a non-controlling interest, all the assets and liabilities attributed to the subsidiary are classified as held for sale and the relevant provisions of IFRS 5 are applicable, including presentation as discontinued operations. A discontinued operation is an operation that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations.

DD. Distribution of non-cash assets to owners

The Company recognizes the liability in respect of distribution of assets when it is approved by the relevant Company organ. The liability is measured at fair value of the transferred asset, and carried directly to equity under the retained earnings line item. On each reporting date and until the asset is derecognized, the liability is measured at the fair value of the asset, and changes in fair value are carried to the retained earnings line item. On the date on which the asset is recognized, the Company recognizes a profit or loss at an amount equal to the difference between the amount of the liability and amount of the asset as per the financial statements on derecognition date. The Company accounts for non-cash assets that were distributed to owners in accordance with the provisions of IFRS 5.

EE. Change in accounting policy - first-time application of new financial reporting standards and amendments to existing accounting standards

Amendments to IFRS 4, IFRS 16, IFRS 7, IFRS 9, 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 economically equivalent conditions.

In addition, in accordance with the amendments, subject to certain conditions, changes to the designation of the hedging instrument and documentation due to application of the IBOR reform will not result in discontinuation of the hedging relationship. 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

EE. Change in accounting policy - first-time application of new financial reporting standards and amendments to existing accounting standards (cont.)

Amendments to IFRS 4, IFRS 6, IFRS 7, IFRS 9, and IAS 39 due to the IBOR reform (cont.)

The Amendments are applied as from annual periods beginning on January 1, 2021. The Amendments are applied retrospectively, however restatement of comparative figures is not required.

The above amendments had no material effect on the financial statements of the Company. For further information, please see Note 41(3).

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

1. IFRS 17 - Insurance Contracts

In May 2017, the International Accounting Standards Board (IASB) published IFRS 17 - Insurance Contracts (hereinafter - the "New Standard"). An amendment to the New Standard was published in May 2020. The New Standard sets rules for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes the current guidance on this issue. The New Standard is expected to cause significant changes in the financial reporting of insurance companies.

According to the New Standard, the insurance liability should be measured as the present value of the expected cash flows from insurance contracts, taking into account the uncertainty inherent in these forecasts (the risk margin). In addition, the profit expected from the insurance contracts arising from the said calculations will be recognized over the coverage period, and the effect of changes in the assumptions (excluding interest) will also be spread over the coverage period. A loss will be recognized as incurred if a group of insurance contracts is not expected to be profitable or incurs losses.

For certain insurance contracts (usually property and casualty insurance contracts with insurance coverage of up to one year), a simpler measurement model that is not very different from the current measurement may be applied.

In December 2021, the International Accounting Standards Board (IASB) published an amendment to the transitional provisions of IFRS 17. The amendment allows companies applying the standard for the first time to change the measurement categories of the financial assets in comparative figures without restating such information in accordance with the transitional provisions of IFRS 9, in order to prevent an accounting mismatch in the comparative information between insurance liabilities and financial assets on initial application date.

According to the amendment, the Company can choose whether to apply the expected credit losses model of IFRS 9 or to leave the provision calculated in accordance with IAS 39 in respect of the assets for which the amendment was applied. Therefore, the amendment will require a qualitative disclosure as to the approach applied by the Company in calculating the provision for credit losses for the assets to which the amendment was applied.

In accordance with the Draft "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts" published by the Commissioner January 2022, the first-time application of the Standard in Israel will be from the quarterly and annual periods beginning on January 1, 2024. Accordingly, the transition date will begin on January 1, 2023. Furthermore, in accordance with the draft, in 2023 the Company will report key proforma statements (without comparative figures) in accordance with the provisions of IFRS 17 and IFRS 9; this disclosure will be included in a dedicated note to the quarterly and annual financial statements. In accordance with the draft, early adoption is not possible.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

1. IFRS 17 - Insurance Contracts (cont.)

The New Standard will be applied retrospectively. If retrospective application is impracticable, one of the following approaches may be selected:

1. The modified retrospective approach.
2. The fair value approach.

The Company is making preparations for the adoption of the standard.

2. IFRS 9 - Financial Instruments

In January 2018 IFRS 9 - Financial Instruments came into force; the standard replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 (hereinafter - the "New Standard") mainly amends the provisions for the classification and measurement of financial assets and is applicable to all financial assets under IAS 39.

An amendment to IFRS 4 allows an entity issuing insurance contracts to adopt IFRS 9 with adjustments (hereinafter - the "Overlay Approach") or to postpone the adoption of IFRS 9 to January 1 2023 (hereinafter - the "Deferral Approach" or "Temporary Exemption").

However, in accordance with the Draft "Roadmap for the Adoption of IFRS 17 - "Insurance Contracts" published by the Commissioner January 2022, the first-time application of IFRS 17 and IFRS 9 in Israel will be from the quarterly and annual periods beginning on January 1 2024. Accordingly, the transition date will begin on January 1, 2023.

According to the New Standard, upon initial recognition, all financial assets shall be measured at fair value. In subsequent periods, debt instruments should be measured at amortized cost only if both of the following cumulative conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows arising therefrom.
- According to the contractual terms and conditions of the financial asset, the Company is entitled, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets shall be made at fair value. The New Standard distinguishes between debt instruments measured at fair value through profit or loss and debt instruments measured at fair value through other comprehensive income.

Financial assets that are equity instruments will be measured in subsequent periods at fair value and the changes will be recognized in the profit and loss or in other comprehensive income (loss), as elected by the Company on an instrument-by-instrument basis. Nevertheless, if equity instruments are held for trading, it is mandatory to measure them at fair value through profit or loss.

In addition, the New Standard includes a new model consisting of three stages for measuring the impairment of financial debt instruments that are not measured at fair value through profit or loss, based on the expected credit loss model.

The New Standard includes new requirements for hedge accounting.

The Company applies the Temporary Exemption under IFRS 9 as made possible by IFRS 4, since it has not previously applied any version of IFRS 9 and its activities are mainly related to insurance:

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

2. IFRS 9 - Financial Instruments (cont.)

As of December 31 2015, the carrying amount of the Company's liabilities arising from contracts that fall within the scope of IFRS 4 is approximately 94% of the total carrying amount of the Company's liabilities. Since that date, there have been no changes in the Company's activity that require an updated assessment.

3. Amendment to IAS 16, Property, Plant, and Equipment

In May 2020, the IASB published an amendment to IAS 16 (hereinafter - the "Amendment"). The amendment prohibits the deduction of proceeds received from the sale of items manufactured while a company is preparing its property, plant and equipment for its designated use from its cost. Rather, the company should recognize the proceeds from the sale and the related costs in profit and loss.

The Amendment shall be applied as from annual reporting periods beginning on January 1 2022. Earlier application is allowed. The Amendment is applied retrospectively, but only to property, plant, and equipment items that are brought to the location and condition necessary for them to operate in the manner intended by management at the earliest annual reporting period presented in the financial statements to which the Company first applies the Amendment or thereafter. The Company shall recognize the cumulative effect of the first-time application of the Amendment as an adjustment to the opening balance of the retained earnings at the beginning of the period of the first-time application date. The Company believes that the above amendment is not expected to have a material effect on the financial statements.

4. Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued an amendment to IAS 37 regarding costs that a company must include in assessing whether a contract is a onerous contract (hereinafter - the "Amendment").

According to the amendment, the testing should include both incremental costs (such as raw materials and direct working hours) and the allocation of other costs directly related to the fulfillment of the contract (such as amortization of property, plant, and equipment used to fulfill the contract).

The Amendment shall be applied as from annual reporting periods beginning on January 1 2022. The Amendment will apply to contracts for which the obligations have not yet been fulfilled as of January 1 2022. Earlier application is allowed.

The Company believes that the above amendments are not expected to have a material effect on the financial statements.

5. IFRS 3 - Business Combinations

In May 2020, the IASB published an amendment to IFRS 3 - Business Combinations - which updated the reference to the Conceptual Framework. The amendment was designed to replace a reference to the Conceptual Framework for Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting published in March 2018 without significantly changing its requirements.

The amendment adds an exception to the principle of recognizing a liability in accordance with IFRS 3, in order to avoid recognizing day 2 gain or loss stemming from liabilities and contingent liabilities, that would have been within the scope of IAS 37 or IFRIC 21, had they been recognized separately.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

5. IFRS 3 - Business Combinations (cont.)

In accordance with the exception, liabilities or contingent liabilities which are within the scope of IAS 37 or IFRIC 21 shall be recognized on acquisition date in accordance with the provisions of IAS 37 or IFRIC 21, rather than in accordance with the Conceptual Framework.

The amendment also clarifies that contingent assets will not be recognized on the business combination date.

The amendment will be applied prospectively for annual reporting periods beginning on January 1, 2022 or after.

6. 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 permitted.

The Company is studying the effects of the amendment on the financial statements.

7. Amendment to IAS 12 - Taxes on Income

In May 2021, the IASB issued an amendment to IAS 12, Taxes on Income (hereinafter - "IAS 12" or the "Standard"), which narrows down the scope of the "initial recognition exemption" for deferred taxes set forth in Sections 15 and 24 to the Standard.

Under the guidelines for recognition of deferred tax assets and liabilities, IAS 12 exempts recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from initial recognition of assets and liabilities in certain transactions. This exemption is termed the 'initial recognition exemption' (IRE). The Amendment narrows the scope of the 'initial recognition exemption' and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from a transaction that is not a business combination and for which equal temporary differences are generated in debit and credit, even if they meet the other terms and conditions of the IRE.

The Amendment shall be applied as from annual periods beginning on January 1, 2023. Early application is permitted. Regarding lease transactions and recognition of a liability for decommissioning and restoration - the Amendment will be applied as of the beginning of the earliest reporting period presented in the financial statements in which the amendment was first applied, imputing the cumulative effect of the first-time application to the opening balance of the retained earnings (or other capital component, as applicable) as of that date.

The Company believes that the above amendment is not expected to have a material effect on the Company's financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

GG. The following table presents information on the change in the CPI and US dollar exchange rate:

	CPI		Representative exchange rate of
	<u>In lieu CPI</u>	<u>Known CPI</u>	<u>US dollar</u>
	%	%	%
For the year ended December 31 2021	2.8	2.4	(3.3)
For the year ended December 31 2020	(0.7)	(0.6)	(7.0)
For the year ended December 31 2019	0.6	0.3	(7.8)

NOTE 3 – OPERATING SEGMENTS

The Company operates in the following operating segments:

1. Life insurance and savings segment

The life insurance and savings segment includes the following subsegments: life insurance and related coverages. The segment includes various categories of insurance policies as well insurance coverages in respect of various risks such as: death, disability, permanent health insurance, and more.

2. Health insurance segment

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

3. Property and casualty 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 in Israel is broken down into compulsory motor insurance, motor property, other property and other liability subsegments:

- Compulsory motor insurance subsegment
The compulsory motor subsegment focuses on coverage, the purchase of which by the vehicle owner or driver is mandatory, in respect of bodily injury caused as a result of the use of a motor vehicle (to the driver, passengers, or pedestrians).
- Motor property subsegment
The motor property subsegment focuses on coverage against property damage to the policyholder's vehicle and third-party property damage caused by the insured vehicle.
- Other liability subsegments
The liability subsegments provide coverage in respect of the policyholder's liability for any third-party damage he/she may cause. These subsegments include: third-party liability, 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. Pension and Provident segment

As from December 31, 2021, the Company presents the pension and provident activity as a reportable segment for the first time; through the said date, the activity was presented as part of the long-term savings segment. The comparative figures in the operating segments note were revised retrospectively as required under accounting standards.

As part of the implementation of the Company's strategy in the field of asset management in general and in the pension and provident activities in particular, on December 7 2020 the Company entered into a merger agreement with Halman-Aldubi, such that as from March 31 2021, upon the completion of the transaction, the Company consolidates Halman-Aldubi's results in its financial statements.

NOTE 3 – OPERATING SEGMENTS (cont.)**4. Pension and Provident segment (cont.)**

The pension and provident segment includes the management of pension funds and provident funds through The Phoenix Pension and Provident, which is a wholly-owned subsidiary of the Company.

In accordance with the provisions of the Banking Supervision Department, segment activity is described separately for the pension activity and the provident activity.

For further details, please see Note 4A.

5. 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 those of The Phoenix Investments and The Phoenix group's alternative investment funds.

6. Insurance agencies segment

As of the fourth quarter of 2019, the Company has been presenting the activity of the pension arrangement agencies and the other consolidated insurance agencies as a reportable segment. The comparative figures in the operating segments note were revised retrospectively as required under accounting standards.

7. Credit segment

The credit segment includes Gama. Gama is a credit aggregator providing financing, factoring, clearing, and management of credit vouchers services, financing against real estate properties, loans and credit, equipment financing and supplier financing. As of June 2021, as a result of assuming control over Gama, the Company presents the company's results as a reportable segment. Until this date, Gama's results were presented under the "Other segment". The comparative figures in the operating segments note were revised retrospectively as required under accounting standards. For further details, please see Note 4B.

8. 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, activities which are ancillary/overlapping with the Group's activity and holding assets and liabilities against the Company's share capital in accordance with the Capital Regulations.

9. Other segment - reclassification

As of the fourth quarter of 2021, the Company has classified the operations included under the "Other segment" to the "Financial services segment". The comparative figures have been reclassified. The said reclassification has no material effect on the financial services segment.

NOTE 3 – OPERATING SEGMENTS (cont.)

A. Reportable segment

	For the year ended December 31 2021									
	Life insurance and savings	Health	Property and casualty insurance	Pension and provident	Financial services	Insurance agencies	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	In NIS thousand									
Premiums earned, gross	5,422,835	2,735,295	3,003,301	-	-	-	-	-	-	11,161,431
Premiums earned by reinsurers	117,372	212,807	1,015,280	-	-	-	-	-	-	1,345,459
Premiums earned - retention	5,305,463	2,522,488	1,988,021	-	-	-	-	-	-	9,815,972
Gains on investments, net and finance income	12,538,375	1,134,567	357,247	87,687	3,342	21,453	25,033	482,791	(23,570)	14,626,925
Income from management fees	1,217,741	-	-	542,942	335,707	380	-	4,112	(51,516)	2,049,366
Income from fees and commissions (1)	37,401	51,859	233,640	-	-	569,036	-	-	(200,522)	691,414
Income from financial services	-	-	-	-	154,000	-	-	-	-	154,000
Income from factoring and clearing	-	-	-	-	-	-	52,871	-	-	52,871
Other income	224,543	188,680	-	2,712	8,526	44,485	240,292	123	(1,175)	708,186
Total income	19,323,523	3,897,594	2,578,908	633,341	501,575	635,354	318,196	487,026	(276,783)	28,098,734
Increase in insurance liabilities and payments in respect of insurance contracts	17,087,723	3,442,141	2,060,741	67,411	-	-	-	-	-	22,658,016
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	50,414	115,238	636,440	-	-	-	-	-	-	802,092
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	17,037,309	3,326,903	1,424,301	67,411	-	-	-	-	-	21,855,924
Fees and commissions and other purchase expenses	531,826	424,718	629,755	219,693	62,862	8,905	1,754	196	(183,634)	1,696,075
General and administrative expenses	399,875	150,508	132,198	274,197	313,769	337,422	43,347	81,170	(57,169)	1,675,317
Other expenses	15,127	-	-	16,185	12,000	18,691	4,059	1,845	(453)	67,454
Finance expenses (income)	28,877	2,607	(1,507)	7,406	6,706	2,049	10,610	182,784	(21,530)	218,002
Total expenses	18,013,014	3,904,736	2,184,747	584,892	395,337	367,067	59,770	265,995	(262,786)	25,512,772
Company's share in the net results of investees	93,614	8,624	497	-	4,860	4,539	(630)	-	-	111,504
Net income before taxes on income	1,404,123	1,482	394,658	48,449	111,098	272,826	257,796	221,031	(13,997)	2,697,466
Other comprehensive income (loss) before taxes on income	130,548	6,756	90,708	-	2,060	(645)	(425)	307,613	-	536,615
Comprehensive income before taxes on income	1,534,671	8,238	485,366	48,449	113,158	272,181	257,371	528,644	(13,997)	3,234,081

(1) Arises from commission income received from agencies owned by the Group, mainly from activities in the life insurance and savings.

NOTE 3 – OPERATING SEGMENTS (cont.)**A. Reportable Segment (cont.)**

	For the year ended December 31 2020									
	Life insurance and savings	Health	Property and casualty insurance	Pension and provident	Financial services	Insurance agencies	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	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 on investments, net and finance income	4,592,667	482,269	130,873	40,157	36	37	-	239,167	(5,500)	5,479,706
Income from management fees	736,673	-	-	369,873	293,845	1,361	-	3,084	(47,647)	1,357,189
Income from fees and commissions (1)	39,119	44,170	214,717	-	-	389,025	-	-	(130,980)	556,051
Income from financial and other services	-	-	-	-	159,000	-	-	-	-	159,000
Other income	11,673	23,999	-	-	10,137	89,102	-	19	(3,084)	131,846
Total income	<u>10,046,490</u>	<u>3,045,465</u>	<u>2,237,879</u>	<u>410,030</u>	<u>463,018</u>	<u>479,525</u>	<u>-</u>	<u>242,270</u>	<u>(187,211)</u>	<u>16,737,466</u>
Increase in insurance liabilities and payments in respect of insurance contracts	8,478,358	2,371,630	1,640,879	38,697	-	-	-	-	-	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	8,428,908	2,137,191	1,098,078	38,697	-	-	-	-	-	11,702,874
Fees and commissions and other purchase expenses	554,421	498,524	597,354	172,909	40,000	-	-	-	(113,105)	1,750,103
General and administrative expenses	378,758	161,986	144,083	164,808	261,544	237,974	-	66,210	(55,335)	1,360,028
Other expenses	20,762	-	-	5,541	12,409	9,123	-	7,505	(455)	54,885
Finance expenses (income)	3,393	(2,324)	(8,021)	4	5,402	3,314	-	147,191	(2,450)	146,509
Total expenses	<u>9,386,242</u>	<u>2,795,377</u>	<u>1,831,494</u>	<u>381,959</u>	<u>319,355</u>	<u>250,411</u>	<u>-</u>	<u>220,906</u>	<u>(171,345)</u>	<u>15,014,399</u>
Company's share in the net results of investees	12,006	2,055	(3,592)	-	2,070	8,670	18,488	-	-	39,697
Net income before taxes on income	672,254	252,143	402,793	28,071	145,733	237,784	18,488	21,364	(15,866)	1,762,764
Other comprehensive income (loss) before taxes on income	6,732	(33,485)	121,690	-	1,467	(332)	-	181,489	-	277,561
Comprehensive income (loss) before taxes on income	<u>678,986</u>	<u>218,658</u>	<u>524,483</u>	<u>28,071</u>	<u>147,200</u>	<u>237,452</u>	<u>18,488</u>	<u>202,853</u>	<u>(15,866)</u>	<u>2,040,325</u>

(1) Arises from commission income received from agencies owned by the Group, mainly from activities in the life insurance and savings.

NOTE 3 – OPERATING SEGMENTS (cont.)**A. Reportable segment (cont.)**

For the year ended December 31 2019										
	Life insurance and savings	Health	Property and casualty insurance	Pension and provident	Financial services	Insurance agencies	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	In NIS thousand									
Premiums earned, gross	5,209,366	3,257,486	2,858,593	-	-	-	-	-	-	11,325,445
Premiums earned by reinsurers	98,235	376,915	927,006	-	-	-	-	-	-	1,402,156
Premiums earned - retention	5,111,131	2,880,571	1,931,587	-	-	-	-	-	-	9,923,289
Gains on investments, net and finance income	7,771,515	786,483	172,872	57,867	28,598	10,944	-	277,478	3,938	9,109,695
Income from management fees	889,431	-	-	369,760	270,787	968	-	3,141	(46,603)	1,487,484
Income from fees and commissions (1)	28,919	34,477	219,547	-	-	366,827	-	-	(108,131)	541,639
Income from financial and other services	-	-	-	-	143,000	-	-	-	-	143,000
Other income	-	12,922	-	-	49,152	27,508	-	(2,662)	(824)	86,096
Total income	13,800,996	3,714,453	2,324,006	427,627	491,537	406,247	-	277,957	(151,620)	21,291,203
Increase in insurance liabilities and payments in respect of insurance contracts	13,260,289	3,602,386	1,662,770	42,379	-	-	-	-	-	18,567,824
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	52,295	368,236	533,561	-	-	-	-	-	-	954,092
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	13,207,994	3,234,150	1,129,209	42,379	-	-	-	-	-	17,613,732
Fees and commissions and other purchase expenses	521,283	669,196	612,688	174,002	38,169	-	-	-	(96,899)	1,918,439
General and administrative expenses	352,413	181,452	117,362	159,675	259,297	236,333	-	33,445	(58,769)	1,281,208
Other expenses	(7,464)	-	-	420	9,000	9,010	-	5,086	-	16,052
Finance expenses (income)	11,135	(5,451)	(9,775)	143	10,687	2,423	-	142,292	(8,856)	142,598
Total expenses	14,085,361	4,079,347	1,849,484	376,619	317,153	247,766	-	180,823	(164,524)	20,972,029
Company's share in the net results of investees	35,694	-	3,406	-	7,059	12,289	20,691	17,781	-	96,920
Net income before taxes on income	(248,671)	(364,894)	477,928	51,008	181,443	170,770	20,691	114,915	12,904	416,094
Other comprehensive income before taxes on income	99,004	53,570	202,597	-	2,383	(120)	-	246,554	-	603,988
Comprehensive income before taxes on income	(149,667)	(311,324)	680,525	51,008	183,826	170,650	20,691	361,469	12,904	1,020,082

(1) Arises from commission income received from agencies owned by the Group, mainly from activities in the life insurance and savings.

NOTE 3 – OPERATING SEGMENTS (cont.)

B. Additional data regarding the Pension and provident segment

	For the year ended December 31 2021		
	Provident funds	Pension	Total
	In NIS thousand		
Gains on investments, net and finance income	77,103	10,584	87,687
Income from management fees	338,699	204,243	542,942
Other income	-	2,712	2,712
Total income	415,802	217,539	633,341
Change in liabilities for investment contracts	67,411	-	67,411
Fees and commissions, marketing expenses and other purchase expenses	123,118	96,575	219,693
General and administrative expenses	177,343	96,854	274,197
Other expenses	15,383	802	16,185
Finance expenses	2,848	4,558	7,406
Total expenses	386,103	198,789	584,892
Comprehensive income before taxes on income	29,699	18,750	48,449

	For the year ended December 31 2020		
	Provident funds	Pension	Total
	In NIS thousand		
Gains on investments, net and finance income	37,459	2,698	40,157
Income from management fees	199,220	170,653	369,873
Total income	236,679	173,351	410,030
Change in liabilities for investment contracts	38,697	-	38,697
Fees and commissions, marketing expenses and other purchase expenses	85,389	87,520	172,909
General and administrative expenses	80,118	84,690	164,808
Other expenses	733	4,808	5,541
Finance expenses (income)	21	(17)	4
Total expenses	204,958	177,001	381,959
Comprehensive income (loss) for the year before taxes on income	31,721	(3,650)	28,071

	For the year ended December 31 2019		
	Provident funds	Pension	Total
	In NIS thousand		
Gains on investments, net and finance income	47,875	9,992	57,867
Income from management fees	204,535	165,225	369,760
Total income	252,410	175,217	427,627
Change in liabilities for investment contracts	42,379	-	42,379
Fees and commissions, marketing expenses and other purchase expenses	89,257	84,745	174,002
General and administrative expenses	81,070	78,605	159,675
Other expenses	44	376	420
Finance expenses	88	55	143
Total expenses	212,838	163,781	376,619
Comprehensive income before taxes on income	39,572	11,436	51,008

NOTE 3 – OPERATING SEGMENTS (cont.)

C. Additional data regarding the property and casualty insurance segment

	For the year ended December 31 2021				Total
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	
	In NIS thousand				
Gross premiums	653,843	1,155,436	759,375	586,698	3,155,352
Reinsurance premiums	270,705	1,759	512,033	263,550	1,048,047
Premiums - retention	383,138	1,153,677	247,342	323,148	2,107,305
Change in unearned premium balance, retention	44,160	66,392	3,322	5,410	119,284
Premiums earned - retention	338,978	1,087,285	244,020	317,738	1,988,021
Gains on investments, net and finance income	146,709	52,820	17,077	140,641	357,247
Income from fees and commissions	80,703	101	124,803	28,033	233,640
Total income	566,390	1,140,206	385,900	486,412	2,578,908
Payments and change in liabilities in respect of insurance contracts, gross	611,086	874,384	254,462	320,809	2,060,741
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	314,908	1,035	197,238	123,259	636,440
Payments and change in liabilities for insurance contracts - retention	296,178	873,349	57,224	197,550	1,424,301
Fees and commissions, marketing expenses and other purchase expenses	69,940	262,071	188,009	109,735	629,755
General and administrative expenses	29,325	48,447	27,020	27,406	132,198
Finance income	(726)	-	(85)	(696)	(1,507)
Total expenses	394,717	1,183,867	272,168	333,995	2,184,747
Company's share in the net results of investees	204	73	24	196	497
Profit (loss) before taxes on income	171,877	(43,588)	113,756	152,613	394,658
Other comprehensive income before taxes on income	37,278	13,354	4,339	35,737	90,708
Comprehensive income (loss) for the year before taxes on income	209,155	(30,234)	118,095	188,350	485,366
Liabilities in respect of insurance contracts, gross, as of December 31 2021	2,974,669	875,937	654,312	2,203,670	6,708,588
Liabilities in respect of insurance contracts - retention - as of December 31 2021	1,772,342	874,770	184,621	1,724,198	4,555,931

(*) Property and other 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 83% of total premiums in these subsegments.

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

	For the year ended December 31 2020				
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
	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
Gains on investments, 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 taxes on income	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
Comprehensive income 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 3 – OPERATING SEGMENTS (cont.)

C. Additional data regarding the property and casualty insurance segment (cont.)

	For the year ended December 31 2019				
	Compulsory motor insurance	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
	In NIS thousand				
Gross premiums	571,163	1,055,924	758,410	429,509	2,815,006
Reinsurance premiums	320,773	210	485,953	114,228	921,164
Premiums - retention	250,390	1,055,714	272,457	315,281	1,893,842
Change in unearned premium balance, retention	(1,753)	(30,723)	(1,345)	(3,924)	(37,745)
Premiums earned - retention	252,143	1,086,437	273,802	319,205	1,931,587
Gains on investments, net and finance income	76,176	25,577	8,304	62,815	172,872
Income from fees and commissions	89,086	-	114,222	16,239	219,547
Total income	417,405	1,112,014	396,328	398,259	2,324,006
Payments and change in liabilities in respect of insurance contracts, gross	404,689	726,950	251,015	280,116	1,662,770
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	298,747	2	179,911	54,901	533,561
Payments and change in liabilities for insurance contracts - retention	105,942	726,948	71,104	225,215	1,129,209
Fees and commissions, marketing expenses and other purchase expenses	63,279	268,914	188,075	92,420	612,688
General and administrative expenses	24,460	47,408	24,939	20,555	117,362
Finance income	(5,055)	-	(551)	(4,169)	(9,775)
Total expenses	188,626	1,043,270	283,567	334,021	1,849,484
Company's share in the net results of investees	1,515	476	165	1,250	3,406
Net income before taxes on income	230,294	69,220	112,926	65,488	477,928
Other comprehensive income before taxes on income	90,103	28,371	9,822	74,301	202,597
Comprehensive income before taxes on income	320,397	97,591	122,748	139,789	680,525
Liabilities in respect of insurance contracts, gross, as of December 31 2019	2,672,967	731,498	677,935	2,066,230	6,148,630
Liabilities in respect of insurance contracts - retention - as of December 31 2019	1,840,915	731,498	195,097	1,725,821	4,493,331

(*) Property and other insurance subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 78% 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 83% of total premiums in these subsegments.

NOTE 3 – OPERATING SEGMENTS (cont.)

D. Information about the segment's assets and liabilities

	For the year ended December 31 2021									
	Life insurance and savings	Health	Property and casualty insurance	Pension and provident	Financial services	Insurance agencies	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousands									
Assets										
Intangible assets	1,461	-	-	448,268	852,205	570,909	4,264	897,953	-	2,775,060
Deferred acquisition costs	841,267	409,979	273,817	541,050	-	-	-	-	(55,465)	2,010,648
Investments in associates	911,112	255,480	27,665	1,605	81,710	45,696	59	24,661	(1,605)	1,346,383
Investment property in respect of yield-dependent contracts	2,062,862	-	-	-	-	-	-	-	-	2,062,862
Investment property - other	621,310	256,810	246,714	-	-	-	-	-	-	1,124,834
Financial investments in respect of yield-dependent contracts	75,651,779	5,446,880	-	-	-	-	-	-	-	81,098,659
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, and deposit certificates	-	-	-	-	206,000	-	-	-	-	206,000
Credit in respect of factoring, clearing and financing	-	-	-	-	-	-	2,550,392	-	-	2,550,392
Other financial investments										
Liquid debt assets	1,166,373	482,103	1,918,486	64,846	30,000	4,768	-	3,806,357	-	7,472,933
Illiquid debt assets	7,327,626	2,973,334	1,228,756	926,128	671,000	166,192	11,502	820,678	(160,775)	13,964,441
Shares	373,045	154,193	729,683	27,550	115,906	10,527	1,520	1,349,473	-	2,761,897
Other	1,390,601	574,785	579,099	36,689	33,790	26,847	-	1,857,160	-	4,498,971
Total other financial investments	10,257,645	4,184,415	4,456,024	1,055,213	850,696	208,334	13,022	7,833,668	(160,775)	28,698,242
Cash and cash equivalents in respect of yield-dependent contracts	12,868,655	916,938	-	-	-	-	-	-	-	13,785,593
Other cash and cash equivalents	240,138	99,257	352,270	83,871	163,427	82,381	13,006	1,119,803	-	2,154,153
Reinsurance assets	191,328	462,561	2,152,657	-	-	-	-	-	-	2,806,546
Premiums collectible	32,339	105,249	534,968	-	-	-	-	-	-	672,556
Other assets	103,954	45,190	180,457	63,790	797,322	84,154	33,712	1,634,735	(655,667)	2,287,647
Total assets	103,783,850	12,182,759	8,224,572	2,193,797	2,951,360	991,474	2,614,455	11,510,820	(873,512)	143,579,575
Total assets in respect of yield-dependent contracts	90,733,839	6,382,824	-	-	-	-	-	-	-	97,116,663
Liabilities:										
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,350,254	5,104,795	6,708,588	949,349	-	-	-	-	-	25,112,986
Liabilities in respect of insurance contracts and yield-dependent investment contracts	89,264,766	6,363,818	-	-	-	-	-	-	-	95,628,584
Liabilities for bonds, ETFs, short ETNs and composite ETNs	-	-	-	-	205,000	-	-	-	-	205,000
Financial liabilities	269,792	20,372	6,871	18,993	1,038,532	58,647	2,287,842	5,274,013	(162,380)	8,812,682
Other liabilities	987,071	407,991	1,250,365	184,398	238,092	145,896	28,538	1,310,550	(655,667)	3,897,234
Total liabilities	102,871,883	11,896,976	7,965,824	1,152,740	1,481,624	204,543	2,316,380	6,584,563	(818,047)	133,656,486

NOTE 3 – OPERATING SEGMENTS (cont.)**D. Information about segment's assets and liabilities (cont.)**

	As of December 31, 2020									
	Life insurance and savings	Health	Property and casualty insurance	Pension and provident	Financial services	Insurance agencies	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	In NIS thousand									
Assets:										
Intangible assets	75,948	-	-	288,611	473,420	483,925	-	694,764	-	2,016,668
Deferred acquisition costs	813,782	377,756	240,040	343,642	-	-	-	-	(62,590)	1,712,630
Investments in associates	72,475	368,963	27,051	34,638	41,318	54,823	157,601	-	-	756,869
Investment property in respect of yield-dependent contracts	1,839,576	-	-	-	-	-	-	-	-	1,839,576
Investment property - other	2,349,575	195,356	183,779	-	-	-	-	-	-	2,728,710
Financial investments in respect of yield-dependent contracts	61,013,644	4,556,803	-	-	-	-	-	-	-	65,570,447
Financial investments for holders of bonds, ETFs, short ETNs, composite ETNs, and deposit certificates	-	-	-	-	239,000	-	-	-	-	239,000
Other financial investments	-	-	-	-	-	-	-	-	-	-
Liquid debt assets	1,327,345	468,525	2,673,632	57,351	13,893	19,622	-	3,535,100	-	8,095,468
Illiquid debt assets	7,820,678	2,748,313	1,048,047	883,128	768,000	3,366	-	770,293	(34,636)	14,007,189
Shares	230,425	81,335	649,455	9,125	36,788	1,964	-	890,901	-	1,899,993
Other	1,321,333	466,404	479,114	34,003	36,000	3,802	-	906,813	-	3,247,469
Total other financial investments	10,699,781	3,764,577	4,850,248	983,607	854,681	28,754	-	6,103,107	(34,636)	27,250,119
Cash and cash equivalents in respect of yield-dependent contracts	9,740,741	723,475	-	-	-	-	-	-	-	10,464,216
Other cash and cash equivalents	239,878	74,636	340,080	18,958	219,667	323,818	-	328,866	-	1,545,903
Reinsurance assets	183,229	508,008	1,840,422	-	-	-	-	-	-	2,531,659
Premiums collectible	42,167	101,394	508,264	-	-	-	-	-	-	651,825
Other assets	220,010	10,174	110,875	33,815	691,620	37,049	-	2,366,492	(1,613,852)	1,856,183
Total assets	87,290,806	10,681,142	8,100,759	1,703,271	2,519,706	928,369	157,601	9,493,229	(1,711,078)	119,163,805
Total assets in respect of yield-dependent contracts	72,717,525	5,316,559	-	-	-	-	-	-	-	78,034,084
Liabilities:										
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,192,150	4,171,774	6,184,724	921,239	-	-	-	-	-	23,469,887
Liabilities in respect of insurance contracts and yield-dependent investment contracts	71,540,354	5,316,559	-	-	-	-	-	-	-	76,856,913
Liabilities for bonds, ETFs, short ETNs and composite ETNs	-	-	-	-	238,000	-	-	-	-	238,000
Financial liabilities	1,070,020	257,382	11,492	192	1,008,000	59,100	-	4,672,164	(34,636)	7,043,714
Other liabilities	2,003,198	30,949	1,658,930	135,523	190,098	165,294	-	903,321	(1,613,852)	3,473,461
Total liabilities	86,805,722	9,776,664	7,855,146	1,056,954	1,436,098	224,394	-	5,575,485	(1,648,488)	111,081,975

NOTE 4 – BUSINESS COMBINATIONS

A. Acquisition of Halman Aldubi

1. General

On December 7, 2020, the Company entered into a merger agreement with 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 (100%) 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 4 below) - as of the consolidation date is approximately NIS 66 billion.

2. Grant of a loan to Halman Aldubi and to Halman Aldubi Provident

On February 18, 2021, the Company entered into an agreement with Halman Aldubi Provident according to which the Company would extend Halman Aldubi 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 Aldubi 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 Aldubi Provident, for the purpose of financing the full early redemption of all bonds (Series A) issued by Halman Aldubi 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 Aldubi 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 facility liabilities to a local bank.

3. Merger of Halman Aldubi Provident into The Phoenix Pension and Provident

On October 1, 2021, the merger of Halman Aldubi Provident with and into The Phoenix Pension and Provident Fund was completed. For further details, please see Note 11.

4. Sale of default pension fund - Meitav-Dash transaction

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, Halman Provident will sign an agreement for the sale to Meitav Dash Provident of the new pension funds managed by it 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. After the conditions precedent have been satisfied, the transaction was completed on July 1, 2021.

The said transaction had a negligible effect on the Company's results in the reporting period.

5. Sale of the provident funds by Halman Provident to Global Net Provident Fund Management (G.N.P.F.M) Ltd.

The agreement is subject to meeting conditions precedent, including approval by the Capital Market, Insurance and Savings Authority, which have not yet been fulfilled. The deadline for the completion of the transaction was set to March 31 2022; the sale agreement includes a mechanism allowing for the deferral of the deadline as aforesaid.

NOTE 4 – BUSINESS COMBINATIONS (cont.)

A. Acquisition of Halman Aldubi (cont.)

6. The Halman Aldubi business combination

The fair value of Halman's identified assets purchased and identified liabilities assumed as of acquisition date is based on a final valuation by an external appraiser received in March 2022. 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.

Following is the fair value of the identified assets and identifiable liabilities of Halman Aldubi at the consolidation commencement date (March 31, 2021) is as follows:

	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
Other 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)
Total assets less liabilities 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

The total cost of the business combination amounted to NIS 369 million, as detailed below. In addition, there are direct acquisition costs attributed to the transaction in the amount of approximately NIS 5.5 million, charged as an expense and included in the general and administrative expenses line item.

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

(*) For further details regarding the terms and conditions of the loans, please see Section 2 above.

NOTE 4 – BUSINESS COMBINATIONS (cont.)

A. Acquisition of Halman Aldubi (cont.)

6. The Halman Aldubi business combination (cont.)

As stated above, the consolidation commencement date of Halman Aldubi is March 31, 2021 and therefore, Halman Aldubi's results include the profit for the nine -month period ended December 31, 2021.

As from acquisition date, Halman Aldubi contributed NIS 100 million to total revenues in the consolidated financial statements (mainly revenues from management fees), and a total of NIS 75 million to total expenses in the consolidated financial statements. The effect on the post-tax comprehensive income is immaterial. Had the business combination taken place at the beginning of the year, the effect on the post-tax comprehensive income and the total revenues in the consolidated financial statements would have been immaterial.

As of September 30, 2021, The Company recognized the fair value of the assets acquired and the liabilities taken as part of the business combination as of the acquisition date, according to a provisional measurement. 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 date of purchase. As stated above, a final valuation was received in March 2022. The adjustments to the final valuation were immaterial; therefore, the Company made the adjustments to the temporary amounts recognized as part of the temporary PPA, including the cost of acquisition and its allocation to the different line items in the last quarter of 2021. The increase in depreciation expenses in respect of the fair value attributed to the future management fees as from acquisition date through December 31 2021 was immaterial.

B. IPO and assuming control over Gama Management and Clearing Ltd.

1. General

In June 2021, Gama issued a supplementary notice, following the Supplementary Prospectus for of the sale offer and initial public offering of shares (hereinafter - the "**Offering**"), and listing of Gama shares on the TASE, which was published by Gama on May 31, 2021 (the Prospectus together with the Supplementary Notice will be hereinafter referred to as the "**Prospectus**"). Simultaneously with the execution of the Offering in accordance with the Prospectus, The Phoenix Investments purchased additional Gama shares (hereinafter - the "**Purchased Shares**"), such that after the Offering and the acquisition of the Purchased Shares, The Phoenix Investments holds approximately 61.6% of Gama's issued and paid-up share capital and voting rights therein (approximately 60% on a fully diluted basis) and became the controlling shareholder in Gama. In exchange for the Purchased Shares, The Phoenix Investments paid a total of NIS 124 million. Following the execution of the Offering and the acquisition of the Purchased Shares, in Q2 the Company recorded a one-off post-tax profit of NIS 220 million, net of issuance expenses, as a result of becoming the controlling shareholder in Gama.

2. Business combination - Gama

The fair value of Gama's identified assets purchased and identified liabilities assumed as of acquisition date is based on a final valuation by an external appraiser received in March 2022. 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.

NOTE 4 – BUSINESS COMBINATIONS (cont.)

B. IPO and assuming control over Gama Management and Clearing Ltd. (cont.)

2. Business combination - Gama (cont.)

Following is the fair value of Gama's identified assets and identified liabilities as of the consolidation commencement date (June 30, 2021) is as follows:

	Unaudited - NIS thousand
Intangible assets	3,577
Deferred tax assets	3,239
Property, plant & equipment	9,242
Current tax assets	8,750
Other receivables and debit balances	6,691
Financial investments	12,494
Credit assets in respect of factoring, clearing and financing	2,283,531
Cash and cash equivalents	3,558
Total assets	2,331,082
Liability for employee benefits, net	(5,428)
Payables and credit balances	(27,561)
Financial liabilities (*)	(2,021,233)
Total liabilities	(2,054,222)
Assets less liabilities in Gama's books of accounts	276,860
Non-controlling interests	(119,585)
Investment in an investee	(147,193)
Gain from assuming control	(240,292)
Intangible assets arising from the acquisition, net of tax	354,573
Total acquisition cost	124,363

(*) For information regarding Gama's financial liabilities, see Note 27.

The total cash cost of the business combination amounted to NIS 124 million. In addition, there are direct acquisition costs attributed to the transaction in the amount of approximately NIS 4 million, charged as an expense and included in the general and administrative expenses line item.

	Unaudited - NIS thousand
Cash arising from the acquisition (used as acquisition proceeds):	
Cash and cash equivalents in the acquiree as of the acquisition date	3,558
Cash paid as acquisition proceeds	(124,363)
Cash, net	(120,805)

NOTE 4 – BUSINESS COMBINATIONS (cont.)

B. IPO and assuming control over Gama Management and Clearing Ltd. (cont.)

2. Business combination - Gama (cont.)

As stated above, the date of assuming control is June 30, 2021; therefore, Gama's results in the credit segment for 2021, include Gama's results for the six-month period ended June 30, 2021 in the net results of investees line item. In addition, the one-off gain from assuming control in the amount of NIS 220 million was imputed to other income.

In July and August 2021, Gama issued to Gama's CEO, officers and employees, shares that reflect, after dilution, 1.67% of Gama's share capital.

Following the said issue, the Company, through The Phoenix Investments, holds 60% of Gama's issued and paid-up capital and voting rights.

NOTE 5 – INTANGIBLE ASSETS

A. Composition and changes

	Goodwill	Original differences attributed to fees and commissions portfolios and future management fees	Non-competition In NIS thousand	Brand	Computer software	Total
Cost						
Balance as of January 1 2020	1,202,222	376,639	55,299	45,915	2,520,445	4,200,520
Additions	202	1,343	177	-	231,708 (*)	233,430
Company consolidated for the first time	154,549	76,471	4,777	-	6,066	241,863
Balance as of December 31 2020	1,356,973	454,453	60,253	45,915	2,758,219	4,675,813
Additions (see Section C below)	37,766	17,738	(688)	-	260,106 (*)	314,922
First-time consolidation (see Section D below)	422,040	303,059	1,099	9,099	37,541	772,838
Deconsolidation (see E below)	(23,848)	-	-	-	-	(23,848)
Derecognitions (see F below)	(17,223)	(28,467)	-	-	-	(45,690)
Balance as of December 31 2021	1,775,708	746,783	60,664	55,014	3,055,866	5,694,035
Accumulated amortization and accumulated impairment losses						
Balance as of January 1 2020	259,030	267,026	46,370	45,915	1,821,781	2,440,122
Amortization recognized during the year (**)	-	17,707	4,003	-	193,796	215,506
First-time consolidation (see Section D below)	-	-	-	-	3,517	3,517
Balance as of December 31 2020	259,030	284,733	50,373	45,915	2,019,094	2,659,145
Amortization recognized during the year (**)	-	48,115	2,144	182	204,931	255,372
First-time consolidation (see Section D below)	-	255	-	-	5,959	6,214
Derecognitions	(1,336)	(420)	-	-	-	(1,756)
Balance as of December 31 2021	257,694	332,683	52,517	46,097	2,229,984	2,918,975
Net carrying amount						
As of December 31 2021	1,518,014	414,100	8,147	8,917	825,882	2,775,060
As of December 31 2020	1,097,943	169,720	9,880	-	739,125	2,016,668

(*) Additions in respect of computer software include additions in respect of internal-use software in 2021 and 2020 amounting to NIS 181 thousand and NIS 167 thousand, respectively.

(**) The amortization recognized during the year (except for computer software) was carried to the other expenses line item.

NOTE 5 – INTANGIBLE ASSETS (cont.)

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill)

In order to test the recoverability of goodwill, it was allocated to the following cash-generating units:

- Provident and pension funds - management of provident funds for retirement benefits, advanced education funds, central severance pay provident fund and management of pension funds.
- Financial services - management of mutual funds, ETFs, stock exchange services, portfolio management, operation and management of employee options, and underwriting.
- Credit - includes Gama's activity in financing, factoring, clearing, and management of credit vouchers services, financing against real estate properties, loans and credit, equipment financing and supplier financing. For further details, please see Note 4B.
- Insurance agencies and retirement consulting.
- Assisted living.

Set forth below is the carrying amount of the goodwill allocated to each of following cash-generating units:

	As of December 31	
	2021	2020
	In NIS thousand	
Provident and pension funds	428,141	324,871
Financial services	407,213	399,130
Pension arrangement agencies	413,215	350,094
Credit	269,445	-
Senior housing	-	23,848
Total	1,518,014	1,097,943

Provident and pension funds

On December 30, 2019, the Board of Directors of The Phoenix Insurance approved the distribution of the shares of The Phoenix Pension and Provident, constituting approximately 100% of the issued and paid-up share capital of The Phoenix Pension and Provident 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. The required approvals were received in 2020, and on June 30 2021 The Phoenix Insurance executed the distribution.

In addition, as part of the process of merging Halman Investment House into the Company, which was approved in December 2020, on October 1, 2021, the merger of Halman Aldubi Provident into The Phoenix Pension and Provident was completed.

In order to test the recoverability of goodwill, the recoverable amount of the cash-generating unit to which the goodwill was allocated was compared to its carrying amount. To the extent that the recoverable amount of the cash-generating unit exceeds its carrying amount, value of the unit and the assets allocated to it shall not be considered to have been impaired.

The recoverable amount of the pension and provident funds cash-generating unit is determined based on an appraisal conducted by Mr. Uri Cohen of Cognum Financial Consulting Ltd.

The appraisal of the pension and provident funds cash-generating unit based on value in use.

NOTE 5 – INTANGIBLE ASSETS (cont.)**B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)****Provident and pension funds (cont.)**

The value in use was calculated using the representative projected EV/EBITDA multiple method, which is an approximation of the discounted cash flow method; the value in use of the pension funds management activity was not calculated using this method; rather, it was calculated using the discounted cash flow method over a forecast period of the next 15 years, and estimating the exit value and discounting them by a discount rate that reflects the risk inherent in the Company's activity.

For the purpose of estimating the value in use of the provident funds management activity, a post-tax EV/EBITDA multiple of 10.5-11.5% was assumed, which reflects discount rates of 9.6%-11.8% after tax and a long-term growth rate of 1.5%-2.5%. The rate of management fees assumed is 0.55%-0.57%.

Set forth below is an analysis of the sensitivity of the average value of the activity to changes in the amount of the assets under management in the provident funds activity and to the average multiple:

	Assets under management by provident funds				
	NIS million				
Multiplier	66,238	66,738	67,238	67,738	68,238
10.0	773	787	801	815	829
10.5	812	826	841	856	870
11.0	850	866	881	896	912
11.5	889	905	921	937	953
12.0	927	944	961	978	994

For the purpose of estimating the value in use of the pension funds management activity a post-tax cost of capital of approximately 10% was assumed. The long-term growth rate of approximately 2%. The long-term rate of management fees assumed out of total contributions into the comprehensive fund is approximately 1.75%; and the long-term weighted rate of management fees assumed out of the total amount of accrual is 0.17% of total assets.

Set forth below is a sensitivity analysis of the enterprise value of the new pension funds, including the old fund, to changes in the long-term discount rate and growth rate:

	The discount rate			
	NIS million			
Growth rate	9.0%	9.5%	10.0%	10.5%
1.0%	992	897	815	742
1.5%	1,037	935	846	768
2.0%	1,089	978	881	798
2.5%	1,149	1,026	922	831
3.0%	1,219	1,083	967	869

In 2021 and 2020, the recoverable amount of the provident and pension funds cash-generating unit is higher than its carrying amount.

NOTE 5 – INTANGIBLE ASSETS (cont.)

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)

Insurance agencies and pension advice

The recoverable amount of the goodwill in respect of insurance agencies and pension advice cash-generating unit is determined based on individual appraisals of the various agencies and in accordance with the projected cash flow method. The recoverability of goodwill is tested at individual agency level. The recoverability testing showed that the recoverable amount of the goodwill of each of the agencies exceeds its carrying amount.

Financial services

The appraisal of the financial services cash-generating unit is based on fair value. For the purpose of estimating the fair value of the financial services activity, each activity included in this cash-generating unit was assessed separately, mainly by using the multiple method. The EV/EBITDA multiple is in the range of 9 to 10 depending on the type of the activity, which reflects a post-tax discount rate of 12%-13%, and a growth rate of 1.5%-2.5%. The average rate of management fees assumed for the activity of the active funds is 0.66%-0.68%; the average rate of management fees assumed for the activity of the passive funds is 0.40%-0.42%.

The recoverable amount of the financial services cash-generating unit is determined based on an appraisal conducted by Mr. Uri Cohen of Cognum Financial Consulting Ltd.

Set forth below is an analysis of the sensitivity of the value of the funds activity (including the value of the tax shield in respect of carry forward losses) to the average amount of assets under management in both scenarios:

Sensitivity of analysis to average amount of assets under management					
	NIS million				
Multiplier	53,618	53,418	53,218	53,018	52,818
8.5	593	589	584	580	576
9.0	624	619	615	610	606
9.5	655	650	645	641	636
10.0	686	681	676	671	666
10.5	717	711	706	701	696

- C.** In 2021 and 2020, the recoverable amount of the provident and pension funds cash-generating unit is higher than its carrying amount.
- In 2021, consolidated companies acquired shares of agencies providing pension insurance services, for a total of approximately NIS 11 million.
 - As of the report date and during the measurement period final valuations were received, which were conducted by an external appraiser; accordingly, the assets acquired and the liabilities assumed as of acquisition date were adjusted. The adjustments to the final valuation were immaterial; therefore, the Company made the adjustments to the temporary amounts recognized as part of the temporary PPA, including the cost of acquisition and its allocation to the different line items in the last quarter of 2021. For further details, please see Note 8D(5).

NOTE 5 – INTANGIBLE ASSETS (cont.)**D. Companies consolidated for the first time****A) Acquisition of Halman Aldubi**

On December 7, 2020, the Company entered into a merger agreement with 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. On February 28 2021, upon meeting the conditions precedent, the merger was completed. As of that date, the Company wholly-owns (100%) Halman Aldubi. The consolidation commencement date is March 31, 2021. For further details, please see Note 4, Business Combinations.

B) Merger of Halman Aldubi Provident into The Phoenix Pension and Provident

As part of the process of merging Halman Investment House into the Company, which was approved in December 2020, on October 1, 2021, the merger of Halman Aldubi Provident into The Phoenix Pension and Provident was completed, subject to conditions precedent, including approval by the Capital Market Commissioner and the Registrar of Companies. Upon completion of the merger, the older provident funds and pension funds managed by Halman Aldubi Provident were transferred to the management of The Phoenix Pension and Provident, as were the provident funds and investment tracks of the transferred provident funds.

As of October 1, 2021, the Company directly holds a 84% stake of The Phoenix Pension and Provident and another 16% through its investment in Halman Aldubi Investment House.

C) Oren Mizrach Group

In December 2020, The Phoenix Agencies acquired additional shares of the Oren Mizrach Group directly and indirectly, such that after the acquisition, The Phoenix directly and indirectly holds approximately 70% of the share capital of the Oren Mizrach Group. The Phoenix Agencies recognized the fair value of the assets acquired and the liabilities assumed as part of the business combination according to a temporary appraisal from an external appraiser. As of the report date, the balances of the intangible assets were adjusted in accordance with a final valuation.

D) Gama - IPO and assuming control

In June 2021, Gama completed an offering on the Tel Aviv Stock Exchange, further to a supplementary prospectus for an offer for sale and an initial public offering of shares (hereinafter - the "Issuance"), and the listing of its shares on the Tel Aviv Stock Exchange, dated May 31, 2021. Simultaneously with the execution of the Issuance, The Phoenix Investments, that held 49% of the shares in Gama up to the date of the offer, purchased additional Gama shares (hereinafter - the "Purchased Shares"), such that after the Issuance and the acquisition of the Purchased Shares, The Phoenix Investments holds 61.6% of Gama's issued and paid-up share capital and voting rights therein (60% on a fully diluted basis) and is the controlling shareholder in Gama. In exchange for the Purchased Shares, The Phoenix Investments paid a total of NIS 124 million. For further details, please see Note 4, Business Combinations

NOTE 5 – INTANGIBLE ASSETS (cont.)

E. Deconsolidation of Ad 120

In October 2021 all the conditions precedent for the completion of the transaction to sell control of Ad 120, which was wholly-owned (directly and indirectly) by The Phoenix Insurance Company to Shapir Engineering and Industry Ltd. were met, so that as of the transaction completion The Phoenix Insurance holds 47% (directly and indirectly) of the issued and paid up share capital of Ad 120. For further details, please see Note 1G to the Report.

F. Sale of default pension fund - Meitav-Dash transaction

On March 10 2021, Halman Provident signed an agreement for the sale of the new pension funds under its management to Meitav Dash Provident Funds and Pension Ltd. On July 1 2021, after the conditions precedent have been satisfied, the transaction was finalized.

NOTE 6 – DEFERRED ACQUISITION COSTS

A. Composition:

	December 31	
	2021	2020
	In NIS thousand	
Life insurance and savings	785,802	751,191
Pension and provident funds	541,050	343,641
Health insurance	409,979	377,758
P&C insurance (see Note 19)	273,817	240,040
	<u>2,010,648</u>	<u>1,712,630</u>

B. Change in deferred acquisition costs in life insurance, pension and provident funds, and health insurance:

	Life insurance and savings (*)	Pension and provident funds	Health	Total
	In NIS thousand			
Balance as of January 1 2020	796,940	295,192	401,636	1,493,768
Additions:				
Purchase fees	74,544	94,369	85,945	254,858
Other purchase expenses	124,926	16,179	89,537	230,642
Total additions	199,470	110,548	175,482	485,500
Current amortization	(88,044)	(62,099)	(113,711)	(263,854)
Deduction for cancellations	(157,175)	-	(85,649)	(242,824)
Balance as of December 31 2020	751,191	343,641	377,758	1,472,590
Additions:				
Purchase fees	92,683	243,941	101,212	437,836
Commencement of consolidation (**)	-	19,047	-	19,047
Other purchase expenses	128,217	19,584	107,709	255,510
Total additions	220,900	282,572	208,921	712,393
Current amortization	(86,021)	(85,163)	(114,865)	(286,049)
Deduction for cancellations	(100,268)	-	(61,835)	(162,103)
Balance as of December 31 2021	<u>785,802</u>	<u>541,050</u>	<u>409,979</u>	<u>1,736,831</u>

(*) The amount of deferred acquisition expenses in respect of investment contract as of December 31 2021 and December 31 2020 is NIS 57,646 thousand and NIS 23,859 thousand, respectively. The balance as of December 31 2021 and December 31 2020 includes a deduction of intra-group deferred acquisition costs in the amount of NIS 77,042 thousand and NIS 62,590 thousand, respectively.

(**) For details regarding the acquisition of Halman Aldubi, please see Note 4A.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

A. Composition and changes:

2021

	Land and buildings (b)	Computers	Vehicles	Office furniture and equipment	Leasehold improvements	Works of art	Right of use assets for buildings	Right of use assets for vehicles	Total
In NIS thousand									
<u>Cost</u>									
Balance as of January 1, 2021	569,597	395,287	1,800	214,563	53,255	74,379	135,119	27,585	1,471,585
First-time consolidation (deconsolidation) (*)	(73,566)	17,114	56	(48,204)	13,715	-	37,842	7,290	(45,753)
Additions during the year	23,029	39,355	-	13,281	2,579	146	22,979	8,262	109,631
Revaluation recognized in other comprehensive income (see B.2 below)	27,009	-	-	-	-	-	-	-	27,009
Transfer from investment property	38,493	-	-	-	-	-	-	-	38,493
Derecognitions during the year	-	(4,320)	-	(1,118)	(688)	-	(2,814)	(11,816)	(20,756)
Balance as of December 31 2021	584,562	447,436	1,856	178,522	68,861	74,525	193,126	31,321	1,580,209
<u>Accumulated depreciation</u>									
Balance as of January 1, 2021	6,825	323,987	981	169,587	32,671	-	46,536	14,995	595,582
First-time consolidation (deconsolidation) (*)	(8,695)	13,914	56	(34,503)	8,480	-	7,314	2,943	(10,491)
Additions during the year	4,203	30,887	188	10,221	4,044	-	34,036	15,241	98,820
Revaluation recognized in other comprehensive income (see B.2 below)	(2,333)	-	-	-	-	-	-	-	(2,333)
Derecognitions during the year	-	(4,171)	-	(1,076)	(678)	-	(3,015)	(10,788)	(19,728)
Balance as of December 31 2021	-	364,617	1,225	144,229	44,517	-	84,871	22,391	661,850
Balance of amortized cost	584,562	82,819	631	34,293	24,344	74,525	108,255	8,930	918,359
Provision for impairment	-	-	-	-	-	(16,120)	-	-	(16,120)
Balance as of December 31 2021	584,562	82,819	631	34,293	24,344	58,405	108,255	8,930	902,239

(*) For information about the deconsolidation of Ad 120, see Note 1G, and for information about the commencement of consolidation of Gama and Halman Aldubi, see Note 1H and 1I, respectively.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (cont.)

A. Composition and changes: (cont.)

2020

	Land and buildings (b)	Computers	Vehicles	Office furniture and equipment	Leasehold improvements	Works of art	Right of use assets for buildings	Right of use assets for vehicles	Total
In NIS thousand									
<u>Cost</u>									
Balance as of January 1 2020	465,692	359,201	1,782	210,551	43,906	74,379	128,231	33,035	1,316,777
Additions during the year	88,771	37,666	-	2,809	8,305	-	3,669	4,714	145,934
Revaluation recognized in other comprehensive income (see B.2 below)	15,134	-	-	-	-	-	-	-	15,134
First-time consolidation	-	2,318	266	3,365	1,050	-	8,699	-	15,698
Derecognitions during the year	-	(3,898)	(248)	(2,162)	(6)	-	(5,480)	(10,164)	(21,958)
Balance as of December 31 2020	569,597	395,287	1,800	214,563	53,255	74,379	135,119	27,585	1,471,585
<u>Accumulated depreciation</u>									
Balance as of January 1 2020	-	297,002	748	163,127	29,558	-	21,621	12,962	525,018
Additions during the year	9,005	28,926	192	5,260	2,581	-	27,341	11,292	84,597
First-time consolidation	-	1,957	266	2,233	532	-	-	-	4,988
Revaluation recognized in other comprehensive income (see B.2 below)	(2,180)	-	-	-	-	-	-	-	(2,180)
Derecognitions during the year	-	(3,898)	(225)	(1,033)	-	-	(2,426)	(9,259)	(16,841)
Balance on December 31 2020	6,825	323,987	981	169,587	32,671	-	46,536	14,995	595,582
Balance of amortized cost	562,772	71,300	819	44,976	20,584	74,379	88,583	12,590	876,003
Provision for impairment	-	-	-	-	-	(14,138)	-	-	(14,138)
Balance as of December 31 2020	562,772	71,300	819	44,976	20,584	60,241	88,583	12,590	861,865

B. Land and buildings:

1. The Company and Hadar Green Company Properties and Investments Ltd. - A company wholly owned by the Company (hereinafter - "Hadar Green") are the owners and hold the rights to be registered as owners of 22 floors of offices, warehouses, parking lots and ancillary areas in an office and commercial high-rise building located in plot 923, block 6154 in Givatayim (hereinafter - "Beit Havered"). The sellers, in whose name the plot is registered with the Real Estate Registration Bureau in Tel Aviv-Yafo, undertook to register the plot in the name of the Company within 36 months of handing over the property to the Company. The completion of the registration was delayed for reasons involving the sellers. The parties are collaborating to obtain the certificate of completion from the authorities; the parties agreed that Isralom would not re-submit the claim.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (cont.)**B. Land and buildings (cont.)**

On December 17 2019, The Phoenix Insurance Company Ltd. won a tender that relates to an area measuring about 15 acres located in the "Elef Complex" in Rishon Lezion, where the construction rights in the tender pursuant to the present urban planning scheme amount to a total of about 355 square meters. In accordance with the terms of the tender, the winner undertook to construct about half of the building area within a period of about eight years from the signing date of the agreement with the City of Rishon Lezion, where an obligation for self-use exists for an area measuring about 50 thousand square meters within 5 years. For further details, please see Note 43(C)(4).

2. Revaluation of land and buildings:

- (A) As of December 31 2015, the Company measures land and buildings using a revaluation model.
- (B) The revaluation of the land and buildings in respect of Beit Havered (which constitutes the bulk of the land and buildings), was carried out by the firm of Adi Naor - Real Estate Appraisal & Management, who is an independent certified appraiser. The fair value was determined using market-based evidence, in December 2021.
- (C) The revaluation of the land in respect of the Elef Complex was conducted by the firm Barak Friedman Kapelner Shimkevitz and Co., which is a qualified and independent appraiser. The fair value was determined using market-based evidence, in September 2021.
- (D) Due to the use of the revaluation model, a revaluation reserve has been created with a balance as of December 31 2021 of approximately NIS 131 million, net of tax (December 31 2020 - NIS 115 million).
- (E) The fair value of the land and buildings was determined using the income capitalization approach (in relation to rental income data) and the comparison approach for similar properties. The valuation performed by the appraiser is based on active market prices, adjusted for differences in the nature, location or conditions of the specific asset.
- (F) The fair value of the land in respect of the Elef Complex was determined in accordance with the comparison method, which is based on a survey of prices of assets with similar characteristics, including the transaction involving the plot, which is the subject matter of the valuation.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (cont.)

B. Land and buildings (cont.)

2. Revaluation of land and buildings: (cont.)

- (G) A 0.5% decrease in the discount rate will result in a NIS 20 million increase. A 0.5% increase in the discount rate will result in a NIS 20 million decrease.
- (H) Land and buildings are measured at fair value and are classified to Level 3 of the fair value hierarchy.
- (I) Had the land and buildings been measured using the cost model, their value in the financial statements would have been as follows:

	As of December 31	
	2021	2020
	In NIS thousand	
Cost	575,319	540,791
Accumulated depreciation	(124,864)	(111,926)
Deconsolidation	(64,870)	-
Total	<u>385,585</u>	<u>428,865</u>

NOTE 8 – INVESTMENT IN INVESTEEES

A. Equity-accounted investees

1. Details regarding equity-accounted investees:

	Please see Section D below	Loans and capital notes	Total investment	Total
			In NIS thousand	
<u>December 31, 2021</u>				
Ad 120	8	24,532	713,016	737,548
Haphen-Tao Holdings Limited Partnership Ltd.	9	-	99,431	99,431
Real estate investments	6	-	325,894	325,894
Other	11	58,774	124,736	183,510
		<u>83,306</u>	<u>1,263,077</u>	<u>1,346,383</u>
<u>December 31 2020</u>				
Gama Management and Clearing Ltd.	12	50,000	107,601	157,601
Haphen-Tao Holdings Limited Partnership Ltd.	9	-	77,233	77,233
Real estate investments	16	-	374,163	374,163
Other		52,809	95,063	147,872
		<u>102,809</u>	<u>654,060</u>	<u>756,869</u>

For further details regarding the ownership stake, please see Section C below.

NOTE 8 – INVESTMENT IN INVESTEEES**A. Equity-accounted investees**2. Composition of investments:

	As of December 31	
	2021	2020
	In NIS thousand	
Shares	1,272,939	663,922
Loans	83,306	102,809
	1,356,245	766,731
Less - provision for impairment	(9,862)	(9,862)
	1,346,383	756,869
Goodwill from investment	184,316	58,581

3. The Group's share in the results of operations of the equity-accounted investees according to the holding stake therein during the period:

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Revenues	399,326	387,101	730,008 (*)
Profit for the year	111,504	39,697	96,920
Other comprehensive loss for the year	(15,129)	(3,412)	(17,850)

(*) In 2019, revenues include the revenues from Mehadrin, which was distributed as a dividend in kind on April 1 2019; for more information, see the Company's immediate report of September 18 2019 (Ref. No.: 2019-01-081090)

B. Consolidated companies held directly by the CompanyComposition of investment:

	Please see Section D below	Loans and capital notes provided by the Company to consolidated companies	Total investment in investees
		In NIS thousand	
2021			
The Phoenix Insurance	1	-	6,661,645
The Phoenix Investments	2	395,681	1,219,607
The Phoenix Pension and Provident Fund	3,6	299,519	593,555
The Phoenix Agencies		-	605,722
The Phoenix Advanced Investments	14	5,098	273,797
Other		1,441	(526)
		701,739	9,353,800
2020			
The Phoenix Insurance	1	853,967	6,361,520
The Phoenix Investments		332,878	888,245
The Phoenix Agencies		-	612,741
Other		5,262	(1,240)
		1,192,107	7,861,266

NOTE 8 – INVESTMENT IN INVESTEEES (cont.)**C. Breakdown of holdings in main investees**

			As of December 31	
	Please see Section D below	Country of incorporation	2021 Shares conferring voting rights and rights to profits	2020 Shares conferring voting rights and rights to profits
Rate of ownership in %				
<u>The Company's investees</u>				
The Phoenix Insurance Company		Israel	100	100
The Phoenix Investments and Finances		Israel	100	100
The Phoenix Agencies		Israel	100	100
The Phoenix Pension and Provident Fund	6	Israel	84	-
The Phoenix Advanced Investments		Israel	100	-
<u>The Phoenix Insurance's investees</u>				
The Phoenix Capital Raising	7	Israel	100	100
Ad 120	8	Israel	47	100
Haphen-Tao Holdings (*)	9	Israel	29	29
The Phoenix Pension and Provident Fund		Israel	-	100
The Phoenix Mortgages (Gold)	15	Israel	51	-
<u>Investees of The Phoenix Advanced Investments</u>				
The Phoenix Pension and Provident Fund	6	Israel	16	-
<u>The Phoenix Investments' investees</u>				
Excellence Investments	10	Israel	100	100
Gama Management and Clearing	12	Israel	60	49
Phoeniclass	13	Israel	67	67
<u>Major investees of The Phoenix Insurance Agencies</u>				
NIS		Israel	100	100
Agam Liderim Holdings	4	Israel	60	60
Agam Liderim	4	Israel	25	25
Oren Mizrach	5	Israel	70	70

(*) An additional ownership interest of 20% is accounted for as a financial investment for yield-dependent contracts, and another 1% ownership interest - through The Phoenix Mul Hayam - is a limited partnership management company held by The Phoenix Investments.

(**) Agam Liderim is held - 75% - by Agam Holdings, such that the effective ownership interest of The Phoenix Agencies in Agam is approximately 70%. For details regarding the put option for non-controlling interests, please see Section D(4) below.

NOTE 8 – INVESTMENT IN INVESTEES (cont.)

D. Additional information regarding investees

1. Issuance of Tier 1 Capital to the Company

In August 2021, The Phoenix Insurance issued - through The Phoenix Capital Raising, an Additional Tier 1 capital instrument (hereinafter - the "Capital Instrument") totaling approximately NIS 200 million. The Capital Instrument is linked to the CPI and carries an annual interest rate of 2.29%. The principal shall be repaid in a single installment on February 5 2032. The interest shall be paid twice a year - on February 5 and on August 5 of each year during the years 2022 through 2032; the first installment will be paid on February 6 2022. The Tier 1 capital instrument was rated A+ by Ma'alot S&P. The Capital Instrument is currently traded on the TACT-Institutionals trading platform. In addition to the aforesaid amount that was issued and after obtaining the approvals of the relevant organs in The Phoenix group and the approval of the Capital Market, Insurance and Savings Authority, The Phoenix Capital Raising issued to the Company a capital instrument at the total amount of NIS 1,025 million in exchange for Additional Tier 1 capital notes previously issued to the Company by The Phoenix Insurance at the total amount of NIS 860 million. The capital instrument is recognized as regulatory capital for the purpose of capital requirements under the Economic Solvency Regime. The terms and conditions of the instrument, including the redemption period, are in accordance with the provisions of Part B ("Provisions in respect of Equity Capital of Insurance Companies") to Insurance Circular 2020-1-15, "Provisions for Applying Economic Solvency Regime Based on Solvency II for Insurance Companies". For further details, please see the Company's reports dated May 27, 2021 and August 8, 2021 (Ref. Nos.: 2021-01-031384 and 2021-01-062515, respectively).

2. Issuance and repayment of capital notes - The Phoenix Investments

On April 28 2021, The Phoenix Investments repaid capital notes at the total amount of approximately NIS 67 million. On June 13 2021, The Phoenix Investments issued to the Company a total of NIS 130 million in capital notes. The capital notes, which are not linked to the CPI and do not bear interest, are repayable in 5 years.

3. Loans to The Phoenix Pension and Provident

On January 27, 2021, the Company's Board of Directors approved a credit facility agreement for subsidiary The Phoenix Pension and Provident. The credit facility will be used by The Phoenix Pension and Provident 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. As of September 19, 2021, the credit facility was fully utilized. The principal will be repaid by six variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1, 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, and the fourth payment repaying 28% of the principal. The fifth and sixth payment will repay 30% of the principal. Interest on the outstanding balance of the credit amounts to be granted, from time to time, shall be paid in semi-annual installments on May 1 of each of the years 2021 to 2030 (inclusive), and on November 1 of each of the years 2020 to 2029 (inclusive).

In September 2021, the Company's Board of Directors approved an additional loan in the amount of NIS 105 million; the loan principal will bear an annual interest rate at the higher of the following: (1) the interest rate will be according to the provisions of Section 3(J) to the Income Tax Ordinance (New Version), 1961; or (2) if subsequent to the loan date, the Company will issue bonds - in accordance with the nominal interest rate. Repayment of the loan, including the accrued interest, will be no later than September 19, 2030.

NOTE 8 – INVESTMENT IN INVESTEES (cont.)

D. Additional information regarding investees (cont.)

3. Loans to The Phoenix Pension and Provident (cont.)

On January 9 2022, the Company issued NIS 300 million p.v. in Bonds (Series 6). The bonds carry a fixed annual interest of 1.94%. In December 2021, the Board of Directors of The Phoenix Pension and Provident decided to adjusted the terms of the loans to those of the Bonds (Series 6). For information regarding the terms of the bonds - see Note 27E.

For information regarding a NIS 89 million loan extended to Halman Aldubi Provident (as it was known prior to the merger) - see Note 4A.

4. Agam Holdings - put option for non-controlling interests in The Phoenix Agencies

On March 28 2019, an agreement was signed between the Company and Yitzhak Oz (hereinafter - "Oz") and Hagoz 2015 Ltd., which he owns (hereinafter - "Hagoz"); under the agreement, Hagoz was granted a put option - valid from January 1 2020 to December 31 2020 (hereinafter - the "Options Period") - for the sale of his entire shares in Agam Holdings to the Company, and the Company was given a call option for the duration of the Options Period to acquire all of Hagoz's shares in Agam Holdings. The Phoenix Agencies indirectly owns 70% of Agam Liderim, and Hagoz indirectly owns 30% of the company by holding 40% of Agam Holdings, for which the put and call options had been granted. According to the terms and conditions of the agreement, if the put option or the call option is exercised, the purchase of the shares will be made as of December 31 2020, according to the value of Agam Holdings as of that date, as determined by an agreed-upon appraiser. As to 26.8% of Agam Holdings' shares, a minimum price of NIS 26.8 million will be set (according to a company value of NIS 100 million). As for the remaining shares (13.2% of Agam Holdings' shares) there will be no minimum price. In the event of an exercise of the options, the Company will be entitled, at its sole discretion, to pay the consideration in cash or allocate shares in the company to Hagoz, at a 5% discount of their price on the stock exchange (hereinafter - the "New Agreement"). Furthermore, the exercise of the options will be subject to regulatory approvals. For further details, please see the immediate report dated October 31 2018 (Ref. No. 2018-01-098497).

On December 31 2019, an amendment to the agreement between the Company and Oz and Hagoz was signed, amending some of the terms and conditions of the agreement signed between the parties on March 28 2019, as detailed above. Under the amendment to the agreement, the Options Period shall be postponed by 4 years, such that the options will be exercisable between January 1 2024 and January 3 2025, and the record date for the transaction value will be postponed from December 31 2020 to January 1 2025, respectively.

As part of the changes, a minimum price was set for all the shares that shall be held by Hagoz on the option exercise date at a company value of NIS 350 million. The following additional changes were also approved: an additional 2% interest as of October 1 2019 on the additional amounts (additional amounts to be paid to Oz in case the option is exercised, in accordance with previous agreements between the parties), and extension of Oz's non-compete commitment period. For further details, please see the immediate report dated December 31 2019 (Ref. No. 2019-01-1265657).

NOTE 8 – INVESTMENT IN INVESTEES (cont.)**D. Additional information regarding investees (cont.)****5. Oren Mizrach**

In December 2020, an agreement was signed between the Company, The Phoenix Agencies and Oren Cohen for the acquisition of an additional 20% of the share capital of the Oren Mizrach Group directly and indirectly, such that after the acquisition, The Phoenix directly and indirectly holds approximately 70% of the share capital of the Oren Mizrach Group. The transaction was completed based on company value of NIS 160 million, and is subject to the consideration adjustment mechanism set in the agreement. The mechanism shall be activated after the approval of Oren Mizrach Group's 2022 financial statements.

The agreement includes put options and call options to oblige the other party to purchase or sell (respectively) the remaining shares of the Oren Mizrach Group, in 3 tranches. The options will be effective from December 31 2027 to December 31 2029. Under the provisions of the agreement, if the put options or the call options are exercised, the shares will be purchased according to the valuation of the Oren Mizrach Group in accordance with the principles set forth in the agreement. The Company was given the right to determine that the proceeds on the exercise of the options will be paid to Oren Cohen in shares allotted to it by the Company at a 5% discount on the price of the Company's shares as of the transaction closing date.

Following the completion of the transaction and as a result of acquiring control of the Oren Mizrach Group, The Phoenix Agencies recorded, in 2020, a NIS 63 million gain before and after tax.

In 2020, The Phoenix Agencies recognized the fair value of the assets acquired and the liabilities taken as part of the business combination according to a provisional measurement. 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 date of purchase. At the time of the final measurement, the adjustments are made by way of a restating the comparison figures previously reported according to the provisional measurement.

In March 2022 a final valuation was received, which were conducted by an external appraiser; accordingly, the assets acquired and the liabilities assumed as of acquisition date were adjusted. Accordingly to the final valuation, The Phoenix Agencies recorded intangible assets, which include insurance portfolios in the amount of NIS 59 million, a non-compete agreement in the amount of NIS 2 million, software in the amount of NIS 3 million, and goodwill in the amount of NIS 143 million, net of the NIS 10 million tax reserve.

The adjustments to the final valuation were immaterial; therefore, the Company made the adjustments to the temporary amounts recognized as part of the temporary PPA, including the cost of acquisition and its allocation to the different line items in the last quarter of 2021. In 2021, the Company recognized a further pre- and post-tax gain at the total amount of NIS 24 million as a result of assuming control; the said amount was recognized in the other income line item under the insurance agencies segment.

6. Transfer of The Phoenix Pension and Provident's shares

On December 30, 2019, the Board of Directors of The Phoenix Insurance approved the distribution of the shares of The Phoenix Pension and Provident as dividend in kind to the Company. For more information regarding the distribution of The Phoenix Pension and Provident shares, see Note 1E above.

NOTE 8 – INVESTMENT IN INVESTEES (cont.)

D. Additional information regarding investees (cont.)

7. The Phoenix Capital Raising

During 2009, The Phoenix Insurance established The Phoenix Capital Raising. The only area of activity of The Phoenix Capital Raising is raising funds in Israel for The Phoenix Insurance, through (public and private) offerings of promissory notes and/or bonds and/or promissory notes, the proceeds of which are deposited with The Phoenix Insurance, for its use, at its discretion and at its responsibility.

Capital raising is affected by The Phoenix Insurance's capital needs. The terms and conditions of the issued bonds are affected by the state of the capital market and the level of demand and supply of liquid bonds in Israel. The Phoenix Capital Raising deposits the proceeds of the offerings in deferred deposits with The Phoenix Insurance on the same terms and conditions as those of the bonds issued to the public.

8. Sale of control in Ad 120

In October 2021, all the conditions precedent to finalize the transaction to sell control of Ad 120 - which was wholly-owned (directly and indirectly) by The Phoenix Insurance - was sold to Shapir Engineering and Industry Ltd. (hereinafter - "Shapir"), so that as of the transaction completion, Shapir holds 53% (directly and indirectly) of the issued and paid up share capital of Ad 120, and The Phoenix Insurance holds 47% (directly and indirectly) share capital of Ad 120. As a result of the above, the Company recognized a NIS 340 million pre-tax gain in the reporting year. As of the report date, the investment in Ad 120 is presented under the investment in associates. For further details, please see Note 1G above.

9. Haphen-Tao Holdings

The Company and The Phoenix Investments - 50% of the interests in Haphen-Tao Holdings. Haphen-Tao Holdings is the owner of 50% of the rights and liabilities in the "Mall Hayam" shopping center in Eilat, such that, effectively, the Company holds 25% of the mall. Haphen-Tao Holdings is entitled to receive its share of Mall Hayam's profits, after repayment of bonds in respect of which a charge was placed on Mall Hayam.

On October 3 2021, Haphen-Tao Holdings and the other owners signed an agreement for the sale of the entire rights in the Mall Hayam shopping center to the Azrieli Group for total consideration of NIS 1.31 billion (100%). The completion of the transaction is subject to a number of conditions that should be fulfilled no later than 9 months after the sale agreement's signing date. The main condition is receipt of approval for the transaction from the Commissioner of the Israel Competition Authority. The gain expected from the sale is negligible.

10. Excellence Investments

The Phoenix operates in the financial services segment primarily through Excellence.

The Phoenix Investments wholly owns Excellence.

Excellence operates, through companies under its control, in a range of activities in the field of capital markets: mainly management of investment portfolios, mutual funds and ETFs, provision of trading services on the TASE and on stock exchanges abroad, underwriting and investment banking activity, provision of services in the field of employee share and option awards and alternative products, and management of structured products.

NOTE 8 – INVESTMENT IN INVESTEES (cont.)

D. Additional information regarding investees (cont.)

10. Excellence Investments (cont.)

Restructuring in the Excellence Group

In the last quarter of 2019, Excellence Group decided to restructure the Group, including merging several companies and operations, leveling the ownership structure (such that it involves mainly direct holdings of the various subsidiaries by Excellence Investments) and liquidating various inactive companies. The goals of the structural change are, among others things, simplification of the holding structure, streamlining, creating a business synergy between the merging companies and as a result also a competitive advantage over competitors, reducing the risks arising from splitting holdings in companies and holding companies that are no longer active. As part of the change in the aforesaid structure, the Excellence Group decided to merge a number of areas of activity, such as the activities of the TASE member, portfolio management activities and other related activities through the merger of the companies engaged in the aforesaid areas of activity. The regulatory merger of the companies was completed on April 26 2021.

On March 24 2021, Excellence Investment Management and Securities Ltd. entered into an agreement with Halman Aldubi Investment Portfolio Management (2007) Ltd. (hereinafter - "Halman Aldubi Investment Portfolio Management") for the purchase of 100% of its shares in consideration for NIS 3.7 million. The acquired company engages in the management of portfolio investments for private and business customers. On March 29 2021, the Registrar of Companies was filed with a merger offer for the merger of Excellence Investment Management and Securities Ltd. with Halman Aldubi Investment Portfolio Management, and the statutory merger of the companies was completed on June 30 2021.

For information about the restructuring of the investment house Excellence subsequent to balance sheet date, see Note 1 above.

11. Investment in Pi Crypto

On November 25 2021, KSM ETN Holdings Ltd. (hereinafter - "KSM") entered into an agreement for investment in Pi Crypto Ltd. (hereinafter respectively: the "Agreement" and "Pi"). The investment transaction was completed on December 8 2021. Pi is an investment company established in February 2021 by Aharon Cohen and Jonathan (Johnny) Kay (hereinafter - the "Founders"). Pi is an investment house that will concentrate the independent trading activity in the fields of crypto, blockchain and digital currencies; the investment house will engage in the following areas of activity: ETFs or tracker funds tracking digital currencies or derivatives or indexes whose underlying assets are digital currencies; illiquid OTC products that track digital currencies/indexes whose underlying assets are digital currencies; hedge funds; marketing of new funds to qualified customers and nostro activity focusing mainly on arbitrage transactions. In accordance with the provisions of the agreement, KSM was allotted preferred Pi shares that will constitute 49.65% of Pi's share capital (47.18% on a fully diluted basis). In consideration for the preferred shares, KSM paid a total of NIS 31 million. Furthermore, the Agreement stipulates that upon the occurrence of various events, such as an IPO of Pi within 3 years from the transaction date at a value higher than USD 70 million, KSM's holding rate will decrease to 40% of the Pi's capital; however, KSM was concurrently awarded a call option for the purchase of 7.15% of Pi's share capital from the founders. The Agreement also sets generally accepted protections for minority shareholders (resolutions requiring a special majority, right of first refusal, etc.); it was also stipulated that KSM has the right to appoint two directors on its behalf. The NIS 16 million in excess of cost as a result of the acquisition was allocated to goodwill.

NOTE 8 – INVESTMENT IN INVESTEES (cont.)

D. Additional information regarding investees (cont.)

12. Issuance of Gama Management and Clearing and purchase of control therein

Gama is engaged in financing, factoring, clearing and management of credit card transactions, providing various types of credit, factoring receivables and check clearing services. Gama's main activity is the provision of credit card factoring services. The factoring services involve bringing forward the payment to businesses against the businesses' assigning the credit card transactions to the factoring company. Among other things, this service allows businesses - Gama customers - to enter into sale transactions with their own customers allowing those customers to pay the transaction proceeds in installments; Gama brings forward the payment of the entire transaction consideration for its customers. The company is examining the possibility of expanding its activity to related areas.

In June 2021, Gama completed an IPO on the TASE; concurrently with the IPO, The Phoenix Investments purchased further shares, such that subsequent to the acquisition The Phoenix Investments holds 60% of Gama's shares. As a result of assuming control, the Company recognized a NIS 220 million gain, which is presented under "other income" in the credit segment. For more information see Notes 1G and 4 above.

13. Transfer of Phoeniclass from The Phoenix Investments to The Phoenix Insurance

Phoeniclass, a privately-held company, signed an agreement with Kibbutzim College for the purchase of land zoned for construction and for the sale of 450 residential units in Tel Aviv. For information regarding the transfer of Phoeniclass to The Phoenix Insurance, please see Note 1K above.

14. Acquisition of Halman-Aldubi Investment House

On December 7, 2020, the Company entered into a merger agreement with Halman Aldubi Investment House. For more information see Appendix Notes 1E and 4 above.

15. The Phoenix Mortgages (Gold) Ltd.

In the reporting year, The Phoenix Insurance established a new company - The Phoenix Mortgages (Gold) Ltd. (hereinafter - the "Phoenix Mortgages"), in which The Phoenix Insurance holds 51% of the shares; the remaining shares are held by two other partners. The Phoenix Mortgages began operations at the end of second quarter of 2021 and its core operation is providing loans to the over 60s against a first degree lien on their apartment.

16. Real estate investments

The Company's investments in real estate properties abroad are usually made through investee companies that invest directly in the properties. The Company holds several such investee companies that invest in real estate properties in Israel, the United States and Europe. The real estate properties are diverse and include office buildings, commercial centers, residential areas and land for construction. During 2021, the Company invested NIS 30 million in investee companies holding real estate properties.

NOTE 8 – INVESTMENT IN INVESTEES (cont.)

E. Capital requirements from institutional entities in the Group

1. 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"). For further details regarding minimum economic solvency ratio targets and target range based on Solvency II set by the Board of Directors of The Phoenix Insurance, please see Section 3 below.

2. 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, hybrid Tier 2 capital and Tier 3 capital).

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 risks, market risks and credit risks as well as operational risks.

The Economic Solvency Regime includes, among other things, transitional provisions in connection with compliance with capital requirements, and which allow increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the 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 Solvency Ratio Report as of December 31, 2020, The Phoenix Insurance has surplus capital, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the 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 economic solvency calculations and does not constitute part of the auditing standards applicable to financial statements.

NOTE 8 – INVESTMENT IN INVESTEES (cont.)

E. Capital requirements from institutional entities in the Group (cont.)

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

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.

On March 14, 2021, the Commissioner issued a letter to the senior executives of the insurance companies, which allows them to refrain from publishing an economic solvency ratio report as of June 30, 2021. As a result, and in accordance with the provisions of the consolidated circular, The Phoenix Insurance performed an unaudited, unreviewed internal calculation of the economic solvency ratio as of June 30, 2021 - which was reported to the Commissioner.

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.

3. 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.

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.

NOTE 8 – INVESTMENT IN INVESTEES (cont.)

E. Capital requirements from institutional entities in the Group (cont.)

3. Dividend (cont.)

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.

On November 29, 2021, The Phoenix Insurance's Board of Directors increased the minimum economic solvency ratio target without taking into account the provisions during the Transitional Period - from the 105% rate a 108% rate - as of June 30, 2021.

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

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

- Interim dividend at the discretion of the Board of Directors on the approval date of the Financial Statements for the second quarter of each calendar year;
- Supplementary dividend in accordance with the policy on the annual report's approval date of each calendar year.

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 Phoenix Insurance's Board of Directors approved a dividend distribution in the amount of NIS 200 million; the dividend was paid in April 2021.

In June 2021, The Phoenix Insurance paid and distributed a cash dividend in the amount of NIS 200 million. Furthermore, The Phoenix Insurance completed the distribution of the dividend in kind from The Phoenix Pension and Provident in the amount of NIS 656 million. These dividends are for the 2020 profits.

NOTE 8 – INVESTMENT IN INVESTEES (cont.)

E. Capital requirements from institutional entities in the Group (cont.)

3. Dividend (cont.)

On November 29, 2021, The Phoenix Insurance's Board of Directors approved the distribution of an interim dividend, in respect of the profits accrued during the reporting period, totaling NIS 300 million. The dividend was paid to the Company on November 30, 2021.

On March 28 2022, The Phoenix Insurance's Board of Directors approved a dividend distribution in the amount of NIS 500 million to the Company. The dividend will be paid on April 5, 2022.

These distributions, described above, meet the capital targets set out by the Board of Directors as well as the requirements of the letter published by the Commissioner in October 2017 regarding the restrictions on dividend distribution.

4. The Company has undertaken to supplement, at any given time, The Phoenix Pension and Provident's equity to the amount set in the Income Tax (Rules for the Authorization and Management of Provident Funds) Regulations, 1964. The Phoenix Insurance will be required to fulfill this commitment only when The Phoenix Pension and Provident'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.
5. In August, The Phoenix Insurance issued - through The Phoenix Capital Raising - subordinated bonds totaling NIS 200 million. The subordinated bonds include a loss-absorption mechanism for absorbing losses by writing down the principal of the Subordinated Bonds (Series L), in full or in part, under certain circumstances, in exchange for their par value. In the event that, after the principal is written down, the amount of The Phoenix Insurance's recognized share capital exceeds the solvency capital requirement (SCR), the Company may - at its discretion and subject to prior approval by the Commissioner - notify that the principal would be repaid in whole or in part.

The subordinated bonds are recognized as an Additional Tier 1 capital instrument (hereinafter - the "Capital Instrument"), recognized as regulatory capital under the Economic Solvency Regime's regulatory requirements, aimed at strengthening capital and improving the solvency ratio. The Capital Instrument is currently traded on the TACT-Institutionals trading platform. The Capital Instrument issued is linked to the CPI and carries an annual interest rate of 2.29%. The other terms and conditions of the instrument, including the redemption period, are in accordance with the provisions of Part B ("Provisions in respect of Equity Capital of Insurance Companies") to Insurance Circular 2020-1-15, "Provisions for Applying Economic Solvency Regime Based on Solvency II for Insurance Companies". As part of the issuance, in addition to the aforesaid amount that was issued and after obtaining the approval of the relevant organs in The Phoenix group and the approval of the Capital Market, Insurance and Savings Authority, The Phoenix Capital Raising issued to the Company NIS 1.02 billion of the Capital Instrument in exchange for Additional Tier 1 capital notes previously issued to the Company by The Phoenix Insurance. For further details, please see the Company's reports dated May 27 2021 and August 8 2021 (Ref. Nos.: 2021-01-031384 and 2021-01-062515, respectively). The Tier 1 capital instrument was rated A+ by Ma'alot S&P.

NOTE 9 – INVESTMENT PROPERTY

A. Composition of and change:

	Investment property for yield-dependent contracts					
	Leased as commercial space		Leased as offices and other (1)		Total	
	2021	2020	2021	2020	2021	2020
	In NIS thousand					
Balance as of January 1	1,050,217	1,062,607	789,359	491,458	1,839,576	1,554,065
Acquisitions and additions to existing properties	5,485	6,874	132,766	252,780	138,251	259,654
Derecognitions	(15,480)	-	(127,714)	-	(143,194)	-
Fair value adjustment	159,871	(19,264)	68,358	45,121	228,229	25,857
Balance as of December 31	1,200,093	1,050,217	862,769	789,359	2,062,862	1,839,576
Discount rate ranges	6.25%-6.75%	6.5%-7.5%	6.00%-7.00%	6.25%-8.00%	6.00%-7.00%	6.25%-8.00%

(1) In 2021, including real estate properties under construction in the amount of NIS 550,354 thousand (in 2020, NIS 482,770 thousand).

	Investment property - other							
	Leased as commercial space		Leased as offices and other (2)		Senior housing		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	In NIS thousand							
Balance as of January 1	525,787	531,393	524,610	399,948	1,678,313	1,616,015	2,728,710	2,547,356
Acquisitions and additions to existing properties	4,388	5,389	48,645	100,564	46,494	22,397	99,527	128,350
Derecognitions	(7,740)	-	(64,070)	-	-	-	(71,810)	-
Carried to a property, plant and equipment	-	-	(38,493)	-	-	-	(38,493)	-
Fair value adjustment	73,223	(10,995)	58,484	24,098	28,860	39,901	160,567	53,004
Deconsolidation (*)	-	-	-	-	(1,753,667)	-	(1,753,667)	-
Balance as of December 31	595,658	525,787	529,176	524,610	-	1,678,313	1,124,834	2,728,710
Discount rate ranges	6.25%-6.75%	6.5%-7.5%	6.00%-7.00%	6.25%-8%	7.75-8.00%	8.00%	6.00%-8.00%	6.25%-8%
Tenant turnover rate					10.00%	10.00%		

(2) In 2021, including real estate properties under construction in the amount of NIS 288,233 thousand (in 2020, NIS 225,100 thousand).

(*) Stems from deconsolidation of Ad 120, see Note 1G to the consolidated financial statements.

NOTE 9 – INVESTMENT PROPERTY (cont.)

B. Fair value measurement of investment property

Investment property is measured at fair value as determined by an appraisal performed by an external independent appraiser, whose skills and ample experience regarding the location and type of property appraised is widely acknowledged. The fair value is determined based on recent market transactions involving similar real estate properties in a location similar to that of the Group's real estate properties, and based on the estimated inflow of future cash flows from the property. When estimating cash flows, their inherent risk was taken into account.

When evaluating an investment property under construction, the discounted cash flow method is used, as the appraiser deems fit. Fair value is determined based on the estimated future revenues from the completed project, using returns adjusted to reflect the significant risks relevant to the construction process, including construction and rental risks, which are higher than present returns on similar completed investment properties. Expected costs to complete plus developer's profits are deducted from the estimated future revenues as aforesaid. Furthermore, the sales comparison approach of similar assets is used. In this method, the appraiser relies on active market prices, adjusted for differences in the nature, location or conditions of the specific asset.

When evaluating the senior housing facilities, the Company assessed and presented the fair value of the investment property including tenants' deposits (as detailed in Note 27), since the deposits are an integral part of the fair value component of the property. The key assumptions used in determining the fair value of senior housing facilities included application of the discount period of revenues arising from tenants' future turnover, taking into account specific tenants who stay in the facilities for periods longer than the contractual erosion period, and grossing-up of the growth rate of the general population and, in particular, the senior citizen population. For information about deconsolidation of Ad 120, see Note 1G.

Investment properties are measured at fair value and are classified to Level 3 of the fair value hierarchy.

C. Sensitivity analysis

The discount rate constitutes a critical estimate in determining the fair value, since a change in the discount rate will have a material effect on the investment property's fair value. Change in fair value of investment property in respect of yield-dependent contracts does not fully affect the Company's profit and loss.

The following sensitivity analysis reflects the effect of a change in the discount rate by the rates listed below:

	Increase (decrease) in the fair value as of December 31		Increase (decrease) in profit and loss before tax	
	2021	2020	2021	2020
	in NIS thousand			
0.5% increase	(99,677)	(150,662)	(44,738)	(92,075)
Decrease of 0.5%	119,292	163,661	53,366	98,120

(*) The effect is on the value investment properties for yield-dependent contracts and other real estate properties. Furthermore, there is an indirect effect on management fees.

NOTE 9 – INVESTMENT PROPERTY (cont.)

D. Details regarding interests in real estate properties used by the Group as yield-dependent investment property and other

	As of December 31	
	2021	2020
	In NIS thousand	
Owned	1,562,168	2,169,922
Capitalized lease	1,625,528	2,398,364
Total	<u>3,187,696</u>	<u>4,568,286</u>

Capitalized leased assets in the amount of NIS 1,429,504 thousand (in 2020 - NIS 2,212,766 thousand) are leased for a period of 24-48 years.

Capitalized leased assets in the amount of NIS 88,324 thousand (in 2020 - NIS 87,898 thousand) are leased for a period of 67-74 years.

Capitalized leased assets in the amount of NIS 107,700 thousand (in 2020 - NIS 97,700 thousand) are leased for a period of 977 years.

Some of the ownership and lease rights in Israel have not yet been registered in the name of Group companies with the Land Registry, mostly due to technical registration arrangements.

- E. As part of an investment property purchase agreement of September 27 2011 between The Phoenix Insurance, Isralom Properties Ltd. and Isralom Building Company (1989) Ltd. (hereinafter - the "Seller"), the Seller did not meet its obligation to complete the registration of the condominium within the dates set in the signed agreement. For further details, please see Note 7.
- F. For further details about commitments to acquire investment property, see Note 43C1.
- G. For further details regarding income from investment property, please see Note 29.

NOTE 10 – CREDIT FOR PURCHASE OF SECURITIES

	As of December 31	
	2021	2020
	In NIS thousand	
Open accounts	503,000	409,000
Less provision for doubtful debts	(6,000)	(6,000)
Outstanding receivables - net	<u>497,000</u>	<u>403,000</u>

The credit extended to customers of a consolidated company was granted in respect of purchase of securities by the customers. The credit is non-linked and bears Prime interest rate plus spread. The credit is mainly secured by a pledge placed on the customers' securities portfolios; a significant decrease in the market value of the securities may expose the Company to collection difficulties; impairment of customer balances accounted for by recording a provision for doubtful debts.

Following is the change in provision for doubtful debts:

	2021	2020
	In NIS thousand	
Balance as of January 1	6,000	5,000
Change in provision for one year	-	1,000
Balance as of December 31	<u>6,000</u>	<u>6,000</u>

NOTE 11 – RECEIVABLES AND DEBIT BALANCES

A. Composition

	As of December 31	
	2021	2020
	In NIS thousand	
Government institutions and authorities	58,263	23,379
Income receivable (*)	256,610	61,813
Prepaid expenses	70,225	61,045
Employees	2,801	2,753
Related parties - see Note 42	29,683	24,237
Advances on account of fees and commissions to agents	35,083	50,954
Insurance companies and insurance brokers - other accounts	114,428	97,905
Debts - agents	1,864	4,578
Insurance fees and commissions receivable	57,785	36,573
Receivables for securities	8,000	10,000
TASE Clearing House - Excellence	-	69,000
Other	78,022	88,712
	712,764	530,949
Less provision for doubtful debts	(140)	(1,157)
Total receivables and debit balances	712,624	529,792

(*) The balance as of December 31 2021 includes income receivable in respect of sale of real estate properties in 2021, mainly from the sale of the Elef Complex.

B. Set forth below are the changes in the provision for doubtful debts which mainly relates to reinsurers and agents' debts

	2021	2020
	In NIS thousand	
Balance as of January 1	1,157	964
Change in provision for one year	(1,017)	193
Balance as of December 31	140	1,157

NOTE 12 – PREMIUMS COLLECTIBLE

A. Composition:

	As of December 31	
	2021	2020
	In NIS thousand	
Collectible premiums (*)	673,916	653,305
Less provision for doubtful debts	(1,360)	(1,480)
Total collectible premiums (**)	672,556	651,825
Including checks collectible and direct debits	467,673	404,002

- (*) Regarding the collectible premium from related parties and interested parties, please see Note 42.
- (**) The Group's exposure to currency risks in connection with premiums collectible is described in Note 41, Risk Management. For the linkage terms of premiums collectible, please see Note 41.

B. Aging:

	As of December 31	
	2021	2020
	In NIS thousand	
Unimpaired collectible premium not in arrears	504,844	489,491
In arrears (*):		
Under 90 days	136,421	109,750
Between 90 and 180 days	12,045	19,336
Over 180 days	14,677	27,776
Total unimpaired collectible premium in arrears	163,143	156,862
Impaired collectible premium in arrears	5,929	6,952
Provision for doubtful accounts in respect of collectible premium	(1,360)	(1,480)
Total impaired collectible premium in arrears	4,569	5,472
Total premium	672,556	651,825

- (*) Includes debts in arrears in the life insurance segment of approximately NIS 32 million (December 31 2020 - approximately NIS 42 million); these debts are mostly backed by the policies' cash surrender value.

C. Following is the change in provision for doubtful debts in respect of premiums collectible:

	2021	2020
	In NIS thousand	
Balance as of January 1	1,480	1,890
Change in provision for one year - stated in profit and loss	(120)	(410)
Balance as of December 31	1,360	1,480

NOTE 13 – ASSETS FOR YIELD-DEPENDENT CONTRACTS

A. Breakdown of assets presented at fair value through profit and loss:

	As of December 31	
	2021	2020
	In NIS thousand	
Investment property	2,062,862	1,839,576
Financial investments		
Liquid debt assets	22,194,850	21,761,391
Illiquid debt assets	8,100,882	7,119,613
Shares	24,884,732	18,045,043
Other financial investments	25,918,195	18,644,400
Total financial investments	81,098,659	65,570,447
Cash and cash equivalents	13,785,593	10,464,216
Other	169,549	159,845
Total assets for yield-dependent contracts	97,116,663	78,034,084

For further details on financial investments for yield-dependent contracts, please see Note 41, Risk Management.

B. Fair value of financial assets by level:

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

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

	As of December 31 2021			
	Level 1	Level 2	Level 3	Total
	In NIS thousand			
Liquid debt assets	16,866,619	5,328,231	-	22,194,850
Illiquid debt assets	-	6,378,393	1,722,489	8,100,882
Shares	22,087,156	1,174,596	1,622,980	24,884,732
Other financial investments	10,190,662	1,795,948	13,931,585	25,918,195
Total	49,144,437	14,677,168	17,277,054	81,098,659

	As of December 31 2020			
	Level 1	Level 2	Level 3	Total
	In NIS thousand			
Liquid debt assets	16,507,724	5,253,667	-	21,761,391
Illiquid 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

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

As to the methods and assumptions used to determine the fair value of financial assets, please see Note 14G.

NOTE 13 – ASSETS FOR YIELD-DEPENDENT CONTRACTS (cont.)
C. Changes in financial assets measured at fair value and classified to Level 3:

	Measurement of fair value at the reporting date				
	Financial assets at fair value through profit and loss				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	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 (*)	-	40,119	521,932	2,225,084	2,787,135
Purchases	-	1,173,964	359,500	4,280,637	5,814,101
Proceeds from interest and dividend	-	(44,814)	(9,948)	(890,187)	(944,949)
Redemptions / sales	-	(851,711)	(125,369)	(1,657,553)	(2,634,633)
Transfers from Level 3 (**)	-	(287,250)	(372,139)	(174,521)	(833,910)
Balance as of December 31 2021	-	1,722,489	1,622,980	13,931,585	17,277,054
(*) Of which:					
Total gains (losses) for the period included in profit and loss in respect of assets held as of December 31 2021	-	(3,628)	374,098	1,381,647	1,752,117

(**) Transfers from level to level stem mainly from securities whose rating has changed and from securities issued for the first time.

	Measurement of fair value at the reporting date				
	Financial assets at fair value through profit and loss				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	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 as of December 31 2020	-	1,692,181	1,249,004	10,148,125	13,089,310
(*) Of which:					
Total 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 revised. Transfers from Level 3 stem from a security issued for the first time.

NOTE 13A – FINANCIAL INVESTMENTS FOR HOLDERS OF CERTIFICATES OF DEPOSITS AND STRUCTURED BONDS

	December 31	
	2021	2020
	In NIS thousand	
Held-for-trading securities in series accounts:		
Illiquid bonds	184,000	216,000
Amounts receivable in respect of securities	22,000	23,000
	206,000	239,000

NOTE 14 – OTHER FINANCIAL INVESTMENTS

A. Composition:

	As of December 31 2021			
	Presented at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	In NIS thousand			
Liquid debt assets	258,083	7,214,850	-	7,472,933
Illiquid debt assets	-	-	13,964,441	13,964,441
Shares	130,973	2,630,924	-	2,761,897
Other	741,059	3,757,912	-	4,498,971
Total	<u>1,130,115</u>	<u>13,603,686</u>	<u>13,964,441</u>	<u>28,698,242</u>

	As of December 31 2020			
	Presented at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	In NIS thousand			
Liquid debt assets	142,323	7,953,145	-	8,095,468
Illiquid debt assets	-	-	14,007,189	14,007,189
Shares	43,824	1,856,169	-	1,899,993
Other	644,374	2,603,095	-	3,247,469
Total	<u>830,521</u>	<u>12,412,409</u>	<u>14,007,189</u>	<u>27,250,119</u>

B. Liquid debt assets

Composition:

	As of December 31	
	2021	2020
	In NIS thousand	
<u>Government bonds</u>		
Presented at fair value through profit and loss	5,501	12,627
Available for sale	<u>3,953,680</u>	<u>4,967,084</u>
Total government bonds	<u>3,959,181</u>	<u>4,979,711</u>
<u>Other debt assets:</u>		
<u>Non-convertible</u>		
Presented at fair value through profit and loss	49,419	60,847
Available-for-sale	<u>3,261,170</u>	<u>2,986,061</u>
Total other non-convertible debt assets	<u>3,310,589</u>	<u>3,046,908</u>
<u>Convertible</u>		
Presented at fair value through profit or loss	203,163	68,849
Total other convertible debt assets	<u>203,163</u>	<u>68,849</u>
Total liquid debt assets	<u>7,472,933</u>	<u>8,095,468</u>
Regular impairments carried to profit and loss (cumulative)	<u>81,553</u>	<u>98,984</u>

NOTE 14 – OTHER FINANCIAL INVESTMENTS (cont.)
C. Illiquid debt assets

Composition:

	As of December 31			
	Carrying amount		Fair value	
	2021	2020	2021	2020
	In NIS thousand			
<u>Government bonds</u>				
Presented as loans and receivables:				
Designated bonds and treasury deposits (*)	8,166,309	8,190,398	12,915,459	12,193,361
<u>Other non-convertible debt assets:</u>				
Presented as loans and receivables, excluding deposits with banks	4,806,398	4,708,119	5,084,555	4,981,693(**)
Deposits with banks	991,734	1,108,672	1,034,477	1,153,929
Total other non-convertible debt assets	5,798,132	5,816,791	6,119,032	6,135,622
Total illiquid debt assets	13,964,441	14,007,189	19,034,491	18,328,983
Regular impairments carried to profit and loss (cumulative)	62,220	60,343		

(*) The fair value of designated bonds and treasury deposits was calculated in accordance with the contractual (expected) repayment date.

(**) Reclassified.

D. Details on paid interest and linkage in respect of debt assets

	Effective interest rate	
	As of December 31	
	2021	2020
	%	
<u>Liquid debt assets</u>		
Linkage base		
CPI-linked	(0.87%)	0.15%
NIS	2.78%	3.26%
Linked to foreign currency	4.10%	4.54%
	Effective interest rate	
	As of December 31	
	2021	2020
	%	
<u>Illiquid debt assets</u>		
Linkage base		
CPI-linked	4.60%	4.67%
NIS	3.36%	3.15% (*)
Linked to foreign currency	4.06%	3.34%

(*) Reclassified.

NOTE 14 – OTHER FINANCIAL INVESTMENTS (cont.)

E. Shares

	As of December 31	
	2021	2020
	In NIS thousand	
<u>Liquid</u>		
Presented at fair value through profit and loss	114,964	28,824
Available for sale	2,148,900	1,541,161
Total liquid shares	2,263,864	1,569,985
<u>Illiquid</u>		
Presented at fair value through profit and loss	16,009	15,000
Available for sale	482,024	315,008
Total illiquid shares	498,033	330,008
Total shares	2,761,897	1,899,993
Regular impairments carried to profit and loss (cumulative)	216,533	213,615

F.(1) Other financial investments

	As of December 31	
	2021	2020
	In NIS thousand	
<u>Liquid</u>		
Presented at fair value through profit and loss	66,628	46,025
Available for sale	848,430	533,369
Derivative instruments F(2)	85,436	107,972
Total liquid financial investments	1,000,494	687,366
<u>Illiquid</u>		
Presented at fair value through profit and loss	292,685	259,761
Available for sale	2,909,482	2,069,726
Derivative instruments F(2)	296,310	230,616
Total illiquid financial investments	3,498,477	2,560,103
Total other financial investments	4,498,971	3,247,469
Regular impairments carried to profit and loss (cumulative)	153,113	116,453

Other financial investments mainly include investments in ETFs, participation certificates in mutual funds, investment funds, financial derivatives, futures, options and structured products.

As to engagement in connection with an undertaking to invest in funds, please see Note 43C.

F.(2) Derivative instruments

Set forth below is the amount of net exposure to the underlying asset, presented in delta terms of financial transactions carried out as of the financial report date: (*)

	As of December 31	
	2021	2020
	In NIS thousand	
Foreign currency	(5,515,700)	(4,085,063)
Shares	470,620	588,543 (**)
Interest (***)	21,957	(350,200) (**)
CPI	880,769	424,088

The Company has other derivative instruments which are not included in the above table.

(*) The underlying assets are affected by intra-group exposures. The balances do not include shorts on securities.

(**) Reclassified.

(***) Includes mainly contracts and options for bonds.

NOTE 14 – OTHER FINANCIAL INVESTMENTS (cont.)

G. The methods and assumptions used to determine fair value

The fair value of investments traded actively in regulated financial markets is determined based on market prices as of the reporting date. The value of investments that are not traded in an active market is determined as follows:

1. Illiquid debt assets

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

Set forth below are the weighted average interest rates for illiquid debt assets included in other financial investments, by rating:

	As of December 31	
	2021	2020
	%	
For illiquid debt assets - in Israel, by local rating: (*)		
AA and above	(1.67%)	(0.35%)
A	(0.26%)	1.79%
BBB	0.98%	3.29%
Less than BBB	-	3.20%
Unrated	11.05%	14.80%

(*) The sources for the ratings in Israel are Maalot and Midroog rating agencies. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: A rating includes A- up to A+. Regarding internal rating, please see Note 41, Section 6.3.

2. Illiquid shares

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

3. Derivatives

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

NOTE 14 – OTHER FINANCIAL INVESTMENTS (cont.)
H. Fair value of financial assets by level

	As of December 31 2021			
	Level 1	Level 2	Level 3	Total
	In NIS thousand			
Liquid debt assets	6,078,689	1,394,244	-	7,472,933
Shares	1,782,305	481,559	498,033	2,761,897
Other	1,020,779	615,128	2,863,064	4,498,971
Total	8,881,773	2,490,931	3,361,097	14,733,801
Illiquid debt assets disclosed at fair value (see Section C above)	-	16,815,676	2,218,815	19,034,491

	As of December 31 2020			
	Level 1	Level 2	Level 3	Total
	In NIS thousand			
Liquid 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	8,863,667	2,011,438	2,367,825	13,242,930
Illiquid debt assets disclosed at fair value (13C above)	-	16,289,844 (*)	2,039,139	18,328,983

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

(*) Reclassified

I. Changes in assets measured at fair value - Level 3

	Measurement of fair value at the reporting date				
	Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	In NIS thousand				
Balance as of January 1, 2021	-	-	330,008	2,037,817	2,367,825
Total profits recognized:					
In profit and loss (*)	-	-	18,658	120,906	139,564
In other comprehensive income	-	-	162,902	256,973	419,875
Purchases	-	-	121,831	907,353	1,029,184
Proceeds from interest and dividend	-	-	(1,526)	(156,899)	(158,425)
Redemptions / sales	-	-	(29,189)	(244,880)	(274,069)
Transfers into Level 3 (**)	-	-	96,224	-	96,224
Transfers from Level 3 (**)	-	-	(200,875)	(58,206)	(259,081)
Balance as of December 31 2021	-	-	498,033	2,863,064	3,361,097
(*) Of which:					
Total losses for the period included in profit and loss in respect of assets held as of December 31 2021	-	-	(339)	(46,271)	(46,610)

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

NOTE 14 – OTHER FINANCIAL INVESTMENTS (cont.)
I. Changes in assets measured at fair value - Level 3 (cont.)

	Measurement of fair value at the reporting date				
	Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	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 as of December 31 2020	-	-	330,008	2,037,817	2,367,825
(*) Of which:					
Total losses for the period included 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.

J. Aging of investments in illiquid financial debt assets

	As of December 31	
	2021	2020
	In NIS thousand	
Unimpaired debt assets		
No arrears	13,952,781	13,983,478
In arrears (*):		
Under 90 days	29	175
Between 90 and 180 days	-	2
Over 180 days	-	19
Total unimpaired debt assets	13,952,810	13,983,674
Impaired debt assets:		
Impaired assets, gross	73,851	83,858
Provision for loss	(62,220)	(60,343)
Impaired debt assets, net	11,631	23,515
Total illiquid debt assets	13,964,441	14,007,189

It should be noted that the above amounts do not constitute the actual amount in arrears, but rather the portion of the debt balance involved in arrears.

(*) Mainly loans to agents secured by a mortgage on real estate properties.

NOTE 14 – OTHER FINANCIAL INVESTMENTS (cont.)
K. Credit assets in respect of factoring, clearing and financing

	As of December 31 2021
	In NIS thousand
Trade receivables and checks for collection	845,079
Credit vouchers	14,984
Loans and checks for collection	608,405
Credit vouchers for sale	1,096,965
Provision for doubtful debts	(15,041)
Total	<u>2,550,392</u>

The remaining assets in this line item stem from Gama's business combination; for more information, see Note 4B above.

L. Disclosure required in connection with the temporary exemption due to application of IFRS 9

The following table presents the fair value of the financial assets divided into two classes:

- Assets that are subject to the principal and interest test only (excluding assets that are held-for-trading or managed on a fair value basis through profit and loss (hereinafter - "Class A").
- All other financial assets (hereinafter - "Class B").

	Class A		Class B	
	As of December 31		As of December 31	
	2021	2020	2021	2020
	In NIS thousand			
<u>Financial investments for yield-dependent contracts</u>				
Total financial investments	-	-	81,098,659	65,570,447
Cash and cash equivalents	-	-	13,785,593	10,464,216
<u>Financial investments for non-yield-dependent contracts</u>				
Liquid debt assets	6,628,429	7,255,530	844,504	839,938
Illiquid debt assets in terms of fair value	18,655,164	17,940,084 (*)	379,327	388,899
Shares	-	-	2,761,897	1,899,993
Other financial investments	-	-	4,498,971	3,247,469
Total financial investments	<u>25,283,593</u>	<u>25,195,614</u>	<u>8,484,699</u>	<u>6,376,299</u>
Cash and cash equivalents	2,154,153	1,545,903	-	-

(*) Reclassified.

NOTE 15 – CASH AND CASH EQUIVALENTS

A. Cash and cash equivalents in respect of yield-dependent contracts

	December 31	
	2021	2020
	In NIS thousand	
Cash and deposits with banks available for immediate withdrawal	5,132,340	4,130,143
Short term deposits	8,653,253	6,334,073
Cash and cash equivalents	<u>13,785,593</u>	<u>10,464,216</u>

As of balance sheet date, the cash with banks bear current interest of 0%-0.06% based on nominal interest rates applicable to daily deposits with banks (December 31 2020 - 0%-0.2%).

Short-term deposits deposited with banking corporations are for periods ranging between one week and three months. The deposits bear a nominal interest rate of 0%-0.45% (December 31 2020 - 0%-0.55%).

For the terms and conditions of linkage of cash and short-term deposits, please see Note 41.

B. Other cash and cash equivalents

	December 31	
	2021	2020
	In NIS thousand	
Cash and deposits with banks available for immediate withdrawal	537,438	673,202
Short term deposits	1,616,715	872,701
Cash and cash equivalents	<u>2,154,153</u>	<u>1,545,903</u>

As of balance sheet date, the cash with banks bear current interest of 0%-0.06% based on nominal interest rates applicable to daily deposits with banks (December 31 2020 - 0%-0.2%).

Short-term deposits deposited with banking corporations are for periods ranging between one week and three months. The deposits bear a nominal interest rate of 0%-0.45% (December 31 2020 - 0%-0.55%).

For the terms and conditions of linkage of cash and short-term deposits, please see Note 41.

NOTE 16 – EQUITY AND CAPITAL RESERVES

A. Composition of share capital

	December 31, 2021		December 31 2020	
	Authorized	Issued and paid up	Authorized	Issued and paid up
	In NIS thousand			
Ordinary shares of NIS 1 p.v. each	<u>300,000</u>	<u>256,526 (*)</u>	<u>300,000</u>	<u>256,154</u>

On August 15 2019, the Company published a shelf prospectus by virtue of which is may issue various securities such as: ordinary Company shares of NIS 1 par value each (hereinafter in this section: "Company shares"), preferred shares, non-controvertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may be from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, option warrants exercisable into bonds convertible into Company shares, liquid securities and any other security that may be lawfully issued by virtue of the shelf prospectus on the relevant date.

(*) Excluding treasury shares. For further details regarding treasury shares, please see Section D below.

NOTE 16 – EQUITY AND CAPITAL RESERVES (cont.)
B. Changes in share capital

	No. of shares (in thousands)	Total par value in NIS thousand
Balance as of January 1 2020	256,095	256,095
Issuance of shares (*)	59	59
Balance as of December 31 2020	256,154	256,154
Issuance of shares (*)	372	372
Balance as of December 31 2021	<u>256,526 (*)</u>	<u>256,526 (*)</u>

(*) Excluding treasury shares. For further details regarding treasury shares, please see Section D below.

C. Rights attached to shares

1. Voting rights in the general meeting, rights to receive dividends, rights upon liquidation of the Company and rights to appoint directors in the Company.
2. Company's shares are listed on the TASE.

D. Treasury shares - Company shares held by the Company

	As of December 31	
	2021	2020
<u>Shares</u>		
Rate of issued capital (in %)	<u>1.55%</u>	<u>0.60%</u>
Cost (in NIS thousand)	<u>99,769</u>	<u>26,411</u>

On October 1 2020, the Company's Board of Directors approved a share buyback plan at a total amount of up to NIS 100 million. The plan shall be executed from time to time by Company's management, which was authorized by the Company's Board of Directors to buy the securities at its discretion during the period set for the execution of the plan. As of the report publication date, the Company completed the share buyback plan at a total amount of NIS 100 million (3,983,092 shares of NIS 1 par value each).

On August 24, 2021, the Company's Board of Directors approved an additional share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year. 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. As of the report publication date and subsequent to the balance sheet date, the Company purchased approximately 1,412 thousand shares at a total cost of approximately NIS 56 million.

E. Adjustments arising from translation of financial statements

Capital reserve from translation differences stems from changes in exchange rates of foreign currency arising from translation of the financial statements of investees which constitute foreign operations, and from changes in the exchange rates of foreign currency stemming from translation of financial statements from the functional currency to the presentation currency.

NOTE 16 – EQUITY AND CAPITAL RESERVES (cont.)**F. Capital management**

It is management's policy to maintain a strong capital base in order to retain Company's ability to continue its activities such that it will be able to generate returns to its shareholders and support future business activities.

This capital is also designed to support the risks inherent in the Group's business, such as market and credit risks, operational risks, catastrophe risks and more.

The Phoenix Insurance, Excellence and other institutional entities consolidated in the financial statements are subject to external capital requirements set by the Insurance Commissioner; for further details, please see Note 8E to the financial statements.

G. Capital reserve in respect of transaction with controlling shareholder

Assets and liabilities, which are the subject matter of a transaction between the Company and its controlling shareholder or between companies under common control, are recognized at fair value on the transaction date. The difference between the fair value and the transaction's consideration is carried to equity. A negative difference is essentially a dividend and therefore reduces the balance of retained earnings. A positive difference is essentially a shareholders' investment and is therefore presented as a separate line item, under equity: "Reserve in respect of a transaction with controlling shareholder".

H. Dividend

1. On March 28 2022, the Company's Board of Directors approved a dividend distribution in the amount of NIS 421 million. The dividend per share of NIS 1 par value is NIS 1.68. The record date for the distribution is April 6 2022; the dividend will be paid on April 14 2022.
2. On November 29, 2021, the Company's Board of Directors approved an interim dividend distribution for the profits accumulated in the 9 months ended September 30 2021, in the amount of NIS 200 million. The dividend per share of NIS 1 par value is NIS 0.79. The record date for the distribution is December 7 2021. The dividend was paid on December 15 2021.
3. 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.

4. Dividend distribution policy

In October 2020, the Company's Board of Directors approved a dividend distribution policy, whereby the Company shall distribute an annual dividend at a minimum rate of 30% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year. The policy was approved following the approval of the dividend distribution policy by The Phoenix Insurance; under the policy, 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 solvency ratio it had set, which is higher than the solvency ratio applicable to it under the Supervision Rules. For further details, please see the Company's immediate report dated October 28 2020 (Ref. No. 2020-01-107812).

As part of the policy it is stipulated that amounts used to implement the share buyback plan as described in Section D above shall be included in the amount of dividend calculated in accordance with the policy.

NOTE 16 – EQUITY AND CAPITAL RESERVES (cont.)**H. Dividend (cont.)****4. Dividend distribution policy (cont.)**

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

- Interim dividend at the discretion of the Board of Directors on the approval date of the Financial Statements for the second quarter of each calendar year;
- Supplementary dividend in accordance with the policy on the annual report's approval date of each calendar year.

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

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

I. Revaluation reserve

Revaluation reserve is used to record fair value adjustments (net of the tax effect) of property, plant and equipment and impairment up to the amount of appreciation recorded in respect of that asset in capital reserves.

NOTE 17 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND NON-YIELD-DEPENDENT INVESTMENT CONTRACTS

	As of December 31					
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		Retention	
	In NIS thousand					
<u>Life insurance and savings</u>						
Insurance contracts (see Note 20)	12,355,213	12,196,972	87,363	98,535	12,267,850	12,098,437
Less amounts deposited to the Company as part of a defined benefit plan for the Group's employees	4,959	4,822	-	-	4,959	4,822
Total life insurance and savings	12,350,254	12,192,150	87,363	98,535	12,262,891	12,093,615
Investment contracts included in the pension and provident segment	949,349	921,239	-	-	949,349	921,239
Total	13,299,603	13,113,389	87,363	98,535	13,212,240	13,014,854
Insurance contracts included in the health insurance segment (see Note 21)	5,104,795	4,171,774	434,927	471,726	4,669,868	3,700,048
Insurance contracts included in the property and casualty insurance segment (see Note 19)	6,708,588	6,184,724	2,152,657	1,840,422	4,555,931	4,344,302
Total liabilities for insurance contracts and non-yield-dependent investment contracts	25,112,986	23,469,887	2,674,947	2,410,683	22,438,039	21,059,204

NOTE 18 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND YIELD-DEPENDENT INVESTMENT CONTRACTS

	As of December 31					
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		Retention	
	In NIS thousand					
<u>Life insurance and savings</u>						
Insurance contracts	71,912,190	61,663,718	103,965	84,695	71,808,225	61,579,023
Investment contracts	17,367,786	9,891,066	-	-	17,367,786	9,891,066
Total life insurance (see Note 20)	89,279,976	71,554,784	103,965	84,695	89,176,011	71,470,089
Less amounts deposited to the Company as part of a defined benefit plan for the Group's employees	15,210	14,430	-	-	15,210	14,430
Total life insurance and savings	89,264,766	71,540,354	103,965	84,695	89,160,801	71,455,659
Insurance contracts included in the health insurance segment (see Note 21)	6,363,818	5,316,559	27,634	36,281	6,336,184	5,280,278
Total liabilities for insurance contracts and yield-dependent investment contracts	95,628,584	76,856,913	131,599	120,976	95,496,985	76,735,937

In yield-dependent insurance contracts, the insurance benefits payable to the beneficiary are dependent on or linked to the yield on certain investments of the Company, net of management fees. These contracts include, among other things, bonus-malus insurance plans in which the policyholder is credited/debited in accordance with the investment results of the Company's participating policies portfolio. In non-yield-dependent insurance contracts, the insurance benefits to which the policyholder is entitled are not dependent on the profit or loss from investments made by the Company.

The distinction between yield-dependent contracts and non-yield-dependent contracts is made at the individual coverage level, such that there are insurance policies with several coverages, some of which are yield-dependent contracts and some are non-yield-dependent contracts.

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT

A.(1) Liabilities in respect of insurance contracts included in the property and casualty insurance segment by type:

			As of December 31			
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		Retention	
			In NIS thousand			
<u>Compulsory motor and liability subsegments:</u>						
Provision for unearned premium	524,874	431,720	219,985	176,400	304,889	255,320
Contingent claims and provision for premium deficiency	4,653,465	4,358,019	1,461,814	1,177,233	3,191,651	3,180,786
Total compulsory motor and liability subsegments	5,178,339	4,789,739	1,681,799	1,353,633	3,496,540	3,436,106
Of which - total liability in respect of the compulsory motor subsegment	2,974,669	2,731,581	1,202,327	1,005,826	1,772,342	1,725,755
<u>Property and other subsegments:</u>						
Provision for unearned premium	821,829	762,932	207,922	218,739	613,907	544,193
Contingent claims	653,820	608,653	262,936	268,050	390,884	340,603
Provision for premium deficiency	54,600	23,400	-	-	54,600	23,400
Total property and other subsegments	1,530,249	1,394,985	470,858	486,789	1,059,391	908,196
Total liabilities in respect of insurance contracts included in the property and casualty insurance segment	6,708,588	6,184,724	2,152,657	1,840,422	4,555,931	4,344,302
<u>Deferred acquisition costs:</u>						
Compulsory motor and liability subsegments	78,198	65,565	46,016	41,417	32,182	24,148
Property and other subsegments	195,619	174,475	41,146	38,631	154,473	135,844
Total deferred acquisition costs	273,817	240,040	87,162	80,048	186,655	159,992
<u>Liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs:</u>						
Compulsory motor and liability subsegments	5,100,141	4,724,174	1,635,783	1,312,216	3,464,358	3,411,958
Property and other subsegments	1,334,630	1,220,510	429,712	448,158	904,918	772,352
Total liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs	6,434,771	5,944,684	2,065,495	1,760,374	4,369,276	4,184,310

A.(2) Liabilities in respect of insurance contracts included in the property and casualty insurance segment by calculation methods:

			As of December 31			
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		Retention	
			In NIS thousand			
<u>Actuarial estimates:</u>						
Total actuarial estimates by Ms. Anna Nahum, Property and Casualty Insurance Actuary	5,278,290	4,913,137	1,687,784	1,411,677	3,590,506	3,501,460
Total actuarial estimates by Ms. Luba Sharapov, Health Insurance Actuary	13,741	15,061	373	814	13,368	14,247
Total actuarial estimates	5,292,031	4,928,198	1,688,157	1,412,491	3,603,874	3,515,707
<u>Provisions based on other estimates:</u>						
Claims Department's estimates in respect of known contingent claims	23,625	28,115	20,125	18,442	3,500	9,673
Addition for contingent claims in respect of claims incurred but not yet reported (IBNR)	46,229	33,759	16,468	14,350	29,761	19,409
Provision for unearned premium	1,346,703	1,194,652	427,907	395,139	918,796	799,513
Total liabilities in respect of insurance contracts included in the property and casualty insurance segment	6,708,588	6,184,724	2,152,657	1,840,422	4,555,931	4,344,302

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

B. Change in liabilities in respect of insurance contracts included in the property and casualty subsegment, net of deferred acquisition costs:

1. Compulsory motor and liability subsegments

	For the year ended December 31					
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		Retention	
	In NIS thousand					
Balance at beginning of year	4,724,174	4,676,927	1,312,216	1,129,500	3,411,958	3,547,427
Ultimate cost of claims in respect of current underwriting year	1,096,174	920,063	451,175	363,228	644,999	556,835
Change in balances at beginning of year as a result of linkage to the CPI and investment profit in accordance with the discount assumption implicit in the liabilities	113,116	(27,755)	31,350	(6,675)	81,766	(21,080)
Change in ultimate cost of claims in respect of previous underwriting years (5)	(196,875)	(231,824)	(5,373)	(18,651)	(191,502)	(213,173)
Total change in ultimate cost of claims	1,012,415	660,484	477,152	337,902	535,263	322,582
Payments to settle claims during the year:						
In respect of current underwriting year	(10,527)	(7,679)	(1,333)	(1,066)	(9,194)	(6,613)
In respect of previous underwriting years	(625,921)	(605,558)	(152,252)	(154,120)	(473,669)	(451,438)
Total payments for the period	(636,448)	(613,237)	(153,585)	(155,186)	(482,863)	(458,051)
Balance at end of year	5,100,141	4,724,174	1,635,783	1,312,216	3,464,358	3,411,958

1. The opening and closing balances include: contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims is: the balance of contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs plus total payments in respect of claims including direct and indirect expenses associated with the settlement of claims.
3. The payments include indirect costs associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the relevant underwriting year.
4. The ultimate cost of claims is revised based on the model in accordance with the actual development of claims.
5. The change in the ultimate cost of claims in respect of previous underwriting years in 2020 includes a decrease in insurance liabilities following the implementation of the ruling on the Discounting Regulations amounting to NIS 94 million (gross) and NIS 74 million (retention). Net of the aforesaid effect, in 2021 there was a positive development in claims in all liability subsegments compared with 2020. See Note 41, Section 5.2.2.5.

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

B. Change in liabilities in respect of insurance contracts included in the property and casualty subsegment, net of deferred acquisition costs: (cont.)

2. Property and other subsegments

	For the year ended December 31					
	2021	2020	2021	2020	2021	2020
	Gross		Reinsurance		Retention	
	In NIS thousand					
Balance at beginning of year	1,220,510	1,231,924	448,158	446,620	772,352	785,304
Ultimate cost of claims in respect of events in the reported year (5)	1,210,022	1,086,144	228,383	262,645	981,639	823,499
Change in the ultimate cost of claims in respect of events prior to the reported year (6)	(112,374)	(88,172)	(30,107)	(55,280)	(82,267)	(32,892)
Payments to settle claims during the year:						
In respect of events in the reported year	(806,396)	(727,648)	(110,042)	(136,513)	(696,354)	(591,135)
In respect of events prior to the reported year	(246,084)	(303,551)	(93,348)	(103,495)	(152,736)	(200,056)
Total payments	(1,052,480)	(1,031,199)	(203,390)	(240,008)	(849,090)	(791,191)
Change in provision for unearned premium, net of deferred acquisition costs	37,752	16,667	(13,332)	34,181	51,084	(17,514)
Change in provision for premium deficiency (7)	31,200	5,146	-	-	31,200	5,146
Balance at end of year	1,334,630	1,220,510	429,712	448,158	904,918	772,352

1. The opening and closing balances include: contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims in respect of events in the reporting year includes the balance of contingent claims as of the end of the reported year plus total payments in respect of claims in the reporting period, including direct and indirect expenses associated with the settlement of claims.
3. Payments to settle claims during the year include payments in respect of events prior to the reported year.
4. Payments to settle claims include direct and indirect expenses associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the damage years.
5. The ultimate cost of claims in respect of events in 2021 compared with 2020 stems mainly from an increase in the motor property subsegment. The said increase was partially offset in other property and casualty subsegments.
6. The change in the gross and retention ultimate cost of claims in respect of events prior to the reporting year in 2021 compared with 2020 is mainly attributed to the motor property subsegment.
7. The change in provision of premium deficiency stems from the motor property subsegment. The increase in the provision arises mainly from an increase in the expected cost of claims.

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(1) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor and liability insurance subsegments:

	December 31, 2021									
	Underwriting year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	In NIS thousands, adjusted to the November 2021 CPI (1)									
<u>Claims paid (cumulative) as of the end of the year</u>										
After the first year	9,003	8,314	7,426	7,630	10,565	12,673	18,400	9,104	7,871	10,630
After two years	48,219	40,016	34,883	42,083	45,771	65,844	57,337	48,068	49,365	
After three years	97,700	92,269	85,756	101,215	115,605	153,716	143,430	139,621		
After four years	161,630	153,944	164,060	177,347	192,386	267,287	238,919			
After five years	223,683	217,228	248,314	256,443	264,738	353,223				
After six years	298,021	293,667	318,852	328,363	327,773					
After seven years	355,330	372,128	369,195	387,510						
After eight years	417,893	460,985	457,412							
After nine years	447,071	510,209								
After ten years	469,213									
<u>Estimated cumulative claims (including payments) as of the end of the year:</u>										
After the first year (2)	633,386	683,471	732,386	725,649	816,540	853,758	941,467	910,945	942,172	1,096,276
After two years	658,641	721,005	675,826	740,041	813,369	858,331	887,283	862,114	933,206	
After three years	695,578	733,270	701,398	746,404	813,880	843,022	862,987	883,195		
After four years	626,786	743,372	695,150	728,946	776,006	830,907	857,913			
After five years	606,687	734,145	695,988	714,405	754,421	817,635				
After six years	626,474	743,607	682,903	682,305	693,129					
After seven years	604,075	742,425	671,295	671,825						
After eight years	601,455	707,183	654,386							
After nine years	600,367	694,143								
After ten years	580,414									
Surplus relating to the first year that does not involve accrual (3)	46,372	39,127	21,440	53,824	123,411	36,123	83,554	27,750	8,966	440,567
Deviation rate in respect of the first year that does not involve accrual, in % (4)	7.4%	5.3%	3.2%	7.4%	15.1%	4.2%	8.9%	3.0%	1.0%	5.3%
The cost of cumulative claims as of December 31 2021	580,414	694,143	654,386	671,825	693,129	817,635	857,913	883,195	933,206	1,096,276
Cumulative payments through December 31 2021	<u>469,213</u>	<u>510,209</u>	<u>457,412</u>	<u>387,510</u>	<u>327,773</u>	<u>353,223</u>	<u>238,919</u>	<u>139,621</u>	<u>49,365</u>	<u>10,630</u>
Contingent claims as of end of the period	111,201	183,934	196,974	284,315	365,356	464,412	618,994	743,574	883,841	1,085,646
For years up to and including the underwriting year 2011										<u>161,894</u>
Total gross liability in respect of insurance contracts in compulsory motor and liability insurance subsegments less deferred acquisition costs as of December 31 2021										<u>5,100,141</u>

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

(3) The surplus in respect of the first year that does not include accumulation is also affected from the decrease in insurance liabilities due to the implementation of the ruling on the Discounting Regulations, see Note 41, Section 5.2.2.5.

(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(2) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor and liability insurance subsegments:

	December 31, 2021										
	Underwriting year										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
In NIS thousands, adjusted to the November 2021 CPI (1)											
<u>Claims paid (cumulative) as of the end of the year</u>											
After the first year	7,717	8,091	6,850	7,467	9,003	10,258	9,271	7,930	6,781	9,214	
After two years	39,501	36,640	33,016	36,615	39,365	39,142	33,501	31,100	36,400		
After three years	87,045	85,862	80,719	93,305	105,130	93,543	79,050	77,327			
After four years	135,610	142,692	155,573	168,490	179,167	157,520	130,143				
After five years	196,559	203,203	239,468	245,324	250,528	208,219					
After six years	270,848	273,334	309,210	311,841	312,152						
After seven years	328,133	327,769	358,716	364,849							
After eight years	386,136	375,930	445,306								
After nine years	414,816	418,818									
After ten years	436,600										
<u>Estimated cumulative claims (including payments) as of the end of the year:</u>											
After the first year (2)	551,920	597,194	640,964	684,890	780,666	570,122	563,406	524,090	570,218	645,019	
After two years	562,738	617,727	646,733	711,978	784,095	563,947	526,293	483,390	569,683		
After three years	581,377	633,653	670,230	721,816	774,707	557,969	504,779	489,237			
After four years	586,569	637,973	668,863	703,495	740,216	542,547	498,664				
After five years	565,312	624,620	664,164	687,816	720,244	528,721					
After six years	585,462	611,365	655,307	651,001	663,851						
After seven years	556,148	595,790	645,124	636,770							
After eight years	550,690	576,794	632,820								
After nine years	546,329	565,594									
After ten years	527,829										
Surplus relating to the first year that does not involve accrual (3)	58,740	68,059	13,913	48,120	116,815	41,401	64,742	34,853	535		447,178
Deviation rate in respect of the first year that does not involve accrual, in % (4)	10.0%	10.7%	2.2%	7.0%	15.0%	7.3%	11.5%	6.7%	0.1%		7.2%
The cost of cumulative claims as of December 31 2021	527,829	565,594	632,820	636,770	663,851	528,721	498,664	489,237	569,683	645,019	5,758,188
Cumulative payments through December 31 2021	436,600	418,818	445,306	364,849	312,152	208,219	130,143	77,327	36,400	9,214	2,439,028
Contingent claims as of end of the period	91,229	146,776	187,514	271,921	351,699	320,502	368,521	411,910	533,283	635,805	3,319,160
For years up to and including the underwriting year 2011											145,198
Total liability (retention) in respect of insurance contracts in the compulsory motor and liability subsegments, net of deferred acquisition costs as of December 31 2021											3,464,358

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

(3) The surplus in respect of the first year that does not include accumulation is also affected from the decrease in insurance liabilities due to the implementation of the ruling on the Discounting Regulations, see Note 41, Section 5.2.2.5.

(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(3) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor insurance subsegment:

	December 31, 2021										
	Underwriting year										Total
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
In NIS thousands, adjusted to the November 2021 CPI (1)											
Claims paid (cumulative) as of the end of the year											
After the first year	4,387	4,947	4,350	4,780	5,873	8,308	6,877	5,899	4,298	4,432	
After two years	21,532	21,732	19,529	20,574	24,459	36,482	32,141	31,170	28,102		
After three years	51,968	52,513	54,743	62,575	73,177	100,020	98,992	102,432			
After four years	82,174	94,892	109,928	117,445	127,900	172,375	169,090				
After five years	128,936	139,232	173,101	170,575	181,153	224,566					
After six years	175,443	184,874	225,462	213,066	215,929						
After seven years	206,949	215,680	256,907	247,814							
After eight years	241,492	241,164	322,122								
After nine years	253,365	265,689									
After ten years	265,828										
Estimated cumulative claims (including payments) as of the end of the year:											
After the first year (2)	354,345	392,719	421,327	450,492	522,135	557,673	602,175	597,320	599,800	683,989	
After two years	362,258	402,631	417,929	460,571	503,250	542,105	559,843	568,180	599,145		
After three years	373,878	395,037	433,072	458,086	492,800	511,749	542,552	575,710			
After four years	357,570	398,745	428,307	437,175	461,866	495,923	540,804				
After five years	346,317	376,440	419,402	423,433	447,145	490,556					
After six years	338,793	367,139	414,963	390,491	397,214						
After seven years	324,910	347,803	415,404	387,817							
After eight years	315,900	332,163	412,266								
After nine years	308,106	329,927									
After ten years	299,174										
Surplus relating to the first year that does not involve accrual (3)	58,396	65,110	5,663	62,675	124,921	67,117	61,371	21,610	655		467,518
Deviation rate in respect of the first year that does not involve accrual, in % (4)	16.3%	16.5%	1.4%	13.9%	23.9%	12.0%	10.2%	3.6%	0.1%		9.0%
The cost of cumulative claims as of December 31 2021	299,174	329,927	412,266	387,817	397,214	490,556	540,804	575,710	599,145	683,989	4,716,602
Cumulative payments through December 31 2021	265,828	265,689	322,122	247,814	215,929	224,566	169,090	102,432	28,102	4,432	1,846,004
Contingent claims as of end of the period	33,346	64,238	90,144	140,003	181,285	265,990	371,714	473,278	571,043	679,557	2,870,598
For years up to and including the underwriting year 2011											71,414
Total gross liability in respect of insurance contracts in compulsory motor insurance less deferred acquisition costs as of December 31 2021											2,942,012

- (1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.
- (2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.
- (3) The surplus in respect of the first year that does not include accumulation is also affected from the decrease in insurance liabilities due to the implementation of the ruling on the Discounting Regulations, see Note 41, Section 5.2.2.5.
- (4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(4) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, retention, in the compulsory motor insurance subsegment:

	December 31, 2021										
	Underwriting year										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	In NIS thousands, adjusted to the November 2021 CPI (1)										
Claims paid (cumulative) as of the end of the year											
After the first year	4,387	4,947	4,350	4,780	5,873	7,497	5,949	4,827	3,562	3,653	
After two years	21,532	21,732	19,529	20,574	24,459	24,615	18,433	17,378	17,498		
After three years	51,968	52,513	54,743	62,575	73,177	59,066	46,915	48,001			
After four years	82,174	94,892	109,928	117,445	127,900	97,844	76,400				
After five years	128,936	139,232	173,101	170,575	181,153	125,282					
After six years	175,443	184,874	225,462	213,066	215,929						
After seven years	206,949	215,680	256,907	247,813							
After eight years	241,492	241,164	322,123								
After nine years	253,365	265,690									
After ten years	265,828										
Estimated cumulative claims (including payments) as of the end of the year:											
After the first year (2)	344,760	386,051	414,585	449,349	521,462	317,663	287,198	273,032	310,574	399,676	
After two years	350,749	393,568	417,438	460,075	502,753	297,780	250,919	247,868	312,315		
After three years	362,360	394,972	433,006	458,021	492,714	282,922	241,793	249,620			
After four years	357,570	398,745	428,307	437,175	461,866	272,848	237,761				
After five years	345,338	376,440	419,402	423,433	447,145	269,142					
After six years	337,807	367,139	414,963	390,491	397,214						
After seven years	323,937	347,803	415,404	387,816							
After eight years	315,900	332,163	412,267								
After nine years	308,106	325,338									
After ten years	299,174										
Surplus (deficit) relating to the first year that does not involve accrual (3)	58,396	69,634	5,171	61,533	124,248	48,521	49,437	23,412	(1,741)		438,611
Deviation rate in respect of the first year that does not involve accrual, in % (4)	16.3%	17.6%	1.2%	13.7%	23.8%	15.3%	17.2%	8.6%	(0.6%)		11.8%
The cost of cumulative claims as of December 31 2021	299,174	325,338	412,267	387,816	397,214	269,142	237,761	249,620	312,315	399,676	3,290,323
Cumulative payments through December 31 2021	265,828	265,690	322,123	247,813	215,929	125,282	76,400	48,001	17,498	3,653	1,588,217
Contingent claims as of end of the period	33,346	59,648	90,144	140,003	181,285	143,860	161,361	201,619	294,817	396,023	1,702,106
For years up to and including the underwriting year 2011											70,172
Total gross liability in respect of insurance contracts in compulsory motor insurance less deferred acquisition costs as of December 31 2021 - retention											1,772,278

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

(3) The surplus in respect of the first year that does not include accumulation is also affected from the decrease in insurance liabilities due to the implementation of the ruling on the Discounting Regulations, see Note 41, Section 5.2.2.5.

(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

D.(1) Accumulated data regarding underwriting years in the compulsory motor insurance subsegment:

	Underwriting year						
	2021	2020	2019	2018	2017	2016	2015
	In NIS thousand						
For the year ended December 31 2021:							
Gross premiums (1)	<u>661,355</u>	<u>583,464</u>	<u>570,472</u>	<u>566,856</u>	<u>527,423</u>	<u>478,717</u>	<u>463,434</u>
Comprehensive income (loss) - retention - in respect of the underwriting year (2), (3), (4)	<u>(20,720)</u>	<u>7,143</u>	<u>45,128</u>	<u>69,435</u>	<u>64,280</u>	<u>115,440</u>	<u>101,363</u>
Accumulated effect of investment income over accumulated comprehensive income - retention - in respect of underwriting year (4)	<u>18,688</u>	<u>38,073</u>	<u>46,101</u>	<u>53,795</u>	<u>58,440</u>	<u>112,704</u>	<u>98,745</u>

1. The increase in premiums during the periods stems mainly from increase in scope of Company's sales.
2. In 2015, the Company did not carry to retained earnings any retention surplus.
3. The changes in retention comprehensive income since underwriting year 2017 are affected by a "quota share" reinsurance treaty.
4. The decrease in investment income over the underwriting years stems mainly from the fact that investment gains have not yet accumulated in the reporting year and in adjacent years.

D.(2) Accumulated data regarding underwriting years in the other liability insurance subsegment:

	Underwriting year						
	2021	2020	2019	2018	2017	2016	2015
	In NIS thousand						
For the year ended December 31 2021:							
Gross premiums (1)	<u>536,751</u>	<u>470,570</u>	<u>429,980</u>	<u>432,151</u>	<u>400,354</u>	<u>396,063</u>	<u>386,094</u>
Comprehensive income (loss) - retention - in respect of the underwriting year (2), (*)	<u>(28,907)</u>	<u>(14,000)</u>	<u>12,938</u>	<u>23,028</u>	<u>22,091</u>	<u>29,091</u>	<u>41,874</u>
(*) Including the balance of excess of income over expenses - retention - which were carried directly to retained earnings in 2015							<u>5,138</u>
Accumulated effect of investment income over accumulated comprehensive income - retention - in respect of underwriting year (2)	<u>10,511</u>	<u>31,917</u>	<u>45,291</u>	<u>61,288</u>	<u>61,960</u>	<u>72,596</u>	<u>68,323</u>

1. The increase in premium in 2021 compared with 2020 stems mainly from the professional liability and guarantees subsegments.
2. The decrease in investment income over the underwriting years stems mainly from the fact that investment gains have not yet accumulated in the reporting year and in adjacent years.

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

E.(1) Composition of comprehensive income (loss) in the compulsory motor insurance subsegment:

	Comprehensive loss in respect of current underwriting year (1)	Comprehensive income in respect of previous underwriting years (2)	Total comprehensive income, gross	Comprehensive loss in respect of current underwriting year (1)	Comprehensive income in respect of previous underwriting years (2)	Total comprehensive income for the year - retention
	Gross				Retention	
	In NIS thousand					

For the year
ended
December
31:

2021	(107,124)	194,091	86,967	(20,720)	229,875	209,155
2020	(84,634)	260,085	175,451	(8,706)	239,489	230,783
2019	(89,016)	343,473	254,457	(4,245)	324,642	320,397

1. The increase in gross and retention comprehensive loss in respect of the current underwriting year in 2021 compared with 2020 and 2019 stems mainly from the revision of costs in the actuarial model.
2. The decrease in gross and retention comprehensive income in respect of previous underwriting years in 2021 compared with 2020 stems mainly from an decrease in insurance liabilities in 2020 following the application of the ruling on the Discounting Regulations, at the total amount of NIS 81 million (gross) and NIS 61 million (retention), and on the other hand - in 2021 there was an increase in investment income in respect of 2020. The decrease in gross comprehensive income and retention in respect of previous underwriting years in 2020 compared with 2019 stems mainly from a decrease in investment income and a decrease in insurance liabilities following the application of the ruling on the Discounting Regulations; in 2020 - a decrease in gross comprehensive income of approximately NIS 81 million (last year - approximately NIS 141 million), and a decrease in retention of approximately NIS 61 million (total of approximately NIS 109 million) last year. For further details, please see Note 41, Section 5.2.2.5.

E.(2) Composition of comprehensive income (loss) in other liability insurance subsegments:

	Comprehensive income (loss) in respect of current underwriting year (1)	Comprehensive income in respect of previous underwriting years (2)	Total comprehensive income, gross	Comprehensive loss in respect of current underwriting year (1)	Comprehensive income in respect of previous underwriting years (2)	Comprehensive income - retention
	Gross				Retention	
	In NIS thousand					

For the
year ended
December
31:

2021	7,563	246,744	254,307	(28,907)	217,257	188,350
2020	(3,674)	218,201	214,527	(38,059)	183,802	145,743
2019	(14,330)	199,280	184,950	(30,903)	170,692	139,789

1. The transition from gross comprehensive loss to gross comprehensive income in respect of current underwriting year in 2021 compared with 2020 and 2019 stems mainly from an improvement in the professional liability insurance subsegment. The change in retention stems mainly from the employers' liability insurance and third-party insurance subsegment.
2. The increase in gross and retention comprehensive income in respect of previous underwriting years in 2021 compared with 2020 stems mainly from the employers' liability insurance and professional liability insurance subsegment. The increase in gross and retention comprehensive income in respect of previous underwriting years in 2020 compared with 2019 stems mainly from the third-party insurance subsegment. For further details, see Note 41 above.

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

F.(1) Assessment of development in estimated contingent claims - gross- in the property and other insurance subsegments:

	As of December 31 2021										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	In NIS thousands, adjusted to the November 2021 CPI (*)										
Claims paid (cumulative) as of the end of the year:											
After the first year	588,857	591,015	594,696	716,181	665,651	684,471	722,292	725,862	745,870	814,356	
After two years	789,374	886,751	769,427	977,377	879,118	884,486	955,472	957,678	937,834		
After three years	822,016	963,171	804,571	1,002,256	908,878	909,214	993,601	985,394			
After four years	884,470	984,240	821,391	1,012,433	921,642	928,620	1,006,262				
After five years	888,668	990,578	826,823	1,018,150	924,491	932,337					
After six years	895,215	995,077	828,684	1,020,141	926,101						
After seven years	898,831	998,232	832,212	1,018,138							
After eight years	902,445	1,004,553	840,009								
After nine years	905,110	1,003,228									
After ten years	908,531										
Cumulative claims (including payments):											
After the first year	889,814	1,017,676	862,386	1,047,505	994,209	1,020,267	1,118,213	1,087,933	1,112,979	1,217,985	
After two years	876,273	1,058,499	862,056	1,055,108	975,831	979,201	1,060,256	1,048,691	1,033,976		
After three years	922,627	1,034,428	856,505	1,044,078	967,652	949,050	1,040,638	1,029,344			
After four years	930,816	1,017,076	856,650	1,035,711	937,251	949,480	1,022,700				
After five years	929,916	1,027,742	858,631	1,036,207	941,345	965,178					
After six years	930,951	1,034,322	858,904	1,030,791	933,595						
After seven years	924,748	1,019,823	846,451	1,025,769							
After eight years	926,470	1,018,030	847,524								
After nine years	926,344	1,011,021									
After ten years	922,879										
Estimated cumulative costs, as of December 31 2021	922,879	1,011,021	847,524	1,025,769	933,595	965,178	1,022,700	1,029,344	1,033,976	1,217,985	10,009,971
Cumulative payments through December 31 2021	908,531	1,003,228	840,009	1,018,138	926,101	932,337	1,006,262	985,394	937,834	814,356	9,372,190
Outstanding contingent claims	14,348	7,793	7,515	7,631	7,494	32,841	16,438	43,950	96,142	403,629	637,781
Contingent claims for the years up to and including damage year 2011											16,039
Total gross contingent claims in the subsegment as of December 31 2021											653,820

(*) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 19 – LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

F.(2) Assessment of development in estimated contingent claims - retention - in the property and other insurance subsegments:

	As of December 31 2021										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	In NIS thousands, adjusted to the November 2021 CPI (*)										
Claims paid (cumulative) as of the end of the year:											
After the first year	505,253	508,899	517,398	601,790	599,583	585,240	589,186	606,820	605,937	703,229	
After two years	661,078	665,403	648,792	777,713	768,502	737,368	732,078	773,029	729,995		
After three years	679,440	682,976	665,702	795,453	790,505	759,915	751,759	790,946			
After four years	678,489	690,918	672,886	802,692	799,996	769,132	760,339				
After five years	679,970	694,962	674,982	805,616	803,114	772,192					
After six years	683,359	697,339	676,856	806,837	804,473						
After seven years	683,881	698,883	678,986	803,775							
After eight years	684,994	699,649	681,337								
After nine years	685,643	698,532									
After ten years	686,638										
Cumulative claims (including payments):											
After the first year	720,227	742,876	708,629	817,511	834,738	832,576	828,476	852,812	843,885	988,514	
After two years	705,105	722,802	688,474	823,512	819,399	786,561	780,971	827,604	780,703		
After three years	694,634	710,179	685,861	817,312	814,176	777,130	775,884	810,518			
After four years	693,390	705,330	682,910	813,775	808,535	779,730	770,415				
After five years	689,738	708,796	681,747	812,850	811,418	788,257					
After six years	695,764	711,589	681,766	809,150	805,920						
After seven years	688,398	700,951	680,822	804,710							
After eight years	690,240	701,066	682,649								
After nine years	690,887	699,974									
After ten years	688,878										
Estimated cumulative costs, as of December 31 2021	688,878	699,974	682,649	804,710	805,920	788,257	770,415	810,518	780,703	988,514	7,820,538
Cumulative payments through December 31 2021	686,638	698,532	681,337	803,775	804,473	772,192	760,339	790,946	729,995	703,229	7,431,456
Outstanding contingent claims	2,240	1,442	1,312	935	1,447	16,065	10,076	19,572	50,708	285,285	389,082
Contingent claims for the years up to and including damage year 2011											1,802
Total contingent claims in the subsegment as of December 31 2021 - retention											390,884

(*) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 20 – ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT

A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposures

Data as at December 31 2021:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component Risk insurance sold as a single policy		
	Until 1990 (*)	Until 2003	Since 2004		Individual	Group	Total
			Non yield- dependent	Yield- dependent			
	In NIS thousand						
1. By insurance exposure:							
Liabilities in respect of insurance contracts							
Annuity without guaranteed coefficients	393,069	19,896	-	556,715	-	-	969,680
Annuity with guaranteed coefficients:							
Until May 2001	2,884,039	23,725,953	-	-	-	-	26,609,992
From June 2001	-	4,010,965	-	29,668,531	-	-	33,679,496
Annuity paid	2,426,633	3,066,858	-	966,440	17,298	-	6,477,229
Equity (without an option for annuity)	4,485,612	5,221,825	-	2,445,876	-	-	12,153,313
Supplementary reserve for pension (**)	1,000,238	1,308,225	-	31,129	-	-	2,339,592
Other risk factors	57,148	540,920	-	447,357	867,404	125,272	2,038,101
Total in respect of insurance contracts	11,246,739	37,894,642	-	34,116,048	884,702	125,272	84,267,403
Liabilities in respect of investment contracts	-	-	-	17,367,786	-	-	17,367,786
Total	11,246,739	37,894,642	-	51,483,834	884,702	125,272	101,635,189
2. By financial exposure:							
Yield-dependent	152,528	37,621,190	-	51,205,570	294,719	5,969	89,279,976
Non yield-dependent	11,094,211	273,452	-	278,264	589,983	119,303	12,355,213
Total	11,246,739	37,894,642	-	51,483,834	884,702	125,272	101,635,189

(*) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.

(**) In addition to supplementary reserve for pension, which is included in the liabilities in respect of insurance contracts, there is a NIS 1,539 million reserve that will be carried to profit and loss over the remaining life of the policy until policyholders reach retirement age. For further details, see Note 41, Section 5.1.2(4).

NOTE 20 – ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)

A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposures (cont.)

Data as at December 31 2020:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component		
	Until 1990 (*)	Until 2003	Since 2004		Risk insurance sold as a single policy		Total
			Non yield-dependent	Yield-dependent	Individual	Group	
	In NIS thousand						
<u>1. By insurance exposure:</u>							
Liabilities in respect of insurance contracts							
Annuity without guaranteed coefficients	386,035	19,762	-	514,802	-	-	920,599
Annuity with guaranteed coefficients:							
Until May 2001	2,869,142	20,626,256	-	-	-	-	23,495,398
From June 2001	-	3,511,396	-	24,842,438	-	-	28,353,834
Annuity paid	2,180,019	2,414,455	-	734,284	22,700	-	5,351,458
Equity (without an option for annuity)	4,409,806	4,926,491	-	2,143,825	-	-	11,480,122
Supplementary reserve for pension (**)	1,006,223	1,164,084	-	25,545	-	-	2,195,852
Other risk factors	61,473	560,330	-	445,141	889,203	107,280	2,063,427
Total in respect of insurance contracts	10,912,698	33,222,774	-	28,706,035	911,903	107,280	73,860,690
Liabilities in respect of investment contracts	-	-	-	9,891,066	-	-	9,891,066
Total	10,912,698	33,222,774	-	38,597,101	911,903	107,280	83,751,756
<u>2. By financial exposure:</u>							
Yield-dependent	136,689	32,844,845	-	38,293,277	272,580	7,393	71,554,784
Non yield-dependent	10,776,009	377,929	-	303,824	639,323	99,887	12,196,972
Total	10,912,698	33,222,774	-	38,597,101	911,903	107,280	83,751,756

(*) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.

(**) In addition to supplementary reserve for pension, which is included in the liabilities in respect of insurance contracts, there is a NIS 1,426 million reserve that will be carried to profit and loss over the remaining life of the policy until policyholders reach retirement age. For further details, see Note 41, Section 5.1.2(4).

NOTE 20 – ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)

B. Breakdown of results by type of policy

Data for the year ended December 31 2021:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component as a single policy		
	Until 1990 (1)	Until 2003	Since 2004		Individual	Group	Total
			Non yield-dependent	Yield-dependent			
			In NIS thousand				
Gross premiums:							
Traditional/ mixed	21,138	12,397	-	-	-	-	33,535
Savings component	36,874	971,729	-	3,336,554	-	-	4,345,157
Other	6,353	153,437	-	178,150	579,192	127,011	1,044,143
Total	64,365	1,137,563	-	3,514,704	579,192	127,011	5,422,835
Financial margin including management fees (2)	824,875	869,244 (3)	-	347,578	-	-	2,041,697
Payments and change in liabilities in respect of insurance contracts, gross	767,923	6,617,590	-	7,778,546	209,818	118,551	15,492,428
Payments and change in liabilities for investment contracts	-	-	-	1,595,295	-	-	1,595,295
Total liabilities							17,087,723
Profit from life insurance and savings business	543,953	662,379	-	563	175,649	21,579	1,404,123
Other comprehensive income (loss) from life insurance and savings business	108,930	1,734	-	8,759	7,710	3,415	130,548
Total comprehensive income (loss) from life insurance and savings business	652,883 (4)	664,113 (4)	-	9,322	183,359	24,994	1,534,671
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	7,757,707	-	-	7,757,707
Annualized premium for insurance contracts - new business	-	485	-	72,143	71,686	-	144,314
One-off premium for insurance contracts	-	3,375	-	1,483,084	-	-	1,486,459
Annualized premium for investment contracts - new business	-	-	-	51,552	-	-	51,552
One-off premium for investment contracts	-	-	-	7,511,084	-	-	7,511,084
Transfers to the Company in respect of insurance contracts and investment contracts	-	-	-	1,145,399	-	-	1,145,399
Transfers from the Company in respect of insurance contracts and investment contracts	26,274	506,769	-	1,733,009	-	-	2,266,052

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment income less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. In 2021, variable management fees in respect of participating policies in the amount of approximately NIS 681 million were charged.
4. The profit includes a profit in respect of the effect of the changes in assumptions and the effect of the change in the discount rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 100 million. For further details, see Note 41, Section 5.1.8.

NOTE 20 – ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)

B. Breakdown of results by type of policy (cont.)

Data for the year ended December 31 2020:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component Risk insurance sold as a single policy		
	Until 1990 (1)	Until 2003	Since 2004 Non yield- dependent	Yield- dependent	Individual	Group	Total
			In NIS thousand				
Gross premiums:							
Traditional/ mixed	25,548	14,429	-	-	-	-	39,977
Savings component	39,999	959,499	-	2,682,021	-	-	3,681,519
Other	7,473	159,504	-	188,620	563,776	124,684	1,044,057
Total	<u>73,020</u>	<u>1,133,432</u>	<u>-</u>	<u>2,870,641</u>	<u>563,776</u>	<u>124,684</u>	<u>4,765,553</u>
Financial margin including management fees (2)	<u>185,503</u>	<u>466,855 (3)</u>	<u>-</u>	<u>269,041</u>	<u>-</u>	<u>-</u>	<u>921,399</u>
Payments and change in liabilities in respect of insurance contracts, gross	<u>439,848</u>	<u>2,783,738</u>	<u>-</u>	<u>4,457,267</u>	<u>261,625</u>	<u>112,290</u>	<u>8,054,768</u>
Payments and change in liabilities for investment contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,590</u>	<u>-</u>	<u>-</u>	<u>423,590</u>
Total liabilities							<u>8,478,358</u>
Profit (loss) from life insurance and savings business	95,404	565,412	-	(75,475)	73,978	12,935	672,254
Other comprehensive income (loss) from life insurance and savings business	<u>12,786</u>	<u>(4,755)</u>	<u>-</u>	<u>573</u>	<u>(2,412)</u>	<u>540</u>	<u>6,732</u>
Total comprehensive income (loss) from life insurance and savings business	<u>108,190 (5)</u>	<u>560,657(4)(5)</u>	<u>-</u>	<u>(74,902)</u>	<u>71,566</u>	<u>13,475</u>	<u>678,986</u>
Proceeds in respect of investment contracts credited directly to insurance reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,945,751</u>	<u>-</u>	<u>-</u>	<u>1,945,751</u>
Annualized premium for insurance contracts - new business	<u>-</u>	<u>469</u>	<u>-</u>	<u>96,997</u>	<u>77,765</u>	<u>-</u>	<u>175,231</u>
One-off premium for insurance contracts	<u>-</u>	<u>2,605</u>	<u>-</u>	<u>776,407</u>	<u>-</u>	<u>-</u>	<u>779,012</u>
Annualized premium for investment contracts - new business	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,623</u>	<u>-</u>	<u>-</u>	<u>31,623</u>
One-off premium for investment contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,703,162</u>	<u>-</u>	<u>-</u>	<u>1,703,162</u>
Transfers to the Company in respect of insurance contracts and investment contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>720,983</u>	<u>-</u>	<u>-</u>	<u>720,983</u>
Transfers from the Company in respect of insurance contracts and investment contracts	<u>13,949</u>	<u>297,149</u>	<u>-</u>	<u>1,186,039</u>	<u>-</u>	<u>-</u>	<u>1,497,137</u>

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 less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. As of 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.
4. The profit includes a profit in respect of a change in the K value, amounting to approximately NIS 261 million, before tax.
5. 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, see Note 41, Section 5.1.8.

NOTE 20 – ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)

B. Breakdown of results by type of policy (cont.)

Data for the year ended December 31 2019:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component		
	Until 1990 (1)	Until 2003	Since 2004		Risk insurance sold as a single policy		Total
			Non yield-dependent	Yield-dependent	Individual	Group	
			In NIS thousand				
Gross premiums:							
Traditional/ mixed	30,448	16,675	-	-	-	-	47,123
Savings component	44,725	1,001,683	-	3,058,255	-	-	4,104,663
Other	8,895	170,844	-	204,407	549,923	123,511	1,057,580
Total	84,068	1,189,202	-	3,262,662	549,923	123,511	5,209,366
Financial margin including management fees (2)	285,436	647,014 (3)	-	249,652	-	-	1,182,102
Payments and change in liabilities in respect of insurance contracts, gross	918,582	5,482,625	-	5,693,554	245,494	117,575	12,457,830
Payments and change in liabilities for investment contracts	-	-	-	802,459	-	-	802,459
Total liabilities							13,260,289
Profit (loss) from life insurance and savings business	(221,758)	(13,465)	-	(134,571)	118,058	3,065	(248,671)
Other comprehensive income (loss) from life insurance and savings business	74,309	8,008	-	4,876	9,741	2,070	99,004
Total comprehensive income (loss) from life insurance and savings business	(147,449)(5)	(5,457)(4)(5)	-	(129,695)	127,799	5,135	(149,667)
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	3,183,601	-	-	3,183,601
Annualized premium for insurance contracts - new business	4	737	-	210,955	71,485	-	283,181
One-off premium for insurance contracts	-	3,027	-	991,361	-	-	994,388
Annualized premium for investment contracts - new business	-	-	-	49,582	-	-	49,582
One-off premium for investment contracts	-	-	-	2,920,300	-	-	2,920,300
Transfers to the Company in respect of insurance contracts and investment contracts	-	-	-	1,009,552	-	-	1,009,552
Transfers from the Company in respect of insurance contracts and investment contracts	17,403	212,905	-	655,652	-	-	885,960

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 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 the first quarter of 2019, estimated management fees from 2018 - which were not collected due to the negative yield for profit-participating policies amounting to approximately NIS 62 million - were offset against income from management fees.

4. The loss includes a loss in respect of a change in the K value, amounting to approximately NIS 210 million.

5. The loss includes a loss in respect of changes in assumptions, the effect of changes in life expectancy 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 644 million. For further details, see Note 41, Section 5.1.8 and Section 5.1.10.

NOTE 21 – BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT

A. Breakdown of insurance liabilities by financial exposure

	Data as at December 31 2021				
	Long-term care		Other (3)		Total
	Individual	Group	Long-term	Short-term	
			In NIS thousand		
Yield-dependent	533,061	5,830,757	-	-	6,363,818
Other	2,349,210	1,576,832	1,151,819	26,934	5,104,795
Total	2,882,271	7,407,589	1,151,819	26,934	11,468,613

	Data as at December 31 2020				
	Long-term care		Other (3)		Total
	Individual	Group	Long-term	Short-term	
			In NIS thousand		
Yield-dependent	491,446	4,825,113	-	-	5,316,559
Other	1,771,629	1,139,027	1,236,415	24,703	4,171,774
Total	2,263,075	5,964,140	1,236,415	24,703	9,488,333

B. Breakdown of liabilities in respect of insurance contracts by insurance exposure

	Data as at December 31 2021				
	Long-term care		Other (3)		Total
	Individual	Group	Long-term	Short-term	
			In NIS thousand		
Annuity paid	294,506	1,250,588	-	-	1,545,094
Other risk factors	2,587,765	6,157,001	1,151,819	26,934	9,923,519
Total	2,882,271	7,407,589	1,151,819	26,934	11,468,613

	Data as at December 31 2020				
	Long-term care		Other (3)		Total
	Individual	Group	Long-term	Short-term	
			In NIS thousand		
Annuity paid	261,279	998,253	-	-	1,259,532
Other risk factors	2,001,796	4,965,887	1,236,415	24,703	8,228,801
Total	2,263,075	5,964,140	1,236,415	24,703	9,488,333

NOTE 21 – BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT (cont.)

C. Breakdown of results by type of policy

	Data for the year ended December 31 2021				
	Long-term care		Other (3)		Total
	Individual	Group	Long-term	Short-term	
	In NIS thousand				
Gross premiums	260,543	982,052	1,433,829(1)	61,440(1)	2,737,864
Payments and change in liabilities in respect of insurance contracts, gross	760,897	1,967,249	677,734	36,261	3,442,141
Profit (loss) from health insurance business	(226,341)	(13,965)	242,733	(945)	1,482
Other comprehensive income (loss) from health insurance business	-	-	6,501	255	6,756
Comprehensive income (loss) from health insurance business	(226,341)(2)	(13,965) (2)	249,234	(690)	8,238
Annualized individual premium - new business	56	-	109,164	-	109,220

- (1) Of this, individual premiums in the amount of NIS 924,266 thousand and collective premiums in the amount of NIS 571,003 thousand.

	Data for the year ended December 31 2020				
	Long-term care		Other (3)		
	Individual	Group	Long-term	Short-term	Total
	In NIS thousand				
Gross premiums	259,764	891,730	1,521,350 (1)	83,378 (1)	2,756,222
Payments and change in liabilities in respect of insurance contracts, gross	271,231	1,224,983	796,511	78,905	2,371,630
Profit (loss) from health insurance business	65,851	(22,396)	227,792	(19,104)	252,143
Other comprehensive income (loss) from health insurance business	(24,121)	(10,620)	1,094	162	(33,485)
Comprehensive income (loss) from health insurance business	41,730(2)	(33,016)(2)	228,886	(18,942)	218,658
Annualized individual premium - new business	1,259	-	109,106	-	110,365

- (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.

NOTE 21 – BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT (cont.)

C. Breakdown of results by type of policy (cont.)

	Data for the year ended December 31 2019				
	Long-term care		Other (3)		Total
	Individual	Group	Long-term In NIS thousand	Short-term	
Gross premiums	254,489	1,078,123	1,507,251 (1)	422,452 (1)	3,262,315
Payments and change in liabilities in respect of insurance contracts, gross	934,529	1,532,520	961,006	174,331	3,602,386
Profit (loss) from health insurance business	(505,351)	18,237	95,991	26,229	(364,894)
Other comprehensive income (loss) from health insurance business	20,601	16,599	14,760	1,610	53,570
Comprehensive income (loss) from health insurance business	(484,750)(2)	34,836(2)	110,751	27,839	(311,324)
Annualized individual premium - new business	18,715	-	117,965	-	136,680

- (1) Of this, individual premiums in the amount of NIS 1,341,068 thousand and collective premiums in the amount of NIS 588,635 thousand.
- (2) The income (loss) in 2021, 2020 and 2019 includes an increase in the insurance reserve (LAT) totaling approximately NIS 457 million, approximately NIS 48 million and approximately NIS 665 million, respectively. For further details, please see Note 41, Section 5.1.8.
- (3) The most material coverage included in other long-term health insurance in each of the years 2019-2021 is medical expenses; in short-term health insurance - travel insurance.

NOTE 22 – CHANGE IN GROSS LIABILITIES IN RESPECT OF YIELD-DEPENDENT AND NON-YIELD-DEPENDENT LIFE INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND HEALTH INSURANCE CONTRACTS

	Life insurance and savings			Health insurance	Reinsurance assets in health insurance
	Insurance contracts	Investment contracts	Total		
	In NIS thousand				
Balance as of January 1 2020	69,740,020	8,886,419	78,626,439	8,624,458	522,390
Interest, linkage differences and investment gains (1)	3,826,862	423,590	4,250,452	341,531	-
Increase in premiums charged to liabilities (2)	3,835,114	1,788,707	5,623,821	928,760	-
Decrease in respect of management fees on accruals	(679,724)	(59,984)	(739,708)	-	-
Decrease in respect of claims, redemptions and end of term	(2,548,785)	(1,147,666)	(3,696,451)	(3,197)	-
Changes due to change in assumptions (3)	(84,410)	-	(84,410)	(162,637)	(29,399)
Other changes (4)	(228,387)	-	(228,387)	(240,582)	15,016
Balance on December 31 2020	73,860,690	9,891,066	83,751,756	9,488,333	508,007
Interest, linkage differences and investment gains (1)	10,102,962	1,595,295	11,698,257	1,080,143	-
Increase in premiums charged to liabilities (2)	4,644,916	7,455,395	12,100,311	1,036,791	-
Decrease in respect of management fees on accruals	(1,132,458)	(88,085)	(1,220,543)	-	-
Decrease in respect of claims, redemptions and end of term	(3,313,548)	(1,485,885)	(4,799,433)	(3,787)	-
Changes due to change in assumptions (3)	(80,471)	-	(80,471)	72,018	(90,996)
Other changes (4)	185,312	-	185,312	(204,885)	45,550
Balance as of December 31 2021	84,267,403	17,367,786	101,635,189	11,468,613	462,561

- (1) Interest, linkage differences and investment gains - this line item includes interest, linkage differences and investment gains in respect of the balance as of the beginning of the year, plus interest, linkage differences and investment gains in respect of premiums paid solely for savings, which were recorded in the reporting period.
- (2) Increase in respect of premiums recorded under liabilities - this premium does not include all premiums recognized as revenues by the Company. The premium includes the premiums in respect of savings and some of the premiums in fixed-premium products, net of management fees collected as a percentage of the premium.
- (3) Changes in assumptions
 Life insurance - in 2021, the change in assumptions stems from revising the assumptions as to the rate of policyholders opting for annuity and Company's expenses. In 2020, the change in assumptions stems from revising the assumptions as to the rate of Company's expenses.
 Health insurance - in 2021, the changes in assumptions stem from revising of assumptions as to cancellations, mortality and morbidity in accordance with the Company's experience and from revising the assumption as to the Company's expenses. In 2020, the changes in assumptions stem from revising of assumptions as to cancellations and Company's expenses.
 For further details regarding the change in liabilities (retention), please see Note 41, Section 5.1.10.
- (4) Other changes - the line item includes changes in the contingent claims reserve, reserve for periodic claims, IBNR, paid annuities etc. (in accordance with the assumptions used at the end of the previous year). The line item also includes the effect of interest, linkage differences and investment gains not included under the "interest, linkage differences and investment gains" item, such as: interest, linkage differences and investment gains on claim payments and non-saving premiums.

NOTE 23 – TAXES ON INCOME

A. Tax laws applicable to the Group companies

1. General

- A. The income of the Company and all Group companies is subject to corporate tax in accordance with the Income Tax Ordinance (hereinafter: the "Ordinance"). Furthermore, the income of Group companies classified as "Financial Institutions" as defined in the Value Added Tax Law, 1975 is subject to profit tax and payroll tax. It should be noted that the operations of companies classified as financial institutions in the insurance, pension and finance industries constitute most of the Group's operations.
- B. As of 2008, results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the CPI in the period up to December 31 2007. Adjustments relating to capital gains continue to apply until profit realization date.

2. Tax arrangements unique to the insurance industry

A. Agreement with the tax authorities

Israel Insurance Association and the tax authorities have in place sectoral agreements which address tax issues unique to the industry (hereinafter - the "Tax Agreement"). The latest sectoral agreement signed between the tax authorities and the Life Insurance Association is in respect of tax years 2017-2019. The accounting treatment applied to the tax line items in the financial statements is based on the said agreements.

The sectoral agreements address, among other things, the following issues:

1. Deferred Acquisition Costs (DAC) - direct expenses incurred by insurance companies to purchase life insurance contracts in respect of underwriting years through 2014 shall be deductible for tax purposes in equal shares over four years, and in respect of underwriting years 2015 through 2020 - over ten years. Such expenses relating to cancelled life insurance contracts shall be deductible for tax purposes in the cancellation year.
Purchase expenses in respect of pension and provident funds contracts (as defined in the agreement) in respect of underwriting years 2015 through 2020 shall be deductible for tax purposes in equal shares over 10 years or in accordance with the period over which they are expensed in the books of accounts, as decided by the insurance company. The expense in respect of pension and provident funds contracts cannot be brought forward.
Deferred acquisition costs relating to critical illnesses and hospitalization insurance are amortized over a six-year period, in accordance with their amortization period as per the books of accounts.

NOTE 23 – TAXES ON INCOME (cont.)

A. Tax laws applicable to the Group companies (cont.)

2. Attribution of expenses to preferred income - expenses will be attributed to income subject to reduced tax rates and to tax-exempt income earned by insurance companies (hereinafter: "Preferred Income"), which will result with some of the Preferred Income becoming taxable at the full tax rate in accordance with the attribution rate. The attribution rate set in the agreement depends on the source of funds generating the Preferred Income.
3. The method employed to tax income from assets held as investments matches yield-dependent liabilities.
4. Provision for indirect expenses for settling claims - from 2013 to 2020, some of the increase in the provision shall be adjusted, and the adjustment amount shall be recognized for tax purposes over the next three tax years.
5. Provision for expenses in respect of the application of the recommendations of the Winograd Committee - The method of recognition for tax purposes was agreed in respect of provisions made by the insurance companies in the financial statements for the years 2016-2018 in respect of the implementation of the recommendations of the Winograd Committee, which were canceled, in most cases, in 2019 as follows: The agreement stipulates that in 2016 10% of the decrease in the reserves recorded in the year 2019 (hereinafter - the "Adjustment Amount"), or 10% of the increase in the reserve in the year 2016 will be adjusted, whichever is lower. The amount adjusted will be recognized as an expense in 2019. In addition, a provision has been set for adjustment and recognition of any difference between the adjusted amount and the amount to be adjusted in 2016.
6. Provision for LAT that was recognized in retained earnings as of December 31 2019 - it was agreed that the provision for LAT that was recognized in retained earnings as of December 31 2019, which originates in respect of 2019, will be included as taxable income as early as 2019, and the remaining amount in respect of the years through 2018 will be included as taxable income only in 2020.
7. It was agreed to provide additional details regarding investments of insurance companies in partnerships, as from the 2021 tax report.

B. Tax rates applicable to the Group companies

1. The statutory tax applicable to financial institutions, including The Phoenix Insurance Company, which constitutes most of the Group's activities, is composed of corporate tax and profit tax.
2. Set forth below is the statutory tax rates applicable to the Group companies:

NOTE 23 – TAXES ON INCOME (cont.)**B. Tax rates applicable to the Group companies (cont.)**

	<u>Corporate tax rate</u>	<u>Profit tax rate %</u>	<u>Total tax rate in financial institutions</u>
<u>Year</u>			
From 2019	23	17.00	34.19

C. Tax assessments

The Company and most of the consolidated companies has tax assessments, which are considered to be final through tax year 2016, in accordance with Section 145 of the Income Tax Ordinance.

The Phoenix Insurance has tax assessments that are considered final up to and including the 2019 tax year.

D. Losses carried forward for tax purposes

The Company has carry forward business losses totaling approximately NIS 165,061 thousand and NIS 188,602 thousand as of December 31 2021 and December 31 2020, respectively. Furthermore, in 2021, all capital losses carried forward from 2020 - totaling NIS 35,235 thousand - were utilized. No deferred taxes were created in respect of these loss balances.

The consolidated companies, except KSM Mutual Funds, as outlined below, have carry forward business losses totaling approximately NIS 310,478 thousand and NIS 113,909 thousand as of December 31 2021 and December 31 2020, respectively. As of December 31 2020, the balance of tax asset amounts to approximately NIS 55 million. The carryforward losses as of December 31 2021 include a balance of carry forward losses from Halman Provident (which was merged into The Phoenix Pension and Provident) and Halman Investment House.

KSM Mutual Funds has carry forward business losses totaling approximately NIS 465 million and NIS 530 million as of December 31 2021 and December 31 2020, respectively. As of December 31 2021, the balance of tax asset amounts to approximately NIS 41 million.

The tax assets amount is equal to the balances of losses that can be offset in the foreseeable future.

In addition, the consolidated companies have carry forward capital losses totaling approximately NIS 81,213 thousand and NIS 71,482 thousand as of December 31 2021 and December 31 2020, respectively.

E. Taxes on income included in the income statements

	<u>For the year ended December 31</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<u>In NIS thousand</u>		
Current taxes	677,911	584,712	101,026
Deferred taxes in respect of the creation and reversal of temporary differences (see also Section I below)	(6,876)	(33,967)	3,584
Taxes for previous years	2,519	3,084	3,208
Taxes on income	<u>673,554</u>	<u>553,829</u>	<u>107,818</u>

NOTE 23 – TAXES ON INCOME (cont.)**F. Taxes on income relating to other comprehensive income line items**

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
In respect of available-for-sale financial assets	179,619	89,697	209,425
Actuarial gain (loss) in respect of defined benefit plans	(866)	207	(509)
Revaluation of property, plant, and equipment	6,752	3,983	2,343
	<u>185,505</u>	<u>93,887</u>	<u>211,259</u>

G. Taxes on income relating to equity line items

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Share-based payment	<u>(13,083)</u>	<u>(3,155)</u>	<u>(2,122)</u>

H. Deferred taxesComposition:

	Deferred acquisition costs	Available-for-sale financial assets	Property, plant and equipment and investment property	Losses for tax purposes (1)	Intangible assets (2)	Other (3)	Total
	In NIS thousand						
Balance of deferred tax asset (liability) as of January 1 2020	(108,751)	(235,222)	(416,950)	112,070	(162,057)	46,987	(763,923)
Changes carried to profit and loss	19,883	50,397	(20,666)	(59,132)	133,219	(89,734)	33,967
Changes carried to other comprehensive income	-	(89,697)	(3,983)	-	-	(207)	(93,887)
Changes carried to equity	-	-	-	-	-	3,155	3,155
Additions in respect of a company consolidated for the first time	-	-	-	-	(22,012)	-	(22,012)
Balance of deferred tax asset (liability) as of December 31 2020	(88,868)	(274,522)	(441,599)	52,938	(50,850)	(39,799)	(842,700)
Changes carried to profit and loss	12,447	(19,155)	(49,603)	2,990	14,344	45,853	6,876
Changes carried to other comprehensive income	-	(179,619)	(6,752)	-	-	866	(185,505)
Changes carried to equity	-	-	-	-	-	13,083	13,083
Additions in respect of companies consolidated for the first time (see Note 1F and 1H)	655	(77)	426	40,086	(89,585)	4,936	(43,559)
Derecognitions in respect of loss of control (see Note 1g)	-	-	264,914	-	-	(18,761)	246,153
Balance of deferred tax asset (liability) as of December 31 2021	<u>(75,766)</u>	<u>(473,373)</u>	<u>(232,614)</u>	<u>96,014</u>	<u>(126,091)</u>	<u>6,178</u>	<u>(805,652)</u>

(1) Please see Section D above.

(2) The remaining amounts are mainly in respect of tax reserve for intangible assets in respect of companies consolidated for the first time; for more information, see Note 4 and Note 5D.

(3) The remaining amounts stem mainly from tax reserves in respect of investees.

NOTE 23 – TAXES ON INCOME (cont.)

H. Deferred taxes (cont.)

Deferred taxes are presented in the balance sheet as follows:

	As of December 31	
	2021	2020
	In NIS thousand	
Deferred tax assets	67,650	55,104
Liability in respect of deferred taxes	(873,302)	(897,804)
	<u>(805,652)</u>	<u>(842,700)</u>

I. Theoretical tax

Set forth below is a reconciliation between the tax amount that would have applied had all income and expenses, profits and losses in the income statement been taxed at the statutory tax rate, and the taxes on income amount recognized in the income statement:

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Profit before taxes on income	2,697,466	1,762,764	416,094
Statutory tax rate applicable to financial institutions (see B(2) above)	34.19%	34.19%	34.19%
Tax calculated according to total statutory tax rate	922,264	602,689	142,263
Deduction due to non-application of profit tax to companies which are not financial institutions (1)	(71,553)	(41,134)	(36,239)
Increase (decrease) in taxes on income resulting from the following factors:			
Non-deductible expenses (income) and tax exempt income	(1,812)	1,126	(5,905)
Group's share in associates' profits	(36,653)	(8,916)	(27,990)
Measurement basis differences	(400)	447	(2,254)
Other losses and differences for which deferred taxes were not created (2)	(54,347)	(60,918)	7,800
Differences in respect of investees (3)	(85,967)	58,190	27,966
Taxes for previous years	2,519	3,084	3,208
Other	(497)	(739)	(1,031)
Taxes on income	<u>673,554</u>	<u>553,829</u>	<u>107,818</u>
Average effective tax rate	<u>24.97%</u>	<u>31.42%</u>	<u>25.91%</u>

- (1) Stems mainly from Company's profits in its separate financial statements and subsidiaries, whose tax rate is lower than 34.19%.
- (2) 2021 - mainly in respect of creating an additional tax asset in KSM in respect of carryforward losses totaling approximately NIS 24 million, the utilization of carry forward losses in the Company's separate financial statements at the total amount of NIS 14 million, and revaluation of investment property at a tax rate of 23%.
2020 - mainly in respect of the effect of revising the sectoral insurance agreement with the tax authorities regarding the manner of recognizing the retrospective application of the LAT Circular (for further details, please see Section A(6) above). This difference was recorded against a decrease in payroll tax receivable, as well as in respect of the first-time creation of a tax asset by Excellence Investment Management and Securities Ltd. in respect of carryforward losses totaling approximately NIS 18 million (see Section D above), and the creation of an additional tax asset in KSM in respect of carry forward losses totaling approximately NIS 14 million.
2019 - mainly in respect of recording a payroll tax refund by The Phoenix Insurance in respect of carryforward losses for tax purposes for 2019, which were recorded in payroll expenses, offset against deferred tax asset created by KSM Mutual Funds in respect of business losses in previous years.
- (3) 2021 - mainly in respect of profit arising from assuming control in Gama, which is exempted from corporate tax, and in respect of utilization of tax reserve in respect of the sale of Ad 120; for more information, see Note 8D above.
2020 - first-time creation of a tax reserve in respect of the intention to sell Ad 120, and in respect of creating a tax reserve in respect of an expected dividend from The Phoenix Agencies, which is subject to profit tax, offset against tax-exempt one-off profit from obtaining control in Oren Mizrach; for further details, please see Note 8D above.
2019 - mainly profit tax of an approximately NIS 25 million on dividend received from The Phoenix Agencies.

NOTE 24 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS

Employee benefits include short-term benefits, post-employment benefits, other long-term benefits and severance pay benefits.

Post-employment benefits

Under labor laws in Israel and the Israeli Severance Pay Law, the Company is required to pay severance pay to employees upon dismissal or retirement, or to make regular contributions to defined contribution plans in accordance with Section 14 of the Severance Pay Law, as described below. The Company's liability in respect of the above is accounted for as a post-employment benefit. The Company's liability in respect of employee benefits is calculated based on employment agreements in force and the employee's salary and employment period that give rise to the right to receive severance pay.

Post-employment employee benefits are normally funded by contributions classified as a defined benefit plan or as a defined contribution plan as described below.

1. Defined contribution plans

The provisions of Section 14 to the Severance Pay Law, 1963 apply to some of the severance pay payments; pursuant to that section, the Group's regular contributions to pension funds and/or insurance policies exempt it from any further obligation to the employees in respect of whom the amounts were deposited as described above. These contributions and contributions in respect of pension constitute defined contribution plans.

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Expenses in respect of defined contribution plan	99,634	91,955	85,550

2. Defined benefit plan

The portion of the severance pay payments which is not covered by contributions to defined contribution plans as described above is accounted for by the Group as a defined benefit plan under which a liability is recognized in respect of employee benefits, and the Group deposits amounts with central severance pay funds and qualifying insurance policies in respect of that liability.

	December 31	
	2021	2020
	In NIS thousand	
Liabilities in respect of unfunded defined benefit plan	2,371	2,216
Liability in respect of funded defined benefit plan (see Section A)	53,885	44,302
Total liabilities in respect of defined benefit plan	56,256	46,518
Less fair value of plan assets (please see Section B2 below)	24,344	19,577
Total liability, net for defined benefit plans	31,912	26,941
Short-term benefits	40,489	32,421
Total liability for employee benefits, net	72,401	59,362

NOTE 24 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)**A. Changes in the present value of a liability in respect of a defined benefit plan**

	As of December 31	
	2021	2020
	In NIS thousand	
Balance as of January 1	44,302	45,713
Expenses charged to profit and loss:		
Cost of interest	986	909
Cost of current service	2,341	1,833
Cost of past service	123	-
Actuarial gain, net recognized in other comprehensive income:		
Actuarial losses arising from changes in financial assumptions	654	80
Other actuarial gains (losses)	3,176	(748)
Additional changes:		
Benefits paid	(1,571)	(3,648)
Commencement of consolidation	3,874	163
Balance as of December 31	<u>53,885</u>	<u>44,302</u>

B. Changes in the present value of a assets in respect of a defined benefit plan1. Plan assets

Plan assets include assets held by the long-term employee benefits fund and by qualifying insurance policies.

2. Change in fair value of plan assets:

	As of December 31	
	2021	2020
	In NIS thousand	
Balance as of January 1	19,577	19,810
<u>Expenses charged to profit and loss</u>		
Interest income	472	298
<u>Actuarial loss, net recognized in other comprehensive income:</u>		
Actual yield, less interest income	948	(171)
<u>Additional changes:</u>		
Plan contributions by employers	1,200	357
Benefits paid	(319)	(841)
Commencement of consolidation	2,466	124
Balance as of December 31	<u>24,344</u>	<u>19,577</u>

C. Main actuarial assumptions in determining the liability for the defined benefit plan

	2021	2020
	%	
Discount rate on December 31 (*)	0.10	0.70
Rate of expected real wage increase	1.50	1.50
Expected inflation rate	2.50	2.00

(*) The discount rate is based on high-quality CPI-linked corporate bonds.

NOTE 24 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

D. Amounts, timing and uncertainties of future cash flows

Set forth below are potential changes that are considered to be reasonable as of the end of the reporting period for each actuarial assumption, assuming that all other actuarial assumptions remain unchanged:

	2021	2020
	In NIS thousand	
<u>Sensitivity test to the change in the rate of expected real wage increase</u>		
The change is the result of:		
1% increase in salaries	13,980	1,718
<u>Sensitivity test to changes in the liability discount rate:</u>		
The change is the result of:		
1% increase in the discount rate	8,438	(1,101)
1% decrease in the discount rate	14,000	1,738

E. Expenses charged to profit and loss

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Cost of current service	2,341	1,833	1,987
Cost of interest	986	909	1,451
Cost of past service	123	-	-
Interest income in respect of plan assets	(472)	(298)	(503)
	<u>2,978</u>	<u>2,444</u>	<u>2,935</u>

F. Increasing the retirement age of women

On November 18 2021, The Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2021 and 2022), 2021, which prescribes a gradual increase in women's retirement age to 65. The change in retirement age constitutes a change in defined benefit plan which is recognized as a past service cost.

G. Collective agreement

In December 2021, a new collective agreement was signed for the period from January 1 2022 to December 31 2024 between The Phoenix Insurance and the New Histadrut Workers' Union – MAOF (hereinafter – the "Histadrut"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with The Phoenix Pension and Provident (hereinafter jointly for the purpose of this section: the "Agreement"); the two companies jointly: "Phoenix".

In accordance with the new collective agreement, the provisions of the previous collective agreements in The Phoenix Insurance will continue to apply during the term of the Agreement, and in The Phoenix Pension and Provident they were applied as from January 1 2022, except for changes defined in the new agreement, the principal points of which are:

NOTE 24 – ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)**G. Collective agreement (cont.)**

Pay rises - during the period of the Agreement, The Phoenix will pay permanent employees and employees in probation period an average pay rise of 3.03% per year in accordance with the conditions set in the Agreement.

The pay rises payable to hourly employees in the different call centers shall be in accordance with the tables included in the agreement.

Minimum wage - the gross monthly minimum wage for a full-time employee as from 2022 will be NIS 6,000, and in 2024 it will be NIS 6,500.

Pension insurances - increasing pension contributions for employees by 1%, of which 0.5% will be contributed by the employer and 0.5% will be contributed by the employee. In total, pension contributions (by the employer and by the employee) will not amount to less than 22.83%.

Annual bonus - should The Phoenix meet 100% of the profit targets set by its Board of Directors in relation to that year, The Phoenix shall allocate a budget for payment of bonus to employees; the total cost of the bonus shall be equal to 6.835% of the annual payroll cost in the year preceding the year in which the bonus will be paid. In respect of meeting the targets at the range between 70% to 130% of the profit targets, the bonus budget will increase or decrease linearly in the relevant range. If The Phoenix fails to meet 70% of the profit targets set in relation to that year - there will be no entitlement to bonus in respect of that year.

Dental and health insurance - The Phoenix shall take steps to insure its employees under a collective dental insurance policy, and will work to improve the existing health insurance at an overall cost of NIS 5 million per year.

Final settlement of claims and industrial peace - the Agreement constitutes a full and final settlement of the parties' claims for the Agreement's term. The parties to the Agreement have undertaken to maintain mutual industrial peace regarding the matters that were settled in the Agreement.

The estimated annual cost of workforce-related expenses (excluding costs conditional upon meeting targets) in respect of the years of Phoenix's agreement is NIS 23.6 million. The estimated average annual cost of the annual bonuses expected to be awarded in respect of 2021, 2022 and 2023, assuming that 100% of the profit targets of the relevant years will be fulfilled will be NIS 28.9 million per year.

It should be noted that some of the aforesaid amounts are in lieu of workforce-related expenses that Phoenix would have incurred even if this agreement had not been signed. Furthermore, it is hereby clarified that the said data do not include estimated costs in respect of benefits whose materialization is uncertain, including Phoenix's generating profits that exceed that profit target to be set for that year.

NOTE 25 – PAYABLES AND CREDIT BALANCES

	As of December 31	
	2021	2020
	In NIS thousand	
Employees and other liabilities in respect of compensation and salaries	171,175	120,338
Accrued expenses	243,043	152,690
Trade payables	156,340	138,845
Government institutions and authorities	125,254	97,402
Liabilities to investees and interested parties	13,985	6,272
Deferred acquisition costs in respect of reinsurance	87,162	80,048
Insurance companies and insurance brokers:		
Deposits by reinsurers (*)	1,159,483	971,363
Other accounts	75,528	154,661
Total companies and insurance agents	1,235,011	1,126,024
Insurance agents	290,690	251,955
Prepaid premium	84,805	84,470
Participation in gains in collective insurance	33,817	29,325
Policyholders and planholders	94,047	27,046
Deposits from tenants of assisted living facilities	-	13,314
Interest payable	38,798	36,045
Other liabilities	348,876	289,077
Total payables and credit balances	<u>2,923,003</u>	<u>2,452,851</u>

For a breakdown of assets and liabilities by linkage bases, please see Note 41.

For payables and credit balances that constitute related parties, please see Note 42.

NOTE 26 – LIABILITIES IN RESPECT OF STRUCTURED PRODUCTS

A. Set forth below is the composition of liabilities in respect of structured products and liabilities of special purpose consolidated companies:

	See below	December 31	
		2021	2020
		In NIS thousand	
Structured bonds	C	184,000	216,000
Liability for short sale of securities and credit from banking corporations	E	21,000	22,000
Total		205,000	238,000

B. As of December 31 2021, the Group has Series 1 of structured bonds, which was issued in a private offering.

C. Additional details on the composition of assets and liabilities of the special purpose companies

	December 31	
	2021	2020
	In NIS thousand	
Backing assets, net	206,000	239,000
Certificates	184,000	216,000
Liabilities	21,000	22,000
	1,000	1,000

D. Details about the designated companies

The Company	December 31, 2021	December 31, 2020
	Holding rate (%)	
Netivim Debentures Ltd. *)	100	100

*) Illiquid structured bonds.

E. Liability of special purpose consolidated companies:

	December 31	
	2021	2020
	In NIS thousand	
<u>Short sale of held-for-trading securities in series accounts:</u>		
Amounts payable in respect of securities	21,000	22,000

NOTE 27 – FINANCIAL LIABILITIES

This note provides information regarding the contractual terms of financial liabilities. Additional information regarding the Group's exposure to interest, foreign currency and liquidity risks is provided in Note 41 regarding risk management.

A. Breakdown of financial liabilities:

		Carrying amount		Fair value	
		As of December 31		As of December 31	
		2021	2020	2021	2020
		See below	In NIS thousand		
1. Financial liabilities presented at amortized cost:					
Short-term credit from banking corporations	H	159,195	80,796	159,195	80,796
Loans from non-bank entities	H	587,500	-	587,500	-
Bonds	D-G	1,705,853	1,118,538	1,787,052	1,146,475
Subordinated bonds (1)	D-G	3,390,114	3,374,460	3,651,204	3,675,933
Subordinated bonds - additional Tier 1 capital (1)	D-G	199,810	-	216,995	-
Trade receivables for credit cards	J	1,433,827	-	1,433,827	-
Deposits from tenants	M	-	589,726	-	589,726
Repurchase commitment (REPO) (2)		-	389,315	-	389,315
Other (3)		23,428	24,584	23,428	24,584
		<u>7,499,727</u>	<u>5,577,419</u>	<u>7,859,201</u>	<u>5,906,829</u>
2. Financial liabilities presented at fair value through profit and loss:					
Derivatives (4)		361,150	436,818	361,150	436,818
Liability for short sale of marketable securities		828,576	924,088	828,576	924,088
		<u>1,189,726</u>	<u>1,360,906</u>	<u>1,189,726</u>	<u>1,360,906</u>
Lease liability (5)		<u>123,229</u>	<u>105,390</u>		
Total financial liabilities		<u>8,812,682</u>	<u>7,043,715</u>		

(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. As of the report date, the Company repaid the loan balance in full.

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

(4) Including financial liabilities in 2021 and 2020 in respect of yield-dependent contracts totaling approximately NIS 285 million and NIS 362 million, respectively.

(5) Disclosure of fair value was not required.

B. Details on paid interest and linkage:

	<u>Linkage base</u>	<u>As of December 31 2021</u>	
		<u>Carrying amount</u>	<u>Interest rate</u>
		<u>In NIS thousand</u>	<u>%</u>
<u>Financial liabilities presented at amortized cost:</u>			
	Linked to		
	foreign currency	74,000	1.15%-2%
	NIS	5,992,477	1.38%-3.85%
	CPI-linked	1,433,250	0.44%-2.25%
		<u>7,499,727</u>	

NOTE 27 – FINANCIAL LIABILITIES (cont.)**B. Details on paid interest and linkage: (cont.)**

	<u>Linkage base</u>	<u>As of December 31, 2020</u>	
		<u>Carrying amount</u>	<u>Interest rate</u>
		<u>In NIS thousand</u>	<u>%</u>
<u>Financial liabilities presented at amortized cost:</u>			
	Linked to		
	foreign currency	45,500	1.15-2%
	NIS	3,728,083	1.53%-3.85%
	CPI-linked (*)	1,803,836	0.44%-2.25%
		<u>5,577,419</u>	

(*) Including deposits from tenants (bearing no interest). See Section j below.

C. Financial liabilities presented at fair value:

Fair value of financial liabilities by level:

The following table presents an analysis of financial liabilities presented at fair value. The different levels were defined in accordance with what is stated in Note 2.Q.

	<u>As of December 31 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>In NIS thousand</u>			
Liability for short sale of liquid securities	834,576	-	-	834,576
Derivatives	143,941	211,209	-	355,150
Financial liabilities presented at fair value	<u>978,517</u>	<u>211,209</u>	<u>-</u>	<u>1,189,726</u>
Financial liabilities presented at amortized cost, the fair value of which is disclosed	<u>5,438,256</u>	<u>2,397,517</u>	<u>23,428</u>	<u>7,859,201</u>

	<u>As of December 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>In NIS thousand</u>			
Liability for short sale of liquid securities	924,088	-	-	924,088
Derivatives	148,018	283,617	5,183	436,818
Financial liabilities presented at fair value	<u>1,072,106</u>	<u>283,617</u>	<u>5,183</u>	<u>1,360,906</u>
Financial liabilities presented at amortized cost, the fair value of which is disclosed	<u>5,211,723</u>	<u>80,796</u>	<u>614,310</u>	<u>5,906,829</u>

NOTE 27 – FINANCIAL LIABILITIES (cont.)**D. Repayment in years subsequent to reporting date:**1. Subordinated bonds (assuming early redemption):

	As of December 31	
	2021	2020
	In NIS thousand	
First year	-	-
Second year	410,672	-
Third year	398,831	410,672
Fourth year	1,060,849	398,831
Fifth year and onwards	<u>1,532,753</u>	<u>2,583,646</u>
	3,403,105	3,393,149
Less - discount and deferred acquisition costs	<u>(12,991)</u>	<u>(18,689)</u>
	<u>3,390,114</u>	<u>3,374,460</u>

2. Bonds

	As of December 31	
	2021	2020
	In NIS thousand	
First year	576,005	36,000
Second year	33,628	69,347
Third year	33,628	69,347
Fourth year	84,503	69,347
Fifth year and onwards	<u>993,324</u>	<u>892,150</u>
	1,721,088	1,136,191
Less discount and deferred issuance expenses	<u>(15,235)</u>	<u>(17,653)</u>
	<u>1,705,853</u>	<u>1,118,538</u>

Early redemption of Series 3 bonds subsequent to the balance sheet date

On December 9 2021, the Company's Board of Directors decided to make a full conditional early redemption of the bonds (Series 3) at the total amount of NIS 284 million, which was implemented on January 18 2022. The full early redemption was conditional upon the completion of a debt raising considered by the Company, through the issuance of its Series 6 bonds by way of a series expansion (hereinafter: the "Condition Precedent") which were offered by way of a uniform offering to the public pursuant to the Company's shelf prospectus published on December 9 2021. On January 5 2022, the Condition Precedent for the full early redemption was met; on January 16 2022, the bonds (Series 3) were removed from the indices on the Tel Aviv Stock Exchange. As of the report date, the Company revised the carrying amount of Series 3 Bonds in order to reflect the expected exercise of the early redemption option. Following the above, the Company recognized a loss of approximately NIS 10 million.

For further details, please see the Company's immediate reports of December 9 2021 and January 6 2021 (Ref. Nos.: 2021-01-107986, 2021-01-142551).

NOTE 27 – FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details

As of December 31 2021

Series	Issuance date	Par value on issuance date, in NIS million.	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million (*)	Payment dates of principal	Interest payment dates	Type of capital (see F below)
D	09.2014	398.8	Midroog / Maalot Aa2/iIAA-	NIS	3.85%	398	423	One installment on January 31 2026	Semi-annual interest on January 31 and July 31 of each of the years 2015 through 2026 (inclusive)	Hybrid Tier 3
E	4.2015	409.12 (Including expansion of May 5 2016)	Midroog / Maalot Aa3/iIAA-	Linked	2.25%	405	497	One instalment on October 31 2029	Semi-annual interest on April 31 and October 31 of each of the years 2015 through 2029 (inclusive)	Hybrid Tier 2
F	11.2015	410.7 (including expansion of June 7 2016)	Midroog / Maalot Aa3/iIAA-	NIS	3.05%	406	422	One installment on January 31 2026	Semi-annual interest on January 31 and July 31 of each of the years 2016 through 2025 (inclusive)	Hybrid Tier 2
H	01.2017	767.5 (including expansion of July 3 2017)	Midroog / Maalot Aa3/iIAA-	NIS	3.61%	771	834	One instalment sum on July 31 2028	Semi-annual interest on January 31 and July 31 of each of the years 2017 through 2028 (inclusive)	Hybrid Tier 2
H	11.2018	308.3	Midroog / Maalot Aa3/iIAA-	NIS	3.3%	307	338	One instalment on August 31 2029	Semi-annual interest on February 28 and August 31 of each of the years 2019 through 2029 (inclusive)	Tier 2 Capital
J	11.2018	293.3 - including expansion of April 10 2019	Midroog / Maalot Aa3/iIAA-	NIS	Bank of Israel's variable quarterly interest rate plus a 1.34% margin	291	299	One instalment on January 31 2028	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2027 and on January 31 2028 (the last interest payment date)	Tier 2 Capital
K	7.2019	800 (Including expansion of December 22 2019)	Midroog / Maalot Aa3/iIAA-	NIS	2.62%	812	838	One instalment on April 30 2032	Semi-annual interest on April 30 and October 31 of each of the years 2019 through 2032; (the first instalment will be paid on October 31 2019 and the last interest instalment will be paid on April 30 2032)	Tier 2 Capital
L	8.2021	199	Maalot iIA+	CPI-linked	2.29%	200	217	Single installment on February 5 2032	Semi-annual interest on February 5 and August 5 of each of the years 2022 through 2032; (the first installment will be paid on February 6 2022 and the last interest installment will be paid on February 5 2032)	Additional Tier 1 capital

NOTE 27 – FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31 2021									
Series	Issuance date	Par value on issuance date, in NIS million	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million (*)	Payment dates of principal	Interest payment dates
Series 3 bonds	01.2018	272	Midroog Aa3 Maalot ilAA-	NIS	2.22%	281	282	5 equal installments of 16.66% in each of the years 2022 through 2026, and an installment of 16.7% on July 31 2027.	Semi-annual interest on January 31 and July 31
Series 4 bonds	05.2019	338 - including expansions as from February 3 2021	Midroog Aa3 Maalot ilAA-	NIS	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	336	346	2 equal instalments of 12% in each of the years 2020 through 2021 and 4 instalments of 19% each in 2025 through 2028.	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2028 (with the first payment paid on July 31 2019 and the last interest payment paid on July 31 2028)
Series 5 bonds	02.2020	823 - including expansions as from September 7 2020 and February 3 2021	Midroog Aa3 Maalot ilAA-	Linked	0.44%	829	900	6 variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, the fourth payment being repaying 28% of the fund and the fifth and sixth payments repaying 30% of the principal	Semi-annual interest rates on November 1 and May 1.
Bonds Series A (Gama)	10.2019	650 - including expansion of April 2020 and June 2020	Midroog Aa3	NIS	1.19%	261	262	In 5 equal installments with the first payment paid on September 30 2020, and the remaining payments to be paid on March 30 and September 30 2022; each of the installments constitutes 20% of the principal	Semi-annual interest will be paid on September 30 and March 30 of each year in the years 2020-2022.

NOTE 27 – FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31, 2020										
Series	Issuance date	Par value on issuance date, in NIS million	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million (*)	Payment dates of principal	Interest payment dates	Capital type (see f below)
Series D bonds	09.2014	398.8	Midroog Aa2	NIS	3.85%	398	433	One installment on January 31 2026	Semi-annual interest on January 31 and July 31 of each of the years 2015 through 2026 (inclusive)	Hybrid Tier 3
Series E bonds	4.2015	409.12 (Including expansion of May 5 2016)	Midroog Aa3	Linked	2.25%	392	471	One instalment on October 31 2029	Semi-annual interest on April 31 and October 31 of each of the years 2015 through 2029 (inclusive)	Hybrid Tier 2
Series F bonds	11.2015	410.7 (including expansion of June 7 2016)	Midroog Aa3	NIS	3.05%	403	428	One installment on January 31 2026	Semi-annual interest on January 31 and July 31 of each of the years 2016 through 2025 (inclusive)	Hybrid Tier 2
Series H bonds	01.2017	767.5 (including expansion of July 3 2017)	Midroog Aa3	NIS	3.61%	771	851	One instalment on July 31 2028	Semi-annual interest on January 31 and July 31 of each of the years 2017 through 2028 (inclusive)	Hybrid Tier 2
Series I bonds	11.2018	308.3	Midroog Aa3	NIS	3.3%	306	344	One instalment on August 31 2029	Semi-annual interest on February 28 and August 31 of each of the years 2019 through 2029 (inclusive)	Tier 2 Capital
Series J bonds	11.2018	293.3 - including expansion of April 10 2019	Midroog Aa3	NIS	Bank of Israel's variable quarterly interest rate plus a 1.34% margin	291	295	One instalment on January 31 2028	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2027 and on January 31 2028 (the last interest payment date)	Tier 2 Capital
Series K bonds	7.2019	800 - including expansion of December 22 2019	Midroog Aa3	NIS	2.62%	813	853	One instalment on April 30 2032	Semi-annual interest on April 30 and October 31 of each of the years 2019 through 2032; (the first instalment will be paid on October 31 2019 and the last interest instalment will be paid on April 30 2032)	Tier 2 Capital

(*) Net of interest accrued since the date of the last instalment.

(**) The carrying amount of bonds' balances, net of discount and deferred issuance expenses.

NOTE 27 – FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31, 2020									
Series	Issuance date	Par value on issuance date, in NIS million	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value in NIS million (*)	Payment dates of principal	Interest payment dates
Series 3 bonds	01.2018	272	Midroog Aa3 Maalot iIAA-	NIS	2.22%	271	284	5 equal instalments of 16.66% in each of the years 2022 through 2026, and an instalment of 16.7% on July 31 2027.	Semi-annual interest on January 31 and July 31
Series 4 bonds	05.2019	300	Midroog Aa3 Maalot iIAA-	NIS	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	262	267	2 equal instalments of 12% in each of the years 2020 through 2021 and 4 instalments of 19% each in 2025 through 2028.	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2028 (with the first payment paid on July 31 2019 and the last interest payment paid on July 31 2028)
Series 5 bonds	02.2020	600, including expansions as from September 7 2020	Midroog Aa3 Maalot iIAA-	Linked	0.44%	586	595	6 variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, the fourth payment being repaying 28% of the fund and the fifth and sixth payments repaying 30% of the principal	Semi-annual interest rates on November 1 and May 1.

(*) Net of interest accrued since the date of the last instalment.

(**) The carrying amount of bonds' balances, net of discount and deferred issuance expenses.

NOTE 27 – FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

Comments:

1. The Bonds Series D-L were issued by The Phoenix Capital Raising - a wholly-owned company of The Phoenix Insurance.
Series 3 -6 Bonds issued by the Company.
2. All series are listed on the TASE and bear fixed interest, except for Series J, K and 4 which bear variable interest and Series L which is traded on the TACT-Institutionals trading platform.
3. The series are classified to level 1 for the purpose of determining fair value.
4. Issuances and expansion of series

Series L

In August, The Phoenix Insurance issued - through The Phoenix Capital Raising - subordinated bonds (Series L) totaling NIS 200 million. The Series L Subordinated Bonds are linked to the CPI and bear annual interest rate of 2.29%. The subordinated bonds are recognized as an Additional Tier 1 capital instrument (hereinafter - the "Capital Instrument"), recognized as regulatory capital under the Economic Solvency Regime's capital requirements, aimed at strengthening capital and improving the solvency ratio. The Tier 1 capital instrument was rated A+ by Ma'alot S&P. The other 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 subordinated bonds include a loss-absorption mechanism for absorbing losses by writing down the principal of the Subordinated Bonds (Series L), in full or in part, under certain circumstances, in exchange for their par value. In the event that, after the principal is written down, the amount of The Phoenix Insurance's recognized share capital exceeds the solvency capital requirement (SCR), the Company may - at its discretion and subject to prior approval by the Commissioner - notify that the principal would be repaid in whole or in part.

As part of the issuance, in addition to the aforesaid amount that was issued and after obtaining the approval of the relevant organs in The Phoenix group and the approval of the Capital Market, Insurance and Savings Authority, The Phoenix Capital Raising issued to the Company NIS 1.02 billion of the Capital Instrument in exchange for Additional Tier 1 capital notes previously issued to the Company by The Phoenix Insurance.

NOTE 27 – FINANCIAL LIABILITIES (cont.)**E. Material financial liabilities presented at amortized cost - additional details (cont.)****4. Issuances and expansion of series (cont.)****Series 4**

On February 3 2021, the Company expanded its Series 4 bonds by issuing 127.3 million registered bonds (linked to the CPI) of NIS 1 par value each, which were issued according to the Company's shelf offering report dated February 3 2021 (Ref. No.: 2021-01-013684) in consideration for NIS 127.3 million. The terms of the Series 4 bonds are the identical to the terms of the existing Series 4 bonds. Ma'alot rated the Series 4 bonds at iIAA- with a stable outlook.

Series 5

On February 20 2020, the Company issued 220 million Series 5 registered bonds of NIS 1 par value each (linked to the CPI); the bonds were issued according to the Company's shelf offering report dated August 15 2019 (Ref. No.: 2019-01-070590) in consideration for NIS 220,000 thousands. The bonds (Series 5) will be repaid (principal) in six variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1 2028 and May 1 in each of the years 2029 to 2030, with the first payment to be made on May 1 2022, and the sixth and final payment to be made on May 1 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, the fourth payment being repaying 28% of the fund and the fifth and sixth payments repaying 30% of the principal. The outstanding balance of the bonds' principal (Series 5) will bear a fixed annual interest rate of 0.44%. Ma'alot rated the Series 5 bonds at iIAA- with a stable outlook. The proceeds of the issuance were used by the Company to inject Tier 1 capital to The Phoenix Insurance. On March 9 2020, the Commissioner of the Capital Market, Insurance and Savings Authority approved the inclusion of additional Tier 1 capital in The Phoenix Insurance's equity calculation.

On September 7 2020, the Company issued, as part of an expansion, 380 million registered Series 5 bonds CPI of NIS 1 par value each, which were issued according to the Company's shelf offering report dated August 15 2019 (Ref. No.: 2019-01-070590) in consideration for 373 NIS million. The discount rate in the offering is 1.32%. The terms of the bonds (Series 5) are the same as the terms of the existing bonds (Series 5). Ma'alot rated the Series 5 bonds at iIAA- with a stable outlook.

On February 3 2021, the Company expanded its Series 5 bonds by issuing 222.6 million registered bonds (linked to the CPI) of NIS 1 par value each, which were issued according to the Company's shelf offering report dated February 3 2021 (Ref. No.: 2021-01-013684) in consideration for NIS 222.6 million. The discount rate in the offering is 0.981%; the terms of those bonds are the identical to the terms of the existing Series 5 bonds. Ma'alot rated the Series 5 bonds at iIAA- with a stable outlook.

NOTE 27 – FINANCIAL LIABILITIES (cont.)

E. **Material financial liabilities presented at amortized cost - additional details (cont.)**

4. Issuances and expansion of series (cont.)

Bonds - Gama

In 2019, Gama issued (Series A) Bonds for the first time in a private placement to institutional investors; the bonds were listed for trade on the TACT-Institutionals trading platform.

On December 19 2021, the Company listed the bonds on the primary list of the TASE, instead of the listing on the TACT-Institutionals trading platform. As a result of the listing and in accordance with the terms of the bonds, the interest rate payable on the bonds decreased by 0.15%, such that after the listing, the bonds bear fixed annual interest of 1.19%. The said change took place on the date on which the bonds were listed on the primary list of the TASE and until repayment in full of the outstanding balance of the principal of the bonds or its delisting from the primary list. For further details, please see Note 4, Business Combinations.

5. Expansions after the balance sheet date:

Series 6

On January 9 2022, the Company issued NIS 300 million in NIS 1 par value each registered bonds (Series 6), which were issued pursuant to the Company's shelf offering report dated August 15 2019 in consideration for NIS 300,000 thousand. The principal of the bonds shall be repayable in nine (9) annual unequal installments, that will be paid on December 31 of each of the years 2024 to 2032; the first installment will be paid on December 31 2024, and the last installment will be paid on December 31 2032. The first installment will account for 4% of the principal; each of the second through the fourth installments will account for 12% of the principal; each of the fifth through the seventh installments will account for 10% of the principal, and each of the eighth and ninth installments will account for 15% of the principal. The Series 6 bonds are not linked to any linkage basis.

The outstanding balance of the bonds' principal will bear a fixed annual interest rate of 1.94%. The interest payable on the outstanding balance of the bonds' principal shall be paid in semi-annual installments, on June 30 and December 31 of each of the years 2022 through 2032; the last interest installment will be paid on December 31 2032. The Series 6 bonds were rated by Midroog at Aa3.il with a stable outlook, and by Maalot at iIAA-. The issuance proceeds are designed to be used for early redemption of Series 3 bonds and for the Company's operating activities.

6. Contractual restrictions and financial covenants

As part of the deeds of trust of the Company's Series 3-6 Bonds, the Company undertook not to place a general floating charge on its assets as long as Series 3-6 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 3-6 bondholders. Furthermore, with respect to Series 3-6 bonds, the Company assumed upon itself restrictions on distribution of dividends and the expansion of the bonds series 3-6; the Company has also undertaken to comply with various financial covenants in accordance with the terms described in the shelf offering report. For more information, see deeds of trust of the bonds (Series 3-6).

NOTE 27 – FINANCIAL LIABILITIES (cont.)

F. Subordinated bonds - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital

Hybrid Tier 2 and Tier 3 capital

In accordance with the prospectuses of the Series D, E, F and H, the principal payments and/or interest payments shall be deferred upon the occurrence of delaying circumstances as defined below:

"Delaying circumstances in respect of hybrid Tier 2 and Tier 3 capital" - in accordance with the Commissioner's directives mean the existence of one or more of the following circumstances:

- A. Lack of distributable profits of the Company as defined in the Companies Law, as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.
- B. The amount of the Company's recognized equity dropped below the equity it is required to maintain (in accordance with the legal provisions applicable thereto and/or in accordance with the Commissioner's directives), as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.
- C. The Company's Board of Directors ordered the postponement of the interest payment or the postponement of the principal payment if it reached the conclusion that there is a real concern as to the Company's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable thereto and/or in accordance with the Commissioner's directives), provided that it first obtained the Commissioner's approval.
- D. The Company's Board of Directors ordered the deferral of interest and/or principal payments, to the extent that it decided that there is a real concern as to Company's ability to repay on time liabilities which are ranked higher than the bonds in terms of the repayment priority, provided that it obtained the Commissioner's advance approval to do so.
- E. The Commissioner ordered the deferral of interest and/or principal payments due to a significant decrease in the Company's recognized equity, or if it realized that there is real concern as to the Company's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable thereto and/or in accordance with the Commissioner's directives). For that purpose, "recognized equity" means the recognized equity of an Israeli insurer as defined in the legal provisions applicable to insurers and/or in the Commissioner's directives.
- F. Principal or interest payments that were delayed as described above, shall be delayed until the delaying circumstances no longer exist, and under no circumstances for more than three years from the original repayment date of the principal of bonds.

NOTE 27 – FINANCIAL LIABILITIES (cont.)

F. Subordinated bonds - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)

Furthermore, in 2018 the Commissioner published its position - Definition of Recognized Capital and Required Capital in Hybrid Capital Instruments. This position clarifies the appropriate interpretation of the terms "required capital" and "recognized capital" in the terms of hybrid capital instruments with regard to delaying circumstances while distinguishing between insurers that obtained the Commissioner's approval as to the performance of an initial audit of the solvency ratio report by an auditor, and insurers that have not yet obtained such approval. With regard to insurers that received such approval from the Commissioner, the term "required capital" shall be interpreted in accordance with the definition of the term "minimum capital requirement" (MCR), and the term "equity" shall be interpreted in accordance with the definition of the term "equity" in the Solvency Circular. As to insurers that have not yet obtained the Commissioner's approval, the terms "equity" and "equity required for solvency purposes" shall be interpreted in accordance with their definition in the Insurer's Solvency Equity Requirement circular.

Tier 2 capital

In accordance with the prospectuses of the Series I - K, the principal payments and/or interest payments shall be deferred upon the occurrence of delaying circumstances as defined below:

"Delaying circumstances in respect of Tier 2 capital" - in accordance with the Commissioner's directives mean the existence of one or more of the following circumstances:

With regard to deferral of interest payments:

In accordance with the latest financial statements published by the Company prior to payment date, The Company does not have distributable profits as defined in the Companies Law.

With regard to deferral of principal and/or interest payments:

- A. In accordance the latest financial statements published by the Company prior to payment date, the Company's equity is lower than the equity required to establish delaying circumstances, and as of the report publication date, the Company did not supplement its equity.
- B. The Company's Board of Directors ordered the deferral of interest or principal payments, to the extent that it reached the conclusion that there is a real concern as to the Company's ability to maintain the required capital for delaying circumstances or repay on time liabilities which are ranked higher than the bonds in terms of the repayment priority, provided that it obtained the Commissioner's advance approval to do so.
- C. The Commissioner ordered the deferral of interest or principal payments, to the extent that it realized that there is a decrease in The Phoenix Insurance's solvency ratio, or that there is a real concern as to the Company's ability to meet the equity requirements for solvency purposes.

NOTE 27 – FINANCIAL LIABILITIES (cont.)**F. Subordinated bonds - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)****Additional Tier 1 capital**

The terms of the additional Tier 1 capital instrument (Series L) include loss absorption mechanisms as described below:

1. In accordance with the prospectuses of the Additional Tier 1 capital (Series L), the principal payments and/or interest payments shall be deferred upon the occurrence of delaying circumstances as defined below:

"Delaying circumstances in respect of Additional Tier 1 capital" - in accordance with the Commissioner's directives mean the existence of one or more of the following circumstances:

- A. Lack of distributable profits of the Company as defined in the Companies Law, as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.
- B. The amount of The Phoenix Insurance's recognized equity dropped below the equity it is required to maintain (in accordance with the legal provisions applicable thereto and/or in accordance with the Commissioner's directives), as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.
- C. The Company's Board of Directors ordered the postponement of the interest payment or the postponement of the principal payment if it reached the conclusion that there is a real concern as to The Phoenix Insurance's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable to The Phoenix Insurance and/or in accordance with the Commissioner's directives), provided that it first obtained the Commissioner's approval.
- D. The Commissioner ordered the deferral of interest and/or principal payments due to a significant decrease in The Phoenix Insurance's recognized equity, or if it realized that there is real concern as to The Phoenix Insurance's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable to The Phoenix Insurance and/or in accordance with the Commissioner's directives). For that purpose, "recognized equity" means the recognized equity of an Israeli insurer as defined in the legal provisions applicable to insurers and/or in the Commissioner's directives.

NOTE 27 – FINANCIAL LIABILITIES (cont.)**F. Subordinated bonds - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)**

2. The instrument's principal which was not repaid on time due to delaying circumstances as stated above:
 - A. Shall not accrue interest on arrears of any type whatsoever
 - B. Will be paid when the delaying circumstances cease, in accordance with the resolution of the insurance company's Board of Directors, and after obtaining the Commissioner's advance approval.
3. The instrument's principal shall be derecognized or converted into ordinary shares when any of the following applies:
 - A. In accordance with the financial statements preceding the published financial statements, an insurance company's equity is lower than the equity it is required to maintain, and the insurance company did not supplement its equity as of the publication date of the latest financial statements.
 - B. In accordance with the latest published financial statements, an insurance company's solvency ratio is lower than 75%, and the insurance company did not supplement its equity as of the publication date of the financial statements.
 - C. In the auditor's report or review report attached to the latest published financial statements prior to the payment date, the independent auditor of an insurance company has drawn attention to notes describing significant doubts as to the insurance company's ability to continue as a going concern.

G. Early redemption**1. Series D**

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the bonds when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. The first date on which The Phoenix Capital Raising may execute full or partial early redemption shall be January 31 2024 (hereinafter: the "First Early Redemption Date"). Subsequent to the First Early Redemption Date, The Phoenix Capital Raising will be allowed to execute full or partial early redemption of the bonds on each interest payment date. To the extent that The Phoenix Capital Raising does not exercise its right to execute early redemption on the First Early Redemption Date, the relevant bondholders will be paid additional interest in addition to the interest which the bonds bear at that time in respect of the remaining period (from the First Early Repayment Date on which the early redemption right was not exercised through the actual repayment date); the additional interest rate will be equal to 50% of the original risk margin set in relation to the bonds as defined in the shelf prospectus.

NOTE 27 – **FINANCIAL LIABILITIES (cont.)**

G. Early redemption (cont.)

2. Series E, F and H

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the bonds (Series E, F and H) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the bonds (Series E, F and H) will not be executed on October 31 2026, January 31 2023 and July 31 2025, respectively (hereinafter: the "Record Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Record Date for Additional Interest through the repayment date of bonds (Series E, F and H). It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series E, F and H bonds shall be May 1 2020, January 1 2021 and July 31 2022, respectively, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Record Date for Additional Interest (excluding early redemption on the Record Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby The Phoenix Capital Raising shall pay Series E, F and H bondholders the higher of the following amounts: (1) The market value of the outstanding balance of Series E, F and H bonds in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The liability value of the Series E, F and H bonds in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Series E, F and H bonds which will be repaid early (principal amount plus interest (and in the case of Series E bonds also linkage), discounted by a discount rate and at the terms listed overleaf in the deed of trust.

3. Series I and J

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Series I and J bonds when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Series I and J bonds will not be executed on August 31 2026 and January 31 2025, respectively (hereinafter: the "Record Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Record Date for Additional Interest through the Series I and J's repayment date.

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series I and J bonds shall be October 31 2023, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Record Date for Additional Interest (excluding early redemption on the Record Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby the Company shall pay Series I and J bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Series I and J bonds in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The theoretical economic value of the Series I and J bonds in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Series I and J bonds in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust.

NOTE 27 – FINANCIAL LIABILITIES (cont.)

G. Early redemption (cont.)

4. Series K

The Company shall have the right to execute full or partial early redemption of the Series K bonds when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Series K bonds will not be executed on April 30 2029 (hereinafter: the "Record Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Record Date for Additional Interest through the Series K's repayment date.

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series K bonds shall be July 30 2024, in accordance with the terms set out in the deed of trust, and if early redemption will take place as from that date until the Record Date for Additional Interest (excluding early redemption on the Record Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby the Company shall pay Series K bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Series K bonds in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The theoretical economic value of the Series K bonds in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Series K bonds in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust.

5. Series L

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the bonds (Series L) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. The first date on which The Phoenix Capital Raising may execute early redemption shall be ten (10) years after the issuance date, i.e., February 5 2031 (hereinafter: the "First Early Redemption Date"). After the First Early Redemption Date and subject to obtaining the Commissioner's approval, the Company will be allowed to execute partial or full early repayment of the subordinated bonds on the first interest payment date that will take place 5 years after the First Early Redemption Date, and subsequently, once every 5 years on the next interest payment date.

Notwithstanding the above, insofar as changes are made to the regulations applicable to The Phoenix, as a result of which the classification of the subordinated bonds as additional Tier 1 capital is adversely affected, the Company will be allowed to execute full or partial early redemption of the subordinated bonds. In such a case, the early redemption will be executed in accordance with the par value of the subordinated bonds, plus interest accrued in respect thereof through that date; the early redemption will be executed immediately prior to the interest payment date closest to the date of such a change.

H. Short-term credit from banking corporations

As of the report date, Company's subsidiaries have short-term credit totaling NIS 157 million. The NIS-denominated credit bears variable interest of between Prime-0.3% and Prime. The foreign currency-denominated credit bears variable interest of between LIBOR + 1.15% and LIBOR + 2%.

NOTE 27 – FINANCIAL LIABILITIES (cont.)**I. Loans from non-bank entities**

As of the report date, Company's subsidiaries have loans from institutional entities totaling NIS 587 million. The loans bear interest of between Prime and Prime+1%. The term of the loan is 3-4.5 years. For further details regarding commencement of consolidation, please see Note 4, Business Combinations.

J. Trade receivables for credit cards

The balance represents a liability for trade receivables in respect of credit vouchers that have been transferred to Gama by credit card companies as part of its factoring and clearing agreements as an aggregator and have yet to be paid to Gama's customers. The balance is short-term and will be repaid several days after the reporting period, according to the payment date agreed upon with each customer.

K. The Company's ratingMidroog

On December 15 2021, Midroog assigned an il.Aa3 rating to the Series 6 bonds. The rating outlook is stable. This rating also applies to the outstanding bonds (Series 3, 4 and 5) issued by the Company.

On January 17 2022, Midroog reiterated the rating of the Series 3-6 bonds at Aa3.il, and changed the outlook from stable to positive.

On November 25 2021 Midroog reiterated The Phoenix Insurance's rating at Aa1.il, with a stable outlook. Furthermore, Midroog also reiterated the rating of The Phoenix Insurance's Series E, F, H, I, J and K bonds at Aa3.il with a stable outlook, and the rating of The Phoenix Insurance's Series D bonds at Aa2.il with a stable outlook. For further details, please see the Company's immediate reports of November 25 2021.

Maalot S&P

On December 14 2021, Maalot assigned an ilAA- rating to the Series 6 bonds.

On October 24 2021, Ma'alot S&P reiterated The Phoenix Insurance's rating at ilAA+ with a stable outlook, and upgraded the Company's rating to ilAA- with a stable outlook. For further details, please see the Company's immediate report of October 25 2021 (Ref. No. 2021-01-091045).

On July 27 2021, Maalot S&P announced the assignment of an ilA+ rating to additional Tier 1 capital subordinated bonds (Series L). For further details, please see the Company's immediate reports of July 27 2021.

NOTE 27 – FINANCIAL LIABILITIES (cont.)**L. Shelf prospectuses**

On August 16 2019, the Company published a shelf prospectus by virtue of which it may issue various types of securities such as: ordinary Company shares of NIS 1 par value each, preferred shares, non-controvertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may be from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, option warrants exercisable into bonds convertible into Company shares, liquid securities and any other security that may be lawfully issued by virtue of the shelf prospectus on the relevant date.

On August 16 2019, The Phoenix Capital Raising published a shelf prospectus pursuant to which it will be able to issue various types of securities in accordance with the provisions of law – nonconvertible bonds (including by expanding existing series of bonds of The Phoenix Capital Raising as they will be from time to time) and option warrants exercisable into bonds of The Phoenix Capital Raising. The issuance proceeds in respect of the above securities will be deposited with The Phoenix Insurance for its use at its own discretion and responsibility.

On May 31 2021, Gama published a prospectus that also constitutes a shelf prospectus by virtue of which it may issue various types of securities in accordance with the provisions of the law - ordinary Company shares, non-controvertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may be from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, and option warrants exercisable into bonds convertible into Company shares, liquid securities and any other security that may be lawfully issued through the shelf offering report to be published by virtue of this shelf prospectus.

M. Deposits from tenants

The balance as of December 31 2021 includes deposits received from tenants under tenancy agreements in respect of rights-of-use of residential units in Ad 120's centers. When they leave the assisted living centers, tenants (or their heirs if the tenants had passed away) are entitled to partial refund of their deposit, net of a defined annual rate as set out in the tenancy agreements, in accordance with the period during which they lived at the centers. The deposits are linked to the CPI and do not bear interest. For information about the sale of control in Ad 120, see Note 8.

NOTE 27 – FINANCIAL LIABILITIES (cont.)**N. Changes in liabilities stemming from financing activity**

	Loans from non-bank entities	Credit from banks	Trade receivables for credit cards	Bonds	Subordinated bonds	Subordinated bonds - additional Tier 1 capital	Liability for REPO	Other (*)	Total liabilities stemming from financing activity
In NIS thousand									
Balance as of January 1, 2020	-	100,024	-	998,918	3,371,345	-	-	147,767	4,618,054
Cash flow	-	(19,224)	-	108,332	-	-	388,837	(41,646)	436,299
Effect of changes in the Consumer Price CPI	-	(4)	-	(2,553)	(2,483)	-	478	3,225	(1,337)
Effect of changes in fair value	-	-	-	-	-	-	-	(3,108)	(3,108)
Other changes	-	-	-	13,841	5,598	-	-	15,353	34,792
Recognition of lease liabilities	-	-	-	-	-	-	-	8,383	8,383
Balance as of December 31 2020	-	80,796	-	1,118,538	3,374,460	-	389,315	129,974	5,093,083
Commencement of consolidation	357,682	1,500	1,267,310	390,165	-	-	-	51,662	2,068,319
Cash flow	229,818	118,185	-	165,263	-	198,544	(389,315)	(37,347)	285,148
Effect of changes in the Consumer Price CPI	-	-	-	18,082	10,056	1,266	-	4,408	33,812
Deconsolidation	-	(41,072)	-	-	-	-	-	-	(41,072)
Other changes	-	(214)	166,517	13,805	5,598	-	-	(33,281)	152,425
Recognition of lease liabilities	-	-	-	-	-	-	-	31,241	31,241
Balance as of December 31 2021	<u>587,500</u>	<u>159,195</u>	<u>1,433,827</u>	<u>1,705,853</u>	<u>3,390,114</u>	<u>199,810</u>	<u>-</u>	<u>146,657</u>	<u>7,622,956</u>

(*) Mainly in respect of a lease liability and put option to non-controlling interests.

NOTE 28 – PREMIUMS EARNED

	For the year ended December 31, 2021		
	Gross	Reinsurance	Retention
	In NIS thousand		
Life insurance premiums	5,422,835	117,372	5,305,463
Health insurance premiums	2,737,864	212,669	2,525,195
Property and casualty insurance premiums	3,155,352	1,048,047	2,107,305
Total premiums	11,316,051	1,378,088	9,937,963
Less change in unearned premium balance (*)	154,620	32,629	121,991
Total premiums earned	11,161,431	1,345,459	9,815,972

	For the year ended December 31 2020		
	Gross	Reinsurance	Retention
	In NIS thousand		
Life insurance premiums	4,765,553	99,195	4,666,358
Health insurance premiums	2,756,223	278,506	2,477,717
Property and casualty insurance premiums	2,875,052	980,628	1,894,424
Total premiums	10,396,828	1,358,329	9,038,499
Change in unearned premium balance (*)	14,176	29,351	(15,175)
Total premiums earned	10,382,652	1,328,978	9,053,674

	For the year ended December 31, 2019		
	Gross	Reinsurance	Retention
	In NIS thousand		
Life insurance premiums	5,209,366	98,235	5,111,131
Health insurance premiums	3,262,315	377,869	2,884,446
Property and casualty insurance premiums	2,815,006	921,164	1,893,842
Total premiums	11,286,687	1,397,268	9,889,419
Change in unearned premium balance (*)	(38,758)	(4,888)	(33,870)
Total premiums earned	11,325,445	1,402,156	9,923,289

In principle, in property and casualty insurance; please see Note 19.

NOTE 29 – GAINS ON INVESTMENTS, NET, FINANCE AND OTHER INCOME

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
<u>Gains (losses) on assets held against yield-dependent liabilities</u>			
Investment property	309,221	88,982	156,015
Financial investments:			
Liquid debt assets	890,380	391,598	1,715,604
Illiquid debt assets	403,168	185,994	429,400
Shares	5,896,319	1,090,502	3,088,841
Other investments	4,927,924	2,688,463	2,312,491
Cash and cash equivalents	(9,775)	(23,094)	(16,383)
Total gains (losses) on assets held against yield-dependent liabilities, net	<u>12,417,237</u>	<u>4,422,445</u>	<u>7,685,968</u>
<u>Gains on assets held against non-yield-dependent liabilities, capital and other</u>			
Income from investment property:			
Revaluation of investment property	160,567	53,004	102,186
Current income in respect of investment property	80,679	90,965	99,225
Total income from investment property	<u>241,246</u>	<u>143,969</u>	<u>201,411</u>
<u>Gains (losses) on financial investments, excluding interest, linkage differences, exchange rate differences and dividend in respect of:</u>			
Available-for-sale assets (a)	584,861	125,118	182,495
Assets presented at fair value through profit or loss (B)	178,083	(5,448)	96,160
Assets presented as loans and receivables (C)	50,192	7,512	11,643
	<u>813,136</u>	<u>127,182</u>	<u>290,298</u>
Interest income (*) and linkage differences on financial assets not accounted for at fair value through profit and loss	841,111	569,391	603,672
Interest income (*) and linkage differences on financial assets accounted for at fair value through profit and loss and on other assets (**)	195,676	223,768	273,159
Gains on exchange rate differences on investments not accounted for at fair value through profit and loss and on other assets (**)	(31,233)	(39,270)	15,237
Dividend income	<u>149,752</u>	<u>32,221</u>	<u>39,950</u>
Total investment income, net and finance income	<u>14,626,925</u>	<u>5,479,706</u>	<u>9,109,695</u>
(*) The above revenues includes interest in respect of impaired financial assets which are not presented at fair value through profit and loss	<u>398</u>	<u>5,341</u>	<u>2,062</u>

(**) Regarding exchange rate differences in respect of financial liabilities, please see Note 39.

NOTE 29 – GAINS ON INVESTMENTS, NET, FINANCE AND OTHER INCOME (cont.)
A. Gains (losses), net on investments for available-for-sale assets

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Net gains on realized securities	811,111	501,813	258,243
Net impairments carried to profit and loss	(225,808)	(376,695)	(75,748)
Total gains on investments for assets presented as available-for-sale assets	<u>585,303</u>	<u>125,118</u>	<u>182,495</u>

B. Gains (losses) on investments in respect of assets presented at fair value through profit or loss

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Changes in net fair value, including realization gains:			
In respect of held-for-trading assets	159,397	(1,779)	79,430
In respect of assets designated on initial recognition	18,686	(3,669)	16,730
Total gains (losses) on investments for assets presented at fair value through profit or loss	<u>178,083</u>	<u>(5,448)</u>	<u>96,160</u>

C. Gains (losses) on investments for assets presented as loans and receivables:

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Net gains on realization of assets presented as loans and receivables	37,919	10,937	20,904
Net appreciations (impairments) carried to profit and loss	12,273	(3,425)	(9,261)
Total gains on investments for assets presented as loans and receivables	<u>50,192</u>	<u>7,512</u>	<u>11,643</u>

NOTE 30 – INCOME FROM MANAGEMENT FEES**Composition**

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Management fees in the pension and provident industries	542,942	369,873	369,757
Management fees from financial services	287,911	248,930	224,000
Variable management fees for life insurance contracts (*)	680,715	293,036	477,484
Fixed management fees for life insurance contracts	448,941	383,653	359,583
Management fees for investment contracts	88,085	59,984	52,367
Total management fees from planholders and policyholders	2,048,594	1,355,476	1,483,191
Other management fees	772	1,713	4,293
Total income from management fees	2,049,366	1,357,189	1,487,484

(*) During the period subsequent to the report date and until its publication date, there was a decrease in fair value that affected the investment portfolio under management of the Company; as a result, the estimated management fees which were not collected due to negative yield until covering investment losses in respect of participating policies amounted to approximately NIS 100 million. For further details, please see Note 44G.

The decrease in variable management fees in 2020 stems from the fact that through September 30 2020, no variable management fees were collected due to the negative yield in respect of participating policies amounting to NIS 101 million; the Company covered the full amount of the losses in the last quarter of the year, and began charging variable management fees.

NOTE 31 – INCOME FROM FEES AND COMMISSIONS

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Insurance agency fees and commissions	368,514	258,045	258,696
Reinsurance fees and commissions, net of change in deferred acquisition costs in respect of reinsurance	322,900	298,006	282,943
Total income from fees and commissions	691,414	556,051	541,639

NOTE 32 – INCOME FROM FINANCIAL AND OTHER SERVICES

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Income from stock exchange and trading services, net	120,000	120,000	108,000
Income from management and trust services, investment banking and underwriting	34,000	39,000	35,000
	154,000	159,000	143,000

NOTE 33 – REVENUES FROM FACTORING AND CLEARING AND OTHER INCOME

A. Revenues from factoring and clearing (*):

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Income under the effective interest method	18,062	-	-
Revenues from aggregator fees and other	6,559	-	-
Revenues from sale of vouchers	30,699		
Change in provision for doubtful accounts	(2,449)	-	-
Total revenues from factoring and clearing	<u>52,871</u>	<u>-</u>	<u>-</u>

(*) For further details, please see Note 4B.

B. Other income:

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Providing consulting services	13,002	15,541	22,462
Rent	2,618	3,558	2,788
Capital gain on disposal of property, plant & equipment	-	-	5
Provision of services	15,243	18,521	18,106
Gain on reversal of provision for impairment of property, plant and equipment	-	13,883	-
Assuming control in Gama (see Note 1H)	240,292	-	-
Disposal of investment in Ad 120 (see Note 1G)	340,795	-	-
Gain as a result of a change in holding rates in other investees	79,257	67,268	31,912
Other income	<u>16,979</u>	<u>13,075</u>	<u>10,823</u>
Total other income	<u>708,186</u>	<u>131,846</u>	<u>86,096</u>

NOTE 34 – PAYMENTS AND CHANGE IN LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND INVESTMENT CONTRACTS - RETENTION

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
For life insurance contracts:			
Paid and contingent claims - death, disability and other	693,576	632,752	620,581
Less - reinsurance	<u>40,696</u>	<u>36,393</u>	<u>33,907</u>
	652,880	596,359	586,674
Redeemed policies	2,948,796	2,228,493	1,705,517
Expired policies	200,043	194,489	199,787
Pension	<u>442,677</u>	<u>366,932</u>	<u>316,714</u>
Total claims	4,244,396	3,386,273	2,808,692
Increase in liabilities in respect of life insurance contracts (except for a change in contingencies) - retention	11,197,618	4,619,045	9,596,843
Increase in liabilities in respect of investment contracts due to the yield component	<u>1,595,295</u>	<u>423,590</u>	<u>802,459</u>
Total payments and change in liabilities in respect of life insurance contracts and investment contracts - retention	<u>17,037,309</u>	<u>8,428,908</u>	<u>13,207,994</u>
Total payments and change in liabilities in respect of property and casualty insurance contracts:			
Gross	2,060,741	1,640,879	1,662,770
Reinsurance	<u>636,440</u>	<u>542,801</u>	<u>533,561</u>
Retention	<u>1,424,301</u>	<u>1,098,078</u>	<u>1,129,209</u>
Total payments and change in liability in respect of health insurance contracts:			
Gross	3,442,141	2,371,630	3,602,386
Reinsurance	<u>115,238</u>	<u>234,439</u>	<u>368,236</u>
Retention	<u>3,326,903</u>	<u>2,137,191</u>	<u>3,234,150</u>
Increase in reserves of provident fund management companies	<u>67,411</u>	<u>38,697</u>	<u>42,379</u>
Total payments and change in liabilities in respect of insurance contracts and investment contracts - retention	<u>21,855,924</u>	<u>11,702,874</u>	<u>17,613,732</u>

NOTE 35 – FEES AND COMMISSIONS, MARKETING EXPENSES AND OTHER PURCHASE EXPENSES

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Purchase costs:			
Purchase fees	894,980	682,370	873,918
Other purchase expenses	468,528	422,234	430,329
Change in deferred acquisition costs	<u>(276,514)</u>	<u>20,918</u>	<u>(42,379)</u>
Total purchase expenses	<u>1,086,994</u>	<u>1,125,522</u>	<u>1,261,868</u>
Other fees and commissions	523,175	566,133	586,674
Other marketing expenses	<u>85,906</u>	<u>58,448</u>	<u>69,897</u>
Total fees and commissions, marketing expenses and other purchase expenses	<u>1,696,075</u>	<u>1,750,103</u>	<u>1,918,439</u>

NOTE 36 – GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Salaries and related expenses	1,323,151	1,144,783	1,062,708
Depreciation and amortization	303,751	278,429	283,019
Office maintenance and communications	77,089	78,433	80,416
IT services	131,633	106,078	90,875
Marketing and advertising	96,526	65,306	61,087
Legal and professional advice	115,507	78,229	61,854
Other	258,575	182,931	175,766
Total (*) (1)	2,306,232	1,934,188	1,815,725
Less:			
Amounts classified under change in liabilities and payments in respect of insurance contracts	(114,930)	(107,376)	(104,461)
Amounts classified under fees and commissions, marketing expenses and other purchase expenses	(515,985)	(466,784)	(430,056)
General and administrative expenses	1,675,317	1,360,028	1,281,208
(*) General and administrative expenses include automation expenses totaling	412,795	365,224	348,935

- (1) The change in expenses is due, in part, to changes in the Company's holding structure, see Note 1. Payroll and related expenses were affected in 2021 by performance-based compensation and in accordance with the Company's profitability. In 2020 include expenses in respect of revision of the provision for payroll tax receivable by approximately NIS 17 million (in 2019 - a decrease of approximately NIS 29 million in the expense) as a result of the loss for tax purposes of The Phoenix Insurance in 2019. The expenses were also affected by the revisions to the collective agreement; for further details regarding the collective agreement, please see Note 24(G).

NOTE 37 – SHARE-BASED PAYMENT**A. Expense recognized in books of accounts**

The expense recognized in the financial statements for services received from employees is presented in the following table:

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Share-based payment plans settled with equity instruments			
Total expense recognized from share-based payment transactions	9,715	4,896	3,270

B. Options allocated to employees and officers2018 plan

In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company grants, from time to time and without consideration, option warrants (hereinafter, in this section - "Options") to employees and officers of the Company and companies under its control. The plan was approved under the work income track pursuant to Section 102 of the Income Tax Ordinance.

NOTE 37 – SHARE BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

Performance terms - 2018 plan

The options shall vest subject to the offeree's meeting the following performance conditions, on a cumulative basis:

- (1) At least 90% of the return on equity target - return on equity shall be calculated as the annual average of the return of comprehensive income on the Company's weighted equity.
The yield target shall be set as part of the annual work plan set by the Company's Board of Directors by March 31 of each calendar year.
The fulfillment of the performance conditions described above shall be calculated as of publication date of the annual consolidated financial statements for each of the vesting years. That is to say, in connection with the first tranche, the performance conditions shall be measured in respect of the 2020 results; in connection with the second tranche, the performance conditions will be measured in respect of the 2021 results; and in connection with the third tranche, the performance conditions will be measured in respect of the 2022 results. If the performance conditions were not fulfilled in a specific year, fulfillment will be measured for each subsequent year after the relevant year until the option's expiry date.
- (2) The economic solvency ratio metric - meeting the capital requirements taking into account the transitional period in accordance with the Commissioner's circular of June 2017 regarding provisions for the implementation of Solvency II-based economic solvency regime of insurance companies (hereinafter: the "Solvency Circular"). Compliance with the capital requirements to be published in the financial statements will be assessed on vesting date in respect of the three calendar years preceding the vesting date.

An offeree's eligibility for all options vested on a specific vesting date shall be conditional upon cumulatively meeting requirements of the above two metrics. Failure to meet the requirements will result with the offeree's not being eligible for options. If the Company's Board of Directors will change the definitions of the metrics described above as part of the annual compensation plan, these changes shall also apply to the terms of the options.

Set forth below are the assumptions used in the measurement of the fair value of the share options settled with Company's equity instruments in accordance with the 2018 plan:

- A. Expected volatility of share price
The expected volatility (standard deviation) was based on the historical volatility of the parent company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility.
- B. Risk-free interest rate
The interest rate used to calculate the value of the options to offerees was calculated based on a risk-free nominal yield to maturity curve, which is based on the yield of non-linked "Shahar" government bonds.

NOTE 37 – SHARE BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

C. Churn rate (after the vesting period)

A certain attrition rate of approximately 10% was assumed by the model between the vesting date and the expiry of the option. No attrition rate was assumed by the model for the vesting period.

D. Dividend

The exercise price of the options allotted under this plan is adjusted to reflect dividends. Therefore, the calculation of the value of the options does not take into account future distribution of dividends.

Allocations for 2019-2022:

1. Allocations in 2019

- A. On February 3 2019, 3,876,000 options were allotted to 79 employees of the Company and its subsidiaries. The shares that will be issued as a result of the exercise of the said options, are ordinary Company shares of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as described below) and the employee's continued employment by the Company. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 21.35 in respect of the first tranche, NIS 21.99 in respect of the second tranche, and NIS 22.63 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 57.51). The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 3.92 and the total value of options allotted was estimated at approximately NIS 15.2 million as of that date.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	24.51%	1.03%	Mar. 31 2021	Mar. 31 2023
2	23.86%	1.29%	Mar. 31 2022	Mar. 31 2024
3	24.56%	1.53%	Mar. 31 2023	Mar. 31 2025

NOTE 37 – SHARE BASED PAYMENT (cont.)**B. Options allocated to employees and officers (cont.)****1. Allocations in 2019 (cont.)**

- B. On April 30 2019 (hereinafter: the "Award Date"), the Company's Board of Directors approved the allotment of 556,000 options. The options were allotted to 12 Company employees (hereinafter: "Group B"). The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 22.49 in respect of the first tranche, NIS 23.11 in respect of the second tranche, and NIS 23.72 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The fair value at the Award Date is calculated based on a appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 3.82 and the total value of options allotted was estimated at approximately NIS 2.1 million as of that date. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 62.49). Except for the exercise price and the benefit limit, the other terms of the option are identical to the terms of the 2018 plan.

- C. On October 30 2019 (hereinafter: the "Award Date"), the Company's Board of Directors approved the allotment of 200,000 options. The options were allotted to two Company officers (hereinafter: "Group C"). The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 23.68 in respect of the first tranche, NIS 24.33 in respect of the second tranche, and NIS 24.99 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The fair value at the Award Date is calculated based on a appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 3.31 and the total value of options allotted was estimated at approximately NIS 0.66 million as of that date. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 63.84). Except for the exercise price and the benefit limit, the other terms of the option are identical to the terms of the 2018 plan.

NOTE 37 – SHARE BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

2. Allocations in 2020

- A. On September 15 2020, the Company's Board of Directors approved the allotment of 5,228,000 options to 76 of the Group's employees, as well as to service providers of the Company. The shares that will be issued as a result of the exercise of the said options, are ordinary Company shares of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as described below) and the employee's continued employment by the Company. The exercise price of each option (adjusted to reflect dividends) is NIS 17 in respect of the first tranche, NIS 18 in respect of the second tranche, and NIS 19 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed the price of Company's share on the day before the allotment (NIS 15.17). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 32.17 for the first tranche, NIS 33.17 for the second tranche, and NIS 34.17 for the third tranche.

The fair value at the Award Date is calculated based on a appraisal received from an external appraiser who used the binomial model. The average value of one option was estimated at approximately NIS 2.12, and the total value of the options allotted was estimated at that date at approximately NIS 11 million.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price (*)	Risk-free interest rate	Vesting date	Expiry date
1	30.31%	0.13%	Apr. 7 2022	Apr. 7 2023
2	28.82%	0.21%	Apr. 7 2023	Apr. 7 2024
3	27.78%	0.32%	Apr. 7 2024	Apr. 7 2025

(*) Expected volatility of share price

The expected volatility (standard deviation) was based on the historical volatility of the Company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility. However, due to the coronavirus crisis, the standard deviation of the yield in March 2020 was approximately 80% and in April - approximately 59%; as a result, the appraiser estimated that the aforesaid measurement includes one-off components relating to the coronavirus crisis, in respect of which the calculation of standard deviation should be adjusted.

NOTE 37 – SHARE BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

2. Allocations in 2020 (cont.)

The adjustment of the yield's standard deviation was carried out by giving low weight to the observations (daily change rates) from March 2020 and April 2020. Observations from March were given a weight of 33.3% and observations from April were given weight of 66.7%, while all other observations in the entire relevant period were given a weight of 100%.

The resulting standard deviation rates are lower by approximately 1.49%-2.35% than the standard deviation rates prior to the adjustments. Except for the aforesaid, the other terms of the options are identical to the terms of the 2018 plan.

- B. Options awarded to the Company's CEO - on September 15 2020, the Company's Board of Directors approved the allotment of 350,000 options to the Company's CEO. On October 22 2020, the Company's general meeting approved the said allotment of options. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 17 in respect of the first tranche, NIS 18 in respect of the second tranche, and NIS 19 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The options include a benefit limit, whereby the maximum benefit arising to offeree from the exercise of each option shall not exceed the price of Company's share on the day before the allotment (NIS 17.69). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 34.69 for the first tranche, NIS 35.69 for the second tranche, and NIS 36.69 for the third tranche. The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 3.37 and the total value of options allotted was estimated at approximately NIS 1.2 million.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	30.74%	0.11%	Apr. 7 2022	Apr. 7 2023
2	28.73%	0.20%	Apr. 7 2023	Apr. 7 2024
3	28.19%	0.29%	Apr. 7 2024	Apr. 7 2025

The assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A above.

NOTE 37 – SHARE BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

3. Allocations in 2021

- A. On May 26 2021, the Company's Board of Directors approved the allotment of 3,849,000 options to 126 of the Group's employees, as well as to a service provider of the Company. The shares that will be issued as a result of the exercise of the said options, are ordinary Company shares of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as described below) and the employee's continued employment by the Company.

The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 33.5 in respect of the first tranche, NIS 35 in respect of the second tranche, and NIS 36.5 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 50% of the price of Company's share on the day before the allotment (NIS 31.89). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 49.45 for the first tranche, NIS 50.95 for the second tranche, and NIS 52.45 for the third tranche.

The fair value at the Award Date is calculated based on a appraisal received from an external appraiser who used the binomial model. The average value of one option was estimated at approximately NIS 4.3, and the total value of the options allotted was estimated at that date at approximately NIS 17 million.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price (*)	Risk-free interest rate	Vesting date	Expiry date
1	30.56%	0.28%	Apr. 7 2023	Apr. 7 2024
2	28.80%	0.43%	Apr. 7 2024	Apr. 7 2025
3	28.24%	0.64%	Apr. 7 2025	Apr. 7 2026

(*) Expected volatility of share price

The expected volatility (standard deviation) was based on the historical volatility of the Company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility. However, due to the coronavirus crisis, the standard deviation of the yield in March 2020 was approximately 80% and in April - approximately 59%; as a result, the appraiser estimated that the aforesaid measurement includes one-off components relating to the coronavirus crisis, in respect of which the calculation of standard deviation should be adjusted.

NOTE 37 – SHARE BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

3. Allocations in 2021 (cont.)

The adjustment of the yield's standard deviation was carried out by giving low weight to the observations (daily change rates) from March 2020 and April 2020. Observations from March were given a weight of 33.3% and observations from April were given weight of 66.7%, while all other observations in the entire relevant period were given a weight of 100%. The resulting standard deviation rates are lower by approximately 1.37%-2.07% than the standard deviation rates prior to the adjustments.

Except for the aforesaid, the other terms of the option are identical to the terms of the 2018 plan.

- B. Options awarded to the Company's CEO - on May 26 2021, the Company's Board of Directors approved the allotment of 88,000 options to the Company's CEO. On July 5 2021, the Company's general meeting approved the said allotment of options. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 33.5 in respect of the first tranche, NIS 35 in respect of the second tranche, and NIS 36.5 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 50% of the price of Company's share on the eve of the Board of Directors' approval (NIS 32.49). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 49.45 for the first tranche, NIS 50.95 for the second tranche, and NIS 52.45 for the third tranche. The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 4.47 and the total value of options allotted was estimated at approximately NIS 0.4 million.

Set forth below are the assumptions used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	31.37%	0.18%	Apr. 7 2023	Apr. 7 2024
2	29.49%	0.32%	Apr. 7 2024	Apr. 7 2025
3	28.75%	0.47%	Apr. 7 2025	Apr. 7 2026

All other assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A above.

NOTE 37 – SHARE BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

4. Allocations in 2022

- A. On January 31 2022, the Company's Board of Directors approved the allotment of 4,793,593 options to 178 of the Group's employees. The shares that will be issued as a result of the exercise of the said options, are ordinary Company shares of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as described below) and the employee's continued employment by the Company.

The exercise price of each option is NIS 40.5 in respect of the first tranche, NIS 41.5 in respect of the second tranche, and NIS 43.5 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 37.55). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 52.5 for the first tranche, NIS 54.5 for the second tranche, and NIS 56.5 for the third tranche.

The fair value at the Award Date is calculated based on a appraisal received from an external appraiser who used the binomial model. The average value of one option was estimated at approximately NIS 4.18, and the total value of the options allotted was estimated at that date at approximately NIS 20 million.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	33.64%	0.42%	Apr. 1 2023	Jun. 1 2024
2	32.16%	0.60%	Apr. 1 2024	Apr. 1 2025
3	30.31%	0.79%	Apr. 1 2025	Apr. 1 2026

Except for the aforesaid, the other terms of the option are identical to the terms of the 2018 plan.

- B. Options awarded to the Company's CEO - on March 8 2022, the Company's General Meeting approved the allotment of 90,000 options to the Company's CEO. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 40.5 in respect of the first tranche, NIS 41.5 in respect of the second tranche, and NIS 43.5 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

NOTE 37 – SHARE BASED PAYMENT (cont.)**B. Options allocated to employees and officers (cont.)**4. Allocations in 2022 (cont.)

The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 37.55). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 52.5 for the first tranche, NIS 54.5 for the second tranche, and NIS 56.5 for the third tranche.

The fair value at the Award Date is calculated based on a appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 4.05 and the total value of options allotted was estimated at approximately NIS 0.4 million.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	34.41%	0.96%	Apr. 7 2022	Apr. 7 2023
2	32.63%	1.17%	Apr. 7 2023	Apr. 7 2024
3	30.77%	1.27%	Apr. 7 2024	Apr. 7 2025

All other assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A.

C. Change during the year

Set forth below is a table presenting the number of share options, the weighted average of their exercise price, and the changes made in the employee option plans during the current year:

	2021		2020		2019	
	Number of Options	Weighted Average of Adjusted Exercise Price	Number of Options	Weighted Average of Adjusted Exercise Price	Number of Options	Weighted Average of Adjusted Exercise Price
Share options as of beginning of year	9,278,500	19.07	3,997,500	20.70	108,333	11.20
Share options granted during the year	3,937,000	35.00	5,578,000	18.00	4,632,000	22.23
Share options exercised during the year	(841,142)	18.43	-	-	(108,333)	9.79
Share options forfeited during the year	(420,332)	20.39	(297,000)	20.70	(634,500)	20.20
Share options as of end of year	11,954,026	22.21	9,278,500	19.07	3,997,500	20.70
Exercisable share options as of end of the year	353,056	17.28	-	-	-	-

NOTE 37 – SHARE BASED PAYMENT (cont.)

- D.** The weighted average of the remaining contractual life of the share options as of December 31 2021 is 2.65 years (2020 - 3.26 years, 2019 - 4.25 years).
- E.** The average exercise price of the share options as of December 31 2021 is NIS 22.21 (2020 - NIS 19.07, 2019 - NIS 20.7).
- F.** For information regarding dividend distributions - see Note 16H.
- G.** For information regarding issuance of shares to Gama officers and employees, see Note 4B.

NOTE 38 – OTHER EXPENSES

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Amortization of intangible assets	50,441	21,710	18,430
Results of Modified-Re reinsurance	15,127	20,760	(7,461) (*)
Loss on impairment of property, plant & equipment and other losses	1,886	12,415	5,083
Total other expenses	<u>67,454</u>	<u>54,885</u>	<u>16,052</u>

(*) Mainly in respect of settlement for previous years.

NOTE 39 – FINANCE EXPENSES

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Interest and linkage difference costs in respect of:			
Subordinated bonds	119,654	103,531	106,590
Bonds and loans	48,981	40,972	26,768
Loss from early redemption (*)	9,844	-	-
Revaluation of liability to purchase shares in consolidated companies	-	3,369	2,093
Deposits by tenants (**)	14,104	(2,454)	3,715
Interest expenses (including linkage differences) for reinsurers	20,015	4,833	11,745
Exchange rate differences, net, in respect of reinsurers' deposits	(4,235)	(10,194)	(10,956)
Fees and commissions and other finance expenses	9,640	6,452	2,643
Total finance expenses	<u>218,003</u>	<u>146,509</u>	<u>142,598</u>

(*) For more information, see Note 27D(2)

(*) For information about deconsolidation of Ad 120, see Note 8.

NOTE 40 – EARNINGS PER SHARE

Basic and diluted earnings per share

Calculation of the basic diluted earnings per share was based on the net income attributable to the shareholders divided by the weighted average of the number of the outstanding ordinary shares, as follows:

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Profit attributed to Company's shareholders	<u>1,964,696</u>	<u>1,169,023</u>	<u>271,466</u>

<u>Weighted average of the number of ordinary shares</u>	For the year ended December 31		
	2021	2020	2019
	No. of shares (in thousands)		
	NIS 1 p.v.		
Balance as at January 1	254,657	256,153	256,096
Effect of Company's shares held by the Group	(1,502)	(187)	-
Effect of options exercised into shares during the year	139	-	20
Weighted average number of ordinary shares used in calculation of basic earnings per share as of December 31	<u>253,294</u>	<u>255,966</u>	<u>256,116</u>
Effect of potential dilutive shares	3,719	-	37
Weighted average number of ordinary shares used in calculation of diluted earnings per share as at December 31	<u>257,013</u>	<u>255,966</u>	<u>256,153</u>

NOTE 41 – RISK MANAGEMENT

The Group operates in the following main operating segments: life insurance and savings, pension and provident funds, health insurance, property and casualty insurance, finance and alternative investment funds. In addition, the Group operates in the area of insurance agencies, as well as in the areas of financial services, ETFs, mutual funds, portfolio management, and stock exchange member.

The Group's activities in the above areas expose it to the following main risks:

- Macroeconomic risks, including the state of the economy and employment levels.
- Market risks, including ALM risk.
- Liquidity risks.
- Credit risks including credit risks of reinsurers.
- Cyber risks.
- Operational risks including IT systems, outsourcing, and embezzlement and fraud risks.
- Insurance risks including pricing and underwriting risks and catastrophe risk (including epidemic).
- Legal risks arising from legal precedents, class actions and lawsuits.
- Regulatory and compliance risks.
- Reputational risk.
- Business risks, including competitive, change in public preferences and portfolio retention level risks.

Macroeconomic risks - risks arising from the state of the economy and employment levels. A recession and a decline in the level of employment may lead to a decrease in amounts deposited into the different long-term savings channels, as well as to withdrawal of pension and mid-term savings (advanced education funds) for the purpose of consumption in the present, increase in bad debts, reduction in insurance coverage purchased through insurance policies and increase in the number of insurance events and claims (due to increased prevalence of theft and fraud), filing claims at an earlier date and fiercer competition in the various areas of activity.

Market risks - the risk that the fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among other things, risks arising from changes in interest rates, share prices, the Consumer Price Index and foreign currency, as well as asset liability management risk (ALM).

Liquidity risks - the risk of loss as a result of a possible need to dispose of assets at below-market prices, and raising resources unexpectedly and within a short time, or difficulty in meeting commitments, which may result from uncertainty regarding the date on which the Group will meet its commitments.

Credit risks - risk of loss as a result of non-compliance of a borrower/reinsurer with its commitments or as a result of changes in credit spreads in the capital market.

Operational risks - the risk of loss or harm to the Group's reputation due to inadequacy or failure of internal processes, people and systems or as a result of external events.

Cyber risks - risk of loss, reputational damage to the Group, damage to the privacy of policyholders and planholders, and additional risks which may arise from unauthorized use of identity, disruption of activity by impairing network activity or shutdown of services, damage to systems, theft of digital assets, infecting systems with malicious codes or malware, penetrating systems or disclosure of information.

NOTE 41 – RISK MANAGEMENT (cont.)

Insurance risks - life and health insurance risks and actuarial risk in a pension fund (the actuarial risks in the pension fund apply to the planholders when their impact on the management company concerns management fees) arising from the uncertainty as to the payment of expected future claims with respect to assumptions concerning mortality rates/longevity, morbidity/disability rates, expenses, cancellations or redemptions. Property and casualty insurance risks stem primarily from uncertainty as to pricing, models and assessment of reserves and catastrophe.

Legal risks - the Group is exposed to judicial decisions that may constitute a binding legal precedent with respect to its insurance activity, change the scope of its liabilities, and incur costs that were not anticipated when entering into the insurance policies or in prior assessments of insurance liabilities. In addition, the Group is exposed to lawsuits that have the potential to become class actions, with exposure to high amounts.

Regulatory and compliance risks - risks arising from the effect of regulatory changes on financial reporting, business operations and profitability. In addition, failure to comply with regulatory requirements may result in the imposition of sanctions and fines on the Group.

Reputational risk - the reputation of the Group, its financial strength and its good name constitute an important factor in the scope of its operations and profitability, in engaging new customers and in retaining existing customers. This risk may be a consequential risk of the materialization of other risks.

Business risks - risk of harm to the Group's profitability as a result of changes in the business environment, including an increase in the intensity of competition in the Group's areas of activity. Competition may be intensified by, among other things, fiercer competition between existing competitors, new competitors, and introduction of new distribution channels. Activity in the life insurance, provident and pension subsegments is exposed to policy cancellations and redemptions during the contract period. The Group's ability to maintain its existing portfolio depends, among other things, on its ability to achieve attractive yields relative to its competitors. The public's tendency to choose alternative products within the various areas or the public's tendency not to take out insurance may affect the demand for the Group's products and profitability in the various areas of activity.

This note provides information on the Group's exposure to each of the above risks, the Group's objectives, policies and processes regarding risk measurement and management. Further quantitative disclosure is included throughout the consolidated financial statements.

1. Description of risk management procedures and methods

In The Phoenix Holdings, risk management is carried out at the Group level, by the Chief Risk Officer, who is charged with risk management for The Phoenix Insurance and The Phoenix Pension and Provident and receives reports about the risks embodied in the Group's financial activity from Excellence Nessuah's Chief Risk Officer, and manages The Phoenix Holdings' direct risks, including the Group's liquidity risks and alternative investment operations. In addition, the risk management of Gama Management and Clearing Ltd. is performed by the Gama Credit Risk Manager; for further details on the subject, see Section 1.3 below. Excellence Nessuah's activities include the areas of ETFs, mutual funds, portfolio management, stock exchange member, management and marketing of alternative products. These areas of activity have different risk characteristics than insurance operations and therefore risk management procedures and methods therein are different, as specified in Section 1.2. In some of Excellence Nessuah's areas of activity, dedicated functions responsible for risk management and control have been appointed, in accordance with the specific regulatory guidance applicable to each company.

NOTE 41 – RISK MANAGEMENT (cont.)**1.1. The insurance, pension and provident funds activity**

Risk Management at The Phoenix Insurance Company and The Phoenix Pension and Provident (hereinafter, jointly - "The Phoenix Insurance, Pension and Provident") aims to support and protect the companies against unexpected losses that may prevent them from achieving their business objectives, while complying with regulatory requirements.

The Phoenix Insurance, Pension and Provident's risk management policy is based on a firm-wide risk management concept. According to this concept, the risk management processes (identification, measurement and evaluation, monitoring and mitigation, monitoring and reporting) for each material type of risk, are carried out across the Company's activities. The key elements of this approach are overall, forward-looking and dynamic risk management.

The risk management unit works to implement a risk management culture in The Phoenix Insurance, Pension and Provident that reflects an understanding of the business activities and the risks involved, while constantly challenging the various business lines by the control and risk management functions.

The risk management process is carried out in collaboration with supporting units that include the actuarial, investment, reinsurance and comptroller functions.

At least once a year, the Board of Directors and the investment committees are presented with an identification and mapping of the risks that are material to the financial strength of the corporation, a description of the level of exposure to identified risks, a description of the control measures for these risks and recommendations for improvement of controls, as needed.

The Group attaches great importance to the involvement of the Board of Directors and the investment committees in the risk management process. In addition, the Board of Directors has appointed a Risk Management Committee, which discusses issues related to risk management and the economic solvency regime - including the risk profile and risk appetite framework - and makes risk management policy recommendations to the Board of Directors. The board of directors of The Phoenix Insurance and the board of directors of The Phoenix Pension and Provident set risk limits relevant to the area of activity, such as a stress limit, ALM limit, CPI linkage limit, interest rate sensitivity and liquidity limit, for exposure to market risks as well as limits for aggregate exposures due to investment activity.

Liquidity risks are managed as part of a model developed by the Risk Management Department. The calculations are based on accepted methodologies in the field and examine the effect of a stress scenario on the Company's ability to liquidate the assets. During the reporting year, regular reports were produced, which concentrated the analyses as stated. The results of the model are also reported to the Board of Directors and Investment Committee.

The board of directors and investment committees approve the investment policy in both participating and nostro portfolios, as well as the credit granting policies and procedures.

The board of directors of the Company and the board of directors of The Phoenix Insurance established strategy committees, which advise the boards on strategies and corporate development.

NOTE 41 – RISK MANAGEMENT (cont.)**1.1. The insurance, pension and provident funds activity (cont.)****The following are the processes and methods for managing the various risks:**

The board of directors of The Phoenix Insurance and the board of directors of The Phoenix Pension and Provident set a risk management policy, including with regard to the risk appetite of The Phoenix Insurance and The Phoenix Pension and Provident as to the various risk categories; The Phoenix Insurance and The Phoenix Pension and Provident operate in accordance with this policy.

1.1.1. Market and liquidity risks

The Group carries out its investments in accordance with the policy set by the Board of Directors and implemented by the various investment committees, subject to the Investment Regulations. The Group has implemented various systems for monitoring the market risks it faces. The controls are based on VaR (Value at Risk) calculations and various stress scenarios defined by the Company, using accepted methods to perform them. Risk measurement is performed on both assets and liabilities (ALM) using conventional methodologies based on VaR calculations and stress scenarios, which are performed according to a scenario defined as the result of extreme simultaneous changes in major market risks including interest rates, exchange rates and inflation rates, while taking into consideration the correlations between the various risk factors.

Furthermore, sensitivity tests and calculations are carried out to measure the effect of changes in economic parameters, both on the Group's balance sheet and on The Phoenix Insurance's economic solvency ratio. The boards of directors set limits to values at risk under the risk management policy as described above, and receive a report on compliance therewith. Ongoing reports that carry out such analyses are submitted to the investment committees, which meet regularly.

As part of the ALM policy, the board of directors of The Phoenix Insurance has set sensitivity scenarios for the various risk factors, the maximum percentage of non-linked assets and a minimum percentage of liquid assets.

In addition, the Investment Department holds regular discussions on position data and developments and changes in the markets. There are also ongoing controls in the back office unit as to data integrity and reliability. In addition, there are controls over compliance with the limits set by the Board of Directors, investment committees and Investment Regulations, which are regularly reviewed by the Investment Control Unit.

The boards of directors has set overall exposure limits (including: bonds, loans, shares, etc.), with the limits referring to a single issuer, Group, industry, geographical distribution and rating. Reports regarding the exposures and compliance with the limits are presented to the investment committees and the boards of directors.

The investment committees review the liquidity needs of The Phoenix Insurance, Pension and Provident, taking into account the Company's total liquidity needs and the planholders' portfolios in times of crisis.

For more information on exposure to market risks and liquidity risks, see Section 3 and 4 below.

NOTE 41 – RISK MANAGEMENT (cont.)**1.1. The insurance, pension and provident funds activity (cont.)****1.1.2 Credit risks in exposure to investment assets and reinsurers**Credit risks in exposure to investment assets

The Group has a credit policy, under which procedures for approving and granting loans are established, ranging from approval powers through the borrower's rating and analysis, to senior level approval or the relevant investment or credit committee, as required, all subject to the type of loan, rating and amount. The credit policy is based, inter alia, on the borrower's debt service capabilities, the quality of the collaterals, financial strength, diversification of the credit portfolio among a large number of borrowers, etc.

Detailed reports regarding the overall exposure in the nostro and the participating portfolios are generated frequently, using various cross-sections, such as: exposure to an issuer, Group, industry, geographical exposure, exposure to credit ratings, etc. The boards of directors set limits for the maximum exposure rate for each of the cross-sections mentioned above and any "irregularities" are reported to the investment committees and to the boards of directors based on the reports generated.

The Phoenix has developed and implemented a business credit rating model, which was approved by the Commissioner. In addition, the VaR calculations combine the spread risk to quantify the credit risk.

The Risk Management Division assesses and challenges the rating of new illiquid borrowings by the finance function.

A "debt forum" has been appointed; it includes investment, finance and risk management personnel, which aims to carry out a process of controlling and classifying troubled debts and reporting to the boards of directors about such debts.

Credit risks in exposure to reinsurers

The Phoenix Insurance purchases reinsurance policies in international markets. The Phoenix Insurance's ability to purchase reinsurance under good conditions is influenced by the Group's performance in particular and the global reinsurance capacity in general (which depends, inter alia, on the reinsurers' stability, the occurrence of catastrophe events in the world, and more). Changes in the prices and scope of reinsurance offered in these markets have an impact on the Group's profitability and ability to increase the volume of insurance and to undertake certain insurance liabilities. In addition, reinsurance does not exempt the Group from its obligations towards its policyholders according to the insurance policies and therefore the financial stability and credit rating of reinsurers may affect the business results of the insurance companies. Therefore, failure of a reinsurer to meet its obligations to the Group may have a material impact on The Phoenix Insurance's ability to meet its obligations to customers (e.g., upon the occurrence of a catastrophe event).

NOTE 41 – RISK MANAGEMENT (cont.)**1.1. The insurance, pension and provident funds activity (cont.)****1.1.2 Credit risks in exposure to investment assets and reinsurers (cont.)**

At least once a year, the Board of Directors of The Phoenix Insurance and the risk management committee discuss the policy of exposure to reinsurers and the insurer's assessments as to the management of the exposure and the controls. The exposure policy for reinsurers includes, among other things, the exposure management policy with reinsurers in the life, P&C and health segments, as well as defining a maximum exposure framework for reinsurers, according to parameters set by the Board of Directors.

The Board of Directors of The Phoenix Insurance approved a set of limits designed to ensure proper diversification among reinsurers as a function of their rating and exposure to them, both upon the occurrence of a catastrophe event and in the ordinary course of business.

For further details regarding exposure to credit risks of investment assets and reinsurers, see Section 6.6 above.

1.1.3 Operational risk

As part of its business operations, the Group is exposed to numerous operational risks such as: internal system failure, IT systems failure, including information security, human errors (employees, agents and suppliers), embezzlement, fraud, cyber-crimes and external damage to the Company such as due to an earthquake. The materialization of one or more of these risks can cause significant damage.

Operational risk management includes a variety of controls at various levels. These include controls such as: Audit Committee activity and audit discussions by management, as well as controls embedded in the business process itself and controls in apps and IT systems. The control array is based both on procedures and work practices defined by the managers responsible for the relevant activity and based on regulatory requirements such as the circular on embezzlement and fraud, information security, cyber, SOX 302 and SOX 404. There are also additional control entities in the business units.

The Group's internal audit system performs additional controls on a variety of areas of activity and, among other things, examines the existence and effectiveness of controls against operational risks while making recommendations for enhancing and improving controls.

The Group has an information security policy which determines, among other things, the Group's and management's commitment to the subject. It defines the principles for secure development, which serve as the basis for the development and implementation of the Group's websites, and for the implementation and maintenance of controls, procedures and information security mechanisms in the Group's IT systems. Principles are in place that address detecting, alerting, preventing and documenting exposures and materialization of events that impair availability, reliability, accuracy and confidentiality of the Group's IT systems.

NOTE 41 – RISK MANAGEMENT (cont.)**1.1. The insurance, pension and provident funds activity (cont.)****1.1.3 Operational risk (cont.)**

Guidelines, areas of responsibility and applicability have been established in the process of incorporating and integrating information security guidelines into business aspects and ongoing operations. Appropriate administrative infrastructure has been put in place in order to define and implement the full range of required information security activities.

The Phoenix has in place a regular process of assessing information security risks in IT systems and interfaces. The risk assessment defines the level of sensitivity of the systems and refers to the range of potential information security risks arising from the IT systems and current business conduct. Management directs appropriate resources to mitigate the risk based on the results of the risk assessment.

The Company operates dynamically to enhance and improve its cyber protection in accordance with the development of this risk. With a view to ensuring compliance with the IT systems' external and internal compliance requirements and internationally accepted standards, and to assess the risk management's effectiveness and safeguards applied in assessing the risks, information security risk audits and controlled penetration tests into the Company's IT systems are conducted periodically, and before any significant changes are made to the system or before introducing these systems to operational use.

The Group has a business continuity plan (BCP) in place, which includes the Emergency Response Procedure, strategy papers and business continuity policies. The emergency response file defines the resources and time-lines needed to recover critical processes in the various units under reference scenarios the established. The Phoenix Insurance prepared BCP sites, designated an emergency management team, dedicated teams to address the emergency situation, as well as business emergency teams. In June 2021 a methodical exercise took place in connection with the management of business continuity in the event of a cyber event, in accordance with the guidelines of the Capital Market Authority.

In 2021, cyber security actions focused on further reinforcing the organization's defenses by increasing technological and operational capabilities to mitigate cyber and information security risks, through, among other things, implementing advanced defense technologies, improving authentication and alert capabilities, and improving the organization's operational and technological cyber crisis management capabilities at the Group level. As part of the actions that were implemented, the information security department focused on increasing awareness among employees that serves as the most significant line of defense against cyber events, in order to identify such events and even prevent them. Furthermore, the information security department continued developing authentication controls as well as controls aimed to prevent information leakage, with the understanding that one of the Company's most significant assets is sensitive and private information of its customers.

NOTE 41 – RISK MANAGEMENT (cont.)**1.1. The insurance, pension and provident funds activity (cont.)****1.1.4 Insurance risks**

Risk management processes in this area are carried out on several levels: at the Board of Directors, risk management committee, senior management, risk management department, actuarial department, reinsurance department and control department. These processes include generating reports and holding discussions, as well as current reports on, among other things, exposure, adequacy of reserves, actuarial pricing, launch of insurance plans and/or new products.

To the extent possible, significant life, health, and property and casualty insurance risks are estimated by applying a set of stress scenarios to the various portfolios in accordance with the Economic Solvency Regime.

New products launched by the Company are approved by the Chief Risk Officer, the Supervising Actuary, the IT systems manager and the legal counsel. The above assess the risks and exposures associated with the product, including with regard to the impact on the Economic Solvency Regime.

The risks embodied in insurance products are mitigated by the high diversification of insurance contracts. Risks are mitigated through the selection and implementation of underwriting strategies and diversification by industries, geographies, risk types, coverage level, etc.

The assessment of the Company's exposure to an earthquake risk in Israel, which is the major catastrophe event to which it is exposed, is conducted using international models, and the Company acquires protection for this risk based on this assessment.

For more information on exposure to insurance risks, see Section 5 below.

1.2. Financial services activity

Excellence's activities expose it to various risks, such as market risk (including currency risk and fair value risk with respect to interest rate and index risk), credit risk and liquidity risk, operational risk and regulatory risk. The following are details of risk factors involved in Excellence's activities and risk management procedures and methods:

1.2.1 Market risk

Excellence Group companies operate directly and indirectly in the areas of investment management, portfolio management, financial products, ETF and mutual fund management as well as management and marketing of alternative products. The capital market is characterized by volatility, due to, among other things, the effect of political, security and economic factors in Israel and globally, which the Group companies have no control over. Such volatility has an effect on the extent of the public's activity in the capital market and on securities' prices. A change in the total amount and value of the investment portfolios, fund assets and ETFs managed by the Group, as well as the number of Group customers, affects the income of the Group's companies. Therefore, adverse trends in securities' prices and volume of capital market activity may adversely affect the Group's results.

NOTE 41 – RISK MANAGEMENT (cont.)**1.2 The financial services activity (cont.)****1.2.1 Market risk (cont.)**

The Group has implemented various systems for monitoring the market risks it faces. The controls are based, among other things, on various stress scenarios defined by Excellence or on calculations of exposures to sectors, borrower groups, and the like, using generally accepted methods. In addition, the various boards of directors and committees of subsidiaries have set limits on risk metrics that are reviewed on a regular basis. Regular reports which summarize the analyses as aforesaid are accordingly submitted for review by the various committees.

A) Exposure to the capital market

Excellence operates in various areas of the capital market, characterized by high volatility. The volatility has an impact on the volume of the public's activity in the capital market and on securities' prices, and as a result, on the business results of Excellence. Excellence regularly monitors developments and changes in the markets through the investment and analysis departments of the relevant companies.

In 2018, Amendment 28 to the 1994 Joint Investment in Trust Law came into effect, transforming ETNs into ETFs. The amendment allowed tracking funds (including ETFs) to set variable management fees, which meant that fund managers would benefit from profits if the fund achieved excess return compared to the relevant index, and on the other hand - pay holders if the fund underperforms compared to the said index, up to 0.1%, 0.2% or 0.3% (depending on the type of the tracking fund's tracked asset).

As a result, Excellence is exposed to losses in a number of ETFs with variable management fees. Accordingly, the ETF manager operates in accordance with the market risk management policies (including interest rate risk), credit risks, liquidity risks and operational risks, which aim to ensure maximum correlation between the ETF's liability and the backing assets, including investment restrictions set in the funds' prospectuses and the provisions of the law, and the establishment of an investment policy approved by the Board of Directors of fund manager, which is reported to the public. In addition, as part of this amendment, a subsidiary of Excellence began providing market making services for the ETFs. The company provides market-making quotes for ETFs on the TASE and originates and redeems the units at the end trading for the fund manager. The market making company has exposures to the coverage required to originate and redeem the ETFs for the fund manager. The market making company has in place exposure limits for the purpose of restricting the exposure that will apply in respect of its activities as determined by the company's board of directors.

NOTE 41 – RISK MANAGEMENT (cont.)**1.2 The financial services activity (cont.)****1.2.1 Market risk (cont.)****B) Exchange rate risks**

Excellence is exposed to foreign currency changes, mainly in the activities of the ETFs, for which variable management fees have been set, which include, among other things, issuing foreign currency linked bonds and/or issuing ETFs that are linked to a foreign index and, as a result may, may also be affected by foreign currency fluctuations, all up to 0.1%, 0.2% or 0.3%, depending on the type of the tracking fund's tracked asset. However, since Excellence invests the issuance proceeds of the above products in backing assets that track the index, including in the foreign currency and/or with linkage similar to that of the issued products, any net foreign exchange exposure has no material effect on Excellence's operating results. Some of the revenue of Excellence Group companies, mainly those of the TASE member, are denominated in foreign currency, mainly due to customers' transactions involving foreign securities. These revenues are subject to exchange rate changes.

C) Interest rate risk

As part of the ETF activity, Excellence invests in short-term deposits against the derivatives activity. Changes in the interest rate curves can cause a loss of income in funds with variable management fees, up to 0.1%, 0.2% or 0.3%, depending on the tracking fund's type of tracked asset. In addition, as part of the management of the customer deposits of Excellence's TASE member, customer funds are deposited for different periods (up to one year) and changes in short-term interest rate curves may cause a loss.

1.2.2 Credit risk

The credit risks, handled at the Excellence group level, stem mainly from cash and cash equivalents, deposits (including customer deposits held in trust), deposited with banks and other financial institutions in Israel and abroad. Termination of contracts with the aforementioned parties for reasons of lack of financial strength and/or financial stability and/or insolvency events by these third parties and/or for any other reason, could result in significant losses to Excellence and impair the scope of its activities.

In addition, as part of its business activities, Excellence's TASE Member provides credit and guarantees to activities involving its customers' securities. The credit is backed in accordance with the TASE Regulations by the collateral of liquid securities, the prices of which may fall to such an extent that the collateral will not be sufficient to cover the credit. In the event of high volatility in the prices of the assets included in the said collaterals, customers' collateral may be eroded such that the credit risk will increase. In addition, the TASE Member provided guarantees for the lending of securities.

As part of Excellence's membership with the Tel Aviv Stock Exchange, a total of approximately NIS 35 million (after the weights applied by the TASE) was deposited as of December 31 2021 in favor of the TASE's risk reserve, in accordance with Excellence's proportionate share in trading on the TASE.

NOTE 41 – RISK MANAGEMENT (cont.)**1.2 The financial services activity (cont.)****1.2.2 Credit risk (cont.)**

Excellence's investments in non-recourse back-to-back bonds is the sole source of financing for payments to structured bond holders issued by subsidiaries, and therefore Excellence is not exposed to credit risk in respect of them.

As a rule, each company's board of directors defined its credit risk appetite using designated limits that are regularly audited and reported to the relevant committees.

1.2.3 Liquidity risk

The mutual funds and the TASE member deposit balances from funds and securities under their management with banks and TASE members. Significant withdrawals by the customers could impair the financial assets.

Additional liquidity risks in Excellence may arise from a situation in which the TASE member may find it difficult to meet its financial obligations in market situations such as: unexpected customer withdrawals, unexpected demand for credit, and uncertainty about the availability of sources. To reduce exposure, procedures and/or policies were put in place to manage this risk; the procedures and policies are monitored regularly and reported to relevant forums. During the past few years, The Phoenix Insurance issued insurance for Excellence Guarantee in respect of liquidity risks.

1.2.4 Settlement risk

Excellence carries out brokerage activities for customers, including the acquisition of Israeli and foreign securities, characterized by a time gap of up to t+3 between the purchase of the securities and receipt of the proceeds for the said purchase. Until the purchase proceeds are received, they are guaranteed by the securities purchased. As a result of the aforementioned time gap, in the event of non-payment of the consideration by the customers, Excellence is exposed to volatility in relation to the securities purchased and used as collateral for the purchase proceeds. Exposure controls have been set to mitigate this risk; controls are monitored regularly and reported to the relevant forums.

1.2.5 Risk of lending (short sale)

Excellence's exposure to securities with low marketability increases when short sales are carried out (lending), when trading is suspended or when there are trading difficulties, and may lead to a situation where Excellence Group companies are unable to close the lending transaction in the quantities and dates required to carry out the covering activity in accordance with the terms and conditions of the lending transactions. However, in this context, it should be emphasized that the companies are careful to carry out the lending and selling activities in securities which have sufficient marketability.

1.2.6 Operational risk

In the course of its business operations, Excellence is exposed to numerous operational risks, including IT and cyber risks, such as: internal systems failure, information and IT and computer systems failure, including information security, human errors (employees, agents and suppliers), fraud, cyber-crimes and external damages such as earthquake. The materialization of one or more of these risks can cause significant damage.

NOTE 41 – RISK MANAGEMENT (cont.)**1.2 The financial services activity (cont.)****1.2.6 Operational risk (cont.)**

KSM Mutual Funds has developed an internal system for revaluing all ETFs independently of the operating bank. Damage to and/or shutdown of the system can adversely affect both the funds' management and their reputation.

Accordingly, Excellence has drafted a business continuity plan designed to ensure the continued functioning of its business.

Operational risk management includes a variety of controls at various levels as well as enforcement mechanisms. These include controls such as: audit committees' activity as well as controls embedded in the business process itself and controls in apps and IT systems. The control array is based both on the procedures and work practices defined by the managers responsible for each activity, and on various regulatory requirements.

In addition, the companies periodically carry out operational risk surveys, including improvement of mitigation programs, to minimize the risks. Moreover, each company has defined business continuity plans that are reviewed at least once a year across all investment house companies.

1.2.7 Risk due to regulatory changes

The Group's many areas of activity expose it to various regulators, who maintain a tight regulatory environment that is constantly evolving. Changes in legislation and regulations in the securities field in general, and in the field of financial products in particular, may adversely affect the ability of Group's companies to operate in their respective areas of activity and the Group's profitability in this area, reduce revenues and require them to have additional equity capital.

1.3 The Credit Segment

As of the date of the report, most of the Group's credit activity is concentrated in Gama. As of June 2021, as a result of assuming control over Gama, the Company presents the company's results as a reportable segment. For further details, please see Note 4B.

Gama is engaged in the provision of credit to licensed businesses and corporation through a range of products; credit to private customers accounts for a marginal portion of this activity. As part of its activities, Gama is exposed to a range of risks, including credit default and insolvency of borrowers.

1.3.1 Risk management framework

The overall responsibility to establish and monitor Gama's risk management policy lies with its Board of Directors and management.

Gama's risk management policy was established in order to identify and analyze the risks it is exposed to, set adequate restrictions in respect of the risks, and controls to monitor them and to ensure compliance with the restrictions. The risk management policy and methods are reviewed continuously in order to reflect changes in market conditions and in Gama's activity. Gama works to achieve an effective control environment in which all employees understand their roles and responsibilities; this is achieved through training, standards and procedures.

NOTE 41 – RISK MANAGEMENT (cont.)

1.3 The Credit Segment (cont.)

1.3.1 Risk management framework (cont.)

The management of Gama's risks is conducted mainly by VP Credit Risks Management, in accordance with procedures approved by Gama's management. As part of his role, VP Credit Risks Management is in charge, among other things, on correct identification and assessment of the exposures; writing procedures, forming control mechanisms and testing their effectiveness; assessing credit applications and putting in place controls over Gama's compliance with the credit policy approved by the Board of Directors.

1.3.2 Credit Risk

Gama's credit risk stems mainly from customers' debts to Gama. So long as the debt is not impaired (was not passed to the legal department), Gama monitors the credit risk at the level of closing balances and at segment level; once the debt becomes impaired, Gama manages the credit risk on a specific basis for each and every balance.

- **Trade and other receivables:** Gama's exposure to credit risks is mainly affected by the specific characteristics of each customer. Gama's ability to collect the entire debt in respect of transactions it executes may potentially have a significant effect on its operating results. Bad debts might have an adverse effect on Gama's profitability. In order to ensure the highest possible level of debt collection, and in order to instigate collection procedures against customers, Gama invests many resources in the mitigation of risks arising from its engagements with customers, including background and solvency checks, diversification of customers and avoiding inter-dependence or mutuality, etc. Furthermore, Gama demands various types of collaterals as a condition for providing loans. Notwithstanding the foregoing, there is no certainty that the steps taken by Gama will ensure the repayment of the loans it provides; therefore, there is a constant exposure to this risk.
- **Financial guarantees:** Gama offers its customers the provision of guarantees of various types, including rental guarantees, suppliers guarantees, tender guarantees, and more. The maximum exposure to credit risk in respect of financial guarantees constitutes the maximum amount that Gama is required to pay in the event that the guarantee is exercised.

Collateral

Gama mitigates the credit risk through collaterals, both at the level of the customer (where relevant) and at the level of the drawer.

Set forth below is information regarding the collaterals available to Gama at the segment level; it should be noted that there are cases where only some of the collaterals are required, in accordance with the sector, ownership, product, asset and equipment type, nature of the business and its classification, all subject to Gama's discretion:

- **Credit cards, factoring and clearing credit vouchers** - right of set-off in respect of balance of funds that have not yet been repaid to the business; right of recourse and promissory note of the business with respect of vouchers that were not repaid in contrast to the business's representations, personal guarantees and promissory note of the owners of the business for the debiting of the business; right to offset against other rights of the business towards Gama arising from other activities.
- **Checks factoring** - right of recourse and promissory note of the merchant that delivered the check; personal guarantees and promissory note of the owners of the merchant; right to offset against other rights of the merchant towards Gama arising from other activities; right of claim against any party who is signed on the check, including the drawer of the check, with Gama being entitled to hold the check.

NOTE 41 – RISK MANAGEMENT (cont.)

1.3 The Credit Segment (cont.)

1.3.2 Credit risk (cont.)

- **Financing of activity against real estate** - placing charges on the real estate asset, with the LTV approved by Gama to its customers normally being a proportion of the value of the asset; however, there are transaction where the LTV is lower or higher, where the real estate asset constitute a component in a range of collaterals required when credit is provided to the customer, such as indebtedness and promissory notes of the borrower and personal guarantors for the loan. The real estate assets mainly include residential properties, commercial properties, offices and land.
- **Loans** - guarantee by the legal entity, owners' guarantee and a promissory note.
- **Factoring** - partial payment to the merchant out of the invoice amount; right of recourse and promissory note of the merchant with respect of invoices that were not repaid due to commercial disputes, personal guarantees and promissory note of the owners of the merchant for the debiting of the merchant; right to offset against other rights of the merchant arising from other activities; right of claim against the debtor who issued the invoice.
- **Guarantee** - personal guarantees and promissory note of the owners of the merchant for the debiting of the merchant; right to offset against other rights of the merchant towards Gama arising from other activities.
- **Financing of equipment** - placing a fixed charge on the equipment whose purchase was financed; credit insurance in favor of Gama up to a certain percentage of the credit amount; indebtedness and promissory notes of the borrower and personal guarantors for the loan; right to offset against other rights of the merchant towards Gama arising from other activities.

1.3.3 Liquidity risk:

Gama's financing sources and amounts have a direct effect on its turnover and profitability, as well as its stability. Gama's ability to provide loans and its operating capabilities are higher than its abilities to provide loans from own resources. Consequently, Gama is continuously engaged in developing and maintaining diverse funding sources - including credit from banks and institutional entities, bonds, and agreements for the sale of vouchers of transactions conducted using debit cards. Reducing Gama's capabilities to raise funding sources shall have an adverse effect on the level of services it provides. However, Gama believes that in view of the diversification of its sources of financing, and the access it has to multiple sources of financing, it is able to successfully mitigate that risk.

1.3.4 Market risk:

- **Prime interest rate risk in respect of cash flows** - the credit Gama raises bears non-linked interest. Gama believes that an increase in the prevailing interest rates in Israel might give rise to a certain exposure in respect of deferred receivables that have not yet been repaid. In Gama's opinion, in view of the short average duration of its credit portfolio and the financing structure of its transactions, this exposure is not material.
- **Index risk and foreign currency risk** - the credit raised by Gama and the credit it extends to its customers is not linked to any index or foreign currency; therefore, its exposure to index risk and foreign currency risk is negligible.

NOTE 41 – RISK MANAGEMENT (cont.)**2. Legal requirements**

The Group operates within the existing regulatory requirements and is in compliance with the various implementation schedules. Various regulatory requirements regarding risk management have been published in recent years; the main ones are as follows:

- 2.1 The provisions of the consolidated circular dealing with the risk management function and setting the powers, roles and work methods of a Chief Risk Officer and the risk management department.
- 2.2 The provisions of the institutional entities circular regarding the board of directors of an institutional entity, which includes a requirement for setting a risk exposure policy, exposure caps, procedures and tools to measure risks and place controls thereon.
- 2.3. Provisions regarding credit risk management, their assessment and controls, in Chapter 4 of the consolidated circular.
- 2.4. Provisions of the consolidated circular regarding management of the credit risk against the exposure to reinsurers.
- 2.5. Provisions on handling specific categories of operational risks: embezzlement and fraud, management of information security risks, management of IT technologies and the risks arising therefrom and financial reporting controls (SOX) (for more information, see Section 1.1.3 above).
- 2.6 Supervisor's provisions regarding capital requirements - the Group is subject to the Supervisor's directives regarding capital requirements. On June 30 2017, a risk-based economic solvency regime implemented by the Group came into effect. For further details, see Note 8E.
- 2.7 The investment regulations - the Company manages assets in accordance with the Investment Regulations.

3. Market risks

Market risk is, as stated, the risk that the fair value and/or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among other things, risks arising from changes in interest rates, share prices, the consumer price index and foreign currency. The main market risks the Group faces are as follows:

Interest rate risk - the risk that the value of a financial asset and/or liability will change as a result of changes in market interest rates. In most of the Company's areas of activity, the average duration of assets does not match the average duration of liabilities, especially life insurance liabilities, the average duration of which is significantly longer than that of the assets. As a result, low interest rates and a further decline in interest rates have the effect of reducing future returns on assets against liabilities and reducing the value embodied in life insurance portfolio.

NOTE 41 – RISK MANAGEMENT (cont.)**3. Market risks (cont.)**

In light of regulatory changes taking place in the world, preparations are being made in the global market towards the cessation of the use of LIBOR interest rates and transition to new benchmark interest rates starting in late 2021 (hereinafter - the "Reform"), which is based more on specific transaction data. This Reform may affect financial markets and market participants if entities do not take the necessary steps to make an orderly transition to the new benchmark interest rates, including the functioning, liquidity, and value of financial instruments based on IBORs. The Company has begun the process of identifying existing contracts for financial instruments that are expected to mature subsequent to the end of 2021, in order to determine its exposure to LIBOR. In addition, the Company is assessing the need to take the necessary actions in order to reduce exposure, such as, re-negotiating with parties to the contract in order to reduce the contractual uncertainty.

Equity and non-financial assets risk - a risk arising from changes in stock prices or the fair value of non-financial assets.

Credit spread risk - the loss that may be caused by changes in the credit spread risk between corporate bonds and (risk-free) government bonds. Changes in credit spreads should reflect the changes in the borrower's probability of default (PD) and the changes derived from the "market" fluctuations. The Company invests in shekel-denominated corporate bonds, CPI-linked and forex-linked bonds and is exposed to increase in credit spreads.

Risks related to the CPI - a real loss due to the erosion of the value of shekel-denominated assets as a result of rising inflation beyond the inflation expectations implicit in the capital market, against the insurance liabilities, most of which are CPI-linked. In life insurance (in respect of that portion of the life insurance portfolio that is not backed by designated bonds), in property and casualty insurance in the equity portfolio, the linkage of assets does not fully correspond to the linkage of the liabilities. This risk is material, especially in nostro portfolios, where almost all liabilities are linked to the CPI, while not all assets are CPI-linked.

Currency risk - the risk that the fair value or future cash flows arising from an asset or liability will change as a result of changes in foreign exchange rates.

The value of the Group's assets and liabilities is exposed to the risks outlined above. Therefore, the income from the investments against the insurance and equity reserves has a material effect on profit. A significant portion of the Group's asset portfolio is invested in liquid securities and financial derivatives, which are characterized by volatility as a result of political and economic events in Israel and around the world. Liquid securities are recorded in accordance with their prices as of the reporting date. As a result, the volatility of these investments may have a material effect on the Group's profitability and equity capital.

The extent of the effect on earnings depends on the characteristics of the insurance liabilities (nostro, yield-dependent) and the terms and conditions of the management fees for the products against which the relevant reserve is held.

NOTE 41 – RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.1 Yield-dependent contracts

Yield-dependent liabilities are liabilities in respect of contracts in which the beneficiary's insurance benefits depend on the yield generated by investments that are recorded against the liabilities in respect of these policies, net of management fees as follows:

- In participating policies issued from 2004 onwards - the return on investments is credited to the policyholders while the insurer is entitled to fixed management fees. In accordance with the Knesset Finance Committee's decision, as of January 2014, the maximum annual management fees were limited to 1.05% of the accumulated balance and up to 4% of current contributions, with the recipients of old-age and dependents allowances paying up to 0.6% (0.3% in policies sold as of February 2022) of the assets against the fund's obligations towards them. It should be noted that for insurance policies, the management fees cap will not apply to insurance policies issued before January 1 2013. In these products, the effect of the returns on the insurance company's profits is reduced to the exposure derived from the total amount of the reserve from which the insurer's management fees are derived.
- In participating policies issued until December 31 2003, the return on investments is credited to the policyholders, while the insurer is entitled to a fixed management fees of 0.6% of the accrual, and to variable management fees of 15% of the real profit obtained after deduction of the fixed management fees. In these policies, when the return is negative, the Company may not charge variable management fees as long as a positive return has not been achieved that will cover the accumulated negative return. In the case of these products, in addition to the accrual-derived exposure, the Company's profits are affected by the variable management fees derived in accordance with the real return credited to the policyholders.
- In the pension and provident funds business, excluding Gmula (which ensures returns) the return on investments (net of fixed management fees) is credited to the planholders and therefore, the effect of the investment results on the profits of the pension fund's management company or the provident funds is derived from the management fees paid to the management company, based on total assets under management.

With regard to the assets and liabilities in respect of these products, the insurance company does not have direct exposure to changes in the interest rates, fair value of the investments or CPI, except for the potential effect on the K factor, paid pensions reserve and the reserve to deferred annuity in participating policies. The effect of the financial results on the insurance company's profits is reduced to exposure derived from the management fees, which vary according to the volatility of the return credited to the policyholders, only for policies issued until 2004 and from the total liabilities from which the insurer's fixed management fees are derived for all yield-dependent products.

In view of the above, the sensitivity tests and the repayment dates of the liabilities as listed in the tables below do not include yield-dependent contracts, except through the effect of the interest rate on the K factor, paid pension liabilities and the liability for deferred annuity in respect of these contracts.

NOTE 41 – RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.1 Yield-dependent contracts (cont.)

The following is a sensitivity test for yield-dependent contracts and the manner by which profit (loss) is affected by any change in yields:

Any 1% change in the real return on investments under yield-dependent contracts in respect of policies issued until 2004, the liability amount of which as of December 31 2021 is NIS 39 billion (NIS 34 billion at December 31 2020) affects the variable management fees by NIS 58 million (in 2020 - a total of NIS 51 million); such a 1% change affects the fixed management fees by NIS 2 million (no significant change over last year). The effect of such a change on policies issued from 2004 onwards is immaterial. For more information on variable management fees, see Note 30.

3.2 Sensitivity tests regarding market risks for non-yield dependent contracts

In non-participating life insurance policies - most of the life insurance portfolio is for guaranteed-return policies, which are mainly backed by designated bonds (linked life insurance bonds, hereinafter - "Hetz") issued by the Bank of Israel throughout the policy period. Therefore, the Company has overlapping financial coverage in respect of most of its interest and linkage liabilities for the entire life of the policies. As of December 31 2021, the designated bonds covered approximately 65.65% (as of December 31 2020 - approximately 68.39%) of total life insurance liabilities in these plans. Thus, changes in the capital markets, the consumer price index and exchange rates may have a material effect on the Group's results of operations.

For other investments in the life insurance business, there is exposure to interest rates that will prevail upon recycling the investments whose duration may be less than the average duration of insurance liabilities. For these products, as well as for ongoing payment claims, long-term care insurance and income protection insurance, the calculation of the insurance liability is based on the policy's calculative interest rate.

The following are sensitivity tests that show the change in the income (loss) for the period and total comprehensive income (loss) for financial assets, financial liabilities and liabilities in respect of insurance contracts and investment contracts, for the relevant risk variable at each reporting date and assuming that all other variables remain constant. For example, the change in interest rate is taken into account assuming that all other parameters remain constant. The changes in variables are in relation to the carrying amount of the assets and liabilities. It has also been assumed that the aforementioned changes do not reflect a permanent impairment of assets presented at amortized cost or of available-for-sale assets and, therefore, in the above sensitivity tests, no impairment losses were included for these assets. Sensitivity tests reflect only direct effects; they do not reflect secondary effects. It should also be noted that the sensitivities are not linear, such that greater or more minor changes relative to the changes described below are not necessarily a straightforward extrapolation of the effect of these changes.

NOTE 41 – RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.2 Sensitivity tests regarding market risks for non-yield dependent contracts (cont.)

As of December 31 2021:

	Interest rates (1) (2)		Investments in equity instruments (3)		% of change in the Consumer Price Index (5)		% of change in foreign currency exchange rates	
	1%+	1%-	10%+	10%-	1%+	1%-	10%+	10%-
	In NIS thousand							
Profit (loss)	636,301	(773,432)	31,678	(31,678)	(52,407)	52,407	(146,957)	146,957
Comprehensive income (loss) (shareholders' equity) (4)	248,024	(311,074)	452,140	(452,140)	(52,407)	52,407	117,926	(117,926)

As of December 31 2020:

	Interest rates (1) (2)		Investments in equity instruments (3)		% of change in the Consumer Price Index (5)		% of change in foreign currency exchange rates	
	1%+	1%-	10%+	10%-	1%+	1%-	10%+	10%-
	In NIS thousand							
Profit (loss)	548,137	(643,804)	12,258	(12,258)	(44,294)	44,294	(91,600)	91,600
Comprehensive income (loss) (shareholders' equity) (4)	79,281	(76,624)	305,731	(305,731)	(44,294)	44,294	93,430	(93,430)

- (1) The interest rate change sensitivity analysis applies to both fixed interest rate instruments and variable interest rate instruments. The exposure related to fixed interest rates instruments is calculated in relation to the instruments' carrying amount, and the exposure in relation to variable interest rate instruments is calculated in relation to the interest income. Out of assets with direct interest rate risk, the sensitivity tests did not take into account illiquid debt assets classified as loans and receivables, which are not taken into account in liability adequacy testing, and in testing cash and cash equivalents, reinsurance assets, assets against participating policies, financial liabilities and reinsurers' deposits and balances. The assets to which the sensitivity analysis was applied constitute approximately 16% of total assets for non-yield dependent contracts (December 31 2020 - 20%).
- (2) The sensitivity analysis includes the effect on the insurance liabilities, including the effect of the liability adequacy testing for life insurance and long-term care reserves, as well as income protection and long-term care insurance policies against the value of the portfolio as described in Note 2.J. The effect of a 1% decrease in the interest rate on the profit and comprehensive income in respect of insurance liabilities included in the sensitivity analysis is estimated at a NIS 805 million profit after tax (approximately NIS 674 million as of December 31 2020). The effect of a 1% increase in the interest rate on the profit and comprehensive income in respect of insurance liabilities included in the sensitivity analysis is estimated at a NIS 664 million increase (NIS 565 million as of December 31 2020). The above data do not include the effect of changes in the interest rate on the special reserve due to discounting of allowances in the compulsory motor and liability insurance subsegments, as described in Section 5.2.2.5 below.
- (3) Investments in instruments with no fixed cash flows, or alternatively, where the Company has no information about this cash flow (in accordance with the definitions in IFRS 7 - do not include investments in associates). Sensitivity analyses are based on carrying amount rather than on economic value. As to derivatives, the effect on exposure was calculated in delta terms.
- (4) The sensitivity analyses in relation to the comprehensive income (loss) also reflect the effect on the income (loss) for the period. The calculation takes into account the relevant tax rate for each period.
- (5) Non-monetary items were also included in the sensitivity tests for the CPI and currencies.

NOTE 41 – RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.3 Direct interest rate risk

Direct interest rate risk is the risk that a change in the market interest rate will cause a change in the fair value or cash flow resulting from the asset or liability. This risk relates to assets that are cleared in cash. The addition of the word "direct" highlights the fact that the change in interest rates can also affect other types of assets, but not directly, such as the effect of the change in interest rates on stock prices.

The following is a breakdown of assets and liabilities according to exposure to interest rate risks:

	As of December 31 2021		
	Non yield- dependent In NIS thousand	Yield- dependent In NIS thousand	Total In NIS thousand
Assets with direct interest rate risk			
Liquid debt assets	7,472,933	22,194,850	29,667,783
Illiquid debt assets:			
Hetz bonds and treasury deposits	8,166,309	370,837	8,537,146
Other	5,798,132	7,730,045	13,528,177
Other financial investments	503,991	864,723	1,368,714
Cash and cash equivalents	2,154,153	13,785,593	15,939,746
Reinsurance assets	2,674,947	131,599	2,806,546
Customer loans and collectible checks	1,438,876	-	1,438,876
Total assets with direct interest rate risk	28,209,341	45,077,647	73,286,988
Assets without direct interest rate risk (*)	18,253,571	52,039,016	70,292,587
Total assets	46,462,912	97,116,663	143,579,575
Liabilities with direct interest rate risk			
Financial liabilities	8,526,941	285,741	8,812,682
Liabilities in respect to insurance contracts and investment contracts	25,112,986	95,628,584	120,741,570
Deposits by reinsurers and others	1,235,011	72,285	1,307,296
Total liabilities with direct interest rate risk	34,874,938	95,986,610	130,861,548
Liabilities without direct interest rate risk (**)	2,747,845	47,093	2,794,938
Equity capital	9,923,089	-	9,923,089
Total capital and liabilities	47,545,872	96,033,703	143,579,575
Total assets less liabilities	8,840,129	1,082,960	9,923,089
Off-balance sheet risk (commitments to provide credit)	2,866,912	1,012,291	3,879,203

(*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and rental property, deferred acquisition expenses and other assets, as well as balance sheet classes of financial assets (collectible premiums current account balances of insurance companies and receivables and debit balances), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

(**) Liabilities that do not have a direct interest rate risk include: tax reserves, various types of debt balances, etc.

NOTE 41 – RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.3 Direct interest rate risk (cont.)

	As of December 31 2020		
	Non yield- dependent	Yield- dependent	Total
	In NIS thousand	In NIS thousand	In NIS thousand
Assets with direct interest rate risk			
Liquid debt assets	8,095,468	21,761,391	29,856,859
Illiquid debt assets:			
Hetz bonds and treasury deposits	8,190,398	358,783	8,549,181
Other	5,816,791	6,760,830	12,577,621
Other financial investments (*)	415,723	898,894	1,314,617
Cash and cash equivalents	1,545,903	10,464,216	12,010,119
Reinsurance assets	2,410,683	120,976	2,531,659
Total assets with direct interest rate risk	<u>26,474,966</u>	<u>40,365,090</u>	<u>66,840,056</u>
Assets without direct interest rate risk (**)	<u>14,654,755</u>	<u>37,668,994</u>	<u>52,323,749</u>
Total assets	<u>41,129,721</u>	<u>78,034,084</u>	<u>119,163,805</u>
Liabilities with direct interest rate risk			
Financial liabilities	6,681,442	362,272	7,043,714
Liabilities in respect to insurance contracts and investment contracts	23,469,887	76,856,913	100,326,800
Deposits by reinsurers and others (*)	1,126,024	67,936	1,193,960
Total liabilities with direct interest rate risk	<u>31,277,353</u>	<u>77,287,121</u>	<u>108,564,474</u>
Liabilities without direct interest rate risk (***)	<u>2,458,683</u>	<u>58,818</u>	<u>2,517,501</u>
Equity capital	8,081,830	-	8,081,830
Total capital and liabilities	<u>41,817,866</u>	<u>77,345,939</u>	<u>119,163,805</u>
Total assets less liabilities	<u>7,393,685</u>	<u>688,145</u>	<u>8,081,830</u>
Off-balance sheet risk (commitments to provide credit)	<u>1,350,247</u>	<u>393,205</u>	<u>1,743,452</u>

(*) Reclassified.

(*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and rental property, deferred acquisition expenses and other assets, as well as balance sheet classes of financial assets (collectible premiums current account balances of insurance companies and receivables and debit balances), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

(***) Liabilities that do not have a direct interest rate risk include: tax reserves, various types of debt balances, etc.

NOTE 41 – RISK MANAGEMENT (cont.)**3. Market risks (cont.)****3.4 Breakdown of assets and liabilities by linkage bases (*)**

	As of December 31 2021							
	In NIS - non- linked	In NIS - CPI-linked	In USD or USD- linked	In EUR or EUR- linked	In foreign currency or linked thereto	Non- financial and other items	Liabilities for yield- dependent contracts	Total
	In NIS thousand							
Intangible assets	-	-	-	-	-	2,775,060	-	2,775,060
Deferred tax assets	-	-	-	-	-	67,650	-	67,650
Deferred acquisition costs	-	-	-	-	-	2,009,402	1,246	2,010,648
Property, plant & equipment	-	-	-	-	-	902,239	-	902,239
Investments in associates	59,740	17,397	-	6,170	-	1,263,076	-	1,346,383
Investment property in respect of yield- dependent contracts	-	-	-	-	-	-	2,062,862	2,062,862
Investment property - other	-	-	-	-	-	1,124,834	-	1,124,834
Reinsurance assets	721,322	1,917,122	36,503	-	-	-	131,599	2,806,546
Receivables and debit balances	653,542	1,833	46,137	-	-	-	11,112	712,624
Credit for purchase of securities	426,000	-	71,000	-	-	-	-	497,000
Current tax assets	-	108,134	-	-	-	-	-	108,134
Premiums collectible	346,908	300,056	-	-	-	-	25,592	672,556
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, and deposit certificates	-	-	206,000	-	-	-	-	206,000
Financial investments in respect of yield- dependent contracts	-	-	-	-	-	-	81,098,659	81,098,659
Credit in respect of factoring, clearing and financing	2,550,392	-	-	-	-	-	-	2,550,392
Other financial investments:								
Liquid debt assets	1,739,872	4,187,102	1,109,967	249,957	186,035	-	-	7,472,933
Illiquid debt assets	2,345,343	10,724,425	320,306	392,189	182,178	-	-	13,964,441
Shares	-	-	-	-	-	2,761,897	-	2,761,897
Other	479,076	18,039	60,441	13,689	1,492	3,926,234	-	4,498,971
Total other financial investments	4,564,291	14,929,566	1,490,714	655,835	369,705	6,688,131	-	28,698,242
Cash and cash equivalents for yield- dependent contracts	-	-	-	-	-	-	13,785,593	13,785,593
Other cash and cash equivalents	1,243,654	-	442,941	376,199	91,359	-	-	2,154,153
Total assets	10,565,849	17,274,108	2,293,295	1,038,204	461,064	14,830,392	97,116,663	143,579,575

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, please see the sensitivity table in Section 3.2 to this note.

NOTE 41 – RISK MANAGEMENT (cont.)**3. Market risks (cont.)****3.4 Breakdown of assets and liabilities by linkage bases (*) (cont.)**

	As of December 31 2021							Total
	In NIS - non- linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR- linked	In other foreign currency or linked thereto	Other non- monetary items	Liabilities for yield- dependent contracts	
	In NIS thousand							
Total equity	-	-	-	-	-	9,923,089	-	9,923,089
Liabilities								
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	824,860	24,241,603	46,523	-	-	-	-	25,112,986
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	95,628,584	95,628,584
Deferred tax liabilities	-	-	-	-	-	873,302	-	873,302
Liability for employee benefits, net	72,401	-	-	-	-	-	-	72,401
Liability for current taxes	-	28,528	-	-	-	-	-	28,528
Payables and credit balances	2,495,983	3,365	285,983	18,294	-	-	119,378	2,923,003
Liabilities for bonds, ETNs, short ETNs and composite ETNs	-	-	205,000	-	-	-	-	205,000
Financial liabilities	6,582,191	1,792,605	87,112	6,430	6,399	52,204	285,741	8,812,682
Total liabilities	<u>9,975,435</u>	<u>26,066,101</u>	<u>624,618</u>	<u>24,724</u>	<u>6,399</u>	<u>925,506</u>	<u>96,033,703</u>	<u>133,656,486</u>
Total equity and liabilities	<u>9,975,435</u>	<u>26,066,101</u>	<u>624,618</u>	<u>24,724</u>	<u>6,399</u>	<u>10,848,595</u>	<u>96,033,703</u>	<u>143,579,575</u>
Total balance sheet exposure	<u>590,414</u>	<u>(8,791,993)</u>	<u>1,668,677</u>	<u>1,013,480</u>	<u>454,665</u>	<u>3,981,797</u>	<u>1,082,960</u>	<u>-</u>
Exposure to underlying assets through derivatives in delta terms	<u>4,719,320</u>	<u>828,824</u>	<u>(3,920,051)</u>	<u>(1,244,410)</u>	<u>(565,733)</u>	<u>182,050</u>	<u>-</u>	<u>-</u>
Total exposure	<u>5,309,734</u>	<u>(7,963,169)</u>	<u>(2,251,374)</u>	<u>(230,930)</u>	<u>(111,068)</u>	<u>4,163,847</u>	<u>1,082,960</u>	<u>-</u>

Most of the insurances provided by the Company are denominated in NIS and their exposure to changes in foreign exchange rates is immaterial. Where there is exposure to exchange rates it is mainly due to exposure to the USD and EUR.

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, please see the sensitivity table in Section 3.2 to this note.

NOTE 41 – RISK MANAGEMENT (cont.)**3. Market risks (cont.)****3.4 Breakdown of assets and liabilities by linkage bases (*) (cont.)**

	As of December 31 2020							Total
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR-linked	In other foreign currency or linked thereto	Non- financial and other items	Liabilities for yield- dependent contracts	
	In NIS thousand							
Intangible assets	-	-	-	-	-	2,016,668	-	2,016,668
Deferred tax assets	-	-	-	-	-	55,104	-	55,104
Deferred acquisition costs	-	-	-	-	-	1,711,169	1,461	1,712,630
Property, plant & equipment	-	-	-	-	-	861,865	-	861,865
Investments in associates	81,320	15,319	-	6,170	-	654,060	-	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	771,635	1,604,929	34,119	-	-	-	120,976	2,531,659
Receivables and debit balances	424,737	69,481	30,540	-	-	-	5,034	529,792
Credit for purchase of securities	374,000	-	29,000	-	-	-	-	403,000
Current tax assets	-	6,422	-	-	-	-	-	6,422
Premiums collectible	146,008	348,940	124,503	-	-	-	32,374	651,825
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, and deposit certificates	-	-	239,000	-	-	-	-	239,000
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	65,570,447	65,570,447
Other financial investments:								
Liquid debt assets	2,112,408	4,527,008	971,625	286,163	198,264	-	-	8,095,468
Illiquid debt assets	2,039,382	11,067,829	354,835	405,333	139,810	-	-	14,007,189
Shares	-	-	-	-	-	1,899,993	-	1,899,993
Other	421,820	11,168	32,676	75	2,482	2,779,248	-	3,247,469
Total other financial investments	4,573,610	15,606,005	1,359,136	691,571	340,556	4,679,241	-	27,250,119
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	10,464,216	10,464,216
Other cash and cash equivalents	1,314,532	-	144,249	30,690	56,432	-	-	1,545,903
Total assets	7,685,842	17,651,096	1,960,547	728,431	396,988	12,706,817	78,034,084	119,163,805

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, please see the sensitivity table in Section 3.2 to this note.

NOTE 41 – RISK MANAGEMENT (cont.)**3. Market risks (cont.)****3.4 Breakdown of assets and liabilities by linkage bases (*) (cont.)**

	As of December 31, 2020							Total
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR- linked	In other foreign currency or linked thereto	Other non- monetary items	Liabilities for yield- dependent contracts	
In NIS thousand								
Total equity	-	-	-	-	-	8,081,830	-	8,081,830
Liabilities								
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	692,494	22,734,856	42,537	-	-	-	-	23,469,887
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	76,856,913	76,856,913
Deferred tax liabilities	-	-	-	-	-	897,804	-	897,804
Liability for employee benefits, net	59,362	-	-	-	-	-	-	59,362
Liability for current taxes	-	63,444	-	-	-	-	-	63,444
Payables and credit balances	1,879,969	105,593	337,535	3,000	-	-	126,754	2,452,851
Liabilities for bonds, ETFs, short ETNs and composite ETNs	-	-	238,000	-	-	-	-	238,000
Financial liabilities	<u>4,636,131</u>	<u>1,901,646</u>	<u>59,201</u>	<u>1,394</u>	<u>6,723</u>	<u>76,347</u>	<u>362,272</u>	<u>7,043,714</u>
Total liabilities	<u>7,267,956</u>	<u>24,805,539</u>	<u>677,273</u>	<u>4,394</u>	<u>6,723</u>	<u>974,151</u>	<u>77,345,939</u>	<u>111,081,975</u>
Total equity and liabilities	<u>7,267,956</u>	<u>24,805,539</u>	<u>677,273</u>	<u>4,394</u>	<u>6,723</u>	<u>9,055,981</u>	<u>77,345,939</u>	<u>119,163,805</u>
Total balance sheet exposure	<u>417,886</u>	<u>(7,154,443)</u>	<u>1,283,274</u>	<u>724,037</u>	<u>390,265</u>	<u>3,650,836</u>	<u>688,145</u>	<u>-</u>
Exposure to underlying assets through derivatives in delta terms	<u>3,785,705</u>	<u>424,088</u>	<u>(2,527,204)</u>	<u>(1,055,936)</u>	<u>(602,498)</u>	<u>(24,155)</u>	<u>-</u>	<u>-</u>
Total exposure	<u>4,203,591</u>	<u>(6,730,355)</u>	<u>(1,243,930)</u>	<u>(331,899)</u>	<u>(212,233)</u>	<u>3,626,681</u>	<u>688,145</u>	

Most of the insurances provided by the Company are denominated in NIS and their exposure to changes in foreign exchange rates is immaterial. Where there is exchange rate exposure, it is mainly due to exposure to the USD and EUR

(*) The data in the table are presented according to accounting classification rules and do not reflect actual foreign exchange exposure. For details on foreign exchange exposure, please see the sensitivity table in Section 3.2 to this note.

NOTE 41 – RISK MANAGEMENT (cont.)**3. Market risks (cont.)****3.5 Details of exposure to economic sectors for investments in shares:**

	As of December 31 2021					
	Traded on the Tel Aviv 125 Index	Included in the Yeter - Rest of Shares Index	Illiquid - in Israel	Overseas	Total	% of total
	In NIS thousand					
<u>Economic sector</u>						
Manufacturing	147,158	103,840	35,884	455,302	742,184	26.9%
Construction & real estate (*)	144,470	194,475	116,224	107,822	562,991	20.4%
Electricity and water	118,832	48,220	10,819	49,277	227,148	8.2%
Commerce	22,093	11,076	-	-	33,169	1.2%
Communications and IT services	135,187	24,447	-	210,520	370,154	13.4%
Banks	243,950	-	1,782	-	245,732	8.9%
Financial services	76,147	16,165	16,810	61,333	170,455	6.2%
Other business services	143,923	75,623	75,941	114,577	410,064	14.8%
Total	1,031,760	473,846	257,460	998,831	2,761,897	100%

(*) There is another exposure to the real estate subsegment due to the investment in investees. For further details, please see Note 8D(8) above.

	As of December 31 2020					
	Traded on the Tel Aviv 125 Index	Included in the Yeter - Rest of Shares Index	Illiquid - in Israel	Overseas	Total	% of total
	In NIS thousand					
<u>Economic sector</u>						
Manufacturing	138,555	81,000	30,266	535,680	785,501	41.2%
Construction & real estate	140,641	30,587	-	141,461	312,689	16.5%
Electricity and water	83,731	17,527	40,910	10,816	152,984	8.1%
Commerce	15,880	21,184	-	-	37,064	2.0%
Communications and IT services	46,595	16,727	-	87,812	151,134	8.0%
Banks	186,236	-	1,757	-	187,993	9.9%
Financial services	46,657	14,313	15,837	39,812	116,619	6.1%
Other business services	61,306	46,593	36,932	11,178	156,009	8.2%
Total	719,601	227,931	125,702	826,759	1,899,993	100%

NOTE 41 – RISK MANAGEMENT (cont.)

4. Liquidity risks

A possible need to dispose of assets at below-market prices, and raising resources unexpectedly and within a short time may lead to losses. The Group owns, among other things, illiquid assets as well as assets with low marketability. These holdings include corporate bonds, loans, illiquid stocks, stocks with low marketability and alternative investments. The marketability issue is aggravated in times of crisis when the deterioration in the markets adversely affects the ability to liquidate assets.

The Phoenix Insurance is exposed to risks arising from uncertainty as to when the Company will be required to pay claims and other benefits to policyholders in relation to the amount of funds available for that purpose at that date. The need for unexpected and short-term borrowing may require the disposal of assets within very short notice at prices that will not necessarily reflect their market value. However, much of its insurance liabilities in the life insurance sector are not exposed to liquidity risk due to the nature of the insurance contracts as described below:

1. Yield-dependent contracts in life insurance - under the terms and conditions of the contracts, policyholders are entitled to receive only the value of the said investments, beyond which The Phoenix Insurance has no obligations. Therefore, if investments are impaired for any reason, there would be a corresponding decline in the Company's liabilities.
2. About 12.16% (14.56% in 2020) of the life insurance portfolio is in respect of contracts that are not yield-dependent but guarantee an agreed return. These contracts are mainly backed by designated bonds (Hetz) issued by the Bank of Israel. The Company is entitled to sell these bonds when the said policies are redeemed.

The liquidity risk of the Group stems therefore mainly from the balance of assets other than designated bonds and not against yield-dependent contracts. These assets constitute approximately 27% (approximately NIS 38 billion) of the Group's total assets (in 2020 - approximately 28%, which amounted to approximately NIS 33 billion). Of the balance of the said assets, a total of approximately NIS 10.7 billion (in 2020 - approximately NIS 10.4 billion) are liquid assets.

Under the Investment Regulations, The Phoenix Insurance must hold liquid assets, as defined in the Investment Rules, against equity and liabilities not arising from its insurance business. The Phoenix meets the liquidity requirements.

Asset and Liability Management (ALM)

The Company manages its assets and liabilities in accordance with the requirements of the Supervision Law and the regulations promulgated thereunder, and in accordance with the Board of Directors' guidelines. The tables below summarize the estimated repayment dates of the Company's uncanceled insurance and financial liabilities. Since these amounts are not capitalized, there is no adjustment between them and the balance of insurance and financial liabilities as per the balance sheet.

- 1) The estimated maturity dates for life and health insurance liabilities are included in the tables as follows:

Saving funds - contractual repayment dates, i.e. retirement age, excluding cancellation assumptions, assuming that all savings will be withdrawn as capital rather than as annuity.

Paid pension, paid income protection and paid long-term care - based on an actuarial estimate.

Other - reported under the column "no defined repayment date".

NOTE 41 – RISK MANAGEMENT (cont.)

4. Liquidity risks (cont.)

- 2) The estimated repayment dates of the gross property and casualty insurance liabilities are calculated on the basis of an actuarial estimate that allocates an estimated date to total non-capitalized liabilities, based on past experience regarding claims payment. Total liabilities also include a reserve for unexpected deviations and a reserve for unearned premium less deferred acquisition expenses and premium deficiency.

Liabilities are subject to reserve risk. The actuarial models are based on the fact that behavior pattern of past claims represents that which will happen in the future, and the estimated cash flow is exposed to model risk and parameter risk, including the risk that the amount paid for the settlement of the Company's insurance liabilities or the date of settlement of the insurance liabilities will be other than expected.

- 3) The repayment dates of financial liabilities and liabilities in respect of investment contracts were included based on the contractual repayment dates. In contracts where the counter-party may select the timing of payment, the liability is presented on the earliest date on which the Company may be required to pay the liabilities.
- 4) The table of financial liabilities and liabilities for investment contracts presents an analysis of its financial liabilities, classified according to their remaining term to contractual maturity as of December 31 2021 (2020 - for the comparative results). Derivative financial liabilities are included in the analysis with their contractual maturity dates that are essential for understanding the timing of cash flows. The amounts shown in the table are non-discounted contractual cash flows. The Group has various sources for repayment of the liabilities shown in the table.

Liabilities in respect of life and health insurance contracts (*)

	<u>Up to one year</u>	<u>Over one year and up to 5 years</u>	<u>Over 5 years and up to 10 years</u>	<u>Over 10 years and up to 15 years</u>	<u>Over 15 years</u>	<u>No defined repayment date</u>	<u>Total</u>
	In NIS thousand						
As of December 31 2021	<u>3,075,861</u>	<u>6,389,291</u>	<u>1,909,941</u>	<u>970,268</u>	<u>1,020,672</u>	<u>3,985,111</u>	<u>17,351,144</u>
As of December 31 2020	<u>2,937,372</u>	<u>6,085,188</u>	<u>1,996,165</u>	<u>1,001,847</u>	<u>993,038</u>	<u>3,520,477</u>	<u>16,534,087</u>

(*) Excludes liabilities in respect of yield-dependent contracts and liabilities of provident fund management companies.

Liabilities in respect of property and casualty insurance contracts

	<u>Over one year and up to 3 years</u>	<u>Over 3 years and up to 5 years</u>	<u>Over 5 years</u>	<u>No defined repayment date</u>	<u>Total</u>
	In NIS thousand				
As of December 31 2021	<u>3,622,344</u>	<u>1,226,919</u>	<u>1,523,560</u>	<u>-</u>	<u>6,372,823</u>
As of December 31 2020	<u>3,360,779</u>	<u>1,117,950</u>	<u>1,413,461</u>	<u>-</u>	<u>5,892,190</u>

NOTE 41 – RISK MANAGEMENT (cont.)
4. Liquidity risks (cont.)
Financial liabilities and liabilities in respect of investment contracts

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Total
In NIS thousand					
As of December 31 2021:					
Liquid bonds	316,954	268,963	922,303	-	1,508,220
Short-term credit from banking corporations	159,195	-	-	-	159,195
Loans from non-bank entities	587,500	-	-	-	587,500
Short sales	828,576	-	-	-	828,576
Subordinated bonds	104,964	2,906,362	875,411	204,040	4,090,777
Derivatives	384,578	-	-	-	384,578
Trade receivables for credit cards	1,433,827	-	-	-	1,433,827
Lease liability	29,248	68,141	25,994	-	123,383
Total financial liabilities	3,844,842	3,243,466	1,823,708	204,040	9,116,056
Liabilities in respect of yield-dependent investment contracts (*)	17,367,786	-	-	-	17,367,786

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Over 15 years	Total
In NIS thousand						
As of December 31 2020:						
Liquid bonds	48,192	350,745	805,061	-	-	1,203,998
Short-term credit from banking corporations	80,796	-	-	-	-	80,796
Subordinated bonds	100,183	2,214,046	1,615,572	-	-	3,929,801
Deposits by tenants (*)	589,726	-	-	-	-	589,726
Derivatives	461,402	-	-	-	-	461,402
Short sales	924,088	-	-	-	-	924,088
Liability for REPO	389,315	-	-	-	-	389,315
Lease liabilities	33,042	60,674	22,133	-	-	115,849
Total financial liabilities	2,626,744	2,625,465	2,442,766	-	-	7,694,975
Liabilities in respect of yield-dependent investment contracts (*)	9,891,066	-	-	-	-	9,891,066

(*) These liabilities were classified as repayable within up to one year, although actual repayment dates may be in later years.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks

The Group is exposed to risks associated with insurance policy pricing and insurance liabilities assessment. The insurance policies sold by The Phoenix Insurance cover various risks such as life expectancy, morbidity, natural disasters and theft. Pricing of policies and assessment of insurance liabilities is based on past experience, assessment of the current legal situation and evaluation of the change in other risk factors. Insurance risk includes, inter alia:

Underwriting risks: The risk of using incorrect prices due to deficiencies in the underwriting process and the gap between the risk when pricing and setting the premium, and the actual realization, such that the premiums collected are insufficient to cover future claims and expenses. The discrepancies may be due to accidental changes in business results and changes in average claim costs and/or **the incidence of claims as a result of various factors.**

Reserve risks: The risk of inadequate assessment of insurance liabilities which may result in actuarial reserves being insufficient to cover all liabilities and claims. The actuarial models according to which, among other things, the Company assesses its insurance liabilities, are based on the fact that the pattern of behavior and claims in the past represents that which is to happen in the future. The Company's exposure is composed of the following risks:

- 1) Model risk - the risk of selecting the wrong model for pricing and/or assessing the insurance liabilities.
- 2) Parameter risk - the risk of using incorrect parameters, including the risk that the amount to be paid for the settlement of the Company's insurance liabilities or the date of settlement will be different than expected.

Catastrophe risk: Exposure to the risk that a single event of major impact (catastrophe) such as natural disaster, epidemic, war, terror, or earthquake will result in significant damage. The material catastrophe event to which the Company is exposed is an earthquake occurring in Israel.

As of December 31 2021, total expected loss in the property and casualty insurance business (other property subsegments) as a result of exposure to a single unusual substantial damage or an accumulation of damages in respect of a particularly large event in terms of the expected maximum possible loss (MPL) constitutes 2.0% of the exposure - approximately NIS 8,740 million (gross) and approximately NIS 64 million in retention.

The Phoenix Insurance acquires a non-proportional reinsurance contract that protects against death and disability from a catastrophe event. The contract purchased is an excess loss-type contract that protects the accumulation of The Phoenix Insurance's self-insured retention from life insurance, personal accidents and travel insurance policies. The coverage purchased in 2021 is NIS 450 million after deductibles of NIS 18 million.

For further information regarding the various insurance subsegments in respect of which the insurer is exposed to insurance risk, please see the breakdown of the insurance liabilities by insurance risk in Note 3.

5.1. Insurance risk in life and health insurance contracts

5.1.1. General

The following is a description of the various insurance products, methods and assumptions used to calculate the liabilities in respect thereof according to the product type.

In general, according to the Commissioner's directives, the insurance liabilities are calculated by an actuary according to generally accepted actuarial methods and consistently with the previous year. The liabilities are calculated according to the relevant coverage data, such as: age and gender of the policyholder, the insurance term, the policy commencement date, type of insurance, periodic premium and insurance amount.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.2. The actuarial methods for calculating insurance liabilities

1) "Adif" and "Investment Tracks" type of insurance plans:

There is an identified savings component in "Adif" and "Investment Tracks" type insurance plans. The basic and principal reserve is the amount of savings accrued plus the return according to the policy's terms and conditions as follows:

- Principal linked to investment portfolio's yield (for yield-dependent contracts).
- Principal linked to the CPI plus a guaranteed fixed interest rate or guaranteed return against adjusted assets (for guaranteed return contracts).

For insurance components attached to these policies (income protection, life, long-term care, etc.), an insurance liability is calculated separately, as stated below.

2) "Mixed" and similar ("Traditional") insurance plans:

"Mixed" insurance plans and the like combine a component of a savings amount in the event that the policyholder is alive at the end of the term of the plan with a life insurance component during the term of the plan. For these products, an insurance liability is calculated for each cover as discount of the cash flow in respect of the expected claims, including payment at the end of the period, less expected future premiums. This calculation is based on the assumptions on which the products are priced and/or the assumptions derived from past claims, including interest rates (hereinafter - "calculative interest rate"), mortality or morbidity table. The calculation is done using a method known as net premium reserve, which does not include in the expected revenue the component included in the premium rate to cover fees and expenses, but on the other hand - does not deduct the expected expenses and fees.

For traditional yield-dependent products, the reserve is calculated in accordance with the actual yield minus management fees.

- 3) Liabilities for paid allowances are calculated in accordance with the expected life expectancy on the basis of the most recent mortality tables published by the Actuary of the Capital Market, Insurance and Savings Authority.
- 4) Liabilities for lifetime annuities in respect of policies that have not yet reached the stage of actual retirement benefit payment or have not reached retirement age are calculated in accordance with the probability of withdrawal of the retirement benefit and the expected life expectancy as well as the cancellation rates expected in the benefit portfolio until retirement date.

Provision for a supplementary retirement pension reserve is made gradually, for policies the saving component of which depends solely on yield ("yield-dependent policies"), in accordance with the Commissioner's directives, given the expected earnings from the policies until the policyholders' retirement date.

The gradual provision is made by using the K value in which the K is limited to the expected future revenue from the management fees arising from the investments held against the insurance reserves or from premium payments less claims and expenses relating to said policies. The K is set to result in a proper gradual accumulation of the reserve until the expected retirement age.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.2. The actuarial methods for calculating insurance liabilities (cont.)

K factor values used by the Company

	As of December 31 2021	As of December 31, 2020
	%	
In respect of yield-dependent insurance policies	-	-
In respect of yield-dependent insurance policies	0.85	0.85

The supplementary retirement pension reserve included in The Phoenix Insurance's books totaled as of December 31 2021 and 2020, NIS 2,340 million and NIS 2,196 million, respectively. The balance of reserves that will be carried to profit and loss by using the discounting factors K as mentioned above, on a gradual basis until the policyholders reach retirement age, amounted to NIS 1,539 million and NIS 1,426 million as of December 31 2021 and 2020, respectively.

During 2021, changes were made to several estimates and assumptions used to calculate the reserves. For further details, please see Section 5.1.10.

- 5) Other life insurance plans include pure risk products (PHI, life, disability, etc.) that are sold as standalone policies or are attached to policies with a base plan such as "Adif", "Investment Tracks" or "Traditional" policy. For some of these plans, an actuarial liability is calculated. For some of these plans the "Net Premium Reserve" method was employed, which is described above, and for some of the calculation plans the "Gross Premium Reserve" method was employed, which includes in the expected revenue all premium components and deducts the expected expenses, fees and commissions; negative provisions were not offset against positive provisions.
- 6) In health insurance plans, including critical illness, an actuarial liability is calculated using the gross premium reserve method, which includes in the expected revenue all premium components and deducts the expected expenses, fees and commissions; negative provisions were not offset against positive provisions.
- 7) Liability in respect of ongoing claims, long-term care insurance and PHI is calculated in accordance with the expected payment period.
- 8) Liability in respect of contingent life and health insurance claims are calculated based on the Company's experience.
- 9) Liability for claims incurred but not reported (IBNR) in life and health insurance is calculated based on the Company's experience.
- 10) The insurance liability for group insurance consists of a reserve for paid claims, a reserve for contingent claims, a reserve for IBNR (claims incurred but not reported) and a reserve for future losses, as required.
- 11) In group life and health insurance, including dental and sick leave insurance, an actuarial liability is calculated on the basis of the specific collective experience.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.3. The discount rate

1. For "Mixed" and the like ("Traditional") insurance plans (see 5.1.2 (2) above), the interest rate used for discount purposes is as follows:
 - In insurance plans which are backed mainly by designated bonds, calculative interest is set at rates ranging between 3% and 5% (linked);
 - For yield-dependent products issued in 1991 and thereafter, a calculative interest rate of 2.5% was set (linked). According to the policy terms and conditions, changes in interest rates will be credited to policyholders.
2. For liabilities in respect of payment of future paid pension annuities in insurance plans which are backed mainly by designated bonds (guaranteed return portfolio), and in liabilities in respect of some of the long-term care products, the Company uses risk-free interest plus illiquidity premium weighted by the nominal interest rates of the designated bonds where relevant, in accordance with the liabilities' average duration. In addition, a decrease in the long-term interest rate may cause an increase in the insurance reserves. For further details regarding the illiquidity premium, please see Section 5.1.10.
3. In insurance plans that are not backed by designated bonds, the calculative interest rate, or expected return, is used in relation to the mix of portfolio of assets backing these liabilities.

5.1.4. Mortality and morbidity rates

1. The mortality rates used to calculate insurance liabilities in respect of policyholders who die before reaching retirement age (i.e., excluding the death of policyholders receiving pension annuities and of recipients of monthly income protection or long-term care compensation) are calculated based on the Company's experience.
2. The liability for lifetime annuities is calculated in accordance with up-to-date mortality schedules published by the Capital Market, Insurance and Savings Authority. A fall in the mortality rate will increase insurance liabilities for lifetime annuities. It should be noted that in recent decades, life expectancy has increased and mortality rates have declined. The mortality assumption used to calculate the pension annuity also takes into account an expected future increase in life expectancy.
3. Morbidity rates refer to the prevalence of claims for morbidity from critical illnesses, PHI, long-term care, surgery and hospitalization, accident disability, etc. These rates are determined based on the Company's experience or studies by reinsurers. In addition, in the long-term care and PHI subsegments, an assumption is made as to duration of allowances payment based on Company's experience or studies of reinsurers.
The higher the discount rate assumption and the longer the duration of the annuity payment, the higher the insurance liability for critical illness, PHI, long-term care, surgery and hospitalization and disability due to accident.

5.1.5. Rate of annuity uptake

In respect of funds deposited through 2008, life insurance contracts, which include a savings component, were managed under two tracks: equity or annuity. In some of the contracts, the policyholder may select the track at the time of retirement. Since the insurance liability amount differs in each of these two tracks, the Company must determine the rate of policies in which the policyholders will select the annuity track. This rate was determined based on Company's experience. As from 2008, all plans are for annuities.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.6. Cancellation rates

The cancellation rate affects insurance liabilities. Cancellation of insurance contracts can also stem from the cancellation of policies initiated by the Company due to termination of premium payments or policy redemptions at the request of the policyholders. The cancellation rates assumptions are based on the Company's experience and on the product type, product life and sales trends. During 2021, the cancellation rates were updated, in accordance with a study. For further details, please see Section 5.1.10 below.

5.1.7. Continuity rates

The Phoenix Insurance has group insurance where the policyholder is entitled to continue to be insured under the same terms and conditions under individual policies without undergoing again the medical underwriting process, even if the collective contract is not renewed. In respect of this option available to the policyholder, The Phoenix Insurance has a liability based on assumptions regarding the continuity rates of the collective insurance, and the continuity rates of the contracts with the policyholders after the termination of the collective contract. The greater the probability that the collective contract will not be renewed, the greater the insurance liability due to continued insurance under previous terms and conditions, without adjusting the underwriting to the change in the policyholder's health.

5.1.8 Liability adequacy testing (LAT)

A) Life insurance

The Phoenix Insurance tests the adequacy of the reserves in life insurance as detailed in Note 2J(1)(e). As of December 31 2021 and December 31 2020, the LAT results do not indicate a deficiency in existing reserves.

B) Health insurance (long-term care)

The Phoenix Insurance periodically tests the adequacy of the reserves in health and LTC insurance as detailed in Note 2J(3)(c). The insurance liabilities in health insurance (LTC) in respect of the adequacy of the reserves (LAT) amounted to NIS 1,200 million and NIS 714 million, respectively, on December 31 2021 and December 31 2020, respectively. This test is calculated by discounting cash flows based on risk-free interest, plus the illiquidity premium calculated by an independent external consultant in accordance with the Supervision circular (for further details, see Section 5.1.10D). The change in the liability balance includes the effect of changes in the interest rate curves, data and model improvement and effects in respect of actuarial studies. For further details on the changes in the interest rate curve and actuarial assumptions, please see Section 5.1.10 below.

C) Offsetting excess value of illiquid assets against LAT reserves

Excess value is defined as the positive difference between assets' fair value and their carrying amounts.

Set forth below is a table describing the excess value of assets used to offset the LAT reserves by segment; the excess value stems mainly from illiquid debt assets.

The Phoenix Insurance is not subject to any external or internal restrictions on asset allocation to implement the optimal allocation procedure as aforesaid.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.8 Liability adequacy testing (LAT) (cont.)

C) Offsetting excess value of illiquid assets against LAT reserves (cont.)

	As of December 31 2021		As of December 31, 2020	
	Health (*)	Property and casualty insurance	Health (*)	Property and casualty insurance
	In NIS million			
Total fair value	312	31	348	24
Amount offset from the LAT reserves and best practice	312	31	348	24
Balance of excess value that has not yet been offset	-	-	-	-

(*) In the health segment, there is no other retained earnings other than those allocated to long-term care insurance.

The Phoenix Insurance has formulated an asset allocation procedure with excess value against the LAT reserves; set forth below are the key points of the procedure:

- A) The investment with the highest excess fair value shall be used to offset LAT reserves.
- B) All other investments shall be allocated pro rata in accordance with the reserve amounts.
- C) The excess value shall in no event exceed the LAT reserves.
- D) Assets for which the difference between the fair value and the carrying amount is negative shall not be offset against the LAT reserves.

5.1.9. Life and health insurance sensitivity analyses (*)

As of December 31 2021:

	Rate of cancellations (redemptions, settlements, and reductions)		Morbidity rate		Mortality rate		Rate of policyholders opting for annuity	
	10%+	10%-	10%+	10%-	10%+	10%-	5%+	5%-
	In NIS thousand							
Comprehensive income (loss)	60,909	(67,296)	(362,997)	330,357	484,061	(535,770)	(104,066)	104,066

As of December 31 2020:

	Rate of cancellations (redemptions, settlements, and reductions)		Morbidity rate		Mortality rate		Rate of policyholders opting for annuity	
	10%+	10%-	10%+	10%-	10%+	10%-	5%+	5%-
	In NIS thousand							
Comprehensive income (loss)	58,687	(64,659)	(382,050)	330,489	429,002	(476,039)	(96,223)	96,223

(*) For the purpose of calculating the sensitivity analyses, the assumptions used to calculate the liabilities were multiplied by the rates stated in the cancellation, morbidity and mortality scenarios. For the purpose of calculating a sensitivity analysis for the rate of pensioners opting for annuity, the Company added and deducted the rate of pensioners opting for annuity used to calculate the liabilities at a stated rate of 5%. The results of the sensitivity analyses are after tax.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.10 Changes to the main assumptions used in the calculation of insurance liabilities for life and health insurance contracts:

- A. The Phoenix Insurance tests the adequacy of its reserves, including the supplementary retirement pension reserve. The assumptions used for the above tests include assumptions for cancellations, operating expenses, mortality, pension uptake and morbidity rates and are determined by the actuary based on tests, past experience and other relevant studies. During the reporting year, some of the assumptions were updated, in accordance with the experience gained by the Phoenix Insurance. For details regarding the changes in assumptions, please see Section 5.1.10 (e) below.
- B. **Circular on allocation of illiquid assets:**
In June 2020, the Commissioner published a Circular titled "Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT", which addresses the difference between amortized cost and fair value of assets which are not measured at fair value in the financial statements, for purposes of assessing the adequacy of the reserve. The purpose of the circular is to provide clarifications regarding the manner of applying the excess value provision for the purpose of improving comparability between companies and the regulatory certainty, while revising the disclosure provisions in this matter and adequately matching assets and liabilities. In accordance with the circular, an insurance company may allocate assets to the various liabilities in accordance with the following principles: where assets for which there are external or internal administrative restrictions are concerned, entities must act in accordance with these restrictions. In the case of other assets, for which there are no such clear restrictions, such assets may be allocated in accordance with a documented procedure to be set by the Company for that purpose. As a result of the changes to the allocation of assets as aforesaid, in 2020, The Phoenix Insurance reduced the LAT reserve in the health segment by approximately NIS 47 million (pre-tax). For more information about the offsetting of excess value of illiquid assets against LAT reserves, see Section 5.1.10(e) below.
- C. **Updating of the illiquidity premium (2020):**
On June 7 2020, the Commissioner published an amendment to the provisions of Consolidated Circular, Measurement of Liabilities - the Illiquidity Premium (hereinafter - the "Amendment"). As a rule, the provisions of Consolidated Circular, Measurement of Liabilities, stipulate that an illiquidity premium at various rates may be added to the risk-free interest rate used in the liability adequacy test, illiquidity premium at various rates. The illiquidity premium may be added both for the purpose of assuming a return and for the purpose of assuming a discount rate, as the case may be. The amendment changed the illiquidity premium rate from 50% to 80%. The amendment entered into force on June 30 2020 and its first-time application was made by way of an accounting estimate change in accordance with IAS 8. The Amendment affects individual long-term care insurance, compulsory motor insurance and liability insurance policies. As to the effect of the Amendment on the long-term care insurance reserves, please see Section 5.1.10(e) above. The impact on motor insurance and liability insurance reserves is negligible. As a result of the changes to the illiquidity premium as aforesaid, in 2020, The Phoenix Insurance reduced the LAT reserve for the health segment by approximately NIS 110 million (pre-tax).

NOTE 41 – RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.1. Insurance risk in life and health insurance contracts (cont.)****5.1.10 Changes to the main assumptions used in the calculation of insurance liabilities for life and health insurance contracts: (cont.)****D. Updating of the illiquidity premium (2021):**

On February 17, 2022, the Commissioner published an amendment to the provisions of the consolidated circular, regarding liability measurements – the illiquidity premium (hereinafter - the "Amendment"). The Amendment's objective is to revise the method of estimating the illiquidity premium added to the risk-free interest used in calculating the LAT reserve in accordance with IFRS 4. The revision to the method of estimating the illiquidity premium constitutes a transition from calculation using the "QIS5" method while using a formula which is based on the average of the median spread of the bonds included in the Tel-Bond 20 index in relation to the risk-free interest rate curve, to a calculation based on an updated formula based, with certain changes, on the methodology used to calculate the volatility adjustment component, which is currently used as part of the solvency II Economic Solvency Regime, and on the average spread of the bonds included in the Tel-Bond 60 index in relation to the risk-free interest rate curve. ----

In accordance with the updated formula, the illiquidity premium as of December 31 2021, as calculated by the Authority, is 0.54%, compared with an illiquidity premium of 0.26% before the Amendment. First-time application of the Amendment takes place starting with the financial statements as of December 31 2021 by way of an accounting estimate change in accordance with IAS 8. The Amendment affects long-term care policies in health insurance, guaranteed return insurance policies in life insurance, and compulsory motor insurance and liability insurance policies. For information about the effect on the LAT reserves in life and health insurance, see Section 5.1.10(e) below. The effect on the property and casualty insurance segment is negligible.

NOTE 41 – RISK MANAGEMENT (cont.)
5. Insurance risks (cont.)
5.1. Insurance risk in life and health insurance contracts (cont.)
5.1.10 Changes to the main assumptions used in the calculation of insurance liabilities for life and health insurance contracts: (cont.)

E. Following is the effect of the main changes described above on retention insurance liabilities in the life and health segments:

	For the year ended December 31		
	2021	2020	2019
	In NIS million		
Life insurance segment:			
Effect of updating assumption regarding rates of annuity uptake	(55)	-	-
Effect of updating other assumptions on the supplementary pension reserve and paid pensions	(12)	(12)	-
Effect of updating of assumptions on the cancellation rates	-	-	22
Effect of updating assumptions on the expense rates	(13)	(54)	23
Effect of updating assumptions on the mortality rates	-	-	85
Change in the discount rate used in the calculation of the supplementary retirement pension reserve and paid pensions.	46	25	514
Change in the supplementary retirement pension reserve following the application of the illiquidity premium circular(*)	(66)	-	-
Change in K value	-	(261)	210
Total increase (decrease) in liabilities on retention in the life insurance segment	(100)	(302)	854
Health insurance segment:			
Effect of updating of assumptions on the cancellation rates:			
LAT	159	(24)	233
Other	(21)	(43)	30
Effect of updating assumptions on the expense rates:			
LAT	(204)	(54)	(47)
Other	(23)	(12)	(7)
Effect of updating assumptions on the mortality and morbidity rates:			
LAT	293	-	270
Other	(42)	-	30
Change in LAT reserve following a change in the discount rate	429	173 (**)	226
Change in the LAT reserve following application of the illiquidity premium circular (*)	(298)	(110)	-
Total increase (decrease) in liabilities on retention in health insurance segment	293	(70)	735
Total increase (decrease) in liabilities on retention before tax in life insurance and health segments	193	(372)	1,589
Total increase (decrease) in liabilities on retention after tax in life insurance and health segments	127	(245)	1,046

(*) For further details, please see Section C above.

(**) 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 illiquid assets as a result of the amendment of the LAT Circular and the amendment of the Circular on Allocation of Non-Liquid Assets.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts

5.2.1. Summary description of the main insurance subsegments in which The Phoenix Insurance operates

The Phoenix Insurance underwrites insurance contracts in the property and casualty insurance segments, mainly in compulsory motor, liability, motor property and property subsegments.

A compulsory motor insurance policy covers the policyholder and driver for any liability they may incur under the Road Accident Victims Compensation Law, 1975 for bodily harm caused by the use of a motor vehicle to the driver, passengers or pedestrians injured by the vehicle. Compulsory motor claims are characterized by a "long tail", which means that often a long time elapses from the date of the incident until the claim's final settlement date.

Liability insurance is intended to cover a policyholder's liability for damage that he/she may cause to a third party. The main types of insurance are: third party liability insurance, employers' liability insurance, other liability insurance such as professional liability, product liability and directors' and officers' liability. The timing of claims' filing and settlement is influenced by a number of factors, such as the type of coverage, policy terms and conditions, as well as legislation and legal precedents. Liability claims are typically characterized by a "long tail", that is, sometimes a long time elapses from the date of the incident to the final settlement date of the claim.

Motor damage insurance policies and motor property damage third-party policies provide policyholders with coverage for property damage. Coverage is usually limited to the value of the damaged vehicle. The motor property insurance rate and the policy as a whole require approval by the Insurance Commissioner and is a differential actuarial rate (non-uniform for all policyholders and risk-adjusted). The said rate is based on a number of parameters, both those related to the vehicle insured under the policy (such as vehicle type, year of manufacture, etc.) and those related to characteristics of the policyholder (driver's age, claim history, etc.). The underwriting process is carried out partly through the rate itself and partly through a system of procedures designed to review the policyholder's claims history, including presenting a no claims certificate for the past three years from the previous insurer, presenting evidence of up-to-date protection, etc. In addition, they are automatically integrated into the policy production process. In most cases, motor property insurance policies are issued for a one-year period. In addition, in most cases, claims in respect of these policies are investigated close to the date of the insurance event (short tail).

Property insurance is intended to provide policyholders with coverage against physical damage to his/her property and loss of profit due to damage to the property.

The main risks covered by property policies are fire, explosion, burglary, pipes, earthquake and natural disasters. Property insurance often includes loss-of-profit damage due to the physical damage caused to the property. Property insurance is an important part of home insurance, business insurance, engineering insurance, cargo in transit (marine, land and air), etc. In most cases, claims for these policies are investigated as of the date of the insurance event. The Phoenix Insurance is also engaged in the issuance policies covering guarantees under the Sale Law.

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance

5.2.2.1. General

- a. Liabilities in respect of property and casualty insurance contracts include the following main components:
 - Provision for unearned premium
 - Provision for the difference between the reserve for outstanding risks and the unearned premium.
 - Contingent claims including indirect expenses for their settlement

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.1. General (cont.)

The provision for unearned premiums and deferred acquisition costs is calculated in a way that does not depend on any assumptions and is therefore not exposed to reserve risk. As to how these provisions are calculated, please see Note 2 above on accounting policies.

- b. In accordance with the Commissioner's instructions, contingent claims are calculated by an actuary, using generally acceptable actuarial methods that are consistent with the previous year. The choice of the appropriate actuarial method for each insurance subsegment and for each event or underwriting year is determined by exercising judgment on the degree of the method's suitability to the subsegment, and sometimes the different methods are combined. The assessments are mainly based on past experience in the development of claim payments and/or development of the amount of specific payments and estimates. The assessments include assumptions about the average claim cost, claims handling costs, and prevalence of claims. Additional assumptions may take into account changes in interest rates, exchange rates and timing of payments. Claim payments include direct and indirect expenses to settle claims, less subrogation and deductibles.
- c. The use of actuarial methods based on the development of claims is particularly appropriate when there is concrete and satisfactory information on claims payments and/or individual assessments to estimate the total expected cost of claims. When the information available in the actual claims history is insufficient, the actuary sometimes uses a calculation that weights a known estimate (in the Company and/or industry) such as LR and the actual claims development. Greater weight can be estimated based on experience as time goes on and more information about the claims accumulates.
- d. In addition, qualitative assessments and judgment are included regarding the extent to which past trends will not continue in the future. For example, due to a one-off event, internal changes such as a change in the portfolio mix, underwriting policies and claims handling procedures, as well as the effect of external factors such as court rulings, legislation, etc. When such changes were not fully reflected in past experience, the actuary updates the models and/or makes specific provisions based on statistical and/or legal assessments, as applicable.
- e. Actuarial valuation is based on statistical estimates that include a component of uncertainty. The statistical estimate is based on various assumptions, which will not necessarily materialize, such that the actual cost of claims may be higher or lower than the statistical estimate.
- f. In large claims of a non-statistical nature, the reserve is determined (gross and retention) based on the opinion of the Company's experts and in accordance with the recommendations of their legal counsel.
- g. The share of reinsurers in the contingent claims is estimated taking into account the type of agreement (proportional or non-proportional) and the actual claims history.
- h. The assessment of the contingent claims for The Phoenix Insurance's share in the Pool, incoming business and joint insurance received from other insurance companies (leading insurers) was based on a calculation made by the Pool or by the leading insurers or the Company.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.1. General (cont.)

- i. Liability adequacy testing in respect of property and casualty insurance - the reserves are tested while applying the Commissioner's position regarding best practice for actuaries in calculating property and casualty insurance reserves for the purpose of inclusion in the financial statements such that they adequately reflect the insurance liabilities. The Commissioner's position includes, among others, the following:
 - An "adequate reserve to cover the insurer's liabilities" means that it is fairly likely that the insurance liability set will be sufficient to cover the insurer's liabilities. In the case of contingent claims in the compulsory motor and liability subsegments, the assessment of "fairly likely" shall mean a probability at least 75%. However, to the extent that there are limitations to the statistical analysis, the actuary will exercise discretion and may use acceptable actuarial methods. The following are examples of possible treatment of such limitations:
 - For random risk - examining several actuarial methods and using discretion in determining the estimate in relation to the results of the different methods.
 - For systemic risk - identifying significant systemic (internal and external) effects, and using discretion in how to combine them.
 - The discount rate appropriate for the prudence test is based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities. In addition, this test must take into account the revaluation of the assets in the financial statements against the liabilities.
 - Aggregation - for the purpose of calculating spreads for uncertainty in statistical subsegments (as defined in the circular), each subsegment must be treated separately, but the risks from all underwriting years (or damage) may be aggregated. In non-statistical subsegments, all subsegments may be treated as a single one. In addition, the lack of full correlation between different subsegments may be taken into account in order to reduce the overall spread.
 - Determining the total insurance liabilities for policies sold close to the reporting date and risks subsequent to the reporting date.

5.2.2.2. Details of actuarial methods in the major insurance subsegments

A. Motor property subsegment

In the motor property segment, most liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio or chain ladder), taking into account the types of cover such as comprehensive or third party, types of vehicles - such as vehicles up to 3.5 tons and above 3.5 tons, and the types of damages such as accident, theft and natural disaster.

For the last months of damage in respect of which there are insufficient data, the average method is also used to determine the cost per claim in respect of the policy.

The Claims Department's specific assessments are taken into account in cases of long-tail claims and claims stemming from car theft and natural disaster.

In specific assessments, the deductible amount that will be collected from the policyholder is taken into account.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.2. Details of actuarial methods in the major insurance subsegments (cont.)

Subrogations are taken into account, as the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate reserve was calculated for indirect expenses for settling claims.

B. Compulsory motor and liability subsegments

In the compulsory motor and liability subsegments, liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio/chain ladder). For periods in respect of which there are insufficient data, the cost of claims based on the use of *a priori* LR rate is combined with the payment development model and/or the development of payments and contingent claims (Bornhuetter-Ferguson). Sometimes the cost per claim per policy. The "tail" development was calculated using the Sherman model. The Claims Department's specific assessments are taken into account in cases of long tail contingent claims and large claims.

The contingent claims were estimated on a gross basis and separately at the reinsurance level. The assessment of the reinsurer's share in excess of loss contract claims for the last three underwriting years was calculated on the basis of a distribution adjustment model for the major claims, taking into account the known claims for these years. In previous underwriting years, the assessment is in accordance with the actual claims.

Assessments for facultative reinsurance were made using a separate model from the other claims (gross and retention). Individual assessments include the portion of the deductible that will be collected from the policyholder.

Subrogations are taken into account; in addition, the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate reserve was calculated for indirect expenses in respect of settling claims.

C. Property and other subsegments

In property and other subsegments, liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio or chain ladder). For periods in respect of which there is in respect of which there are insufficient data, the averaging method is also used to determine the cost per claim.

The Claims Department's specific assessments are taken into account in cases of long-tail claims and claims that derive from natural disaster. The assessment of contingent claims was made at a gross level, and the reinsurance for quota and surplus contracts is calculated in accordance with actual claims and in accordance with the terms and conditions of the contract.

Assessments for facultative reinsurance were made using a separate model from the other claims in subsegments in which the reinsurer's share constitutes a material proportion. The individual assessments include the deductible amount to be collected from the customer.

Subrogations are taken into account, as the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate reserve was calculated for indirect expenses for settling claims.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.2. Details of actuarial methods in the major insurance subsegments (cont.)

D. Subsegments in which no actuarial valuation has been performed

Within the framework of vessel and aircraft insurance, Sales Law guarantees, other risks and incoming business, the contingent claims were included based on specific assessment of each claim at the discretion of the lawyers and The Phoenix Insurance's experts who handle claims, and according to reporting by companies providing incoming business as well as IBNR, as far as required.

5.2.2.3. The main models for determining insurance liabilities in property and casualty insurance

Chain ladder / Link ratio

These methods are based on the development of historical claims (the development of payments and/or the development of total claims as well as the development of the number of claims), in order to assess the development that is expected of existing and future claims. The use of this method is best suited after a sufficient period has elapsed since an event has occurred or the policy underwritten, where sufficient information is available from past claims in order to estimate the total expected claims. The difference between the two methods stems from the way average development is calculated (simple or weighted average). In subsegments where claims are high, in addition to the average development coefficient, the standard deviation of the development coefficients is calculated.

BF (Bornhuetter-Ferguson)

This method combines an early (*a priori*) estimate commonly used in the Company or subsegment with an additional estimate based on the claims themselves. The preliminary estimate uses the premiums and the rate of damages to estimate total claims. The second estimate uses actual claim history, based on other methods (such as chain ladder). The combined claims assessment weighs both estimates, giving greater weight to an assessment based on past claims experience based on longer periods of time in which additional information about the claims accumulates. The use of this method is adequate when there is insufficient information.

The averages

Sometimes, such as in the case of the Bornhuetter-Ferguson method, where past claims in recent periods are insufficient, historical averaging is used. This method determines the expected claim amount based on average claims in early periods multiplied by the number of claims forecast (another way of calculating is by multiplying the historical cost of the claim by the number of policies in the relevant period).

The Sherman model

A mathematical model that addresses the adjustment of nonlinear distribution to the development coefficients calculated using the chain ladder or link ratio methods. Through the distribution, the development coefficients can be calculated for periods for which the Company has no information (the "tail of development").

NOTE 41 – RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.2 Insurance risk in property and casualty insurance contracts (cont.)****5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)****5.2.2.4 Government decision on changing the settlement mechanism between the National Insurance Institute and the insurance companies regarding road accidents**

In March 2018, the 2019 Economic Plan adopted the government's decision to change the accounting mechanism pursuant to Section 328 of the National Insurance Law [Combined Version], 1995 between the National Insurance Institute (hereinafter - the "NII") and the insurance companies regarding road accidents. According to this decision, the individual right of subrogation available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law for road accidents will be revoked and, as a result, the agreements signed to regulate this right will be terminated.

In lieu of this right of subrogation, an overall settlement arrangement will be established, under which a fixed amount will be transferred from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. The amendment's effective date, if any, is January 1 2019.

In addition, the liability of insurance companies will also be regulated in respect of road accidents that occurred between January 1 2014 and December 31 2018 and in respect of which no claims or demands have been filed yet. After negotiations between the insurance companies and the National Insurance Institute, in July 2021 an agreement was signed with the National Insurance Institute, which replaces the overall netting mechanism set in the Economic Efficiency Law, 2019. In accordance with this agreement, the insurers will transfer to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022. The netting with the National Insurance Institute in respect of road accidents that took place in those years shall be carried out in accordance in agreements in place with each company, and the amounts payable shall be offset against the advance.

It was further agreed that in respect of road accidents that will occur in 2023-2024, insurers will transfer to the National Insurance Institute 10% of the insurance premiums that will be collected in each of the years; in respect of road accidents that will occur in 2025 and thereafter, the percentage will increase to 10.95% in lieu of the National Insurance Institute's right to bring a restitutionary claim against an insurer that is liable to payment in respect of damage.

The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter F (Part B): Regulation of a Netting Mechanism Due to Road Accidents between the National Insurance Institute and the Insurance Companies, was published in November 2021. The said agreements regarding the future netting with the National Insurance Institute were enshrined in the said law.

In the opinion of the Company, that part of the agreement described above relating to the past is not expected to impact the Company's financial results. In relation to the future, the Company estimates that the agreement described above might affect the insurance premiums that will be collected from policyholders in 2023.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.5 Main assumptions used to calculate property and casualty insurance contracts:

A. Reserves due to best practice

The Phoenix Insurance tests the adequacy of the property and casualty insurance liabilities in accordance with the best practice principles outlined above. As a result of this review, The Phoenix Insurance found that it was necessary to supplement reserves in accordance with the principles of best practice in the motor property, third party and employers' liability subsegments in the amount of approximately NIS 57 million before tax (approximately NIS 31 million after offsetting fair value from illiquid assets). As part of the best practice assessment, The Phoenix Insurance discounts future claims payments in these subsegments according to the risk-free interest rate curve, while adjusting to the illiquid nature of the insurance liabilities and taking into account the manner in which the assets against these liabilities are revalued.

B. The discount rate applied to National Insurance allowances

In October 2017, an amendment to the National Insurance (Discounting) Regulations, 1978, came into force, which provides for the calculation of allowances paid by the National Insurance Institute for those injured in work accidents, and the manner in which those allowances are discounted. Under the regulations, the discount rate will be updated every four years, and the manner of its calculation is determined provided that the rate of change is not higher than 1% (and the interest rate shall not be less than 0%). The current interest rate according to the regulations is 2% (instead of the previous 3% rate).

The regulations gave rise to a discrepancy in court rulings in connection with the discount rate of claims for compensation for bodily injury paid by insurance companies to injured policyholders, and an appeal was filed with the Supreme Court in the matter (Civil Appeal 3751/17, Israel Motor Insurance Database (the Pool) vs. John Doe), in order to decide this issue. On August 8 2019, the Supreme Court issued a judgment in the said appeal to the effect that the discount rate shall be 3% (hereinafter - the "Judgment"). In addition, the Judgment states that until a legislative amendment has been made, the discount rate may be changed in accordance with a two-year test mechanism as set out in the Judgment.

On September 17 2020, the Supreme Court issued a judgment on an appeal filed by National Insurance Institute against Megilot Dead Sea Regional Council; the said judgment stipulates that the court's Judgment whereby the restitutionary claims will be discounted at a rate of 3% rather than 2% supersedes the Discounting Regulations and bind National Insurance Institute.

NOTE 41 – RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2 Insurance risk in property and casualty insurance contracts (cont.)

5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.5 Main assumptions used to calculate property and casualty insurance contracts:

B. The discount rate applied to National Insurance allowances

In connection with testing mechanism carried out every two years, it should be noted that as of the report date, it appears that the rate band has decreased by approx. one percent. Notwithstanding the foregoing, The Phoenix Insurance did not increase the provision in accordance with the decline in the interest rate, based, inter alia, on a legal opinion, stating that the update mechanism should first be triggered two years after the date of the Kaminitz Commission's final report, i.e. - June 2021, according to the yield averages relevant in the six months prior to that date and that the update was not made automatically except in accordance with the Accountant General's decision, and subject to exercising discretion.

The Phoenix Insurance examined a scenario of a 1% decrease in the discount rate applied to damages in the insurance liabilities portfolio, in the compulsory motor and liability subsegments as of the financial statements date, based on claim payments, and estimated it at approximately NIS 130 million in retention (pre-tax). It should be clarified that there is no certainty as to the behavior of the interest rate curve, as to estimates of the claims flows and as to the Accountant General's discretion and how the mechanism will be implemented.

The Phoenix Insurance continues to monitor developments in connection with the issue, and will update its reserves accordingly.

- C. Contingent claims in the compulsory motor insurance and liability insurance subsegments are discounted using the risk-free interest rate with a negative interest rate reset. In 2021, the change in the curve had no effect on insurance liabilities in property and casualty insurance; and in 2020, the effect of the change was negligible.
It is clarified that the discount rate in terms of reserve adequacy according to best practice is a risk-free interest rate adjusted to the illiquid nature of the liabilities.
- D. An increase in risk margin (standard deviation) was included in the reserve base in the compulsory motor and liability insurance subsegments.
- E. In analyzing the development of payments, the Company calculates a claim tail according to the Sherman model if needed.
- F. The basic premise in all calculation methods is that past claims behavior reflects their future behavior.

5.2.2.6 Sensitivity of provisions to changes in assumptions and risk-free interest

Actuarial assessment is subject to significant uncertainty. The actuarial estimates for predicting contingent claims relate to the claims' expected value. Due to the stochastic nature of claims payments, there may be deviations around the calculated expected value. In addition, the statistical estimate is based on various assumptions, which will not necessarily materialize. If there is a change in the manner in which the claims are settled or, alternatively, the total claim amount reported, a difference may arise between the actuarial assessment and actual outcome. In addition, a change in the yield may cause discrepancies between the estimates and the actual outcome.

Since the actuarial model is based on past experience, an unexpected change in the model's assumptions or the claims' behavior will result in a change in the reserve. It should be noted that these risks were taken into account, to the extent possible, under the requirements of the Commissioner's position in the systemic risk estimates.

NOTE 41 – RISK MANAGEMENT (cont.)

6. Credit risk information

6.1. Distribution of debt assets by location

	As of December 31 2021		
	Liquid (*)	Illiquid	Total
	In NIS thousand		
In Israel	6,115,145	13,303,213	19,418,358
Overseas	1,357,788	661,228	2,019,016
Total debt assets	7,472,933	13,964,441	21,437,374

(*) Liquid debt assets are mainly classified into the available-for-sale category and presented at fair value.

	As of December 31 2020		
	Liquid (*)	Illiquid	Total
	In NIS thousand		
In Israel	6,836,540	13,388,361	20,224,901
Overseas	1,258,928	618,828	1,877,756
Total debt assets	8,095,468	14,007,189	22,102,657

(*) Liquid debt assets are mainly classified into the available-for-sale category and presented at fair value.

6.2 Breakdown of assets by rating

6.2.1 Debt assets

	Local rating (*)				
	As of December 31 2021				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	In NIS thousand				
<u>Debt assets in Israel</u>					
<u>Liquid debt assets</u>					
Government bonds	3,806,393	-	-	-	3,806,393
Corporate bonds	1,438,285	653,628	70,917	145,922	2,308,752
Total liquid debt assets in Israel	5,244,678	653,628	70,917	145,922	6,115,145
<u>Illiquid debt assets</u>					
Government bonds and treasury deposits	8,166,309	-	-	-	8,166,309
Corporate bonds	376,817	195,261	20,688	8,483	601,249
Deposits with banks and financial institutions	991,734	-	-	-	991,734
Other debt assets by collateral:					
Mortgages (**)	-	-	-	347,392	347,392
Loans against policies	-	-	-	81,797	81,797
Loans secured by real estate properties	105,666	523,475	-	889,302	1,518,443
Loans secured by shares attributable to controlling shareholders	647	92,578	-	-	93,225
Other collateral	512,539	500,104	-	365,968	1,378,611
Unsecured	20,850	84,601	-	19,002	124,453
Total illiquid debt assets in Israel	10,174,562	1,396,019	20,688	1,711,944	13,303,213
Total debt assets in Israel	15,419,240	2,049,647	91,605	1,857,866	19,418,358
Of which - internally rated debt assets	296,934	684,168	10,029	-	991,131

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Mostly mortgages to private individuals purchased from banks.

NOTE 41 – RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.2 Breakdown of assets by rating (cont.)****6.2.1 Debt Assets (cont.)**

	International ratings (*)				
	As of December 31 2021				
	A and above	BBB	Less than BBB	Unrated	Total
	In NIS thousand				
<u>Debt assets abroad</u>					
<u>Liquid debt assets</u>					
Government bonds	63,705	54,349	7,091	27,643	152,788
Corporate bonds	58,555	359,766	612,251	174,428	1,205,000
Total liquid debt assets abroad	122,260	414,115	619,342	202,071	1,357,788
<u>Illiquid debt assets</u>					
Loans secured by real estate properties	142,908	-	-	218,928	361,836
Loans secured by other collateral	-	-	-	299,392	299,392
Total illiquid debt assets abroad	142,908	-	-	518,320	661,228
Total debt assets abroad	265,168	414,115	619,342	720,391	2,019,016
Of which - internally rated debt assets	126,624	-	-	-	126,624

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

	Local rating (*)				
	As of December 31 2020				
	AA and above	A to BBB	Less than BBB	Unrated	Total
In NIS thousand					
<u>Debt assets in Israel</u>					
<u>Liquid debt assets</u>					
Government bonds	4,805,042	-	-	-	4,805,042
Corporate bonds	1,099,598	706,388	102,195	123,317	2,031,498
Total liquid debt assets in Israel	5,904,640	706,388	102,195	123,317	6,836,540
<u>Illiquid debt assets</u>					
Government bonds and treasury deposits	8,190,398	-	-	-	8,190,398
Corporate bonds	404,771	174,751	18,935	1,098	599,555
Deposits with banks and financial institutions	1,108,672	-	-	-	1,108,672
Other debt assets by collateral:					
Mortgages (**)	-	-	-	287,303	287,303
Loans against policies	-	-	-	118,372	118,372
Loans secured by real estate properties	41,798	622,784	61,533	715,047	1,441,162
Loans secured by shares attributable to controlling shareholders	17,300	57,880	-	-	75,180
Other collateral	625,264	468,521	1,252	374,740	1,469,777
Unsecured	10,339	73,659	-	13,944	97,942
Total illiquid debt assets in Israel	10,398,542	1,397,595	81,720	1,510,504	13,388,361
Total debt assets in Israel	16,303,182	2,103,983	183,915	1,633,821	20,224,901
Of which - internally rated debt assets	185,864	687,791	69,957	-	943,612

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Mostly mortgages to private individuals purchased from banks.

NOTE 41 – RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2 Breakdown of assets by rating (cont.)

6.2.1 Debt Assets (cont.)

	International ratings (*)				
	As of December 31 2020				
	A and above	Less than			Total
		BBB	BBB	Unrated	
In NIS thousand					
<u>Debt assets abroad</u>					
<u>Liquid debt assets</u>					
Government bonds	74,323	91,827	8,519	-	174,669
Corporate bonds	42,408	474,598	479,742	87,511	1,084,259
Total liquid debt assets abroad	116,731	566,425	488,261	87,511	1,258,928
<u>Illiquid debt assets</u>					
Loans secured by real estate properties	135,794	-	-	263,331	399,125
Loans secured by shares attributable to controlling shareholders	-	-	-	64,752	64,752
Loans secured by other collateral	18,667	7,707	-	128,577	154,951
Total illiquid debt assets abroad	154,461	7,707	-	456,660	618,828
Total debt assets abroad	271,192	574,132	488,261	544,171	1,877,756
Of which - internally rated debt assets	137,627	7,707	-	-	145,334

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

6.2.2. Credit risks in respect of other assets (in Israel)

	Local rating (*)				
	As of December 31 2021				
	AA and above	A to BBB	Less than	Unrated	Total (***)
			BBB		
In NIS thousand					
Loans to associates (**)	-	-	-	83,307	83,307
Receivables and debit balances, excluding balances for reinsurers	-	-	-	598,195	598,195
Deferred tax assets	-	-	-	67,650	67,650
Other financial investments	193,823	27,854	65,511	153,546	440,734
Cash and cash equivalents	2,154,153	-	-	-	2,154,153

	Local rating (*)				
	As of December 31 2020				
	AA and above	A to BBB	Less than BBB	Unrated	Total (***)
	In NIS thousand				
Loans to associates (**)	-	-	-	102,809	102,809
Receivables and debit balances, excluding balances for reinsurers	-	-	-	431,887	431,887
Deferred tax assets	-	-	-	55,104	55,104
Other financial investments	162,236	4,482	-	61,707	228,425
Cash and cash equivalents	1,545,903	-	-	-	1,545,903

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Included in the investment in associates line item.

(***) The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

NOTE 41 – RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2 Breakdown of assets by rating (cont.)

6.2.3. Credit risks for off-balance-sheet instruments (in Israel) (***)

	Local rating (*)				Total
	As of December 31 2021				
	AA and above	A to BBB	Less than BBB	Unrated	
In NIS thousand					
Financial guarantees provided that are not accounted for as insurance contracts (**)	33,007	-	-	898,607	931,614
Unutilized credit facilities	<u>80,748</u>	<u>342,470</u>	<u>-</u>	<u>1,512,080</u>	<u>1,935,298</u>
Total credit exposure in respect of financial guarantees and unutilized credit facilities	113,755	342,470	-	2,410,687	2,866,912

	Local rating (*)				
	As of December 31 2020				
	AA and above	A to BBB	Less than BBB	Unrated	Total
In NIS thousand					
Financial guarantees provided that are not accounted for as insurance contracts (**)	44,830	-	-	259,145	303,975
Unutilized credit facilities	11,074	324,851	-	710,347	1,046,272
Total credit exposure in respect of financial guarantees and unutilized credit facilities	55,904	324,851	-	969,492	1,350,247

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Excludes Sales Law guarantees.

(***) For further information on off-balance sheet liabilities to affiliated companies, please see Note 43.

6.2.4 Credit risks in respect of other assets (abroad)

	International ratings (*)				
	As of December 31 2021				
	A and above	BBB	Less than BBB	Unrated	Total (**)
	In NIS thousand				
Other financial investments	16,712	130,790	139,715	645,428	932,645

	International ratings (*)				
	As of December 31 2020				
	A and above	BBB	Less than BBB	Unrated	Total (**)
	In NIS thousand				
Other financial investments	18,988	141,839	132,653	291,787	585,267

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

NOTE 41 – RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.3 Additional information about credit risks

1) Internal rating model

The Phoenix has developed and implemented a corporate credit rating model based on quantitative and qualitative tiers:

Quantitative tier - a quantitative score based on the financial statements of the rated company and in accordance with the financial ratios.

Qualitative tier - is based on a subjective questionnaire containing questions regarding parameters such as the nature of the policyholder's competitive position in the industry, etc.

In addition, within the model, distinctions were made between different types of companies such as: income-generating properties, holding companies and ordinary companies. The model was approved by the Insurance Commissioner.

Further to the publication of an Amendment of the Provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" internal rating model - in November 2020, The Phoenix Insurance is currently in the process of developing and validating several internal credit rating models.. The internal ratings determined by the model and approved by the Supervisor, are fully recognized for capital requirements purposes.

- 2) Credit risk information in this note does not include the assets for yield-dependent contracts, which are presented in a separate note.
- 3) Regarding reinsurance assets of NIS 2,806,546 thousand, see Notes 17 and 18 and Section 6.6 below.
- 4) For collectible premium balances, see Note 12.

6.4. Information required in connection with the temporary exemption from the application of IFRS 9 - Credit Risk Disclosure

Further to Note 2 regarding the future application of IFRS 9, the table below shows the carrying amount of the financial assets that are subject to the principal and interest test only, excluding assets held for trading or managed on a fair value basis (hereinafter - "Class A"), by credit risk levels. The carrying amount is measured in accordance with IAS 39 but before provision for impairment.

Disclosure on credit risks:

	Local rating (*)				
	As of December 31 2021				
	AA and above	BBB to A	Lower than BBB	Unrated	Total (**)
Cash and cash equivalents	2,154,153	-	-	-	2,154,153
Liquid debt assets	5,009,941	566,709	69,619	132,890	5,779,159
Illiquid debt assets	10,046,831	1,386,019	2,994	1,689,818	13,125,662
<u>Disclosure on credit risks - overseas</u>	International ratings (*)				
	As of December 31 2021				
	A and above	BBB	Lower than BBB	Unrated	Total (**)
Liquid debt assets	122,260	247,251	414,938	64,821	849,270
Illiquid debt assets	126,624	-	-	343,092	469,716

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk. Thus, the total column represents maximum credit risk.

NOTE 41 – RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.4. Information required in connection with the temporary exemption from the application of IFRS 9 - Credit Risk Disclosure (cont.)**

	Local rating (*)				
	As of December 31 2020				
	AA and above	BBB to A	Lower than BBB	Unrated	Total (**)
Cash and cash equivalents	1,545,903	-	-	-	1,545,903
Liquid debt assets	5,660,235	642,161	93,608	107,947	6,503,951
Illiquid debt assets	10,243,324	1,387,595	65,447	1,506,327	13,202,693
Disclosure on credit risks - overseas					
	International ratings (*)				
	As of December 31 2020				
	A and above	BBB	Lower than BBB	Unrated	Total (**)
Liquid debt assets	116,731	336,431	257,418	40,999	751,579
Illiquid debt assets	137,627	7,707	-	279,675	425,009

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk. Thus, the column represents maximum credit risk.

	Carrying amount		Fair value	
	2021	2020	2021	2020
In NIS thousand				
Fair value of assets in Class A with high credit risk (*)				
Liquid debt assets	682,268	499,972	682,268	499,972
Illiquid debt assets	2,035,904	1,851,449	2,098,684	2,012,738

(*) Assets with high credit risk are rated lower than BBB or unrated.

6.5. Details of exposure to economic sectors in respect of investments in liquid and illiquid financial debt assets

	As of December 31 2021		
	On-balance-sheet credit risk		Off-balance sheet risk in
	In NIS thousand	% of total	NIS thousands
<u>Economic sector</u>			
Manufacturing	714,380	3.3%	33,007
Construction & real estate	2,435,902	11.4%	1,643,122
Electricity and water	1,405,485	6.6%	385,841
Commerce	520	-	-
Transportation and storage	46,745	0.2%	-
Communications and IT services	328,269	1.5%	-
Banks	2,379,014	11.1%	-
Financial services	759,601	3.5%	700,710
Holding company	371,984	1.7%	-
Other	869,984	4.10%	104,232
	9,311,884	43.4%	2,866,912
Government bonds and treasury deposits	12,125,490	56.6%	-
Total	21,437,374	100%	2,866,912

NOTE 41 – RISK MANAGEMENT (cont.)
6. Credit risk information (cont.)
6.5. Details of exposure to economic sectors in respect of investments in liquid and illiquid financial debt assets (cont.)

	As of December 31 2020		
	On-balance-sheet credit risk		Off-balance sheet risk in NIS thousands
	In NIS thousand	% of total	
<u>Economic sector</u>			
Manufacturing	698,949	3.2%	44,830
Construction & real estate	2,540,226	11.5%	923,695
Electricity and water	1,373,956	6.2%	65,978
Commerce	19,277	0.1%	-
Transportation and storage	34,156	0.2%	-
Communications and IT services	294,032	1.3%	-
Banks	2,225,534	10.1%	-
Financial services	640,672	2.9%	259,595
Holding company	353,032	1.6%	-
Other	752,714	3.40%	56,149
Government bonds and treasury deposits	13,170,109	59.50%	-
Total	22,102,657	100%	1,350,247

6.6 Reinsurance

The Phoenix Insurance reinsures part of its business - all through foreign reinsurers. However, reinsurance does not release the direct insurers from their obligation to their policyholders under the insurance policies.

The Phoenix Insurance is exposed to risks arising from uncertainty about the ability of reinsurers to pay their share of liabilities in respect of insurance contracts (reinsurance assets) and their debts in respect of claims paid. This exposure is managed by ongoing monitoring of the reinsurer's position in the global market as well as the fulfillment of its financial commitments. The Phoenix Insurance is exposed to concentration of credit risk in respect of a single reinsurer due to the structure of the reinsurance market and the limited number of reinsurers with satisfactory rating.

In accordance with the Commissioner's directive, The Phoenix Insurance's Board of Directors determines, once a year, maximum exposure limits for reinsurers, which The Phoenix Insurance has contracted, based on their international rating. These exposures are managed by the Company by individually assessing each of the reinsurers. In addition, The Phoenix Insurance's exposures are diversified among various reinsurers; the main exposures are in respect of reinsurers who have high international ratings.

NOTE 41 – RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.6 Reinsurance (cont.)****6.6.1 Information on exposure to credit risks of reinsurers****As of December 31, 2021 (in NIS thousands):**

Reinsurer	Reinsurance assets							Total exposure	Delinquent debt	
	Total premiums to reinsurers for 2021	Net receivable (payable) balances (b)	Total in life insurance	In health insurance	In property insurance	In liability insurance	Deposits by reinsurers		Between six months and one year	Over one year
Rating group										
AA and above										
Swiss Re	206,749	(6,834)	96,651	186,017	38,110	66,415	190,904	189,455	-	-
General Reinsurance	157,240	3,695	34,511	79,379	16,537	251,285	139,797	245,610	-	-
Other	306,222	(24,115)	39,655	58,830	99,293	430,109	274,492	329,280	119	44
Total AA and above	<u>670,211</u>	<u>(27,254)</u>	<u>170,817</u>	<u>324,226</u>	<u>153,940</u>	<u>747,809</u>	<u>605,193</u>	<u>764,345</u>	<u>119</u>	<u>44</u>
Total A	<u>675,567</u>	<u>41,191</u>	<u>15,580</u>	<u>112,371</u>	<u>293,733</u>	<u>883,149</u>	<u>479,299</u>	<u>866,725</u>	<u>39</u>	<u>182</u>
Total BBB +	<u>32,221</u>	<u>8,622</u>	<u>3,637</u>	<u>25,964</u>	<u>21,626</u>	<u>50,583</u>	<u>74,990</u>	<u>35,442</u>	<u>3,454</u>	<u>128</u>
Less than BBB - or unrated	<u>89</u>	<u>(993)</u>	<u>1,294</u>	<u>-</u>	<u>1,559</u>	<u>258</u>	<u>-</u>	<u>2,118</u>	<u>17</u>	<u>-</u>
Total	<u>1,378,088</u>	<u>21,566</u>	<u>191,328</u>	<u>462,561</u>	<u>470,858</u>	<u>1,681,799</u>	<u>1,159,482</u>	<u>1,668,630</u>	<u>3,629</u>	<u>354</u>

NOTE 41 – RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.6 Reinsurance (cont.)****6.6.1 Information regarding exposure to credit risks of reinsurers (cont.)****As of December 31 2020 (in NIS thousand):**

Reinsurer	Total premiums to reinsurers for 2020	Net receivable (payable) balances (b)	Reinsurance assets				Deposits by reinsurers	Total exposure	Delinquent debt	
			Total in life insurance	In health insurance	In property insurance	In liability insurance			Between six months and one year	Over one year
Rating group										
AA and above										
Swiss Re	182,794	(6,771)	87,854	197,016	43,357	44,343	149,646	216,153	-	-
General Reinsurance	144,139	(1,217)	31,153	144,716	15,724	189,319	112,241	267,454	-	-
Other	332,185	(52,030)	49,082	100,656	131,520	515,347	351,101	393,474	1,163	636
Total AA and above	659,118	(60,018)	168,089	442,388	190,601	749,009	612,988	877,081	1,163	636
Total A	620,081	(32,109)	11,233	50,231	263,618	548,332	292,347	548,958	756	969
Total BBB +	75,858	10,124	2,496	15,388	29,812	55,093	66,026	46,887	30	92
Less than BBB - or unrated	3,272	(811)	1,412	-	2,758	1,199	2	4,556	5	-
Total	1,358,329	(82,814)	183,230	508,007	486,789	1,353,633	971,363	1,477,482	1,954	1,697

NOTE 41 – RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.6 Reinsurance (cont.)****6.6.2 Comments:**

- (a) Total exposure to reinsurers is: net receivable (payable) balances, reinsurance assets, net of deposits and net of the amount of letters of credit received from the reinsurers as guarantee for their liabilities plus (less) the net receivable (payable) balances.
- (b) As of December 31 2021 and December 31, 2020, a reserve for doubtful accounts in the amount of approximately NIS 0.8 million was made, in respect of the share of reinsurers in contingent claims.
- (c) The rating is mainly determined by the S&P rating agency; in cases where S&P does not issue a rating, it is determined by the lowest rating among other rating agencies and converted according to a formula set in the Investment Methods Regulations. Each rating includes all ranges, for example: A includes from A- to A+.
- (d) Total exposure of the reinsurers to an earthquake event with maximum potential loss (MPL) of 2.0% as of December 31 2021 and December 31 2020 is NIS 8,740 million and NIS 8,413 million, respectively, of which the share of the most significant reinsurer as of December 31 2021 and December 31 2020 is approximately NIS 644 million and approximately NIS 674 million, respectively.
- (e) There are no additional reinsurers in addition to those listed above the exposure to which exceeds 10% of total reinsurance exposure or the premium in respect of which exceeds 10% of total reinsurance premiums for 2021.
- (f) The unrated companies include balances for contingent claims through brokers up to and including 2003 in respect of which there was no exposure as of the report date.

NOTE 41 – RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.7 Geographical risks****As of December 31 2021**

	Government bonds and treasury deposits (**)	Corporate bonds	Shares	Mutual funds and ETFs	Mutual funds	Investment property	Other investments (*)	Total balance sheet exposure	Derivatives in delta terms	Total
In NIS thousand										
Israel	11,992,459	2,877,296	1,702,311	99,461	-	1,124,834	9,366,187	27,162,548	11,538	27,174,086
USA	-	610,117	735,657	272,849	35,633	-	1,733,555	3,387,811	(56,167)	3,331,644
UK	-	124,541	95,213	-	7,484	-	989,361	1,216,599	-	1,216,599
Germany	-	68,419	116,152	-	-	-	982,158	1,166,729	-	1,166,729
Switzerland	-	30,253	5,908	-	-	-	606,923	643,084	-	643,084
Other	133,031	404,375	106,656	8,427	452,826	-	1,241,064	2,346,379	66,884	2,413,263
Total Assets	12,125,490	4,115,001	2,761,897	380,737	495,943	1,124,834	14,919,248	35,923,150	22,255	35,945,405

(**) Of which direct exposure to Russia totals approximately NIS 57 million.

As of December 31 2020

	Government bonds and treasury deposits	Corporate bonds	Shares	Mutual funds and ETFs	Mutual funds	Investment property	Other investments (*)	Total balance sheet exposure	Derivatives in delta terms	Total
In NIS thousand										
Israel	13,016,655	2,467,758	1,080,759	68,630	2,896	2,728,710	8,729,035	28,094,443	50,817	28,145,260
USA	-	486,824	607,386	85,021	18,313	-	537,422	1,734,966	41,017	1,775,983
UK	-	123,132	57,290	-	-	-	743,605	924,027	-	924,027
Germany	-	97,614	22,666	7,078	-	-	934,637	1,061,995	-	1,061,995
Switzerland	-	25,652	8,669	-	-	-	559,292	593,613	-	593,613
Other	153,454	514,332	123,223	53,466	324,288	-	1,023,729	2,192,492	(370,655)	1,821,837
Total Assets	13,170,109	3,715,312	1,899,993	214,195	345,497	2,728,710	12,527,720	34,601,536	(278,821)	34,322,715

(*) Other investments include reinsurance assets, investments in associates, cash and other financial investments that were not included in the other columns.

NOTE 41 – RISK MANAGEMENT (cont.)**7. Regulatory risk information**

The Group's activities are subject to extensive regulatory requirements, including supervision of the management fees collected. There is a continuing trend of tightening and boosting regulatory requirements, as well as increasing their enforcement. Failure to comply with regulatory requirements may result in various sanctions and damage to reputation. Changes in regulatory provisions affect the financial reporting, business operations and profitability of the Company.

Some of the Group companies operate in accordance with the permits and licenses granted to them by the Insurance Commissioner. Failure to comply with permits and licenses may result in sanctions and even in licenses and permits being revoked.

In addition, regulation in the insurance sector has a significant impact on the structure of the products sold and the prices charged in respect of the various products. The legal provisions, guidelines and agreements pertaining to the structure of the savings market in Israel, and especially regarding pension savings, including its tax implications, impacts changes in the scope of operations of the industry and the degree to which products can serve as alternatives to one another, including the option of transitioning from one product to another. As a result, these provisions affect both the life insurance portfolio and the long-term savings of the companies. The Group's insurance agencies are subject to regulatory provisions; changes in these provisions may affect their business operations and profitability.

In addition to regulation in the areas of insurance and long-term savings, the Group is subject to regulatory requirements under securities and companies laws, failure to comply with the provisions of which may result in various sanctions and damage to reputation.

The Phoenix Insurance is subject to capital adequacy requirements derived from Economic Solvency Regime. Low equity capital (although meeting the capital adequacy requirements) may impair the activity of the insurance company and its ability to insure new businesses. For further details, please see Note 8E.

NOTE 41 – RISK MANAGEMENT (cont.)**8. Information on financial investments for yield-dependent contracts****8.1. Breakdown of investments by linkage bases (*)**

As of December 31 2021							
	In NIS - non- linked	In NIS - CPI- linked	In USD or USD-linked	In EUR or EUR- linked	In foreign currency or linked thereto	Non- financial and other items	Total
	In NIS thousand						
Cash and cash equivalents	12,016,496	-	1,429,927	276,760	62,410	-	13,785,593
Liquid assets	7,128,077	9,868,613	3,967,250	1,150,658	325,474	33,204,751	55,644,823
Illiquid assets	4,272,011	3,716,207	907,566	580,179	387,438	17,822,846	27,686,247
Total Assets	<u>23,416,584</u>	<u>13,584,820</u>	<u>6,304,743</u>	<u>2,007,597</u>	<u>775,322</u>	<u>51,027,597</u>	<u>97,116,663</u>
Exposure to underlying assets through derivatives in delta terms	<u>12,607,129</u>	<u>145,815</u>	<u>(14,960,465)</u>	<u>(3,258,310)</u>	<u>(3,318,933)</u>	<u>8,784,764</u>	<u>-</u>

As of December 31, 2020							
	In NIS - non- linked	In NIS - CPI- linked	In USD or USD- linked	In EUR or EUR- linked	In foreign currency or linked thereto	Non- financial and other items	Total
	In NIS thousand						
Cash and cash equivalents	8,467,935	-	1,670,446	144,715	181,120	-	10,464,216
Liquid assets	7,357,515	9,149,453	3,845,979	1,339,785	406,789	23,838,518	45,938,039
Illiquid assets	<u>1,991,730</u>	<u>4,542,086</u>	<u>880,043</u>	<u>625,914</u>	<u>304,759</u>	<u>13,287,297</u>	<u>21,631,829</u>
Total Assets	<u>17,817,180</u>	<u>13,691,539</u>	<u>6,396,468</u>	<u>2,110,414</u>	<u>892,668</u>	<u>37,125,815</u>	<u>78,034,084</u>
Exposure to underlying assets through derivatives in delta terms	<u>9,044,814</u>	<u>14,725</u>	<u>(9,398,547)</u>	<u>(3,648,416)</u>	<u>(3,170,882)</u>	<u>7,158,305</u>	<u>-</u>

(*) The data in the table are presented according to accounting classification rules and do not reflect actual foreign exchange exposure.

NOTE 41 – RISK MANAGEMENT (cont.)**8. Information on financial investments for yield-dependent contracts****8.2. Credit risk for assets in Israel**

	Local ratings (*)				
	As of December 31 2021				
	AA and above	A to BBB	Less than BBB	Unrated	Total (**)
	In NIS thousand				
Debt assets in Israel:					
Government bonds	7,083,077	-	-	-	7,083,077
Other debt assets - liquid	6,626,346	3,070,788	186,522	610,044	10,493,700
Other debt assets - illiquid	2,037,043	2,427,477	33,972	2,263,033	6,761,525
Total debt assets in Israel	15,746,466	5,498,265	220,494	2,873,077	24,338,302
Of which - internally rated debt assets	513,203	970,883	17,947	-	1,502,033

	Local ratings (*)				
	As of December 31, 2020				
	AA and above	A to BBB	Less than BBB	Unrated	Total (**)
	In NIS thousand				
Debt assets in Israel:					
Government bonds	7,122,224	-	-	-	7,122,224
Other debt assets - liquid	5,787,919	3,497,628	237,008	552,372	10,074,927
Other debt assets - illiquid	2,320,430	2,112,696	179,005	1,257,717	5,869,848
Total debt assets in Israel	15,230,573	5,610,324	416,013	1,810,089	23,066,999
Of which - internally rated debt assets	620,860	866,793	156,318	-	1,643,971

(*) The sources for the ratings in Israel are rating agencies Maalot and Midroog. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes the entire range, such as from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk. Thus, the total column represents maximum credit risk.

NOTE 41 – RISK MANAGEMENT (cont.)**8. Information on financial investments for yield-dependent contracts****8.3 Credit risk for assets abroad**

	International ratings (*)				
	As of December 31 2021				
	A and above	BBB	Less than BBB	Unrated	Total (**)
	In NIS thousand				
Total debt assets abroad	496,376	1,423,870	2,294,516	1,742,668	5,957,430
Of which - internally rated assets	225,723	4,530	102,499	-	332,752

	International ratings (*)				
	As of December 31, 2020				
	A and above	BBB	Less than BBB	Unrated	Total (**)
	In NIS thousand				
Total debt assets abroad	563,395	1,711,035	2,188,319	1,351,256	5,814,005
Of which - internally rated assets	246,079	20,993	-	-	267,072

(*) The sources for the ratings abroad are the rating agencies approved by the Commissioner: S&P, Moody's and Fitch. Each rating includes the entire range, such as from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk. Thus, the total column represents maximum credit risk.

9. For information on the composition of the assets and liabilities of the special-purpose companies, please see Note 26.

NOTE 42 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

A. The Company's main interested parties are as follows

Belenus and Leolin are the Group's controlling shareholders. Belenus and Leolin are private companies incorporated in Luxembourg, held indirectly by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "Funds"). As of January 2022, the Harel Insurance Group has been an interested party in the Company.

B. Benefits for key management personnel (including directors)

In addition to their salaries, the Group's CEO and senior executives are entitled to non-cash benefits (such as cars, medical insurance, etc.). Furthermore, the Group makes contributions on behalf of those officers into a post-employment defined benefit plan and a defined contribution plan.

Senior executives also participate in the Company's share option plan (see Note 37, Share-Based Payment).

In accordance with the provisions of the law, the Company and The Phoenix Insurance have a compensation policy in place for officers and senior executives. The compensation policy is mainly based on multi-year results, return on equity achieved by the Group, and a series of personal parameters adapted to the various officers, which are based on the work plans to be set by the Board of Directors each year.

In October 2020 the General Meeting of the Company's shareholders approved a new compensation policy for the Company's officers for 2021-2023. For further details, please see the Company's immediate report dated September 21 2020 (Ref. No. 2020-01-102009) (hereinafter - the "**New Compensation Policy**").

As to the liability for exemption, indemnification and insurance to directors, officers and other key officers - see Section 7 below.

1. Benefits in respect of employment of key management personnel include:

	For the year ended December 31					
	2021		2020		2019	
	<u>No. of people</u>	<u>Amount In NIS thousand</u>	<u>No. of people</u>	<u>Amount In NIS thousand</u>	<u>No. of people</u>	<u>Amount In NIS thousand</u>
Short-term benefits	19	38,785	18	33,670	17	29,465
Post-employment benefits	19	2,517	17	1,669	16	4,471
Share-based payment (see Note 37)	19	5,395	16	2,624	10	1,296
		<u>46,697</u>		<u>37,963</u>		<u>35,232</u>

NOTE 42 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

2. Benefits in respect of employment of key management personnel who are directors not employed by the Company:

	For the year ended December 31					
	2021		2020		2019	
	No. of people	Amount In NIS thousand	No. of people	Amount In NIS thousand	No. of people	Amount In NIS thousand
Fees of directors not employed by the Company	7	2,623	9	2,442	14	3,465

3. The Company participates (on its own behalf and on behalf of Group companies) in directors and officers' insurance

	For the year ended December 31		
	In NIS thousand		
	2021	2020	2019
Insurance for board members and officers	2,740	1,957	997

For information on revision of the insurance coverage of directors and officers, please see Section 7 below.

4. Employment agreement of the Chairman of the Board of Directors

Mr. Benjamin Gabbay has been serving as Chairman of the Board of Directors of The Phoenix Insurance since November 2019, and as the Chairman of the Company's Board of Directors since April 2020.¹ The Company and The Phoenix Insurance's Compensation Committees and Boards of Directors approved Mr. Gabbay's terms of employment in meetings held in December 2019 (hereinafter - "**Mr. Gabbay**" and/or "**Company Chairman**" and/or "**The Phoenix Insurance's Chairman**").

In respect of his service as Company Chairman, Mr. Gabbay is entitled to an annual compensation and to compensation for participating in meetings (which are not joint meetings of the Company and The Phoenix Insurance) in his capacity as an expert director (in accordance with his classification as such by the Compensation Committee), in accordance with the Fourth Addendum to the Companies Regulations (Rules Regarding Compensation and Expenses for External Director), 2000, in accordance with the Company's rank as it shall be determined from time to time.

Mr. Benjamin Gabbay's gross monthly salary for his service as The Phoenix Insurance's Chairman at an appointment percentage of 70% is NIS 145,500 (hereinafter - the "**Salary**"). The Salary is linked to the Consumer Price Index (hereinafter - the "**CPI**"), and the revision due to changes in the CPI is carried out once a year in the January salary, in accordance with the CPI published on January 15 of that year.

¹Through that date, Mr. Gabbay served as the temporary Chairman of the Company's Board of Directors.

NOTE 42 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

4. Employment agreement of the Chairman of the Board of Directors (cont.)

The Salary, as revised from time to time, will serve as the wages on which contributions for severance pay and pension are based.

Related benefits: The Phoenix Insurance's Chairman is entitled to reimbursement of expenses he will incur in respect of fulfilling his role, including entertainment expenses and travel expenses (including travel abroad), all in accordance with the Company's Compensation Policy. Furthermore, The Phoenix Insurance's Chairman is entitled to twenty-one (21) annual leave days per year; any unutilized annual leave shall be deleted once a year. The accrued vacation leave days may not be redeemed except upon termination of employer-employee relationship. In addition, The Phoenix Insurance's Chairman is entitled to sick leave in accordance with the law and his employment on a part-time basis; he will have a right to accumulate up to ninety (90) calendar days (66 working days), that cannot be redeemed, neither during the course of employment or after termination.

The Phoenix Insurance's Chairman is entitled to be included in the officers' insurance arrangement purchased by the Company, and to receive indemnification and exemption letters in accordance with the terms and conditions normally applied to senior Company officers.

Compensation - variable component: The Phoenix Insurance's Chairman is not entitled to a variable compensation component.

Advance notice and non-competition: The Phoenix Insurance and The Phoenix Insurance's Chairman have the right to terminate the employment agreement at any time and for any reason whatsoever by giving written advance notice in accordance with the law (hereinafter - the "**Advance Notice Period**"). Upon termination of the employment of The Phoenix Insurance's Chairman for any reason whatsoever, The Phoenix Insurance's Chairman shall be subject to a non-competition period of six (6) consecutive months starting at the end of the Advance Notice Period (hereinafter - the "**Non-Competition Period**"). During the Non-Competition Period, The Phoenix Insurance's Chairman shall not serve in an active managerial position in the insurance sector, without obtaining The Phoenix Insurance's written consent in advance.

It should be noted that in accordance with the decisions of the Compensation Committee and Board of Directors of The Phoenix Insurance and the Company, which approved the compensation terms of Mr. Benjamin Gabbay, the expected expenditure, as defined in the Compensation of Officers in Financial Corporations (Special approval and Non-Deductibility for Tax Purposes of Expense in respect of Irregular Compensation) Law, 2016, in respect of his tenure as Chairman of the Board of the Company and The Phoenix Insurance in total, is not expected to exceed NIS 2.5 million (linked to the Consumer Price Index).

Due to the coronavirus crisis, the compensation of the Chairman of the Board of Directors was reduced by 10% from the May 2020 salary to the June 2021 salary.

5. CEO's employment agreement

Mr. Eyal Ben Simon has been serving as the Company's CEO since June 2019, and as the CEO of The Phoenix Insurance Company Ltd. since May 2019 (hereinafter - "**Mr. Ben Simon**" and/or the "**Company's CEO**"). The Company's Compensation Committee and Board of Directors approved Mr. Ben Simon's terms of employment in meetings held in June 2019. In August 2019, the General Meeting approved the employment terms and conditions of the Company's CEO, and in October 2020 the General Meeting (hereinafter - the "**General Meeting**") approved the revision of his terms of service and the compensation policy for 2021-2023 (hereinafter - the "**New Compensation Policy**"), as described below:

NOTE 42 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

5. CEO's employment agreement (cont.)

The gross monthly salary paid to Mr. Ben Simon for his service as the Company's CEO is approximately NIS 135 thousand, calculated on an annual basis (hereinafter - the "**Total Salary**"). The Total Salary shall be updated in accordance with the increase in the Consumer Price Index (hereinafter - the "**CPI**") on a monthly basis, and the base index will be the known CPI as of the end of May 2019.

The Total Salary, as updated from time to time, will serve as the wage on which contributions for severance pay, pension and advanced education fund are based.

In accordance with the Compensation of Officers in Financial Corporations (Special approval and Non-Deductibility for Tax Purposes of Expense in respect of Irregular Compensation) Law, 2016 (hereinafter - the "**Law**"), the Company's Compensation Committee, Board of Directors and General Meeting approved - as part of their approval of the employment agreement - that Mr. Ben Simon's employment terms and conditions are in accordance with Section 2(a) to the Law, such that the projected expense in respect of the offered compensation is expected to exceed NIS 2.5 million per year, but shall not exceed the limit of 35 times the annual expense in respect of the year relevant to the adjustment, based on the cost of a full-time position, paid by the Company to its lowest paid employee, whether directly or indirectly (including an employee of a manpower contractor employed directly by the Company or contract worker employed to provide services at the Company's premises, as defined by law).

It should be clarified that the Company shall bear the tax cost arising from the "excessive expense" in respect of Mr. Ben Simon's cost of employment (i.e., the non-deductibility for tax purposes of the "excessive expense" for the Company, as defined in the Compensation of Officers in Financial Corporations Law).

Related benefits: the CEO is entitled to social benefits, related benefits and reimbursement of expenses, including in respect of meals, entertainment and subsistence as generally accepted in the Company, travel expenses (including travel abroad), car expenses, telephone, internet devices, and other communication expenses. The Company shall provide the CEO a company car (corresponding to Grade 7) for his personal use, and all expenses arising from the car's usage and maintenance shall be incurred by the Company and shall be paid by it, including grossing-up in full of the car's value and use.

Furthermore, the CEO is entitled to twenty four (24) annual leave days per year, with an option to accumulate up to two annual leave quotas; any unutilized annual leave in excess of the said two annual quotas shall be deleted once a year. The accrued vacation leave days may not be redeemed except upon termination of employer-employee relationship. Furthermore, the CEO is entitled to recreation pay, calculated based on fifteen (15) recreation days per year; he will also be entitled to twenty-two (22) sick leave days, which may be accumulated throughout his service as CEO, up to ninety (90) calendar days (66 working days), that cannot be redeemed, neither during the course of employment nor post-employment.

The CEO is entitled to be included in the D&O insurance policy purchased by the Company, as well as letters of indemnification and exemption from liability under standard terms for senior officers in the Company.

Compensation - variable component: The CEO may be entitled to an annual bonus in accordance with the New Compensation Policy and at the discretion of the Compensation Committee and Board of Directors. The assessment of the CEO's entitlement to an annual bonus is conditional upon the Company's meeting the threshold targets as set in the New Compensation Policy. For additional details, please see Section 1.3 to the General Meeting summons report dated September 21 2020 (Ref. No. 2020-01-102009).

NOTE 42 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

5. CEO's employment agreement (cont.)

The cost of the variable annual component shall not exceed 100% of the cost of the fixed annual component. To the extent required, the annual bonus paid to the CEO shall be cut such that it does not exceed the compensation limit set in law, including in the Compensation of Officers in Financial Corporations Law, linked to the CPI (to the extent that this is permitted by law). After the amount of the variable compensation is set, including the annual bonus in respect of a certain year, it shall be paid in accordance with the deferral arrangements set in law and in the Compensation Policy. The annual bonus shall be subject to the recovery arrangements that were set in relation to variable compensation in the Company's New Compensation Policy.

Advance notice and non-competition: The Company and Company's CEO have the right to terminate the employment agreement at any time and for any reason whatsoever by giving a six-month (6-month) written advance notice (hereinafter - the "**Advance Notice Period**"). Upon termination of the CEO's employment by the Company for any reason whatsoever, other than under circumstances of immediate termination, the Company may decide on the termination date and inform the CEO no later than 7 days after the Advance Notice Period has begun, that the CEO shall be subject to a non-competition period of six (6) consecutive months from the end of the Advance Notice Period and the period of actual utilization of the accumulated annual leave balances, during which the CEO shall not be required to carry out any work for the Company (hereinafter - the "**Non-Competition Period**"). During the Non-Competition Period, the CEO shall receive from the Company his full salary and all payments, contributions, benefits and rights to which he is entitled under his employment agreement, provided that, during the Non-Competition Period, he will not serve as an employee, advisor, partner, contractor, distributor or shareholder in the insurance and finance sectors (including investment houses) (except holding less than 5% of the issued share capital or voting rights in a publicly-traded company). Payment in respect of the Non-Competition Period is conditional upon the CEO's complying with the non-competition terms as set in the agreement. For more information, see the Company's immediate report dated July 1 2019 (Ref. No. 2019-01-056148).

Due to the coronavirus crisis, the compensation of the CEO was reduced by 10% from the May 2020 salary to the June 2021 salary.

6. Changes in the status of officers

- A. In August 2021, Mr. Roger Abravanel was approved by the Capital Market, Insurance and Savings Authority as a director in the Company and in The Phoenix Insurance.
- B. In September 2021, the Board of Directors of the Company and The Phoenix Insurance approved the appointment of Mr. David Alexander to serve as EVP and Head of Business Development at the Company and at The Phoenix Insurance.
- C. In October 2021, Mr. Marc Vonk ended his tenure as a director at The Phoenix Insurance.
- D. In November 2021, the Company's Board of Directors approved the appointment of Mr. Richard Kaplan as an external director of the Company. The appointment was approved by the Company's General Meeting in January 2022.
- E. In December 2021, the Company's Board of Directors approved the appointment of Ms. Orly Pascal as EVP and Head of Human Resources at The Phoenix Insurance.
- F. In December 2021, the Company's Board of Directors approved the appointment of Mr. Eilon Dachbash as EVP and Head of Retail Credit at the Company.
- G. In December 2021, Zohar Tal ended his service as an external director in the Company.

NOTE 42 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

6. Changes in the status of officers (cont.)

H. In January 2022, the Capital Market, Insurance and Savings Authority approved Ms. Giorgia Rodigari's appointment as a director in The Phoenix Insurance.

I. In January 2022, Mr. Erez Orly ceased to serve as Head of Human Resources at The Phoenix Insurance.

J. In March 2022, Ms. Yifat Mizrahi ceased serve as CEO of The Phoenix Pension and Provident; she was replaced by Ms. Shani Bello Harfenist.

7. Indemnification agreements and officers' insurance

Insurance, indemnification and exemption

A. In March 2020, the general meeting of the Company's shareholders (hereinafter in this section - the "General Meeting"), approved, among other things:

1. Award of exemption letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the exemption letters.
2. Award of indemnification letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the indemnification letters.
3. The Meeting also approved the payment of expenses arising from participation in meetings of the Board of Directors and its committees by directors residing outside Israel, including directors on behalf of the controlling shareholder, who serve or will serve from time to time in the Company's Board of Directors. The directors will be entitled to full reimbursement of expenses. The total amount of expense per day to be paid by the Company shall not exceed NIS 2,000 plus VAT per director. The directors shall also be entitled to reimbursement of travel expenses in Israel which are directly related to their participation in such meetings.
4. In October 2020, the Company's general meeting approved the Company's revised compensation policy, and the limit for insurance coverage of directors, officers, and other key executives was increased to USD 220 million (instead of USD 150 million) and the Company was granted the option to purchase, at its discretion and in accordance with the approvals required by law, a runoff insurance policy for officers for up to seven years, in the scope of the coverage. For further information, see the Company's immediate report of September 18, 2020 (Ref. No. 2020-01-025789).

NOTE 42 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

7. Indemnification agreements and officers' insurance (cont.)

5. In November 2021, in accordance with Regulation 1B1 of the Companies Regulations (Relief in Transactions with Interested Parties), 2000, the Company's Compensation Committee approved the Company's agreement for the liability insurance policy for officers in the Company and subsidiaries, including those serving on behalf of the controlling shareholders, for an annual insurance period beginning on November 3, 2021. The limit of liability coverage is USD 140 million per case and total per annual insurance period, together with reimbursement of reasonable legal expenses, in addition to the said limit of liability for claims in Israel. The Company's deductible shall not exceed USD 250,000 per claim, and in claims related to Securities Law in Israel, the Company's deductible shall not exceed USD 500,000 per claim. The cost of the annual premium in respect of such coverage and the deductible amount are in accordance with market conditions, and are determined in accordance with the offers the Company received from reinsurers. For further details, please see the Company's immediate report dated November 7 2021 (Ref. No.: 2021-01-163551).

C. Balances of related parties and interested parties

Some of the Company's financial and insurance activities are carried out with related parties and interested parties in the ordinary course of business and under market terms, subject to the approvals required as per the Company's procedures.

According to the Securities (Periodic and Immediate Reports) Regulations, 1970 (hereinafter - the "**Securities Regulations**"). Some of the reporting requirements applicable to public companies in connection with transactions with a controlling shareholder or transactions with another person in which the controlling shareholder has vested interest (hereinafter - "**Controlling Shareholder Transactions**"), also apply to transactions which are not extraordinary transactions, as this term is defined in the Companies Law, except for transactions that were designated in the latest financial statements as negligible. In November 2008, the Company's Board of Directors decided to adopt a negligibility threshold as set out in the Securities Regulations in connection with Controlling Shareholder Transactions.

The Company's Board of Directors has determined that a Controlling Shareholder Transaction shall be considered as a negligible transaction if all of the following terms and conditions are met in respect thereof:

- It is not an extraordinary transaction (as the term is defined in the Companies Law).
- Its effect on the relevant parameter (as described below) amounts to less than one percent (1%).
- For each transaction or engagement assessed in relation to the negligibility threshold, the relevant parameters shall be assessed based on the latest consolidated financial statements issued by the Company prior to the event, as described below:
 - a. Ratio of assets - the total transaction-related assets (acquired or sold assets) divided by total assets.
 - b. Ratio of liabilities - the total transaction-related liabilities divided by total liabilities.
 - c. Equity ratio - the increase or decrease in equity divided by the equity.
 - d. Premium ratio - the total transaction-related premiums divided by the average annual premiums in the relevant segment (life insurance and savings, health insurance, property and casualty insurance) calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
 - e. Ratio of revenues from various services - the total transaction-related revenues divided by the average annual non-premium revenues in the last three years, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
 - f. Ratio of expenses in respect of various services - the total transaction-related expenses divided by the average annual general and administrative expenses, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.

NOTE 42 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Balances of related parties and interested parties (cont.)

- g. Profit ratio - the total transaction-related profit or losses attributed to the event divided by the average annual comprehensive income or loss for the period (including changes in capital reserves) in the last three years, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
- Without prejudice to the need to assess for each event assessed for negligibility which of the above parameters are relevant, the following parameters shall be considered as relevant for the transactions listed below:
 - a. Asset purchase - assets ratio.
 - b. Asset sale - profit ratio, asset ratio.
 - c. Purchase or sale of insurance of reinsurance - premium ratio.
 - d. Receiving services (including leasing services, vehicle maintenance, Dalkan, etc.) - ratio of expenses in respect of various services.
 - e. Provision of services (excluding insurance services and including brokerage services in insurance, underwriting, financing transactions, various financial services) - ratio of revenues from various services.
- The transaction is also negligible in qualitative terms.

As part of a qualitative assessment of an event, the following aspects will also be assessed:

1. The event involves significant risks or rewards. The Company will examine whether, and to what extent, the risks that the event involves reflect risk factors to which the Company is exposed.
2. The event may impact the Company's compliance with significant regulatory or contractual requirements.

When assessing the negligibility of a future event, the Company should assess, among other things, the probability that the event will indeed materialize, and the risks embodied therein; the Company should also ensure that these risks do not exceed the risks that it normally undertakes in the ordinary course of its business.

In December 2013, the Company's Audit Committee and Board of Directors approved, as part of the internal enforcement plan, a revision to the Company's procedure on transactions with interested parties in the Company. In this framework, the Audit Committee and Board of Directors decided that transactions approved as negligible for purposes of Regulation 41(a)(6)(a) of the Securities (Annual Financial Statements) Regulations, 2010 are also considered negligible transactions in relation to the Company for purposes of Section 117(2a) to the Companies Law, 1999.

As part of this decision, the Audit Committee approved - pursuant to Section 117(1a) to the Companies Law - transactions listed in the appendices to the procedure, which are not extraordinary transactions, under ordinary commercial terms (such as: insurance, management of provident funds and/or pension funds), the execution of which was approved so long as they comply with all cumulative terms and conditions set out in the procedure.

NOTE 42 – BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Balances of related parties and interested parties (cont.)

As at December 31 2021:

	Controlling shareholder (***)	Associates	Interested party and other related parties
	In NIS thousand		
Financial investments in respect of yield-dependent contracts	37,290	439,632	819,186
Financial investments in respect of ETNs	-	-	-
Other financial investments:			
Debt assets	-	260,831	24,999
Shares	-	-	-
Other	8,969	-	29,250
Other receivables and debit balances	-	10,095	19,588
Premiums collectible	-	185	262
Payables and credit balances	-	-	17,219
Highest outstanding debt balance during the year			
Financial investments in respect of yield-dependent contracts	-	395,399	107,157
Debt assets	-	273,587	36,700

As of December 31 2020:

	Controlling shareholder (***)	Mayer Group	Associates	Interested party and other related parties
	In NIS thousand			
Financial investments in respect of yield-dependent contracts	19,038	-	431,656	806,585
Financial investments for holders of ETNs	-	-	-	-
Other financial investments:				
Debt assets	-	-	265,312	42,928
Shares	-	-	-	4,229
Other	4,591	-	(*)	14,488
Other receivables and debit balances	-	-	4,494	19,917
Premiums collectible	-	5,263	281	32
Payables and credit balances	-	-	-	7,798
Highest outstanding debt balance during the year				
Financial investments in respect of yield-dependent contracts	-	-	393,945	94,493
Debt assets	-	-	265,312	52,416

(*) A balance of NIS 74,312 thousand was reclassified.

(**) For details regarding investments in investees, please see Note 8.

(***) Investments in funds in which the general partner is the controlling shareholder in the Company. The engagement was made prior to the acquisition of control in the Company.

NOTE 42 – **BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)**

D. **Transactions with interested parties and related parties**

For the year ended December 31, 2021 in NIS thousand:

	Controlling shareholder	Associates	Interested party and other related parties
Gross premiums	-	3,333	10,485
Income from management fees from pension and provident funds	-	-	542,942
Gains (losses) from debt assets and finance income	-	15,754	4,691
Payments in respect of insurance contracts	-	362	3,464
Expenses in respect of fees and commissions	-	20,543	-
General and administrative expenses	-	-	51,990

For the year ended December 31, 2020 in NIS thousand:

	Controlling shareholder	Mayer Group	Associates	Interested party and other related parties
Gross premiums	-	35,492	2,642	1,037
Income from management fees from pension and provident funds	-	-	-	369,873
Gains (losses) from debt assets and finance income	-	-	32,325	1,173
Payments in respect of insurance contracts	-	13,005	829	33
Expenses in respect of fees and commissions	-	5,864	30,276	-
General and administrative expenses	76	20,833	-	37,472

For the year ended December 31, 2019 in NIS thousand:

	Delek Group	Mayer Group	Associates	Interested party and other related parties
Gross premiums	-	39,020	2,560	971
Income from management fees from pension and provident funds	-	-	-	369,757
Gains (losses) from debt assets and finance income	(*) (3,429)	-	19,265	6,535
Payments in respect of insurance contracts	-	12,511	140	66
Expenses in respect of fees and commissions	-	7,893	28,548	-
General and administrative expenses	-	25,098	-	41,222

(*) The said amount is in respect of Delek Group, which was the controlling shareholder in the Company until November 2019; for further details regarding the sale of control over the Company, please see Note 1A.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent liabilities

1. 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 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 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 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 1-13, 17-25, 27, 29-39, 41, 43, and 45-50 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 14-16, 26, 28, 40, 42, 44, and 51-60 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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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 class actions:

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
1.	January 2008 Tel Aviv District Court The Phoenix Insurance and other insurance companies Approximately NIS 1.67 billion of all defendants, with about NIS 277 million attributed to The Phoenix Insurance.⁴	Unlawful collection of payments known as "sub-annuals" for life insurance policies, in an amount that exceeds the permitted one.	In May 2018, the Supreme Court granted the defendants' motion for leave to appeal and dismissed the plaintiffs' appeal, such that the District Court's judgment was quashed and the motion for approval of the claim as a class action was denied. In July 2019, the Supreme Court upheld the plaintiffs' request for a further hearing on the question set forth in the Judgment regarding the regulator's position filed with the court regarding its instructions, and on the question of de minimis defense in a monetary class action. On July 4, 2021, the Supreme Court handed down its judgment in respect of the further hearing by the Supreme Court (which was concluded at a 4 to 3 majority), whereby the Supreme Court's judgment will be canceled and the District Court's judgment will be reinstated, the approval petition will be allowed and the class action will be heard by the District Court, excluding the specific claims that were raised against The Phoenix Insurance (and another insurance company) regarding the collection of "sub-annuals" in an amount that exceeds the amount permitted by law - claims which were rejected by the court and therefore will not be discussed again by the District Court, and the legal proceedings in respect thereof has ended. The class action continues to be heard in the district court.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	February 2010 Central District Court The Phoenix Insurance (and other insurance companies in a parallel case, in light of filing a consolidated class action statement of claim) 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	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.	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. 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.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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 motion to approve the action 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. In August 2021, the Attorney General submitted his position regarding the examiner's report filed with the court, according to which there is no need to approve the settlement agreement in the format in which it was submitted in connection with the compensation payment mechanism and with excluding certain groups from the settlement. The Court has yet to rule on the settlement agreement and a hearing is scheduled for May 16 2022.
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.	In February 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. In May 2021, The Phoenix Insurance filed a motion to 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. In June 2021 the Supreme Court issued a motion to stay the execution of the judgment and ruled that the motion to appeal requires a reply (the latter was submitted in September 2021).

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	July 2014 Central District Court The Phoenix Pension and Provident Fund Ltd. and management companies of additional pension funds. NIS 48 million from all defendants.	Acting in bad faith when using the right - under the pension fund's rules and regulations - to increase management fees paid by pensioners from the accrual to the maximum amount allowed, as from the date they become pensioners.	On March 18 2022, the District Court approved the motion to approve the claim as a class action. As part of the approval process it was determined that the group on behalf of which the class action will be conducted will include any person who is a planholder in a new comprehensive pension fund, which is among the defendants, where such planholder is entitled to receive old-age pension; it was also determined that the questions for discussion are whether the defendants should have given planholders advance notice regarding the management fees that will be collected from them during the pension period, and if so - what is the damage caused as a result of not issuing such notice?
6.	June 2015 Beer Sheva District Court The Phoenix Insurance Approximately NIS 125 million.	The cause of action, as approved by the District Court, is a violation of the provisions of the policy regarding special compensation (reimbursement) for performing surgery in a private hospital funded by "additional insurance services" (SHABAN) and the questions common to the 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.	In December 2019, the District Court approved the motion to approve the claim as a class action lawsuit. 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. The parties are in a mediation procedure.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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 (currently - The Phoenix Pension and Provident Fund Ltd.) 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 parties are awaiting the court's decision on the application for approval of the claim as a class action.
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.	In May 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 July 11 2022.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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 Provident Fund 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 March 28, 2022.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	In May 2019, the District Court approved the motion to approve as a class action the claim filed against The Phoenix Insurance and three other insurance companies (hereinafter - the "Defendants"), for breaching the provisions of the insurance policy due to unlawful collection of investment management expenses. The class on whose behalf the class action lawsuit against The Phoenix Insurance will be conducted includes all policyholders of the individual savings policy Excellence Invest issued by The Phoenix Insurance at present and in the seven years prior to the date of submission of the motion 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. 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. 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. A hearing on the request for leave to appeal took place on February 11 2021. In January 2022, the Attorney General submitted his position regarding the proceeding following a final report submitted by the advisory committee to the Capital Market, Insurance and Savings Authority, on the issue of direct expenses, as published in November 2021; the Attorney General noted that the request for leave to appeal and the appeal itself should be allowed, and in this respect, the motions for certification of the lawsuits as class actions must be rejected, and that there is nothing in the report that affects the decision made in the proceeding and it may even support his position. The other parties have also submitted their response to the position of the Attorney General and to the committee's report, and the parties await the Court's judgment. At this point, the hearing on the class action in the District Court was postponed. 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).

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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: The Phoenix Pension and Provident Fund 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 court approved the hearing arrangement filed by the parties, 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 class actions claims 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. A hearing is scheduled for April 4, 2022.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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. (which was merged into The Phoenix Pension and Provident Fund Ltd.) NIS 17.5 million.	The statement of claim alleges that IBI Provident and Study Fund Management Company Ltd. (which was merged with Halman Aldubi on July 1, 2018) charged the plaintiff and the other planholders of the advance education fund under its management, investment management expenses, in addition to the fund management fees, contrary to the fund's bylaws.	Halman Aldubi has 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. On March 21 2021, the Court stayed the proceedings as stated above.
16.	July 2019 Jerusalem Regional Labor Court Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) No estimate was provided, but it was noted that the damage to all class members exceeds NIS 3 million.	According to the statement of claim, Halman Aldubi charged the plaintiff and the other planholders of the Halman Aldubi comprehensive pension fund (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. On March 21 2021, the Court stayed the proceedings as stated above.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	January 2017 Central District Court The Phoenix Insurance and other insurance companies At least approximately NIS 12.25 million in respect of each of the defendants.	According to the plaintiffs, insurance companies overcharge insurance premiums since they do not disclose to policyholders a "practice" in the motor insurance subsegment that allows updating the age of the young driver insured under the policy and/or the years of driving experience when moving into another age bracket and/or years of driving experience bracket which can potentially result in a reduction of the insurance premium. It should be noted that the plaintiffs refer in their claim to a decision 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.	On March 20 2022, the Court stayed the proceedings in this case until a judgment is handed down in the appeal that is expected to be filed in a similar class action lawsuit against another insurance company that was rejected (to which the plaintiffs referred in the certification motion).
18.	April 2017 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District due to substantive jurisdiction) 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. 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.	According to the plaintiffs, until the regulator intervened and legislative changes were made in connection with this issue, managers of pension arrangements in general and the defendants in particular, provided employers with operating services involving preparing and managing pension insurance for employees without the employers paying any consideration in respect thereof to the pension arrangement managers, and that all costs pertaining to the operating services are paid by the employees through management fees they pay for the products marketed to them by the managers of the pension arrangement.	In August 2020, the court issued a ruling rejecting the motion for approval of the claim as a class action. In October 2020, the plaintiffs filed an appeal with the National Labor Court. In July 2021, a hearing on the appeal took place and the parties are awaiting the ruling of the National Court on the appeal.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	June 2017 Central District Court The Phoenix Insurance The amount of the claim was not estimated.	The lawsuit is concerned with a claim that service level agreements are marketed and sold, either directly or through agents on behalf of The Phoenix Insurance, in violation of the provisions of the law regarding the marketing and sale procedure of such agreements.	In August 2021, the District Court issued a ruling approving the petition to approve the claim as a class action. The group on behalf of which the class action will be conducted is anyone who had purchased from The Phoenix Insurance, whether directly or through its agents, service level agreements as part of the comprehensive car insurance policy, with The Phoenix Insurance violating the law regarding the marketing and sale of service level agreements, in the period ranging from June 30, 2016 until the date of the ruling. The parties are in a mediation procedure.
20.	June 2017 Central District Court (sitting as an Administrative Court). The National Insurance Institute (hereinafter - the "National Insurance Institute") The Phoenix Insurance and additional insurance companies (hereinafter, jointly: the "Official Respondents") The amount of the claim was not estimated.	According to the plaintiffs, the National Insurance Institute collects national insurance contributions and health insurance contributions illegally from the tax-exempt income of class members as defined below, in addition to collecting the minimum rate of health insurance contributions from class members' disability annuity. According to the plaintiffs, the National Insurance Institute overcharges class members for these contributions through the pension fund, the employer or any other third party. The plaintiffs point out that the Official Respondents are entities through which the insurance premiums were collected from the plaintiffs, and clarify that any employer and any entity paying an early pension and any entity paying a PHI benefit in Israel may be in a similar position to that of the Official Respondents. According to the plaintiffs, it is impossible to add all the parties as respondents and the court is asked to consider the Official Respondents that were added and which are related to the plaintiffs' case as class action defendants. The plaintiffs also stated that no operative remedy is requested in the case of the Official Respondents in the framework of the above claim.	The 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 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	August 2017 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction) Excellence Gemel & Hishtalmut Ltd. (currently: The Phoenix Pension and Provident Fund Ltd.) The claim amount was not estimated but it was stated as NIS 1 million or more than NIS 2.5 million.	Increasing management fees in 2007 without sending prior notice as required by law.	On March 20 2022, the court approved the motion to approve the claim as a class action. As part of the certification decision, it is decided that the group on behalf of which the class action will be conducted is as requested in the certification motion.
22.	February 2018 Tel Aviv District Court Excellence Nessuah Gemel Ltd. (currently: The Phoenix Pension and Provident Fund 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.	In October 2021, the parties submitted to the court a motion for approval of a settlement agreement for an amount that is immaterial to The Phoenix Pension and Provident, under which The Phoenix Pension and Provident will refund 45% of the handling fees, as defined in the settlement agreement, plus interest and linkage differences; the parties also recommended the payment of compensation to the class action plaintiff and his/her attorneys. The settlement agreement has not yet been approved by the court. It should be noted that similar motions for approval of claims as class actions filed against The Phoenix Pension (currently: The Phoenix Pension and Provident Fund Ltd.) and The Phoenix Insurance were concluded with a settlement agreement.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	May 2018 Haifa Regional Labor Court The Phoenix Pension and Provident Fund Ltd. ⁴ NIS 200 million.	According to the plaintiffs, contrary to that which is stated in its rules and regulations, The Phoenix Pension has refrained from paying or from paying in full the partial contributions towards benefits to anyone who does not receive a full disability pension. In any case, The Phoenix Pension refrained from reporting to policyholders - either in pay slips or in annual statements - about the payments it made, to the extent that it did, indeed, make such payments.	In August 2021, the Regional Labor Court issued a resolution approving the motion for approval of the claim as a class lawsuit. As part of the above resolution, the Court approved causes of action in connection with the failure to pay contributions towards benefits in respect of planholders receiving a partial disability pension during the period from May 1, 2012 through May 1, 2019; the Court ordered a remedy whereby the rules and regulations should be abided by and the planholders' accumulated balance should be credited with current monthly contributions towards benefits based on a value date as of the original entitlement date, plus the yield accrued on the fund as from the said date. The Court also ruled that no separate pecuniary damages has been proven in addition to what is stated above, and that no monetary damages should be paid. The class action continues to be heard in court.
24.	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".	In January 2022, the District Court issued a ruling approving the petition to approve the claim as a class action. As part of the certification decision it was determined that the group on whose behalf the class action will be conducted will include any person who engaged in an health insurance contract with the defendants, including insurance coverage for surgical procedures, whose claim to have such procedure done was rejected for the reason that it is a preventative procedure which is not covered by the policy (even if the reason was presented differently in the letter rejecting the claim), and the joint questions for the group members are: Did the defendants breach the insurance contracts when they rejected the claims for insurance coverage by stating that the surgical procedure is a "preventative" one, and what are the remedies to which group members are entitled due to that?

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	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.
26.	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.
27.	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.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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
28.	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, the proceedings in this claim were stayed until a judgment is rendered in the previous claim.
29.	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. A hearing is scheduled for May 16, 2022.
30.	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 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

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

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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
33.	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.
34.	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 petition for approval of the claim as a class action lawsuit continues to be heard in court. The parties' summations were filed, and at the same time the Court was moved to delay its decision in the certification motion pending the success of the mediation procedure.
35.	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.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	February 2020 Central District Court PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance NIS 6.125 million.	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 traveled 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 traveled with the policyholder or the person who accompanied him/her. 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.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
37.	February 2020 Tel Aviv Regional Labor Court (the hearing was transferred from the Tel Aviv District Court) Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) NIS 335 million (or alternatively, NIS 58 million or NIS 36 million).	The claim is that Halman Aldubi allegedly violated its duty to the plaintiff and to all beneficiaries in the provident funds of Halman Aldubi, of deceased planholders, and any planholder of the Halman Aldubi provident funds with whom contact was lost, to locate and inform the said beneficiaries, as well as the planholders with whom contact was lost, that they are entitled to funds in the Halman Aldubi funds, on the dates set forth to that effect in the Supervision of Financial Services Regulations (Provident Funds) (Locating Planholders and Beneficiaries), 2012, in the period beginning on January 1, 2013 until the date of the ruling in the lawsuit.	The 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 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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 38 and 39 below were filed following the Covid-19 pandemic which broke out in March 2020. The petitions were submitted in the motor and home insurance subsegments; 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 Covid-19 pandemic in view of the reduced insurance risk in these fields during that period.			
38.	April 2020 Tel Aviv District Court The Phoenix Insurance, other insurance companies and the managing corporation of the Compulsory Motor Insurance Pool (the "Pool") Ltd. 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.	The subject matter of the lawsuit⁴ is that the defendants unjustly profited, allegedly, by failing to reduce car insurance premiums (for compulsory and/or comprehensive and/or third party policies) during the mobility restrictions imposed due to the Covid-19 pandemic. This was done, argued the plaintiffs, despite a decrease in mileage traveled and the level of risk to which the defendants are exposed.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. It should be noted that a petition to approve a similar claim as a class action, which was filed against The Phoenix Insurance and other insurance companies was rejected in August 2021 (see section 5 in the concluded claims table below).

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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
39.	April 2020 Tel Aviv District Court The Phoenix Insurance and other insurance companies Approximately NIS 886 million of all the defendants, approximately NIS 107 million is attributed to The Phoenix Insurance.	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 Covid-19 pandemic, which led to a decline in mileage traveled and a decline in bodily harm and damage to property.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. 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. 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. An appeal hearing is scheduled for May 25, 2022. As for home insurance, The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. It should be noted that a petition to approve a similar claim as a class action, which was filed against The Phoenix Insurance and other insurance companies was rejected in August 2021 (see section 5 in the concluded claims table below).

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	May 2020 Tel Aviv District Court Phoenix Excellence Pension and Provident Funds Ltd. (currently - The Phoenix Pension and Provident Fund Ltd.), Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) and additional management companies The claim amount was not estimated, but it was stated that it is estimated, at a minimum, in the hundreds of millions of shekels.	According to the plaintiffs, the claim deals with the defendants' classifying some of the contributions transferred to an advanced education fund on behalf of their customers as taxable provisions, even though they are not taxable.	Phoenix Excellence and Halman Aldubi filed their 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. The Court ruled that the government - the Israel Tax Authority, shall be joined as a further defendant to the motion to approve the lawsuit as a class action. 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 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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
41.	June 2020 Tel Aviv District Court PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance At least NIS 10 million.	According to the plaintiff, the claim deals with non-payment of insurance benefits in respect of cancellation of a trip due to a pandemic (the Covid-19 pandemic) under travel insurance that the plaintiff purchased through PassportCard.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit.
42.	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 parties are in a mediation procedure.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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
43.	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.
44.	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 yet to submit its response to the petition to approve the class action lawsuit. The proceedings in this lawsuit were stayed until a final decision is made in connection with the class action outlined in Section 4 above in the table.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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
45.	July 2020 Central District Court The Phoenix Insurance and other insurance companies About 1.9 billion of all defendants, with the share of each of the defendants being in accordance with its market segment; according to the plaintiffs, The Phoenix's share is approximately 19%.	According to the claim, the defendants must charge reduced insurance premiums in cases of insurance policies with exclusions due to an existing medical condition compared to policies in which no such exclusion is present, since exclusions mitigate the defendants' insurance risk.	The petition for approval of the claim as a class action lawsuit continues to be heard in court. A hearing is scheduled for June 28, 2022.
46.	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.
47.	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 April 28, 2022. At the same time, the parties are negotiating to conclude the procedure.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	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 petition for approval of the claim as a class action lawsuit continues to be heard in court. A hearing is scheduled for April 12, 2022.
49.	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 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 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	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 petition for approval of the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for March 30, 2022.
51.	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 filed its response to the motion to approve the claim as a class action.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	April 2021 Central District Court The Phoenix Insurance, banks, investment houses, credit card companies and other insurance companies The claim amount was not estimated but it was stated that it amounts to millions of shekels.	According to the plaintiffs, when using the defendants' digital services (while browsing their personal accounts), customers' private, personal and confidential information is transferred to third parties without the customers' consent, violating their privacy.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for November 6, 2022.
53.	June 2021 Tel Aviv District Court The Phoenix Holdings, The Phoenix Insurance, the Chairman of the Board of Directors of The Phoenix Holdings and The Phoenix Insurance, serving board members of The Phoenix Holdings and the Phoenix Insurance and a long-serving manager in The Phoenix Insurance (hereinafter - the "Defendants"). NIS 137 million.	This lawsuit relies on the facts as presented in a petition to approve a derivative lawsuit that was filed against the Defendants and which deals with events that took place at the beginning of the 1990s (see Section 3 below in the Legal and Other Proceedings section). According to the plaintiffs, the subject matter of the claim is an alleged misleading report and non-disclosure by the Company of material facts that caused damaged to buyers of the share. According to the plaintiffs, at the beginning of the 1990s the Company took steps, in which it managers were involved, to recruit customers and help them to benefit from guaranteed return insurance policies; such steps were allegedly carried out in breach of guidance.	The defendants have not yet filed their response to the petition to approve the claim as a class action. A hearing date has not yet been scheduled.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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.	July 2021 Tel Aviv District Court The Phoenix Insurance The claim amount was not estimated, but it was stated that it exceeds NIS 2.5 million.	According to the plaintiffs, the subject matter of the claim is that the defendants deduct interest at the rate of 2.5% (or any other rate) from the monthly yield accrued for policyholders to whom a monthly benefit is paid under participating life insurance policies issued in 1991-2004; according to the plaintiffs, such a deduction is not established in the contractual terms of the relevant insurance policies.	The 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 21 2022.
55.	August 2021 Tel Aviv District Court Halman Aldubi I2P1, Limited Partnership (hereinafter - the "Partnership"). NIS 7.5 million	The subject matter of the lawsuit is the claim that the Partnership's filings posted on the Israel Securities Authority and the TASE's websites (the MAGNA and the MAYA, respectively) are not accessible to people with disabilities; accordingly the plaintiff claims that the Partnership prevents or reduces disabled people's capability to obtain information from those reports.	The Partnership has yet to submit its response to the petition to approve the class action lawsuit.
56.	November 2021 Tel Aviv District Court The Phoenix Insurance NIS 4 million.	According to the plaintiff, the lawsuit deals with The Phoenix Insurance' refusal to fund the cost of a consultation in an ambulatory health insurance, stating as the reason for refusal the exclusions section in the general terms of health insurance plans, whereas the plaintiff claims that these exclusions are not included in the terms of the ambulatory insurance, and that The Phoenix Insurance did not provide fair disclosure of this matter.	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 22 2022.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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
57.	December 2021 Central District Court ESOP Management and Trust Services Ltd. The claim amount was not estimated, but it was stated that it may reach many tens of millions of shekels.	The plaintiff claims that as part of the tender offer regarding the shares of the Company in which he was employed and which he held by virtue of options awarded to him, ESOP allegedly breached various obligations as part of the operation of the sale of shares in the tender offer.	ESOP has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for December 13 2022.
58.	December 2021 Tel Aviv District Court The Phoenix Insurance The claim amount was not estimated, but it was stated that it was in the millions of shekels or more.	The plaintiff argues that in claims pertaining to damages caused to vehicles (of a policyholder or a third party), The Phoenix Insurance allegedly reduces the insurance benefits unlawfully due to failure to fix the vehicles or transfer the damaged parts to The Phoenix Insurance.	The 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 12, 2023.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1. 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
59.	January 2022 Central District Court The Phoenix Insurance The claim amount was not estimated but it was stated as being more than NIS 2.5 million.	The plaintiff claims that in 2019 The Phoenix Insurance renewed a group health insurance policy to members of the Secondary Schools and Colleges Teachers Union and their families, while making changes, reducing the scope of the insurance coverage and increasing the premium, allegedly without informing policyholders and obtaining their consent.	The 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.
60.	January 2022 Central District Court The Phoenix Insurance and another insurance company The claim amount was not estimated but it was stated that it exceeds NIS 3 million.	According to the plaintiffs, the defendants renewed a house insurance policy automatically while increasing the premium, allegedly without obtaining policyholders' consent.	The 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 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 claimant(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims*

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
1.	May 2020 Tel Aviv District Court Excellence Gemel & Hishtalmut Ltd. (currently: The Phoenix Pension and Provident Fund 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 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims*

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
3.	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.	In January 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. On June 30, 2021 the Court handed down a judgment approving the settlement agreement.
4.	July 2017 Jerusalem District Court PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance The claim amount was not estimated, but it was stated that it exceeds NIS 2.5 million of all the defendants.	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. In addition, the plaintiff claims that the defendants retain the recorded conversations, maintain an illegal database and even use the recordings.	In October 2019, the District Court issued a judgment rejecting the motion for approval of the claim as a class action lawsuit. In January 2020, the plaintiff filed an appeal against the judgment with the Supreme Court. On July 12, 2021 the Supreme Court handed down a judgment rejecting the plaintiff's appeal.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims*

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
5.	April 2020 Haifa District Court The Phoenix Insurance and other insurance companies Approximately NIS 81 million of all the defendants, of which approximately NIS 13 million is attributed to The Phoenix Insurance.	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 Covid-19 pandemic and the restrictions imposed as a result thereof, which constitutes is a material decrease in the risk to which the defendants are exposed.	On August 4, 2021, the District Court ruled that the motion for approval of the claim as a class action was denied, among other things, due to the fact that the plaintiffs do not have cause, have not proven risk mitigation, and that the claim is not worthy of being heard as a class action lawsuit. It should be noted that petitions to approve similar claims against The Phoenix Insurance (and other insurance companies) as class actions are outstanding (see Sections 38 and 39 above in the table).
6.	March 2018 Tel Aviv Regional Labor Court The Phoenix Pension Ltd. (currently: The Phoenix Pension and Provident Fund 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.	On September 24, 2021, the court issued a judgment rejecting the petition to approve the claim as a class action, inter alia, due to the fact that The Phoenix Pension acted lawfully and in accordance with the regulation.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims*

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
7.	November 2020 Tel Aviv District Court 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.	On October 5, 2021, the District Court granted the agreed motion for the plaintiff to withdraw from the motion to approve the claim as a class action.
8.	February 2018 Tel Aviv District Court The Phoenix Insurance The amount of the claim was not estimated, but the group's aggregate damage may 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.	On October 26, 2021, a judgment was rendered by the District Court dismissing the motion to approve the petition to approve the claim as a class action, while accepting The Phoenix Insurance's claims, which were supported by the position of the Capital Market, Insurance and Savings Authority filed in the case.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims*

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
9.	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.	On October 31, 2021, the Magistrates' Court granted the agreed motion for the plaintiff to withdraw from the motion to approve the claim as a class action.
10.	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 November 3, 2021, the Regional Labor Court issued a ruling confirming the plaintiff's withdrawal from the motion to approve the claim as a class action.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims*

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
11.	January 2018 Central District Court The Phoenix Insurance and other insurance companies 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.	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.	On January 4 2022, the District Court issued a judgment rejecting the motion for approval of the claim as a class action lawsuit.
12.	September 2020 Tel Aviv District Court (the hearing was transferred from the Tel Aviv Regional Labor Court) Phoenix Excellence Pension and Provident Funds Ltd. (currently: The Phoenix Pension and Provident Fund Ltd.) No estimate was provided for the claim amount.	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.	On January 26 2022, the District Court issued a judgment rejecting the motion 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 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims*

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
13.	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.	On January 31, 2022, the District Court granted the agreed motion for the plaintiff to withdraw from the motion to approve the claim as a class action.
14.	September 2017 Jerusalem District Court The Phoenix Insurance and other insurance companies The claim amount was not estimated, but it was stated that it was in the tens of millions of shekels or more.	According to the plaintiffs, the defendants breach the provisions of Section 5(b) of the Adjudication of Interest and Linkage Differentials Law, 1961, 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.	In March 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. On February 6, 2022 the Court handed down a judgment approving the settlement agreement.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims*

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
15.	July 2021 Tel Aviv District Court The Phoenix Insurance Approximately NIS 4.8 million.	According to the plaintiff, the subject matter of the claim is The Phoenix Insurance's refusal to fund the cost of a surgical procedure; the plaintiff claims that The Phoenix refrained from making fair disclosure of the insurance coverage and any exclusions thereto in some of the health insurance policies marketed subsequent to October 1, 2001.	On February 23, 2022, the District Court granted the agreed motion for the plaintiff to withdraw from the motion to approve the claim as a class action.
16.	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.	On March 2, 2022, the District Court granted the agreed motion for the plaintiff to withdraw from the motion to approve the claim as a class action.

¹ The date on which the petition for approval of the claim as a class action 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 claimant(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 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

3. Legal and other proceedings

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

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

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 consolidated in The Phoenix group's financial statements, alleging misuse of the plaintiff's trade secrets and list of customers. It should be noted that the plaintiff had previously filed a motion for a temporary injunction in respect of the subject matter of the claim - and the motion was dismissed. The lawsuit continues to be heard in court.
2. On January 29, 2017, Pilat Group Ltd. (hereinafter - "Pilat Group") and Pilat Holdings (1986) Ltd. (hereinafter, jointly, - "Pilat Group" and/or the "Plaintiffs") filed a lawsuit with the District Court, against Halman Aldubi Provident and Pension Funds Ltd. (by virtue of its merger with Hadas Arazim Provident Funds Ltd. on April 30, 2013), 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.

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.

3. On June 14, 2021, a derivative lawsuit and a motion to approve the filing of a derivative lawsuit to the Economic Department at the Tel Aviv-Jaffa District Court (hereinafter - the "Lawsuit") was filed against The Phoenix Holdings, The Phoenix Insurance, the Chairman of the Board of Directors of The Phoenix Holdings and The Phoenix Insurance, serving board members of The Phoenix Holdings and the Phoenix Insurance and a long-serving manager in The Phoenix Insurance (hereinafter jointly - the "Defendants").

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

3. Legal and other proceedings (cont.)

According to the plaintiff, the subject matter of the claim is the alleged breach of duty towards the Company by the board members and officers, who allegedly allowed the Company to recruit customers and help them over more than three decades to benefit from guaranteed return insurance policies; such steps were allegedly carried out in breach of guidance prohibiting the marketing of such policies as from December 31 1990.

The claim amount, as claimed and estimated by the plaintiff, is NIS 124 million, which - according to the plaintiff - is the total direct damage caused to the Company as a result of El Al employees added to the guaranteed-return policies enjoying better conversion coefficients.¹

On October 27, 2021, the defendants filed a motion to dismiss the claim in limine. The court has not yet ruled in this dismissal in limine motion. The defendants' response to the motion to approve the lawsuit as a derivative lawsuit was also submitted. A hearing is scheduled for April 26, 2022.

4. In December 2021, The Phoenix Insurance received a letter from the Capital Market, Insurance and Savings Authority in connection with the restriction of insurance coverages in accordance with Regulation 45 to the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964. As part of the said letter, The Phoenix Insurance was requested to transfer information and check whether it acted in accordance with provisions of the law referred to in the letter, and should it failed to act in accordance with the said provisions, to repay the cost of insurance coverage allegedly collected not in accordance with the relevant provisions. The letter states that it was sent, among other things, against the backdrop of a legal proceeding currently being conducted against another insurance company in connection with this issue. The Phoenix Insurance is required to reply to this letter by April 28 2022.
5. 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 42.13 million. The causes of action against the Group in these proceedings are different.

4. Complaints

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

Furthermore, as part of the Commissioner's inquiries with the group, following complaints and/or audits on his behalf, demands are made from time to time to receive various data regarding the Group's handling of insurance policies in the past and/or a demand to reimburse funds to groups of policyholders and/or other guidelines. In addition, the Commissioner has the power, among other things, to impose monetary sanctions on the Group in accordance with the data that was and/or will be transferred thereto following inquiries as described above. In addition to the petitions to approve lawsuits filed against the Group as class actions.

¹ Since this is a derivative claim accompanied by a petition to approve the claim as a derivative claim, which, if approved, the Company will be entitled to funds thereunder, the total claimed amount does not appear in the following summary table.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

4. Complaints (cont.)

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

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

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

The Wage Protection Law, 1958 imposes a liability on the Group's institutional entities, in accordance with the circumstances specified in the law, in respect of employers' debts to the institutional 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.

5. Summary table

The following table summarizes the amounts claimed in pending motions for approval of claims 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.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

5. Summary table (cont.)

Type	No. of claims	Amount claimed in NIS thousand
<u>Claims approved as a class actions:</u>		
A specific amount was attributed to the Company	6	1,074,743
The claim pertains to several companies and no specific amount was attributed to the Company.	2	273,200
The amount of the claim was not specified	3	-
<u>Pending petitions to approve lawsuits as class actions:</u>		
A specific amount was attributed to the Company	23	3,960,940
The claim pertains to several companies and no specific amount was attributed to the Company.	7	3,777,000
The amount of the claim was not specified	19	-
<u>Other material claims:</u>		
A specific amount was attributed to the Company	-	-
The claim pertains to several companies and no specific amount was attributed to the Company.	1	35,900
The amount of the claim was not specified	-	-
<u>Claims and other requirements</u>	26	42,126

The total provision amount in respect of class actions, legal proceedings and others, filed against the Group as specified above as of December 31, 2021 and December 31, 2020, amounted to approximately NIS 263,312 thousand (of which a total of approximately NIS 4,490 thousand is in respect of concluded class actions) and approximately NIS 185,444 thousand, respectively.

B. Guarantees and pledges provided

- 1) The Company provides a guarantee for planholders of The Phoenix Merkazit LePitzuim that the amounts repaid to them will in no case fall below the amounts they deposited in the fund. The value of the assets of the aforesaid fund as of balance sheet date significantly exceeds the amounts guaranteed by the Company.
- 2) To secure the repayment of the principal, interest and linkage differences, which special purpose companies operating in the field of issuance of Excellence's structured instruments have undertaken to pay bondholders, and to secure full and accurate fulfillment of all of their other obligations under the terms of the bonds and deed of trust, the said companies placed a first ranking fixed charge on all their rights in illiquid bonds issued to them, and a first ranking floating charge on their rights in bank accounts, with which the consideration of the issuance and the proceeds received on the illiquid bonds were deposited.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

B. Guarantees and pledges provided (cont.)

- 3) On January 24 2020, an amendment to the Assisted Living Law, 2012 came into effect. According to the amendment, an operator of a senior housing facility may only receive from tenants amounts on account of the deposit in excess of seven percent of the deposit or NIS 70,000 (the lower of the two) if the operator provided to the tenant one of the collateral listed in the law to secure the repayment of the balance of the deposit which the tenant is entitled to recover under the agreement. Accordingly, The Phoenix Insurance provided guarantees to tenants of Ad 120. As of December 31 2021, the guarantees total NIS 609 million (as of December 31 2020 - NIS 607 million).
Deposits totaling NIS 598 million are available against those guarantees. (As of December 31 2020, NIS 590 million).
Furthermore, in addition to the above The Phoenix Insurance provided a guarantee to Ad 120 in respect of bank credit totaling up to NIS 300 million, subject to the restrictions set out in the agreement.
- 4) The Anchor fund started operating in February 2018; the general partner of this fund is The Phoenix Capital Ltd., 65% of which is held by The Phoenix Investments. The Anchor fund invests in financial debt instruments outside Israel. As part of the agreement for the establishment of the fund, as of December 31 2021, The Phoenix Insurance provided a guarantee in respect of a credit line - which the fund received from a banking corporation - of up to USD 40 million (as of December 31 2020 - USD 45 million).
- 5) In June 2019, Phoenix Invest Varied Debt Strategies Limited Partnership (hereinafter - "Invest") - an investment fund open only to institutional entities - commenced operations; Invest's general partner is The Phoenix Capital Ltd. As part of the establishment of the fund, the Company's Audit Committee and Board of Directors approved the engagement with Invest in a liquidity and holding agreement in connection with the nostro funds for the activity of debt funds. The scope of the holding services agreement is up to NIS 200 million. The agreement is designed to enable Invest to purchase assets at times when it does not have sufficient liquidity, and money is called for by funds in which it has invested. Invest, on the other hand, has an undertaking to purchase the assets acquired using nostro funds immediately after it raises additional funding sources in accordance with the account settling mechanism set out in the agreement.
Furthermore, an agreement is in place to ensure liquidity at the total amount of up to NIS 300 million, which is designed for the event of redemptions from the partnership against the partnership's undertaking to repay the funds immediately after raising the funding sources, with the overall exposure to the liquidity and holding services being up to a total amount of NIS 300 million, all subject to the restrictions set out in the agreement.
- 6) In January 2020, The Phoenix Capital became a 50% partner in The Phoenix Financial Technologies Funds Ltd. - the managing partner of the Phoenix Real Estate Debt partnership. The Phoenix Financial Technologies Funds Ltd. invests in financial instruments outside Israel in the field of real estate. In the reporting year, the guarantee provided in respect of the credit facility amounted to USD 40 million (last year - USD 5 million). Subsequent to the report date, and in accordance with the increase in the partnership's assets, the guarantee increased to USD 60 million.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

B. Guarantees and pledges provided (cont.)

- 7) In 2002, the TASE's Board of Directors decided to establish a risk reserve for its clearing house to secure members' undertakings to the clearing house. The share of each TASE member in the fund shall be determined in accordance with its share in the volume of trade taking place on the TASE based on its general daily average clearing volume. Accordingly, Excellence deposited its share with the TASE risk reserve - amounting to approximately NIS 35 million as of December 31 2021 (December 31 2020 - NIS 38 million).
- 8) As of the date on which Amendment No. 28 came into effect, fund managers who opt to do so will be allowed, in accordance with the provisions and conditions set out in the tracker funds regulations, to set variable management fees, which under certain circumstances will allow fund managers to cancel or reduce the difference between the fund's yield and the change in the price of the underlying asset during the calculation period, by increasing the management fees if the fund's yield exceeded the yield on the underlying asset (positive management fees), and by refunding management fees when the difference between the fund's yield and the yield on the underlying asset is negative (negative management fees), by a rate of 0.1%, 0.2% or 0.3%, as a function of the fund's exposure to the indexes listed on the tracker funds regulations. To secure the payment of the variable management fees, fund managers are required to provide a deposit, whose amount will be determined in accordance to a mechanism set in the tracker funds regulations; alternatively, fund managers can provide a bank guarantee. The deposit will be deposited with an account, which is free from any charge, foreclosure, lien or any other third-party right; the trustee shall have exclusive signatory rights in such an account. KSM Mutual Funds decided that some of the tracker funds under its management shall have variable management fees; therefore, KSM Funds provided a bank guarantee in favor of the trustees of the ETFs; the guarantee was issued by Bank Hapoalim Ltd. as collateral for payment of the variable management fees. The amount of the guarantee is calculated by multiplying the rate of variable management fees by total assets under management in the ETF in respect of which variable management fees were determined in accordance with the Joint Investment Trust Regulations (Tracker Funds), 2018. This, with the exception of a dedicated deposit at the total amount of NIS 600 thousand (in lieu of a bank guarantee as aforesaid) in favor of the trustee of U-Bank.
- 9) Excellence Investment Management and Securities Ltd. placed charges - unlimited in amount - on its securities account in favor of Mizrahi Tefahot Bank Ltd. and in favor of the TASE Clearing House. The charge in favor of Mizrahi Tefahot Bank Ltd. is designed to secure liabilities in respect of writing MAOF options of Excellence Investment Management and Securities Ltd. and its customers. The charge in favor of the TASE Clearing House is required under the directives of the TASE. As of December 31 2021, the amount of the liability is approximately NIS 19,700 thousand (2020 - approximately NIS 11,020 thousand). Furthermore, a guarantee was provided by Mizrahi Tefahot Bank Ltd. in respect of the bank's obligation to the TASE Clearing House for daily monetary clearing purposes. The maximum guarantee amount is NIS 30 million, and it varies in accordance with the TASE Clearing House's directives regarding a minimum debit ceiling.

C. Commitments

- 1) As of December 31 2021, The Phoenix Insurance has commitments to acquire investment property and property, plant and equipment at the total amount of approximately 1,920 million, of which approximately NIS 769 million are in respect of yield-dependent contracts; most of the amount is in respect of the 1000 Complex, see also Section 4 below; (as of December 31 2020, the Company had such commitments at the total amount of approximately NIS 2,070 million, of which NIS 838 million were in respect of yield-dependent contracts).

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Commitments (cont.)

- 2) The Group has commitments to pay rent and maintenance in respect of offices in future years (excluding VAT), as follows:

Year	Dec. 31 2021	Dec. 31 2020
	NIS thousands (*)	
Up to one year	32,888	28,609
One to two years	26,781	27,058
Two to three years	16,455	20,637
Three years and up	14,701	10,187
	90,825	86,491

(*) The rent is linked in part to the exchange rate of the US dollar and in part to the CPI. The above amounts do not reflect the effect of future changes in the CPI and/or the exchange rate of foreign currency on the amounts of commitments, and they are presented in nominal values.

- 3) The Phoenix Insurance has commitments for future investments in investment and venture capital funds totaling approximately NIS 7,976 million as of December 31 2021, of which NIS 5,797 million is in respect of yield-dependent contracts. (As of December 31 2020 - approximately NIS 5,619 million, of which NIS 4,136 million is in respect of yield-dependent contracts). Furthermore, The Phoenix Insurance has commitments to extend credit at the total amount of approximately NIS 2,952 million as of December 31 2021, of which NIS 1.000 is in respect of yield-dependent contracts. (as of December 31 2020 - approximately NIS 1,662 million, of which approximately NIS 393 million are in respect of yield-dependent contracts). Furthermore, the Group has commitments to purchase shares totaling approximately NIS 387 million as of December 31 2021, of which NIS 329 million is in respect of yield-dependent contracts; (as of December 31 2020, NIS 458 million, of which NIS 365 million is in respect of yield-dependent contracts).
- 4) On December 17 2019, The Phoenix Insurance Company Ltd. won a tender that relates to an area measuring about 15 acres located in the "Elef Complex" in Rishon Lezion, where the construction rights in the tender pursuant to the present urban planning scheme amount to a total of about 355 square meters. In accordance with the terms of the tender, the winner undertook to construct about half of the building area within a period of about eight years from the signing date of the agreement with the City of Rishon Lezion, where an obligation for self-use exists for an area measuring about 50 thousand square meters within 5 years. With respect to the remaining land, a joint bid submitted by The Phoenix Insurance Company Ltd. and Acro Landscape Limited Partnership (held by Arbov Investments Ltd.) won the tender (hereinafter - "Acro", "Arbov" and the "Joint Land", respectively). Acro - through its subsidiaries - is engaged in the development of real estate; The Phoenix Insurance Company Ltd. holds 17.04% in Arabov. Arabov's share in the Joint Land is 10%, and The Phoenix Insurance Company Ltd. and Acro have a collaboration agreement which regulates the relationship between the companies, including generally accepted separation mechanisms and options, whereby Acro can reach a share of 20% of the Joint Land. The consideration paid to the City of Rishon Lezion in respect of the purchased land was NIS 338 million. The estimated cost of construction work with respect of half of the building rights, which the Company undertook to construct within 8 years, is approximately NIS 1.9 billion, of which approximately NIS 648 million is attributed to the construction of the building designated for own use. This win in the tender was subject to approval of the Rishon Lezion City Council.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Commitments (cont.)

On February 27, 2020, the Rishon LeZion City Council approved the winning of The Phoenix Insurance in a tender for the purchase and execution of construction work in the "Elef Complex" in Rishon LeZion. On September 5 2021 a transaction was signed with Ashtrom, for the sale of 26.07% of the Joint Land held with Acro (without the portion designed for own use).

- 5) Phoenix Excellence Pension and Provident Funds Ltd. has an agreement with Malam Provident Fund Operation Ltd., whereby Malam Provident Fund Operation Ltd. renders Phoenix Excellence Pension and Provident Funds Ltd. operating services for planholders' accounts with the provident fund and the personally managed advanced education fund under its management, in consideration for tiered monthly operating fees derived from the planholders' total assets. The agreement is for an unlimited period; it includes a termination mechanism whereby the parties may terminate it by giving advance notice in accordance with the terms of the agreement.
- 6) Phoenix Excellence Pension and Provident Funds Ltd. and Mizrahi Tefahot Bank Ltd. entered into an agreement for the operating of planholders' accounts with provident funds under its management. In 2019, the term of the agreement was extended until the end of 2023; the agreement has in place a termination and/or extension mechanism subject to the parties' consent.
- 7) As of the report date, Phoenix Excellence Pension and Provident Funds Ltd. entered into distribution agreements with most Israeli banking corporations for the distribution of the provident and pension funds under its management
- 8) On June 2013, The Phoenix Insurance and The Phoenix Pension Ltd. signed a reinsurance agreement as part of adding and operating the insurance tracks in the supplementary pension fund, in view of the amendment of its bylaws. The Capital Market, Insurance and Savings Authority approved the agreement on December 31 2013. Under the said agreement, The Phoenix Insurance insures The Phoenix Pension for the comprehensive pension fund under its management. The insurance coverage includes dependents insurance and permanent health insurance. On June 30 2019, the agreement was assigned to Phoenix Excellence Pension and Provident Funds Ltd. as part of the merger of The Phoenix Pension into Phoenix Excellence Pension and Provident Funds Ltd., and in parallel to the assignment of all The Phoenix Pension's agreements on the date of the said merger. In 2020, a reinsurance agreement was signed with Swiss Re, which replaces the former agreement signed with that company in early 2020. As in the case of the previous agreement, this agreement includes a mechanism whereby the pension fund bears 10% of the exposure amount, and the remaining balance (approximately 90%) is ceded to the reinsurer.
- 9) On December 14 2021, The Phoenix Insurance Ltd. and The Phoenix Pension and Provident Fund Ltd signed a new collective agreement with the New General Workers' Federation and the National Workers' Committee of Phoenix Workers, which extended the term of the collective agreement that was in place in the Company until that date, except for some changes that were made in the new collective agreement. The term of the agreement is three years starting on January 1 2022 through December 31 2024; the agreement applies to all The Phoenix group employees in the said companies, except for managers at a rank defined in the agreement and employees working in specific positions who were excluded from the agreement. For additional details, please see the immediate report of the Company dated December 15 2021 (Ref. No. 2021-01-109825). For further details, please see Section 24(F) to the Report on the Company's Business.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Commitments (cont.)

- 10) Excellence Investments Ltd. has taken out professional liability insurance and fidelity insurance with The Phoenix Insurance; the insurance covers the employees of Excellence Investments and its subsidiaries for a 12-month period beginning in May 2021. Furthermore, Excellence has taken out crime insurance, which covers it directly, and is also insured - as of October 2018 - under the officers and directors liability insurance of The Phoenix group.
- 11) Excellence Investment Management and Securities Ltd. has an agreement with FMR Computers and Software Ltd. ("FMR"), according to which the consolidated company receives software development services, computer-assisted data processing, including generation of reports, and computer processing based on information received directly from the TASE. The agreement is extended from time to time. In June 2021 the Company signed an agreement to extend the term of the services agreement with FMR through June 2025; as part of the extension, information security and cyber services were added.
- 12) The Phoenix Insurance and Excellence Nessuah Services Ltd. have an agreement with Danel Financial Solutions Ltd., whereby the company has a license to use the Danel FC software for management of financial assets and for provision of software maintenance services. On May 11 2021, the term of the existing agreement was extended by 5 years through December 31 2025.
- 13) Gama Management and Clearing Ltd. has a clearing aggregator agreement with CAL, where under the Company will operate as a clearing aggregator. By virtue of the agreement, the company shall provide clearing aggregator services to merchants through CAL, which delivers to the company the transactions' proceeds less a variable fee, which is derived from the overall turnover of all merchants that worked with CAL using the company's clearing aggregator services during that month.
- 14) Gama Management and Clearing Ltd. has agreements with the credit companies Isracard, Max and CAL, which allows the company to provide payment card vouchers factoring services to merchants that clear transactions with those credit companies, and in consideration the merchants have undertaken to pay Gama the consideration of the vouchers that will be assigned to the company by the merchants. The company also has agreements with banks for the assignment by way of sale of credit card vouchers - in 2015-2016 the company entered into separate agreements with Bank Leumi le-Israel B.M., Bank Hapoalim Ltd., Israel Discount Bank Ltd., and Mizrahi Tefahot Bank Ltd. for assignment by way of sale of the company's rights to receive funds in respect of factoring of credit card vouchers that were assigned to the company by the merchants. As part of the agreements with the banks, it was agreed that the company shall irrevocably assign to each of the banks, by way of sale, its rights to receive funds in respect of vouchers cleared for certain merchants by a certain clearing services entity, in connection with management and factoring agreements signed between the company and the merchants, whereby the merchants assigned to the company their rights to receive funds from the clearing services entities in respect of payment card transaction vouchers executed with cardholders. Pursuant to the provisions of the agreements with the banks, the company gave the clearing entities an irrevocable order to deposit the proceeds in respect of the vouchers directly with the bank.

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Commitments (cont.)

- 15) Several companies and investment funds engaged in the Group's alternative investments activity have in place an administration services agreement with Tzur Capital Management Ltd. for the provision of services in connection with the partnerships' operating activities, and for the purpose of managing the tax arrangement as the partnership's tax trustee. As part of the agreements, the administrator undertook to provide some of the investment funds trust services in connection with the execution of the tax arrangement, including, among other things, assisting the general partner to calculate operating results for tax purposes for each investor on the tax payment date of each tax year, and calculating the tax to be deducted in respect thereof; and, providing any other data in its possession, which is required to the investors in connection with their compliance with the reporting requirements to the tax authorities in respect of their investment in the partnership, upon request by the investors.

Furthermore, the administrator undertook to provide some of the investment funds trust services in connection with the partnership's accounts (the "Transition Account" and the "Activity Accounts"), which include, among other things, the joint signatory right in the partnership's accounts together with the general partner under certain circumstances, and the administrator's function as a trustee in those accounts in accordance with the partnership agreement. Furthermore, the administrator will provide the partnerships administration services, which include, among other things, management of the investors register, providing various reports to investors and revelation of the fund's assets, FACTA and prevention of money laundering.

- 16) As to agreements for investment in investees, and agreements of investees with others, please see Note 8.

D. Leases

- A. Leases in which the Group is a lessee under an operating lease:

The Group is a party to operating lease agreements in respect of vehicles. The average duration of the leases is 3 years, and the leases do not have an extension option. Set forth below is a breakdown of the minimum future lease fees receivable in respect of non-cancelable operating lease contracts as of December 31:

	For the year ended December 31	
	2021	2020
	NIS thousand	
Up to one year	8,544	13,140
From one year to five years	6,829	10,274
	<u>15,373</u>	<u>23,414</u>

NOTE 43 – CONTINGENT LIABILITIES AND COMMITMENTS (cont.)
D. Leases (cont.)
B. Leases in which the Company is the lessor:

The Phoenix Insurance Company leases several commercial buildings (investment property) to external entities. The lease agreements are for variable periods that cannot be canceled; the rent is linked to the CPI. Renewal of the lease contracts at the end of their term is subject to the consent of the Company and the lessees.

Set forth below is a breakdown of the minimum future lease fees receivable in respect of non-cancelable lease contracts (without options):

	For the year ended December 31	
	2021	2020
	NIS thousand	
Up to one year	121,534	125,147
From one year to five years	321,701	334,309
Over five years	312,069	248,702
	<u>755,304</u>	<u>708,158</u>

NOTE 44 – SUBSEQUENT EVENTS

- A. As to the effect of the military confrontation between Russia and Ukraine on the Group's activity, please see Note 1.
- B. For information concerning the allocation of options to employees and officers subsequent to balance sheet date, see Note 37.
- C. For information regarding issuance of Series 6 bonds subsequent to the balance sheet date, see Note 27E5.
- D. For information regarding the rating assigned by Midroog's to the Company's bonds subsequent to balance sheet date, see Note 27K.
- E. In connection with class actions filed and developments in lawsuits after the balance sheet date, see Note 43.
- F. For information regarding the revision of the dividend policy, the approval by the Company's Board of Directors of the dividend distribution and buyback subsequent to balance sheet date, see Note 16.
- G. Fluctuations in financial markets and changes in the risk-free interest curves affect the Group's results. During the period from reporting date through the financial statements publication date (the "Period") there was a slump in financial markets in Israel and globally, which triggered a decline in the value of the assets of yield-dependent policies ("participating portfolio"), and the assets of provident funds and pension funds. Consequently, the participating policies marketed through 2004 achieved negative yields. Therefore, The Phoenix Insurance did not record variable management fees since the beginning of 2022; rather, it only recorded fixed management fees. So long as the policies do not achieve a positive real yield that will cover the investment losses accrued by the policyholder, The Phoenix Insurance will not be able to collect variable management fees. The estimated management fees which were not collected due to negative real yield amounted to approximately NIS 100 million (pre-tax). Furthermore, the slump in financial markets also had an adverse effect on the Company's liquid nostro investment portfolio; however, this decline is immaterial. On the other hand, the increase in the risk-free interest rate curve during the period is expected to cause a decrease in liabilities in respect of insurance contracts. For additional information on the market risks to which the Company is exposed and on the results of sensitivity tests relating to market risks, please see Note 41, Sections 3.1 and 3.2.

Additional information on other financial investments

A. Liquid debt assets

Composition:

	As of December 31, 2021		As of December 31, 2020	
	Carrying amount	Amortized cost	Carrying amount	Amortized cost
	NIS thousand			
<u>Government bonds</u>				
Presented at fair value through profit and loss:				
Designated as of initial recognition date	-	-	7,186	7,352
Available for sale	3,925,232	3,738,712	4,967,084	4,809,927
Total government bonds	3,925,232	3,738,712	4,974,270	4,817,279
<u>Other debt assets:</u>				
<u>Non-convertible</u>				
Presented at fair value through profit and loss:				
Available-for-sale	3,245,265	2,993,910	2,975,373	2,563,470
Total other non-convertible debt assets	3,245,265	2,993,910	3,008,147	2,597,370
<u>Convertible</u>				
Presented at fair value through profit and loss	202,640	198,062	68,849	49,863
Total other convertible debt assets	202,640	198,062	68,849	49,863
Total liquid debt assets	7,373,137	6,930,684	8,051,266	7,464,512
Regular impairments carried to profit and loss (cumulative)	81,553		98,984	

B. Shares

Composition:

	As of December 31, 2021		As of December 31, 2020	
	Carrying amount	Cost	Carrying amount	Cost
	NIS thousand			
<u>Liquid</u>				
Presented at fair value through profit and loss	-	-	5,860	5,217
Available for sale	2,120,169	1,513,615	1,539,625	1,172,470
	2,120,169	1,513,615	1,545,485	1,177,687
<u>Illiquid</u>				
Available for sale	482,004	354,577	314,988	185,520
Total shares	2,602,173	1,868,192	1,860,473	1,363,207
Regular impairments carried to profit and loss (cumulative)	216,277		213,115	

Additional information on other financial investments (cont.)

C. Other financial investments

Composition:

	As of December 31 2021		As of December 31, 2020	
	Carrying amount	Cost	Carrying amount	Cost
	NIS thousand			
<u>Liquid</u>				
<u>Presented at fair value through profit and loss:</u>				
Designated as of initial recognition date	37,832	19,867	27,821	19,793
Available for sale	819,802	772,769	525,765	364,099
Derivative instruments	84,436	85,621	106,592	119,343
Total liquid financial investments	<u>942,070</u>	<u>878,257</u>	<u>660,178</u>	<u>503,235</u>
<u>Illiquid</u>				
<u>Presented at fair value through profit and loss</u>				
Available for sale	263,501	258,705	259,761	272,360
Derivative instruments	2,909,482	2,321,486	2,069,726	1,607,484
Derivative instruments	286,310	3,673	210,399	893
Total illiquid financial investments	<u>3,459,293</u>	<u>2,583,864</u>	<u>2,539,886</u>	<u>1,880,737</u>
Total other financial investments	<u>4,401,363</u>	<u>3,462,121</u>	<u>3,200,064</u>	<u>2,383,972</u>
Regular impairments carried to profit and loss (cumulative)	<u>153,113</u>		<u>116,453</u>	

Part 4

Special Report in accordance with Regulation 9C Separate Financial Information

Table of Contents

	<u>Page</u>
Special Report of the Independent Auditor on Separate Financial Information	3
Separate Financial Information on Financial Position	4
Separate Financial Information on Profit and Loss.....	5
Separate Financial Information on Comprehensive Income.....	6
Separate Financial Information on Changes in Equity	7-9
Separate Financial Information on Cash Flows	10-11
Additional Information.....	12-20

To

the Shareholders of The Phoenix Holdings Ltd.

Dear Sir/Madam,

Re: Special report to the audit of the separate financial information in accordance with Regulation 9(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information disclosed in accordance with Regulation 9(c) to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Holdings Ltd. ("the Company") as of December 31, 2021 and for the three years periods then ended. The Company's board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion the separate financial information based on our audits.

We did not audit the separate financial information taken from the separate financial information of investees, which the total investment in them, amounted to approximately NIS 1,015,536 thousand and NIS 1,535,827 thousand as of December 31, 2021 and 2020, respectively, and the Company's share in of their earnings amounted to approximately NIS 118,097 thousand, NIS 146,698 thousand and NIS 105,007 thousand for the years ended December 31, 2021, 2020 and 2019, respectively. The separate financial information of those companies was audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the financial information in respect of those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing Standard in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

Based on our audits and the reports of other auditors the accompanying separate financial information is prepared, in all material respects, in accordance with Regulation 9(c) to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
March 28, 2022

Kost Forer Gabbay & Kasierer
Certified Public Accountants

		as of December, 31	
		2021	2020
	Note	In NIS thousand	
Assets			
Investments in investees		9,353,800	7,861,266
Loans and capital notes to investees	9	701,740	1,192,107
Total non-current assets		10,055,540	9,053,373
Other financial investments	4	946,470	22,986
Current tax assets		31	1,159
Receivables and debit balances	5	16,839	14,482
Cash and cash equivalents	3	109,922	40,270
Total current assets		1,073,262	78,897
Total assets		11,128,802	9,132,270
Equity attributable to Company's shareholders			
Share capital		310,323	309,951
Premium on shares and capital reserves		849,309	833,592
Treasury shares		(99,769)	(26,411)
Capital reserves		1,261,509	913,036
Surplus		7,331,992	5,939,754
Total equity		9,653,364	7,969,922
Liabilities			
Non-current liabilities			
Bonds	7	1,129,848	1,082,538
Current liabilities			
Liability in respect of deferred taxes	8	18,479	37,855
Payables and credit balances	6	11,448	5,955
Bonds	7	315,663	36,000
Total current liabilities		345,590	79,810
Total liabilities		1,475,438	1,162,348
Total equity and liabilities		11,128,802	9,132,270

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

Eli Schwartz
EVP, CFO

Eyal Ben Simon
CEO

Benjamin Gabbay
Chairman of the BOD

Date of approval of the financial statements - March 28, 2022

	Note	For the year ended		
		December 31		
		2021	2020	2019
		In NIS thousand		
Company's share in the profits of investees, net of tax		1,900,306	1,210,661	275,816
Investment income, net and finance income		117,198	42,353	28,890
Income from management fees of investees	9	3,000	3,000	3,000
Total revenue		2,020,504	1,256,014	307,706
General and administrative expenses		8,703	8,164	8,876
Finance expenses		47,105	40,972	27,364
Total expenses		55,808	49,136	36,240
Profit before income tax		1,964,696	1,206,878	271,466
Taxes on income	8	-	37,855	-
Profit for the year, attributed to the Company's owner		1,964,696	1,169,023	271,466

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

	For the year ended		
	December 31		
	2021	2020	2019
	In NIS thousand		
Profit for the year, attributed to the Company's owner	1,964,696	1,169,023	271,466
Other comprehensive income:			
<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	4,460	(1,307)	1,631
Net change in fair value of financial assets classified as available for sale, carried to the income statement	(4,495)	585	(954)
Gain on impairment of financial assets classified as available for sale, carried to the income statement	-	937	165
Group's share in other comprehensive income of investees	327,092	169,838	385,041
<u>Total components of income items subsequently reclassified to profit or loss</u>	327,057	170,053	385,883
<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	24,282	13,621	6,866
Other comprehensive income for the year, net	351,339	183,674	392,749
Total comprehensive income for the year	2,316,035	1,352,697	664,215

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

Separate Financial Information on Changes in Equity



	Attributed to Company's shareholders										
	Share capital	Premium on shares and capital reserves	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total equity
	In NIS thousand										
Balance as of January 1, 2021	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922
Net income for the year	-	-	-	1,964,696	-	-	-	-	-	-	1,964,696
Other comprehensive income (loss)	-	-	-	(1,787)	-	-	-	26,069	(18,608)	345,665	351,339
Total comprehensive income (loss) for the year	-	-	-	1,962,909	-	-	-	26,069	(18,608)	345,665	2,316,035
Acquisition of treasury shares	-	-	(73,358)	-	-	-	-	-	-	-	(73,358)
Share-based payment	-	13,083	-	-	-	-	9,715	-	-	-	22,798
Exercise of employee options	372	2,634	-	-	-	-	(3,006)	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	9,329	-	-	-	(9,329)	-	-	-
Dividend (*)	-	-	-	(580,000)	-	-	-	-	-	-	(580,000)
Transaction with minority interest	-	-	-	-	1,223	-	-	-	-	-	1,223
Allocation of shares of a consolidated subsidiary to minority interests	-	-	-	-	(3,256)	-	-	-	-	-	(3,256)
Balance as of December 31, 2021	310,323	849,309	(99,769)	7,331,992	(45,655)	11,000	51,652	131,354	(41,946)	1,155,104	9,653,364

(*) For more information, see Note 16 to the Consolidated Financial Statements.

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

Separate Financial Information on Changes in Equity



	Attributed to Company's shareholders										
	Share capital	Premium on shares and capital reserves	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	Total equity
	In NIS thousand										
Balance as of January 1 2020	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
Share-based payment	-	3,155	-	-	-	-	4,896	-	-	-	8,051
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	2,180	-	-	-	(2,180)	-	-	-
Acquisition of treasury shares	-	-	(26,411)	-	-	-	-	-	-	-	(26,411)
Balance as of December 31 2020	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922

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

Separate Financial Information on Changes in Equity



	Attributed to Company's shareholders									Total equity
	Share capital	Premium on shares and capital reserves	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	
	In NIS thousand									
<u>Balance as of January 1 2019</u>	309,892	828,221	4,976,239	(43,622)	11,000	36,931	97,441	(2,076)	232,241	6,446,267
Net income for the year	-	-	271,466	-	-	-	-	-	-	271,466
Other comprehensive income (loss)	-	-	(979)	-	-	-	7,845	(17,850)	403,733	392,749
Total comprehensive income (loss) for the year	-	-	270,487	-	-	-	7,845	(17,850)	403,733	664,215
Share-based payment	-	2,122	-	-	-	3,269	-	-	-	5,391
Exercise of employee options	59	94	-	-	-	(153)	-	-	-	-
Distribution of shares of Mehadrin Ltd. as dividend in kind	-	-	(230,288)	-	-	-	-	-	-	(230,288)
Dividend	-	-	(250,000)	-	-	-	-	-	-	(250,000)
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	1,823	-	-	-	(1,823)	-	-	-
<u>Balance as of December 31 2019</u>	<u>309,951</u>	<u>830,437</u>	<u>4,768,261</u>	<u>(43,622)</u>	<u>11,000</u>	<u>40,047</u>	<u>103,463</u>	<u>(19,926)</u>	<u>635,974</u>	<u>6,635,585</u>

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

		For the year ended December 31		
		2021	2020	2019
Appendix		In NIS thousand		
<u>Cash flows for operating activities</u>				
		1,964,696	1,169,023	271,466
	(a)	(1,986,532)	(1,163,853)	(271,895)
		(21,836)	5,170	(429)
<u>Cash flows from (for) investing activities</u>				
		70,505	12,000	132,708
		1,063,000	-	250,000
		(275,000)	-	-
		(428,633)	-	-
		-	(220,000)	(300,000)
		19,888	83,085	(41,709)
		449,760	(124,915)	40,999
<u>Cash flows for financing activities</u>				
		(580,000)	-	(250,000)
		(73,358)	(26,411)	-
		(53,371)	(477,101)	(94,799)
		348,457	585,433	297,313
		(358,272)	81,921	(47,486)
<u>Increase (decrease) in cash and cash equivalents</u>				
		69,652	(37,824)	(6,916)
<u>Balance of cash and cash equivalents at beginning of period</u>				
		40,270	78,094	85,010
<u>Balance of cash and cash equivalents at end of period</u>				
		109,922	40,270	78,094

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

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

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
<u>Adjustments required to present cash flows for operating activities:</u>			
<u>Items not involving cash flows:</u>			
Net (gains) losses on financial investments	(62,354)	1,346	(1,269)
<u>Income and expense items not involving cash flows:</u>			
Accrued interest and appreciation of bonds	31,887	11,289	6,183
Taxes on income	-	37,859	-
Company's share in investees' profits, net	(1,900,306)	(1,210,661)	(275,816)
<u>Changes in other balance sheet line items, net:</u>			
Change in receivables and debit balances	(10,456)	(562)	(2,332)
Change in payables and credit balances	(13,490)	(5,543)	2,169
Changes in loans to investees	(13,565)	2,419	(830)
<u>Cash paid and received during the period for:</u>			
Taxes paid, net	(18,248)	-	-
Total cash flows for operating activities	<u>(1,986,532)</u>	<u>(1,163,853)</u>	<u>(271,895)</u>

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

NOTE 1 – GENERAL

Set forth below are financial data taken from the Group's consolidated financial statements as of December 31, 2021 (hereinafter - "Consolidated Financial Statements") attributed to the Company itself and published as part of the periodic report (hereinafter - "Separate Financial Information").

The separate financial information should be read in conjunction with the Consolidated Financial Statements.

A. Definitions

- (1) **The Company** - The Phoenix Holdings Ltd.
- (2) **Investees** - consolidated companies and companies, the Company's investment therein is included in the financial statements using the equity method, whether directly or indirectly.
- (3) **Report date** - the date of the Statement of Financial Position.
- (4) **"The Phoenix Insurance"** - The Phoenix Insurance Company Ltd.
- (5) **Platinum** - Platinum Finance and Factoring Ltd.
- (6) **"The Phoenix Investments"** - The Phoenix Investments and Finances Ltd.
- (7) **"The Phoenix Agencies"** - The Phoenix Insurance Agency (1989) Ltd.
- (8) **"The Phoenix Pension and Provident"** - The Phoenix Pension and Provident Fund Ltd.
- (9) **The Phoenix Advanced Investments** - (formerly Halman Aldubi Investment House Ltd.)
- (10) **Regulation 9(C)** of the Securities Regulations (Periodic and Immediate Reports), 1970.

B. Distribution in-kind of the shares of The Phoenix Excellence Pension and Provident Funds Ltd.

For details regarding the distribution in-kind of the shares of The Phoenix Pension and Provident from The Phoenix Insurance to the Company, see Note 1E to the Consolidated Financial Statements.

C. Acquisition of The Phoenix Advanced Investments and restructuring

For details regarding the acquisition of the company and restructuring of The Phoenix Advanced Investments - see Notes 1F and 8 to the Consolidated Financial Statements.

NOTE 2 – PREPARATION OF THE FINANCIAL DATA USED IN THE SEPARATE FINANCIAL INFORMATION

- A. The separate financial information has been prepared in conformity with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - "Regulation 9C") including all the particulars specified in the Tenth Addendum to the said regulations (hereinafter - "the Addendum"), and subject to the clarifications specified in "Clarification Regarding the Corporation's Separate Financial Statements", which was published on the website of the Israel Securities Authority on January 24, 2010, and which addresses the manner of application of the said Regulation and Addendum (hereinafter - "the ISA Staff Clarification").

The separate financial information does not constitute financial statements, including separate financial statements, which are prepared and presented in conformity with International Financial Reporting Standards (hereinafter - "IFRS") in general, and the provisions of IAS 27 - "Consolidated and Separate Financial Statements" in particular.

NOTE 2 – PREPARATION OF THE FINANCIAL DATA USED IN THE SEPARATE FINANCIAL INFORMATION (cont.)

A. (cont.)

Nevertheless, the accounting policy specified in Note 2 to the Consolidated Financial Statements regarding the significant accounting policies and the method by which the financial data were classified in the Consolidated Financial Statements, were applied for the purpose of presenting the separate financial information, with the required changes as stated below.

The additional information presented below also includes disclosures regarding additional material information, in conformity with the disclosure requirements specified in Regulation 9C and as specified in the Addendum and subject to the ISA Staff Clarification, to the extent that such information was not included in the Consolidated Financial Statements in a way expressly referring to the Company itself.

1. Assets and liabilities included in the consolidated statements of financial position attributed to the Company:

The separate financial information includes the amounts of the assets and liabilities included in the consolidated statements of financial position which are attributed to the Company itself - classified according to types of assets and liabilities. The classification of these data is consistent with their classification in the consolidated statements of financial position. In addition, a net amount is presented, based on the Consolidated Financial Statements, which is attributed to shareholders of the Company itself, of total assets less total liabilities, which present financial information regarding investees (including goodwill) in the consolidated statements of financial position.

Such presentation results with the equity attributed to shareholders of the Company on the basis of the Consolidated Financial Statements being identical to the Company's equity as derived from the separate financial information.

2. Income and expenses included in the consolidated statements of other comprehensive income and loss attributed to the Company itself:

The financial data includes amounts of income and expenses, which are included in the Consolidated Financial Statements, categorized in the separate financial information to profit or loss or to other comprehensive income, which are attributed to the Company itself; those income and expenses are categorized according to the type of income or expense. The classification of these data is consistent with their classification in the consolidated statements of comprehensive income.

The separate financial information also includes – based on the Consolidated Financial Statements - the net amount attributed to shareholders of the Company itself, of total income net of total expenses which reflect the operating results of investees in the Consolidated Financial Statements, including impairment of goodwill, impairment of investment in associate or reversal thereof, and impairment of investment in a jointly controlled company accounted for by the equity method, or reversal thereof.

NOTE 2 – PREPARATION OF THE FINANCIAL DATA USED IN THE SEPARATE FINANCIAL INFORMATION (cont.)

A. (cont.)

2. Income and expenses included in the consolidated statements of other comprehensive income and loss attributed to the Company itself (cont.):

Such presentation results with the total income for the year attributed to Company's owners and the total comprehensive income for the year attributed to Company's owners, on the basis of the Consolidated Financial Statements, being identical to total income for the year attributed to Company's owners and total comprehensive income for the year attributed to the Company's owners, respectively, as derived from the separate financial information.

3. Cash flows included in the Consolidated Financial Statements attributed to the Company itself:

Separate financial information amounts which represent cash flows included in the Consolidated Financial Statements attributed to the Company itself are derived from the consolidated statements of cash flows; cash flow amounts are classified into cash flows from operating activities, investing activities and financing activities, and their composition is also disclosed. The classification of these data is consistent with their classification in the consolidated statements of cash flows.

B. Company's transactions with investees

1. Intra-group balances and income and expenses arising from intra-group transactions, which were eliminated in the preparation of the Consolidated Financial Statements, were presented separately from the balance in respect of investees and the income in respect of investees, together with similar balances with third parties.
2. Transactions between the Company and its investees were measured in accordance with the measurement principles set in the relevant IFRSs outlining the accounting treatment applicable to such transactions with third parties.

NOTE 3 – CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
	In NIS thousand	
Shekel-denominated cash and deposits with banks available for immediate withdrawal	<u>109,922</u>	<u>40,270</u>

As of balance sheet date, the cash with banking corporations bear current interest of 0.05% based on nominal interest rates applicable to daily deposits with banks (December 31, 2020 - 0.05%).

NOTE 4 – OTHER FINANCIAL INVESTMENTS

1. Set forth below is a breakdown of the investments in financial assets attributed to the parent company in accordance with IAS 39:

	As of December 31, 2021			
	Presented at fair value through profit and loss	Available- for-sale	Loans and receivables	Total
In NIS thousand				
Liquid debt assets	183	-	-	183
Illiquid debt assets	-	-	941,783	941,783
Shares	-	4,222	-	4,222
Other	-	282	-	282
Total	183	4,504	941,783	946,470

	As of December 31, 2020			
	Presented at fair value through profit and loss	Available- for-sale	Loans and receivables	Total
	In NIS thousand			
Liquid debt assets	-	10,688	-	10,688
Illiquid debt assets	-	-	3,926	3,926
Shares	-	768	-	768
Other	-	7,604	-	7,604
Total	-	19,060	3,926	22,986

2. Fair value of financial investments by level:

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Liquid debt assets	183	-	-	183
Shares	4,202	-	20	4,222
Other	282	-	-	282
Total	4,667	-	20	4,687
Fair value of illiquid debt assets	-	1,124,643	2,009	1,126,652

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Liquid debt assets	10,688	-	-	10,688
Shares	748	-	20	768
Other	7,604	-	-	7,604
Total	19,040	-	20	19,060
Fair value of illiquid debt assets	-	2,889	1,594	4,483

3. For details regarding the issuance of an Additional Tier 1 capital instrument, see Note 9E4.

NOTE 5 – RECEIVABLES AND DEBIT BALANCES

	December 31	
	2021	2020
	In NIS thousand	
Interest receivable from investees	12,084	13,693
Other	4,755	789
	<u>16,839</u>	<u>14,482</u>

NOTE 6 – PAYABLES AND CREDIT BALANCES

	December 31	
	2021	2020
	In NIS thousand	
Interest payable - in respect of bonds	4,583	3,576
Investees	4,652	-
Accounts payable	2,207	2,370
Other payables and credit balances	6	9
	<u>11,448</u>	<u>5,955</u>

NOTE 7 – BONDS**1. Repayment in years subsequent to the reporting date:**

	As of December 31	
	2021	2020
	In NIS thousand	
First year	315,663	36,000
Second year	33,628	69,347
Third year	33,628	69,347
Fourth year	84,503	69,347
Fifth year onwards	993,324	892,150
	<u>1,460,746</u>	<u>1,136,191</u>
Less current maturities	(315,663)	(36,000)
Less - discount and deferred acquisition costs	(15,235)	(17,653)
	<u>1,129,848</u>	<u>1,082,538</u>

For further details, please see Note 27D to the consolidated financial statements.

2. Changes in liabilities stemming from financing activity:

	Bonds NIS thousand
Balance as of January 31 2020	998,918
Cash flow	108,332
Effect of changes in the Consumer Price Index	(2,553)
Other changes	<u>13,841</u>
Balance as of December 31 2020	1,118,538
Cash flow	295,086
Effect of changes in the Consumer Price Index	18,082
Other changes	<u>13,805</u>
Balance as of December 31 2021	<u>1,445,511</u>

NOTE 8 – TAXES ON INCOME

A. Tax Assessments

The Company has tax assessments, which are considered to be final through tax year 2016, in accordance with Section 145 of the Income Tax Ordinance.

B. Liability in respect of deferred taxes

The deferred tax liability is in respect of expected dividend from The Phoenix Agencies, which is subject to profit tax.

C. Losses are carried forward for tax purposes and other temporary differences

The Company has carryforward business losses totaling approximately NIS 165,061 thousand and NIS 188,602 thousand as of December 31, 2021 and December 31, 2020, respectively. Furthermore, in 2021, the entire balance of capital losses carried forward from 2020 - totaling NIS 35,235 thousand - were utilized. For more information, see Note 23D to the Consolidated Financial Statements.

D. Taxes on income included in the income statements

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Current taxes (*)	19,376	-	-
Deferred taxes in respect of the creation and reversal of temporary differences	(19,376)	37,855	-
Total taxes on income	-	37,855	-

(*) Profit tax paid for dividends from The Phoenix Agencies.

NOTE 9 – LOANS, BALANCES AND MATERIAL COMMITMENTS WITH INVESTEEES

a. Balances with investees

	as of December 31	
	2021	2020
	In NIS thousand	
<u>Current assets</u>		
Receivables and debit balances	12,084	13,693
Other financial investments (*)	937,714	-
	<u>949,798</u>	<u>13,693</u>
<u>Non-current assets</u>		
Loans and capital notes to investees (see Note E below)	<u>701,740</u>	<u>1,192,107</u>

(*) For details regarding Tier 1 instrument, see Section 4 below.

b. Transactions with investees

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Management fees income from investees (see d. below)	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>

NOTE 9 – LOANS, BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)
c. Finance income from investees

	For the year ended December 31		
	2021	2020	2019
	In NIS thousand		
Finance income	111,155	43,725	28,976

d. Commitments

The Company and subsidiaries entered into an agreement for the provision of management services in exchange for annual consideration of NIS 3,000 thousand. For further details, please see Note 42 to the Consolidated Financial Statements.

e. Loans and capital notes to consolidated companies
1. The Phoenix Investments

	Interest rate %	As of December, 31	
		2021	2020
		In NIS thousand	
Capital notes (1)	-	313,000	250,000
Loans (2)	2.45	82,681	82,878
		395,681	332,878

(1) On April 28, 2021, a total of approximately NIS 67 million in capital notes issued by The Phoenix Investments to the Company was repaid. On June 13, 2021, the Company invested in the Phoenix Investments an amount of NIS 130 million against the issue of a capital note. The capital notes, which are not linked to the CPI and do not bear interest, are repayable in 5 years.

(2) The loan is not linked to the CPI and the interest rate set is interest in accordance with Section 3J to the Income Tax Ordinance.

2. The Phoenix Pension and Provident Fund

	Interest rate %	As of December 31	
		2021	2020
		In NIS thousand	
Linked loans	0.44-0.45	194,001	-
Unlinked loans	1.94-2.6	110,617	-
		304,618	-

For details regarding the terms of the loans to The Phoenix Pension and Provident - see Note 8D3 to the Consolidated Financial Statements.

NOTE 9 – LOANS, BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)
e. Loans and capital notes to consolidated companies (cont.)
3. Platinum

	Interest rate %	As of December, 31	
		2021	2020
		In NIS thousand	
Loan in NIS	2.45	841	1,262
Unlinked capital note	-	600	4,000
		<u>1,441</u>	<u>5,262</u>

In December 2012, the Company gave Platinum a loan bearing NIS interest at the rate set in the Income Tax (Setting Interest Rate for Purposes of Section 3(j)), 1986. This loan is repayable in 44 equal payments (principal) as from March 31, 2013.

On February 1, 2007, Platinum issued a NIS 4 million capital note to the Company. The capital note is unlinked and does not bear interest. In July 2021, Platinum repaid a total of NIS 3.4 million. The outstanding capital note is scheduled to be repaid on December 31, 2099.

4. The Phoenix Insurance

	Interest rate %	As of December, 31	
		2021 (3)	2020
		In NIS thousand	
Linked capital notes (1)	4.8-4.53	-	553,967
Unlinked capital note (2)	6.5	-	300,000
		<u>-</u>	<u>853,967</u>

(1) In March 2018 and March 2020, The Phoenix Insurance issued Additional Tier 1 capital instruments (capital note) totaling approximately NIS 330 million par value and NIS 220 million par value, respectively.

(2) In May 2019, The Phoenix Insurance issued an Additional Tier 1 capital instrument (capital note) totaling approximately NIS 300 million par value.

The capital instruments were issued for the purpose of strengthening The Phoenix Insurance's equity. The remaining terms of the instruments, including the redemption periods, are in accordance with Part B of the Solvency Circular "Provisions Regarding the Equity of an Insurance Company".

(3) In August 2021, The Phoenix Insurance issued - through The Phoenix Capital Raising, an Additional Tier 1 capital instrument (hereinafter - the "Capital Instrument") totaling approximately NIS 200 million. The Capital Instrument is linked to the CPI and carries an annual interest rate of 2.29%. The principal shall be repaid in a single installment on February 5, 2032. The interest shall be paid twice a year - on February 5 and on August 5 of each year during the years 2022 through 2032; the first installment will be paid on February 6 2022. The Tier 1 capital instrument was rated A+ by Ma'alot S&P. The Capital Instrument is currently traded on the TACT-Institutionals trading platform. In addition to the aforesaid amount that was issued and after obtaining the approvals of the relevant organs in The Phoenix group and the approval of the Capital Market, Insurance and Savings Authority, The Phoenix Capital Raising issued to the Company a capital instrument at the total amount of NIS 1,025 million in exchange for the capital notes previously issued to the Company by The Phoenix Insurance at the total amount of NIS 850 million, as outlined above. The capital instrument is recognized as regulatory capital for the purpose of capital requirements under the Economic Solvency Regime.

NOTE 9 – LOANS, BALANCES AND MATERIAL COMMITMENTS WITH INVESTEEES (cont.)**e. Loans and capital notes to consolidated companies (cont.)****4. The Phoenix Insurance (cont.)**

(3) (cont.)

The terms and conditions of the instrument, including the redemption period, are in accordance with the provisions of Part B ("Provisions in respect of Equity Capital of Insurance Companies") to Insurance Circular 2020-1-15, "Provisions for Applying Economic Solvency Regime Based on Solvency II for Insurance Companies".

As a result of exchanging the said Additional Tier 1 capital notes, and in accordance with a substantial replacement of the debt instruments, the Company recorded a gain arising from early redemption of NIS 45 million (before tax).

The Company presents its investments in Restricted Tier 1 capital under Other financial investments.

NOTE 10 – SUBSEQUENT EVENTS

(*) For further details regarding subsequent events, please see Note 44 to the consolidated financial statements.

March 28, 2022

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. The independent auditor's report, dated March 28 2022, in respect of the Consolidated Financial Statements of the Company as of December 31 2021 and 2020 and for each of the three years in the period ended December 31 2021.
2. Special Report dated March 28 2022 on Separate Financial Information of the Company pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970 as of December 31 2021 and 2020 and for each of the three years in the period ended December 31 2021.
3. The independent auditor's report, dated March 28 2022, in respect of the Audit of Internal Control Components on Financial Reporting of the Company as of December 31 2021.

Kost Forer Gabbay & Kasierer
Certified Public
Accountants

Part 5
Additional Details
About the
Corporation

Regulation 9D - Report of the Status of Liabilities according to Repayment Dates, as of December 31 2021

For further details regarding the status of the Company's liabilities according to repayment dates, please see the Company's immediate report dated March 29, 2022.

Regulation 10A - Condensed (Consolidated) Quarterly Income Statements for 2021

	First quarter 1- 3.21	Second quarter 4- 6.21	Third quarter 7- 9.21	Fourth quarter 10- 12.21	Total for 2021
Premiums earned, gross	2,618,322	2,743,098	2,837,418	2,962,593	11,161,431
Premiums earned by reinsurers	310,944	336,289	340,633	357,593	1,345,459
Premiums earned - retention	2,307,378	2,406,809	2,496,785	2,605,000	9,815,972
Investment income, net and finance income	3,854,595	4,289,738	1,856,087	4,626,505	14,626,925
Income from management fees	486,873	528,678	403,500	630,315	2,049,366
Income from fees and commissions	167,627	171,044	174,657	178,086	691,414
Income from financial and other services	41,000	35,000	39,000	39,000	154,000
Revenue from factoring and clearing	-	-	24,959	27,912	52,871
Other income	12,906	250,445	17,642	427,193	708,186
Total income	6,870,379	7,681,714	5,012,630	8,534,011	28,098,734
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	5,805,929	6,029,877	3,741,452	7,080,758	22,658,016
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	203,863	103,828	237,138	257,263	802,092
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	5,602,066	5,926,049	3,504,314	6,823,495	21,855,924
Fees and commissions, marketing expenses and other purchase expenses	380,423	435,906	434,876	444,870	1,696,075
General and administrative expenses	363,731	425,012	427,171	459,403	1,675,317
Other expenses	10,745	17,178	26,133	13,398	67,454
Finance expenses	41,545	61,888	56,780	57,789	218,002
Total expenses	6,398,510	6,866,033	4,449,274	7,798,955	25,512,772
Share in profits of equity-accounted investees	16,027	7,199	25,136	63,142	111,504
Profit before income taxes	487,896	822,880	588,492	798,198	2,697,466
Taxes on income	161,769	197,653	147,549	166,583	673,554
Profit for the period	326,127	625,227	440,943	631,615	2,023,912
Profit for the period attributed to:					
Company's shareholders	315,404	612,848	423,514	612,930	1,964,696
Non-controlling interests	10,723	12,379	17,429	18,685	59,216
	326,127	625,227	440,943	631,615	2,023,912

Regulation 10A - Condensed (Consolidated) Quarterly Income Statements for 2021 (cont.)

	First quarter 1- 3.21	Second quarter 4- 6.21	Third quarter 7-9.21	Fourth quarter 10-12.21	Total for 2021
Profit for the period	326,127	625,227	440,943	631,615	2,023,912
Other comprehensive income (loss):					
<u>Amounts classified or reclassified to profit or loss under specific conditions</u>					
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	253,176	442,948	88,713	392,036	1,176,873
Gains and losses, net from disposal of financial assets classified as available for sale, carried to the income statement	(230,110)	(163,308)	(157,120)	(260,131)	(811,111)
Impairment loss of financial assets classified as available for sale, carried to the income statement	35,908	5,128	49,779	68,707	159,522
Company's share in other comprehensive income (loss), net of equity-accounted companies	1,057	(3,552)	(5,695)	(10,418)	(18,608)
Tax effect	(19,529)	(97,128)	5,202	(68,164)	(179,619)
Total components of other comprehensive income (loss), net, subsequently reclassified to profit or loss	40,502	184,088	(19,121)	121,588	327,057
<u>Amount that will not be subsequently reclassified to profit or loss</u>					
Revaluation of property, plant, and equipment	-	-	-	29,342	29,342
Actuarial gain (loss) in respect of defined benefit plans	-	-	-	(2,882)	(2,882)
Company's share in other comprehensive income (loss), net of equity-accounted companies	-	-	-	3,479	3,479
Tax effect	-	-	-	(5,886)	(5,886)
Total components of other comprehensive income, net that will not be subsequently reclassified to profit or loss	-	-	-	24,053	24,053
Total other comprehensive income (loss), net	40,502	184,088	(19,121)	145,641	351,110
Total comprehensive income for the period	366,629	809,315	421,822	777,256	2,375,022
<u>Attributed to:</u>					
Company's shareholders	355,906	796,936	404,393	758,800	2,316,035
Non-controlling interests	10,723	12,379	17,429	18,456	58,987
Comprehensive income for the period	366,629	809,315	421,822	777,256	2,375,022

Regulation 10C - Use of proceeds for securities**Expansion of issuance of Bonds (Series 4)**

In February 2021, the Company expanded NIS 127,384 thousand in NIS 1 par value each registered bonds (Series 4) and NIS 222,616 thousand in NIS 1 par value each registered bonds (Series 5), 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.

Expansion of issuance of Bonds (Series 6)

In January 2022, the Company issued registered Series 6 Bonds in the amount of NIS 300 million, NIS 1 par value each, issued according to a shelf offering report of the Company dated January 5, 2022 (Ref. No.: 2022-01-003042) for NIS 300,000 thousand. Series 6 Bonds are rated ilAA- with a stable outlook by Maalot and Aa3.il with a positive outlook by Midroog Ltd. The proceeds of the issuance were used by the Company to make a full early redemption of the Bonds (Series 3), in the total amount of NIS 283,770,005, which was made on January 18, 2022. For further details, see Note 27 to the Company's financial statements and immediate reports dated December 9, 2021, January 11, 2022 and January 18, 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 and 2022-01-008097).

Regulation 11 – List of Investments in Subsidiaries and Related Companies as of the Balance Sheet Date

	Share class in p.v.	Total p.v. in NIS	Value in the standalone financial statements in NIS thousand (1)	Holdings rate out of the issued capital, by percentage	
				In voting and in right to appoint directors (2)	In equity (2)
<u>The Company's Subsidiaries and Related Companies</u>					
The Phoenix Insurance Company Ltd.	NIS 1	157,773,522	6,661,645	100	100
The Phoenix Insurance Company Ltd.	NIS 5	1,699,452	-	100	100
The Phoenix Investments and Finances Ltd.	NIS 0.001	12,741	1,219,607	100	100
The Phoenix Insurance Agency 1989 Ltd.	NIS 1	10,017,345	605,722	100	100
Platinum Finance and Factoring Ltd.	NIS 1	100	(519)	100	100
Platinum Finance and Factoring C.A. 2006 Ltd.	NIS 1	100	(3,216)	100	100
The Phoenix Pension and Provident Fund Ltd. (3)	NIS 1	6,507,447	593,555	84	84
The Phoenix Advanced Investments Ltd. (formerly - Halman Aldubi Investment House Ltd.).	NIS 0.5	1,729,000	273,797	100	100
<u>Subsidiaries and Related Companies of The Phoenix Insurance Company Ltd.</u>					
Ad 120 Residence Centers for Senior Citizens Ltd.	NIS 1	3,646	737,548	47	47
Hadar Green Company Properties and Investments Ltd.	NIS 1	8,580,490	161,153	100	100
Haphen-Tao Holdings Limited Partnership (4)	-	-	96,054	29	29
The Phoenix Capital Raising (2009) Ltd.	NIS 1	1,000	1	100	100
The Phoenix Mortgages (Gold) Ltd.	NIS 0.01	1,000	(1,503)	51	51
OPCTN S.A	CHF 1000	33,905	27,322	14.47	14.47
GAIA JOURNAL SQUARE, LP	-	-	6,391	14.76	14.76
HUNTINGTON CENTER	-	-	(1,561)	5.98	5.98
IVC-GFI, LLC	-	-	19,138	7.2	7.2
FPG CLONNADE INVESTORS, LLC	-	-	23,455	14.7	14.7
GAIA 200 PLAZA DRIVE, LLC	-	-	7,044	12	12
OCEAN 5 HOLDINGS, LP	-	-	47,623	12	12
LRC RE - 1	-	-	105,863	12.25	12.25
Rishon Lezion's Winery Real Estate Site, Limited Partnership	-	-	34,266	9	9
Global Sun Israel Partnership	-	-	21,724	12.69	12.69
Al-Mashhadawi King Store Ltd.	NIS 1	12,500	6,129	5	5
Acro Bright Horizon Limited Partnership	-	-	19,751	8.25	8.25
Reindeer Partners Limited Partnership	-	-	3,204	10	10
Acro L.P. 0.5, Limited Partnership	-	-	8,189	8.25	8.25
Taavura Holdings Ltd.	-	-	28,312	1.99	1.99
Gilit Holdings Ltd.	-	-	13,121	9.8	9.8
White City Lincoln Venture Partnership	-	-	14,974	9.8	9.8

Regulation 11 - List of Investments in Subsidiaries and Related Companies as of the Balance Sheet Date (cont.)

				Holdings rate out of the issued capital, by percentage	
			Value in the standalone financial statements in NIS thousand (1)	In voting and in right to appoint directors (2)	In equity (2)
	Share class in p.v.	Total p.v. in NIS			
<u>Subsidiaries and Related Companies of The Phoenix Investments and Finances Ltd.</u>					
Adach Holdings Ltd.	NIS 1	500	12,867	33.33	33.33
Atara Partnerships Management Ltd.	NIS 1	100	6,990	100	100
The Phoenix L.P. Trust Company Ltd.	NIS 1	100	26	100	100
Phoenixclass Ltd.	NIS 1	200	(20,978)	67	67
Excellence Investments Ltd.	NIS 1	17,024,278	1,036,450	100	100
The Phoenix Capital Ltd.	NIS 0.01	2,308	(570)	65	65
KYC Investments (50% held by The Phoenix Capital)	NIS 0.01	2,400	6,405	32.5	50
Phoenix Investment Funds Ltd.	NIS 1	1,000	706	100	100
Gama Management and Clearing Ltd.	NIS 1	33,036	468,419	60	60
Progress	NIS 1	656	14,343	17.6	17.6
<u>Subsidiaries and Related Companies of The Phoenix Insurance Agencies 1989 Ltd.</u>					
Cohen-Givon Insurance Agency Ltd.	NIS 1	12,376	1,659	52	52
T.A.I.S. Shades Life Insurance Agency (1997) Ltd.	NIS 1	100	11,551	50	50
Agam Liderim Ltd.	NIS 1	60,000	152,840	70	70
Ramon-Granit Insurance Agency (1994) Ltd.	NIS 1	310	26,038	90	90
Shekel Insurance Agency (2008) Ltd.	NIS 1	100	164,472	100	100
Oren Mizrach Insurance Agency Ltd.	NIS 1	690,000	133,833	68.32	68.32
Webprice Insurance Agency (2017) Ltd.	NIS 1	690,000	8,951	69.62	69.62
<u>Subsidiaries and related companies of Excellence Investments Ltd.</u>					
Excellence Nessuah Underwriting (1993) Ltd.	NIS 1	9,339	16,290	100	100
Excellence - Zmiha Securities & Investments Ltd.	NIS 1	66,668	5,369	100	100
Excellence Nessuah Services Ltd.	NIS 1	1	39,529	100	100
Excellence Alternative Assets Ltd.	NIS 1	23,192	2,737	100	100
REIT Management Services Ltd.	NIS 1	1	6,713	47.5	47.5
ESOP Management and Trust Services Ltd.	NIS 1	6,995	61,573	91.64	91.64
KSM Holdings Ltd.	NIS 0.01	1,164,957	259,788	84	84
Excellence Investment Management and Securities Ltd.	NIS 1	15,075,095	378,045	100	100
Excellence Pension Insurance Agency Ltd.	NIS 1	2,060	6,996	100	100
Pi Crypto Ltd.	NIS 1	986	31,250	49.65	49.65

The shares are not listed on the TASE, other than the shares of Gama Management and Clearing Ltd.

- 1) The balances for the subsidiaries do not include loans and capital notes, attributable to the part of the nostro only and attributable to the part of the Company only.
- 2) This year, the Company presents the nostro part, while in prior years, the total investment was presented.
- 3) A holding of an additional 16% through The Phoenix Advanced Investments Ltd.
- 4) (*) An additional ownership interest of 1% is held through The Phoenix Mul Hayam Limited Partnership Management Ltd.

Regulation 11 - Breakdown of Loans and Capital Notes to Subsidiaries and Related Companies

The Company's subsidiaries and related companies	Balance of loans, bonds and capital notes in NIS thousand	Repayment date
The Phoenix Investments and Finances Ltd.	82,681	Interest-bearing loan 3(j), repayment date - September 30, 2022
The Phoenix Investments and Finances Ltd.	313,000	Non-linked interest-free capital notes, with no repayment date, but will not be repaid before five years will have elapsed from the signing date of the capital notes.
The Phoenix Insurance Company Ltd.	937,531	Tier 1 capital instrument Series L - Security No. 1179225
The Phoenix Pension and Provident Fund Ltd	299,520	A loan on the same terms as Bonds (Series 5) and another interest-bearing loan 3(j) or in accordance with the rate of nominal interest for the debentures to be issued by the Company, if issued, after providing the loan, whichever is higher.
The Phoenix Advanced Investments Ltd. (formerly: Halman Aldubi Investment House Ltd.)	5,048	The loan principal will be repaid in one lump sum on March 31, 2022. The principal will bear fixed annual interest at a rate of Prime + 1%.
<u>The Company's Subsidiaries and Related Companies</u>		
Platinum Finance and Factoring Ltd.	1,441	Including a capital note in the amount of NIS 600 thousand. The capital note is unlinked and interest-free. The repayment date is December 31 2099 or an earlier date with the consent of the parties.
<u>Subsidiaries and Related Companies of The Phoenix Insurance Company Ltd.</u>		
The Phoenix Mortgages (Gold) Ltd.	57,467	An unlinked loan bearing fixed NIS interest at a rate of 7%.
Ad 120 Residence Centers for Senior Citizens Ltd.	24,532	A loan under the same terms as the subordinated notes (Series J) of The Phoenix Insurance

Regulation 11 - Breakdown of Loans and Capital Notes to Subsidiaries and Related Companies (cont.)

The Company's subsidiaries and related companies	Balance of loans, bonds and capital notes in NIS thousand	Repayment date
<u>Subsidiaries and Related Companies of The Phoenix Investments and Finances Ltd.</u>		
Phoeniclass Ltd.	40,636	The amount includes a CPI-linked loan in the amount of NIS 17,399 thousand that bears an interest rate of approximately 5%. The outstanding amount bears a 2.45% interest.
The Phoenix Capital Ltd.	11,055	Non-linked interest-free capital notes, with no repayment date, but will not be repaid before five years will have elapsed from the signing date of the capital notes.
Gama Management and Clearing Ltd.	50,000	A loan bearing interest of Prime + 0.5%, payable in 6 equal annual payments starting from October 2022.
Progress D.S. (Investments and Finance 1992) Ltd.	8,701	An loan bearing non-linked interest rate of 8.25% for a period of 5 years, which includes a conversion component in the amount of up to NIS 2.5 million, up to 10% of the issued and allocated share capital of Progress.
<u>Subsidiaries and Related Companies of The Phoenix Insurance Agencies 1989 Ltd.</u>		
Oren Mizrach Insurance Agency Ltd.	81,066	Unlinked loans, with interest rates between Prime + 2% and 5%, repayable in payments up to November 2031, including an interest-linked loan at a rate of 5%, repaid in monthly payments until July 2023.
T.A.I.S. Shades Life Insurance Agency (1997) Ltd.	535	A non-linked loan with an interest rate of 5% which is repaid in installments until September 2022.
The Phoenix Insurance Company Ltd.	160,775	An loan bearing annual interest at the higher of 3(j) to the rate of return on the nostro funds of The Phoenix Insurance Company Ltd., repayable immediately.

Regulation 12 - Changes in Investments in Subsidiaries and Related Companies in the Reporting Period

Transfer of The Phoenix Pension and Provident to the Company -

In June, 2021, the distribution of The Phoenix Pension and Provident as a dividend in kind from The Phoenix Insurance to the Company was completed by way of distribution of a dividend in kind to the Company. It should be noted that as part of the transfer process and prior to the actual transfer, in August 2020, the Company's Board of Directors approved the Company's undertaking to supplement the equity of The Phoenix Pension and Provident to an amount set out in the Supervision of Financial Services Regulations (Provident Funds) (Minimum Capital Required of a Provident Fund or Pension Fund Management Company), 2012, instead of the undertaking of The Phoenix Insurance.

Acquisition of Gama shares as part of its issuance and assuming control over Gama -

In June, 2021, Gama Management and Clearing Ltd. (hereinafter -"Gama") completed its issuance on the TASE, following a supplementary prospectus for a tender offer and an initial public offering (hereinafter - the "IPO") and listing of the underlying shares on the TASE on May 31, 2021 (the prospectus together with the supplementary notice will be referred to hereinafter as the "Prospectus"). Subsequent to the IPO and the acquisition of additional shares by The Phoenix, The Phoenix Investments holds 61.6% of the issued and paid-up capital and voting rights in Gama (60%, fully diluted) and it is the controlling shareholder of Gama. For further details, please see the Company's immediate report dated June 16 2021 (Ref. No.: 2021-01-039979).

Sale of control in Ad 120 -

In October 2021, the transfer of control was completed in Ad 120 Residence Centers for Senior Citizens Ltd. (hereinafter - "Ad 120"), which was wholly owned (directly and indirectly) by The Phoenix Insurance, to Shapir Engineering and Industry Group Ltd. (hereinafter - "Shapir"), such that on completion of the transaction, Shapir holds 53% (directly and indirectly) of the issued and paid-up share capital of Ad 120 and The Phoenix Insurance holds 47% (directly and indirectly) of the issued and paid-up share capital of Ad 120. In addition, as part of the transaction, AD 120 acquired, through wholly-owned special purpose limited partnerships, two real estate properties held by Shapir: one in Jerusalem and the other in Ness Ziona, which are targeted for sheltered housing, offices, and commerce and which are in the development stage.

For further information about the transaction, see the immediate reports of August 1, 2021 (Ref. No.: 2021-01-059806) and September 22, 2021 (Ref. No. 2021-01-147942).

Subsequent to the reporting period -

Change of holding in Phoenixclass -

In November 2021, as part of the restructuring, the certified organs in the Company and its subsidiaries, approved that a rate of 49% of the capital rights and voting rights of The Phoenix Investments in Phoenixclass will be transferred to The Phoenix Insurance, and The Phoenix Investments will continue to hold the remaining capital rights in Phoenixclass, at a rate of 18%. The Company intends to classify its investment in The Phoenix Insurance under health insurance segment liabilities. Completion of the process is subject to the approval of the Israel Tax Authority, and, as at the publication date of the report, approval has not yet been received and there is no certainty that it will be received and that the process will be completed.

Regulation 12 - Changes in Investments in Subsidiaries and Related Companies in the Reporting Period (cont.)**Restructuring in Halman Aldubi, including change of its name The Phoenix Advanced Investments Ltd.**

-

In January 2022, the Board of Directors of The Phoenix Advanced Investment House Ltd. (formerly - Halman Aldubi Investment House Ltd.) (hereinafter - "The Phoenix Advanced Investments") approved a structural change in companies under its control and distribution as a dividend in kind to The Phoenix Holdings of the agencies held by it - Halman Aldubi Pension Insurance Agency (2005) Ltd. and Quality Pension Insurance Agency (2017) Ltd., of Halman Aldubi IEC Gemel Ltd., and 16% of the shares of The Phoenix Pension and Provident Holdings that it holds. It should be noted that the resolution of the Board of Directors of The Phoenix Advanced Investments regarding the distribution is subject to court approval, since it does not meet the profit test. Concurrently, the Company approved the transfer of its holding in The Phoenix Advanced Investments to The Phoenix Investments and The Phoenix Investments approved the transfer of its holdings in the alternative funds to The Phoenix Investments. On completion of the process, all the alternative investments held by the Company will be managed under The Phoenix Advanced Investments. Completion of the process is subject to the approval of the court for the distribution and the approval of the Israel Tax Authority for the process. As at the publication date of the report, the approvals have not yet been received and there is no certainty that these will be received in order to complete the process.

**Regulation 13 - Income of Subsidiaries and Related Companies and Income of the Corporation
Therefrom as of the Balance Sheet Date (in NIS thousand)**

	Profit (loss) for the period (*)	Other comprehensive income (loss) for the period (*)	Comprehensive income (loss) for the period (*)	Dividend (**)	Management fees	Interest
The Phoenix Insurance Company Ltd.	1,388,663	350,482	1,739,145	1,356,301	2,500	103,023
The Phoenix Investments and Finances Ltd.	330,585	1,281	331,866	-	500	2,026
Platinum Finance and Factoring Ltd.	713	-	701	-	-	-
Ad 120 Residence Centers for Senior Citizens Ltd.	53,818	3,479	57,296	-	-	-
The Phoenix Pension and Provident Fund Ltd	33,423	-	33,423	190,000	-	2,916
The Phoenix Insurance Agency 1989 Ltd.	166,196	(215)	166,196	173,000	-	-
The Phoenix Advanced Investments Ltd. (formerly: Halman Aldubi Investment House Ltd.)	(2,077)	(184)	88,578	-	-	3,069
The Phoenix Capital Raising (2009) Ltd.	70,998	-	70,998	-	-	-
Hadar Green Company Properties and Investments Ltd.	7,218	9,291	16,509	15,000	-	-
The Phoenix Mortgages (Gold) Ltd.	(1,503)	-	(1,503)	-	-	-
Excellence Investments Ltd.	79,000	-	79,000	57,000	-	-
Gama Management and Clearing Ltd.	9,416	(326)	14,754	9,800	-	1,074
The Phoenix Capital Ltd.	6,840	-	6,840	-	-	-
Phoeniclass Ltd.	(2,467)	-	(2,467)	-	-	2,747
Adach Holdings Ltd.	824	-	824	-	-	-
Atara Partnerships Management Ltd.	607	-	607	-	-	-
The Phoenix L.P. Trust Company Ltd.	10	-	10	-	-	-
Tene Kibbutz Investment Management Ltd.	(18)	-	(18)	-	-	-
Progress	3,311	-	3,311	-	-	-
S.A. OPCTN	3,530	(1,852)	1,678	-	-	-
GAIA JOURNAL SQUARE, LP	(1,776)	(202)	(1,978)	-	-	2,508
HUNTINGTON CENTER INVESTMENT	(1,596)	25	(1,571)	-	-	423
IVC-GFI, LLC	3,510	(551)	2,958	-	-	1,628
FPG CLONNADE INVESTORS, LLC,	(3,124)	(826)	(3,949)	-	-	0
GAIA 200 PLAZA DRIVE, LLC	541	(247)	294	-	-	263
OCEAN 5 HOLDINGS, LP	17,496	(1,213)	16,284	-	-	2,063
LRC RE - 1	10,801	(12,586)	(1,785)	-	-	-
Rishon Lezion's Winery Real Estate Site, Limited Partnership	(1,184)	-	(1,184)	-	-	-
Global Sun Israel L.P.	3,252	-	3,252	-	-	-
White City Lincoln Venture Partnership	6,100	-	6,100	-	-	-
Al-Mashhadawi King Store Ltd.	305	-	305	-	-	-
Haphen-Tao Holdings Limited Partnership	23,596	-	23,596	2,406	-	-
Acro L.P. 0.5, Limited Partnership	7,421	-	7,421	-	-	-
Acro Bright Horizon Limited Partnership	276	-	276	-	-	-
Arbov Investments Ltd.	2,899	-	2,899	-	-	-
Argo Properties Ltd.	4,437	(827)	3,610	-	-	-
Reindeer Partners Limited Partnership	15	(362)	(347)	-	-	-
Taavura Holdings Ltd.	2,935	-	2,935	597	-	-
Cohen-Givon Insurance Agency Ltd.	4,137	9	4,146	4,160	444	-
T.A.I.S. Shades Life Insurance Agency (1997) Ltd.	271	-	271	800	-	-
Agam Liderim Ltd.	64,723	((157	64,566	43,750	1,473	-
Ramon-Granit Insurance Agency (1994) Ltd.	149	-	149	1,800	-	-
Shekel Insurance Agency (2008) Ltd.	57,057	15	57,072	37,500	-	-
The Employee Benefit Experts, Benefit Ltd.	2,739	-	2,739	10,600	-	-
Oren Mizrach Insurance Agency Ltd.	6,014	-	6,014	6,607	-	-
Webprice Insurance Agency (2017) Ltd.	619	-	619	-	-	-

Regulation 13 - Income of Subsidiaries and Related Companies and Income of the Corporation Therefrom as of the Balance Sheet Date, in NIS thousand (cont.)

	Profit (loss) for the period (*)	Other comprehensive income (loss) for the period (*)	Comprehensive income (loss) for the period (*)	Dividend (**)	Manage- ment fees	Interest
Excellence Nessuah Underwriting (1993) Ltd.	614	-	614	-	400	-
Excellence - Zmiha Securities & Investments Ltd.	(3)	-	(3)	-	-	-
Excellence Alternative Assets Ltd. REIT Management Services Ltd.	608 3,867	- -	608 3,867	- 808	- -	(14) -
ESOP Management and Trust Services Ltd.	2,349	-	2,349	3,115	-	(53)
Excellence Pension Insurance Agency Ltd.	(718)	-	(718)	-	-	-
KSM ETN Holdings Ltd.	65,536	-	65,536	42,840	((3154	((5047
Excellence Investment Management and Securities Ltd.	5,155	-	5,155	47,125	2000	162
Excellence Alternative Assets Ltd. Pi Crypto Ltd.	608 (264)	- -	608 (264)	- -	- -	(14) -

(*) Reflects the Company's share in the profits (losses) of the investee.

(**) Including distribution of a dividend in kind and excluding a dividend announced subsequent to the reporting date.

Regulation 14 - List of Classes of Loan Balances Granted as of Dec. 31 2021

Amount	Balance in NIS thousand	No. of borrowers
NIS 1-100 thousand	485,553	226,254
NIS 100-500 thousand	462,101	2,041
NIS 500-1,000 thousand	216,232	359
NIS 1,000-5,000 thousand	223,634	165
NIS 5,000-12,000 thousand	129,974	23
Over NIS 12,000 thousand	8,395,773	97

Regulation 20 - Trading on the TASE - Securities Listed for Trading - Dates and Reason for Delisting

Following are the Company's securities as recorded during the reporting period until the report's publication date:

In February 2021, the Company issued - by way of expanding the bonds series - NIS 127,384 thousand in NIS 1 par value each registered bonds (Series 4) and NIS 222,616 thousand in NIS 1 par value each registered bonds (Series 5), 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.

Subsequent to the reporting period:

In January 2022, the Company issued registered Series 6 Bonds in the amount of NIS 300 million, NIS 1 par value each, issued according to a shelf offering report of the Company dated January 5, 2022 (Ref. No.: 2022-01-003042) for NIS 300,000 thousand. Series 6 Bonds are rated ilAA- with a stable outlook by Maalot and Aa3.il with a positive outlook by Midroog Ltd. The proceeds of the issuance were used by the Company to make a full early redemption of the Bonds (Series 3), in the total amount of NIS 283,770,005, which was made on January 18, 2022. For further details, see Note 27 to the Company's financial statements and immediate reports dated December 9, 2021, January 11, 2022 and January 18, 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 and 2022-01-008097). On January 16, 2022, the Company's Bonds (Series 3) were delisted due to full early redemption of the principal balance and outstanding Bonds (Series 3) (and the interest thereon). For further information, see the Company's immediate reports of December 9, 2021, January 11, 2022, and January 18, 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 and 2022-01-008097).

Regulation 21 - Compensation of Interested Parties and Senior Officers

Following is a breakdown of the compensation granted to interested parties and officers (in NIS thousand), as specified in the Sixth Schedule to the Securities Regulations (Periodic and Immediate Reports), 1970, and as recognized in the financial statements for the reporting year:

1. For each of the five highest paid senior executives of the Company or companies under its control (the compensation amounts are in NIS thousand and in terms of cost to the corporation, excluding payroll tax and VAT):
2. Each of the three highest paid senior executives in the Company not included in Paragraph 1 above.
3. Any interested party in the Company not listed in Paragraphs 1 and 2 above.

Details of compensation recipients					Compensation for services (1)					Total	Of which: Total in respect of the Compensation for Officers in Financial Corporations Law (***)
Name	Title	Appointment percentage	Percentage of holding in corporation's share capital	Salary (*)	Bonus (**)	Share-based payment	Management fees	Rent	Other		
Benjamin Gabbay (3)	Chairman of the Board of Directors of the Company and of subsidiary The Phoenix Insurance Company Ltd.	Part-time	0.02%	2,255	-	-	-	-	-	2,255	2,009
Eyal Ben Simon (4)	Chief Executive Officer of the Company of subsidiary The Phoenix Insurance Company Ltd.	Full-time	0%	2,231	540	841	-	-	-	3,612	3,401
Haggai Schreiber (5)	Executive Vice President, Chief Investment Officer of the Company and of The Phoenix Group	Full-time	0%	1,296	940	345	-	-	-	2,581	2,442
Eli Schwartz (6)	Executive Vice President, Chief Financial Officer of the Company and of The Phoenix Group	Full-time	0.01%	1,291	824	398	-	-	-	2,513	2,375
Ariel Genut - Current (7)	Chief Executive Officer and director in Gama Management and Clearing Ltd.	Full-time	0%	-	3,281	-	2,467	-	234	26,181	-
Ariel Genut - one-time bonuses (7)	Chief Executive Officer and director in Gama Management and Clearing Ltd.	Full-time	0%	-	9,800	10,399	-	-	-		-
Yitzhak Oz (8)	Co-Chief Executive Officer of Agam Liderim (Israel) Insurance Agency (2003) Ltd.	Full-time	0.09%	102	5,400	-	2,900	87	-	8,489	-
Ran Givon (9)	Chief Executive Officer of Cohen Givon Insurance Agency (1994) Ltd.	Full-time	0.05%	-	5,619	-	-	1,916	-	7,535	-
Stu Shapira (10)	Co-Chief Executive Officer of The Phoenix Capital Ltd.	Full-time	0%	134	6,206	-	-	-	-	6,340	-
Moni Feller (10)	Co-Chief Executive Officer of The Phoenix Capital Ltd.	Full-time	0%	131	6,206	-	-	-	-	6,337	-

Regulation 21 - Compensation of Interested Parties and Senior Officers (cont.)

- (*) The salary includes a payment charged in accordance with the employment agreement that does not depend on targets and/or subject to discretion. It should be noted that from May 2020 to June 2021, the salaries of Mr. Eyal Ben Simon and Mr. Benjamin Gabbay were reduced by 10%. The salary cuts were part of the consequences of the Covid-19 crisis. The salary shown in the above table constitutes 100% of the salary paid to the officer in respect of his functions in The Phoenix Group and does not constitute the salary paid by the Company alone.
- (**) In 2020, the Company revised its Compensation Policy and the procedure for approval of bonuses thereunder, such that as from the reporting year, bonuses shall be approved prior to the report publication date; therefore, under this regulation, the bonus data that were taken into account were in respect of the reporting year, unlike in previous years, in which the bonus data taken into account were for the previous year. (***) Compensation as defined in the Compensation for Officers in Financial Corporations Law (Special Approval and Non-Authorization of Expense for Tax Purposes due to Extraordinary Compensation), 2016. I.e., total compensation excluding contributions for severance pay and benefits (including permanent health insurance) pursuant to the law (or contributions to funds as a substitute for these components for those not employed as "employees") and excluding the employer's supplementary contributions for benefits accrued until the law's effective date.

Regulation 21 - Compensation of Interested Parties and Senior Officers (cont.)

Comments regarding the data in the table:

1. The salary component includes all of the following components: monthly salary, social benefits, social security contributions and related benefits as is customary, and any income credited to the salary due to a component granted to the employee. The expense in respect of share-based payment is based on the valuation of the options as of the grant date, recorded as an expense in the Company's books of accounts in the reporting year.
2. All officers are entitled to be included in the D&O insurance policy purchased by the Company, as well as letters of indemnification and exemption from liability under standard terms for senior officers in the Company.
3. Mr. Benjamin Gabbay has been serving as Chairman of the Board of Directors of the Company and The Phoenix Insurance since November 2019. For further details regarding Mr. Benjamin Gabbay's terms of employment, please see Note 41 to the Financial Statements. It should be noted that for the service of Benjamin Gabbay as chairperson of the Company's Board of Directors, he is entitled to annual compensation in accordance with the Companies Regulations (Rules for Compensation and Expenses for an External Director), 2000, and compensation for board of directors' meetings only, in accordance with these regulations.
4. Mr. Eyal Ben Simon has been serving as the Company's CEO since June 2019, and as the CEO of The Phoenix Insurance Company Ltd. since May 2019. For further details regarding Mr. Eyal Ben Simon's terms of employment, please see Note 41 to the Financial Statements.
5. Haggai Schreiber has been serving as Executive VP in The Phoenix Insurance and Chief Investment Officer in the Company and The Phoenix Group since December 2019 (hereinafter - "**Mr. Schreiber**"). Mr. Schreiber is entitled to an annual bonus in accordance with the CEO's recommendation and the Company's compensation policy. Upon the end of Mr. Schreiber's employment with the Company, he will be entitled to a specified notice period of 4 months. During the specified notice period, Mr. Schreiber will be entitled to a salary, including all the benefits and related terms and conditions included in the agreement. Mr. Schreiber is also entitled to social benefits, related benefits and reimbursement of expenses as is customary for senior executives in his position.
6. Mr. Eli Schwartz has been serving as Executive Vice President of the Company and Parent Company and Chief Financial Officer of the Company and The Phoenix Insurance and CFO of the Company and The Phoenix Insurance since April 2017 (hereinafter: "**Mr. Schwartz**"). Mr. Schwartz is entitled to an annual bonus in accordance with the CEO's recommendation and the Company's compensation policy. Upon the end of Mr. Schwartz's employment with the Company, he will be entitled to a specified notice period of 3 months. During the specified notice period, Mr. Schwartz will be entitled to a salary, including all the benefits and related terms and conditions included in the agreement. Mr. Schwartz is also entitled to social benefits, related benefits and reimbursement of expenses as is customary for senior executives in his position.

Regulation 21 - Compensation of Interested Parties and Senior Officers (cont.)

7. Mr. Ariel Genut is the CEO and director in Gama Management and Clearing Ltd.

Regular compensation

(1) Gama and Shiluv signed an agreement for services provided by Mr. Ariel Genut, as amended from time to time, and most recently on October 31, 2018 (hereinafter - the "**Service Agreement**"). In addition, on May 4, 2021, shortly before Gama's IPO, Gama, Shiluv, and all the shareholders in the Company at that time signed an agreement in principle (hereinafter - the "**Agreement in Principle**"), which regulates, among other things, the employment terms of the CEO, and amends the Service Agreement, effective from the end of the month following the date of the IPO.

Under the Service Agreement and the Agreement in Principle, Shiluv undertook to provide management services to the Company, including filling the position of the Company's CEO, through Mr. Genut. As at this date, Mr. Genut is the CEO of Gama.

(2) **Scope of services** Mr. Genut provides Gama with services on a full-time basis.

(3) **Compensation under the Service Agreement** Mr. Genut (through Shiluv) is entitled to a monthly payment of NIS 250 thousand (before VAT). This amount is linked to the increase in the CPI.

Mr. Genut is entitled to vehicle expenses (including gross up of the value of the vehicle) and a cell phone and to reimbursement of the expenses required to fulfill his duty.

(4) **Annual bonus under the Service Agreement.** As from the end of the month of the IPO, Mr. Genut is entitled to an annual bonus of NIS 1.5 million (before VAT), which will be paid if the Company's annual "profit" before tax amounts to NIS 25 million or more. If the agreement is terminated in the middle of any calendar year, the bonus will be paid proportionately on the termination date of the agreement, according to the proportionate "profit" at the end of the agreement, based on actual working days in that year, provided that the proportionate "profit" in that portion of the year exceeds the proportionate amount of NIS 25 million before tax.

For the period from the beginning of 2021 until the end of the month of Gama's IPO, the bonus is calculated according to the Service Agreement shortly before the IPO, and was paid at the end of the month in which Gama approved the financial statements, including the relevant period.

(5) **Employment period.** The term of Mr. Genut's employment (through Shiluv) is indefinite and may be terminated by either of the parties with written notice of 12 months. In addition, Shiluv and Mr. Genut undertook not to compete with Gama for a period of 12 months after termination of the Service Agreement, subject to the receipt of monthly compensation of 50% of the compensation set out above.

One-time bonuses for the IPO of Gama

Mr. Ariel Genut is the founder of Gama, and has led and managed it since its establishment, for 23 years. In recognition of his significant investment in and contribution to Gama, and for his efforts in the Gama's IPO, he was granted special one-time bonuses, and the main bonus was paid only by those who were shareholders in Gama prior to the IPO, however, in accordance with accounting standards, it was recognized and recorded in Gama's financial statements notwithstanding the fact that this amount did not come out of Gama's funds, all as set out below:

(1) Shortly after receiving the consideration for the tender offer that was part of Gama's IPO, the shareholders in Gama prior to the IPO date (other than Mikud and Sheliran Holdings Ltd.) paid Shiluv an amount of NIS 8.1 million (plus VAT) against an invoice, as a bonus.

(2) On July 20, 2021, 743,850 Gama shares were allotted to Shiluv, free of charge, which, at the time of their allotment, represented 1.35% of Gama's issued and paid-up share capital.

(3) Shortly after the date of the IPO, Gama paid Shiluv a special grant of NIS 1.7 million (plus VAT) against an invoice.

Regulation 21 - Compensation of Interested Parties and Senior Officers (cont.)

8. Mr. Yitzhak Oz serves as Co-CEO of Agam Liderim (Israel) Insurance Agency (2003) Ltd. (hereinafter - "**Agam**"). Mr. Yitzhak Oz holds 34% of the share capital of Agam Liderim Holdings (2001) Ltd., which is the controlling shareholder of Agam. The management fees and bonus listed in connection with Mr. Yitzhak Oz are management fees paid to NAR Holdings Ltd. (hereinafter - "**Oz**"), a privately-held company wholly owned by Yitzhak Oz. The management fee includes a fixed management fee of approximately NIS 240 thousand linked to the consumer price index for November 2019. The bonus to which Mr. Yitzhak Oz is entitled is an annual bonus derived from the joint profits of Agam Holdings and Agam Israel (hereinafter - "**Profit in respect of the Bonus**"). The annual bonus is 12.7% of the Profit in respect of the Bonus that is in excess of NIS 50 million, provided that the total annual amount of the monthly management fees and bonus does not exceed NIS 8.13 million plus VAT (excluding rent and the abovementioned salary component); the amount is linked to the "in lieu CPI" for September 2019.
9. Mr. Ran Givon (hereinafter - "**Mr. Givon**") serves as the CEO of Cohen Givon Insurance Agency (1994) Ltd. (hereinafter - "the **Agency**"). Mr. Givon holds 48% of the Agency's share capital. According to the employment agreement between the Agency and Mr. Givon, the latter will serve as the Agency's CEO with the total annual cost of his salary to the Company being approximately NIS 964 thousand, linked to the consumer price index, with the base index being for November 2006. In addition, Mr. Givon is entitled to annual vehicle maintenance in the amount of NIS 228 thousand linked to the consumer price index. The bonus to which Mr. Givon is entitled is 40% of the annual profit before tax and before management fees, less a total of NIS 1.9 million linked to the consumer price index, with the base index being for January 2003.
10. As of March 2018, Mr. Moni Gil Feller and Mr. Stuart Shapira (hereinafter - the "**Managers**") serve as Co-CEOs of The Phoenix Capital Ltd. (hereinafter - "**Capital**"), which develops and manages investment funds. The Managers jointly hold, indirectly (through Safra Consulting and Investment Company Ltd.) (hereinafter - "**Safra**"), 35% of the share capital of Capital, with an additional 65% of the share capital of Capital held by The Phoenix Investments and Finances Ltd.; the Managers are entitled - through Safra - to the Company's profits - ranging between 35% and 40% - depending on Capital's performance. In addition, each of the Managers is entitled to a salary for his work in Capital in the amount of NIS 4,000 per month. In addition, the Managers, through Saifa Management Services (2013) Ltd. (hereinafter - "**Saifa**"), are partners of The Phoenix Insurance in FNX Private, a unit which provides investment solutions and financial services to customers with self-directed policies and provident funds. The Managers - through Saifa - are entitled to 50% of profits of the abovementioned operation. In addition, each of the Managers is entitled to a salary for his work in The Phoenix Insurance in the amount of NIS 4,000 per month.

Following is a breakdown of the directors' compensation:

In 2021, the Company paid its directors for their service on the Company's Board of Directors a total of approximately NIS 2,623 thousand (the amounts do not include payroll tax or VAT). The compensation given to the directors of the Company, classified as expert directors, is the maximum compensation allowed in accordance with Regulations 1A - 1B of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 (hereinafter - the "**Relief Regulations**") and Regulations 5A and 7 of the Companies Regulations (Rules regarding Compensation and Expenses for External Directors), 2000.

No compensation was granted to the officers subsequent to the reporting year and prior to the reporting date in connection with their service or employment in the reporting year which were not recognized in the financial statements for 2021.

Regulation 21A - Control of the Corporation

The controlling shareholders of the Company are Belenus Lux S.a.r.l jointly with Leolin Lux S.a.r.l, which is a sister company of Belenus (hereinafter - "**Belenus**"), held by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "**Funds**"). As of the report date, Belenus holds approximately 33.1% of the Company's issued and paid-up share capital.

Regulation 22 - Transactions with Controlling Shareholders or in which a Controlling Shareholder Has a Vested Interest

Some of the Company's financial and insurance activities are carried out with related parties and interested parties in the ordinary course of business and under market terms, subject to the approvals required as per the law and the Company's procedures. In August 2008, the Securities Regulations Amendment (Periodic and Immediate Reports), 1970 came into force (hereinafter - the "**Securities Regulations**"). Pursuant to the amendment, the Company's Board of Directors decided to adopt, for the first time, a negligibility threshold as set out in the Securities Regulations in connection with Controlling Shareholder Transactions.

The Company's Board of Directors has determined that a Controlling Shareholder Transaction shall be considered as a negligible transaction if all of the following terms and conditions are met in respect thereof:

- a. It is not an extraordinary transaction (as the term is defined in the Companies Law).
- b. Its effect on the relevant parameter is less than one percent (1%).

For each transaction or engagement assessed in relation to the negligibility threshold, the relevant parameters shall be assessed based on the latest consolidated financial statements issued by the Company prior to the event.

For further details regarding the Company's policy on negligible transactions, please see Note 42 to the Company's Financial Statements.

Additionally, as of the report publication date, the Company or its related companies have no engagements with Belenus or the Funds.

Transactions listed in Section 270(4) of the Companies Law

Insurance policy, exemption and indemnification letters for board members and officers

Insurance, exemption and indemnification for officers

- A. In March 2020, the general meeting of the Company's shareholders (hereinafter in this section - the "**General Meeting**"), approved, among other things:
1. Award of exemption letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the exemption letters.
 2. Award of indemnification letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the indemnification letters.

Regulation 22 - Transactions with Controlling Shareholders or in which a Controlling Shareholder Has a Vested Interest (cont.)

3. The Meeting also approved the payment of expenses arising from participation in meetings of the Board of Directors and its committees by directors residing outside Israel, including directors on behalf of the controlling shareholder, who serve or will serve from time to time in the Company's Board of Directors. The directors will be entitled to full reimbursement of expenses. The total amount of expense per day to be paid by the Company shall not exceed NIS 2,000 plus VAT per director. The directors shall also be entitled to reimbursement of travel expenses in Israel which are directly related to their participation in such meetings.
- B. In October 2020, the Company's general meeting approved the Company's revised compensation policy, and the limit for insurance coverage of directors, officers, and other key executives was increased to USD 220 million (instead of USD 150 million) and the Company was granted the option to purchase, at its discretion and in accordance with the approvals required by law, a runoff insurance policy for officers for up to seven years, in the scope of the coverage. For further information, see the Company's immediate report of September 18, 2020 (Ref. No. 2020-01-025789).
- C. In November 2021, in accordance with Regulation 1B1 of the Companies Regulations (Relief in Transactions with Interested Parties), 2000, the Company's Compensation Committee approved the Company's agreement for the liability insurance policy for officers in the Company and subsidiaries, including those serving on behalf of the controlling shareholders, for an annual insurance period beginning on November 3, 2021.

It shall be clarified that, as of the report publication date, the Company or its related companies have no engagements with Belenus or the Funds.

Regulation 24 -

Shares and Other Securities Held by Interested Parties and Senior Officers in the Corporation, Subsidiary or Related Company, as Close as Possible to the Report Date, to the Best of the Corporation's Knowledge

For details regarding holdings of interested parties and senior officers in the Company's shares and other securities as close as possible to the report date, please see the Company's immediate report dated January 10, 2022 (Ref. No.: 2022-01-004941).

Dormant shares of the corporation held by the corporation or a subsidiary of the corporation:

	The Phoenix Shares NIS 1 p.v.	Total no. of shares	Holding rate - voting rights and authority to appoint directors	Holding rate - equity	Holding rate - equity (fully diluted)	Holding rate - voting rights and authority to appoint directors (fully diluted)
The Phoenix Holdings Ltd. (dormant shares)	5,395,611	5,395,611	0%	0%	0%	0%
The Phoenix Investments and Finances (Dormant voting shares)	31	31	0%	0%	0%	0%

Regulation 24A - Registered Capital, Issued Capital and Convertible Securities of the Corporation

The registered capital of the Company immediately prior to the report publication date is NIS 300,000,000, composed of 300,000,000 shares of NIS 1 par value each. The issued capital of the Company is NIS 256,532,468, composed of 256,532,468 ordinary shares of NIS 1 par value each.

The number of dormant shares of the Company that do not confer voting rights is 31 ordinary shares of NIS 1 par value each. In addition, the number of dormant shares of the Company that do not confer any rights is 5,395,611 ordinary shares of NIS 1 par value each.

The Company's issued capital less the dormant shares that do not confer voting rights is 251,136,826 ordinary shares of NIS 1 par value each.

The Company's issued capital less the dormant shares that do not confer any rights is 251,136,857 ordinary shares of NIS 1 par value each.

In addition, in accordance with the options plan for officers and employees of the Company and The Phoenix Group, immediately prior to the report publication date, the convertible securities issued by the Corporation include 16,895,972 options of The Phoenix Up Employees Security No. 7670235.¹ For further details regarding the Company's securities that were listed for trading during the reporting period, please see Regulation 20 above.

Regulation 24B - The Corporation's Shareholder Register

For the most recent register of the Company's shareholders, please see the immediate report dated March 14, 2022 (Ref. No. 2022-01-029953), which is included by way of reference.

Regulation 25A - Registered Address of the Corporation

The registered address of the Corporation is 53 Derech Hashalom Street, Givatayim. Tel.: +972-3-7332997. Fax.: +972-3-5734516
E-MAIL: menin@fnx.co.il

¹For further information about the plan and additional grants made under it, see the immediate reports of December 27, 2018 (Ref. No.: 2018-01-119905) and February 3, 2019 (Ref. No.: 2019-01-009838); May 1, 2019 (Ref. No.: 2019- 01-037938), May 6, 2019 (Ref. No.: 2019-01-039360), October 31, 2019 (Ref. No.: 2019-01-107011), November 28, 2019 (Ref. No.: 2019- 01-116347), October 11, 2020 (Ref. No.: 2020-01-011061), and 27 October 2020 (Ref. No.: 2020-01-107788); May 27, 2021, July 6, 2021, and July 8, 2021 (Ref. Nos.: 2021-01-031390, 2021-01-048694 and 2021-01-050455, respectively); and February 1, 2022 and March 9, 2022 (Ref. Nos.: 2022-01-012513 and 2022-01-028288, respectively).

Regulation 26 - The Corporation's Directors

1)	Name	-	Benjamin Gabbay, ID No. 022973606 (Chairman of the Board)
2)	Date of birth	-	March 16, 1967
3)	Address	-	Omri 24A, Tel Aviv
4)	Citizenship	-	Israeli
5)	Membership in Board committees	-	No
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	Yes. Chairman of the Board of Directors of the Company and Chairman of the Board of The Phoenix Insurance Ltd.
8)	The date on which he began his term as a director	-	November 3, 2019.
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - B.A. in Accounting and Economics and L.L.M from Tel Aviv University. <u>Occupation</u> - Co-CEO of Universal Transportation Solutions Ltd. and CEO of Universal Motors Israel Ltd. Previously: Partner in Kost Forer Gabbay & Kasierer, provided consulting services in B.G.N.Y. Management Services Ltd. and CEO of Eliyahu Issues Ltd. <u>Corporations in which he serves as a director</u> - The Phoenix Insurance Company Ltd.: chairperson, member of the Nostro Investment Committee, member of the Risk Management Committee, member of the IT Committee, and member of the ESG Committee. UTS Universal Transportation Solutions Ltd. (chairperson), Universal Mobility Technology Ltd., Universal Motors Israel - Check Point Haifa Ltd., and Universal Trucks Israel Ltd.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

1)	Name	-	Roger Abravanel, Passport No. YA3660247
2)	Date of birth	-	July 27, 1946
3)	Address	-	Vi Rue Des Melezes Crans Montana Switzerland
4)	Citizenship	-	Italian
5)	Membership in Board committees	-	Strategy Committee, ESG.
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	No.
8)	The date on which he began his term as a director	-	November 3, 2019
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - B.Sc in Chemical Engineering from Polytechnic Milan and MBA from INSEAD. <u>Occupation</u> - director as described below. <u>Corporations in which he serves as a director</u> - McKinsey & Co (Director Emeritus), Even Caesar Ltd. and BNL. Previously: LUXOTTICA, Admiral, Pianoforte, Esselunga, Teva, Cofide.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

Regulation 26 - The Corporation's Directors (cont.)

1)	Name	-	Itzhak Shukrie (Zhak) Cohen, ID No. 039348776
2)	Date of birth	-	May 2, 1984
3)	Address	-	660 Steamboat Rd, Greenwich, CT 06830 U.S.A
4)	Citizenship	-	Israeli and American
5)	Membership in Board committees	-	No.
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	Investment Manager at Gallatin Point LLC (one of the Company's controlling shareholders).
8)	The date on which he began his term as a director	-	November 3, 2019
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - B.A. of Philosophy from Brandeis University Waltham, and L.L.M. from the University of Pennsylvania Law School. <u>Occupation</u> - Managing Director at Gallatin Point LLC, VP at XL Catlin. <u>The corporations in which he serves as a director</u> - The Phoenix Insurance: director, member of the Risk Management Committee; Bowhead Specialty.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

1)	Name	-	Marilyn Victoria Hirsch, ID No. 328767926
2)	Date of birth	-	May 29, 1968
3)	Address	-	455 Hazel Ave. Highland Park, IL 60035, U.S.A
4)	Citizenship	-	Israeli and American
5)	Membership in Board committees	-	Financial Statements Review Committee and Strategy Committee.
6)	ED	-	No
7)	Is she an employee of the Company, a subsidiary, a related company or an interested party	-	No
8)	The date on which she began her term as a director	-	November 3, 2019
9)	Education and occupation in the past five years and a list of the corporations in which she serves as a director	-	<u>Education</u> - B.Sc in Civil Engineering and Economics from the University of Pennsylvania. M.A in Finance and Real Estate from the University of Berkeley. Ph.D. in Finance and Real Estate from the University of Berkeley. <u>Occupation</u> - Senior Vice President at The Allstate Corporation and Strategy Management at AIG Property Casualty. <u>The corporations in which she serves as a director</u> - The Phoenix Insurance - director, member of the IT Committee, member of the Strategy Committee, member of the Financial Statement Review Committee.
10)	Is she a relative of another interested party in the Company	-	No
11)	Does she have accounting and financial skills or professional qualifications	-	Yes

Regulation 26 - The Corporation's Directors (cont.)

1)	Name	-	Dr. Ehud Shapira, ID No. 008370991
2)	Date of birth	-	October 5, 1944
3)	Address	-	Belkind 1, Tel Aviv
4)	Citizenship	-	Israeli
5)	Membership in Board committees	-	Audit Committee, Compensation Committee, Strategy Committee and the Financial Statements Review Committee.
6)	ED	-	No, an independent director.
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	No.
8)	The date on which he began his term as a director	-	November 7, 2019.
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - B.Sc in Economics and Statistics from Tel Aviv University, M.Sc in Economics and Performance Research from the Technion, M.Sc. in Economics and Ph.D in Economics and Finance - from New York University. <u>Occupation</u> - director of various companies, as detailed below. <u>Corporations in which he served as a director</u> - The Phoenix Holdings Ltd., Samelet Ltd., Samelet Financing Ltd., Birad Ltd., and Dr. Ehud Shapira Management Ltd. Previously - Psagot Investment House Ltd. (Chairman and board member).
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

1)	Name	-	Ben Carlton Langworthy, Passport No. 565490779
2)	Date of birth	-	August 12, 1978
3)	Address	-	Flat G, 1-4 Eaton Square, Belgravia, London, SW1W 9DA, United Kingdom
4)	Citizenship	-	American
5)	Membership in Board committees	-	No
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	Managing Director of Centerbridge Partners Europe LLP (one of the Company's controlling shareholders).
8)	The date on which he began his term as a director	-	December 12, 2019
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - B.A. in Economics from Yale University and MBA from Harvard Business School. <u>Occupation</u>: Managing Director at Centerbridge Partners Europe LLP. <u>Corporations in which he serves as a director</u> - Fortuna Holdings Limited, The Phoenix Holdings, Fortuna Topco Limited, Auxmoney Europe Holding Limited.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

Regulation 26 - The Corporation's Directors (cont.)

1)	Name	- Zohar Tal, ID No. 54993076
2)	Date of birth	- December 18, 1957
3)	Address	- Shahaf 22, Hod Hasharon
4)	Citizenship	- Israeli
	Membership in Board committees	- Chairperson of the Audit Committee, chairperson of the Financial Statements Review Committee of The Phoenix Insurance, chairperson of the Compensation Committee, ² and member of the Nostro Investments Committee.
5)		
6)	ED	- Yes
	Is he an employee of the Company,	No.
7)	a subsidiary, a related company or of an interested party	-
8)	The date on which he began his term as a director	- January 1, 2019
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	- <u>Education</u> - B.A. in Economics and Labor Studies (Extended Track) from Tel Aviv University. MSc in Business Management Imperial College of Science and Technology Diploma in Business studies, city of London polytechnic, London <u>Occupation</u> - CEO and owner of Netra Economic Consulting Ltd. <u>Corporations in which he serves as a director</u> - Netra Economic Consulting Ltd., Tal Nemtal Ltd., the Shoshana and Pinchas Sapir Scholarship Fund, Econergy Renewable Energy Ltd., The Phoenix Insurance: ED, member of the Audit Committee, chairperson of the Financial Statements Review Committee, chairperson of the Compensation Committee and member of the Nostro Investment Committee, ED of Adika Style Ltd. - formerly - independent director in Orad Ltd. (from 2007 to 2016);
10)	Is he a relative of another interested party in the Company	- No
	Does he have accounting and financial skills or professional qualifications	- Yes
11)		

²Until December 31, 2021

Regulation 26 - The Corporation's Directors (cont.)

1)	Name	- Rachel (Rucha) Levine, ID No. 54993076
2)	Date of birth	- December 9, 1965
3)	Address	- Yeffe Nof 3, Givatayim
4)	Citizenship	- Israeli
5)	Membership in Board committees	- Member of the Audit Committee, chairperson ³ of the Financial Statements Review Committee of The Phoenix Holdings Ltd. and the Compensation Committee, and member of the Nostro Investments Committee
6)	ED	- Yes
7)	Is she an employee of the Company, a subsidiary, a related company or an interested party	- No.
8)	The date on which she began her term as a director	- February 24, 2020
9)	Education and occupation in the past five years and a list of the corporations in which she serves as a director	- <u>Education</u> - BA in Business with specialization in Accounting - College of Management, Tel Aviv. MBA from Kellogg School of Management, Northwestern University, Chicago. CPA license <u>Occupation</u> - CEO and director at Gazit Globe Ltd.; Chairman of the Board of Directors of Gazit Globe Israel Ltd.; Director, Citicon of the Gazit Globe Group (Finland); Deputy Chairman - Atrium European Real Estate Ltd. Professional consultant for real estate companies. <u>Corporations in which she serves as a director</u> - Hadera Paper Ltd., EFI Properties Ltd., Tidhar Group Ltd. and its subsidiaries. Veridis Environment Ltd.
10)	Is she a relative of another interested party in the Company	- No
11)	Does she have accounting and financial skills or professional qualifications	- Yes.

³ As from January 1, 2022

Regulation 26 - The Corporation's Directors (cont.)

1)	Name	-	Eliezer Yones, ID No. 050934637
2)	Date of birth	-	October 7, 1951
3)	Address	-	Jabotinsky 60A, Tel Aviv.
4)	Citizenship	-	Israeli
5)	Membership in Board committees	-	Chairman of the Strategy Committee.
6)	ED	-	No.
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	No.
8)	The date on which he began his term as a director	-	April 22, 2020
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - BA in Economics and Sociology - The Hebrew University, Jerusalem. MBA from The Hebrew University, Jerusalem. <u>Occupation</u> - provides private consulting and mediation services. <u>Corporations in which he serves as a director</u> - The Phoenix Insurance: Director, Chairperson of the Strategy Committee, E.H. Yones (1999) Ltd., Yones & MSHP Investments Ltd., and Habrosh 18 Ltd.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

Directors who ceased to serve in the Company during the reporting period

On December 31, 2021, Zohar Tal ended his service as an external director in the Company. For further details about the end of his term, please see the immediate report dated January 02 2022 (Ref. No.: 2022-01-000159).

Regulation 26A - Corporate Officers

1.	Name	-	Eyal Ben Simon, ID No. 025173782
2.	Date of birth	-	March 12, 1973
3.	Position in the Company	-	The Company's CEO.
4.	Position in a subsidiary of the Company or an interested party therein	-	<u>The Company's Chief Executive Officer.</u> CEO of a subsidiary The Phoenix Insurance Company Ltd.; director in companies of the Phoenix Group, the main ones being: The Phoenix Investments and Finances Ltd., Gama Management and Clearing Ltd., Excellence Investments Ltd., The Phoenix Capital Raising (2009) Ltd., The Phoenix Insurance Agencies 1989 Ltd., Agam Liderim Holdings (2001) Ltd., Agam Liderim (Israel) Insurance Agency (2003) Ltd., Shekel Insurance Agency (2008) Ltd., Oren Mizrach Insurance Agency Ltd. In addition, he serves as a member of the Nostro Investment Committee at The Phoenix Insurance.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	<u>Education</u> - B.A. in Economics and Accounting and MBA (Finance); CPA, from the Hebrew University of Jerusalem. <u>Business experience</u> - CEO of the Company and CEO of The Phoenix Insurance Company Ltd. Formerly - Executive Vice President of The Phoenix - Head of Property and Casualty Insurance and Claims.
7.	The date on which he began his term	-	November 7, 2019

1.	Name	-	Haggai Schreiber, ID No. 037626546
2.	Date of birth	-	August 15, 1975
3.	Position in the Company	-	EVP, the Company's CIO.
4.	Position in a subsidiary of the Company or an interested party therein	-	Executive Vice President, Chief Investment Officer of the following the Phoenix Group companies: The Phoenix Insurance Company Ltd., The Phoenix Pension and Provident Fund Ltd. CEO of The Phoenix Investments and Finances Ltd. and The Phoenix Capital Raising (2009) Ltd. Director of companies in The Phoenix Group, the main one being Excellence Investments Ltd.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	<u>Education</u> - B.A. in Economics and M.A in Finance and Accounting, Tel Aviv University. <u>Business experience</u> - Chief Investment Officer of The Phoenix Group. Previously - manager of planholders' funds, manager of the nostro portfolio and international markets strategist at The Phoenix Investments and Finances Ltd.
7.	The date on which he began his term	-	December 5, 2019

Regulation 26A - Corporate Officers (cont.)

1. Name - **Eli Schwartz, ID no. 032315517**
2. Date of birth - June 10, 1975
3. Position in the Company - EVP, CFO.
4. Position in a subsidiary of the Company or an interested party therein - Executive Vice President, Chief Financial Officer of subsidiary The Phoenix Insurance Ltd. and other companies in The Phoenix Group; Director in companies in The Phoenix Group, the main ones being: The Phoenix Investments and Finances Ltd., The Phoenix Insurance Agencies 1989 Ltd., Phoenix Excellence Pension and Provident Funds Ltd., KSM Sal Indices Certificates Ltd., KSM Mutual Funds Ltd., The Phoenix Capital Raising (2009) Ltd., and Excellence Investments Ltd.; member of the Nostro Investment Committee at The Phoenix Insurance.
5. Is he a relative of another senior officer or of an interested party - No
6. The officer's education and business experience in the past five years - Education - CPA, B.A. in Accounting and Economics from Ben Gurion University of the Negev and MBA from Bar Ilan University.
Business experience - CFO at the Company and at The Phoenix Insurance. Previously: Investment controller and CFO of subsidiaries of The Phoenix Group, Head of Enterprise Applications in the IT Division of The Phoenix Insurance.
7. The date on which he began his term - August 15, 2016.

1. Name - **Amit Netanel, ID No. 028722213**
2. Date of birth - June 2, 1971
3. Position in the Company - VP, CRO.
4. Position in a subsidiary of the Company or an interested party therein - Chief Risk Officer at the Company and subsidiaries of The Phoenix Group.
5. Is he a relative of another senior officer or of an interested party - No
6. The officer's education and business experience in the past five years - Education - Economics and Management, Open University; M.A. in Finance - Accounting, Tel Aviv University.
Business experience - Chief Risk Officer at the Company and at The Phoenix Insurance.
7. The date on which he began his term - September 24, 2012

1.	Name	-	Menachem (Meni) Neeman, ID No. 028017523
2.	Date of birth	-	August 25, 1970
3.	Position in the Company	-	EVP, CLC and Company's Secretary
4.	Position in a subsidiary of the Company or an interested party therein	-	Executive Vice President, Chief Legal Counsel and Company's Secretary. He also serves as a director of companies in The Phoenix Group, the main ones being: Excellence Investments Ltd., Gama Management and Clearing Ltd., Phoenix Excellence Pension and Provident Funds Ltd., director in Ad 120 Residence Centers for Senior Citizens Ltd., and chairman of ESOP Management and Trust Services Ltd.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	<u>Education</u> - Adv. LL.B with honors and LL.M from Bar Ilan University. <u>Employment experience</u> - Chief Legal Counsel and Secretary of the Company and The Phoenix Insurance Company Ltd.
7.	The date on which he began his term	-	August 1, 2015

1.	Name	-	Michal Leshem, ID No. 027862721
2.	Date of birth	-	July 30, 1970
3.	Position in the Company	-	CIA.
4.	Position in a subsidiary of the Company or an interested party therein	-	Chief Internal Auditor at The Phoenix Insurance Company Ltd. and several other companies in The Phoenix Group.
5.	Is she a relative of another senior officer or of an interested party	-	No
6.	Education and business experience over the past five years	-	<u>Education</u> - CPA, B.A in Business Administration and Accounting, College of Management; <u>Business experience</u> - Chief Internal Auditor at The Phoenix Insurance Company Ltd. and other companies in The Phoenix Group and ED in Assuta. Previously: Chief Financial Officer in the Paz Group, Chief Internal Auditor in the Migdal Group, ED at Matrix ET Ltd., ED at weSure Ltd.
7.	The date on which he began his term	-	September 1, 2020

Regulation 26A - Corporate Officers (cont.)

1.	Name	-	Eilon Dachbash, ID No. 034396648
2.	Date of birth	-	September 17, 1977
3.	Position in the Company	-	EVP, Retail Credit Director.
4.	Position in a subsidiary of the Company or an interested party therein	-	Executive Vice President, Retail Credit Director.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	<u>Education</u> - Computer Sciences (B.A.) from the College of Management, Licensed Investment Advisor. <u>Work Experience</u> - Executive VP, member of the Board of Directors - head of the Banking Division, Bank Leumi. Director in Pepper Platform Ltd.
7.	The date on which he began his term	-	January 16, 2022.

Officers who ceased to serve during the reporting period

In the reporting year, no officers ended their term.

Regulation 26B - Authorized Signatory of the Corporation

The Corporation does not have independent signatories.

Regulation 27 - The Insurer's Independent Auditor

Kost Forer Gabbay & Kasierer, 144 Menachem Begin Road, Tel Aviv.

Regulation 28 - Change in the Memorandum or Articles of Association of the Corporation

In the reporting year, no change was made to the Company's Articles of Association.

Regulation 29 - Recommendations and Regulation of the Board of Directors

The Board of Directors' recommendations to the General Meeting and their resolutions that do not require the approval of the General Meeting regarding:

1. Dividend payment (final and interim) and distribution of bonus shares:

In April 2021, the Company distributed a final dividend in the amount of NIS 380 million, representing a dividend of NIS 1.49 per share.

In December 2021, the Company distributed an interim dividend on account of the Company's profits for 2021, in the amount of NIS 200 million (hereinafter - the "**Interim Dividend**").

Subsequent to the reporting date, on March 28, 2022, alongside the approval of the Company's financial statements as at December 31, 2021, which are included in this Periodic Report, the Company's Board of Directors resolved to distribute a final dividend of NIS 421 million in accordance with the dividend distribution policy. The total dividend distributed for 2021, including the Interim Dividend, is NIS 695 million, representing a dividend of NIS 2.77 per share. In the calculation of the dividend, in accordance with the dividend distribution policy, an amount of NIS 74 million was deducted for the Company's buybacks in 2021.

2. Changes in the registered or issued share capital of the corporation:

For details regarding changes in the registered or issued share capital of the corporation, please see Regulation 20 to this report.

3. Change in the memorandum or articles of association of the corporation:

There was no change in the reporting year.

4. Redemption of shares:

None

5. Early redemption of bonds:

On January 16, 2022, subsequent to the reporting period, the Company's Bonds (Series 3) were delisted due to full early redemption of the principal balance and outstanding Bonds (Series 3) (and the interest thereon). For further information, see the Company's immediate reports of December 9, 2021, January 11, 2022, and January 18, 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 and 2022-01-008097).

6. (A) A transaction that is not in accordance with market conditions between the corporation and an interested party therein: None

(B) Resolutions of the General Meeting in the matters listed above that were made other than in accordance with the recommendations of the Board of Directors: None

Regulation 29 - Recommendations and Resolutions of the Board of Directors (cont.)

(C) **Resolutions by Extraordinary General Meeting:**

General Meeting of July 5 2021

On the July 5, 2021, the general meeting approved the following: (1) reappointment of Kost Forer Gabbay & Kasierer, CPA, as the Company's independent auditors and to authorize the Company's Board of Directors to determine their compensation for the period; (2) allocation of unlisted options to the Company's CEO, exercisable for up to 88,000 shares of NIS 1 par value each of the Company, representing 0.03% of the Company's issued and paid-up share capital.

For further details concerning the Meeting of the Company, please see the Company's immediate report dated May 27, 2021 (Ref. No. 2021-01-031393).

Subsequent to reporting period

General meeting of March 8, 2022

On March 8, 2022, the general meeting approved the allocation of unlisted options to the Company's CEO, exercisable for up to 90,000 shares of NIS 1 par value each of the Company, representing 0.04% of the issued and paid-up share capital of the Company.

For further details concerning the Meeting of the Company, please see the Company's immediate report dated February 1, 2021 (Ref. No. 2022-01-012513).

Corporate Resolutions

1. Approval of transactions under Section 255 to the Companies Law: None.
2. Transaction under Section 254(a) to the Companies Law which has not been approved: None.
3. Exemption from insurance or commitment for indemnification, for an officer effective as of the reporting date:

Under the Company's compensation policy, directors, senior officers and other key officers shall be entitled to exemption and indemnification insurance, subject to the approvals required by law. For further details, please see Regulation 22 above.

Date: March 28 2022.

Names of the signatories

Eyal Ben Simon - **CEO**

Eli Schwartz - **EVP, CFO**

Corporate Governance Questionnaire

CORPORATE GOVERNANCE QUESTIONNAIRE OF THE PHOENIX HOLDINGS LTD.¹

THE BOARD OF DIRECTORS' INDEPENDENCE			
		Yes	No
1.	In each reporting year, there were at least two external directors serving in the corporation. The question may be answered "yes" if the period during which the corporation had less than two external directors did not exceed 90 days, pursuant to Section 363A.(b)(10) to the Companies Law. However, any answer (yes or no) must include the length of the period (number of days) in which there were less than two external directors serving during the reporting period (including if the tenure was approved retroactively, for each of the different external directors): Director A: <u>Rachel Levine</u>. Director B: <u>Dr. Ehud Shapira (independent director)</u>. Director C: <u>Zohar Tal</u>.² Number of External Directors serving at the corporation as of the date of the publication of this questionnaire: <u>2</u>.	✓	

¹ Published on March 16 2014, as part of legislative proposals for improvement of reporting.

²Mr. Zohar Tal served as an external director and completed a 3-year term as an ED on December 31, 2021. On January 04 2022, Mr. Richard (Rick) Kaplan was appointed external director in the Company.

2.	Proportion³ of Independent Directors⁴ serving at the corporation as of the questionnaire's publication date: <u>3/9</u>. Proportion of Independent Directors in the⁵ corporation's Articles of Association:⁶ : _____. ☒ N/A (no provision has been made in the Articles of Association).	_____	_____
3.	In the reporting year, the Bank held checks and found that during the reporting period its external directors (and independent directors) fulfilled the provisions of Section 240(b) and (f) to the Companies Law requiring external directors (and independent directors) not to have an interest in the corporation or its controlling shareholder, and the conditions for service as external directors (or independent directors).	✓	
4.	None of the directors who served in the corporation during the reporting year are not subordinate to the President and CEO⁷, either directly or indirectly (inapplicable to a director who serves as a representative of the employees, if such representation exists in the corporation). If your answer is "No" (i.e., the director reports to the CEO as aforesaid) - please indicate the proportion of directors who did not meet the said restriction: _____.	✓	

³ In this questionnaire, "proportion" is a certain number out of the total. For example - 3/8.

⁴ Including "External Directors" within the meaning thereof in the Companies Law.

⁵ Regarding this question - "Articles of Association" include a specific legal provision applicable to the corporation (for example, in a banking corporation - directives issued by the Banking Supervision Department).

⁶ Bonds companies are exempt from answering this section.

⁷ For the purpose of this question - serving as a director in an investee corporation under the Corporation's control shall not be deemed "subordination"; on the other hand, if a director in the Corporation also serves as an officer (excluding as director) and/or is an employee of an investee corporation under the Corporation's control, they shall be deemed "subordinate" for the purpose of this question.

5.	None of the directors who have reported having a vested interest in the approval of a transaction on a meeting's agenda were not present at the discussion or participated in the vote as aforesaid (except for a discussion and/or vote under the circumstances outlined in Section 278(b) to the Companies Law: If your answer is "No" - Was this for the purpose of presenting a specific issue by that director in accordance with the provision of Section 278(A): ☐ Yes ☐ No (please check the appropriate box). It should be noted that the proportion of meetings in which such directors were present in a discussion and/or participated in a vote, except for circumstances outlined as aforesaid in Subsection A, was: ____.	✓	
6.	The controlling shareholder (including a relative and/or representative thereof) who is not a director or other senior officer in the Corporation was not present in the meetings of the Board of Directors held during the reporting year. If your answer is "No" (i.e., the controlling shareholder and/or relative and/or representative who is not a member of the Board of Directors and/or a senior officer of the Corporation was present in the Board of Directors' meetings as aforesaid: Name: Lewis (Lee) Sachs. Position in the corporation (if any): one of the controlling shareholders of the Gallatin Fund (50%), which jointly holds, with the Centerbridge Fund (Gallatin - 30%, Centerbridge - 70%), indirectly, 33.02% of the Company. Information on the relation to the controlling shareholder (if the person present was not the controlling shareholder himself): _____.		✓

	Was this for the purpose of presenting a specific issue: ☐ Yes X No (please check the appropriate box). Proportion of Board meetings⁸ in which he/she participated during the reporting year for the purpose of presenting a specific issue: ____; otherwise present: 10%.⁹ ☐ N/A (the Corporation has no controlling shareholder).		

⁸ Specify separately for each of the controlling shareholders, relative and/or representative.

THE DIRECTORS' COMPETENCY AND QUALIFICATIONS				
			Yes	No
7.		The Corporation's Articles of Association do not contain a provision restricting the possibility of immediately terminating the tenure of all directors of the Corporation who are not External Directors (for this purpose, a simple majority does not constitute a restriction).¹⁰ If your answer is "No" (i.e., if there is a restriction as aforesaid), please indicate -		✓
	a.	The period prescribed for a director's tenure by the Articles of Association: <u>two years.</u>		
	b.	Majority required to terminate the tenure of directors by the Articles of Association: <u>A majority of at least 75% (seventy-five percent) of total number of shareholders present at the meeting.</u>		
	c.	The legal quorum required by the General Meeting to terminate the directors' appointments according to the Articles of Association: <u>3 shareholders holding at least 1/3 (one third) of the total voting rights in the Company.</u>		
	d.	The majority needed to amend these provisions in the Articles of Association: <u>A majority of at least 75% (seventy-five percent) of the total number of shareholders present at the meeting.</u>		

¹⁰ Bonds companies are exempt from answering this section.

8.		The Corporation has established a program for training new directors on the Corporation's business and the rules that apply to the corporation and directors, and also established a follow-up program for training serving directors that is tailored, inter alia, to each director's function in the corporation. If your answer is "Yes" - please indicate if the program was active during the reporting year: ☒ Yes ☐ No (please check the appropriate box)	✓	
9.	a.	The Corporation has a minimum number of directors in the Board of Directors who have accounting and financial expertise. If your answer is "Yes" - please indicate the minimum number set: <u>3</u>.	✓	
	b.	No. of directors who served in the corporation during the reporting year - with accounting and finance expertise:¹¹ <u>9</u>. with professional qualifications: <u>9</u>. In case of changes in the number of said directors during the reporting year, please provide the lowest number (except within a period of 60 days from the change date) of directors of any type who served during the reporting year.		
10.	a.	In each reporting year, the Board of Directors included members of both genders. If your answer is "No" - please indicate the period (number of days) in which the aforesaid was not met: _____.	✓	

¹¹ Following the Board of Directors' assessment, in accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and Director with Professional Qualifications), 2005.

			The question may be answered “Yes” if the period during which the corporation did not have members of both genders serving as directors did not exceed 60 days. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have members of both genders serving as directors: ____.		
		b.	Number of directors of each gender serving on the Board of Directors as of the questionnaire publication date: Male: <u>7</u> , female: <u>2</u> .	_____	_____

BOARD OF DIRECTORS MEETINGS (AND CONVENING OF THE GENERAL MEETING)					
				Yes	No
11.		a.	Number of board meetings held during each quarter in the reporting year: First quarter (2021): <u>7</u> . Second quarter: <u>6</u> . Third quarter: <u>3</u> . Fourth quarter: <u>4</u> .	_____	_____
		b.	Next to each of the names of the directors who served in the Corporation during the reporting year, please indicate the proportion ¹² of board meetings in which he/she participated (in this	_____	_____

¹² Please see Footnote 2..

			Subsection - including meetings of Board of Directors' committees in which he/she is a member, and as indicated below), which took place during the reporting year (during his/her tenure period): (Please add lines according to the number of directors).							
			Director's name	Proportion of the director's participation in board meetings	Proportion of the director's participation in meetings of the Audit Committee. 13	Proportion of the director's participation in the Financial Statements Review Committee e¹⁴	Proportion of the director's participation in meetings of the Compensation Committee. ¹⁵	Proportion of the director's participation in meetings of additional board committees in which he/she is not a member (please indicate which committee)		
			Benjamin Gabbay	20/20 (100%)	-	-	-	-		
			Zohar Tal¹⁶	20/20 (100%)	7/7 (100%)	14/14 (100%)	6/6 (100%)	-		
			Marilyn Hirsch	19/20 (95%)	-	13/14 (93%)	-	Strategy Committee - 9/12 (75%)		

¹³ For a director who is a member of this committee.

¹⁴ For a director who is a member of this committee.

¹⁵ For a director who is a member of this committee.

¹⁶ Zohar Tal ended his term as an ED in the Company on December 31, 2021 (for further details, see the immediate report dated January 2, 2022 Ref. No.: 2022-01-000159).

			Ben Langworthy	16/20 (80%)	-	-	-	-		
			Dr. Ehud Shapira	20/20 (100%)	7/7 (100%)	14/14 (100%)	6/6 (100%)	Strategy Committee - 12/12 (100%)		
			Zhak Cohen	17/20 (85%)	-	-	-	-		
			Roger Abravanel	17/20 (85%)	-	-		Strategy Committee - 9/12 (75%) ESG Committee 1/1 (100%)		
			Rachel Levine	19/20 (95%)	7/7 (100%)	13/14 (93%)	6/6 (100%)			
			Eliezer Yones	20/20 (100%)	-	-	-	Strategy Committee - 12/12 (100%)		
12.		During the reporting year, the Board of Directors held at least one discussion about the management of the corporation's business by the chief executive officer and the officers reporting thereto without their presence and allowed them to express their positions.							✓	

SEPARATION BETWEEN THE POSITIONS OF CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE BOARD

			Yes	No
13.		In each reporting year, there was a chairman of the board of directors in place. The question may be answered "Yes" if the period during which the corporation had no chairman of the board of directors in place did not exceed 60 days, as prescribed by Section 363A.(2) to the Companies Law. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have a chairman of the board of directors in place as aforesaid:	✓	
14.		In each reporting year, there was a chief executive officer in place. The question may be answered "Yes" if the period during which the corporation had no chief executive officer in place did not exceed 90 days, as prescribed by Section 363A.(6) to the Companies Law. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have a chief executive officer in place as aforesaid:	✓	
15.		In a corporation in which the chairman of the board of directors also serves as the corporation's chief executive officer and/or has assumed his/her powers, the dual position has been approved in accordance with the provisions of Section 121(c) to the Companies Law. ¹⁷ ☒ N/A (insofar as there is no dual position as aforesaid in the corporation).		
16.		The chief executive officer is not a relative of the chairman of the Board of Directors. If your answer is "No" (i.e., the chief executive officer is a relative of the chairman of the Board of Directors) -	✓	
	a.	Please indicate the nature of the family relationship between the parties: _____.	_____	_____
	b.	The position was approved in accordance with Section 121(c) of the Companies Law: ¹⁸ ☐ Yes	_____	_____

¹⁷ In a bonds company - approval in accordance with Section 121(d) to the Companies Law.

¹⁸ In a bonds company - approval in accordance with Section 121(d) to the Companies Law.

		☐ No (Please check the appropriate box)		
17.		A controlling shareholder or his/her relative does not serve as the chief executive officer or senior officer in the corporation, excluding as a director. ☐ N/A (the Corporation has no controlling shareholder).	✓	

AUDIT COMMITTEE				
			Yes	No
18.		During the reporting year, the following <u>did not serve</u> as a member of the Audit Committee -	_____	_____
	a.	The controlling shareholder or his/her relative. ☐ N/A (the Corporation has no controlling shareholder).	✓	
	b.	The Chairman of the Board.	✓	
	c.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control.	✓	
	d.	A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis.	✓	
	e.	A director whose main source of income is the controlling shareholder. ☐ N/A (the Corporation has no controlling shareholder).	✓	
19.		A person who may not serve as a member of the Audit Committee, including the controlling shareholder or his/her relative, did not participate, during the reporting year, in meetings of the Audit Committee, other than in accordance with the provisions of Section 115(e) to the Companies Law.	✓	
20.		A legal quorum for discussing and reaching decisions in all meetings of the Audit Committee which took place during the reporting year was a majority of the committee members, with most of the participants being independent directors and at least one - an external director.	✓	

		If your answer is "No" - please indicate the proportion of meetings in which the above requirement was not met: ____.		
21.	During the reporting year, the Audit Committee held at least one meeting in which the internal auditor and independent auditor were present but in which officers of the corporation who are not members of the Committee did not participate, on the subject of deficiencies in the corporation's business management.		✓	
22.	In all meetings of the Audit Committee in which there was a participant who may not serve as a member of the Committee, his/her participation was approved by the chairman of the Committee and/or he/she was invited by the Committee (as for the Chief Legal Adviser and the corporation's secretary other than a controlling shareholder or his/her relative).		✓	
23.	During the reporting year, there were arrangements in place, approved by the Audit Committee, regarding the manner of handling complaints filed by employees in relation to deficiencies in the managing the corporation's business and the protection provided to employees filing complaints as aforesaid.		✓	
24.	The Audit Committee (and/or the Financial Statement Review Committee) was convinced that the scope of the independent auditor's work and his/her fees in respect of the financial statements during the reporting year were adequate for the purpose of carrying out the audit and review work in an appropriate manner.		✓	

THE PURVIEW OF THE FINANCIAL STATEMENT REVIEW COMMITTEE (HEREINAFTER - THE "COMMITTEE") IN ITS WORK PRIOR TO APPROVING THE FINANCIAL STATEMENTS				
			Yes	No
25.	a.	Please note the length of the period (in days) which the Board of Directors prescribed as a reasonable time for submitting the Committee's recommendations towards discussion by the Board of Directors for approval of the financial statements: <u>Quarterly Report: 2 days. Annual report: 3 days.</u>	_____	_____

	b.	The number of days which elapsed, in effect, from the date of submitting the recommendations to the Board of Directors to the date of discussion of the financial statements towards their approval by the Board: First quarter report: <u>2.</u> Second quarter report: <u>4.</u> Third quarter report: <u>5.</u> 2021 Annual Report:¹⁹ <u>4.</u>	_____	_____
	c.	The number of days which elapsed from the date of submitting the financial statements' draft to the directors to the date of the financial statements' discussion towards their approval by the Board: First quarter report: <u>4.</u> Second quarter report: <u>9.</u> Third quarter report: <u>9.</u> 2021 Annual Report: <u>4.</u>		
26.		The corporation's independent auditor participated in all of the meetings of the Committee and Board of Directors in which the corporation' financial statements relating to the periods included in the reporting year were discussed. If your answer is "No", specify the rate of participation: _____	✓	
27.		During the entire reporting year and until the publication of the annual report, the Committee met all of the terms and conditions outlined below:	_____	_____

¹⁹ Towards of the approval of the annual financial statements, the Committee for the Approval of Financial Statements convened 3 times, on March 21, 2022, March 22, 2022 and March 24, 2022. The Board of Directors approved the financial statements on March 28, 2022.

	a.	It had no less than three members (on the date of discussion by the Committee and approval of the financial statements as aforesaid).	✓	
	b.	All of the terms and conditions outlined in Section 115(b) and (c) to the Companies Law (regarding tenure of the Audit Committee members).	✓	
	c.	The chairman of the Committee is an external director.	✓	
	d.	All of its members are directors and most of them are independent directors	✓	
	e.	All of its members have the capacity to read and understand financial statements and at least one of the independent directors has accounting and financial expertise.	✓	
	f.	The members of the Committee gave a statement prior to their appointment.	✓	
	g.	The legal quorum for discussing and reaching decisions by the Committee was a majority of its members, provided that most of the participants were independent directors, including at least one external director.	✓	
	If your answer is “No” on one or more of this question’s subsections, please indicate what type of report (annual or quarterly) did not meet the said condition and which condition was not met:		_____	_____

COMPENSATION COMMITTEE					Yes	No
28.		During the reporting year, the Committee included at least three members, of which the external directors constituted a majority (on the date of discussion by the Committee). ☐ N/A (no discussion was held).			✓	
29.		During the reporting year, the terms of tenure and employment of all members of the Compensation Committee met the Companies Regulations (Rules on Compensation and Expenses for an External Director), 2000.			✓	
30.		During the reporting year, the following did not serve as a member of the Compensation Committee -			—	—
		a.	The controlling shareholder or his/her relative. ☐ N/A (the Corporation has no controlling shareholder).		✓	
		b.	The Chairman of the Board.		✓	
		c.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control.		✓	

		d.	A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis.	✓	
		e.	A director whose main source of income is the controlling shareholder. ☐ N/A (the Corporation has no controlling shareholder).	✓	
31.		During the reporting year, the controlling shareholder or his/her relative did not participate in meetings of the Compensation Committee, unless the chairman of the board determined that one of them was required to participate in order to present a specific topic.		✓	
32.	The Compensation Committee and Board of Directors did not exercise their power under Sections 267A(C), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or compensation policy, despite objection by the General Meeting. If your answer is “No”, please specify - The type of transaction approved as aforesaid: _____ The number of times in which their power was used during the reporting year: ____			✓	

INTERNAL AUDITOR			
		Yes	No
33.	The corporation's internal auditor reports to the corporation's chairman of the board or chief executive officer.	✓	
34.	The chairman of the board or audit committee have approved the work plan during the reporting year. In addition, specify the audit topics that the Chief Internal Auditor dealt with in the reporting year: _____ (check the appropriate box).	✓	
35.	The scope of the internal auditor's position in the corporation during the reporting year (in hours ²⁰): 29,950	_____	_____
	During the reporting year, a discussion was held (by the Audit Committee or Board of Directors) about the internal auditor's findings.	✓	
36.	The internal auditor is not an interested party in the corporation, a relative thereof, an independent auditor or anyone on his/her behalf and therefore has no material business relations with the corporation, its controlling shareholder, his/her relative or corporations under their control.	✓	

²⁰Including the no. of working hours dedicated to investees and audits held outside Israel, if any.

TRANSACTIONS WITH INTERESTED PARTIES

		Yes	No
37.	The controlling shareholder or his/her relative (including a company under his/her control) is not employed by the corporation or provides it with management services. If your answer is "No" (i.e., the controlling shareholder or his/her relative is employed by the corporation or provides it with management services, please specify - - The number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and/or through management companies): ____. - Were the employment agreements and/or management services as aforesaid approved by the organs prescribed by law: ☐ Yes ☐ No (Please check the appropriate box) ☐ N/A (the Corporation has no controlling shareholder) ____.	✓	
38.	To the best of the corporation's knowledge, the controlling shareholder has no additional businesses in the corporation's line of business (one or more lines). If your answer is "No - please indicate whether there is an arrangement in place to separate between the activities of the corporation and its controlling shareholder: ☐ Yes ☐ No (please check the appropriate box) N/A (the Corporation has no controlling shareholder).	✓ ₂₁	

Chairman of the Board:

Benjamin Gabbay

**Chairman of the Audit
Committee:**

Dr. Ehud Shapira

**Chairman of the Financial
Statements Review Committee:**

Rachel Levine

²¹The answer is for the State of Israel.

Part 6

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

Annual Report on Effectiveness of Control over Financial Reporting and Disclosure in accordance with Regulation 9B(a)

Management, under the supervision of the Board of Directors of The Phoenix Holdings Ltd. (hereinafter: the "Corporation"), and the management of The Phoenix Insurance Company Ltd., are responsible for establishing and maintaining adequate internal control over financial reporting and disclosure in the Corporation. For that purpose, members of the Corporation and The Phoenix Insurance's managements are as follows:

1. Eyal Ben Simon, Chief Executive Officer 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. Amit Netanel, Senior Vice President, Chief Risk Officer of the Company and The Phoenix Insurance.
10. Ron Shvili, Executive Vice President of The Phoenix Insurance, Chief Technology, Information Systems and Innovation Officer of The Phoenix Insurance.
11. Anat Cohen-Toledano, Executive Vice President at The Phoenix Insurance, Chief Actuary - Property and Casualty, The Phoenix Insurance.
12. Roman Reidman, Executive Vice President at The Phoenix Insurance, Chief Actuary - Life and Health.

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

Among other things, internal controls include controls and procedures planned to ensure that all information

that the Corporation is required to disclose as aforesaid is collected and transferred to the Corporation's management, including the chief executive officer and the most senior financial officer, or the equivalent acting officers, in order to allow decision making on a timely basis with respect to the disclosure requirements.

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

Management, under the supervision of the Corporation's Board of Directors, performed an examination and assessment of the Corporation's internal control over financial reporting and disclosure and their effectiveness; the assessment of the effectiveness of internal control over financial reporting and disclosure as performed by management under the supervision of the Board of Directors included the following:

Entity-level controls, controls on the process for compiling and closing the financial statements, general information technology controls (ITGC), and controls over processes which are highly material to financial reporting and disclosure (these processes are carried out within The Phoenix Insurance Company Ltd. and its subsidiaries, The Phoenix Pension and Provident Fund Ltd. - which are institutional entities to which the following provisions relating to institutional entities apply):

The Phoenix Insurance Ltd. and The Phoenix Pension and Provident Fund Ltd., subsidiaries of the Corporation, are institutional entities which are subject to the directives of the Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance regarding the assessment of the effectiveness of internal controls over financial reporting.

Regarding the said subsidiary, management - under the supervision of the Board of Directors - examined and assessed the internal control over financial reporting and the effectiveness thereof, based on Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Control over Financial Reporting"; 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".

Based on this assessment, the corporations' boards of directors and managements have concluded that the institutional entity's internal control over financial reporting as of December 31 2021 is effective.

Based on the assessment of effectiveness that was performed by management under the supervision of the Board of Directors as described above, the Corporation's Board of Directors and management have concluded that the Corporation's internal control over financial reporting and disclosure as of December 31 2021 is effective.

Certification

Statement of the Chief Executive Officer

I, Eyal Ben Simon, hereby certify that:

- (1) I have reviewed periodic report of The Phoenix Holdings Ltd. (hereinafter - the "Corporation") for 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.

March 28, 2022

Eyal Ben Simon, CEO

Certification

Statement of the Most Senior Financial Officer

I, Eli Schwartz, hereby certify that:

- (1) I have reviewed periodic report of The Phoenix Holdings Ltd. (hereinafter - the "Corporation") for 2021 (hereinafter – the "Reports" or the "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, alone or together with others in the Corporation, state that:
 - (a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
 - (b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.
 - (c) I have not been informed of any event or matter that occurred in the period between the most recent report date (quarterly or periodic, as the case may be) and the date of this Report, which may change the conclusion of the Board of Directors and management regarding the effectiveness of internal controls over the corporation's financial reporting and disclosure.

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

March 28, 2022

Eli Schwartz, EVP, CFO

Part 7

Appendices regarding to The Phoenix Insurance Company Ltd.

The Phoenix Insurance Company Ltd. Certification

I, Eyal Ben Simon, hereby certify that:

1. I have reviewed the annual report of The Phoenix Insurance Company Ltd. (hereinafter: the "Company") for the year 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 guidance 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 derogate from my responsibility or the responsibility of any other person, under any law.

March 28, 2022

Eyal Ben Simon, CEO

The Phoenix Insurance Company Ltd.

Certification

I, Eli Schwartz, hereby certify that:

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

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

March 28, 2022

Eli Schwartz, EVP, CFO

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

Report of the Board of Directors and Management on Internal Controls over Financial Reporting

Management, under the supervision of the Board of Directors of The Phoenix Insurance Company Ltd. (hereinafter - the "**Company**"), is responsible for establishing and maintaining adequate internal controls over financial reporting. The internal control system of the Company was designed to provide reasonable assurance to its Board of Directors and management with regard to the adequate preparation and presentation of financial statements published in accordance with International Financial Reporting Standards (IFRSs) and the directives of the Commissioner of the Capital Market, Insurance and Savings. Regardless of the quality of their planning, any internal control systems have inherent limitations. Therefore, even if these systems are found to be effective, they can only provide reasonable assurance as to the preparation and presentation of financial statements.

Management, under the supervision of the Board of Directors, maintains a comprehensive system of controls aimed at ensuring that transactions are executed in accordance with management's authorizations, that assets are protected, and that accounting records are reliable. Furthermore, management, under the supervision of the Board of Directors, takes measures to ensure that information and communication channels are effective and monitor performance, including the performance of internal control procedures.

The Company's management, under the supervision of the Board of Directors, assessed the effectiveness of the Company's internal controls over financial reporting as of December 31 2021, based on criteria set in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that as of December 31 2021, the Company's internal controls over financial reporting is effective.

Chairman of the Board of Directors **Benjamin Gabbay** _____

CEO **Eyal Ben Simon** _____

EVP, CFO: **Eli Schwartz** _____

Date of approval of the Report - March 28, 2022

Actuary's Statement - Life Insurance

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "Insurer") to examine the provisions for life insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "Provisions") as of December 31 2021, as described below.

To the best of my knowledge, I am not an interested party of the Insurer or a subsidiary or a related company thereof; I do not have business relations with an interested party of the Insurer nor with a family member thereof, nor with a subsidiary or a related company of the Insurer.

I have been a salaried employee of the Insurer since February 2019. I was appointed Supervising Actuary of the life insurance subsegment in December 2019.

Chapter B - Scope of the Actuarial Opinion

1 . Scope of the Actuarial Opinion

- A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for financial statements purposes. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the year to which the report relates and to previous years' data.
- B. Where necessary, my examination also relied on data received from reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.

- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
- 1) The provision calculated in respect of the ceded businesses is based on a calculation carried out by another actuary.
 - 2) I calculated the provision in respect of joint insurance in which the Company does not serve as the lead insurer in accordance with information received from the lead insurer.

2 . Data included in the section on the scope of the actuarial opinion

- A. The amounts of the provisions (gross and retention) are listed in the appendixes below:
- 1) Provision for contingent claims (claims that were incurred but not yet fully paid regardless of whether they were approved or not, excluding claims paid in the form of allowances, such as: permanent health insurance and income protection) and the direct expenses stemming therefrom, and excluding indirect expenses in respect of these claims (including IBNR reserve) -
Reserve for Unpaid Losses (Incurred but Unpaid Claims) and Unpaid Allocated and Unallocated Loss Adjustment Expenses (including IBNR)
 - 2) Provision (reserve) stemming from the terms of the life insurance contract, separately, including -
 - A) Reserve for plan with accrual;
 - B) Provision required where some of the premium collected in the early years of the contract is designated to provide coverage

at a later date, such as: provision in respect of fixed premium, insurability and continuity;

- 3) Reserve's portion in respect of claims being paid, including claims paid in the form of allowances, such as: permanent health insurance and income protection).
- 4) Supplement stemming from liability adequacy testing (LAT) - after examining the data, I concluded that a supplement is not required.
- 5) Other - additional provisions in accordance with the Commissioner's directives, such as: supplementing the reserve for policies with a guaranteed annuity conversion factor in accordance with Commissioner Circular 2013-1-2 (supplemental annuity reserve).

B. The effect of the below listed changes on the amounts of the provisions (gross and retention):

- 1) For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – no such adjustment was required.
- 2) For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected: a NIS 80 million decrease in reserves in the life insurance subsegment.

Chapter C - the Opinion

I hereby state and confirm that in the life insurance subsegment:

- 1 . I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
 - A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
 - B. The Commissioner's directives and guidance;
 - C. Generally accepted actuarial principles.
- 2 . After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
- 3 . I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
- 4 . To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of life insurance contracts, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

- 1 . Details about reserve types, interest rates, etc. are included in the notes to the financial statements.
- 2 . Exposure to future developments and changes - developments and changes may occur in the environment in which the Israeli life insurance industry operates due to regulatory changes, judicial decisions, technological developments and changes in social and environmental conditions. These factors cannot be predicted and may impact the final cost of the claims and consequently the actuarial assessment of the provisions.
- 3 . Statistical and actuarial uncertainty - the reserves calculated in respect of the insurance coverages are partly based on assumptions as to mortality and morbidity rates, which reflect the Company or reinsurers' past

experience. The calculations and models, including the work assumptions, were developed based on my understanding of the Company's current business environment, and in accordance with my assessment of the development of the Company's business environment and policyholders' future behavior. Therefore, it should be acknowledged that it is highly probable that the future business results will vary from those projected by the actuarial models for calculation of reserves.

- 4 . Adjustment of the appendices to the financial statements - the tables in the following appendixes were prepared in accordance with the Insurance Commissioner's directives, and the composition of the data presented therein is not necessarily consistent with the composition of the data presented in the Company's financial statements and the notes thereto.

- 5 . Material changes in actuarial assumptions and methods:

The following changes took place in the reporting period:

- A. During the reporting year, there was a change in discount rates that resulted in a NIS 20 million decrease in the life insurance reserves, which includes the application of the provisions of the consolidated circular titled regarding "Liabilities Measurement - Liquidity Premium" (hereinafter - the "Amendment") published by the Commissioner on February 17 2022. The Amendment's objective is to revise the method of estimating the illiquidity premium added to the risk-free interest.
- B. In the reporting year, the Company revised some of the assumptions it uses when calculating the reserves. The total effect of these changes amounted to an NIS 80 million decrease in reserves, of which approximately NIS 65 million is in respect of updating the uptake assumptions and distribution of pension tracks, and approximately NIS 15 million is in respect of updating other assumptions.

Attached

Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary
Risks - Gross

Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary
Risks - Retention

March 28, 2022	Supervising Actuary - Life Insurance	Mark Rabaev	
Date	Title	Actuary's name	Signature

Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross
Company: The Phoenix Insurance Company Ltd. as of December 31, 2021
(In NIS thousand)

		Total	Savings and mortality risk (classic, traditional)		Pure savings or the savings component in policies (Preferred, Track)		Pure mortality risk or mortality component in policy		Paid income protection	Long-term care		Other covers 1)
			Yield-dependent	Participating	Yield-dependent	Participating	Individual	Group		Individual	Group	
			1A	1B	2A	2B	3A	3B	4	5A	5B	6
1	Contingent claims	474,849	10,285	2,814	13,524	51,366	185,967	105,621	9,598			95,675
2	Reserve (total of lines 2a 1 to 6)	101,207,698	3,398,666	1,214,083	7,630,564	87,384,360	31,713	11,078	1,536,265	0	0	968
2A1	Policies which include a savings component (including appendices) by policy issuance date:	7,769,488	2,235,051		5,414,460	113,441	188		6,309			39
2A2		33,128,561		1,092,059		31,932,819	4,054		99,536			93
2A3		50,138,806		1,347		50,038,424	746		98,278			11
2A4		91,036,856	2,235,051	1,093,406	5,414,460	82,084,684	4,989	0	204,123	0	0	144
2B	Policies without a savings component	283,905					9,427	11,078	262,575			825
3	Percentage of reserve for paid claims	7,547,346	878,167	101,280	1,531,623	3,949,412	17,298		1,069,567			
4	Participating											
5	Supplement resulting from liability adequacy test											
6	Other	2,339,592	285,448	19,397	684,481	1,350,265						
7	Extraordinary risk reserve											

(1) Other coverages, including: disabilities, double indemnity, etc.

8A	Effect of adjusting provisions for new businesses											
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	-80,471	-9,816	-955	-7,453	-62,246					
8B2		Changes in methods										
8B3		Differences in premium rates										
8B4		Other changes										

Date:

28/03/2022

Title:

Supervising Actuary - Life Insurance

Actuary's name:

Mark Rabaev

Appendices relating to The Phoenix Insurance Company Ltd.



Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention
Company: The Phoenix Insurance Company Ltd. as of December 31, 2021
(In NIS thousand)

			Total	Savings and mortality risk (classic, traditional)		Pure savings or the savings component in policies (Preferred, Track)		Pure mortality risk or mortality risk component in policy		Paid protection income	Long-term care		Other covers 1)
				Yield-dependent	Participating	Yield-dependent	Participating	Individual	Group		Individual	Group	
					1A	1B	2A	2B	3A	3B	4	5A	5B
1	Contingent claims		463,193	10,218	2,746	13,508	50,730	185,270	102,624	9,598			88,499
2	Reserve (total of lines 2a 1 to 6)		101,027,989	3,397,317	1,214,020	7,630,417	87,382,394	21,159	11,078	1,370,635	0	0	968
2A1	Policies which include a savings component (including appendices) by policy issuance date:	Policies issued until 1990	7,769,047	2,235,051	5,414,460	113,441	188	5,868				39	
2A2		Policies issued between 1991 and 2003	33,122,958	1,091,996	31,932,819	4,046	94,003				93		
2A3		Policies issued after 2004	50,128,983	1,347	50,038,424	746	88,455				11		
2A4		Total (2a1 to 2a3)	91,020,988	2,235,051	1,093,343	5,414,460	82,084,684	4,981	0	188,326	0	0	144
2B	Policies without a savings component		267,143					9,417	11,078	245,823			825
3	Percentage of reserve for paid claims		7,400,266	876,817	101,280	1,531,476	3,947,446	6,761	0	936,486			
4	Participating												
5	Supplement resulting from liability adequacy test												
6	Other		2,339,592	285,448	19,397	684,481	1,350,265						
7	Extraordinary risk reserve												

(1) Other coverages, including: disabilities, double indemnity, etc.

8A	Effect of adjusting provisions for new businesses											
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	-80,471	-9,816	-955	-7,453	-62,246					
8B2		Changes in methods										
8B3		Differences in premium rates										
8B4		Other changes										

Date:

28/03/2022

Title:

Supervising Actuary - Life Insurance

Actuary's name:

Mark Rabaev

Appendix A - Statement of the Health Insurance Actuary

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "Insurer") to examine the provisions for health insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "Provisions") as of December 31 2021, as described below.

To the best of my knowledge, I do not have business relations with an interested party of the Insurer or a family member thereof, nor with a related company of the Insurer.

I have been a salaried employee of The Phoenix Group since May 2014 and was appointed Supervising Actuary - Health Insurance on April 6 2020.

Chapter B - Scope of the Actuarial Opinion

1 . Scope of the Actuarial Opinion

- A. To calculate the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for financial statements purposes. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the year to which the report relates and to previous years' data.
- B. Where necessary, my examination also relied on data received from reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidance and principles listed in Section 1 to Chapter C below.

- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
- 1) The Insurer has no ceded businesses in the segments which are the subject matter of this statement.
 - 2) The Insurer does not have joint insurance in which the Insurer is not the lead insurer in the segments which are the subject matter of this statement.

2 . Data included in the paragraph on the scope of the actuarial opinion

- A. The provision amount is detailed in the table below; all data are in thousands of shekels.

Type of provision	Businesses reporting in the health insurance segment			
	Individual policies		Group policies	
	Gross	Retention	Gross	Retention
Contingent claims	285,389	252,000	246,431	237,809
Indirect expenses	11,483	11,483	7,269	7,269
Insurance contracts T&C	608,485	435,440	7,082	7,082
Total	905,357	698,923	260,782	252,161

* The data do not include an unearned premium of NIS 63,456 thousand - gross and NIS 63,421 thousand - retention.

** The data do not include a provision for participating policies in the health insurance business in the amount of NIS 6,354 thousand.

*** The data include short-term provisions for the personal accident subsegment calculated by the Supervising Actuary of Property and Casualty Insurance, Ms. Anna Nahum.

- B. The effect of the below listed changes on the provisions -
- 1) For individual policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – was NIS 19,977 thousand - gross and NIS 17,437 thousand - retention.
 - 2) For individual policies which entered into force prior to the most recent annual financial statements - the provision was reduced following an update of the assumption regarding morbidity, cancellations and expenses. The amount of the reduction is NIS 227,336 thousand - gross and NIS 104,929 thousand - retention.
 - 3) For individual policies which entered into force prior to the most recent annual financial statements - the provision was increased following improvement of the actuarial models' data. The amount of the increase is NIS 46,297 thousand - gross and NIS 33,736 thousand - retention.

Chapter C - The Opinion

I hereby state and confirm that for the following health insurance subsegments: medical expenses, foreign workers, critical illness, personal accidents, sick leave, travel and dental:

- 1 . I examined the Insurer's provisions listed in Chapter B in accordance with the directives, guidance and principles set forth below, all in effect as of the financial statements date:
 - A. The Financial Services Supervision Law (Insurance), 1981;
 - B. Directives and guidance by the Commissioner of the Capital Market, Insurance and Savings;
 - C. Generally accepted actuarial principles.

- 2 . After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
- 3 . I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
- 4 . To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of health insurance contracts in the abovementioned health insurance subsegments, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

- 1 . Regarding the provisions for the short-term personal accident subsegments included in this statement, I relied on the work of the Property and Casualty Insurance Actuary - Ms. Anna Nahum - who reported the results, which I have checked solely for reasonableness.
- 2 . In any future calculation process related to both premiums and claims, there are statistical and other uncertainties. These uncertainties arise from possible changes in constitutional, legal, demographic or economic matters. I have relied on past experience and accepted actuarial methods and estimates; however, there is no guarantee that the real results will be similar to the forecast.
- 3 . During the reporting period, the following changes took place in the provisions listed in Chapter B above:
 - Revision of the morbidity assumption in the medical expenses subsegments for several key products. As a result, the reserve decreased by NIS 170,974 thousand - gross and by NIS 60,998 thousand - retention.
 - Revision of the cancellation rates in the medical expenses, critical illness and personal accidents subsegments. As a result, the reserve decreased by NIS 23,945 thousand - gross and by NIS 20,816 thousand - retention.

- Revision of the expenses in the medical expenses, critical illness and personal accidents subsegments. As a result, the reserve decreased by NIS 32,417 thousand - gross and by NIS 23,115 thousand - retention.
- Improvement of the data of the actuarial model in the medical expenses, critical illness and personal accidents subsegments. As a result, the reserve increased by NIS 46,297 thousand - gross and by NIS 33,736 thousand - retention.

March 28, 2022	Health Insurance Actuary	Luba Sharapov	
Date	Title	Actuary's name	Signature

Actuary's Statement - Long-Term Care Insurance

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "Insurer") to examine the provisions for long-term care insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "Provisions") as of December 31 2021, as described below.

To the best of my knowledge, I am not an interested party of the Insurer or a subsidiary or a related company thereof; I do not have business relations with an interested party of the Insurer nor with a family member thereof, nor with a subsidiary or a related company of the Insurer.

I have been a salaried employee of The Phoenix Group since May 2014 and was appointed Supervising Actuary on April 6 2020.

Chapter B - Scope of the Actuarial Opinion

1 . Scope of the Actuarial Opinion

- A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for financial statements purposes. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the year to which the report relates and to previous years' data.
- B. Where necessary, my examination also relied on data received from reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.

- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
 - 1) The provision for incoming business - the Company does not have incoming business in long-term care insurance.
 - 2) The provision in respect of joint insurance in which the Company does not serve as the lead insurer - the Company does not have joint long-term care insurance.

2 . Data included in the section on the scope of the actuarial opinion

- A. The amounts of the provisions (gross and retention) are listed in the appendixes below:
 - 1) Provision for contingent claims (claims that were incurred but not yet fully paid regardless of whether they were approved or not, excluding claims paid in the form of allowances, such as: long-term care, permanent health insurance and income protection) and the direct expenses stemming therefrom, and excluding indirect expenses in respect of these claims (including IBNR reserve).
 - 2) Provision (reserve) stemming from the terms of the life insurance contract, separately, including -
 - A. Reserve for plan with accrual;
 - B. Provision required where some of the premium collected in the early years of the contract is designated to provide coverage at a later date, such as: provision in respect of fixed premium, insurability and continuity;
 - 3) Reserve's portion in respect of claims being paid, including claims paid in the form of allowances, such as: long-term care, permanent health insurance and income protection).

- 4) Supplement resulting from the Liability Adequacy Test (long-term care LAT) - after the LAT, I came to the conclusion that a provision is needed to supplement the reserve. The provision was recorded in the Company's financial statements.
 - 5) Other - additional provisions according to the Commissioner's directives.
- B. The effect of the below listed changes on the amounts of the provisions (gross and retention):
- 1) For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – no such adjustment was required.
 - 2) For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected: a NIS 341 million increase in reserves at the long-term care subsegment - retention.

Chapter C - the Opinion

I hereby state and confirm that in the long-term care subsegment:

- 1 . I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
 - A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
 - B. The Commissioner's directives and guidance;
 - C. Generally accepted actuarial principles.
- 2 . After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.

- 3 . I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
- 4 . To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of life insurance contracts, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

- 1 . Details about reserve types, interest rates, etc. are included in the notes to the financial statements.
- 2 . Exposure to future developments and changes:
Changes and developments may occur in the environment in which the Israeli long-term care industry operates due to regulatory changes, judicial decisions, technological developments and changes in social and environmental conditions. These factors cannot be predicted and may impact the final cost of the claims and consequently the actuarial assessment of the provisions.
- 3 . Statistical and actuarial uncertainty:
The reserves calculated in respect of the insurance coverages are partly based on assumptions as to mortality and morbidity rates, which reflect the Company or reinsurers' past experience. The calculations and models, including the work assumptions, were developed based on my understanding of the Company's current business environment, and in accordance with my assessment of the development of the Company's business environment and policyholders' future behavior. Therefore, it should be acknowledged that it is highly probable that the future business results will vary from those projected by the actuarial models for calculation of reserves.
- 4 . Consistency between data in the appendices and financial statements data:
The tables in the following appendixes were prepared in accordance with the Commissioner's directives, and the composition of the data presented

therein is not necessarily consistent with the composition of the data presented in the Company's financial statements and the notes thereto.

5 . Material changes in actuarial assumptions and methods:

The following changes took place in the reporting period:

- A change in the discount rates used in calculating the reserves resulted in an increase in the long-term care insurance reserves by NIS 429 million - retention.
- A change in the liquidity premium rate in accordance with the Consolidated Amendment to Measure Liabilities - Illiquidity Premium", published on February 17, 2022, which reduced the long-term care insurance reserves by NIS 298 million - retention.
- A revision of the morbidity assumption resulted in an increase in long-term care insurance reserves in the amount of NIS 313 million - retention.
- A revision of the expenses assumption resulted in a decrease in long-term care insurance reserves in the amount of NIS 204 million - retention.
- A revision of the cancellations assumption resulted in an increase in long-term care insurance reserves in the amount of NIS 159 million - retention.
- Improvement of data and actuarial models resulted in an increase in long-term care insurance reserves in the amount of NIS 73 million - retention.

Attached

Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

March 28, 2022	Supervising actuary	Luba Sharapov	
Date	Title	Actuary's name	Signature

Form 12A - Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Company: The Phoenix Insurance Company Ltd. as of December 31 2021

(In NIS thousand)

			Total	Long-term care		Other covers 1) 6
				Individual	Group	
						5A
1	Contingent claims		0	0	0	
2	Reserve (total of lines 2a 1 to 6)		10,330,230	2,922,641	7,407,589	
2A1	Policies which include a savings component (including appendices) by policy issuance date:	Policies issued until 1990				
2A2		Policies issued between 1991 and 2003				
2A3		Policies issued after 2004				
2A4		Total (2a1 to 2a3)	0	0	0	
2B	Policies without a savings component		7,503,350	1,440,573	6,062,777	
3	Percentage of reserve for paid claims		1,594,549	294,506	1,300,043	
4	Participating					
5	Supplement resulting from liability adequacy test		1,232,331	1,187,562	44,769	
6	Other		0	0	0	
7	Extraordinary risk reserve					

(1) Other coverages, including: disabilities, double indemnity, etc.

8A	Effect of adjusting provisions for new businesses					
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	299,594	218,748	80,846	
8B2		Changes in methods				
8B3		Differences in premium rates				
8B4		Other changes	73,608	68,608	5,000	

Date:

28/03/2022

Title:

Supervising
actuary

Actuary's
name:

Luba
Sharapov

Form 12B - Contingent Claims, Reserve and Reserve for Extraordinary Risks
- Retention

Company: The Phoenix Insurance Company Ltd. as of December 31 2021

(In NIS thousand)

			Total	Long-term care		Other covers 1) 6
				Individual 5A	Group 5B	
1	Contingent claims		0	0	0	
2	Reserve (total of lines 2a 1 to 6)		10,083,484	2,852,682	7,230,802	
2A1	Policies which include a savings component (including appendices) by policy issuance date:	Policies issued until 1990				
2A2		Policies issued between 1991 and 2003				
2A3		Policies issued after 2004				
2A4		Total (2a1 to 2a3)	0	0	0	
2B	Policies without a savings component		7,461,254	1,429,418	6,031,837	
3	Percentage of reserve for paid claims		1,389,899	235,702	1,154,197	
4	Participating					
5	Supplement resulting from liability adequacy test		1,232,331	1,187,562	44,769	
6	Other		0			
7	Extraordinary risk reserve					

(1) Other coverages, including: disabilities, double indemnity, etc.

8A	Effect of adjusting provisions for new businesses					
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	267,876	218,748	49,128	
8B2		Changes in methods				
8B3		Differences in premium rates				
8B4		Other changes	73,608	68,608	5,000	

Date: 28/03/2022

Title: Supervising actuary

Actuary's name:

Luba Sharapov

Chapter A - Actuary's Statement - Property and Casualty Insurance

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "Insurer" or "The Phoenix") to examine the provisions listed in Chapter B below in the property and casualty insurance subsegments for the Insurer's financial statements (hereinafter - the "Provisions") as of December 31 2021, as described below.

I have been working as a salaried employee of The Phoenix - in the position of property and casualty insurance actuary - since July 10 2013.

To the best of my knowledge, I do not have business relations with an interested party of the Insurer or a family member thereof, nor with a related company of the Insurer.

Chapter B - Scope of the Actuarial Opinion

1. Wording of the scope of the actuarial opinion paragraph

- A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.
- B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed in Section 2 below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.

- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
- 1) The provision calculated in respect of the residual insurance arrangement (the "Pool") is based on a calculation carried out by the Pool.
 - 2) No actuarial reserve was calculated in respect of ceded businesses as defined in the Supervision of Insurance Business Regulations (Method of Calculation of Reserves for Future Claims in Property and Casualty Insurance), 1984.
 - 3) I calculated the provision in respect of joint insurance in which the Company does not serve as the lead insurer in accordance with information received from the lead insurer.
 - 4) I did not take into account the lack of correlation between the various subsegments for the purpose of writing down the total provision in respect of contingent claims for all subsegments included in my assessment. It should be noted that, in our assessment of the best practices, we have taken into account the lack of correlation between the various subsegments. This was done in accordance with Section 3(c) of the Commissioner's position - Best Practice for Calculation of Reserves in Property and Casualty Insurance.

2. Data included in the paragraph on the scope of the actuarial opinion

Set forth below is a breakdown of the required provisions (in NIS thousand):

The data are linked to the known index as of December 31 2021

	Gross	Retention
<u>Contingent claims</u>		
2.A.1) Compulsory motor insurance	2,533,341	1,484,107
Third-party	890,937	737,535
Employers	451,648	419,328
Professional liability	420,452	268,837
Product liability	77,976	61,561
Motor property	299,971	299,493
Comprehensive business	56,492	24,240
Comprehensive home	63,672	11,951
Total non-aggregated subsegments	4,794,489	3,307,052
Aggregated subsegments ²	179,898	16,243
Total non-aggregated and aggregated subsegments¹	4,974,387	3,323,295
2.A.2) Indirect expenses in respect of all of the Company's property and casualty subsegments	211,960	211,960
2.A.3) <u>Provision for the difference between the reserve for outstanding risks and the unearned premium at the retention level</u>		
Compulsory motor insurance	37,343	651
Motor property	54,600	54,600
Home	0	0
Total insurance liabilities in respect of insurance contracts included in the property and casualty segment calculated in accordance with actuarial assessment	5,278,290	3,590,506

¹ In view of the calculation method employed for the liability subsegments, the reserve to contingent claims also includes a provision for premium deficiency, if any.

² Aggregated subsegments - loss of property, mortgage banks, engineering and goods in consignment insurance.

Chapter C - The Opinion

I hereby declare and confirm that in the following subsegments, as defined in the Notice of the Commissioner of Insurance Business (Insurance Subsegments), 1985:

- A. Insurance pursuant to the Motor Insurance Ordinance [New Version], 1970 (Section 1(a)(9))
- B. Third-party liability insurance (Section 1(a)(14))
- C. Employers' liability insurance (Section 1(a)(7))
- D. Professional liability insurance (Section 1(a)(14))
- E. Product liability insurance (Section 1(a)(22))
- F. Motor insurance - property (Section 1(a)(9))
- G. Comprehensive business insurance (Section 1(a)(12)),
- H. Agricultural insurance, excluding natural hazards insurance in agriculture (Section 1(a)(17))
- I. Comprehensive home insurance, including mortgage banks (Section 1(a)(12))
- J. Loss of property insurance (Section 1(a)(15))
- K. Engineering insurance (Section 1(a)(18))

1 . I examined the Insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:

- A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
- B. The Commissioner's directives and guidelines;
- C. The Commissioner's position on calculation of reserves in property and casualty insurance
- D. Generally accepted actuarial principles

2 . After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my assessment.

- 3 . I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidelines and principles specified above.
- 4 . To the best of my knowledge, the provisions listed in Chapter B, Section 2.a.1)(a) in respect of the non-aggregated subsegments (compulsory motor, third party, employers' liability, professional liability, product liability, motor property, comprehensive businesses and home) form an adequate reserve for covering the Insurer's liabilities in respect of the contingent claims defined above, for each separately-listed subsegment, in effect as of the financial statements date.
- 5 . To the best of my knowledge, the total amount of the provisions specified in Chapter B, Section 2.a.1) form an adequate reserve for covering the Insurer's liabilities in respect of the contingent claims, in all aggregated and non-aggregated subsegments, in effect as of the financial statements date.
- 6 . To the best of my knowledge, the provision specified in Chapter B, Section 2.a.2) forms an adequate reserve for covering the Insurer's liabilities in respect of indirect expenses to settle the claims, in effect as of the financial statements date.
- 7 . To the best of my knowledge, the provisions specified in Chapter B, Section 2.a.3) form an adequate reserve for covering the Insurer's liabilities in respect of any difference between the unexpired risk reserve and the unearned premium (retention), in effect as of the financial statements date.

Chapter D - Comments and Clarifications

- 1 . The calculation of the cost of contingent claims is based on actuarial assessments which are inherently uncertain. Therefore, even if the claims' distribution remains unchanged, the final cost of the claims may differ from the actuarial assessment. Furthermore, unpredictable changes may occur in connection with risks, environmental factors, case law and precedents. The actual cost of the claims may be higher or lower. Therefore, this assessment may increase or decrease over time.

- 2 . When calculating the reserves, we have taken into account the variance of claim payments' development (which is inevitable) as well as the projected payment period (for discounting purposes). The calculation methods and material assumptions are identical to those used in calculations in the previous year.
- 3 . In October 2017, an amendment to the National Insurance (Capitalization) Regulations, 1978, came into force, which provides for the calculation of allowances paid by the National Insurance Institute for those injured in work accidents, and the manner in which those allowances are discounted. Under the regulations, the life expectancy component shall be based on schedules published by the Central Bureau of Statistics; the discount rate will be updated every four years, and the manner of its calculation is determined provided that the rate of change is not higher than 1% (and the interest rate shall not be less than 0%). The interest rate according to the regulations is 2% (instead of the previous rate 3%). The regulations gave rise to a discrepancy in court rulings in connection with the discount rate of claims for compensation for bodily injury paid by insurance companies to injured Policyholders, and an appeal was filed to the Supreme Court on that matter (Civil Appeal 3571/17 Israel Motor Insurance Database (the Pool) vs. John Doe), in order to decide on this issue. On August 8 2019, the Supreme Court issued a judgment in the said appeal to the effect that the discount rate shall be 3% (hereinafter - the "Judgment"). In addition, the Judgment states that until a legislative amendments are made, the discount interest rate may be changed in accordance with a two-year test mechanism as set out in the Judgment.

On September 17, 2020, the Supreme Court issued a judgment on an appeal filed by National Insurance Institute against Megilot Dead Sea Regional Council; the said judgment stipulates that the court's Judgment whereby the subrogation claims will be discounted at a rate of 3% rather than 2% supersedes the Discounting Regulations and bind National Insurance Institute.

- 4 . In March 2018, the 2019 Economic Plan adopted the government's decision to change the accounting mechanism pursuant to Section 328 of the National Insurance Law [Combined Version], 1995 between the National Insurance Institute and the insurance companies regarding road accidents. According to this decision, the individual right of subrogation available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law for road accidents will be revoked and, as a result, the agreements signed to regulate this right will be terminated. In lieu of this right of subrogation, an overall settlement arrangement will be established, under which a fixed amount will be transferred from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. The amendment's effective date, if any, is January 1 2019.

In addition, the liability of insurance companies will also be regulated in respect of road accidents that occurred between January 1 2014 through December 31 2018 and in respect of which no claims or demands have been filed yet. After negotiations between the insurance companies and the National Insurance Institute, in July 2021 an agreement was signed with the National Insurance Institute, which replaces the overall netting mechanism set in the Economic Efficiency Law, 2019. In accordance with this agreement, the insurers will transfer to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022. The netting with the National Insurance Institute in respect of road accidents that took place in those years shall be carried out in accordance in agreements in place with each company, and the amounts payable shall be offset against the advance.

It was further agreed that in respect of road accidents that will occur in 2023-2024, insurers will transfer to the National Insurance Institute 10% of the insurance premiums that will be collected in each of the years; in respect of road accidents that will occur in 2025 and thereafter, the percentage will increase to 10.95% in lieu of the National Insurance Institute's right to bring a restitutionary claim against an insurer that is liable to payment in respect of damage.

The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter F (Part B): Regulation of a Netting Mechanism Due to Road Accidents between the National Insurance Institute and the Insurance Companies, was published in November 2021. The said agreements regarding the future netting with the National Insurance Institute were enshrined in the said law.

- 5 . As from its 2015 financial statements, and in line with the Commissioner's directives, The Phoenix adopted the Commissioner's Position - Best Practice for Calculating Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes. Under the position, an "adequate reserve to cover the insurer's liabilities" was calculated, which signifies that it is fairly likely that the insurance liability set will be sufficient to cover the Insurer's liabilities. In the case of contingent claims in the compulsory motor and liability subsegments, the position requires that the estimate of "fairly likely" shall mean a probability at least 75%.

The assessment process including establishing both the random risk and the systemic risk. The assessment of the random risk was made using generally accepted stochastic methods and models. On the other hand, systemic risks do not have a clear statistical structure, and therefore, we recognize that analysis of historical data alone cannot capture future uncertainty; thus, the actuary is required to exercise professional judgment. If the reserve meets the "fairly likely" criterion, the assessments remain unchanged; if the

reserve does not meet the said criterion, we would have been required to supplement the reserve.

The discount rate appropriate for the prudence test is based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities. Furthermore, in this valuation we have taken into account the effect of non-marketable assets against the liabilities.

Since a valuation based on best practice is a relatively new method, it should be noted that the model's results may change in the future, based on developments and experience gained.

- 6 . A provision in respect of agricultural insurance, excluding natural hazards insurance, is included in the business subsegment. In the following subsegments: aircraft and marine vessel insurance, including third-party liability insurance, Sale Law guarantees, ceded businesses, other risks and marine freight insurance, no actuarial valuation was carried out in respect of contingent claims due to lack of statistical significance. Total contingent claims in these subsegments constitutes approx. 0.9% of the reserve for contingent claims (retention).

March 28, 2022	Actuary for Property and Casualty Insurance	Anna Nahum	
Date	Title	Actuary's name	Signature